

VOLUME 8, CHAPTER 8: “UNDERPAYMENTS AND INDEBTEDNESS”**SUMMARY OF MAJOR CHANGES**

All changes are denoted by [blue font](#).

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

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by [bold, italic, blue and underlined font](#).

The previous version dated September 2008 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
0801	Updated information regarding Underpayments.	Update
0802	Updated information for clarity on Routine Adjustments and Salary Offset under 5 United States Code (USC) 5514 and Administrative Offset under 31 USC 3716.	Update
080201	Added the Authority to collect debts due the United States from previous Chapter 4, section 0411.	Add
0803	Updated information pertaining to the Authority to Collect Debts Due to Underdeduction of Federal Employee Health Benefits (FEHB) and Federal Employee Group Life Insurance (FEGLI) Premiums.	Update
0804	Updated information pertaining to Due Process Procedures.	Update
080403.B	Added information pertaining to Processing an Unacceptable Voluntary Repayment Agreement.	Add
080404	Updated information pertaining to Hearings, Submission of Petition, and Conducting the Hearing.	Update
080504	Deleted information pertaining to the Payroll Office notifying the employee when collecting debts due to shipment of personal property.	Delete
080508	Added information on Other Waiver Authority.	Add
0806	Updated information for clarity on Voluntary and Involuntary Repayments.	Update
0807	Updated information pertaining to Recovery of Overpayments When Employees Transfer within Department of Defense (DoD) and Transfer to a Non-DoD Agency.	Update

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
080812	Updated information pertaining to the Offset of Civilian Pay for Employees Receiving Military Pay as a Reserve or National Guard Member for Duty to Aid Law Enforcement.	Update
080902	Updated the Travel Charge Card contractor salary offset procedures.	Update
081002	Added section on Child Support and Alimony Garnishments from previous Chapter 4, section 0412.	Add
081003	Added section on Commercial Garnishments from previous Chapter 4, section 0412.	Add
0811	Added section on Bankruptcies from previous Chapter 4, section 0413.	Add
0812	Added section on Tax Levy for Unpaid Federal Income Tax from previous Chapter 4, section 0418.	Add
Figure 8-1	Updated Sample Debt Notification.	Update
Figure 8-2 Figure 8-3	Deleted previous version of Figure 8-2 and Figures 8-3.	Delete
Figure 8-2	Added Figure 8-2 (Enclosure 1 to Debt Notification – Collection of Your Debt).	Add
Figure 8-3	Added Figure 8-3 (Enclosure 2 to Debt Notification – Requesting a Hearing).	Add
Figure 8-4	Added Figure 8-4 (Enclosure 3 to Debt Notification – Requesting a Waiver).	Add
Figure 8-5	Renumbered previous Figure 8-4 (Sample Voluntary Repayment Agreement for Civilian Payroll Indebtedness).	Update
Figure 8-6	Added Figure 8-6 (Sample Format – Reconsideration Results Letter).	Add
Figure 8-7	Renumbered and updated information on previous Figure 8-5 (Checklist for Hearing on Overpayment of Civilian Pay and/or Allowances).	Update
Figure 8-8	Renumbered and updated information on previous Figure 8-6 (Sample Post-Hearing Notification).	Update
Figure 8-8	Deleted previous version of Figure 8-8 (Travel Charge Card Contractor's 90-day Letter).	Delete

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
Figure 8-9	Renumbered previous Figure 8-7 (Sample Format – Refund of Prior Year Salary Overpayment).	Update
Figure 8-9 Figure 8-10	Deleted previous version of Figure 8-9 (Information Concerning Petition for Hearing) and Figure 8-10 (Sample Petition for Hearing Request).	Delete
Table 8-1	Deleted Table 8-1 (Current and Prior Year Pay Correction Table).	Delete

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CHAPTER 8

UNDERPAYMENTS AND INDEBTEDNESS

0801 UNDERPAYMENTS

080101. General

Salary underpayments to civilian employees or former employees resulting from errors (such as in computing the federal withholding tax, retirement deductions, Social Security/Medicare tax, rate of pay, or in reporting time and attendance) shall be corrected by increasing or decreasing the pay factors affected on the first payroll prepared after the error is discovered. Salary payments to civilian employees will be in accordance with the time and attendance reported and certified by the employee's supervisor. The reported time and attendance which is less than an employee's normal work schedule is presumed to accurately reflect the employee's hours of work and non-work. Employees or former employees may follow the claims procedures prescribed in this chapter if they believe the pay due them was not been credited to their account.

*080102. Special Payments

Special payments made to civilian employees are to correct salary underpayments. Special payments are payments made to employees other than through normal payroll processing. [Since the issuance of a special payment is an off-line process and employees do not receive a regular leave and earnings statement \(LES\), the civilian payroll office \(PRO\) must provide the employee with information regarding the effect of the special payment. A subsequent LES will reflect the information pertaining to the gross amount of the special pay and all applicable deductions upon processing the special pay through the Defense Civilian Pay System \(DCPS\). PROs will report special salary payments on the Department of Defense \(DD\) Form 592 \(Payroll for Personal Services Certification and Summary\). A beneficiary of a deceased employee under \[5 United States Code \\(U.S.C.\\) 5582\]\(#\) may also receive a special payment.](#)

A. Guidelines for Special Payments. When the employee has received less than 90 percent of his or her regular biweekly pay and allowances, process a special payment to correct the salary underpayment. The PRO Directors may waive the 90 percent rule for making special payments when extenuating circumstances exist. [Authorization for a special payment](#) will be for the following reasons:

1. Upon request, when making payments to a beneficiary of a deceased employee under 5 U.S.C. 5582;
2. To employees who are erroneously omitted from the payroll;
3. To employees who are paid for less than 90 percent of their regular biweekly pay and allowances when a special payment is requested by the commanding officer/director of the employing activity; or

4. To employees placed in a Leave Without Pay (LWOP) status for payroll processing, and whose LWOP has been approved for conversion to advanced annual, sick, and/or donated leave. The commanding officer/director, after reviewing each case for hardship, may request a special payment for employees provided the employee meets the 90 percent guideline.

B. Partial Payments. PRO will not honor a request for partial payment of salary before the regular payday.

*C. Special Payments of Premium Pay. PRO will not process a request for special payments for overtime or other premium pay earned but not reported (and, therefore, not paid in the corresponding pay period). However, authorization for a special payment for other reasons will include any unpaid premium pay for the corresponding pay period in the special payment.

*D. Disbursements of Special Payments. Employees shall receive special payment disbursements in the same manner as they receive their net pay; typically by using an electronic funds transfer (EFT). If the employee has received a waiver of the EFT requirement for payroll disbursements, then the employee will receive a Treasury check via express mail to the employee's address of record. Release of payment will normally be by the close of business on the workday following PRO's receipt of any documentation required to substantiate payment. Beneficiaries shall receive payments via Treasury check to the address of record. The following documentation for special payments is required:

1. Special Payments to Beneficiaries. Beneficiaries of deceased employees may request a special payment by sending a letter to PRO stating the need for payment is to defray expenses. PRO shall issue the special payment if they receive sufficient documentation to support the claim from the human resources organization (HRO). PRO must forward a payment voucher and the beneficiary's request to the disbursing office for payment.

2. Erroneous Omission from Payroll. If an employee is erroneously omitted from the payroll, a Standard Form (SF) 50 (Notification of Personnel Action) should be used to verify the individual's employment. Before the special payment is processed, PRO shall obtain a copy of the employee's certified time and attendance report, a request by the commanding officer/director for special payment, and any necessary source documents to support deductions.

3. Biweekly Payment of Less Than 90 Percent. For an employee paid for less than 90 percent of his or her regular biweekly pay and allowances, a copy of the time and attendance report (or corrected time and attendance report) and a request by the commanding officer/director are required to support the special payment.

4. Employees on LWOP. For an employee placed in a LWOP status, the time and attendance certifier must provide to PRO a corrected time and attendance report along with the commanding officer's/director's special payment request.

E. Computation of Special Payments. Compute the special payments using the “gross-to-net” method. Gross-to-net payments represent the regular biweekly pay and allowances normally due the employee (plus unpaid premium pay for the corresponding pay period, if applicable) less any required deductions and withholdings. Deductions and withholdings may be for retirement (Civil Service Retirement System and Federal Employees Retirement System (CSRS and FERS)), Social Security and Medicare, federal tax, health benefits premiums, group life insurance premiums (basic and optional), state tax, city or local tax, Thrift Savings Plan (TSP), TSP loan repayment, indebtedness, military service credit deposits, and garnishments. The payment voucher for direct disbursement shall annotate the deductions, withholding amounts, and the applicable appropriations. The following procedures are applicable for gross-to-net special payment processing:

1. No Pay Received. The gross entitlements less any applicable deductions and withholdings are payable to the employee. Exclude deductions for voluntary allotments. The employee is responsible for any existing voluntary allotments. All deductions and withholdings shall resume on the following biweekly pay cycle, including voluntary allotments.

2. Less Than 90 Percent of Regular Biweekly Pay and Allowances Received. The employee is entitled to the difference between what was paid and what should have been paid. PRO will deduct additional amounts for applicable items listed in subparagraph 080102.F., unless previous payroll processing has satisfied the deductions. The employee shall be responsible for any existing voluntary allotments not deducted during the previous processing. All deductions and withholdings shall resume the following pay cycle.

3. Final Special Payment. An employee who receives his or her final pay as a special payment will receive pay for gross entitlements less all required deductions and withholdings of items listed in subparagraph 080102.E. The employee is responsible for voluntary allotments. The employee's final pay is subject to withholdings to liquidate any unsatisfied government indebtedness.

F. Processing Special Payments Made after the Last Regular Pay Period of the Pay Year, but Prior to the End of the Calendar Year.

1. Federal, State, and Local Taxes and Social Security/Medicare. Forward to the applicable offices as soon as possible after the end of the year any Federal, state, and local taxes, Social Security and/or Medicare withheld from special payments made after the last regular pay date, but before the end of the calendar year. (Note: When computing or making deductions for Social Security, PRO will ensure the employee has not reached maximum withholdings for the year.) In completing the supplemental DD Form 592 for any canceled checks or special payments, PRO will include all deductions and contributions for Social Security and/or Medicare, federal, state, and local taxes. Before the Internal Revenue Service (IRS) Form-W2 (Wage and Tax Statement) is printed, PRO will process updates to ensure special payments or canceled checks are included in the history totals for subsequent IRS Form W-2 printing. After printing the IRS Forms W-2, PRO will issue IRS Forms W-2c (Corrected Wage and Tax Statement) in accordance with IRS Circular E (Employer's Tax Guide) and IRS Form 941-X (Adjusted Employer's Quarterly Federal Tax Return or Claim for Refund).

2. CSRS or FERS. Process an [SF 1081](#) (Voucher and Schedule of Withdrawals and Credits) to correct an employee's CSRS or FERS retirement deductions withheld from a special payment. Input the SF 1081 during the next pay cycle to correct both the prior year-to-date and cumulative retirement deductions and the current year opening balance.

3. TSP. Special payments for TSP participants are subject to TSP deductions provided the employee has not reached the maximum deduction or contribution level established by law. TSP deductions withheld from special payments after the last regular pay date in the pay year, but before the end of the calendar year, will be combined with the next pay cycle for reporting and submission to the [Federal Retirement Thrift Investment Board \(FRTIB\)](#).

G. Taxation of Retroactive Payments

1. Time and Attendance. Use the tax rate associated with the current [IRS Form W-4](#) when processing all time and attendance retroactive transactions. Combine the retroactive wages with the wages from the last pay period (i.e. the pay period prior to the current pay period) to determine the basis for recomputing tax withholdings. Recompute the taxes and determine the retroactive tax withholdings by subtracting the taxes withheld during the last pay period from the recomputed taxes.

2. Retroactive Wage Increases. In most cases, consider retroactive wage increases as supplemental wages and tax at the flat 25 percent tax rate. The flat 25 percent rate will apply to federal tax withheld from regular wages during the last preceding payroll period in for wages paid within the same calendar year. If those regular wages do not have taxes withheld, then use the rate associated with the current IRS Form W-4.

0802 INDEBTEDNESS

*080201. General

A. Statutes and Regulations. The Department of Defense (DoD) must collect all indebtedness due the United States (U.S.) promptly and in accordance with the [Debt Collection Improvement Act of 1996](#), Public Law 104-134, section 31001 (codified at [31 U.S.C. 3701](#) et seq.); the [Debt Collection Act of 1982](#), Public Law 97-365, as amended; the Federal Claims Collection Standards (FCCS), [31 Code of Federal Regulations \(C.F.R.\) Parts 900-904](#); [5 C.F.R. Part 179](#); and [5 C.F.R. Part 550](#) (Subpart K). Consult the Department of Defense Financial Management Regulation (DoD FMR) Volume 5 regarding indebtedness and debt collection.

B. Overview of Methods for Collecting Debts Owed by Civilian Employees. Collect debts owed to the U.S. by civilian employees in the following manner:

1. Voluntary Repayment by Employee. The employee may repay the total amount of debt owed in one lump sum. Alternatively, an employee may consent to the repayment of the debt in regular installments from his or her pay by completing a voluntary repayment agreement. See paragraphs 080403 and 080601 for information on voluntary repayment agreements.

2. Offsetting Payments to Employee

a. Salary Offset. Salary offset occurs when the government collects a debt involuntarily from a Federal employee's current salary or pay when authorized by statute.

b. Administrative Offset. The government may collect debts by involuntary offset from any other amounts payable to the employee by the government (such as tax refunds, back pay under [5 U.S.C. 5596](#), or Federal retirement payments) when authorized by statute.

3. Civil Court Action. Under [28 U.S.C. 2415](#), the government may file a suit directly with a court against the employee in order to collect a debt.

C. Statutory Authority to Collect Debts by Offset. When specific statutory authority exists for the collection of a particular debt, use the provisions of the more specific statute and its implementing regulations to determine the applicable collection procedures. When a more specific statute does not exist, use the collection authority under [5 U.S.C. 5514](#) (salary offset) for offset from current pay, or [31 U.S.C. 3716](#) (administrative offset) for offset from other amounts due the employee from the government.

1. Routine Adjustments under 5 U.S.C. 5514. Make routine adjustments to correct overpayments caused by clerical or administrative errors or delays in processing pay documents that have occurred (accumulated) within the four pay periods preceding the adjustment, or any adjustment that amounts to \$50 or less. Routine adjustments include, but are not limited to, overpayments due to corrected (or late) time and attendance data, SF 50s, and [SF 1190s](#) (Foreign Allowances Application, Grant and Report). The actual overpayment must have occurred after April 26, 1996. The amount deducted may not exceed 15 percent of disposable pay unless the employee gives written consent to the deduction of a greater percentage. If the adjustment exceeds 15 percent of disposable pay, then the initial adjustment may be for the full 15 percent and make the remaining adjustment during the next pay period(s). Pursuant to 5 U.S.C. 5514(a)(3), make an exception to the due process requirement of notice and an opportunity for review for routine intra-agency adjustments of pay. Provide the employee written notice of the nature and the amount of the adjustment and a point of contact for questions regarding the adjustment by the payday for the pay period in which the adjustment is processed, or as soon thereafter as practical. When moving a DoD employee's account from one payroll office to another payroll office within DoD, the employee's new payroll office has authority to collect an overpayment made by the former payroll office using these procedures. See also [5 C.F.R. 550.1104\(c\)](#).

2. Salary Offset under 5 U.S.C. 5514. The authority to collect from the current pay of civilian employees who are indebted to the U.S. is 5 U.S.C. 5514. See also regulations at 5 C.F.R. Part 179, subpart B, 5 C.F.R. Part 550, subpart K, and 31 C.F.R. Parts 900-904. Collection may be made from the employee's disposable pay, which includes basic pay, special pay, incentive pay, retired pay, retainer pay, or in the case of an individual not entitled to basic pay, other authorized pay. The amount deducted may not exceed

15 percent of disposable pay unless the employee gives written consent to deductions at a greater percentage as described in section 0806. Give an employee written notice of the debt and an opportunity for review (due process) under section 0804 before initiating salary offset. See section 0803 for processing collections under 5 U.S.C. 5514.

3. Administrative Offset under 31 U.S.C. 3716. The authority to collect debts from final pay and lump sum leave payments of civilian employees, and/or from other non-salary amounts payable to the employee by the Federal government (such as tax refunds or Federal retirement payments) is 31 U.S.C. 3716. See also regulations at 5 C.F.R. 179, subpart C and 31 C.F.R. Parts 900 - 904. There is no maximum limit on the rate of collection under this statute and all money payable to a person by the government is subject to administrative offset. Except in limited circumstances, give an employee written notice of the debt and an opportunity for review (due process) under section 0804 before initiating administrative offset. See subparagraph 080401.B for the limited circumstances where accelerated procedures to collect debts from salary or administrative payments is used before due process is granted to a debtor. In such cases, grant due process to the debtor as soon as practicable. Initiate collection of a debt from final pay and lump sum leave payments before giving due process since failure to do so would substantially prejudice PRO's ability to collect the debt. See paragraph 080606.

080202. Multiple Debts and Priority of Deductions

When an employee owes more than one debt to the U.S., current deductions normally will continue until the debt is paid in full. If prioritizing deductions is necessary, then collect debts owed by employees to more than one DoD Component or another federal agency in the following priority sequence:

- A. Debt to the employee's employing agency or department;
- B. Debt to other DoD Components;
- C. Debt to other Federal Agencies.

*080203. Due Process Requirements

For debt collection purposes, due process consists of notice and an opportunity for review prior to the initiation of collection, unless otherwise required by statute. See section 0804 for due process procedures.

*080204. Statute of Limitations

There is no statute of limitations for collecting a debt by salary or administrative offset. See DoD FMR Volume 5, Chapter 28 at subparagraph 280808.B.3 for additional notice and due process requirements that apply to the collection of debts that are 10 years delinquent as of December 31, 2009.

0803 RECOVERING OVERPAYMENTS OF PAY AND ALLOWANCES FROM CURRENT DEPARTMENT OF DEFENSE CIVILIAN EMPLOYEES

*080301. Recovering Overpayments by Salary Offset

A. General. Overpayments to employees may result from errors in computing federal withholding tax, CSRS or FERS deductions, or Social Security and/or Medicare deductions, improper rates of pay, errors in reporting time worked, and erroneously accrued annual leave. Discovery of these errors may occur both inside and outside PRO. The head of each DoD PRO maintains the overall responsibility for ensuring expeditious recovery for an overpayment or that other appropriate disposition of a debt is carried out, such as waiver of the indebtedness. Affording employees their legal rights relative to the collection of the indebtedness is the responsibility of the head of each DoD PRO. Responsibilities may be delegated to another appropriate official within the financial community.

B. Excluded Debts. The following debts are not authorized for collection through salary offset:

1. Collection of debts to private creditors, except as authorized by *P.L. 103-94, "Hatch Act Reform Amendments of 1993;"*
2. Contributions to charities;
3. Payment of commercial life insurance premiums, international agreements, or arrangements with foreign governments;
4. Payment of dues to civic, fraternal, or other organizations; or
5. Collection of state and local/city tax indebtedness. See paragraph 080607 for additional information.

080302. Overview of Procedures

To collect a debt from a current DoD civilian employee through salary offset under 5 U.S.C. 5514, PRO must:

- A. Compute the amount of the overpayment and assemble agency records establishing the debt;
- B. Immediately notify the HRO if corrective personnel action is required. Do not authorize continued payments of erroneous pay and allowances;
- C. Provide the employee notice and an opportunity for review (due process) pursuant to section 0804 of this chapter before collecting an overpayment; and
- D. Correct the employee's records when appropriate.

*080303. Authority to Collect Debts Due to Underdeduction of Health or Life Insurance Premiums

A. Health/Life Premium Debts Accumulated over Four Pay Periods or Less.

An employee's debt may be the result of an election or a change in coverage under a federal benefits program, such as the Federal Employee Health Benefit (FEHB) or Federal Employee Group Life Insurance (FEGLI) program. Collection of a debt due to the underdeduction of premiums may be made without providing full due process under 5 U.S.C. 5514 if the underdeduction was for four pay periods or less immediately preceding the current pay period or the total amount of underdeduction was \$50 or less. See 5 C.F.R. 550.1104(c). In such cases, PRO must notify the employee (an appropriate notice on the LES meets this requirement), either in advance or concurrent with the actual collection, of the following:

1. That due to the employee's election/change in coverage, the employee's future salary will be reduced in order to cover the period between the effective date of the election/change in coverage and the first regular withholding; and

2. A point of contact for contesting the retroactive collection.

B. Health/Life Premium Debts Accumulated Over More than Four Pay Periods. If processing delays cause the debt to accumulate over more than four pay periods, then extend to the employee the full due process procedures required under 5 U.S.C. 5514. See section 0804 for additional information. For procedures for collecting debts arising from the nonpayment of health benefit premiums during periods when an employee is in a nonpay status or when salary is insufficient, see DoD FMR Volume 8, Chapter 11, and the FEHB Handbook. See DoD FMR Volume 8, Chapter 11 for debt collection of FEGLI premiums and the FEGLI Handbook.

C. Garnishment. An employee's health insurance plan carrier may garnish an employee's wages to collect debts owed to the carrier. The FEHB Handbook states that employing offices must follow the provisions of 5 C.F.R. 582 to process a garnishment. Under 5 C.F.R. 582.402, the maximum amount of an employee aggregate disposable income subject to garnishment to enforce any legal debt may not exceed 25 percent.

080304. Responding to Inquiries from Employees Regarding Debts

An employee's HRO or Customer Service Representative (CSR) may answer general questions about a debt. In some cases, if pay or allowance changes are made by the HRO, the change may result in rectifying the debt. The employee should contact his or her timekeeper to make any time and attendance corrections that may impact the amount of the debt. If the employee contacts PRO, PRO must respond courteously and factually to any questions raised by the employee as a result of his or her receipt of the debt notification. Upon request, PRO must furnish copies of relevant documents requested by the employee. PRO must be prepared to respond not only to inquiries regarding pay and leave entitlements, but also to inquiries regarding the nature of the employee's due process rights and how to exercise these rights. Make all reasonable efforts to satisfy an employee's doubts regarding the amount or validity of the debt within PRO's own resources, thus precluding the need for a hearing in most instances.

0804 DUE PROCESS PROCEDURES

*080401. General

Due process consists of notice and an opportunity for review prior to the initiation of collection unless otherwise required by statute. Except under certain limited circumstances, give employees due process prior to the initiation of debt collection. Note: Due process does not preclude an employee from electing to repay the debt. An employee may elect to repay a debt after receiving the initial notification of indebtedness, after receiving reconsideration results from PRO, after a determination by a hearing official, or after a decision on a request for waiver of the overpayment. Repayment of the debt, subject to potential refund, may also be accomplished while any of the above actions are pending.

A. Exception to Due Process Requirements. Routine adjustments (see subparagraph 080201.C.1) or collection of debts accumulated over four pay periods or less that are related to the underpayment of health or life insurance premiums (see paragraph 080303) are not subject to notice and hearing requirements.

B. Authority to Initiate Collection Before Due Process is Granted. Due process requirements for both salary offset of the debt and an opportunity for a (5 U.S.C. 5514) and administrative offset (31 U.S.C. 3716) provide that a debtor must be given written notice and an opportunity for review before collection is initiated. Under 31 C.F.R. 901.3(b)(4)(iii)(C) and 5 C.F.R. 179.308, in certain limited circumstances, accelerated procedures may be used to collect a debt by salary or administrative offset prior to, or while providing, notice and an opportunity for review to the debtor. Before providing due process, initiate collection if failure to take the offset would substantially prejudice PRO's ability to collect the debt, or if the time prior to payment does not reasonably permit completion of the procedures. When prior notice and an opportunity for review are not provided prior to collection, then such notice and opportunity for review must be given to the debtor as soon as practicable. Any amount recovered by offset which is found not to be owed by the debtor must be promptly refunded.

*080402. Notification of Debt Collection

PRO, or another official responsible for collection of the debt, shall issue an appropriate notification of indebtedness ("debt notification") to the employee. Issue the debt notification as soon as possible following the discovery of the overpayment. Only one debt notification is required. PRO, or the official responsible for collection of the debt, must mail the notification to the employee's last known home mailing address. Exercise care to ensure mailing the debt notification occurs on the same day it is dated. Retain a copy of the debt notification as a record of providing due process to the employee. (See Figure 8-1 for a sample copy of the debt notification and Figures 8-2 through 8-4 for required enclosures issued with debt notification). See 5 C.F.R. 550.1104(b) and (d), 31 C.F.R. 901.2, and 31 C.F.R. 285.7(d)(4). The debt notification must contain the following information:

A. Statement of Facts. A complete statement of facts showing the origin and amount of the debt, and the basis on which the determination of indebtedness was made;

B. Request for Lump Sum Payment. A request that the debt be repaid in a lump sum by check or money order within 30 days of notification;

C. Intent to Collect by Salary Offset. The intention to collect the debt by means of payroll deductions if payment is not received within 30 days;

D. Information Regarding Deductions to be Taken by Salary Offset. The amount, frequency, proposed beginning date, and duration of the deductions;

E. Information Regarding Interest, Penalties and Costs. An explanation of policy concerning interest, penalties, and administrative costs, including a statement that such assessments must be made unless excused under FCCS (See Figure 8-2);

F. Right to Inspect Records. The right of the employee and his or her representative to inspect and copy government records relating to the debt or to request a copy of such records;

G. Voluntary Repayment Agreement Information. The opportunity for the employee to establish a schedule for the voluntary repayment of the debt or to enter into a written agreement to establish a schedule for repayment of the debt in lieu of offset;

H. Point of Contact. A statement, that if the employee has any question regarding the indebtedness; he or she may ask for and receive an explanation from PRO. Provide the employee a specific address to direct all correspondence regarding the debt;

I. Right to Request a Hearing. A statement advising that, if the employee wishes to dispute the validity or amount of the debt, (or contest the repayment schedule for collection by salary offset) he or she may do so by submitting a written request in the form of a hearing petition. Advise the employee of the method and time period for filing the hearing petition (See Figure 8-3);

J. Right to a Written Decision. Advise the employee that if a hearing is granted, the employee has a right to receive a written decision from the official within 60 days after the filing of the petition unless the employee requests, and the hearing official grants, a delay in the proceedings;

K. Stay of Collection Action Pending Review. A statement that the timely filing of a hearing petition shall stay the beginning of collection proceedings and that interest and penalty charges shall not accrue until the issuance of the hearing official's decision in favor of collection;

L. Penalty for False or Frivolous Statements. A statement that any knowingly false or frivolous statements, representations, or evidence may subject the employee to:

1. Disciplinary procedures appropriate under [5 U.S.C. Chapter 75](#); [5 C.F.R. 752](#), or any other applicable statutes or regulations;

2. Penalties under the False Claims Act, [31 U.S.C. 3729-3731](#), or any other applicable statutory authority; or

3. Criminal penalties under [18 U.S.C. 286-287](#) and [18 U.S.C. 1001-1002](#), or any other applicable statutory authority;

M. Right to Request a Waiver. A statement that the employee may request a waiver of the overpayment of pay in accordance with [5 U.S.C. 5584](#) (see Figure 8-4);

N. Right to a Refund. A statement that amounts paid or deducted for the debt, which are later waived or found not to be owed to the U.S. Government, shall be refunded promptly to the employee upon his or her request; and

O. Collection Action on Delinquent Debts. A statement indicating that if the Defense Finance and Accounting Service (DFAS) is unable to collect the debt by salary offset, DFAS may enforce payment by using other collection methods such as referring the debt to a private collection agency, reporting the debt to a credit bureau, garnishing non-Federal employment wages, or referring the debt to the Department of Justice for litigation. Inform the employee that any debts delinquent for more than 180 days will transfer to the Department of Treasury for collection.

*080403. Voluntary Repayment Agreement

If an employee agrees to repay the debt in regular installments, then the employee should complete and return a voluntary repayment agreement to PRO. A copy of a voluntary repayment agreement should be included in the debt notification issued to the employee. See Figure 8-5 for a sample voluntary repayment agreement. PRO maintains discretion with regard to accepting a voluntary repayment agreement. See paragraph 080601 regarding acceptable repayment terms for an agreement. If, for any reason, PRO does not receive payment or a signed voluntary repayment agreement, then PRO will establish an involuntary salary offset in accordance with paragraph 080602.

A. Processing an Acceptable Agreement. After receiving a signed agreement with a repayment schedule that is acceptable to PRO, PRO will begin collecting the indebtedness as indicated on the agreement. If the employee submits a request to PRO and PRO agrees to the employee's request, then deferral of the remittance may be for up to two pay periods with the agreement adjusted to reflect that deferral. See [5 C.F.R. 179.209](#); [5 C.F.R. 550.1104](#); and [31 C.F.R. 901.8](#).

B. Processing an Unacceptable Agreement. If PRO decides the terms of a proposed repayment agreement are unacceptable, then PRO will notify the employee in writing and the employee will have 30 days from the date of the written notice to file a petition for a hearing under paragraph 080405. In lieu of a hearing, an employee may request a special review by PRO under paragraph 080604. See [5 C.F.R. 179.209-210](#).

*080404. Delinquent Debts

Debts not paid by the date specified in the debt notification are delinquent unless the employee makes other satisfactory payment arrangements by that date. Debts paid under a repayment agreement are delinquent when the employee fails to satisfy obligations under the voluntary repayment agreement. See 31 C.F.R. 900.2. Under 31 U.S.C. 3716, delinquent debts as defined in the FCCS (over 180 days) must be referred to the Secretary of the Treasury so that recovery may be made by centralized administrative offset, unless otherwise authorized by law. The Debt and Claims Management Office (DCMO) must certify to Treasury that the employee was provided due process. See 5 C.F.R. 550.1108; 31 C.F.R. 901.1 and 31 C.F.R. 285.5.

*080405. Hearings

A. General Summary. Hearings are a due process requirement of 5 U.S.C. 5514 and 31 U.S.C. 3716 which must be afforded employees before their current salary can be involuntarily offset to collect indebtedness due to the U.S. Government. See 5 C.F.R. 550.1104(b)(2). Employees may petition for a hearing to contest either the validity or amount of the debt, or the involuntary offset schedule. To request a hearing, an employee must submit, in a timely manner, a hearing petition which meets the requirements of subparagraph 080405.B. The timely filing of a hearing petition will stay the beginning of collection procedures until after the results of the hearing have been rendered except as stated in subparagraph 080201.C.3. Upon receipt of the hearing petition, PRO will perform an informal reexamination (“reconsideration”) of the employee’s pay records to validate the debt. See subparagraph 080405.D. PRO will issue the written results of the reconsideration to the employee. The reconsideration is not the formal hearing. After receiving the results of the reconsideration, the employee must notify DFAS of his or her intent to continue with a formal hearing within 30 days from the date of the reconsideration or by the date indicated in the reconsideration letter. If the employee proceeds with a formal hearing, then the hearing official will make a written determination regarding the validity or amount of the debt, or on the proposed involuntary repayment schedule.

B. Hearing Petition. Employees must submit a petition to request a hearing in order to contest the validity or amount of the debt or to contest the involuntary repayment schedule. See 5 C.F.R. 550.1104(e), 31 C.F.R. 901.2(b)(1) and 5 C.F.R. 179.207. Fax the hearing petition to the telephone number or mail to the address identified in the debt notification. The employee must file the hearing petition with PRO not later than 30 days from the mailing date of the debt notification or by the date indicated in the debt notification or in the notice rejecting an unacceptable voluntary repayment agreement under subparagraph 080403.B. If the employee first makes a written request for records related to the debt, then the employee must file a hearing petition within 45 days after the date the records are distributed (by mail, electronically, or in person) to the employee. PRO must record the distribution date of the records. The employee's hearing petition shall identify and explain with reasonable specificity the facts and evidence that the employee believes supports his or her position. There is no standardized format for a hearing petition; however, it must contain the following information:

1. Identifying information. The employee must provide his or her name, telephone number, email address, mailing address and social security number in the request for a hearing petition;

2. Reason for Filing the Petition. The reason for the hearing request must include a written summary of the facts and the date and manner in which the employee became aware of the overpayment. If contesting the involuntary repayment schedule, then the petition should include a statement explaining the employee's financial status;

3. Documentary Evidence. A hearing petition should include all documentary evidence the employee wants the hearing official to review, including LES and written testimony from any witnesses. If the employee is contesting the involuntary repayment schedule, then the employee should submit an alternate schedule and statement and/or records explaining his or her financial status; and

4. Signed and Dated. A hearing petition must have the employee's signature and be dated.

C. Insufficient or Untimely Hearing Petitions

1. Insufficient Hearing Petitions. PRO will retain and identify as insufficient any hearing petitions that do not contain the required information and attachments listed under subparagraph 080405.B. PRO must notify the employee in writing that his or her hearing petition was insufficient and request that the employee submit additional information within 30 days from the date of the written notice of insufficiency. Advise the employee that if the employee fails to submit additional information within 30 days of the request, the employee's petition for hearing will result in a denial.

2. Untimely Hearing Petitions. An employee waives his or her right to a hearing if the employee fails to file a hearing petition within 30 days from the mailing date of the debt notification or by the date indicated in the debt notification. An untimely petition for a hearing will result in denial and PRO shall notify the employee in writing of the petition denial as being untimely. If the employee files a hearing petition after the time expires, then PRO may accept a late petition if the employee can show that the delay was due to circumstances beyond the employee's control.

D. Reconsideration. Reconsideration is the first step in the hearing process. PRO performs the reconsideration once the employee submits a timely and sufficient hearing petition. Reconsideration is an informal reexamination of the employee's pay records by PRO and is conducted to validate the amount of debt and to satisfy any doubts the employee may have regarding the amount or validity of the debt. Reconsideration is not the formal hearing. See Figure 8-6 for a sample reconsideration letter issued to the employee.

1. Time Limit for Performing Reconsideration. PRO must issue written results of the reconsideration to the employee within 15 days of receipt of the hearing petition. If PRO needs additional time to investigate the issue, then advise the employee of the

delay in an interim response. This response shall also provide an estimate of when a final determination can be expected.

2. Reconsideration Concurs with the Employee's Position. If PRO concurs with the employee's position in the hearing petition and determines the debt is invalid, then the reconsideration letter shall so inform the employee and PRO will take action to dismiss the debt collection.

3. Reconsideration Validates the Debt. If the reconsideration validates the debt, then the reconsideration letter shall so inform the employee. The reconsideration letter should instruct the employee to notify PRO in writing of his or her intent to proceed with the formal hearing. The employee must provide such notification within 30 days from the date of the reconsideration letter or by the date indicated in the reconsideration letter. Initiate the debt collection by using the involuntary salary offset procedures as outlined in the original debt notification issued to the employee if the employee does not respond and takes no additional action to repay the debt.

E. Conducting Hearings

1. General. All hearings are conducted in accordance with [31 C.F.R. 901.3\(e\)](#), [5 C.F.R. 550.1104](#) and 5 C.F.R. 179.207, and DoD FMR Volume 5. Hearings for debts owed to any DoD Component by a DoD employee should be held by eligible DoD Components according to DoD FMR Volume 5, Chapter 28, Table 28-2. DCMO (DFAS-JFEA/IN, Attn: Hearings) will process all requests for hearings.

2. Types of Hearings. Generally, employees who present a timely and sufficient petition for a hearing are entitled to a "paper hearing" in which the hearing official makes a determination based on a review of the documents only, without the parties present. If the hearing official, with the advice and guidance of DFAS Office of General Counsel, determines that the matter cannot be resolved by a review of the documents alone, then an oral hearing may be granted. See Figure 8-7 for information required by the hearing official for a paper or oral hearing.

3. Paper Hearings. During a paper hearing, the hearing official will make a determination based on the available written record. A paper hearing is generally adequate for making determinations based on the validity or amount of the debt, or the terms of the salary offset schedule.

4. Oral Hearings. An employee is afforded an oral hearing only if the hearing official (with the advice and guidance of DFAS Office of General Counsel) determines that the question of indebtedness cannot be resolved by a review of the documentary evidence alone. For example, if the validity of the debt turns on an issue of credibility or veracity, an oral hearing may be necessary. Since civilian payroll overpayments seldom present issues of credibility or veracity, the need for oral hearings will be extremely rare. An oral hearing is not an adversarial adjudication and is not a trial type evidentiary hearing. Oral hearings may include an informal conference with the hearing official where the employee and agency representative are both given the full opportunity to present evidence, witnesses, and arguments. Alternatively, oral hearings

may take the form of an informal meeting with an interview of the employee by the hearing official, or formal written submissions with an opportunity for oral presentation by the parties to the hearing official. See [5 C.F.R. 179.207\(g\)](#).

a. Arranging an Oral Hearing. If an oral hearing is required, then the hearing should be arranged in accordance with the guidance outlined in DoD FMR Volume 5, Chapter 28. Once the identity of the hearing official is determined, PRO shall be instructed to make specific arrangements with that official, to include the identification of a fund cite for travel expenses, if necessary. To the extent feasible, select a location convenient for the employee. The employee will be responsible for paying his or her own travel expenses. Use of a telephonic hearing is permissible if determined appropriate by the hearing official and acceptable to the employee and PRO.

b. Procedures for Oral Hearings. PRO will represent the government at the oral hearing, and will maintain a summary record of the hearing for the hearing official. The employee must identify by name and address any person who will represent the employee at the hearing. If PRO grants an oral hearing, then PRO shall issue notice to the employee of the time, date, and location of the oral hearing on the hearing official's behalf. Prior to the hearing, the employee and PRO must submit to the hearing official and the opposing party the names of any witnesses (including the employee if he or she will testify) that will be called to testify and their anticipated testimony. Witnesses must testify under oath or affirmation. No later than 15 days prior to the hearing, PRO will provide the employee and the hearing official with a copy of the records in the agency's possession relating to the debt. No later than 5 days prior to the hearing, the employee must submit to both the hearing official and PRO a copy of the records the employee intends to introduce as evidence at the hearing (if the records differ from the ones provided by PRO).

c. Procedures for Waiving an Oral Hearing. If an employee has been granted an oral hearing, then the employee may choose to waive his or her rights in favor of a paper hearing. The employee will make such an election in writing and PRO must receive the election at least 3 working days before the oral hearing date.

d. Failure to Appear and/or File Submissions. If the employee fails to file the required submissions for the oral hearing or fails to appear at a scheduled oral hearing, then the employee is deemed to admit the existence and amount of the debt as described in the debt notification. See [5 C.F.R. 179.207\(j\)](#). The employee may petition the hearing official for a determination that the employee had good cause for failing to comply with the established deadline date for required submissions or failing to appear at the hearing. In either instance, the hearing official may then find that the employee has not waived the right to the hearing, and may direct that a hearing be scheduled or rescheduled.

F. Final Written Determination by Hearing Official

1. Time Limit. Within 60 days after the filing of the hearing petition, the hearing official shall issue a written decision on the merits of the hearing. The final determination must discuss the basic facts offered and set out the hearing official's findings and

conclusions. See [5 C.F.R. 179.207\(h\)](#); 5 C.F.R. 550.1104. Both PRO and the employee shall receive a copy of the final determination.

2. Final Determination in Favor of PRO. If the final determination upholds the validity and amount of the debt or the involuntary repayment schedule, then PRO shall recommence collection action after sending the employee a letter which states the following (see Figure 8-8 for a sample of the Post-Hearing Notification):

a. A brief statement of the hearing official's final determination;

b. A request that the employee repay the debt in full within 15 calendar days following the date of the letter, authorize a voluntary one-time offset to repay the debt, or agree to pay the debt in regular installments pursuant to a voluntary repayment agreement;

c. A statement that a salary offset will begin with the pay period in which the deadline expires, unless the employee informs PRO of his or her decision regarding the above options. The letter shall be specific as to the payday on which the offset shall occur;

d. The amount of the offset and its estimated duration that will be equal to the amount of the debt, or 15 percent of the employee's disposable pay, whichever is less;

e. A statement regarding the assessment of interest, administrative expenses, and penalties; and

f. A reminder of the employee's right to request waiver of the debt.

3. Final Determination in Favor of the Employee. If the hearing official's final determination finds in favor of the employee and determines the a portion or all of the debt is invalid, then PRO will inform the employee as to what portion of the debt is no longer considered valid under 5 U.S.C. 5514. If the hearing official reduces the amount of the debt, then PRO will issue a letter to inform the employee, and begin collection action for the new amount.

4. Appeal of Final Determination. The hearing official's decision is final as to the schedule of involuntary offset, but not final as to the issue of whether the employee owes the debt. An employee may file an appeal with the Office of Personnel Management (OPM) regarding an agency's determination that he or she owes the debt. OPM maintains the authority to settle claims against the U.S. involving Federal employees' compensation and leave, and deceased employees' unpaid compensation. See [5 C.F.R. Part 178](#).

0805 WAIVERS OF ERRONEOUS PAYMENTS OF PAY AND ALLOWANCES

*080501. General

Under 5 U.S.C. 5584, the U.S. may waive the right to collect a debt owed by an individual to the government if collection would be against equity and good conscience and not in the best interest of the U.S. The debt must be the result of an erroneous payment of pay or allowances (including travel, transportation or relocation expenses and allowances). A debt may be waived in whole or in part. Individuals must submit an application in a timely manner in order to request a waiver. Generally, PRO will not suspend collection of the debt during the application review. Regulations for granting a waiver are available at [32 C.F.R. Part 281](#), [DoD Instruction 1340.22](#), “Waiver of Debts Resulting from Erroneous Payments of Pay and Allowances” and [DoD Instruction 1340.23](#) “Waiver Procedures for Debts Resulting from Erroneous Pay and Allowance.”

080502. Waiver Authority

A. Authority to Waive Collection of Debts of \$1500 or Less. Under 5 U.S.C. 5584, the head of an executive agency is authorized to waive debts in an amount aggregating not more than \$1500. The aggregate amount is determined before repayments or withholding for taxes. The Under Secretary of Defense (Comptroller) has delegated waiver authority to the Director of DFAS by memorandum dated January 29, 1992. The Director of DFAS redelegated this authority to the Director of DFAS-Indianapolis. The exercise of this authority shall be coordinated with the affected DoD Component, where appropriate. DCMO exercises some waiver authority within DoD. DCMO does not exercise waiver authority that has been delegated to the Director of Department of Defense Education Activity (DoDEA) for DoDEA employees under [DoD Directive 1342.20](#).

B. Authority to Waive Collection of Debts of More Than \$1500. If the aggregate amount of a debt is more than \$1500, then the authority to waive the debt resides with the Director, Defense Office of Hearings and Appeals (DOHA) or his or her designee under the General Counsel of the Department of Defense.

080503. Action by the Designated Waiver Authority

A. General. The designated waiver authorities will:

1. Receive and review each request for waiver or application for refund and the associated reports for claims;
2. Make a determination as to whether claims totaling not more than \$1500 will be waived or whether any portion of the request will be denied; and
3. Notify the involved PRO of the determination.

NOTE: DFAS-IN -JFEAB will notify the claimant of the determination.

B. Referral of Claims to DOHA. The designated waiver authorities shall refer the following types of claims to the DOHA for decision:

1. Requests for waiver (or requests for waiver and refund) that recommend favorable consideration, together with an administrative report, if the claim of the U.S. is in an amount aggregating more than \$1500;

2. All doubtful cases; and

3. Appeals to waiver denials.

*080504. Standards for Waiver Determinations

Standards for determining the appropriateness of waiving the collection of a debt are located at [Appendix B of 32 C.F.R. Part 281](#). See also DoD Instruction 1340.23. The appropriateness of a waiver depends on the facts of each particular case. A waiver is not a matter of right and is available only to provide relief as a matter of equity when warranted by the circumstances of the individual case. Economic or financial considerations play no role in the determination of a waiver request.

A. When Waiver is Appropriate. A waiver may be granted only when the collection would be against equity and good conscience and not in the best interests of the U.S. There must be no indication the erroneous payment was the result of fraud, misrepresentation, fault, or lack of good faith by the employee (or any other person having an interest in obtaining a waiver of the claim).

B. When Waiver Should be Denied. See guidance addressing when waiver is not appropriate at [Appendix B of 32 C.F.R. Part 282](#) and DoD Instruction 1340.23. Generally, a waiver is not appropriate when an employee or other person who has an interest in obtaining a waiver receives a significant unexplained increase in pay or allowances and knows, or reasonably should know, that an erroneous payment has occurred. A waiver may be inappropriate even though the recipient of the payment makes inquiries or brings the matter to the attention of appropriate officials and is mistakenly advised that the payment is proper. The fact that an erroneous payment is the result of an administrative error by the government is not a sufficient basis in and of itself for granting a waiver. [An individual does not acquire title to the amounts paid erroneously and should hold the excess amounts for eventual repayment to the government.](#) DOHA has held that a waiver shall not be granted if it appears the employee had records (such as LESs) which, if reviewed, would have indicated an overpayment, and the employee failed to review such documents for accuracy or otherwise failed to take corrective action. Such failure on the part of the employee renders the employee partially at fault and ineligible for a waiver of the debt.

080505. Submitting a Waiver Application

A. Who May Apply for a Waiver. An individual who owes a debt resulting from an erroneous payment of pay or allowances may submit a waiver application. Additionally, an authorized official of the Component concerned may initiate a waiver application.

B. Waiver Application. An individual requesting the waiver of a debt must complete and sign DD Form 2789 "Waiver/Remission of Indebtedness Application." Instructions on how to apply for a waiver shall be included in the debt notification letter. See paragraph 080401; see also Figure 8-4 Requesting a Waiver. The application should be submitted to the address or fax number listed on the form or in the debt notification. The application must include all supporting documentation which includes, but is not limited to:

1. Copies of all supporting documentation referred to on the DD Form 2789;

2. Copies of LESs covering the three pay periods prior to the overpayment through the three pay periods after the overpayment ended. If LESs are not available, then the individual must include a statement explaining why LESs are not available;

3. Copies of SF 50s for the debt period (including corrections). If unavailable, then the individual must include a statement from the personnel office indicating why SF 50s are not available; and

4. Any statement from the individual or other person in support of the waiver application. Signed statements must be attested to be true and correct to the best of the individual knowledge and belief.

C. Time Limit for Filing Waiver Application. An individual requesting a waiver of a debt must file the waiver application within 3 years after discovery of the erroneous payment. The date of discovery, for the purposes of starting the 3-year period, is the date that an appropriate official first determines that an erroneous payment has been made. Granting an extension or waiver of the time limit is not permissible.

D. When to Apply for a Waiver. By submitting a request for waiver of a debt, an individual is acknowledging that he or she does not intend to dispute the validity or amount of the debt. Waiver is not the proper forum to contest the validity or amount of the debt. To contest the validity or amount of the debt, the individual must petition for a hearing under paragraph 080405 of this chapter. A waiver application that includes arguments concerning the validity or amount of the debt may be denied.

E. Records. PRO shall provide additional information to DCMO at DFAS-Indianapolis in the form of a written report containing a chronological summary of the facts and circumstances, and copies of pertinent records.

080506. Suspension of Collection During Waiver Application Review

The collection of a debt is not routinely suspended pending waiver determination. See [31 C.F.R. 903.2\(c\)\(2\)](#). PRO shall determine in each case whether suspension of collection is appropriate based on the following criteria:

- A. The grant of a waiver is likely;
- B. Erroneous payment can be recovered if waiver is not granted; or
- C. Collection of the debt would cause undue financial hardship.

080507. Final Action

A. Waiver Approved. If the debt is waived, then the agency shall refund any amount previously collected to the employee. However, no refund shall be paid when the employee cannot reasonably be located within 2 years after the effective date of the waiver. DCMO will notify PRO that the waiver of the debt has been granted and PRO will make any necessary refunds. The application for waiver shall be construed as an application for a refund. PRO must immediately refund any amount collected to the employee.

B. Waiver Denied. When the waiver is denied, DCMO will issue notification of the denial to the waiver applicant and shall state the basis for the denial. The notification shall state that, upon receipt of a timely request, the agency or department will forward an appeal to DOHA. DCMO will notify PRO of the denial of a waiver application. PRO shall immediately initiate collection of the debt in the event collection was suspended during the waiver application process.

*080508. Other Waiver Authority

Other waiver authority may apply to payments that were not erroneously paid. Such waiver authority is generally exercised by the agency or component. A debt resulting from a non-erroneous payment may be eligible for waiver under the following statutory authority:

- A. [5 U.S.C. 3524\(c\)](#) (Voluntary Separation Incentive Payment (VSIP) and Reemployment);
- B. [5 U.S.C. 4108\(c\)](#) (Government Employees Training Act);
- C. [5 U.S.C. 5379\(c\)\(3\)](#) (Federal Student Loan Repayment);
- D. [5 U.S.C. 5753\(g\)](#) (Recruitment and Relocation Incentives);
- E. [5 U.S.C. 5922-5923](#) (Living Quarters Allowance (LQA));
- F. [5 U.S.C. 5948\(e\)](#) (Physicians); and

G. [5 U.S.C. 5566\(g\)](#) (Payments to Dependents of Missing Civilians).

0806 PROCESSING DEBT REPAYMENTS

080601. Voluntary Repayment

A. [Voluntary Cash Repayment](#). The term cash repayment encompasses payments from the indebted employee or other individual made by personal check, money order, or other negotiable instrument. Record the collection on a [DD Form 1131](#) (Cash Collection Voucher). The accounting data shall include the appropriation or fund that funded the overpayment.

B. [Voluntary Payroll Deductions](#). If the employee is unable to repay the debt in one lump sum by cash repayment, then installment payments are acceptable. The employee shall complete a voluntary repayment agreement for the voluntary repayment of a debt by salary offset. See Figure 8-5. PRO will retain the original signed agreement.

1. [One-Time Deduction](#). The employee may elect a one-time deduction from salary to repay the debt in full by salary offset. An employee may also combine a cash payment with a one-time deduction from salary. For example, a cash payment of \$200 and a one-time deduction of \$300 will liquidate a \$500 indebtedness. If the one-time deduction does not fully liquidate the debt, then revise the agreement accordingly.

2. [Multiple Deductions/Payment by Installments](#)

a. [Multiple Payments](#). Employees may spread repayments over multiple pay periods for other than minor indebtedness amounts. [Generally, the amount of the debt should be at least 5 percent of the employee's disposable pay in order to qualify for payment by installment.](#) Although employees are permitted to make a series of cash payments at regularly established intervals, the preferred method for multiple repayments is by deductions from salary each payday in the same amount until the indebtedness is liquidated. Collect any amount remaining unpaid at the time of separation or retirement from final payments of any type, such as final salary payments, lump sum leave payments, or bonuses.

b. [Repayment Schedule](#). PRO is permitted a certain degree of discretion when establishing the employee's repayment schedule. While the primary concern of PRO always must be to ensure that the U.S. Government recovers the debt within the shortest practical period of time, this consideration must be influenced to some degree by the financial impact on the employee. The employee should not be required to suffer undue deprivation during the repayment period. On the other hand, some degree of sacrifice by the employee is expected, and the employee's obligation to repay the debt should be given equal status to other financial obligations that the employee may have incurred. [Installment payments should bear a reasonable relation to the size of the debt and the debtor's ability to pay. Installment payments should be at least \\$25 per pay period and be sufficient to liquidate the debt within 3 years. See paragraph 080403.B for procedures for rejecting an unacceptable installment agreement. See 31 C.F.R. 901.8; 5 C.F.R. 550.1104 and 5 C.F.R. 179.209.](#)

*080602. Involuntary Repayment

A. General. Recovery of a debt by involuntary salary offset is initiated when an employee has failed to make a voluntary cash repayment or authorize a voluntary salary offset. Before initiating involuntary salary offset, PRO must ensure that the employee has been given due process under section 0804 of this chapter, except in limited circumstances. See subparagraph 080401.B for accelerated procedures used to collect debts from salary or administrative payments before granting due process to a debtor. Initiate collection of a debt from final pay and lump sum leave payments before granting due process since failure to do so would substantially prejudice PRO's ability to collect the debt. In such cases grant due process to the debtor as soon as practicable. PRO will ensure that involuntary salary offset is initiated in the manner and during the pay period established in the debt notification issued to the employee unless the start date has been delayed by due process procedures. When practical, notify the employee on the LES that the offset action has been taken.

B. Disposable Pay. All involuntary salary offsets under 5 C.F.R. 550.1103 and 5 U.S.C. 5514 are limited to a maximum of 15 percent of the employee's disposable pay. Normally, establish involuntary offsets at this maximum rate. Disposable pay is that part of current pay remaining after the deduction from earnings of any amount withheld as required by law. See 5 C.F.R. 581.105.

1. Compute disposable pay by making the following deductions:

a. Amounts withheld for federal, state, or local income tax purposes, if the withholding of the amounts is authorized or required by law and if the amounts withheld are not greater than would be the case if the individual claimed all dependents as defined in the federal, state, and local tax codes, to which entitled. For computing disposable pay, do not deduct additional federal tax amounts unless the employee presents evidence of a tax obligation supporting the additional deduction;

b. Amounts withheld for Social Security and Medicare taxes;

c. Amounts deducted as health insurance premiums;

d. Amounts normally deducted for the employee as retirement contributions (CSRS, FERS, and non-appropriated fund (NAF) retirement), including TSP contributions. Amounts voluntarily contributed toward additional civil service annuity benefits are not included as normally deducted retirement contributions; and

e. Amounts normally deducted for the employee as life insurance premiums. This includes amounts deducted for basic FEGLI; however, do not consider any optional FEGLI premiums as normally deducted life insurance premiums.

2. The following amounts are not included when determining disposable pay:

- a. Deductions for any existing debts being collected for a DoD Component or other federal agency including late payment charges;
- b. Court-ordered garnishment amounts;
- c. Amounts to satisfy a court judgment;
- d. Bankruptcy payments that are court-ordered under Chapter 13 of the Revised Bankruptcy Act;
- e. Voluntary allotments for child support;
- f. Union dues deductions;
- g. Charity deductions;
- h. Savings bonds deductions;
- i. IRS federal tax levies;
- j. Savings allotments;
- k. TSP loans; and
- l. Military Service Deposits.

***080603. Offsetting Less than the Maximum Amount of 15 Percent of Disposable Pay**

Under 5 U.S.C. 5514, the maximum amount of involuntary salary offset is 15 percent of disposable pay. In most cases, collect the maximum amount allowable during salary offset. However, when negotiating a voluntary repayment agreement an employee may assert that the maximum allowable rate of involuntary offset (15 percent of disposable pay) would impose an extreme financial hardship. (Note: Such an assertion may also be raised when the employee files a hearing petition under paragraph 080405 and the hearing official may set an alternative repayment schedule). PRO shall attempt to establish a satisfactory voluntary repayment schedule in accordance with this section and criteria used to determine installment payments under DoD FMR Volume 5, Chapter 28, subparagraph 280701. Alternatively, although the employee may decline to sign a voluntary repayment agreement, the two parties may agree to a reasonable rate of salary offset that is less than the maximum 15 percent rate.

***080604. Special Review of an Established Salary Offset Schedule Based on Materially Changed Circumstances**

In accordance with 5 C.F.R. 179.210 if an employee is currently subject to involuntary salary offset or a voluntary repayment agreement, the employee may request PRO revise the

amount of the salary offset based on materially changed circumstances, such as catastrophic illness, divorce, death, or disability. PRO shall consider whether the current offset amount results in an extreme financial hardship for an employee by preventing the employee from meeting essential subsistence expenses for the employee, the employee's spouse and dependents. Essential subsistence expenses include the cost of food, housing, necessary public utilities, clothing, transportation, and medical care.

A. Request for Special Review. An employee may request a special review of an established offset schedule by submitting to PRO a detailed statement indicating why the current offset amount results in extreme financial hardship to the employee. The employee must include a proposed offset schedule. The employee's statement should include supporting documentation and should indicate the following:

1. Income. Income from all sources of the employee, the employee's spouse, and dependents;
2. Assets. The extent to which the assets of the employee and the employee's spouse and dependents are available to meet the offset and the essential subsistence expenses;
3. Number of Dependents. The number of dependents the employee is claiming;
4. Expenses and Liabilities. Whether these essential subsistence expenses have been minimized to the greatest extent possible;
5. Loans. The extent to which the employee or the employee's spouse can borrow money to meet the offset and other essential expenses; and
6. Other Exceptional Expenses. The extent to which the employee and the employee's spouse and dependents have other exceptional expenses that should be taken into account and whether these expenses have been minimized.

B. Evaluation and Written Determination. PRO shall evaluate the statement and supporting documents to determine whether the original offset amount imposes an extreme financial hardship on the employee. PRO shall issue a written determination to the employee which may include a revised offset or voluntary repayment agreement. PRO shall explain the rationale for its decision to the employee. Any accepted reduced offset rate shall begin immediately upon issuance of the written determination.

*080605. Interest, Penalties, and Administrative Charges

The provisions for assessing interest, penalties, and administrative charges on delinquent debts are authorized under 31 U.S.C. 3717, 31 C.F.R. 901.9 and 5 C.F.R. 179.214. PROs should refer to DoD FMR Volume 4, Chapter 3, Annex 1 for guidance on assessing interest, penalties and administrative costs and when waiver may be appropriate.

080606. Collections From Final Salary and Lump Sum Payments

A. Collection of a Previously Established Debt. Under 5 U.S.C. 5514 and [5 C.F.R. 179.212\(d\)\(3\)](#), when an employee separates by resignation, retirement, death, or termination of appointment, the employee's final pay (including lump sum leave payments) shall be applied to the extent necessary to liquidate a debt. [The 15 percent disposable pay limitation does not apply to the offset. To recover the debt, apply other payments due from any source, such as amounts claimed for travel and transportation. Due process is not necessary if debt collection is already in process at the time of the employee's separation and the employee has previously been afforded notification of the debt and an opportunity for review.](#) For deceased employees, any unpaid compensation due shall be applied to liquidate any indebtedness. If the debt balance of a deceased employee remains after offsetting final pay, then do not pursue collection from the employee's beneficiary. Forward the debt case to DCMO. See 5 U.S.C. 5514(a)(1) and [5 U.S.C. 5705](#).

B. Collection of a Newly Established Debt. When an employee separates by resignation, retirement, death, or termination of appointment, and there are no preceding collections being made from current salary under the authority of 5 U.S.C. 5514, collection of the debt is treated as an administrative offset under 31 U.S.C. 3716. Apply all money payable to the employee to collect the debt and there is no limit on the maximum rate of collection. [In such cases and as soon as practicable, grant the debtor notification of the debt and an opportunity for review under section 0804 of this chapter. See 31 C.F.R. 901.3\(b\)\(4\)\(iii\)\(C\).](#)

C. Collection of a Debt from Severance Pay. Collection of a debt from an employee's severance pay issued under [5 U.S.C. 5595](#) is permissible under 31 U.S.C. 3716. [If the employee has not previously received notification of the debt and an opportunity for review \(due process\) under section 0804, then notice of the debt should be granted to the debtor as soon as practicable. See 31 C.F.R. 901.3\(b\)\(4\)\(iii\)\(C\).](#) There is no limit on the maximum rate of collection and all money due and payable to the employee by the government is subject to offset. Since severance pay represents wages credited to the employee's account, compute deductions taken from severance pay before the offset. It is the employee's net amount that is available for administrative offset under 31 U.S.C. 3716. In addition, under [5 C.F.R. 581.103](#), severance pay is subject to court-ordered garnishments for alimony, child support, and commercial debts.

080607. Treasury Offset Program for Collection of State Debt

Under 31 U.S.C. 3716(h) and [31 C.F.R. 285.6](#), a state may enter into a reciprocal agreement with the Department of Treasury to collect unpaid state debt by offset of federal non-tax payments, and at the same time, the federal government may collect delinquent federal non-tax debt by offset of state payments. However, currently, do not offset state debts from Federal employee salaries. PRO shall forward state tax levies to Garnishment Operations, DFAS-Cleveland Site (DFAS-CL/L) for processing under the commercial garnishment section. See paragraph 081003.

080608. Refunds

When, at any point in the debt collection process, the debt is waived, determined invalid upon reconsideration or review, or otherwise found not to be due the U.S. (unless expressly prohibited by statute or regulation), a prompt refund shall be made of all amounts collected prior to that determination. Refund amounts if directed by an administrative or judicial order. If requested by the employee, then refund amounts of valid debts collected improperly. For example, if collections exceeding 15 percent of disposable pay were made due to an error in the computation of disposable pay, the employee may request and receive a refund of the difference between the amounts collected and the amounts that were properly withheld. Do not make refunds under any other circumstances. Refunds shall not bear interest, but refund interest already collected along with the principal amount. See [5 C.F.R. 179.215](#).

0807 RECOVERY OF OVERPAYMENTS OF PAY AND ALLOWANCES FROM TRANSFERRED OR FORMER DoD EMPLOYEES

*080701. Employee Transfers Within DoD Resulting in a Change of Payroll Office

A. When a DoD employee transfers to a different DoD position, the employee's assigned PRO may change (i.e. from PRO at DFAS-Indianapolis to DFAS-Cleveland or vice versa). The losing PRO's payroll data system transfers the debt of an employee to the gaining PRO's payroll data system. The losing PRO shall complete any pending actions involving due process or waiver and the gaining PRO shall receive notification of the outcome using a system update. For additional information on transferring debts to different PROs, see [5 C.F.R. 179.213](#) and 5 C.F.R. 550, Subpart K.

B. Upon transfer of the debt, the gaining PRO shall assume full responsibility for collection of the debt (pending receipt of previously unfinished actions). Any voluntary repayment agreements reached regarding periodic installment repayments or the decision not to accrue or assess interest, penalties, and administrative expenses shall be binding on the gaining PRO. If the debt is subject to interest, then the gaining PRO shall make the necessary computations. Installment deductions already begun shall continue uninterrupted.

*080702. Employee Transfers to a Non-DoD Agency

When an employee transfers to another federal agency outside DoD, forward the debt case to DCMO at DFAS-Indianapolis, for collection. [DCMO operates and maintains the Defense Debt Management System to provide centralized automated debt management and collection assistance for delinquent debts owed to DoD by individuals who are not currently paid by DoD.](#)

080703. Employee Separates from Federal Service - Recovery from Retirement Funds

A. Action by the PRO

1. General. If the amounts withheld from the employee's final salary

payment or lump sum payment for annual leave are inadequate to satisfy an employee's debt, then PRO shall submit a debt claim (request for recovery of a debt) to OPM for moneys that are due and payable to the separated employee from the CSRS or FERS basic benefits. The procedures in this subparagraph apply only after providing the former employee due process rights specified in section 0804. See [5 C.F.R. 831 subpart R \(CSRS\)](#) and [5 C.F.R. 845, subpart D \(FERS\)](#); [CSRS and FERS Handbook for Personnel and Payroll Offices \(CSRS and FERS Handbook\) at Chapter 4](#). See DoD FMR Volume 8 Chapter 11 for procedures that apply to the collection of debts resulting from an individual's failure to pay health benefit premiums while in a nonpay status or when salary was not sufficient to cover the cost of premiums.

2. Notice to the Employee. Immediately prior to sending a request to OPM for recovery of a debt, PRO shall notify the employee in writing that a debt claim is being sent to OPM to offset CSRS or FERS basic benefits. The letter shall state the amount of the debt at separation, the amount recouped from final pay and other sources, and the balance due. The letter also shall inform the employee that if he or she makes full payment of the unrecouped portion, the debt will not transfer to OPM. See [5 C.F.R. 831.1805](#) and [5 C.F.R. 845.405](#).

3. Submission of Debt Claims to OPM. Debt claims shall be submitted to OPM in accordance with the CSRS and FERS Handbook, Chapter 4, [5 C.F.R. 831.1805\(b\)\(5\)](#) and [5 C.F.R. 845.405\(b\)\(5\)](#).

a. Complete Debt Claims. Make a debt claim on an [SF 2805](#) (Request for Recovery of Debt Due the United States). Submit the debt claim to the Office of Personnel Management, Retirement and Insurance Group, Employee Service and Records Center, Boyers, PA 16017. Attach a copy of the employee notification and two copies of the following signed certification to the SF 2805:

- U.S.;
- (1) A statement that the employee owes the debt to the
 - (2) The amount and reason for the debt and whether additional interest accrues;
 - (3) The date the government's right to collect the debt first accrued;
 - (4) A statement that the PRO has complied with the applicable statutes, regulations, and the OPM procedures;
 - (5) A promise that if a competent administrative or judicial authority issues an order directing OPM to pay the employee an amount previously paid to DoD (regardless of the reasons behind the order), DoD shall reimburse OPM or pay the employee directly within 15 days of the date of the order; and
 - (6) A listing by date of actions taken pursuant to section 0804 (due process) of this chapter. Copies of the correspondence are not required.

Note: OPM is aware that PROs will not be able to obtain the employee's consent to the collection in every case; therefore, OPM shall honor such claims from PROs upon receipt of PRO's certification. Make every attempt to obtain the employee's consent, however, when the process has resulted in a compromised amount (an amount less than the total debt) or, in the case of an annuitant, a specific monthly installment is agreed upon.

b. Incomplete Debt Claims. In some instances, PRO will not be capable of sending a complete debt claim to OPM. For example, a separation may occur while due process procedures are pending or PRO may be required to submit the indebted employee's SF 2806/3100 (Individual Retirement Record) before information is available to determine the proper amount to be offset from the employee's monthly annuity. In such cases, PRO must notify OPM of the existence of the debt in order to prevent payment by OPM of retirement benefits to the employee. This is particularly important when the employee is entitled to a refund (lump sum retirement credit) of his or her contributions. PRO shall notify OPM by a remark in Column 8 of the SF 2806/3100. The SF 2806/3100 shall include a statement that the employee owes the debt to the U.S., the date the debt first occurred, and the basis for and amount of the debt.

4. Transfer of Debt Case. After sending the SF 2805 to OPM, transfer the debt to DCMO, DFAS-Indianapolis.

B. Action by OPM. A properly submitted debt claim results in OPM offsetting a former employee's debt from either a refund or a monthly annuity paid to the former employee. See 5 C.F.R. 831.1806; 5 C.F.R. 845.406; and 31 C.F.R. 901.3(d).

1. Refunds. The term "refund" refers the payment of a lump sum retirement credit to an individual by OPM.

a. Complete Debt Claims. If OPM makes a refund, then OPM will advise PRO submitting the SF 2805 that no moneys are available for application against the indebtedness. If the employee's application for a refund has been received by OPM, but not yet processed at the time the complete debt claim is received, then OPM shall honor the debt claim and make remittance to PRO. If the employee has not applied for a refund, then OPM will retain PRO's debt claim pending a future application. If the application for refund is received within one year of the date of OPM's receipt of PRO's debt claim, then OPM will honor the debt claim (where no interest is due) or will contact PRO to determine the amount of interest on the debt prior to honoring the debt claim. If OPM receives the application for refund more than 1 year following the date of PRO's submission of the SF 2805 to OPM, then OPM will contact PRO to verify that the debt is still current. If transferring the debt to DCMO per paragraph 080702, then PRO shall refer such inquiries to DCMO. If PRO has not yet transferred the debt to DCMO, but has still not made full collection, then PRO must contact the employee pursuant to 31 C.F.R. 901.3(d) in order to provide him/her the opportunity to establish whether his or her changed financial circumstances would make the offset unjust. The decision of whether to pursue the offset or to attempt collection by other means shall be made based on the employee's response. As a general rule, pursue the offset unless the success of alternative collection action is relatively certain.

b. Incomplete Debt Claims. If the employee has filed an application for a refund, then PRO must send OPM a notice of a debt claim against the refund that OPM is processing for payment. OPM will withhold the amount of the debt, but will not make a payment to PRO until PRO submits the complete debt claim to OPM. OPM will give PRO 120 days from the date OPM issues a notice to PRO to furnish a complete debt claim. This deadline may be extended by an additional 60 days if PRO so requests. Failure to meet the deadline or extended deadline, if applicable, will result in payment of the refund to the employee with no withholding for the debt.

2. Annuities

a. Complete Debt Claims. When OPM receives a complete debt claim from PRO and an application for an annuity, OPM will offset the annuity and pay the agency. When possible, OPM will make a one-time offset against the retiree's annuity payment in accordance with [5 C.F.R. 831.1806](#) and 5 C.F.R. 845.406. OPM will not make an installment deduction for more than 50 percent of the net annuity unless a higher percentage is needed to satisfy a judgment against a debtor within 3 years, or the annuitant has consented to the higher amount in writing. See [5 C.F.R. 831.1807](#) and [5 C.F.R. 845.407](#). For debts collected by installment that are subject to continuing interest payments, OPM must be advised of the new amount of the debt at least 90 days prior to the final payment. Whether the debt is repaid from an annuity by one-time offset or by installment deductions, OPM will begin deductions with the next available annuity payment following its receipt of a complete debt claim. If the monthly annuity payment has not yet been established, then offset will begin with the first regular annuity payment. Offsets shall not be made against advance annuity payments. As in the case of refunds, OPM can not offsets against annuity payments they receive an application for annuity payments from the retiree. Therefore, OPM will retain any SFs 2805 received in advance of the retiree's application. If any application is received more than 1 year following receipt of the SF 2805, then OPM will contact PRO in order to determine the current status of the debt. [If the debt has been transferred to DCMO per subparagraph 080703.A.4, then PRO shall refer such inquiries to DCMO. If PRO has not yet transferred the debt to DCMO, but has still not made full collection, then PRO must contact the employee pursuant to 31 C.F.R. 901.3\(d\) in order to provide him or her the opportunity to establish whether his or her changed financial circumstances would make the offset unjust.](#)

b. Incomplete Debt Claims. OPM will notify PRO of an incomplete debt claim against a debtor who is receiving an annuity. OPM will not offset the annuity until the debt claim is complete. Unlike the time limit for submitting a complete claim against a refund, there is no time limit on submission of a complete debt claim against an annuity.

080704. Post-Separation Debt Recovery by Debt and Claims Management Office (DCMO)

A. Debts of Former Employees. Transfer debts of former DoD employees to DCMO, DFAS-Indianapolis, in accordance with established procedures. All transfers shall include the following:

1. The employee's full name and [Social Security number \(SSN\)](#);

2. The employee's last known mailing address;
3. The date of the employee's separation/retirement;
4. The amount of the debt including principal, interest, penalties, and administrative costs;
5. Copies of all correspondence related to the case;
6. The accounting classification for credit, including amounts for interest, penalties, and administrative expenses when applicable; and
7. The date the debt was originally due, as stated in the notification of indebtedness.

B. Other Out-of-Service Debts. Out-of-service debts refer to debts of individuals not receiving salary or other payments from DoD that can be offset to collect existing debt. For out-of-service debts collected by DCMO, provide pertinent data to PRO to affect the necessary changes (including, but not limited to: SF 2806, SF 3100, IRS Form W-2, and [IRS Form 941](#)).

0808 RECOVERY OF OTHER DOD DEBTS

080801. General

Other creditor components within DoD (such as employing agencies to whom an employee owes a debt) and functional areas outside PRO may request PRO recover a debt by salary offset under [5 C.F.R. 550.1109](#). The DoD creditor component must certify completion of due process requirements to PRO when requesting involuntary salary offset to collect a debt that originated outside PRO. In general, PRO shall not question the merits of debts originating outside PRO.

080802. Collections of Unused Travel Advances, Unearned Advanced Per Diem and Mileage Allowance and Unearned Temporary Quarters Subsistence Expense (TQSE)

A. General. Under 5 U.S.C. 5705, a federal employee who is entitled to per diem or mileage allowances may receive a travel advance. Any amounts of the travel advance that are not used for allowable expenses are required to be collected. The travel functional area gives the employee an immediate opportunity to pay the amount due in a lump sum. If lump sum payment is not made, then offset will be made against all accrued pay, retirement credit, or any other amounts due the employee, without limitation.

B. Collection Request. PRO shall receive notification in writing of any debt the travel functional area or employing activity requests PRO collect by salary offset. Send a copy of the employee's signed voluntary repayment agreement to PRO, when applicable. Collect the debt in one lump sum, in installments in accordance with the employee's signed voluntary repayment agreement, or written instructions provided by the travel functional area or the

employing activity. The amount of the offset should not cause extreme financial hardship to the employee. For guidance on determining an appropriate installment amount, see the criteria used to determine installment payments at DoD FMR Volume 5, Chapter 28, paragraph 280701.

080803. Overpayment of Travel Allowances

Salary offset is authorized to collect a debt owed for an overpayment of travel allowances, subject to the limitation of up to 15 percent of disposable pay. An official must certify to PRO on [DD Form 2481](#) that due process has been performed under 5 U.S.C. 5514 or other applicable regulation.

080804. Excess Costs Due to Shipment of Personal Property

A debt for excess cost is created when an employee's shipment of personal property exceeds the authorized weight allowance under [5 U.S.C. 5724\(a\)\(2\)](#). If an employee has a debt for excess cost, then PRO must receive a DD Form 2481 to make collection by offset. The collection of such excess costs from an employee's pay is considered a voluntary offset since the employee signed [DD Form 1299](#) (Application for Shipment and/or Storage of Personal Property) before shipment agreeing to repay excess costs caused by the personal property shipment. [Upon receipt of the DD Form 2481, PRO will begin collection action for the balance due.](#)

080805. Collection of Employee Training Expenses

When an employee fails to fulfill a training agreement and he or she does not repay the employing activity, collection of training expenses from the employee's pay account by salary offset is authorized under [5 U.S.C. 4108](#). In accordance with [5 C.F.R. 410.309](#), the employing activity must give the employee the opportunity to request a reconsideration of the amount to be recovered or to apply for a waiver of the activity's right to recover.

A. Documents Required for Offset. PRO must receive the following documents prior to initiating collection by salary offset:

1. A copy of [SF 182](#) ([Authorization, Agreement And Certification of Training](#)) showing the employee's signed consent to the terms of the training agreement; and
2. A copy of at least one notification of indebtedness issued to the employee by the training office that pursued voluntary repayment of the training costs.

B. Notification to Employee of Offset. PRO shall forward a copy of the SF 182 and the notification issued to the employee by the training office to the employee along with written notification advising the employee of the payroll deduction amount and the pay period deduction will start.

080806. Collection For Reports of Survey Debts (also known as Government Property Lost or Damaged)

Report of survey channels, as prescribed in the pertinent DoD Component regulations, must be exhausted before involuntary salary offset under 5 U.S.C. 5514 is invoked for survey debts. Upon receipt of the DD Form 2481, [PRO will begin collection action for the balance due.](#)

080807. Unofficial Telephone Use

When directed by the employing agency and subject to the agency's certification on DD Form 2481 that due process has been performed under 5 U.S.C. 5514 or other applicable regulation, PRO will begin salary offset from employees who have incurred liability for unofficial use of government telephones. Offsets are subject to the limitations of up to 15 percent of disposable pay.

080808. Hospital Bills

Salary offset is authorized subject to the limitations of up to 15 percent of disposable pay for debts owed to DoD Component hospitals. An official designated by the hospital must certify to PRO on a DD Form 2481 that due process has been performed under 5 U.S.C. 5514 or other applicable regulation.

080809. Commissary Stores

Subject to the limitations of up to 15 percent of disposable pay and under a certification of due process on a DD Form 2481 by an appropriate official of the commissary store, initiate salary offset in the case of employees who are indebted to the Defense Commissary Agency for reasons such as having issued dishonored personal checks.

080810. Court Fees

Under certain circumstances, employees must refund fees received from a court for service as a juror or a witness. DoD FMR Volume 8, Chapter 5 provides guidance on absences of employees and retention of fees in connection with court leave. Collect court fees by cash refund or by payroll deduction. Under [5 U.S.C. 5515](#), refund collected fees to the appropriation or fund from which the employee is paid.

080811. Negotiation of Duplicate U.S. Treasury Checks

The negotiation of an original check that has been replaced by a recertified check is considered to be an illegal, incorrect, or improper payment for purposes of pecuniary liability. The disbursing officer who issues the duplicate payment is responsible for collection of such payments from a payee. The disbursing officer shall give the payee an opportunity to dispute whether the payee actually endorsed both instruments and an opportunity to consent to a full one-time salary offset. To offset the debt with a one-time salary offset, PRO must receive a signed statement from the disbursing officer, written consent from the employee to a one-time salary offset, and evidence

that negotiation of both instruments has occurred. PRO shall inform the employee that the amount of the indebtedness will be deducted in full from the next salary payment. The disbursing officer shall provide direction as to how the proceeds are applied. If, for any reason, the disbursing officer cannot produce written consent from the employee, then PRO must treat the case as an overpayment and initiate due process under section 0804 by mailing the employee a debt notification letter. If the employee fails to repay the debt pursuant to the debt notification, then involuntary deductions by salary offset will be made under 5 U.S.C. 5514. The maximum rate of 15 percent of disposable pay applies. Assess interest per paragraph 080605.

*080812. Military Pay of Reserve or National Guard Members For Duty To Aid Law Enforcement

A. General. Under the provisions of [5 U.S.C. 5519](#) and [5 U.S.C. 6323\(b\)-\(c\)](#), an employee's civilian pay is reduced (offset) by the gross amount received by the employee for military service as a member of the Reserve or National Guard for the period for which the employee is granted military leave under 5 U.S.C. 6323(b) or (c). The military pay to be offset against the civilian pay does not include travel, transportation or per diem paid by the military. If the military pay exceeds the employee's basic pay, then the employee may retain that portion of military pay that exceeds the civilian pay. If the employee uses annual leave or compensatory time, then the offset rules do not apply and the employee receives full military pay and full civilian pay. Refer to DoD FMR, Volume 8, Chapter 5, for further information. The requirement for offset applies whether payment for military service was pay from federal or state funds. Deduct for income tax withholding, Social Security and/or Medicare, or retirement based on the resulting balance. Do not reduce the civilian pay by the military pay received for service on nonworkdays.

B. Procedures. PRO shall accomplish the reduction of an employee's civilian pay by cash collection or by payroll deduction. Credit the collection to the appropriation from which the employee's civilian pay was paid. PRO is encouraged to notify the employee informally of the requirements under 5 U.S.C. 5519.

C. Documentation. Obtain specific information as to the military pay entitlement of the employee from the military organization concerned if the employee is unable to produce specific and documented information from which the civilian pay reduction may be determined.

080813. Collection of Dishonored Personal Checks

Collection of dishonored personal checks shall be made in accordance with DoD FMR Volume 5, Chapter 4.

0809 OTHER SALARY OFFSET REQUESTS

080901. Salary Offset Requests From Non-DoD Federal Creditor Agencies

A. General

1. Request for Salary Offset. A non-DoD Federal creditor agency means a non-DoD agency to which an employee owes a debt. When non-DoD federal creditor agencies (except IRS or U.S. Courts) identify DoD employees as having outstanding debts, those agencies shall address their salary offset requests to the Secretary of Defense designee for such collection which is DFAS Cleveland (DFAS-CL), 1240 East 9th Street, Cleveland, OH 44199. A request for offset must include certification that due process rights have been afforded to an indebted employee by the non-DoD federal creditor agency. After DFAS-CL approves a request for salary offset, DFAS-CL shall forward the approved request to PRO that maintains the employee's pay account.

2. Inquiries. Some non-DoD federal creditor agencies may elect to inform the employee of the anticipated amount of the offset prior to certification of due process and submission to DFAS-CL for offset. PROs shall cooperate with non-DoD federal creditor agencies that inquire as to the amount of an employee's disposable pay.

3. Calculation of Debt. Only the non-DoD federal creditor agency shall perform calculation of the debt amount (including any interest, administrative expenses, or penalties). A non-DoD federal creditor agency may adjust the originally certified debt amount to include interest that has accrued since initially certifying the debt to DFAS for collection. In this event, the non-DoD federal creditor agency shall recertify the debt amount using the same procedure as the original debt certification.

4. Statute of Limitations. There is no statute of limitation for collection of a debt by salary or administrative offset. See DoD FMR Volume 5, Chapter 28 at subparagraph 280808.B.3 for additional notice and due process requirements that apply to the collection of debts that are at least 10 years delinquent as of December 31, 2009.

5. Returned Requests. Return without action any requests from non-DoD creditor agencies sent to PRO directly without going through DFAS-CL or the Defense Manpower Data Center (DMDC). PRO will inform the non-DoD federal creditor agency of the correct procedures as outlined in this section.

6. Date Offset is Initiated. The debt collections will begin the next officially established pay period.

7. Matching Data. The National Security Agency (NSA) shall work with DMDC to accomplish matches for NSA, the Defense Intelligence Agency, and National Imagery and Mapping Agency personnel. NSA Headquarters will conduct these matches.

B. Processing Actions. Upon receipt of the salary offset request for a non-DoD federal creditor agency from DFAS - CL, PRO shall:

1. Compute Salary Offset Amount. Compute 15 percent of the employee's disposable pay or a lesser percentage dictated by the non-DoD federal creditor agency;
2. Notify Employee of Offset. Notify the employee in writing of the amount of the salary offset and the pay period when salary offset will start;
3. Process Deductions. Process the payroll deduction in accordance with payroll system user instructions;
4. Coordinate Verification of Debt Collection Status. Receive from the employee and forward to the non-DoD federal creditor agency any proof submitted by the employee indicating that the debt is paid in full, discharged under bankruptcy, or that voluntary payments are current under a voluntary repayment agreement. PRO shall advise the employee to resolve any debt issue directly with the non-DoD federal creditor agency so that DFAS-CL is officially notified that the debt has been canceled. If the employee produces compelling documents (e.g., canceled checks, receipts, or letters from the creditor agency) which indicate the debt is no longer valid, then salary offset should be suspended pending verification or official termination by the non-DoD federal creditor agency;
5. Pay and Report to non-DoD Federal Creditor Agency. Forward payment each pay period to the non-DoD federal creditor agency along with a report of each collection made. See DoD FMR Volume 8, Chapter 9 subparagraph 090203.G.1 for guidance on preparing this report;
6. Report to DFAS-CL. Send a biweekly report of collections on delinquent debts for non-DoD federal creditor agencies to DFAS-CL. See DoD FMR Volume 8, Chapter 9 subparagraph 090203.G.2 for guidance on preparing this report; and
7. Record. Ensure the civilian payroll voucher reflects the total amount of the collection as salary offset for the non-DoD federal creditor agency.

*080902. Salary Offset Requests From the Travel Charge Card Contractor

A. Authority. The "Travel and Transportation Reform Act of 1998" authorizes Federal agencies to collect undisputed delinquent amounts incurred on an individually billed travel charge card issued to a civilian employee from that individual's disposable pay. See Sec 2, P. L. 105-264, 112 Stat. 2350 and [5 U.S.C. 5701 note](#). The amount deducted may not exceed 15 percent of the disposable pay for each pay period, except upon written consent of the employee for a greater percentage deduction amount. This statute is implemented by this Regulation and the [Federal Travel Regulation \(FTR\), Parts 301-54](#) and [301-76](#) (see also [41 C.F.R. Part 301-54](#) and [41 C.F.R. Part 301-76](#)).

B. Request for Collection. After undisputed debts become 90 days delinquent, the travel charge card contractor shall send a 90-day demand letter to the debtor which shall include all due process requirements for initiating salary offset. If the debt is not disputed or paid, or arrangements are not made for payment by installment agreement within the 30-day period following the final debt letter, then the travel charge card contractor may request initiation of the salary offset process through payroll deduction.

C. Responsibilities

1. Travel Charge Card Contractor

a. Request for Offset. The travel charge card contractor shall forward delinquent debts to the Salary Offset Project Office (DFAS - AHADC/CL).

b. Record of Charges, Late Fees and Costs. The undisputed 120-day old delinquent accounts referred for salary offset shall contain the full balance of the account, regardless of whether some of the individual charges relate to an official travel document. In addition to the delinquent charges, the amount referred for salary offset shall include any late fees assessed and costs of collection.

c. Financial Institution Information. The file shall include the travel charge card contractor's financial institution and account routing information to facilitate electronic transmission of delinquent amounts collected.

d. Private Collection Agency Referrals. Any delinquent debt the travel charge card contractor has already forwarded to a private collection agency for collection shall not be included in the salary offset process. Nor shall the travel charge card contractor refer to a private collection agency any delinquent debt already submitted for collection by salary offset.

2. Salary Offset Project Office

a. Processing Requests. The Salary Offset Project Office (DFAS - AHADC/CL) shall process the request for initiation of travel charge card delinquent debt salary offset in the same manner as is done for federal salary offset requests from other federal agencies.

b. Debt Balance. The Salary Offset Project Office (DFAS – AHADC/CL) shall manage the debt balance during the salary offset process. If for any reason changes to the debt balance occur, then the travel charge card contractor shall immediately advise the Salary Offset Project Office of those changes.

c. Reports from PRO. PROs shall provide reports listing the collection transactions to the Salary Offset Project Office for each collection file in order to monitor amounts collected and remaining debt balances due.

D. Due Process - Inquiries, Disputes, and Hearing Process. Any inquiries or disputes regarding the debt and the 90-day demand notice, which are received by the travel charge card contractor prior to forwarding the debt to DFAS for collection, will be handled and resolved by the travel charge card contractor. If the debtor wants to negotiate an installment agreement prior to the referral of the debt for salary offset, then the employee will make any such agreement with the travel charge card contractor. If the debtor is not satisfied with the travel charge card contractor's disposition of the dispute, then he or she may submit a petition to the travel charge card contractor for a debt hearing.

E. Amounts Collected. The maximum offset amount is 15 percent of disposable income.

1. Payment to Travel Charge Card Contractor. Any collection on undisputed debts shall be processed by the pay system and directly applied to the travel charge card contractor.

2. Refunds. The travel charge card contractor shall refund any overpayment amount to the debtor after the debt is satisfied. Overpayment can occur once a debt is forwarded to DFAS due to any additional payments received by the travel charge card contractor from the delinquent account holder or from other actions. Such refunds must be paid immediately after the debt is satisfied, but in no case no later than 30 days after DFAS forwards the final salary offset amount to the travel charge card contractor.

F. Delinquent Account Holder No Longer Civilian Employee. Debts that are referred for salary offset collection by the travel charge card contractor where salary offset is not available, (i.e., the civilian employee has separated), will be returned by DFAS to the travel charge card contractor for private collection action.

0810 RECOVERY OF COURT-ORDERED INDEBTEDNESS

081001. Judgment Offsets

When a court of the U.S., in an action or suit brought against a federal employee by the U.S., determines the employee is indebted to the U.S. and enters a judgment against the employee, section 124 of P.L. 97-276, (published as a note to 5 U.S.C. 5514), allows collection of the debt by deduction from the employee's current pay account. The employee's consent is not required. Any federal agency requesting salary offset under this authority shall send a letter requisitioning offset to PRO with an attested copy of the judgment entered against the employee. If there is concern as to the validity or interpretation of the judgment, then DFAS Office of General Counsel shall review the judgment. After confirmation of the validity or interpretation of the judgment, PRO will:

A. Compute the amount collected each pay period using the percentage specified in the offset request. The maximum amount deducted for a pay period may not exceed 25 percent of the employee's disposable pay, unless a greater percentage is necessary to recover the amount owed within the time of the anticipated employment. Deductions may be made from basic

pay, special pay, incentive pay, or in the case of an individual not entitled to basic pay, other authorized pay.

B. Collect the total unpaid balance as specified in the offset request. This amount may include accumulated interest and administrative charges. The agency requesting offset should notify PRO approximately 90 days before completion of the judgment offset with the final judgment amount which includes the balance of accrued interest charges.

C. Forward a copy of the offset request to the employee with written notification advising the employee of the deduction amount and pay period the deduction will start.

D. Apply final pay (salary and lump sum leave) to any unliquidated debt balance if the employee retires, resigns, dies, or if employment otherwise ends.

E. Forward payment each pay period to the agency requesting salary offset.

*081002. Child Support and Alimony Garnishments

A. Authority. [Title 42, U.S.C., section 659](#) provides consent by the U.S. to garnishment and similar proceedings for enforcement of child support and alimony obligations against civilian employees. Deduct court-ordered garnishment under this section from the employee's pay in accordance with [5 C.F.R. Part 581](#).

B. Pay Subject to Garnishment. All moneys due active civilian employees, the entitlement to which is based upon "remuneration for employment", are subject to court-order garnishment or attachment. The term "remuneration for employment" means all compensation paid or payable for personal services performed by an individual, whether such compensation is denominated as wages, salary, commission, bonus, pay, or otherwise, and includes, but is not limited to, those items set forth in [5 C.F.R. 581.103](#).

C. Pay Not Subject to Garnishment and Exclusions. Moneys paid as reimbursement, normally defined by law or regulations as allowances, awards paid for making suggestions, and injury compensation payments are not deemed to be "remuneration for employment" and, therefore, are not subject to garnishment. Amounts not subject to garnishment are identified in [5 C.F.R. 581.104](#). Deductions as identified in 5 C.F.R. 581.105 that will be excluded from garnishment are:

1. CSRS/FERS;
2. Social Security and/or Medicare;
3. TSP contributions;
4. Federal income taxes (not including additional withholdings unless the employee presents evidence of a tax obligation which supports the additional withholding);

5. FEHB;
6. FEGLI (basic only);
7. Indebtedness due the U.S. Government except where the employee's debt is for child support and the amount owed the U.S. results from an income tax lien or levy;
8. State income tax and city/local employment tax; and
9. Other deductions required by law or regulations to be withheld.

D. Maximum Garnishment Limitations. Aggregate disposable earnings means the amount of any pay that is due or payable to an employee as “remuneration for employment” minus the deductions that are listed as exclusions. Unless a lower maximum garnishment limitation is provided by applicable State or local law, the maximum part of the aggregate disposable earnings subject to garnishment to enforce a support order (5 C.F.R. 581.402) shall not exceed:

1. Fifty percent of the employee’s aggregate disposable earnings for any workweek if the employee is supporting a spouse, a dependent child, or both, other than the former spouse, child or both for whose support is required by the garnishment order;
2. Sixty percent of the employee’s aggregate disposable earnings for any workweek if the employee is not supporting a spouse, dependent child, or both other than those named in garnishment order;
3. An additional 5 percent of the employee’s disposable earnings is subject to garnishment in each case if the outstanding arrearages are over 12 weeks old.

E. Procedures. Send all court orders for child support and alimony to DFAS-Cleveland Site (DFAS-CL/L). Upon review of the court order, DFAS-CL/L will process the garnishment deduction information in DCPS. A cancellation to the order will be automatic on the date of separation from DoD, upon death of the employee, or upon notification from the court that the legal process is terminated. The employee can not voluntarily stop these court ordered deductions.

*081003. Commercial Garnishments

A. Authority. Title 5, U.S.C. section 5520a authorizes the garnishment of federal civilian employees' wages for commercial debts. Deduct commercial garnishments under this section from the employee’s pay in accordance with 5 C.F.R. Part 582.

B. Pay Subject to Commercial Garnishment. Pay due to employees as defined in 5 U.S.C. 5520a is subject to legal process.

C. Pay Not Subject to Commercial Garnishment and Exclusions. In determining the amount of pay subject to commercial garnishment, suggestion awards and injury compensation payments are not subject to garnishment. Deductions as identified in 5 C.F.R. 582.103 that will be excluded from garnishment are:

1. CSRS/FERS;
2. Social Security and/or Medicare;
3. TSP contributions;
4. Federal, State, or Local income taxes (not including additional withholdings unless the employee presents evidence of a tax obligation which supports the additional withholding);
5. FEHB;
6. FEGLI (basic only);
7. Indebtedness due the U.S. Government; and
8. Other deductions required by law or regulations to be withheld.

D. Maximum Garnishment Limitations. A maximum of 25 percent of an employee's disposable pay may be used to satisfy garnishments for commercial debts. The term disposable pay means the amount of any pay due or payable to an employee as remuneration for employment, minus the deductions listed in subparagraph 081003.C. If the total deduction for child support and alimony equal or exceeds 25 percent of an employee's disposable pay, then do not process a deduction for a commercial debt. Further, limitations on the amount to be garnished are found in 5 C.F.R. 582.402. There is no limit on the percentage amount for garnishment for federal, state or local tax obligations, or in compliance with an order of any court of the U.S. having jurisdiction over bankruptcy cases under Chapter 13.

E. Procedures. Send all orders for commercial debts to DFAS-CL/L. Upon review, DFAS-CL/L will process the commercial garnishment information in DCPS.

F. Administrative Fee. Add an administrative fee of \$75.00 to the garnishment amount and collect from the employee. Collect the administrative fee in full before any payments are remitted to the creditor. An administrative fee may be assessed for each legal process that is received and processed if more than one commercial debt exists.

*0811 BANKRUPTCIES

*081101. General

[Title 11, U.S.C., Section 1325](#), permits an indebted individual who has a regular income to file a Wage Earner's Plan with the Bankruptcy Court designed to liquidate all or part of the creditor's claim. When a plan has been approved, the court may order DoD to pay all or part of those wages to a trustee for the debtor. The law waives the U.S. Government's sovereign immunity for purposes of compliance with payroll deduction orders issued by the bankruptcy courts. Accordingly, DFAS will process the collection in accordance with the instructions on the court order.

A. Collecting an amount of indebtedness owed to the U.S. that was incurred prior to the filing date of the petition, is described as a prepetition debt. Collect such debt by offset from the employee's pay account only through the day prior to the date the bankruptcy petition is filed. Continuing deductions from the employee's pay after the filing of a petition in a bankruptcy is improper and violates the automatic stay provisions of the bankruptcy statute. Promptly discontinue all voluntary deductions to liquidate the listed indebtedness upon notice or actual knowledge of the filing of the bankruptcy petition. Amounts withheld after the date the bankruptcy petition is filed must be refunded to the employee.

B. Upon notice or actual knowledge of the filing of a bankruptcy petition, when the employee has listed the U.S. Government as a creditor, PRO files a proof of claim with the Federal court concerned.

C. If the bankruptcy petition is approved, then, generally, the listed indebtedness to the U.S. is discharged with few exceptions. The bankruptcy proceedings have no bearing on the liquidation of any new item of indebtedness discovered after the filing of a petition in bankruptcy and not included in the petition.

D. If the court subsequently dismisses a bankruptcy case, then collection of the debt is permitted by offset if otherwise authorized.

*081102. Wage Earner's Plan Under the Bankruptcy Act, Chapter 13

A. An employee may file a petition with the court to enter into a "Chapter 13 Plan" under the Bankruptcy Code. Under Chapter 13, an employee must submit a proposed repayment plan to the bankruptcy court that provides, among other things, that all or a specified amount of future income as is necessary to pay priority claims under the plan, are to go to the control of the bankruptcy trustee.

B. When the court confirms the plan, its provisions are binding upon the employee and all creditors of the employee, regardless of whether they are affected by the plan or have been included in the plan.

C. Once the bankruptcy court confirms a plan, it usually orders the employer to pay a specific amount of an employee's income to the trustee named in the order.

D. The pay of an employee is subject to payment to the trustee appointed by the court pursuant to Chapter 13 of the Bankruptcy Act. The payment by DFAS of part of the employee's pay in response to a court order issued under a Chapter 13 Wage Earner's Plan case does not violate 31 U.S.C 3727 (Priority of Government Claims). Compliance with such a court order gives the government a valid acquittance against the employee since the court order is binding on the employee.

E. If the U.S. is both the employer and creditor when the individual files a Chapter 13 Wage Earner's Plan, then the government's priority under 31 U.S.C. 3713 may be asserted in the absence of a judicial determination to the contrary. This is done through a filing of the proof of claim by the appropriate PRO.

*081103. Chapter 7 Bankruptcy

A. Notification. Upon notice or actual knowledge of the filing of a bankruptcy petition, when the debtor has listed the U. S. Government as a creditor, DFAS Cleveland Site, Garnishment Operations:

1. Requests the appropriate PRO file a claim with the Federal court concerned, or;

2. Discharge the listed indebtedness of the U.S. if the bankruptcy petition is approved for discharge of debts. The bankruptcy proceedings have no bearing on the liquidation of any new item of indebtedness incurred after the filing of a petition in bankruptcy and not included in the original bankruptcy petition.

B. Procedures

1. Submit or fax Bankruptcy withholding orders to:

DFAS-Cleveland Site
Garnishment Operations
P. O. Box 998002
Cleveland, OH 44199-8002

Commercial Fax: (877) 622-5390
(216) 522-6960

DSN Fax: 580-6960

a. The employee's full name and full social security number must be included with the Bankruptcy order.

b. The Bankruptcy notice is effective when it is signed by the court and the provisions of the automatic stay are effective with that date.

c. When the notice does not sufficiently identify the employee, return it directly to the person who submitted the order with an explanation of the deficiency.

2. Upon receipt of an effective bankruptcy order, together with all the required information, Garnishment Operations will review the case to determine if there are any commercial garnishments that need to be terminated as a result of the automatic stay (child support, alimony and child support arrears, are not terminated unless the bankruptcy order specifically states so). Garnishment Operations will then establish the withholding against the employee's pay to comply with the bankruptcy order within 30 days. Withholdings will continue until the amount specified in the order is collected, or the order is cancelled or suspended.

a. Within 30 calendar days after the date of receipt of the order, the designated official will send notice to the employee stating this fact.

b. The letter will inform the employee the date that the withholding is scheduled to begin and the amount or percentage that will be deducted.

c. When the employee identified in the order is found not to be entitled to money due from or payable by DFAS, the designated official will return the order to the person who submitted it and advise him or her that no money is due from or payable by DFAS to the named individual. When it appears that amounts are exhausted temporarily or otherwise, unavailable, the authorized person shall be told why and for how long any money is unavailable, if known.

*0812 TAX LEVY FOR UNPAID FEDERAL INCOME TAX

*081201. Authority

Internal Revenue Service (IRS) District Directors are authorized under 26 U.S.C. 6331 to collect delinquent federal income taxes by levy on the salary or wages of any U.S. or District of Columbia (D.C.) employee. When the employee fails to pay federal income tax due within 30 days after IRS issues a notice and payment demand, a levy against the employee's wages may be issued. The levy is served against the take home pay of the employee and shall attach only to the salary check or cash disbursement the employee would receive on payday if it were not for the levy. After PRO receives a levy, do not allow employees to increase or add any voluntary allotments. Changes that increase existing voluntary allotments are only authorized after the total tax liability has been paid or arrangements made with IRS. IRS has the authority to collect outstanding Federal taxes for 10 years from the date the tax liability was assessed. However, the 10 year collection period can be suspended and the amount of time the suspension is in effect will be added to the time remaining in the 10 year period. For example, if the 10 year period is suspended for 6 months, then the time left in the period IRS will have to collect will increase by 6 months.

*081202. Procedures

When IRS serves the Form 668-W(c) (Notice of Levy on Wages, Salary, and Other Income),” PRO will take immediate action to implement the levy. Once PRO processes the levy, it shall continue in effect until the collection is complete or until IRS releases the levy.

A. Notice to Employee and Claiming of Exemptions. PRO shall follow instructions as indicated on Form 668-W(c) and provide notice to the employee that a levy has been received. Employees are permitted to claim a biweekly personal exemption and a biweekly exemption for each dependent. IRS changes the exemption amounts each year. IRS Publication 1494 provides the current exemption amounts and is issued with the levy. The employee shall certify his or her exemptions and provide the information to PRO on Form 668-W(c) under “Statement of Exemptions and Filing Status.” The employee shall return the completed form to PRO for processing. If the employee fails to provide exemption information to PRO, then a dependency exemption shall not be allowed and only the minimum personal exemption for each pay period shall be allowed. An employee may provide a new statement to PRO at a later date to have the exempt amount recomputed. If the employee is required by a court judgment (made before the date of the levy) to contribute to the support of minor children, then that amount of salary, wages, or other income is already exempt from the levy and therefore the employee may not claim these minor children as exemptions.

B. Computing Take Home Pay. The levy attaches to the employee’s “take home” pay minus the allowable exceptions. Unless otherwise instructed by IRS, the employee’s payroll deductions in effect when the levy was received shall be allowed when determining the employee’s take home pay. However, a voluntary allotment may be disallowed if the deduction is so large it defeats the levy. IRS may notify PRO when different procedures should be followed for specific employees. To determine the employee’s “take home” pay, the levy attaches to the gross amount of the employee’s accrued wages or salary, less the following deductions:

1. Social Security and/or Medicare;
2. Retirement;
3. FEHB;
4. FEGLI;
5. Pay attached or garnished for child support or alimony;
6. Overpayments due the U.S. Government; and
7. Allowable personal exemptions, certified by the employee on

Form 668-W(c).

C. Return Form 668-W(c) to IRS. After PRO makes the first deduction for the levy against the employee's pay, PRO shall follow instructions on the Form 668-W(c) and return Part 3 of the form to IRS.

D. Employee Transfers or Separation

1. Transfers Within DoD. If the civilian employee has been reassigned to an organization serviced by another PRO, then the losing PRO shall inform the IRS District Director of the employee's new address. The losing PRO shall mail the complete levy package to the new PRO for processing.

2. Other Employee Transfers or Separation. If the employee has moved from overseas, transferred to another federal agency, separated or retired, then PRO will return the levy to the IRS District Director and provide the employee's new address, if known, on Form 668-W(c).

E. No Employee Record Found. If PRO receiving the levy has no record that payroll service has been furnished for the employee, then annotate that fact on the bottom of the levy and return the levy to the IRS District Director.

*081203. Voluntary Deductions for Unpaid Federal Income Tax

A civilian employee may arrange with IRS to liquidate a delinquent federal income tax debt through voluntary biweekly deductions. Form 2159, (Payroll Deduction Agreement) must be submitted to PRO to initiate the deduction process.

0813 PROCESSING CORRECTIONS

081301. Corrections for Underpayment of Earnings

For active or separated employees, there is no distinction between a payment for the current or prior calendar year. The adjusting payment is reported as wages at the time the payment is made. No correction on IRS Form 941 is required.

A. Active Employees. For active employees, PRO shall:

1. Process the payment in the next regular biweekly pay cycle;
2. Report the gross wages subject to Social Security/Medicare taxes withheld as current quarterly earnings on IRS Form 941; and
3. Include the earnings and Social Security/Medicare taxes withheld on the IRS Form W-2 for the current year.

B. Separated Employees. For separated employees, PRO shall:

1. Reestablish the employee on the payroll and process the payment in the current biweekly pay cycle;
2. Report the gross wages subject to Social Security/Medicare taxes withheld as current quarterly earnings on IRS Form 941; and
3. Prepare IRS Form W-2c if an IRS Form W-2 was issued.

081302. Corrections for Overpayment of Earnings in the Current Year

A. Active Employees. For active employees, PRO shall:

1. Instruct the employee to refund the overpayment in accordance with due process procedures; and
2. Record the amount as a reversal in the base pay, gross pay, net pay or other pay as applicable, after receipt of the refund or returned check from the employee, to PRO.

B. Separated Employees. For separated employees, PRO shall follow debt collection procedures as outlined in DoD FMR Volume 5 to:

1. Reestablish the employee on the payroll and process the reversals in the current biweekly pay cycle; and
2. Prepare IRS Form W-2c if IRS Form W-2 was issued.

*081303. Corrections for Overpayment of Earnings for a Prior Year

If the overpayment occurred in a previous calendar year, then no correction of earnings for federal, state, or local withholding taxes will be made for the current calendar year.

A. Active Employees. For active employees, PRO will:

1. Prepare an IRS Form W-2c in accordance with IRS Circular E for the prior year to reduce the gross wages subject to Social Security/Medicare and Social Security and/or Medicare taxes withheld if the year of repayment is still within the 3-year statute of limitations for Social Security and/or Medicare tax refunds. Send copies to the employee and copy A to the Social Security Administration (SSA). Upon completion of the correction procedures, send a separate IRS Form W-3 (Transmittal of Wage and Tax Statements) with the corrected IRS Form W-2 to the SSA. If the repayment is beyond the 3-year statute of limitations, then do not make corrections to prior year IRS Forms W-2 and IRS Forms 941;
2. Attach the employer's copy of the IRS Form W2c to the retained IRS Form W-2 previously issued for the prior year;

3. Prepare IRS Form 941x (Adjusted Employer's Quarterly Federal Tax Return or Claim for Refund) to correct errors made on IRS Form 941;

4. Retain copies of the form in PRO;

5. Prepare a statement for the employee after collection of the amount due from the employee. (See Figure 8-9 for a sample "Refund of Prior Year Salary Overpayment.") The amount entered on the statement shall be the total of the reverse deductions plus the amount the employee repaid. The employee shall receive any federal, state, city, and local income tax adjustment when he or she files a tax return;

6. PRO shall manually note the amount of the correction and the date of the collection on the employee's prior year individual pay record; and

7. If an employee was overpaid in previous calendar years, then collections against the overpayment may cover more than two calendar years. PRO shall give the employee a statement that contains the following:

- a. A description of the circumstances;
- b. The amount of the overpayment;
- c. The amount collected during the year; and
- d. The year or years to which the payment was applied.

B. Separated Employees. For separated employees, PRO will:

1. Follow procedures outlined in subparagraphs 081303.A, and;
2. Keep a copy of the IRS Form W-2c and IRS Form 941c to balance the annual federal tax deposits.

*Figure 8-1. Sample Debt Notification (page 1 of 2)

(See Note 1)

(See Note 2)

Dear (See Note 3):

This is to inform you that you were overpaid for pay periods ending (4) through (4). The gross amount of your overpayment (including pay, taxes, benefits and other deductions) is \$ (5). DFAS has adjusted your debt for all payments and offsets and has determined that the net amount of the debt currently owed by you is \$ (6). The overpayment is a result of (7). The payment was incorrect because (8). Your account was audited and the attached debt worksheet contains information detailing the overpayment.

Payment of Your Debt. Please pay the debt in full by (9), which is (10) days from the date of this letter. Your check or money order should be made payable to DFAS-CL DSSN 8522 in the amount of \$ (6). Please send your payment to DFAS CL/FTB, P. O. Box 9955, Cleveland, OH 44199-2056. If you are unable to pay the debt in one lump sum, you may agree in writing to pay the debt in regular installments by completing the enclosed Voluntary Repayment Agreement and mailing or faxing it to the address listed on the Agreement.

If You are Unable to Pay Your Debt. If you do not repay the debt in full, or do not submit a Voluntary Repayment Agreement within (10) days from the date of this letter, DFAS must collect the debt using other collection procedures. Beginning on (11), DFAS will initiate collection of the debt involuntarily from your pay by using salary offset procedures (payroll deductions). A maximum of 15 percent of your net disposable pay will be deducted each pay period until your debt is paid in full. The salary offset amount may fluctuate each pay period depending on your available net disposable pay. DFAS estimates that based on your current payroll information, your available disposable pay is \$ (12), and 15 percent of your disposable pay is (13). Repayment of the principal amount of your debt would be completed in approximately (14) pay periods. If you retire or resign before your debt is paid in full, the entire amount of your final pay (salary and lump sum payments) may be applied to pay off your debt.

Opportunities Available to You. If appropriate, you may contact your timekeeper to make time and attendance corrections, or your personnel office to make pay or allowance changes. You may inspect and/or receive copies of DFAS records related to your debt at the address listed above. If you question the validity or amount of your debt, you may request a hearing (see the attached instructions on "Requesting a Hearing"). If you do not wish to dispute the validity or amount of the debt, you are entitled to request a waiver of your debt (see the attached instructions on "Requesting a Waiver"). DFAS will promptly refund to you any amounts you have paid or that were deducted for your debt which are later waived or found not owed to the United States.

Questions about Your Debt. Please see the attached "Collection of Your Debt" for additional information regarding debt collection. The Department of Defense Financial Management Regulation (DoDFMR) contains general information concerning debt collection authority at Volume 5, chapter 28 and Volume 8, chapter 8. The DoDFMR is available at <http://comptroller.defense.gov/fmr/index.html>.

You may contact your Personnel Office or Customer Service Representative (CSR) if you have questions regarding your debt. If you have further questions about your debt, your CSR may initiate a Remedy inquiry to request information from DFAS, or you may contact the DFAS Civilian Payroll Office at 1-800-538-9043. You may also write to the DFAS Civilian Payroll Office at the address listed on this letter.

Sincerely,

SIGNATURE

(15)

Supervisor, Debt Processing Branch

(16)

Enclosures:

As stated

*Figure 8-1. Sample Debt Notification (page 2 of 2)

Please remit with payment:			
Name _____	SSN _____	DB _____	
PayBlk _____	Code _____	Debt Dates _____	
Debt Type _____	Creation Date _____	Sequence Number _____	
LOA _____			
Payment Amount Enclosed \$ _____			

NOTES: Explanation of Blank Spaces on Sample Debt Notification

- (1) The title or office symbol/code of the civilian payroll office issuing the debt notification.
- (2) The full name and mailing address of the employee.
- (3) Last name of employee with proper title (Mr or Ms.).
- (4) The pay period(s) that the overpayment occurred.
- (5) The gross dollar amount of the overpayment.
- (6) The net dollar amount of the overpayment.
- (7) Reason for Indebtedness. A brief explanation of how the overpayment occurred (e.g., time and attendance or a personnel change).
- (8) Explanation citing applicable law or DoDFMR provision, if applicable.
- (9) The date by which the employee must pay the debt in full or submit a voluntary repayment agreement, usually 30 days from the date the letter is issued.
- (10) The total number of days the employee has to pay the debt in full or submit a voluntary repayment agreement, usually this number is "30".
- (11) The date the involuntary deduction from pay begins.
- (12) The estimated amount of disposable pay.
- (13) Fifteen percent of the disposable pay amount shown in item (12).
- (14) Divide amount shown in (6) by the amount determined in (13) and round to the next highest number. This will be the approximate number of pay periods needed to collect the overpayment in full.
- (15) Identify by name, the signatory for the letter.
- (16) The Debt Notification must include all enclosures (Enclosure 1, "Collection of Your Debt") (Enclosure 2, "Requesting a Hearing") (Enclosure 3, "Requesting a Waiver").

*Figure 8-2. Enclosure 1 to Debt Notification (Collection of Your Debt)

COLLECTION OF YOUR DEBT

Please be aware of the following additional information concerning the collection of your debt:

Interest and Additional Charges. If you are unable to pay the debt in full by 30 days from the date of this notification, any unpaid portion of the debt will be considered delinquent. DFAS is authorized by law to add interest, penalties, and administrative costs to your debt if it is not paid within 30 days from the date of this letter. The rate of interest charged is at the Treasury Tax and Loan Rate and may commence on the date your debt becomes delinquent and may continue until the debt is paid in full. Additional penalties may be imposed at the rate of up to 6 percent a year on any unpaid portion of your debt that is delinquent for more than 90 days, commencing on the date your debt is becomes delinquent and continuing until the debt is paid in full.

Collection Action on Delinquent Debts. If DFAS is unable to collect your debt by salary offset, DFAS may enforce repayment of your debt by using other available collection remedies such as referring your debt to a private collection agency, reporting your debt to a credit bureau, garnishing your non-Federal employment wages, or referring your debt to the Department of Justice for litigation. Debts delinquent for more than 180 days are transferred to the Department of Treasury for collection. Treasury may offset your Federal income tax refunds or other Federal benefit payments, such as Social Security and Federal employee retirement benefits, in order to collect your debt. You may also be prohibited from being approved for a Federal loan if you do not resolve your outstanding delinquent debt.

Collection of Federal Employee Health Benefit (FEHB) Premiums. Your debt may be the result of an advance in salary you received when you were on leave without pay status (LWOP) or when your pay was insufficient to cover your share of your FEHB premiums. When you return to employment, or upon your pay becoming sufficient to cover the premiums, you are required to reimburse your employer for the premiums paid on your behalf. If you pay your debt with after-tax dollars using a personal check, the payment will not be subject to pre-tax treatment that would reduce your taxable income. In order to ensure the repayment will be treated on a pre-tax basis, you must select payroll deduction as your repayment method. Pursuant to OPM regulations under 5 C.F.R. 890.502, the "catch-up" option for repaying your FEHB premiums may not be paid pursuant to a Voluntary Repayment Agreement. Premiums must be collected back each pay period at the rate your employer paid the premium for you.

Penalties for False or Frivolous Statements. Please be advised that if you make or provide any knowingly false or frivolous statement, representations or evidence with respect to your debt, you may be liable for penalties under the False Claims Act (31 U.S.C. §§ 3729-3731) or other applicable statutes, and/or criminal penalties under 18 U.S.C. §§ 286, 287, 1001, and 1002, and other applicable statutes. A Federal employee may also be subject to disciplinary procedures under 5 U.S.C. Chapter 75 or any other applicable statutes or regulations.

*Figure 8-3. Enclosure 2 to Debt Notification (Requesting a Hearing)

REQUESTING A HEARING

You may request a hearing to contest the validity of your debt or the amount of your debt. If your debt will be collected by involuntary salary offset (other than pursuant to a Voluntary Repayment Agreement), you may also request a hearing to contest the terms of the involuntary salary offset schedule.

Is a hearing always the first step? No. General questions about your debt may be answered by your Personnel Office or your Customer Service Representative. If you request a hearing, DFAS will first perform an informal reexamination (“reconsideration”) of your pay records to validate the amount of debt you owe. DFAS will perform the reconsideration and issue written results to you. Reconsideration is an informal review performed to satisfy any doubts you may have regarding the amount or validity of your debt. A reconsideration is not a formal hearing. After considering the results of the reconsideration, you may decide not to proceed with the formal hearing process. To continue with a formal hearing, you must notify DFAS of your intent in a timely manner as noted below.

What happens during the hearing process? If you file a petition for a hearing in a timely manner, a hearing official will make a written determination regarding the validity or the amount of your debt, or will make a ruling on the proposed involuntary repayment schedule. The hearing official will consider any written statements and/or documentary evidence you submit, as well as internal agency debt files. You are entitled to a “Paper Hearing” wherein the hearing official makes a determination based on a review of the documents only, without the parties present. Rarely is an oral hearing granted and only if DFAS determines that the matter cannot be resolved by a review of the documents alone. You will receive a written decision within 60 days after filing your petition, unless the hearing official grants a delay. Collection of your debt, and any interest and penalty charges will be suspended until the hearing official issues a written decision.

Is there a time limit for requesting a hearing? You must file a petition for a hearing within 30 days from the date of the attached debt notification letter (extended to 45 days if OCONUS). If you requested records related to your debt, you must file a petition for a hearing within 45 days after the date the records are distributed. If DFAS performs a reconsideration of your debt (as explained above) and you wish to proceed with a formal hearing, you must notify DFAS within the time limit stated in the written reconsideration results you received.

What must be included in a hearing petition? Your written hearing petition must contain the following information:

- Your name, daytime phone number, email address, mailing address and social security number.
- The reason for your hearing request, presented as follows:

1) To Contest the Validity of Your Debt or the Amount of Your Debt: Provide a statement concerning why you believe the debt (or the amount of the debt) is erroneous. To support your argument, include a written summary of the facts of your case for the hearing official; include the date and manner in which you became aware of any overpayment. Include all documentary evidence you want the hearing official to review (such as Leave and Earning Statements (LES)). Include the written testimony of any witness you wish the hearing official to consider.

2) To Contest the Proposed Schedule for Collection of Your Debt by Involuntary Salary Offset: Provide an alternate payment schedule and a statement explaining your financial status. Provide copies of records to be considered by the hearing official.

Sign and date your hearing petition and include your Social Security number. Identify your submission as “HEARING PETITION”

Where do I file a hearing petition? Fax your signed hearing petition and documentary evidence to 1-866-401-5849. If your hearing petition is missing information, you will receive a request to submit additional information. Failure to submit the additional information within 30 business days of notification will result in your hearing petition being dismissed. Alternatively, you may mail your hearing request and documentary evidence to DFAS Civilian Pay-IN, Dept. 6200, 8899 East 56th St., Indianapolis, IN 46249-1900.

Where do I find additional information? See DoD FMR at Volume 8, chapter 8 and Volume 5, chapter 28.

*Figure 8-4. Enclosure 3 to Debt Notification (Requesting a Waiver)

REQUESTING A WAIVER

What is a waiver? Under 5 U.S.C. 5584, the United States may waive its right to collect the debt you owe if collection would be against equity and good conscience and not in the best interest of the United States. The debt must be the result of an erroneous payment of pay or allowances (including travel, transportation, or relocation expenses and allowances). A debt may be waived in whole or in part. Collection of your debt generally will not be suspended during the waiver review process.

May I apply for a waiver and simultaneously request a hearing? No. By submitting an application for a waiver, you acknowledge that you do not intend to dispute the validity or amount of the debt. Waiver is not the proper forum to contest the validity or amount of your debt. If your waiver application includes arguments concerning the validity or amount of your debt, your application may be denied. In order to contest the validity or amount of your debt, you must file a petition for a hearing on your debt.

Is there a time limit for filing a waiver application? You must file a waiver application within 3 years after the erroneous payment was discovered.

What must be included in a waiver application and where should the application be submitted?

DD Form 2789:

You must complete and sign DD Form 2789 “Waiver/Remission of Indebtedness Application” available at: <http://www.dfas.mil/civilianpay/debts/informationondebtwaivers.html>. Send the application and all supporting documents to the address on the form or fax to 1-866-401-5849. If your waiver application is missing information, you will receive a request to submit additional information. Failure to submit the additional information within 30 business days of notification will result in your application being denied.

Supporting Documents:

You must include supporting documents with your waiver application. Supporting documents include, but are not limited to:

- Copies of all supporting documentation referred to in DD Form 2789.
- Copies of Leave and Earnings Statements (LESs) covering 3 pay periods prior to the overpayment(s) through 3 pay periods after the overpayment ended. If you do not have access to your LESs, you must include a statement explaining why the LESs are not available.
- Copies of SF 50s “Notification of Personnel Action” for the debt period (including corrections). If unavailable, include a statement from the personnel office indicating why the SF 50s are not available.
- Any statement from you or any other persons in support of your application. Statements must be attested to be true and correct to the best of the individual’s knowledge and belief.
- Additional required documents by type of debt:
 - Personnel Debts: any job offer letter/e-mail (if applicable).
 - FEHB Debts: SF-2089/SF-2810 (copy of your original enrollment form and any amendments).
 - FEGLI Debts: SF-2817 (copy of your original enrollment form and any amendments).
 - Awards and Bonus Debts: Signed agreements or contracts for bonuses and/or VSIP payments.
 - Foreign Entitlement Debts: SF-1190 (signed by an official) and Military Orders (if applicable).
 - Time and Attendance Debts: Time and Attendance cards for debt period.

Where Do I Find Additional Information? See DoDFMR at Volume 8, chapter 3 available at <http://www.dod.mil/comptroller/fmr/08/index.html> or from the DFAS Civilian Payroll Office. See also 32 C.F.R. Part 284 for the standards for determining whether a waiver should be granted.

*Figure 8-5. Sample Voluntary Repayment Agreement for Civilian Payroll Indebtedness

Voluntary Repayment Agreement for Civilian Payroll Indebtedness

I understand that I owe the amount indicated below due to a salary overpayment. Should I fail to return this repayment agreement, 15 percent of my disposable pay will be deducted beginning in the stated pay period. An estimate of this amount is shown below.

I also understand that if I decide to repay the amount owed by any method other than in a lump sum payment, interest at the Treasury tax and loan rate may be charged on the unpaid balance every month until the debt is paid in full.

Please sign and return this repayment agreement to your payroll office.

FAX to (317) 510-9795, 9796, 9797, or 9798 or mail to DFAS-IN, Civilian Pay, 8899 East 56th Street, Indianapolis, IN 46249-1900.

Debt Reason _____
 Sequence Number _____
 Amount Owed _____
 Est. Disposable Net Amount _____
 Est. Deduction Amount 15% of net disposable _____
 PPE Deductions will begin _____

Code _____ Debt Dates _____ Creation Date _____
 LOA _____

Employee's Name _____ SSN _____ Pay Blk _____ DB _____

I choose the following repayment plan (Check one):

1. I am repaying what I owe in a lump sum. My payment in the amount of \$ _____ is enclosed. Make check payable to DFAS-CL DSSN 8522 and mail to DFAS-CL/FTB, P. O. Box 99555, Cleveland, OH 44199 and fax this form to (317) 510-9771 or DSN 699-9771.

2. Deduct from my salary the total amount in pay period ending _____.

3. I do not want to pay it all at once. You may deduct \$ _____ each pay period, which is more than 15 percent of my disposable pay.

**4. I am unable to pay 15 percent of my disposable pay because of a financial hardship. You may deduct \$ _____ each pay period. This repayment amount has been approved by my employing agency. (Signature of agency approving official is required below).

Signature: _____ Date: _____
 Daytime Telephone Number: _____

**Approving Official's Signature/Date

THIS FORM CONTAINS INFORMATION SUBJECT TO THE PRIVACY ACT OF 1974 AS AMENDED

*Figure 8-6. Sample Format – Reconsideration Results Letter (page 1 of 2)

(See Note 1)	(Date)
<u>(See Note 2)</u>	
Dear <u>(See Note 3)</u>	
On <u>(4)</u> , you were notified that you were overpaid for pay periods ending <u>(5)</u> through <u>(5)</u> . The net amount of the debt currently owed by you is \$ <u>(6)</u> .	
Reconsideration Results. You submitted a timely request for review of your debt on <u>(7)</u> . In response, DFAS has performed an informal reexamination (“Reconsideration”) of your pay records in order to validate the amount of debt you owe and to satisfy any doubts you may have regarding the amount or validity of your debt. Reconsideration of your debt is the initial step in the hearing process. After reviewing the results of the Reconsideration, you may decide not to proceed with the formal hearing process. However, if you wish to continue with a formal hearing, you must notify DFAS of your intent by <u>(8)</u> , which is 30 days from the date of this letter.	
DFAS has determined your debt is valid for the following reasons:	
<u>(9)</u>	
Payment of Your Debt. If you do not wish to continue with a formal hearing, please pay the debt in full by December 31, 2011. Your check or money order should be made payable to DFAS-CL DSSN 8522 in the amount of \$ <u>(6)</u> . Please send your payment to DFAS-CL/FTB P.O. Box 9955, Cleveland, OH 44199-2056. If you are unable to pay the debt in one lump sum, you may agree in writing to pay the debt in regular installments by completing the enclosed Voluntary Repayment Agreement and mailing or faxing it to the address listed on the Agreement.	
Continuing with a Formal Hearing. If you wish to continue with a formal hearing in order to dispute the validity or amount of your debt, you must notify DFAS of your intent in writing by <u>(8)</u> , by faxing or mailing your request to continue to <u>(10)</u> .	
If You Take No Additional Action. If you do not notify DFAS of your intent to continue with a formal hearing, pay your debt in full, or submit a Voluntary Repayment Agreement within 30 days of the date of this letter, DFAS is required by statute to collect your debt using other collection procedures. Beginning on <u>(8)</u> , DFAS will initiate collection of the debt involuntarily from your pay by using salary offset procedures (payroll deductions) as outlined in the debt notification you received on <u>(4)</u> .	
If you require further assistance please contact our toll free number at 1-800-538-9043.	
<u>(11)</u>	
Enclosures:	
1. Hearing Petition received on <u>(4)</u>	
2. Payroll Audit	
3. Copy of Voluntary Repayment Agreement	

*Figure 8-6. Sample Format - Reconsideration Results Letter (page 2 of 2)

NOTES: Explanation of Blank Spaces on Sample Reconsideration Results Letter

- (1) The title or office symbol/code of the civilian payroll office issuing the debt notification.
- (2) The full name and mailing address of the employee.
- (3) Last name of employee with proper title (Mr or Ms.).
- (4) Date the debt notification letter was issued by DFAS.
- (5) The pay period(s) that the overpayment occurred.
- (6) The net dollar amount of the overpayment
- (7) Date of employee's hearing petition.
- (8) Date 30 days from the date of the reconsideration results letter.
- (9) Explanation of the overpayment and any responses to questions raised in the employee's hearing petition.
- (10) Fax and mailing address of the PRO.
- (11) Identify by name, the signatory for the letter.

*Figure 8-7. Checklist for Hearing on Overpayment of Civilian Pay and/or Allowances

<p>I. <u>Items Required From the Employee</u></p> <p>The petition for the hearing will include:</p> <p>A. Name</p> <p>B. SSN</p> <p>C. Date</p> <p>D. Reason(s) for requesting the hearing, e.g.,</p> <ol style="list-style-type: none"> 1. Contesting the validity of the debt 2. Contesting the amount of the debt 3. Contesting the terms of the offset <p>E. Reason(s) for contesting the debt</p> <ol style="list-style-type: none"> 1. When contesting validity or amount of the debt, the employee shall <ol style="list-style-type: none"> (a) Provide a statement why he or she believes the civilian payroll office's determination of the validity and/or the amount of the debt is erroneous. Also provide a complete description of the facts, evidence, and a summary of testimony of any witnesses which support the employee's belief. (b) Copies of any pertinent records that the employee wishes to have considered at the hearing if they differ from those records previously provided by the civilian payroll office. 2. When contesting the terms of the offset schedule proposed by the civilian payroll office, the employee shall <ol style="list-style-type: none"> (a) Propose an alternate schedule, i.e., how much can be repaid each pay period. (b) Enclose an affidavit of financial status. (c) Provide copies of any records he/she wishes to be considered at the hearing if they differ from the records previously provided by the civilian payroll office. <p>F. Employee's signature</p> <p>II. <u>Items Required From the Civilian Payroll Office:</u></p> <p>A. Full name and SSN of the employee.</p> <p>B. Exact date the error was discovered.</p> <p>C. Exact date and manner (debt notification) in which the employee was advised of the debt.</p> <p>D. Aggregate (total) amount of the debt.</p> <p>E. Computation of the amount of the debt including/excluding interest-to-date, and administrative fees, if applicable.</p> <p>F. Detailed circumstances that led up to, and under which, the erroneous payment(s) was made.</p> <p>G. Statement(s) corroborating and/or refuting the statement(s) made by the employee.</p> <p>H. Copies of Leave and Earnings Statements for 3 pay periods prior to the error and the first 3 pay periods beginning with the first overpayment.</p> <p>I. Copies of all other documents pertaining to the case.</p> <p>J. Annual leave cases require special documentation. They should include the following documents:</p> <ol style="list-style-type: none"> 1. Copy of the erroneous SF 50 data. 2. Copy of the corrected SF 50 data. 3. The balance brought forward (and the date) from the last year in which the correct leave accrual was used. 4. Employee's leave record. 5. The hourly rate of pay and changes. 6. A copy of the SF 2806/3100.
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*Figure 8-8. Sample Post-Hearing Notification

FROM: (1)

TO: (2)

SUBJECT: Indebtedness to the United States as a Result of an Overpayment of Pay and/or Allowances

Reference: (a) (The initial notification of indebtedness)
 (b) (The employee's petition for a hearing)
 (c) (The hearing official's determination)

Reference (a) advised of your indebtedness to the United States in the amount of \$ (3) as a result of an overpayment of pay and/or allowances. By reference (b), you submitted a petition for a hearing to dispute the (4) of the debt. Reference (c) is the hearing official's determination affirming your indebtedness in the amount of \$ (5).

In order to liquidate the debt in full, please submit a personal check or money order payable to (6), and mail the payment to the civilian payroll office at (7) no later than 15 days from the date of this letter. Alternatively, you may request your debt be paid by a deduction from your current pay. Please contact the civilian payroll office in order to arrange for a one-time voluntary payroll deduction. It may also be possible for you to establish a written agreement for repayment of the debt by periodic installment deductions from your pay, please contact the civilian payroll office to request this option.

As stated in Reference (a), delinquent debts are subject to the assessment of interest, penalties, and administrative expenses. To date, these assessments have not yet been made on your debt. The assessments may not be imposed if you repay the debt in full or are able to reach an agreement with the civilian payroll office to pay your debt by installment.

If you do not repay the debt in full, consent to a one-time payroll deduction, or establish an agreement for payment by installment, DFAS will initiate collection of your debt involuntarily from your pay using salary offset beginning on (8). You must contact the civilian payroll office by (8) in order to avoid salary offset. Deduction by salary offset would begin with the pay period ending on (9). Please refer to Reference (a) for the estimated amount and duration of the payroll deduction. If the amount of the deduction from your pay would cause you to experience extreme financial hardship, then you must contact the civilian payroll office to determine if an alternative repayment schedule may be implemented.

Please consult Reference (a) for information concerning your right to request a waiver of the collection of your debt. An application for a waiver must be received within three (3) years after the erroneous payment was discovered. Collection of your debt generally will not be suspended during the waiver review process. In the event that your request is granted, all amounts deducted shall be refunded.

Your point-of-contact for this matter is (10).

(Signature Element)

EXPLANATION OF BLANK SPACES ON SAMPLE POST-HEARING NOTIFICATION

- (1) The title or office symbol/code of the civilian payroll office.
- (2) The full name of the employee.
- (3) The amount of the debt in the initial debt notification.
- (4) Either "existence", "amount" or "the terms of the proposed offset schedule", as appropriate.
- (5) The amount of the debt as determined by the hearing official. If the hearing official affirmed the civilian payroll office's contention, the amount will be the same as blank (6).
- (6) The office to which the check or money order is to be made payable.
- (7) Identify the mailing address of the civilian payroll office.
- (8) The date the involuntary deduction from pay begins.
- (9) The payday for the pay period indicated in blank (11).
- (10) Include the name, phone number and office symbol/code of the point-of-contact in the civilian payroll office who can answer questions regarding this debt.

Figure 8-9. Sample Format - Refund of Prior Year Salary Overpayment

REFUND OF PRIOR YEAR SALARY OVERPAYMENT		Date
To:	From:	
<p>Name and Social Security Number of Employee</p> <p>refunded during the calendar year _____ the sum of \$ _____, representing salary overpayment from taxable year _____. The IRS Form W-2 (Wage and Tax Statement) for calendar year _____ has not been decreased by this amount.</p>		
Duty Station	Federal Employer's Identification Number	
	State Identification Number	
Typed Name, Title and Telephone	Signature	
<p>Copy Forwarded To:</p> <p style="padding-left: 40px;">Internal Revenue Service</p> <p style="padding-left: 40px;">State of</p> <p style="padding-left: 40px;">City or County of</p>		