

**SUMMARY OF MAJOR CHANGES TO
DOD 7000.14-R, VOLUME 5, CHAPTER 29
“COLLECTION OF OUT-OF-SERVICE DEBTS”**

All changes are denoted by blue font

Substantive revisions are denoted by a ★ preceding the section,
paragraph, table, or figure that includes the revision

Hyperlinks are denoted by underlined, bold, italic, blue fonts

PARA	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Reworded and reformatted chapter for clarity.	Update
All	Added electronic links.	Add
290104	Added guidance on establishing internal controls.	Add
290202.A	Added guidance on Debt Collection Office.	Add
290202.A.4	Changed “dollar threshold (presently \$225)” to “\$225 or greater”, added requirement to combine individual debts under \$225, and changed timeframe for referring debts to DCMO to 60 days from payment due date.	Update
290202.A.5.1	Added requirement to include copy of DD Form 2481 (Request for Recovery of Debt Due the United States by Salary Offset) in debt case file.	Add
290202.A.10	Added requirement for Debt Collection Offices to maintain information regarding witness and physical evidence for payroll debts involving fraud and all non-payroll debts.	Add
290202.B.6	Added requirement for DCMO to provide periodic feedback to DoD Components upon request.	Add
Figure 29-1	Renumbered as Figure 29-2 and added two notes. One in reference to accruing and assessing interest and the other stating that debts will be reported to credit bureaus no earlier than 60 days after notification to debtor of intent to report debt to credit bureau.	Update
Figure 29-2	Renumbered as Figure 29-1	Update

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CHAPTER 29

COLLECTION OF INDIVIDUAL OUT-OF-SERVICE DEBTS2901 APPLICABILITY

290101. General. Policies in this chapter apply to individual out-of-service debts referred by Department of Defense (DoD) Component Debt Collection Offices (DCOs) to the Defense Finance and Accounting Service (DFAS), Debt and Claims Management Office (DCMO). DCMO operates and maintains the Defense Debt Management System (DDMS) to provide centralized, cost-effective, automated debt management and collection assistance for delinquent debts owed to DoD by individuals who currently are not paid by DoD. DCMO shall comply with the "Federal Claims Collection Act of 1966", as amended, (Title 31, United States Code, Sections 3701-3720E (31 U.S.C. 3701-3720E)-3720E) and all applicable laws and regulations, including the "Federal Claims Collection Standards (FCCS)" (31 Code of Federal Regulations (C.F.R.) Parts 900-904).

290102. Exclusions. This chapter does not apply to collection of debts owed by contractors, sovereign entities, or nonappropriated fund instrumentalities; or to the collection of child support, alimony, or commercial debts from the pay of DoD civilian employees or military members. Refer to Chapter 28, Table 28-1 of this volume to determine the applicable volume and chapter in this Regulation for guidance on collection of debts not covered by this chapter.

290103. Obtaining Service from DCMO. DoD Components not supported by DFAS may obtain debt collection services from DCMO. The DoD Component and DCMO shall document the services to be provided using a Support Agreement (DD Form 1144).

★ 290104. Internal Controls. DCOs and DCMO will establish and maintain internal controls to ensure debts owed to DoD are aggressively managed and collected in accordance with this chapter and other applicable regulatory and statutory requirements.

2902 COLLECTION AND PROCESSING OF INDIVIDUAL OUT-OF-SERVICE DEBTS

290201. Incidence of Individual Out-of-Service Debts. Individual out-of-service indebtedness occurs when the debtor is not receiving salary or other payments from DoD that can be offset to collect existing debt owed to DoD. Individual out-of-service debts may arise from overpayments, erroneous payments, indebtedness by the public for use of DoD's facilities or services, or indebtedness by individuals previously serving in or employed by a DoD Component.

290202. Individual Out-of-Service Debt Collection Procedures

★ A. DCO Responsibilities. The DCO is the office responsible for initial debt collection and due process actions. The DCO may be part of the DoD Component's supporting accounting office or a separate organizational element within the DoD Component. For purposes of this chapter, the DCO and DCMO are separate operations. The DCO will:

1. Issue the initial bill, invoice, notice, or demand letter to the debtor and take appropriate follow-up action. Only one demand letter is required, however, DCOs may issue additional follow-up notices to the debtor as deemed appropriate. See [Chapter 28 of this volume](#) for general guidance on due process requirements and collection actions for individual indebtedness.

2. Complete any previously initiated actions such as reclamation, appeal, litigation, or foreclosure before referring delinquent individual out-of-service debts to DCMO.

3. Research and verify the military or civilian status of debtors to ensure that only eligible individual out-of-service debts are referred to DCMO.

★ 4. Refer delinquent individual out-of-service debts that are \$225 or greater to DCMO no later than 60 days after the payment due date when the DCO has not been able to collect the debt or establish a repayment schedule. If an individual has multiple debts all under \$225; then consolidate the debts and refer them to DCMO as one debt package.

5. Use a transmittal letter to control referral of eligible debts to DCMO and to ensure that the debts are received by DCMO. Prepare the transmittal letter in duplicate and send it to DCMO, DFAS-IN, Department 3300 (ATTN: Debt Establishment), 8899 E. 56th Street, Indianapolis, IN 46249-3300, as required, but no less frequently than weekly. Identify on the transmittal letter all attached debt case files by name, social security number and amount. Include the name, email address, and telephone number for the DCO point of contact and the name and location of the office accountable for the debt. Attach a copy of all documentation and background material in the debt case files. Documentation includes:

- a. A copy of the original bill or other demand for payment.
- ★ b. The original debt principal amount with complete accounting classification and fiscal year to be credited with any collections. Include a copy of the original disbursement voucher when the debt is the result of a previous payment.
- c. The date the debt became known.
- d. The date the debt was due.
- e. The amount of accrued interest, administrative charges, and penalty fees.
- f. Copies of any follow-up correspondence.
- ★ g. Amounts and dates of any prior collections (and the accounting classification credited). Include a copy of the collection voucher when the collection was not processed through salary offset.

- h. The debtor's branch of service or agency where formerly employed.
- i. The debtor's, sponsor's, or beneficiary's social security number.
- j. Military status and date of separation for members or employees whose period of service or employment ended with indebtedness.
- k. Copy of [DD Form 139 \(Pay Adjustment Authorization\)](#), if available.

★ l. Copy of [DD Form 2481 \(Request for Recovery of Debt Due the United States by Salary Offset\)](#), if available.

n. Any other relevant [documentation or information](#) regarding the debt.

6. Include in each transmittal package a statement certifying that the amounts of the debts [being referred](#) are correct and that the debts are delinquent, valid, and legally enforceable. [DCOs referring debts electronically will also submit a certification statement. See Figure 29-1 for a sample certification statement.](#)

7. Assign a unique 9-digit transmittal number to each transmittal letter. [Create transmittal numbers using the date of the transmittal letter and the number of the transmittal letter on that date. Express the date of the transmittal letter using the calendar year and Julian date. The Julian date is the date expressed as a sequential day of the calendar year instead of the date being expressed as the month, day and year. For example, transmittal number 200808801 is the transmittal number for the first transmittal for March 28, 2008. The first four characters, 2008, refer to the calendar year, 088 is the 88th day of 2008 \(March 28th\) and 01 designates that this is the first transmittal letter for March 28th. If multiple DCOs at a single DoD Component location refer debts to DCMO, then the DoD Component shall implement procedures to ensure that transmittal letter numbers are not duplicated at that location. The DoD Component shall accomplish this using a central transmittal letter number control log or other similar method derived by date. Numbers will be unique within a location regardless of how many DCOs at that location refer debts to DCMO.](#)

8. [Correct any defects in debt packages returned by DCMO for correction/additional action and send the debt back to DCMO using a new transmittal number. The DCO will not send the debt back to DCMO using copies of the original transmittal letters.](#)

9. [Coordinate with their supporting accounting office to ensure that accountability for the referred debts is removed from its records in accordance with procedures in \[Volume 4, Chapter 3\]\(#\) of this Regulation upon receipt of the duplicate copy of the transmittal letter.](#)

★ 10. Maintain names, official addresses, and contact information for all witnesses to the events leading to the debt and copies of and location of physical evidence (documentation and other evidence) relating to the debt for payroll debts involving fraud, misrepresentation, or credibility and for all non-payroll debts. This information is necessary in the event that the debt must be referred to the Department of Justice for litigation.

11. Follow-up with DCMO to obtain the status of the referred debt when 60 days have elapsed from receipt of the duplicate copy of the transmittal letter and no additional information has been received.

12. Mail payments received from a debtor after the debt was referred to DCMO to DCMO, DFAS-IN, Department 3300 (ATTN: Debt Establishment), 8899 E. 56th Street, Indianapolis, IN 46249-3300. Include the debtor's name and social security number so the proper account can be credited.

B. DCMO Responsibilities. The DCMO will:

1. Assist DCOs in the centralized management of debts, including automated, centralized processing, referral, reporting and accounting of debts.

2. Return uncollectible debts, debts requiring additional DCO collection action, and debts with incomplete documentation to the DCO with an explanation of the reason for the return.

3. Determine the effective date for entering the debts into DDMS, annotate the effective date on the duplicate copy of the transmittal letter, and return it to the DCO.

4. Pursue collection action once debts are entered in DDMS. Actions include servicing, collecting, compromising, suspending, or terminating collection. A general overview of the individual out-of-service delinquent debt collection steps is illustrated in Figure 29-2. The procedures include referring delinquent debts to private collection agencies for collection, reporting to credit bureaus, and referring uncollectible delinquent debts to the Department of the Treasury Offset Program and to the Department of Justice (DOJ) for possible litigation. Timelines indicated in Figure 29-2 are based on the date that the debt is first referred to DCMO and do not reflect the actual age of the debt. In the case of deceased debtors, DCMO uses DD Form 2840 (Request for Information Regarding Deceased Debtor) to seek information from state probate courts concerning the establishment of an estate and pursues collection of the indebtedness in this manner.

5. Provide the data recorded in DDMS monthly to DFAS departmental accounting offices.

★ 6. Upon request, provide feedback regarding status of debt collection to the applicable DoD Component.

C. DFAS Department Accounting Offices. DFAS departmental accounting offices shall use DDMS to establish and maintain accountability at the departmental level for all debts referred to DCMO. DFAS departmental accounting offices will report the transfer-out and transfer-in of these debts on Part I, Section A, Line 5.A, “Reclassified/Adjusted Amounts” on the Treasury Report on Receivables (TROR) and provide the required footnote. See Volume 4, Chapter 3 of this Regulation for specific reporting requirements.

290203. Collection Assistance for Military Pay System-Generated Individual Out-of-Service Debts. Uncollectible debts on the Master Military Pay Account (MMPA) for Active Component (AC) and Reserve Component (RC) service members due upon separation or retirement, as well as debts for offset from retired pay, or annuitant pay periodically are systemically referred to DCMO. Once these system-generated debts are entered in DDMS, they are treated the same as collection action(s) taken on installation-generated debts. Defense Retiree and Annuitant Pay System (DRAS) debts are created when payments are made after the entitlement has ended. Those debts are transferred each month by an interface between DRAS and DDMS.

DEBT CERTIFICATION STATEMENT

Pursuant to [Title 28, United States Code, Section 1746](#), I certify under the penalty of perjury that to the best of my knowledge and belief that the debts submitted herewith are delinquent, valid and legally enforceable in the amounts stated. The debts are not subject to any circumstances that legally preclude or bar collection, including collection by offset. Records available do not show that any debtor owing a debt has filed for bankruptcy protection.

Date

Signature of Debt Certifying Official

Print Name: _____

Title: _____

Office Symbol: _____

PREPARATION AND SUBMISSION INSTRUCTIONS

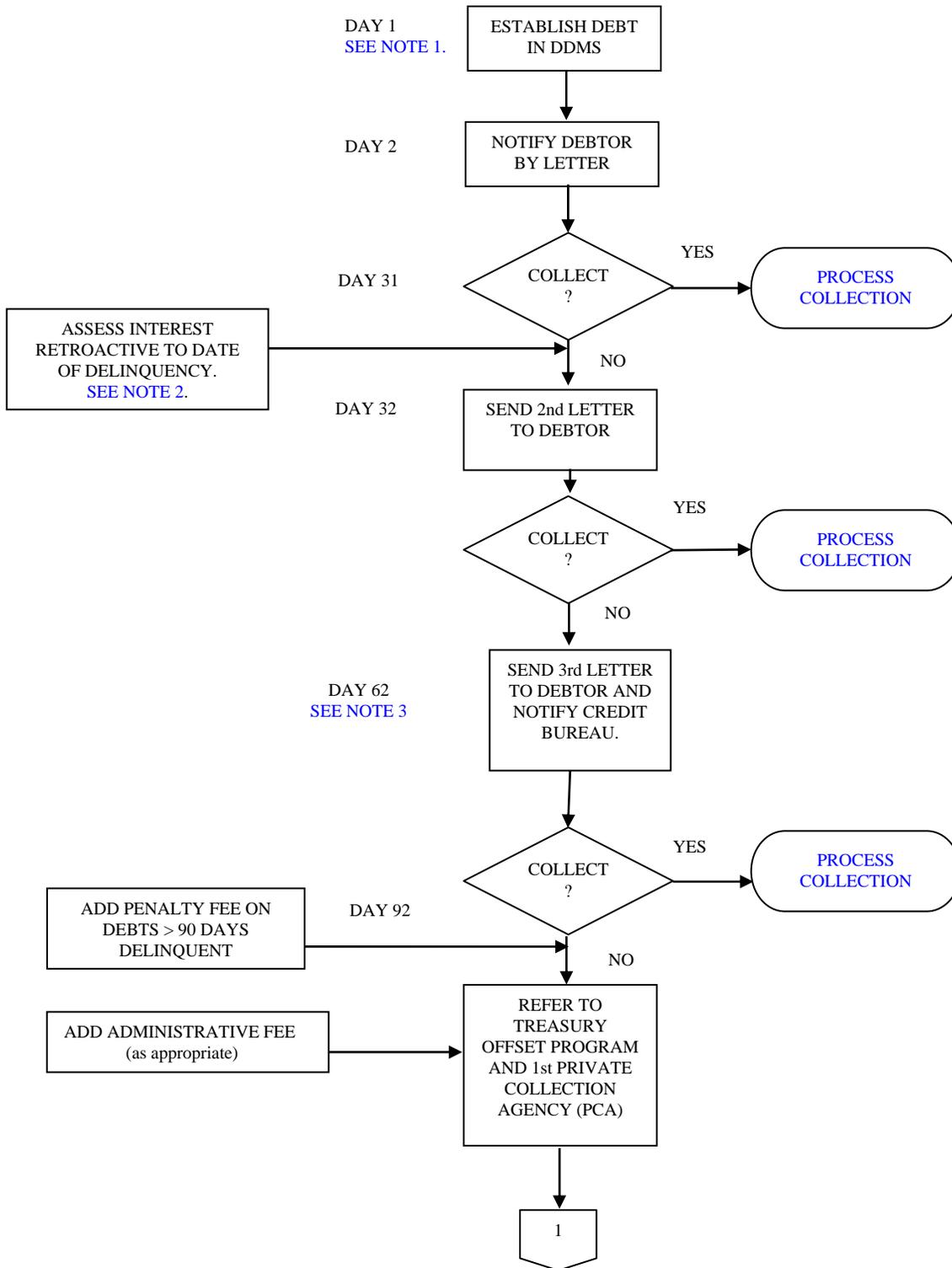
REQUIRED SIGNATORY: The submitting office's director, deputy director, or designee.

MANUAL DEBT SUBMISSION: Prepare and send a copy of the Certification Statement along with each manual submission of debts.

ELECTRONIC DEBT SUBMISSION: Prepare and mail a copy of the Certification Statement to cover the electronic submission of debts to: [DCMO, DFAS-IN, Department 3300 \(ATTN: Debt Establishment\), 8899 E. 56th Street, Indianapolis, IN 46249-3300](#). Prepare and mail a new Certification Statement whenever the signatory changes. For those periodic electronic debt submissions when it is not necessary to reissue and mail a paper copy Certification Statement (i.e., no change in signatory), e-mail the Certification Statement to cover the electronically transmitted debts. Contact [DCMO](#) to obtain the current e-mail address for submission of e-mailed certifications.

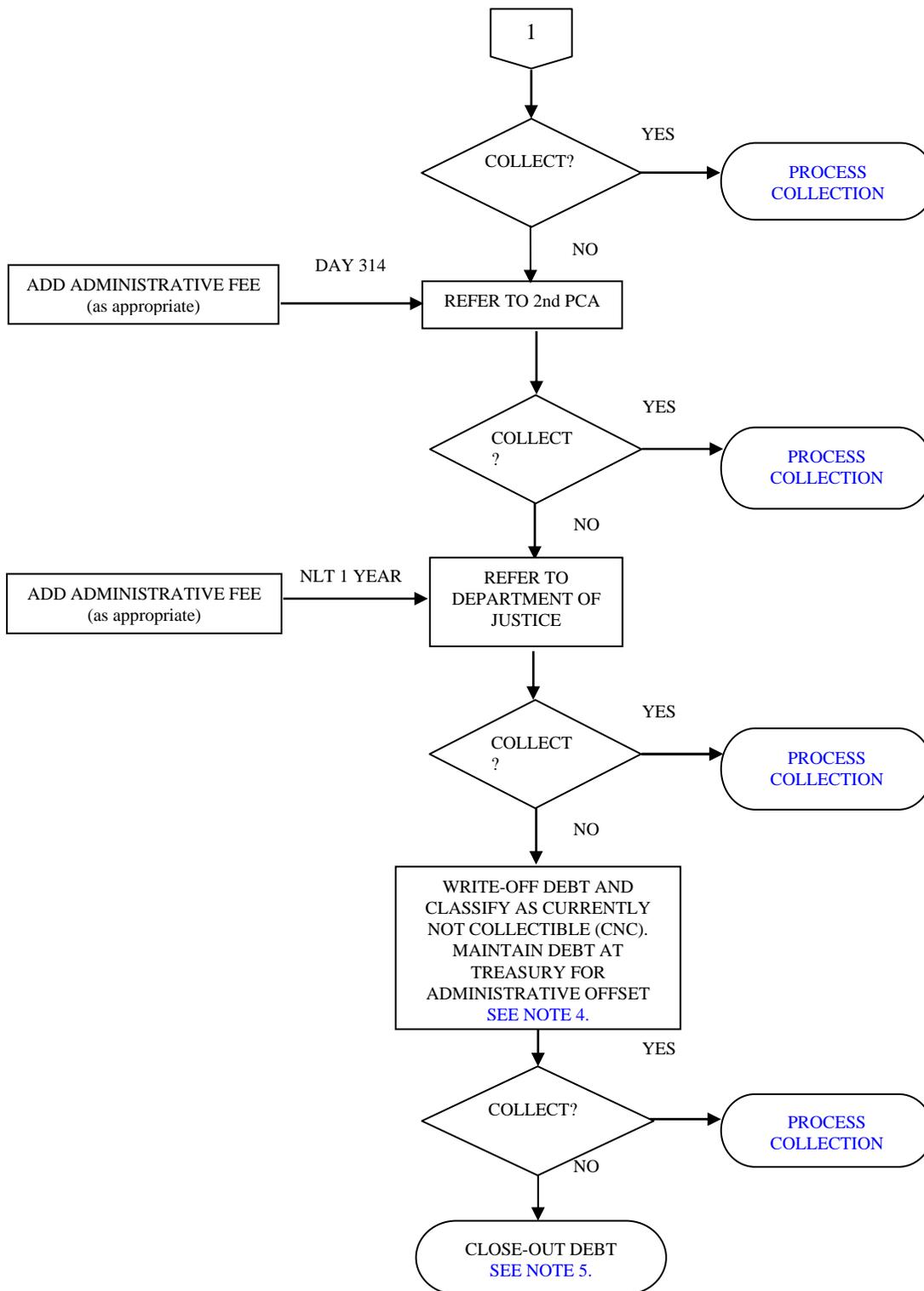
★ Figure 29-1

DDMS DEBT PROCESSING STEPS



★ Figure 29-2

DDMS DEBT PROCESSING STEPS



★ Figure 29-2 continued

DDMS DEBT PROCESSING STEPS

NOTE:

1. The number of days depicted in this chart reflects the approximate number of days that a debt has been recorded in DDMS.
2. Interest is accrued and assessed monthly throughout the life of a delinquent debt.
3. Debts are reported to credit bureaus no earlier than 60 days from date debtor is notified of the intention to report the debt to a credit bureau. DCMO includes this notice in the initial letter to the debtor (Day 2).
4. See Volume 4, Chapter 3 of this Regulation for guidance on write-off and classification of debt as CNC. The statute of limitation for offsets is 10 years after the right to collect the debt first accrued.
5. See Volume 4, Chapter 3 of this Regulation for guidance on close-out of debts.

★ Figure 29-2 continued