

## CHAPTER 18

CONTRACTOR DEBT COLLECTION1801 DEBTS180101 Disbursing Officer Debts

It is essential that the amount of indebtedness owed by contractors and other business entities to the Department be ascertained promptly and collection accomplished expeditiously. This part applies to those debts for which the disbursing officer has primary responsibility for collection pursuant to the Department of Defense Federal Acquisition Regulation Supplement (DFARS) 232.605(b). If a disbursing officer makes a determination that more funds have been disbursed than specified in the contract, an erroneous payment has been made, and it is the disbursing officer's responsibility to collect the extra payment. Erroneous payments include duplicate payments and dual negotiations of the original and recertified U.S. Treasury checks. However, if a contract modification (downward adjustment) is issued after the date of the disbursement and causes the contract to be in an overpayment status, this is not an erroneous payment. If a disbursing officer determines that a contract is in an overpayment status, that official should contact the Procuring Contracting Officer or the Administrative Contracting Officer, depending on whom issued the modification causing the overpayment to ensure that a demand for payment will be sent to the contractor. Precise details for the Initial Demand Letter and the Second Demand Letter are provided in paragraphs 180202 and 180203, respectively.

180102 Contracting Officer Debts

A. Examples of business entity debts that are beyond the scope of this chapter and their corresponding governing regulations are those debts defined by the Federal Acquisition Regulation (FAR) 32.6, as supplemented by DFARS 232.6. Examples of contracting officer debts are as follows:

1. Damages or excess costs related to defaults in performance.

2. Breach of contract obligations concerning progress payments, advance payments, or Government-furnished property or material.

3. Government expense of correcting defects.

4. Overpayments related to errors in quantity or billing or deficiencies in quality.

5. Retroactive price reductions resulting from contract terms for price redetermination or for determination of prices under incentive type contracts.

6. Overpayments disclosed by quarterly statements required under price redetermination or incentive contracts.

7. Defective Pricing.

8. Unliquidated Progress Payments.

B. DFARS 232.6 prescribes procedures relative to those debts for which the contracting officer has the primary responsibility for effecting collection action. These debts include liquidated damages and excess costs related to contractual defaults and government expense of correcting product defects. However, there may be times when a contracting officer issues an initial demand letter to a contractor for any amount of money outstanding on the contract. At this time the contractor is to return any money that the government has paid for which the contractor has not delivered material or provided services, or a modification for consideration was paid for which the contractor was not entitled. When a contracting officer makes such a determination and sends a demand letter to a

contractor, a copy also must be sent to the disbursing office and a copy to the funding and accounting station. When the accounting station receives a copy of the contracting officer's demand letter, the accounting station must establish the official accounts receivable in their accounting records. The disbursing office sets up a memorandum accounts receivable for the debt and pursues collection on it as would be done for any other contractor debt. When the disbursing office receives the debt for further action, this office will send out demand letters as necessary to pursue collection of the debt.

## 1802 DEMAND FOR PAYMENT

### 180201 General

A. Upon determination by the disbursing officer that a debt exists from a contractor or other business entity as described in paragraph 180101, the disbursing officer shall make an immediate written demand for payment provided that the amount of the debt is \$50 or greater. As noted in paragraph 180102, a contracting officer may issue a demand letter to a contractor. Collection on any debt that is less than \$50 will not be pursued by the disbursing office; however, the disbursing office can collect the debt through an offset. One demand letter will be sent if the amount is \$50 or greater but less than \$200. Two demand letters will be sent if the amount is \$200 or greater. After two demand letters have been sent and the debt is not resolved, the disbursing office will not pursue further collection action (other than an offset) if the debt is less than \$600. If any debt of \$600 or greater has not been resolved after two demand letters have been sent to the contractor, it must be transferred by the disbursing office to the DFAS-Columbus Center, ATTN: DFAS-CO-FD, Debt Management Office, for further action.

B. Debts less than \$100,000. When the DFAS-CO has exhausted all means to collect a debt of \$100,000 or less and the debt is determined to be uncollectible, the DFAS-CO will notify the Financial Management (FM) representative of the cognizant DoD Component by memorandum that the debt should be written off. In turn, the FM representative will notify the appropriate accounting station that the debt

must be written off of the official accounts receivable records. This will allow the accounting station to write-off the debt as they maintain the official accounting records. For guidance concerning write-offs, see Volume 5 of this Regulation.

C. Debts of \$100,000 or greater. When a debt(s) of \$100,000 or greater is sent to the DFAS-CO, and it has been determined to be uncollectible, the DFAS-CO must forward the debt to the Department of Justice (DOJ) for further action. If the DOJ determines that the debt is uncollectible, the DOJ must notify the DFAS-CO that the debt should be written off. The DFAS-CO then will notify the cognizant FM representative that appropriate write-off action should be initiated. Remaining procedures, as detailed in the last two sentences of paragraph 180201-B, should be followed.

D. If a contracting officer makes the initial determination that a debt exists, a copy of the second demand letter sent to the contractor from the disbursing office also will be forwarded to the contracting officer.

E. Title 28, U.S.C., section 2415, Time for Commencing Action, and 31 U.S.C. 3716, Administrative Offset, advise that because of the statute of limitations agencies are barred from pursuing collection actions after six years other than administrative offset. An offset can be made up to ten years. Accordingly, the collection of contractor debts should be pursued in accordance with the time limitations specified in 28 U.S.C. 2415 and 31 U.S.C. 3716.

### 180202 Initial Demand Letter

A. The decision of the Court of Appeals for the Federal Circuit in Cecile Industries, Inc. v. Cheney, 995 F.2d 1052 (Fed.Cir. 1993) held that the Debt Collection Act of 1982 does not govern the government's common law right to offset contract debts. With respect to the Cecile decision, a demand letter for payment of contract debts should not make reference to 31 U.S.C. 3176. The Initial Demand Letter to contractors indebted to the government will include the following:

1. A description of the debt including its amount.

2. A statement that payment should be made in full within thirty days from the date of the demand letter.

3. The address to which payment should be sent, and the check or wire transfer, when applicable, should be made payable to the U.S. Treasury.

4. Notification that any amounts not paid within thirty days will bear interest from the date of the demand letter, or from any earlier date provided in the contract, if applicable and the rate that will be used.

5. Notification that the principal and interest will be subject to collection by offset, if not paid within 30 days.

B. Any available documentation which substantiates the indebtedness should be included with the demand letter. If it is anticipated that the debtor may wish to view a cancelled check, a request for photocopies should be submitted concurrent with the issuance of the first demand letter. In the case of double negotiation of both original and successor checks, both copies must be available prior to issuance of the demand letter.

#### 180203 Second Demand Letter

A. When the due date specified in the first demand letter passes without receipt of payment and the amount of the debt is \$200 or greater and the debt cannot be satisfied by offset, the disbursing office will send a second demand letter. This letter will make reference to the first demand letter and state that payment has not been received. This letter also will advise that the dollar amount of the interest and administrative costs that have been assessed and the total amount of the indebtedness.

B. Where the amount of the debt is \$600 or more, the second demand letter shall include a statement that the indebtedness will be forwarded to the DFAS-CO-FD for further collection action.

#### 180204 Disputes

A. The disbursing officer will give full and impartial consideration to any arguments presented by the alleged debtor relating to the validity of the debt or its amount. The disbursing officer is free to seek assistance from technical experts or from legal counsel in order to render an equitable decision. If the disbursing officer is unable to render a conclusive determination regarding the amount or validity of the debt, the matter may be referred to the DOJ as a debt claim. Interest continues to accrue from the date of the first demand while the debt is in dispute.

B. A contracting officer may issue a demand for reimbursement from a contractor for overpayment on progress payments. A contracting officer also may issue a demand for payment relating to a Termination for Default on a contract for non-performance by a contractor because the contractor did not meet the specifications in the contract. In either situation, or similar situations, a final decision must be issued by the contracting officer before an appeal can be taken to the Armed Services Board of Contract Appeals or the Federal Claims Court by the contractor.

#### 1803 INTEREST

##### 180301 Interest Rate

In most cases, the rate of interest assessed shall be the Prompt Payment Act (PPA) interest rate. The PPA interest rate will be provided to individual disbursing offices by their servicing DFAS Center. The PPA interest rate shall not apply to debts where an applicable statute, regulation required by statute, loan agreement, or contract either prohibits such charges or explicitly fixes the charges that apply to debts involved.

##### 180302 Calculating Simple Interest

Although interest is not assessed until the due date has passed, it is calculated from the date of the first demand letter to the date the debt is paid in full. Therefore, the minimum interest charge is for a 30-day period. When the

due date passes without payment, the interest is computed by multiplying the original debt by the applicable interest rate for each six-month period divided by the number of days in the year times the number of days in the interest period. Interest is calculated base on a 360 year. An example follows:

Interest Period	Dec 15, 1993--Dec 31, 1993	
Principal	\$15,000	
Annual Rate	0.05625	
Daily Rate	0.0001541	
Days	17	
Amount		\$39.30

Interest Period	Jan 1, 1994--Jun 30, 1994	
Principal	\$15,000	
Annual Rate	0.05500	
Daily Rate	0.0001507	
Days	181	
Amount		\$409.15

Interest Period	Jul 1, 1994--Oct 31, 1994	
Principal	\$15,000	
Annual Rate	0.07000	
Daily Rate	0.0001918	
Days	123	
Amount		\$353.87

Total Interest \$802.32

If there is an offset, or if the principal decreases for any other reason, the daily amount of interest needs to be recalculated, effective with the date of the change. Interest collected is deposited to the Interest Account, 97R3210.0013.

1804 MISCELLANEOUS SUBJECTS

180401 Administrative Costs

Administrative costs relate only to delinquent debts. They are assessed in order to cover expenses incurred in the recovery of the delinquent debts. For example, the cost of sending an initial demand letter would not be used in calculating an administrative cost because that expense would be incurred whether or not the debt becomes delinquent. In contrast, the cost associated with the preparation of the second demand letter, the calculation of interest, and forwarding to the DFAS-CO are necessitated

only because the debt was not paid when due and subsequently becomes delinquent. Therefore, these actions are included in the calculation of administrative cost. The cost must be based on the actual cost or on an average based on actual cost. The cost may not be established arbitrarily. Additional administrative charges will be assessed if necessary to collect the debt as an offset or when transferring the indebtedness to the DFAS-CO. When a contractor or other business entity pays the government administrative costs, the costs are to be deposited in the Treasury Miscellaneous Receipt Account.

180402 Minor Amounts

A. Frequently, a debtor will make remittance of the principal amount a few days past the established due date. Another common practice is to pay the last amount billed, but fail to make allowance for the additional interest that accrues between the billing date and the remittance date. In such cases, disbursing offices will determine if additional billing is warranted. As stated in 4 CFR 102.13(g), an agency can waive interest under several circumstances including if the agency determines that collection of these charges would be against equity and good conscience or not in the best interest of the United States.

B. Minor amounts of less than \$50 will not be billed. For example, a contractor owed \$1,330 (of which \$1,080 was principal and \$250 was interest) when the demand letter was sent out. Subsequently, the contractor submitted a payment for \$1330, but payment was not received until after the due date. Interest of \$25 more had accrued by the time payment was received. The disbursing office would waive the additional \$25 interest without pursuing further collection action on it, credit \$250 to interest, and credit \$1,080 to principal. Cases of \$50 or more for additional interest will be reviewed on an individual basis. If the contractor has made a good faith effort to make full payment and collection of additional charges would be against equity and good conscience, the additional interest may be waived.

180403 Offsets

A. If, after 30 days from the date of initial demand, it becomes necessary for an indebtedness to be offset against other monies that are owed to a contractor, the transaction will be handled as a deduction on a public voucher. FAR 32.611 allows for an offset of contractor debts as long as an explanation is provided to the contractor. Offsets will be made against the same contract that gave rise to the debt provided that payments under that contract are scheduled. Offsets against amounts due under other contracts will be accomplished only when offsets against the same contract cannot be accomplished. The public voucher will be approved and the accounting classification will be charged for the total amount being settled with no regard for the deduction being applied. The face of the voucher should be prominently marked with the amount withheld and the accounting classification credited to ensure that only the adjusted net amount is paid. A notation with the appropriate information also will be made that adequately informs the payee of the reason for the deduction. The disbursing office must use considerable discretion in determining when an offset is appropriate. Some businesses prefer that their debts be liquidated in such a manner. If a contractor indicates its approval of the process, the disbursing office may effect an offset prior to the expiration of the due date in the demand letter. Other contractors may make a remittance by check shortly after the due date or shortly after receipt of the second demand letter. In either of these instances, an offset may result in collecting the debt twice and having to refund one of the collections. Another problem may arise when a remittance has not been forthcoming, but the disbursing office is unaware of whether the contractor will be submitting any invoices in the near future. Because an offset inherently is a more complex process than remittance processing, the disbursing office should encourage contractors to submit their payments by check or wire transfer. Interest charges will be computed through the date of an offset, and the expenses of effecting an offset will be included as an administrative cost as aforementioned in paragraph 180401. Offsets will not be made prior to the payment due date, unless the contractor has provided the disbursing office written

permission. Offsets normally will not be accomplished when there is an assignment of claims. Disbursing office personnel should seek guidance from its legal staff in determining whether an offset may be taken when there is an assignment of claims.

B. As authorized by 31 U.S.C. 3720A, the Internal Revenue Service (IRS) may collect certain past due and legally enforceable debts by offset against tax refunds. Referring activities will comply with the IRS-DoD agreement for implementing and administering tax refund offsets. The single DoD manager and contact point for the program is the DFAS-Denver Center (DFAS-DE). Any DoD activity that seeks to have a debt offset through the IRS tax refund program should obtain assistance from its local legal office before contacting the DFAS-DE on this matter.

180404 Credit Memorandum

A. The disbursing officer's written demand letter must indicate that a credit memorandum is not an acceptable means of liquidating indebtedness. Nevertheless, a credit memorandum can be received under the following circumstances:

1. The contractor or other business entity is the original discoverer of the error that led to the indebtedness, and they voluntarily submit a credit memorandum to the disbursing office without having received a demand letter.

2. The contractor or other business entity disregards the disbursing office's admonition against sending a credit memorandum.

3. A credit memorandum submitted to the disbursing office under these circumstances may be applied only if there is a payable invoice in-house to which it can be applied. The contractor should furnish the disbursing office, upon request, with an invoice number, date, and amount the credit memorandum is to be applied against.

B. At times a contractor may indicate

on an invoice or progress payment request that the amount of the credit memorandum is being deducted from the amount due from the government. In all other instances, the disbursing office must make a determination as to whether the debt can be recovered in a more efficient manner by corresponding with the debtor or by effecting an offset. In making such a determination, the disbursing office considers not only the relative costs incurred under each option, but also the method that is expected to result in liquidation at the earlier date. This second factor is dependent upon the expected volume and frequency of incoming invoices which are susceptible to offset. Regardless of the method selected, the disbursing office must acknowledge receipt of the credit memorandum and inform the business of its disposition. If direct remittance is required, the acknowledgement should contain a statement, such as: "This is to acknowledge receipt of your credit memorandum 14245, dated December 14. We cannot accept this document as liquidation of your indebtedness, and must ask that you remit a check to the following address." If an offset is accomplished, the disbursing office's letter should contain a statement such as: "This is to acknowledge receipt of your credit memorandum 67890, dated June 12. We have offset the amount of your debt against your invoice A654Z, dated June 5." Receipt of a credit memorandum by the due date stated in a demand letter does not preclude the charging of interest and administrative costs.

#### 180405 Payment Schedules

A. When possible, the payment of debts, whether it is an installment or deferment repayment by contractors and other business entities, should be repaid in one sum.

B. When the debtor can establish sufficient justification, a series of installment payments may be approved which will ensure liquidation within a reasonable time frame. In compliance with 4 CFR 102.11, the installment payments, if possible, should be sufficient in size and frequency to liquidate the government's claim in not more than three years. Interest and administrative charges will be computed and assessed on each payment for the amount outstanding. If the contractor contends that a

repayment period greater than three years is needed, each request will be handled by the DFAS-CO-FD on a case-by-case basis. The DFAS-CO-FD can approve a contractor's request for an installment agreement; however, the DFAS-CO-FD cannot unilaterally deny a contractor's request for an installment agreement without the consent of the Office of the senior financial manager (FM) of the cognizant DoD Component. A copy of all installments entered into by the DFAS-CO-FD will be provided to the accounting station which submitted the debt to the DFAS-CO-FD for further action and to the Office of the senior financial manager of the cognizant DoD Component.

C. When the DFAS-CO-FD receives a deferment request for debt resolution, they will send the deferment request within three work days by certified mail to the senior FM of the cognizant DoD Component. Only that official can approve or deny a deferment request.

D. All remittances received, whether in lump-sum or installments, will be collected and deposited upon receipt. The accounting station must be informed of all collections as they maintain the official accounts receivable records. If the amount received is not adequate to liquidate the entire indebtedness, the payment will be applied first to administrative costs, second to interest, and third to the principal amount of the debt. The principal amount will be deposited to the accounting classification/appropriation from which the funds were disbursed. If the appropriation of the principal amount has been cancelled or closed, this amount will be deposited into the Collection of Receivables from Cancelled Accounts of the Treasury, 97R3200.0001.

#### 180406 Transfer of Debts owed by Contractors

A. Any debt of a contractor or other business entity that remains unpaid 30 days after the initial demand for payment is considered delinquent. In order to allow for collection through subsequent efforts, including offset, and to permit the accumulation of adequate supporting data, the disbursing office may retain the debt up to a maximum of 90 days following the date of the initial demand letter. However, transfer should be accomplished prior to 90 days

provided the disbursing office has gathered the supporting data and is of the opinion that liquidation through either remittance or offset is unlikely to occur. Transfer will be made to the DFAS-CO-FD by certified mail for further action. The office responsible for maintaining the official accounting records should be notified so the loop may be closed because in many situations the disbursing office does not maintain the official accounts receivable records. The accounting station may maintain these records, so they would have to be notified. In compliance with paragraph 180401, an administrative cost may be assessed for the expenses of making the transfer. Debts less than \$600 will be terminated locally. See Volume 5, paragraph 310301, of this Regulation for guidance concerning write-offs. As stated in paragraph 180201, the minimum value of any case referred to the DFAS-CO-FD will be \$600. The minimum value may be comprised of several debts on various contracts for the same contractor. When a debt is transferred to the DFAS-CO, it shall include supporting documentation and must be legible and tabbed as follows:

1. Copies of vouchers paid under the contract which relate to the specific debt. For example, claims resulting from erroneous overpayments need to be supported only by those paid vouchers which will assist in fully understanding the case. The submission of all paid vouchers under the contract is encouraged, when such documentation is necessary for a full understanding of the claim. All paid vouchers submitted in support of claims transferred will clearly indicate the date the disbursement was made.

2. Amounts and dates of collections received.

3. For duplicate payments and dual negotiated successor checks, copies of the negotiated checks as obtained from the Department of the Treasury should be included.

4. All demand letters, all other correspondence, and memoranda of telephone or personal contact with the debtor and others which are pertinent to the debt should be included.

5. Any other documents necessary to support a recommendation for compromise, discontinuance, or termination should be included.

6. Taxpayer Identification Number (TIN).

7. The telephone number, address, and (if available) the name of a knowledgeable point of contact for the following:

- a. Debtor
- b. Disbursing office making the submission, and
- c. Accounting activity or funding station.

8. In the case of debts determined as the result of an audit or contract reconciliation, a copy of the audit or reconciliation report with sufficient supporting documentation to explain the conclusions.

9. The accounting classification/appropriation to which the principal portion of the debtor's payments should be deposited.

B. After the transfer, the DFAS-CO-FD will have full responsibility for collection action on the delinquent debt. Funds accountability, however, does not transfer to the DFAS-CO-FD. If a subsequent payment is received by an office other than the DFAS-CO-FD, the office receiving the payment will notify the DFAS-CO-FD by certified mail within three workdays of the receipt of payment and its disposition. When there are overcharges to appropriations or funds, the activity responsible for maintaining the official accounting records will continue to maintain control over the accounts receivable as the DFAS-CO-FD only maintains a memorandum accounts receivable record. The DFAS-CO-FD shall notify the FM representative of the cognizant DoD Component that the debt should be written off. In turn, that official will notify the appropriate accounting station which maintains the official accounts receivable records so that action may be taken by the accounting station to

write-off the corresponding accounts receivable. In the case of dual negotiated successor checks, the DFAS-CO-FD also will notify the accountable disbursing officer or settlement officer who previously had continued to reflect the deficit in one's accountability. The DFAS-CO-FD notification will provide authority for the accountable disbursing officer or the settlement officer to remove the deficit from his or her records.

#### 180407 List of Contractor Indebted to the United States

With the exception of debts managed by the DFAS-IN Directorate for Transportation Payments, the DFAS-CO-FD is the only DFAS office authorized to submit debtors to DFAS-IN for placement on the List of Contractors Indebted to the United States for offsetting any money due from a contractor to the government. The List, normally referred to as the Hold-up List, is the only publication of this type available to all government agencies. The List is published at least quarterly by may be published every other month.

#### 1805 DEFERMENTS

##### 180501 Deferments

A contractor may appeal a debt to the Armed Services Board of Contract Appeals (ASBCA) or through the United States court system. The contractor may request a deferment until the appeal is decided. Although a contractor may use the term "deferment" when requesting postponement of payment (see paragraph 180405), paragraph 180501 applies only to those deferment requests associated with an appeal. A contractor's requests for a deferment of collection on a contract should be sent to the Contract Financing Office of the cognizant DoD Component (see FAR 32.613 and DFARS 232.108). The DFAS-CO-FD cannot approve or deny a request for a deferment. When a disbursing office or the DFAS-CO-FD receives a request for deferment of a debt from a contractor, the office receiving the request will send the request by certified mail within three workdays to the appropriate DoD Component's contract financing office.

#### 1806 BANKRUPTCY

##### 180601 General

A. Within the Department the contractor bankruptcy proof of claim filing functions have been consolidated at the DFAS-CO-DG. This consolidation does not include the assumption of the litigation function nor the inclusion of individual bankruptcy cases. The litigation function will remain with the cognizant DoD Component. Bankruptcy litigation is accomplished by the DOJ through the U.S. Attorney offices. Prescribed actions, as detailed in paragraphs 180601-B through 180601-I, must be taken when the procurement contracting office or contract administrative office receives notice of bankruptcy from the contractor or from another source.

B. Bankruptcy cases generally are time sensitive. When a notice of bankruptcy is received, immediate action is required. Government monetary claims and other rights may be adversely and irrevocably affected if not timely asserted.

C. When either the procurement contracting office or the contract administrative office receives information that bankruptcy proceedings have been initiated, it will immediately notify the Office of General Counsel, DFAS-CO-DG, Defense Finance and Accounting Service, Box 182317, Columbus, OH 43218-2317.

D. This notification will occur regardless of whether any contracts have been fully performed, closed, or terminated. At the same time, the DoD Components will notify any office designated within the cognizant Department or Agency to receive this information. Following are the cognizant offices and their addresses where bankruptcy notices should be sent.

1. Bankruptcy notices for the Defense Logistics Agency immediately will be sent to the Defense Logistics Agency, General Counsel's Office, ATTN: GC, 8725 John J. Kingman Road, Suite 2533, Fort Belvoir, VA 22060-6221.

2. Navy activities immediately

will notify the Office of Counsel, ASN (FM&C), Room 4C719, The Pentagon, Washington, DC 20350-1100.

3. Air Force activities immediately will notify AFLSA/JACN, 1501 Wilson Boulevard, Room 606, Arlington, VA 22209-2403.

4. Army activities immediately will notify the U.S. Army Litigation Center, 901 North Stuart Street, Suite 400, Arlington, VA 22203-1837.

E. At a minimum, the notification must include:

1. The name of the contractor.
2. The Court in which the bankruptcy petition has been filed.
3. The date of the filing of the bankruptcy petition, and
4. If known, the bankruptcy court docket number.

This notification must be made regardless of whether it appears that the notice has been received late. The notification must be made within three work days of the receipt of the notice of bankruptcy. Notification by telefax is encouraged.

F. Fifteen Day Report. The contracting office may receive a notice of bankruptcy from the debtor or the DFAS-CO-DG. When the contracting office receives notification of a bankruptcy, that office will prepare and send a message to the DFAS-CO-DG, the component's legal office noted in paragraph 180601-D, and any other office designated within the Department or Agency to receive the report. The report will be sent no later than 15 days after receipt of the notice of bankruptcy. If some of this information is not available, the report should be sent reflecting all available information. To the extent possible, the report will include the following.

1. The name of the contractor.

2. A list of the contracts involved.

3. The amount of any potential claim against the contractor. Often, this amount will be an estimate. The contracting officer will attempt to accurately calculate the amount of the debt with the understanding that the filing of the proof of claim is time sensitive. A short explanation of how the debt arose will be attached. To the extent possible, documentation reflecting the existence of the debt should be attached.

4. Any property and its location in the possession of the contractor in which DoD claims an interest. This includes property of the government made available to the contractor, such as government furnished equipment or government furnished property. A very common type of property in which the government claims an interest is the work-in-process that is associated with progress payments.

5. Any claims the debtor may have asserted or presented to the Department.

6. The bankruptcy court docket number of the proceeding, and the court in which the bankruptcy is pending.

7. Available information concerning a proof of claim bar date.

G. Upon receipt of a notice from a contracting officer, the DFAS-CO-DG will prepare a consolidated proof of claim on behalf of the Department. The proof of claim will be forwarded to the appropriate U.S. Attorney for filing. A copy will be sent to the Department of Justice's Central Intake Facility and to each DoD Component that has provided information for the consolidated proof of claim. Department or Agency copies will be sent to the cognizant offices designated in paragraph 180601-D. The proof of claim will identify the DFAS-CO-DG as the office designated to receive further notices and any funds received pursuant to the proceedings.

H. The filing of a bankruptcy petition has a major impact on business relationships with the contractor which has filed for bankruptcy protection. Many otherwise appropriate

actions cannot be taken against a bankrupt contractor, and actions which may be legally taken against a contractor may have adverse consequences for the Department. The activity's legal office should be informed before any action is taken with regard to a contractor who has filed for bankruptcy.

I. FAR 52.242-13, Bankruptcy. In the event the contractor enters into proceeding relating to bankruptcy, whether voluntary or involuntary, the contractor agrees to furnish by certified mail written notification of the bankruptcy to the contracting officer responsible for administering the contract. This notification shall be furnished within five days of the initiation of the proceedings relating to bankruptcy filing. This notification shall include the following:

1. The date on which the bankruptcy petition was filed.

2. The identity of the court in which the bankruptcy petition was filed.

3. A listing of government contract numbers for this contractor and contracting offices for all government contracts with this contractor against which final payment has not been made.

4. FAR 52.242-13 states that this obligation remains in effect until final payment under this contract(s) is made. In addition, when FAR 52.242-13 is used, a copy of the notification provided to the contracting officer will, at the same time and in the same manner, be mailed to the Defense Finance and Accounting Service, ATTN: DFAS-CO-DG, 4280 East Fifth Street, Columbus, OH 43219-1879.