

VOLUME 16, CHAPTER 3: “COLLECTION OF DEBTS OWED BY INDIVIDUALS TO THE DEPARTMENT OF DEFENSE (DOD)”

SUMMARY OF MAJOR CHANGES

All changes are denoted by **blue font**.

Substantive revisions are denoted by an * symbol 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**.

This is the initial publication.

| PARAGRAPH | EXPLANATION OF CHANGE/REVISION | PURPOSE |
|-----------------------------|---|----------------|
| All | This chapter consolidated policy from Volume 5, Chapter 28; Volume 7A, Chapter 50; Volume 7B, Chapter 28; and Volume 8, Chapter 8. | New |
| 030207.E | Added language stating that a Debt Collection Office (DCO) may request Office of Personnel Management (OPM) recover past-due health insurance premiums from separated employees by requesting OPM withhold the amount due from any payment owed to the former employee from a refund or retirement annuity. | Addition |
| 030210.A.4.a.(1) (g)-(h) | Added that when a DCO submits a complete debt claim to the OPM, it must include the amount or percentage of the net annuity in each installment payment and the debtor’s written consent or acknowledgement of the debt, if applicable. | Addition |
| 030501.B | Added language that states the Debt and Claims Management Office (DCMO) may collect debts other than those owed by individuals who are no longer paid by the Department of Defense, as long as it’s documented in each Service’s mission work agreement. | Addition |
| 030504.C | Added language stating the DCO must ensure only debt types that have been previously agreed to are transferred to DCMO. | Addition |
| 030504.D | Added language stating that Components who have implemented the Delinquent Debt Management Guidance (DDMG) should refer delinquent debts greater than \$25 to the Department of Treasury (Treasury). | Addition |

| PARAGRAPH | EXPLANATION OF CHANGE/REVISION | PURPOSE |
|------------------------|---|----------|
| 030504.G (previous) | Deleted language that stated debt collection offices must assign a unique 9-digit transmittal number to each transmittal letter. | Deletion |
| 030506 | Added language stating that Components that have implemented processes defined in the DDMG must maintain accountability of debt in their systems and submit data for the Treasury Report On Receivables directly to Treasury. | Addition |
| 030507.B | Added language stating that Components that have implemented the processes defined in the DDMG should refer eligible and legally enforceable, delinquent, individual, out-of-service debt over \$25 directly to Treasury. | Addition |
| Figure 3-1 | Added a sample notification prior to referral of a debt to the OPM. | Addition |

Table of Contents

| | | |
|---|---|----|
| VOLUME 16, CHAPTER 3: “COLLECTION OF DEBTS OWED BY INDIVIDUALS TO THE DEPARTMENT OF DEFENSE (DOD)” | | 1 |
| 0301 | GENERAL | 6 |
| 030101. | Purpose | 6 |
| 030102. | Scope | 6 |
| 030103. | Debt Collection Office (DCO) | 6 |
| 0302 COLLECTION OF DEBT FROM CURRENT, SEPARATING, TRANSFERRING AND RETIRED DEPARTMENT OF DEFENSE (DOD) CIVILIAN EMPLOYEES | | 6 |
| 030201. | General | 6 |
| 030202. | Reasons for Overpayment of Civilian Pay and Allowances | 7 |
| 030203. | Procedures for Debt Establishment | 7 |
| 030204. | Overview of Debt Collection from Current Department of Defense (DoD) Employees | 7 |
| 030205. | Procedures for Routine Pay Adjustments | 9 |
| 030206. | Processing Debt Repayments | 9 |
| *030207. | Collection of Indebtedness Due to Underdeduction of Health or Life Insurance Premiums | 10 |
| 030208. | Collection of Indebtedness from Final Salary and Lump-Sum Payments | 11 |
| 030209. | Collection of Indebtedness from Transferring Department of Defense (DoD) Employees | 12 |
| *030210. | Collection of Indebtedness from Retirement Funds of Former Civilian Employees | 13 |
| 030211. | Collection of Indebtedness from Former Department of Defense (DoD) Civilian Employees | 17 |
| 030212. | Collection of Debts Other than Overpayment of Pay and Allowances | 17 |
| 0303 COLLECTION OF DEBT FROM ACTIVE AND RESERVE MEMBERS | | 20 |
| 030301. | General | 20 |
| 030302. | Due Process Requirements | 20 |
| 030303. | Collection From Member’s Pay | 20 |
| 030304. | Limitation on Collections | 21 |
| 030305. | Collections by Salary Offset Under Title 37, United States Code (U.S.C.), Section 1007 (c) | 21 |
| 030306. | Collection by Salary Offset Under Title 5, United States Code (U.S.C.), Section 5514 | 23 |
| 030307. | Indebtedness Incurred in National Guard or Reserve | 24 |
| 030308. | Member Dies after Receiving Advance Salary Payment | 24 |
| 030309. | Centralized Processing of Involuntary Withholding of Member’s Pay for Debts Owed to the Services’ Exchange Commands | 24 |

Table of Contents (Continued)

| | | |
|--------------|--|----|
| 0304 | COLLECTION OF DEBT FROM MILITARY RETIREES AND SURVIVOR BENEFIT PLAN (SBP) ANNUITANTS | 27 |
| 030401. | General | 27 |
| 030402. | Due Process Requirements..... | 28 |
| 030403. | Routine Pay Adjustments Under Title 5, United States Code (U.S.C.), Section 5514 | 28 |
| 030404. | Debt Collection | 28 |
| 030405. | Debt Transfer on Retirement..... | 29 |
| 030406. | Debt Owed to Another Military Service | 29 |
| 030407. | Priority of Deductions and Collections | 29 |
| 030408. | Collection of Debt from Survivor Benefit Plan (SBP) Annuitants | 31 |
| 0305 | COLLECTION OF DEBT FROM FORMER EMPLOYEES, FORMER MEMBERS AND OTHER NON-DEPARTMENT OF DEFENSE (DOD) RELATED DEBTORS..... | 31 |
| *030501. | General | 31 |
| 030502. | Reasons for Individual Out-of-Service Debts | 32 |
| 030503. | Obtaining Service from the Debt and Claims Management Office (DCMO).... | 32 |
| *030504. | Debt Collection Office (DCO) Responsibilities..... | 32 |
| 030505. | Debt and Claims Management Office (DCMO) Responsibilities..... | 34 |
| *030506. | Defense Finance and Accounting Service (DFAS) Departmental Accounting Offices | 35 |
| *030507. | Collection Assistance for System-Generated Individual Out-of-Service Debts | 35 |
| 0306 | REFUNDING PREVIOUSLY COLLECTED DEBTS AND LATE PAYMENT CHARGES..... | 36 |
| 030601. | Scope | 36 |
| 030602. | General | 36 |
| 030603. | Payment Voucher for Refunds | 36 |
| 030604. | Refunds Available for Administrative Offset | 36 |
| 030605. | Determination of Refund Amount..... | 36 |
| 030606. | Funding the Payment of Collected Debt Refunds | 37 |
| *Figure 3-1. | Sample Notification Prior to Referral of Debt to Office of Personnel Management | 38 |
| Figure 3-2. | Sample Debt Certification Statement..... | 40 |
| Figure 3-3. | Defense Debt Management System (DDMS) Debt Processing Steps | 41 |
| Table 3-1. | Military Member Indebtedness Due to Erroneous Payments, Government Accountability Office Disallowances, and Notices of Exception | 44 |
| Table 3-2. | Military Member Indebtedness Due to Loss of Public Funds..... | 46 |

Table of Contents (Continued)

Table 3-3. Military Indebtedness Due to Loss or Damage to Public Property or Supplies. 47

Table 3-4. Military Member Indebtedness to United States..... 48

Table 3-5. Military Member Indebtedness to Individuals, Government Instrumentalities,
and Agents 49

Table 3-6. Military Member Rates of Collection 51

Table 3-7. Military Retiree Indebtedness to Government Agencies 53

CHAPTER 3***COLLECTION OF DEBTS OWED BY INDIVIDUALS
TO THE DEPARTMENT OF DEFENSE (DOD)**

0301 GENERAL

030101. Purpose

This chapter prescribes policy and procedures for the collection of debt owed to the Department of Defense (DoD) by individuals.

030102. Scope

A. This chapter pertains to the collection of debts owed to DoD from current and retired DoD civilian employees, current members of the military services (active and reserve), military retirees, Survivor Benefit Plan (SBP) annuitants, and individuals who are no longer employed by DoD.

B. This chapter does not apply to collection of debts owed by contractors, vendors, assignees, state and local governments, or foreign entities. This chapter also does not apply to the collection of child support, alimony, or commercial debts from the pay or salaries of DoD civilian employees or military members through garnishment or involuntary allotment. This chapter also does not apply to antitrust, fraud, tax, and interagency claims. Refer to Volume 7A, Chapters 41 and 43; Volume 7B, Chapter 27; and Volume 8, Chapter 8 for guidance pertaining to garnishments and involuntary allotments.

C. This chapter does not prescribe policy and procedures for determining whether a debt exists. Such determinations are the responsibility of the particular entitlement office or other organizations (e.g., military pay office, human resources office, or transportation office).

030103. Debt Collection Office (DCO)

For purposes of this chapter, the civilian payroll office (PRO), military pay office, and military retiree pay office are examples of a DCO.

0302 COLLECTION OF DEBT FROM CURRENT, SEPARATING, TRANSFERRING AND RETIRED DEPARTMENT OF DEFENSE (DOD) CIVILIAN EMPLOYEES

030201. General

This section prescribes policy and procedures for the collection of debt owed to DoD by current, separating, transferring, and retired DoD civilian employees. DoD must collect all indebtedness due the United States (U.S.) in accordance with the legal authority set out at Chapter 1, paragraph 010103.

030202. Reasons for Overpayment of Civilian Pay and Allowances

Overpayments to employees may be the result of various payroll errors or adjustments. Examples include errors in computing federal withholding tax, Civil Service Retirement System (CSRS) or Federal Employees Retirement System (FERS) deductions, or Social Security and/or Medicare deductions, improper rates of pay, errors in reporting time worked, or erroneously accrued and paid annual leave. These errors may be the result of action taken both inside and outside the PRO. The head of each DoD PRO maintains the overall responsibility for ensuring that an overpayment is recovered expeditiously or that another appropriate disposition of a debt is carried out, such as waiver of the indebtedness. The head of each DoD PRO is responsible for ensuring that employees are afforded all legal rights relative to the collection of indebtedness. Responsibilities may be delegated, in writing, to another appropriate official within the financial community.

030203. Procedures for Debt Establishment

Generally, a debt is “established” or comes into existence when the government agency to which it is owed determines that there is a debt and identifies the exact amount of the debt. This initial determination by the agency triggers the debt collection process. To establish a debt and prepare for collection, the PRO must:

- A. Compute the amount of the overpayment and assemble agency records establishing the debt;
- B. Notify the human resources office (HRO) immediately if corrective personnel action is required. Continued payment of erroneous pay and allowances is not authorized and must cease immediately;
- C. Provide the employee with due process before collecting an overpayment of pay and allowances, except under certain limited circumstances as set out in Chapter 2; and
- D. Correct the employee's records when appropriate.

030204. Overview of Debt Collection from Current Department of Defense (DoD) Employees

A. General

1. After determining the amount owed to the U.S. by a current DoD employee and establishing a debt, the DCO/PRO must determine if collection may be made using a routine pay adjustment under paragraph 030205. If the DCO cannot use a routine adjustment to collect a debt, then the DCO must contact the debtor by issuing a written debt notification that satisfies due process requirements. Refer to Chapter 2, sections 0204 and 0205 for guidance on debt notifications.

2. Upon notification, the debtor may voluntarily repay the debt in full in one lump-sum or by installment payment arrangement (voluntary repayment agreement) with the DCO. Refer to Chapter 2, section 0207 regarding voluntary repayment by a debtor.

3. Alternatively, a debtor may choose to exercise his or her opportunity for review of the debt by filing a petition for hearing. The DCO should stay debt collection efforts pending the outcome of the hearing. When appropriate, the debtor may also request a waiver of the debt; however, debt collection is generally not suspended during the waiver review process (refer to Chapter 4 for additional information). Finally, if the civilian employee does not respond to the debt notification by voluntarily repaying the debt or submitting a request for a review or waiver, then the DCO must initiate collection by salary offset under Title 5, United States Code (U.S.C.) 5514, or under other specific statutory authority set out in Chapter 2, section 0209.

B. Case Examples. The following examples illustrate typical debt collection scenarios for civilian overpayments.

1. Routine Adjustment Example. A civilian employee was overpaid as a result of a time and attendance clerical error. The PRO established the debt owed by the employee and determined the overpayment occurred within the last 4 pay periods. The PRO provided the debtor with written notice that a routine adjustment was being made to the employee's pay. The notice appeared on the employee's Leave and Earnings Statement (LES). The DCO recouped the overpayment from the employee's pay.

2. Salary Offset/Voluntary Repayment Example. A civilian employee was overpaid for overtime 2 years ago. The PRO established the debt owed by the employee. Because more than 4 pay periods had elapsed since the overpayment, the PRO could not recover the debt by a routine pay adjustment. The PRO issued a debt notification letter to the employee. The employee received the notification, agreed that the debt was owed, and because the employee could not repay the debt in one lump-sum, the employee negotiated a voluntary repayment agreement with the DCO.

3. Involuntary Salary Offset/Hearing Petition Example

a. A civilian employee was overpaid for overtime 2 years ago. The PRO established the debt owed by the employee. Because the overpayment did not occur within the last 4 pay periods, the PRO cannot recover the debt by a routine pay adjustment. The PRO issued a debt notification letter to the employee. The employee received the notification and filed a hearing petition in order to contest the validity or amount of the debt.

b. As the first step in the hearing process, the PRO performed a reconsideration of the debt and issued written results to the employee indicating that the debt had been validated after reconsideration. The PRO further instructed the employee that if he or she disagreed with the reconsideration results, the employee could request to continue with a formal hearing. The employee requested the matter be set for hearing with a hearing official. The hearing official conducted a paper hearing and issued a written determination validating the

debt. The employee did not voluntarily repay after receiving the hearing official's determination, and the PRO proceeded with salary offset at the rate of 15 percent of disposable pay. Refer to subparagraph 030205.C for guidance on determining disposable pay.

030205. Procedures for Routine Pay Adjustments

A. In accordance with 5 U.S.C. 5514, DCOs are not required to provide due process procedures prior to collecting overpayments of pay and allowances using routine intra-agency pay adjustments. To collect by routine adjustment, the overpayment must have occurred within the 4 pay periods preceding the adjustment or amount to \$50 or less. Routine adjustments may be necessary due to overpayment attributable to clerical errors, administrative errors, delays in processing pay documents, corrected or late time and attendance data, underdeduction of premiums, or incorrect personnel actions. The DCO must provide the debtor with written notice of the nature and amount of the adjustment as well as a point of contact for questions regarding the adjustment. The information should be provided by the payday for the pay period in which the adjustment is processed, or as soon thereafter as practical. An appropriate notice on the LES meets the requirements for notification. See Title 5, Code of Federal Regulations (C.F.R.) 550.1104(c).

B. The actual overpayment must have occurred after April 26, 1996.

C. The amount deducted may not exceed 15 percent of disposable pay unless the debtor has consented in writing to a higher amount. Refer to Chapter 2, subparagraph 020902.C for guidance on computing disposable pay.

D. If a DoD debtor's payroll account is moved from one payroll office to another payroll office within DoD, then the new payroll office has the authority to collect an overpayment made by the former payroll office using routine adjustment procedures.

E. For routine adjustments involving health or life insurance premiums, refer to paragraph 030207.

030206. Processing Debt Repayments

A. Voluntary Repayment

1. Cash Repayment. The term "cash repayment" encompasses payments by personal check, money order, or another negotiable instrument. The DCO must record the collection on a DoD (DD) Form 1131, Cash Collection Voucher. The accounting data must include the appropriation or fund that funded the overpayment.

2. Payroll Deductions (Salary Offset)

a. One-Time/Lump-Sum Deduction (Salary Offset). If an employee voluntarily requests to have the indebtedness deducted from pay, then the DCO must arrange for the employee to complete and sign a voluntary repayment agreement as shown in

Chapter 2, Figure 2-1 indicating payment by lump-sum deduction. The DCO must retain the original signed agreement. If requested by the employee and agreed to by the DCO, then the DCO can defer remittance for up to 2 pay periods and change the agreement to reflect that adjustment. An employee may also combine a one-time deduction with a cash payment as a means of liquidating the indebtedness. If a one-time deduction does not fully liquidate the indebtedness, then the DCO must adjust the agreement accordingly.

b. Installment Deductions (Salary Offset). If an employee is unable to repay the debt in one lump-sum by cash repayment, then installment payments may be acceptable. The employee should complete a voluntary repayment agreement indicating repayment by salary offset using installment payments. The DCO must retain the original signed agreement. Refer to Chapter 2 for additional guidance pertaining to requesting and approving installment payment plans.

B. Involuntary Repayment by Salary Offset

1. When a debtor has either failed to pay the debt in one lump-sum, has not agreed to a voluntary one-time payroll deduction, or has not entered into an installment agreement, the DCO must recover the debt by involuntary salary offset.

2. Before initiating involuntary salary offset, the DCO must ensure the debtor was given due process pursuant to Chapter 2, section 0204, and that the debtor has not exercised the rights listed in the debt notification letter or, having exercised one or more of those rights, was determined to be indebted. The DCO may initiate collection of a debt from final pay and lump-sum leave payments before granting due process if failure to do so would substantially prejudice DCO's ability to collect the debt. In such cases, the DCO must afford the debtor due process as soon as practicable. For additional guidance on salary offset, refer to Chapter 2, Paragraph 020902.

*030207. Collection of Indebtedness Due to Underdeduction of Health or Life Insurance Premiums

A. An employee's debt may be the result of an election or a change in coverage in the Federal Employee Health Benefit (FEHB) or Federal Employee Group Life Insurance (FEGLI) programs that results in the underdeduction of premiums. Collection of the debt caused by the under-deduction of premiums may be made without affording the employee full due process under 5 U.S.C. 5514 if the amount to be collected accumulated over 4 pay periods or less, or the amount is \$50 or less. Refer to 5 C.F.R. 550.1104(c) for additional information.

B. In such cases, the PRO must notify the employee either in advance or concurrent with the actual collection. The notice must indicate that: (1) because of the employee's election, future salary will be reduced 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. An appropriate notice on the LES that includes this information meets the requirement for notification.

C. If processing delays cause the debt to accumulate over more than 4 pay periods, then the DCO must use the due process procedures required under 5 U.S.C. 5514 as outlined in Chapter 2.

D. For guidance on collecting debts arising from the nonpayment of premiums when an employee is in a non-pay status or when salary is insufficient, refer to Volume 8, Chapter 11 and the Office of Personnel Management (OPM) [FEHB Handbook](#) or [FEGLI Handbook](#).

* E. The DCO may request OPM recover past-due health insurance premiums from separated employees by requesting OPM withhold the amount due from any payment owed to the former employee from a refund or retirement annuity. The agency must submit an OPM Form [1522](#), Request for Offset for Past-Due Health Benefits Premiums From Monies Payable Under the Civil Service Retirement System, to request the offset from amounts that may be paid to the separated employee from the retirement system. See FERS Handbook at Chapter 4.

F. An employee's health insurance plan carrier may garnish an employee's wages to collect debts owed to the carrier following the provisions of [5 C.F.R. 582](#).

030208. Collection of Indebtedness from Final Salary and Lump-Sum Payments

A. Collection of a Previously Established Debt

1. Under 5 U.S.C. 5514, when an employee separates by resignation, retirement, death, or termination of appointment, the employee's final pay (including lump-sum leave payments) will be applied to the extent necessary to liquidate a previously established debt. The 15 percent disposable pay limitation does not apply to the offset. To recover the debt, other payments due from any source, such as amounts claimed for travel and transportation, should be applied to the debt.

2. 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 must be applied to liquidate any indebtedness. If the debt balance of a deceased employee remains after offsetting final pay, the DCO should not pursue collection from the employee's beneficiary. The DCO should forward the debt case to the Debt and Claims Management Office (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, upon the separation, a debt is newly established (i.e. the debt was not previously established and is not already being collected from salary under the authority of 5 U.S.C. 5514), the DCO must collect the debt using administrative offset under [31 U.S.C. 3716](#). The DCO must apply all money payable to the employee to collect the debt with no limit on the maximum rate of collection. As soon as practicable, the DCO must give the debtor notification of the debt and an opportunity for review under Chapter 2. More information may be found in 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 an employee has not previously received notification of the debt and an opportunity for review (due process) under Chapter 2, the DCO must grant notice of the debt to the debtor as soon as practicable. Refer to 31 C.F.R. 901.3(b)(4)(iii)(C) for additional guidance. There is no limit on the maximum rate of collection, and all money due and payable to the employee is subject to offset. Severance pay represents wages credited to the employee's account; therefore, deductions taken from severance pay should be computed before the offset. The employee's net pay amount 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.

030209. Collection of Indebtedness from Transferring Department of Defense (DoD) Employees

A. General

1. This section applies to DoD employees who transfer within DoD resulting in a change of payroll office and to employees who transfer to a non-DoD Federal agency. The instructions contained in this paragraph apply regardless of the point in the debt collection cycle when the employee's separation occurs. For example, the employee may separate while installment payments are being made, a waiver request is being considered, a petition for a hearing is pending, or the written notification of indebtedness is being prepared.

2. In general, all actions will continue upon the employee's separation. While hearings regarding the amount of involuntary offset should be terminated upon an employee's separation, other hearings concerning the validity or amount of a debt must continue, and a written determination should be issued. If, due to subsequent events, the indebtedness is nullified, the DCO must refund amounts withheld from both current and final pay. Refunds must be made without requiring a claim from a former employee.

B. Transfer Within DoD that Results in a Change of PRO

1. In accordance with 5 C.F.R. 550, Subpart K, the losing PRO must ensure the gaining PRO is aware of the following information, which is typically provided systemically:

- a. The identity of the indebted employee;
- b. The amount of the debt, including assessments of interest, administrative fees, and penalties (IPA), when appropriate;
- c. The accounting classification for credit;
- d. The nature of the debt and the original due date (generally 30 days from the initial notification of indebtedness);

e. Copies of all correspondence sent to or received from the employee, including waiver requests, hearing petitions, decisions on waiver requests, and determinations of hearing officials;

f. The original copy of any voluntary repayment agreements. If none exists, a statement of the biweekly percentage of involuntary offsets must be included;

g. The date the right to collect the debt first occurred. Generally this is the date the overpayment occurred. If offset has already begun, the date of the last offset will be given;

h. A statement regarding the status of any unfinished actions which may be pending. When such action is completed, the gaining PRO must be immediately advised;

i. A request that the offset be accomplished or continued; and

j. A copy of DD Form 2481, Request for Recovery of Debt Due the U.S. by Salary Offset, properly completed and certified.

2. The losing PRO must complete any pending actions involving due process or waiver and notify the gaining PRO of the outcome. Upon receipt of the required information, the gaining PRO must assume full responsibility for collection of the debt, pending receipt of previously unfinished actions. Any agreements reached regarding installment repayments or the decision not to accrue or assess IPA are binding on the gaining PRO. If the debt is subject to interest, the gaining PRO must make the necessary computations. Installment deductions already begun must continue without interruption.

C. Transfer to Another Government Agency. When an employee transfers to another federal agency outside of DoD, the PRO/DCO should forward the debt case to DCMO pursuant to the instructions in section 0305.

*030210. Collection of Indebtedness from Retirement Funds of Former Civilian Employees

A. Action by the PRO

1. General. Upon retirement, if an employee is still indebted to DoD, and the amount withheld from final salary and lump-sum payments (paragraph 030208) is inadequate to satisfy the indebtedness, then the DCO may request that OPM offset the indebtedness against monies due and payable to the separated employee from the CSRS or FERS basic benefits. Such a request is in the form of a debt claim submitted to OPM by the DCO. A debt claim is the agency's request for recovery of the debt by OPM. This practice does not apply to Nonappropriated Fund Instrumentality Employees. This paragraph applies only when the former employee has been provided the due process rights found in Chapter 2. For additional

information on collection of indebtedness from retirement funds, refer to 5 C.F.R. 831, subpart R (CSRS) and 5 C.F.R. 845, subpart D (FERS).

2. Scope. The instructions contained in this subparagraph apply to all debts that the DCO was collecting on behalf of DoD, with the exception of debts resulting from an individual's failure to pay health benefit premiums. Refer to paragraph 030207 for guidance regarding the collection of debts for health benefit premiums.

3. Notice to the Employee. Prior to sending a debt claim request to OPM, the DCO must notify the employee in writing that a debt claim is being sent to OPM to offset the employee's CSRS or FERS basic benefits. The letter must state the amount of the debt at separation, the amount recouped from final pay and other sources, and the balance due. The letter must inform the employee that if he or she makes full payment of the balance due, the debt will not transfer to OPM. This notice is in addition to any previous due process notification the employee should have received. Refer to Figure 3-1 for a sample notification. The DCO must provide due process to the debtor prior to submitting the debt to OPM for collection unless the DCO submits an incomplete debt claim.

4. Submission of Complete or Incomplete Debt Claims to OPM. Claims must be submitted to OPM in accordance with 5 C.F.R. 831.1805(b)(5), 5 C.F.R. 845.405(b)(5) and the CSRS and FERS Handbook, Chapter 4.

a. Complete Debt Claims

(1) The DCO must make a request for debt recovery to OPM by submitting a debt claim on a Standard Form (SF) 2805, Request for Recovery of Debt Due the U.S., which must be prepared in duplicate. The submission must be made to the Office of Personnel Management, Retirement and Insurance Group, Employee Service and Records Center, Boyers, PA 16017. Attach a copy of the notice sent to the employee and two copies of the following signed certification to the SF 2805:

- (a) A statement that the debt is owed to the U.S.;
- (b) The amount and reason for the debt and whether additional interest accrues. Note that for those debts that are subject to interest beyond that already calculated, the DCO must advise OPM of the dollar value of the additional accrual;
- (c) The date the Government's right to collect the debt first accrued;
- (d) A statement that the PRO has complied with the applicable statutes, regulations, and OPM procedures;
- (e) A statement 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), then DoD will reimburse OPM or pay the employee directly within 15 days of the date of the order;

(f) A chronology of actions taken to collect the indebtedness. Copies of the correspondence are not required;

* (g) If the collection will be in installments, the amount or percentage of the net annuity in each installment;

* (h) If the debtor consents to the collection or acknowledges the debt in writing, a copy of the debtor's written consent or acknowledgement. If the debtor does not consent in writing to the offset, or has not acknowledged receipt of the due process notification, the DCO must certify that the agency has complied with any due process requirements; and

(i) If the agency has a court judgment against the debtor the agency should submit a copy of the judgment.

(2) OPM is aware that DCOs will not be able to obtain the employee's consent to the collection in every case; therefore, OPM will honor such claims from DCOs upon receipt of the DCO's certification. Every attempt to obtain the employee's consent should be made, however, if 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 to.

b. Incomplete Debt Claims

(1) Occasionally, the DCO will not be capable of sending a complete debt claim to OPM. For example, a separation may occur before or during due process procedures or before the actions in paragraph 030208 have been completed.

(2) In other instances, the DCO may be required to submit the indebted employee's SF 2806 or 3100, Individual Retirement Record, before the proper amount of offset from the employee's monthly annuity has been determined. In such cases, the DCO must notify OPM in order to prevent payment of retirement benefits to the employee. This practice is particularly important when an employee is entitled to a refund (lump-sum retirement credit) of his or her contributions. The DCO must notify OPM of the incomplete claim by making a remark in Column 8 of the SF 2806/3100. The SF 2806/3100 must include a statement that the debt is owed to the United States, the date the debt first occurred, and the basis for and the amount of the debt.

5. Transfer of Debt Case. After sending the SF 2805 to OPM, the DCO must transfer the debt to DCMO, Defense Finance and Accounting Service – Indianapolis (DFAS – IN) pursuant to section 0305.

B. Action by OPM

1. Collection of Debt Claims from Refunds. The term “refund” refers to the payment of a lump-sum retirement credit to an individual by OPM.

a. Complete Claims

(1) If the agency sends OPM a complete debt claim, and OPM has already issued a refund to the individual, then OPM will advise the DCO that no monies are available to recover the indebtedness. If OPM received the employee's refund application, but has not yet processed it at the time a complete claim is received, then OPM will honor the claim and make remittance to the DCO.

(2) If the employee has not applied for a refund of contributions, then OPM will advise the DCO that the debt claim will be retained pending a future refund application. If the application for a refund is received from the individual within 1 year following the date of OPM's receipt of the SF 2805, then OPM will honor the debt claim (where no interest is due) or contact the DCO 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 OPM's receipt of the SF 2805, then OPM will contact the DCO to verify that the debt is still current.

(3) If the PRO transferred the debt to the DCMO, then the DCO must refer such inquiries to the DCMO. If the PRO has not yet transferred the debt to DCMO, but has not made full collection, then the DCO must contact the employee pursuant to 31 C.F.R. 901.3(d) to provide the employee the opportunity to establish whether changed financial circumstances would make the offset unjust. The decision whether to pursue the offset or to attempt collection by other means will be made based on the employee's response. As a general rule, the offset must be pursued unless the success of alternative collection action is relatively certain.

b. Incomplete Claims. If the agency has submitted an incomplete debt claim to OPM, and OPM is processing the employee's application for a refund, then OPM will withhold the amount of the debt but will not make a payment to the agency until the claim is complete. OPM will notify the DCO to submit a completed debt claim to OPM within 120 days from the date of OPM notification. OPM may extend this deadline by an additional 60 days if the DCO 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. Collection of Debt Claims from Annuities

a. Complete Claims

(1) When OPM receives a complete debt claim from the DCO and an application for an annuity from the former employee, 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 debt within a 3-year timeframe, or the annuitant has consented to the higher amount in writing per 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, the DCO must advise OPM of the new amount of the debt at least 90 days prior to the final payment.

(2) Whether the debt is repaid by one-time offset or installment deductions, OPM will begin collection during the next available annuity payment following its receipt of the completed claim. If the monthly annuity payment has not yet been established, offset will begin with the first regular annuity payment. Offsets will not be made against advance annuity payments.

(3) As in the case of refunds, offsets are dependent on OPM's receipt of the retiree's application. Therefore, OPM will retain any SF 2805 received in advance of a retiree's application. If any application is received more than 1 year following receipt of the SF 2805, then OPM will contact the DCO in order to determine the current status of the debt. If the DCO has transferred the debt to DCMO, then the DCO should refer the inquiry from OPM to the DCMO. If the DCO has not transferred the debt to DCMO, and full collection has not been made, then the DCO must contact the employee pursuant to 31 C.F.R. 901.3(d) in order to provide the retiree with the opportunity to establish whether his or her changed financial circumstances would make the offset unjust.

b. Incomplete Claims. OPM will notify the DCO 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 limits for submitting a complete debt claim against a refund, there is no time limit on submitting a complete debt claim against an annuity.

030211. Collection of Indebtedness from Former Department of Defense (DoD) Civilian Employees

PROs and DCO must refer debts of former personnel who are no longer DoD civilian employees (out-of-service debtors) to the DCMO pursuant to section 0305.

030212. Collection of Debts Other than Overpayment of Pay and Allowances

A. General. Pursuant to 5 C.F.R. 550.1109, DoD component organizations external to the PRO (such as employing agencies) may request the PRO recover debts from current employees of the component by means of salary offset. Such debts originate outside of the PRO and are not due to an overpayment of pay or allowances. In general, the PRO will not review the merit of a debt originating outside the payroll office.

B. Requests for Involuntary Salary Offset under 5 U.S.C. 5514. Requests from DoD Components for involuntary salary offsets under 5 U.S.C. 5514 for the following types of overpayments should be forwarded to the PRO on a DD 2481. The form requires certification by

an appropriate official that the employee has been provided due process pursuant to Chapter 2. Salary offset is limited to 15 percent of disposable pay for the following debts:

1. Overpayment of travel allowances;
 2. Report of Survey (also known as Government Property Lost or Damaged) debts (provided that procedures, as prescribed in the cognizant DoD Component regulations, are completed before invoking involuntary salary offset under 5 U.S.C. 5514);
 3. Unofficial telephone use;
 4. DoD Component hospital uncollected billings;
 5. Commissary store debts (such as for dishonored personal checks);
- and
6. Fees received for court service, such as fees received from the court for service as a juror or witness. Refer to Volume 8, Chapter 5 for additional guidance on these fees. Fees are returned to the appropriation or fund from which the employee is paid under 5 U.S.C. 5515.

C. Requests for Salary Offset Under Other Statutory Authority

1. Collections of Unused Travel Advances (Unearned Advance Per Diem and Mileage Allowance) and Unearned Temporary Quarters Subsistence Expense (TQSE)

a. 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 is not used for allowable expenses must be collected. The travel pay office or the employing activity must give the employee an immediate opportunity to repay any amount due in a lump-sum.

b. If the employee does not make immediate payment, offset may be made against all accrued pay, retirement credit for individuals who have left federal employment prior to being eligible for retirement, or any other amounts due the employee. The offset may be made without limitation, as long as it does not cause extreme financial hardship. Refer to Chapter 2, paragraph 020801 for guidance on determining financial hardship. The travel functional area must notify the PRO of the request for offset in writing and must provide a copy of the employee's signed repayment agreement, when applicable. The PRO must collect the debt in one lump-sum, or in installments, in accordance with the employee's signed voluntary repayment agreement or written instructions provided by the travel pay office or the employing activity.

2. 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. A DD 2481 must be issued to the employee's PRO to request collection under 5 U.S.C. 5724(a)(2). The collection of the excess costs from an employee's pay is considered a voluntary salary offset since the employee agreed to repay the excess costs when he or she signed

DD Form 1299, Application for Shipment and/or Storage of Personal Property, before the actual shipment of the property.

a. The employee may submit a written request for reconsideration of any amount due to his or her employing activity's transportation management representative within 30 days of the debt notification.

b. After the agency performs the reconsideration and has notified the employee of the result, the transportation management representative must notify the PRO in order to begin the collection by offset of any balance due.

3. Collection of Employee Training Expenses

a. When an employee fails to fulfill a training agreement, and he or she does not voluntarily repay the employing activity, collection of training expenses from the employee's pay account 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 request a waiver of the activity's right to recover.

b. In order for the PRO to initiate collection by salary offset, the DoD Component training office must supply the PRO with a copy of the Standard Form (SF) 182, Authorization, Agreement and Certification of Training, showing the employee's signed consent to the terms of the training agreement, along with a copy of the notification of indebtedness issued to the employee by the training office. The PRO must forward a copy of the SF 182 to the employee with written notification advising the employee of the payroll deduction amount.

4. Negotiation of Duplicate U.S. Department of Treasury (Treasury)

Payments

a. The negotiation of an original Treasury check that was replaced by a recertified check is an illegal and improper payment for purposes of pecuniary liability. The disbursing officer who issues a duplicate payment is responsible for collection of the duplicate payment from the payee.

b. The disbursing officer must give the payee an opportunity to dispute the debt or to consent to salary offset. If the employee agrees to repayment, the disbursing officer must forward to the PRO a signed statement from the employee agreeing to voluntary collection from pay and evidence that negotiation of both instruments has occurred. The PRO must inform the employee that it will deduct the amount of the indebtedness in full from the next salary payment. If, for any reason, the disbursing officer cannot produce a written consent from the employee, then the PRO must treat the case as an overpayment and provide the employee a written debt notification and opportunity for review as required by Chapter 2. After the completion of due process requirements, if the employee does not authorize voluntary deductions, involuntary salary offset must be made under 5 U.S.C. 5514.

5. Collection of Dishonored Personal Checks. Collect for dishonored personal checks in accordance with Volume 5, Chapter 4.

0303 COLLECTION OF DEBT FROM ACTIVE AND RESERVE MEMBERS

030301. General

This section pertains to the collection of debt owed to DoD by active and reserve military members, hereafter referred to as members.

030302. Due Process Requirements

The head of the military pay office (typically the DCO) must ensure that it affords members all legal rights relative to collection of an indebtedness due to overpayments of pay and allowances. Unless otherwise directed by statute, military members are entitled to due process, consisting of a notice and an opportunity for review, prior to the initiation of debt collection. Refer to Chapter 2 for due process requirements.

030303. Collection From Member's Pay

A. General. General statutory authority for collection by salary offset from a member's pay exists under both 37 U.S.C. 1007(c) and 5 U.S.C. 5514. Generally, debts established by DoD agencies are collected under the authority at 37 U.S.C. 1007 and debts that a non-DoD agency has administratively determined to be owed the U.S. are collected under 5 U.S.C. 5514. Other statutory authority may authorize collection of specific classes of debts. Court judgments against a member, or retired member, in favor of the U.S. may not be collected under Public Law 97-276. See Comp.Gen. B-230865 (1990); U.S. Tafoia, 803 F2d 140 (1986).

B. Voluntary Repayment Encouraged. Members indebted to the U.S. should be encouraged to discharge their indebtedness through lump-sum cash payments. When the amount of the debt relative to the member's ability to repay indicates that a lump-sum payment would create a financial hardship for the member, installment payments may be accepted. Members are encouraged to voluntarily accept liability for their indebtedness voluntarily and to agree to a repayment schedule that adequately protects the interest of both the U.S. and the member.

C. Current Pay

1. Current pay is available for repayment of an indebtedness by involuntary offset (without the member's consent) only if such recovery is expressly authorized by statute. Refer to Tables 3-1 through 3-5 for guidance and statutory authority on involuntary collection from the member's pay.

2. Tables 3-1 through 3-5 authorize collection to be made involuntarily when statutory authority exists for such collection. The tables also reflect the limited circumstances under which collection may be made from the member's current pay only with a member's consent.

D. Final Pay. When a member receives final pay on separation, indebtedness to the U.S. may be collected under the general rule of offset, without specific statutory authority, subject to the limitations in subparagraph 030305.B and Table 3-6. Under this rule, even those debts that are subject to collection from current pay only with the member's consent may be collected from final pay and allowances without the member's consent. Amounts owed to a Service relief society (i.e., Army Emergency Relief, the Navy-Marine Corps Relief Society, the Air Force Aid Society, or the Coast Guard Mutual Assistance) may also be collected from final pay without the member's consent as provided under 37 U.S.C 1007(c) and (h).

030304. Limitation on Collections

A. Current Pay. Some laws authorizing collection of indebtedness from a member's pay impose restrictions on the amount that may be collected, on the items that may be collected, or on the items of pay from which collection may be made. Tables 3-1 through 3-6 reflect these limitations. When a member voluntarily authorizes collection, the member and the DCO will determine an agreeable rate of collection within the guidelines shown in the referenced tables. The member may authorize or request collection in greater amounts.

B. Final Pay. Table 3-6 shows which items of final pay and allowances are available for offset of debts.

C. Gross Pay. Compute gross pay by adding together basic pay, all special and incentive pays, and all reenlistment bonuses. Gross pay does not include allowances or reductions in pay, such as forfeitures.

D. Disposable Pay. Disposable pay, when used to calculate maximum allowable deduction, is computed by deducting the following from gross pay of active duty members: Federal Insurance Contributions Act (FICA); Armed Forces Retirement Home; Federal Income Tax Withholdings (FITW); Service members' Group Life Insurance (SGLI) (including Family SGLI (FSGLI) and Traumatic SGLI (TSGLI)); and State Income Tax Withholdings (SITW). For reservists, the deductions to calculate disposable pay are: FICA; FITW; SITW; and SGLI (including FSGLI and TSGLI).

030305. Collections by Salary Offset Under Title 37, United States Code (U.S.C.), Section 1007 (c)

Section 1007(c) of Title 37 authorizes the deduction from a member's pay of an amount that the Secretary of the Military Department concerned administratively determines to be owed to the U.S. or any of its instrumentalities. Two-thirds of the member's disposable pay is the maximum amount that may be deducted from his or her monthly pay, except as provided in subparagraph 030305.A.1.b. Where a member of one Military Service owes a debt to another Military Service, and the creditor Service makes an administrative determination of indebtedness, the creditor Service may forward that determination, along with a certification of having complied with the appropriate instructions set forth in this section, to the military pay office servicing the member for collection action. Refer to Chapter 2, subparagraph 021405.E

for guidance on delaying the start of the repayment requirement to recover the indebtedness.

A. Collection and Due Process Requirements under 31 U.S.C. 1007

1. Due Process. Use the procedures set out in Chapter 2 for debts that require due process (notice and opportunity for review) be provided to the member. The field office must initiate due process after its receipt of a management notice from the pay system, and any subsequent debt collection must be based on an appropriate repayment schedule.

2. Collection When Member is at Fault. When the military pay office determines that an overpayment of pay or allowances is the fault of the member, the office must still ensure due process procedures set out in Chapter 2 are followed prior to collecting the debt. The military pay office may recover the debt in monthly installments of up to two-thirds of the member's disposable monthly pay. The member may consent to deduction of the debt at a greater percentage.

3. Collection When Member is Not at Fault. When the military pay office determines that an overpayment of pay or allowances is not the fault of the member, it is authorized to recover the debt in monthly installments. The office must still ensure due process procedures set out in Chapter 2 are followed prior to collecting the debt. For overpayments described in this subparagraph that are made on or after October 29, 2009, the military pay office is required to provide a reasonable opportunity for the member to request a delay in the imposition of the repayment requirement to recover the overpayment. Before beginning collection efforts, the military pay office must consider the reasons provided by the member for the requested delay, including the financial ability of the member to repay the indebtedness, and the hardship that immediate collection would impose on the member and the member's dependents.

a. If overpayment was made to a member on or before October 28, 2009, the military pay office will recover the overpayment in monthly installments not to exceed 20 percent of the member's disposable pay for each month. The military pay office may deduct a greater percentage with the member's consent.

b. If overpayment was made to a member on or after October 29, 2009, the military pay office will recover the overpayment in monthly installments not to exceed 15 percent of the member's disposable pay for each month. The military pay office may deduct a greater percentage with the member's consent.

4. Collection of Combat Zone/Combat Operation Wounded Member Debts. If a member, through no fault of the member, incurs a wound, injury, or illness while in the line of duty in a combat operation or combat zone designated by the President or the Secretary of Defense, then any overpayment of pay or allowances made to the member while the member recovers from the wound, injury, or illness may not be deducted from the member's pay until:

a. The member is notified of the overpayment; and

b. The later of the following occurs:

(1) The end of the 180-day period beginning on the date of the completion of the tour of duty of the member in the combat operation or combat zone, or

(2) The end of the 90-day period beginning on the date of the reassignment of the member from a military treatment facility or another medical unit outside of the theater of operations.

After receiving notification of the overpayment, a member may request initiation of collection action at an earlier date. The military pay office must determine the appropriate rate of collection pursuant to subparagraph 030305.A.1.b and must follow due process requirements set out in Chapter 2.

B. Collecting Debt from Final Separation Pay

1. An amount due from an enlisted member of the Army or Air Force may be deducted from their final separation pay. The appropriate rate of collection in subparagraph 030305.A.1 applies to collection from the member's final separation payment.

2. There is no limitation on the amount that may be deducted from an officer of any service or an enlisted member of the Navy or Marine Corps from his or her final separation pay.

3. In such cases, the military pay office, or DCMO, must afford the debtor due process as soon as practicable if due process has not previously been afforded the member.

030306. Collection by Salary Offset Under Title 5, United States Code (U.S.C.), Section 5514

A. Debt Determination. A federal agency, other than the DoD, may determine that a member is indebted to the U.S. and that collection action against the member's monthly pay under the authority of 5 U.S.C. 5514 is warranted. The collection of a debt owed to departments and agencies other than DoD (including its instrumentalities or other Uniformed Services) resulting from a court judgment is included under this collection authority. The non-DoD agency must forward the request for offset through Treasury's Cross-Servicing Program to DFAS Cleveland (DFAS-CL), 1240 East 9th Street, Cleveland, OH 44199 or via email to ccl-salary-offset@mail.mil.

B. Amount of Collections. The military pay office may make collections not exceeding 15 percent of disposable pay for any pay period, unless the member authorizes a greater percentage in writing. Unsatisfied debts at discharge or retirement will be deducted from subsequent payments due the member. For additional guidance on salary offset, refer to Chapter 2, paragraph 020902.

C. Due Process. The creditor agency to which the debt is owed must provide due process to the member and must certify due process was completed if the debt is submitted to DFAS for collection. For due process procedures, refer to Chapter 2.

D. Routine Administrative Adjustment

1. In accordance with 5 U.S.C. 5514, DCOs are not required to provide due process procedures prior to collecting overpayments of pay and allowances using routine intra-agency pay adjustments. To collect by routine adjustment, the overpayment must have occurred within the 4 pay periods preceding the adjustment or amount to \$50 or less. Routine adjustments may be necessary due to an overpayment attributable to clerical errors, administrative errors, delays in processing pay documents, or underdeduction of premiums, for example. The DCO must provide the debtor with written notice of the nature and amount of the adjustment as well as a point of contact for questions regarding the adjustment. This information should be provided by the payday for the pay period in which the adjustment is processed, or as soon thereafter as practical. An appropriate notice on the LES meets the requirements for notification.

2. The actual overpayment must have occurred after April 26, 1996.

3. The amount deducted may not exceed 15 percent of disposable pay, unless the debtor has consented in writing to a higher amount. The servicing military pay office must generate a “no pay due” management notice when a debt creates a “no pay due” situation.

E. IPA Costs. Interest will be charged beginning from the date of delinquency. Assess and calculate IPA pursuant to Chapter 7, 31 U.S.C. 3717, and 31 C.F.R. 901.9.

030307. Indebtedness Incurred in National Guard or Reserve

When a member re-enters active military service, the military pay office must collect from active pay and allowances any indebtedness the member incurred while in a National Guard or Reserve status.

030308. Member Dies after Receiving Advance Salary Payment

Advance payday payments made in accordance with Volume 7A, Chapter 32 are not considered “indebtedness” if the member dies before the date through which the pay was computed and paid.

030309. Centralized Processing of Involuntary Withholding of Member’s Pay for Debts Owed to the Services’ Exchange Commands

A. Purpose and Authority. This section provides the procedures for collecting in-service debts owed to the Army and Air Force Exchange Service (AAFES), the Navy Exchange Command (NEXCOM), and the Marine Corps Exchange Command (referred to

collectively as “The Exchange Commands”). This section applies when active duty, reserve, and retired military members are delinquent in the repayment of a dishonored check or their credit plan. Under 37 U.S.C. 1007(c), an amount that a member of the Uniformed Services is administratively determined to owe the U.S. may be deducted from the member’s pay in monthly installments.

B. Procedures. When a member is indebted to a service exchange, the service exchange may forward the determination to DFAS. DFAS will honor the request based on written certification from the Exchange Command that it complied with due process requirements found in Chapter 2. If the member has not paid the debt within 60 days from the date of the debt notification letter, then the Exchange Command may submit a DD Form 139, Pay Adjustment Authorization, to DFAS. DFAS will collect the amount owed to the Exchange Command in accordance with the priority of pay deductions and collections in Volume 7A, Chapter 52.

C. Applicability and Scope

1. These procedures apply to the pay of Army, Navy, Air Force, and Marine Corps members serviced by the Defense Joint Military Pay System or the Marine Corps Total Force System.

2. DFAS will collect the amounts requested, as long as the total monthly amount collected, including any other debt amount being collected under 5 U.S.C. 5514, does not exceed two-thirds of the member’s disposable pay. The military pay office must reduce monthly collection amounts if the pay due a member is insufficient to cover authorized deductions or collections. Debt collection is subject to the rules presented in Table 3-5, as well as the priority of pay deductions and collections in Volume 7A, Chapter 52.

D. General Procedures

1. Exchange Commands must certify that they provided the member due process in accordance with Chapter 2. Exchange Commands must maintain due process documentation (debt notification letters and supporting documentation) on individual delinquent debt accounts.

2. Collection of any portion of the debt remaining uncollected at the time of a member’s separation is subject to subparagraph 030305.B.

3. Exchange Commands may collect delinquent debts at a maximum deduction rate of two-thirds of the disposable pay.

4. When a member enrolls in a credit plan, the Exchange Command must advise the member of the maximum deduction for delinquent accounts. DFAS or the field finance office is responsible for ensuring that collections do not exceed two-thirds of the member’s monthly disposable pay.

5. If a repayment amount exceeds the maximum deduction limitation, DFAS or the servicing military pay office must adjust the debt amount by inputting a transaction to change the deduction.

6. The military pay office is responsible for answering inquiries from the member on how exchange debt transactions are reflected on the LES.

E. Exchange Command Responsibilities

1. Exchange Commands must respond to all inquiries from a member concerning his or her debts and deduction amounts.

2. Exchange Commands may not deduct any amount from a member's pay account to cover a dishonored check written by a dependent without consent of the member.

3. Exchange Commands must use a listing of basic pay rates plus income data received from the member to determine the amount that is equal to or less than two-thirds of the member's pay.

4. If a member separates from active duty or if retired pay is suspended, and the debt was not fully collected, then the Exchange Command is responsible for collecting any remaining debt. The military pay office must advise the Exchange Command that the member has separated or that the retiree's pay has been suspended.

5. Exchange Commands are responsible for overpaid debts. When a member has overpaid a debt, the Exchange Commands must issue a refund immediately to the member for the overpayment.

6. Exchange Commands must honor a repayment agreement under which a member voluntarily agrees to repay the debt. If the member voluntarily repays the debt (off-line), then the Exchange Command must cancel the offset request and notify DFAS immediately.

7. For audit purposes, Exchange Commands must maintain and ensure the availability of all documentation pertaining to these debts.

F. System Overview

1. Once a collection action is deemed necessary, the Exchange Command must transmit a monthly update transaction requesting a pay deduction. The input should be applied to the pay account in the appropriate sequence (refer to Volume 7A, Chapter 52, Table 52-1).

2. DFAS provides new basic pay rates or other pay data to the Exchange Command as it becomes available.

3. During a processing month, Exchange Commands submit the electronic pay-adjustment transaction, with name, Social Security Number, total debt, and the deduction amount for the month. Exchange Commands electronically submit the information in time to adjust in the payment processing update.

4. The Exchange Command input identifies the balance due and the monthly collection amounts. If the debt is collected off-line after submitting the input, then the exchange is responsible for the refund.

5. If the deduction amount input by the Exchange Command is greater than two-thirds of the member's disposable pay (subparagraph 030304.D), then DFAS or the military pay office either changes the deduction amount or returns the debt to the Exchange Command for adjustment in amount. After the deduction is processed, DFAS must notify the Exchange Command of any adjustments.

6. The Exchange Command manages the entire debt amount internally. Exchange Commands are responsible for notifying the member of the debt balance and encouraging the member to submit payments voluntarily. DFAS provides management notices (listing) to the servicing military pay office if applicable, which identifies the member's pay account to which the deduction is charged.

7. Rejects are downloaded to the Exchange Commands after each update. Exchange Commands are required to work rejects on a daily basis.

8. At the end of each processing month, in order to identify the affected members, DFAS sites wire-transfer the amounts deducted via electronic funds transfer to a central processing location for each Exchange Command.

0304 COLLECTION OF DEBT FROM MILITARY RETIREES AND SURVIVOR BENEFIT PLAN (SBP) ANNUITANTS

030401. General

This section pertains to the collection of debt owed to DoD by military retirees, Retired Serviceman's Family Protection Plan (RSFPP) annuitants, or SBP annuitants due to the overpayment of annuity payments. A debt may be the result of an overpayment to the military retiree or an amount owed to the Government but unpaid by a military retiree. A debt may be for an overpayment of military retired pay, Concurrent Retirement and Disability Pay (CRDP), Combat Related Special Compensation (CRSC), an overpayment of active duty pay and allowances, or other indebtedness arising from service on active duty.

030402. Due Process Requirements

The head of the military retiree pay office, DFAS – Retired and Annuitant Pay, must ensure that it affords military retirees all legal rights relative to the indebtedness arising from overpayments of pay and allowances, including due process under Chapter 2. This includes providing the military retiree the opportunity to request a delay in collection of the debt under 37 U.S.C. 1007(c)(3)(B).

030403. Routine Pay Adjustments Under Title 5, United States Code (U.S.C.), Section 5514

A. In accordance with 5 U.S.C. 5514, DCOs are not required to provide due process procedures prior to collecting overpayments of pay and allowances using routine intra-agency pay adjustments. To collect by routine adjustment, the overpayment must have occurred within the 4 pay periods preceding the adjustment or amount to \$50 or less. Routine adjustments may be necessary due to an overpayment attributable to clerical errors, administrative errors, or delays in processing pay documents. Routine adjustments include retroactive U.S. Department of Veterans Affairs increases that may result in retirement benefit debts. The DCO must provide the debtor with written notice of the nature and amount of the adjustment, as well as, a point of contact for questions regarding the adjustment. The information should be provided by the payday for the pay period in which the adjustment is processed, or as soon thereafter as practical. An appropriate remark added to the Retiree Account Statement (RAS) meets the requirements for notification.

B. The actual overpayment must have occurred after April 26, 1996.

C. The amount deducted may not exceed 15 percent of disposable pay, unless the debtor has consented in writing to a higher amount. The servicing pay office must generate a “no pay due” management notice when a debt creates a “no pay due” situation.

030404. Debt Collection

A. General. When the indebtedness cannot be corrected using a routine pay adjustment, then the amount to be collected each month should be no less than \$50 (unless specified by statute) or an amount reasonable in relationship to the size of the debt and the military retiree’s ability to pay. Refer to Chapter 2, paragraph 020801 for guidance on determining the financial status of the military retiree. Military retirees indebted to the U.S. should be encouraged to discharge their indebtedness through lump-sum repayment.

B. Authority for Involuntary Collection. A military retiree’s pay is available for repayment of indebtedness by involuntary offset without the military retiree’s consent as authorized under 37 U.S.C. 1007(c), 5 U.S.C. 5514 and 31 U.S.C. 3716 provided the military retiree is afforded due process under Chapter 2.

C. Limitation on Amount of Deductions. The maximum monthly amount that may be collected is the lesser of:

1. Two-thirds of the military retiree's pay, less the amounts deducted for court martial, if any, and the amounts authorized by law to be withheld, or

2. Fifteen percent of the disposable retired pay, unless the military retiree authorizes a greater percentage in writing. Refer to Chapter 2, subparagraph 020902.C for policy on calculating disposable pay.

D. "No Pay Due" Notice. As a precaution to prevent avoidable hardship to the military retiree, generate a "no pay due" RAS for the military retiree when collection of a debt results in "no pay due."

030405. Debt Transfer on Retirement

Debts incurred while the military retiree was on active duty must be transferred on retirement to the military retiree pay office. Resume collection from retirement or retainer pay. It is not necessary to repeat the due process procedures prior to resuming collection.

030406. Debt Owed to Another Military Service

When a military retiree of one Military Service (e.g., Army) owes a debt to another Military Service (e.g., Air Force), and a DCO of the creditor Service makes an administrative determination of indebtedness, the DCO may forward that determination, along with certification of compliance with due process requirements, to the DFAS Retired and Annuitant Pay for collection action.

030407. Priority of Deductions and Collections

When the pay due a military retiree is not enough to cover all authorized deductions and collections, the DFAS Retired and Annuitant Pay office must use the following priority sequence for making deductions and collections from pay:

A. Reduction of pay entitlement – The reduction of pay entitlements takes precedence over all other items for deduction or collection. These reductions include:

1. Readjustment pay,
2. Separation pay,
3. Severance pay,
4. Variable Separation Incentive,
5. Special Separation Benefit,
6. Reserve Special Separation Pay,

7. Forfeiture of pay, and
 8. VA compensation;
- B. Reimbursement to the U.S., to include:
1. FITW,
 2. TRICARE – Dental Plan,
 3. Retired Serviceman’s Family Protection Plan (RSFPP) premiums,
 4. SBP and Supplemental SBP (SSBP) premiums, and
 5. Reserve Component SBP (RCSBP) premiums;
- C. Involuntary repayment of indebtedness to the U.S., which includes:
1. Routine adjustments and automatic collections,
 2. Other overpayments of retired pay and CRSC,
 3. Delinquent RSFPP, SBP, SSBP, or RCSBP costs,
 4. Debts arising from active duty,
 5. Debts to DoD appropriated fund activities,
 6. Hospital rations issued to a member,
 7. Excess cost of shipment of household goods,
 8. Unpaid hospital bills for medical services furnished a dependent,
 9. Court-martial fines, and
 10. Debts from other departments or agencies outside DoD, including court judgments;
- D. Garnishment for alimony and child support payments and Uniformed Services Former Spouses’ Protection Act payments;
- E. Court-ordered bankruptcy payments under Chapter 13 of the revised Bankruptcy Code;
- F. Indebtedness to a nonappropriated fund activity; and then

G. SITW.

030408. Collection of Debt from Survivor Benefit Plan (SBP) Annuitants

A. General. Generally, SBP annuity overpayments are the result of one of the following: the failure to reduce an annuity by the amount of disability indemnity compensation awarded by the VA, the non-termination of an annuity due to ineligibility, an erroneous computation, insufficient or untimely information, or a determination by the Secretary of the Military Department concerned (or designee) that a participating member is alive after the Secretary concerned previously determined that the member was presumed dead.

B. Liability. An SBP annuitant is liable for any debt resulting from the overpayment of an annuity. A military retiree is liable for a debt resulting from erroneous annuity payments that were made based on the presumption of the member's death. If the member dies before such payments are fully recovered, an annuitant who was the recipient of the annuity payments made under the presumption of death is liable for the indebtedness.

C. Collection of Debt. Upon discovery of an overpayment, the DCO must provide the annuitant with due process as required under Chapter 2. The DCO must advise the annuitant of the debt and the method by which the overpayment is being, or may be, liquidated. The debt may be liquidated by:

1. The annuitant making direct remittance payments to DFAS Retired and Annuitant Pay;
2. The annuitant authorizing the VA to reduce Dependency and Indemnity Compensation and remit the amount collected to DFAS Retired and Annuitant Pay; or
3. The DFAS Retired and Annuitant Pay reducing the SBP annuity payments through administrative offset as authorized by law.

0305 COLLECTION OF DEBT FROM FORMER EMPLOYEES, FORMER MEMBERS AND OTHER NON-DEPARTMENT OF DEFENSE (DOD) RELATED DEBTORS

*030501. General

A. This section pertains to the collection of debts owed by individuals who are no longer employed by DoD or no longer on active duty. This section also covers individuals who were neither DoD employees nor active duty members, but who are indebted to DoD. This category of debt is referred to as "out-of-service." If a Component's DCO cannot collect a debt through salary offset because the debtor is not being paid by DoD, and the debtor has not agreed to pay the debt in a lump-sum, then the DCO should obtain debt collection services from the DCMO. DCMO operates and maintains the Defense Debt Management System (DDMS) to provide centralized, cost-effective, automated debt servicing and collection assistance to DCOs on delinquent debts owed to DoD by individuals who are no longer paid by DoD.

* B. The DCMO may also provide collection assistance for other debts as specifically agreed to in each Service's mission work agreement (MWA).

C. The DCMO must comply with the 31 U.S.C. 3701-3720E and all applicable laws and regulations, including the Federal Claims Collection Standards (FCCS). However, pursuant to paragraph 030504, the DCO is responsible for all due process requirements under the FCCS.

030502. Reasons for Individual Out-of-Service Debts

An out-of-service indebtedness occurs when a debtor separates from DOD and no longer receives a salary or other payments from DoD that can be offset to collect a previously established debt. Individual out-of-service debts may also arise from overpayments or erroneous payments to other individuals or indebtedness by the public for use of DoD's facilities or services.

030503. Obtaining Service from the Debt and Claims Management Office (DCMO)

Other DoD Components not supported by DFAS may obtain debt collection services from DCMO. The DoD Component and DCMO must document the services to be provided using a DD Form 1144, Support Agreement.

*030504. Debt Collection Office (DCO) Responsibilities

The DCO must:

A. Initiate debt collection and ensure due process requirements (notification and opportunity for review) are met. The DCO must issue the initial bill, invoice and/or debt notification letter to the debtor and take appropriate follow-up action. The DCO may use bills and invoices as an initial attempt at debt collection. However, generally bills and invoices do not meet the requirements of due process. The DCO must issue a debt notification letter setting out the debtor's due process rights prior to submitting the debt to DCMO for collection services. Although only one due process notification is required, a DCO may issue additional written demands for payment to the debtor as deemed appropriate. Refer to Chapter 2 for guidance on issuing the debt notification letter;

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

* C. Research and verify the military or civilian status of debtors to ensure that only individual out-of-service debts are referred to DCMO, or ensure other debts transferred are in accordance with established procedures;

* D. Refer delinquent, individual, out-of-service debts that are \$225 or greater to DCMO no later than 60 days after the payment due date when the DCO has not been able to collect a debt or establish a repayment schedule with the debtor. If an individual has multiple debts all under \$225, then the DCO may consolidate the debts and refer them to DCMO as one debt package. Components that have implemented the processes and procedure defined in the

Delinquent Debt Management Guidance (DDMG) should refer eligible and legally enforceable, delinquent, individual out-of-service debt over \$25 to Treasury's Bureau of Fiscal Services Debt Management Service for further collection action where applicable. Refer to Volume 4, Chapter 3 for guidance on clearing individual out-of-service debts that are below the referral threshold;

E. Use a transmittal letter to refer eligible debts to DCMO and to ensure that the debts are received by DCMO. Prepare the transmittal letter in duplicate and send it to DCMO, DFAS-IN, Department 3300 (ATTN: Case Management), 8899 E. 56th Street, Indianapolis, IN 46249-3300, or via email to dfas.indianapolis-in.jaa.mbx.oosdebt-debtmgmt-baselevel@mail.mil. Send new debts with transmittal letters as often as required, but at least weekly. Identify on the transmittal letter all attached debt case files by name, Social Security number, and amount. Include the name, email address, and telephone number for the DCO point of contact and the name and location of the office accountable for the debt. Attach a copy of all documentation and background material in the debt case files. The required documentation includes:

1. A copy of the original bill, invoice and/or debt notification letter. In order for the DCMO to accept the debt, the debt notification letter must comply with the requirements under Chapter 2;
2. The original debt principal amount with complete accounting classification and fiscal year to credit with any collections. Include a copy of the original disbursement voucher when the debt is the result of a previous payment;
3. The date the debt became known;
4. The date the debt was due;
5. The date the debt became delinquent (usually 30 days from the date of the debt notification letter);
6. The amount of accrued IPA;
7. Copies of any follow-up correspondence between the debtor and the DCO;
8. Amounts and dates of any prior collections and the accounting classification credited. Include a copy of the collection voucher when the collection was not processed through salary offset;
9. The debtor's branch of service or agency where formerly employed;
10. The debtor's, sponsor's, or beneficiary's Social Security number;

11. Military status and date of separation for members or employees whose period of service or employment ended with indebtedness;

12. Copy of DD 139 for military pay debts;

13. Copy of DD 2481 for civilian employee debts; and

14. Any other relevant documentation or information regarding the debt;

F. Include in each transmittal package a certifying statement that the amounts of the debts being referred are correct and that the debts are delinquent, valid, legally enforceable, and confirm that the DCO provided the debtor with all due process requirements. DCOs referring debts electronically must also submit a debt certification statement. Figure 3-1 is a sample debt certification statement;

G. Correct any errors in debt packages returned by DCMO for correction/additional action and send the debt package back to DCMO;

H. Coordinate with the DCO's supporting accounting office to ensure that it removes accountability for the referred debts from its records in accordance with the guidance in Volume 4, Chapter 3 upon receipt of the duplicate copy of the transmittal letter;

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

J. Mail any payments received from a debtor after the debt was referred to DCMO to the DCMO, DFAS-IN, Department 3300 (ATTN: Case Management), 8899 E. 56th Street, Indianapolis, IN 46249-3300. Include the debtor's name and Social Security number so the DCMO can credit the proper account.

030505. Debt and Claims Management Office (DCMO) Responsibilities

The DCMO must:

A. Assist DCOs in the centralized management of debts, including automated, centralized processing, referral to private collection agencies or to the Treasury, reporting, and accounting of debts;

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

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

D. Pursue collection action once debts are entered in DDMS. Figure 3-2 illustrates a general overview of the individual, out-of-service, delinquent debt collection steps. DCMO debt services provided to the DCO include the following: issuing written demands for payment to the debtor, collecting debts, referring delinquent debts to private collection agencies for collection, reporting debts to credit bureaus, referring uncollectible delinquent debts to Treasury for offset, and referring uncollectible debts to the DOJ for litigation. The DCMO may also process debts for compromise, suspension of collection, or terminating collection. In the case of deceased debtors, DCMO must use DD Form 2840, Request for Information Regarding Deceased Debtor, to seek information from state probate courts concerning the establishment of an estate in order to pursue collection;

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

F. Retain all pertinent debt documentation. Upon request, provide feedback regarding the status of debt collection to the applicable DoD Component; and

G. Provide PROs pertinent data regarding collections from former civilian employees so that the PRO may affect necessary changes (i.e., SF 2812, Report of Withholdings and Contributions for Health Benefits by Enrollment Code, SF 2806/3100, Internal Revenue Service (IRS) Form W-2, Wage and Tax Statement, and IRS Form 941, Employer's Quarterly Federal Tax Return).

*030506. Defense Finance and Accounting Service (DFAS) Departmental Accounting Offices

DFAS departmental accounting offices must use DDMS to establish and maintain accountability at the departmental level for all debts referred to DCMO. DFAS departmental accounting offices must report the transfer-out and transfer-in of these debts on Part I, Section A, Line 5.A, "Reclassified/Adjusted Amounts" on the Treasury Report on Receivables (TROR), and provide the required footnote. Components that have implemented processes defined in the DDMG must maintain accountability of debt in their systems and submit data for the TROR directly to Treasury. Volume 4, Chapter 3 contains more specific reporting requirements.

*030507. Collection Assistance for System-Generated Individual Out-of-Service Debts

A. Uncollected debts over \$225 maintained on the Master Military Pay Account (MMPA) of Active Component (AC) and Reserve Component (RC) service members that are due upon separation or retirement, debts for offset from retired pay or annuitant pay, and some other out-of-service debts are systemically referred to the DCMO. Once these system-generated debts are entered in DDMS, the debts are serviced in the same manner as debts

referred to DCMO by the DCOs under 030505. Defense Retiree and Annuitant Pay System (DRAS) debts are created when payments are made after the entitlement to retired pay has ended. DRAS debts are transferred to the DCMO each month by an interface between DRAS and DDMS.

* B. Components that have implemented the processes and procedures defined in the DDMG should refer eligible and legally enforceable, delinquent, individual, out-of-service debt over \$25 directly to Treasury for further collection action where applicable.

0306 REFUNDING PREVIOUSLY COLLECTED DEBTS AND LATE PAYMENT CHARGES

030601. Scope

This section does not pertain to refunds authorized under the Contract Disputes Act. Refer to Chapter 5 for specific guidance on contract debt.

030602. General

Refunds of collected debts may be required for a variety of reasons, but generally are based on a determination that the debt is invalid or should have been forgiven under applicable law or regulation. Payments received from debtors for principal and IPA must be refunded to the debtor when a debt is found not to be due to the Government. For example, refunds may be appropriate in instances where waiver or remission is granted, when a post-collection clarification changes the debt amount, or as a result of an administrative or judicial order. A refund may also be appropriate if collection from an employee's pay exceeds the allowable percentage of disposable pay due to an error in computation. If an offset mistakenly exceeds 15 percent of disposable pay when the debtor has not consented to deductions at a greater percentage, then the DCO must refund the difference to the debtor upon the debtor's request.

030603. Payment Voucher for Refunds

When making a refund payment, the DoD Component or DCO must prepare a SF 1034, Public Voucher for Purchases and Services Other Than Personal, or other approved voucher, and submit it for payment to the disbursing office. Documentation from the debtor or other source(s) that establishes the claim for a refund must accompany the voucher. The DoD Component or DCO must retain a copy of the voucher and supporting documentation in the debtor's case file.

030604. Refunds Available for Administrative Offset

Refunds of amounts previously collected may be applied to other, unrelated outstanding debts the debtor may owe to the Government, as long as due process has been provided.

030605. Determination of Refund Amount

The amount refunded to the debtor may include money that was originally collected for principal and IPA, or if the debt was collected by Treasury and/or a private collection agency, any additional fees imposed by those entities must be considered for inclusion in the refund. Treasury and private collection agencies retain any fees assessed for the collection of the debt. However, the amount refunded to the debtor must be the total amount collected, including any fees assessed by the Treasury and/or private collection agencies. The debtor should receive a full refund even though fees imposed by Treasury or private collection agencies may not be returned to the referring DCO. Interest is not paid on refunds unless the refund is the result of a personnel action and interest is ordered to be paid under the Back Pay Act at 5 U.S.C. 5596.

030606. Funding the Payment of Collected Debt Refunds

Refer to Volume 4, Chapter 3 for guidance on which appropriation(s) to charge when refunding amounts collected for principal debt and IPA.

*Figure 3-1. Sample Notification Prior to Referral of Debt to Office of Personnel Management

(1)

(2)

Dear (3):

Our records indicate that you are separating from Federal service. On (4), you were notified that you were overpaid for pay periods ending (5)-(6) in the gross amount of (7). The remaining balance of your debt is (8), after all prior payments and offsets, and after collection from your final pay.

Payment of the Balance Due on Your Debt. Please pay the balance due of your debt in full by (9), which is 30 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 (8). Please send your payment to DFAS-CL/FTB P.O. Box 99555, Cleveland, OH 44199-9555.

If you do not pay the balance due on your debt within 30 days, your debt will be forwarded to the Office of Personnel Management (OPM) for recovery by offset from CSRS or FERS basic retirement or disability benefits paid to you. DFAS will not forward your debt to OPM if you pay the remaining balance due within 30 days from the date of this letter. The DFAS Debt and Claims Management Office will continue to pursue the collection of your debt after you leave Federal service.

If you have further questions regarding this debt contact the Indebtedness Processing Team at (800) 538-9043.

Sincerely,

(10)

(11)

*Figure 3-1. Sample Notification Prior to Referral of Debt to Office of Personnel Management (Continued)

Explanation of Blank Spaces on Sample Debtor Notification

- (1) Date
- (2) Address of the Debt Collection Office
- (3) Last name of debtor with proper title (Mr. or Ms.)
- (4) Date of the due process notification originally sent to the debtor
- (5) First pay period of overpayment
- (6) Last pay period of overpayment
- (7) Gross amount of the debt of which debtor had been previously notified
- (8) The net amount of debt remaining at the time of this notification
- (9) The date by which the debtor must pay the debt in full or else it will be forwarded to the Office of Personnel Management, usually 30 days from the date the letter is issued
- (10) Supervisory signature
- (11) Identify by name, the signatory for the letter

Figure 3-2. Sample Debt Certification Statement

DEBT CERTIFICATION STATEMENT

Pursuant to *Title 28, United States Code, Section 1746*, I certify under the penalty of perjury that to the best of my knowledge and belief that the debts submitted herewith are delinquent, valid and legally enforceable in the amounts stated. The debts are not subject to any circumstances that legally preclude or bar collection, including collection by offset. The debtor has been afforded all due process rights, including notification and an opportunity for review under 31, U.S.C. 3716. Records available do not show that any debtor owing a debt has filed for bankruptcy protection.

 Date

 Signature of Debt Certifying Official

Print Name: _____

Title: _____

Office Symbol: _____

PREPARATION AND SUBMISSION INSTRUCTIONS

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

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

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

Figure 3-3. Defense Debt Management System (DDMS) Debt Processing Steps

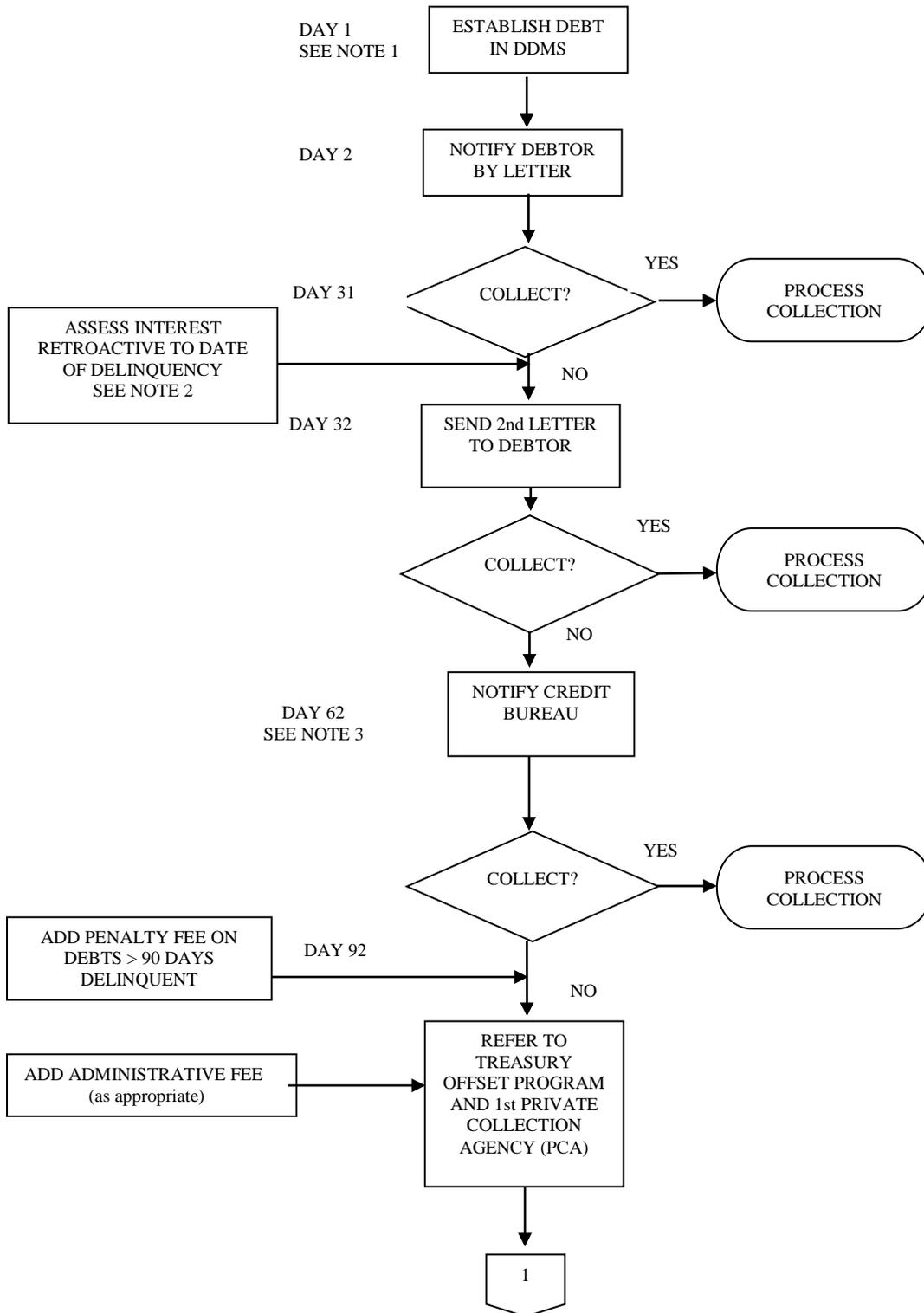


Figure 3-3. Defense Debt Management System (DDMS) Debt Processing Steps (Continued)

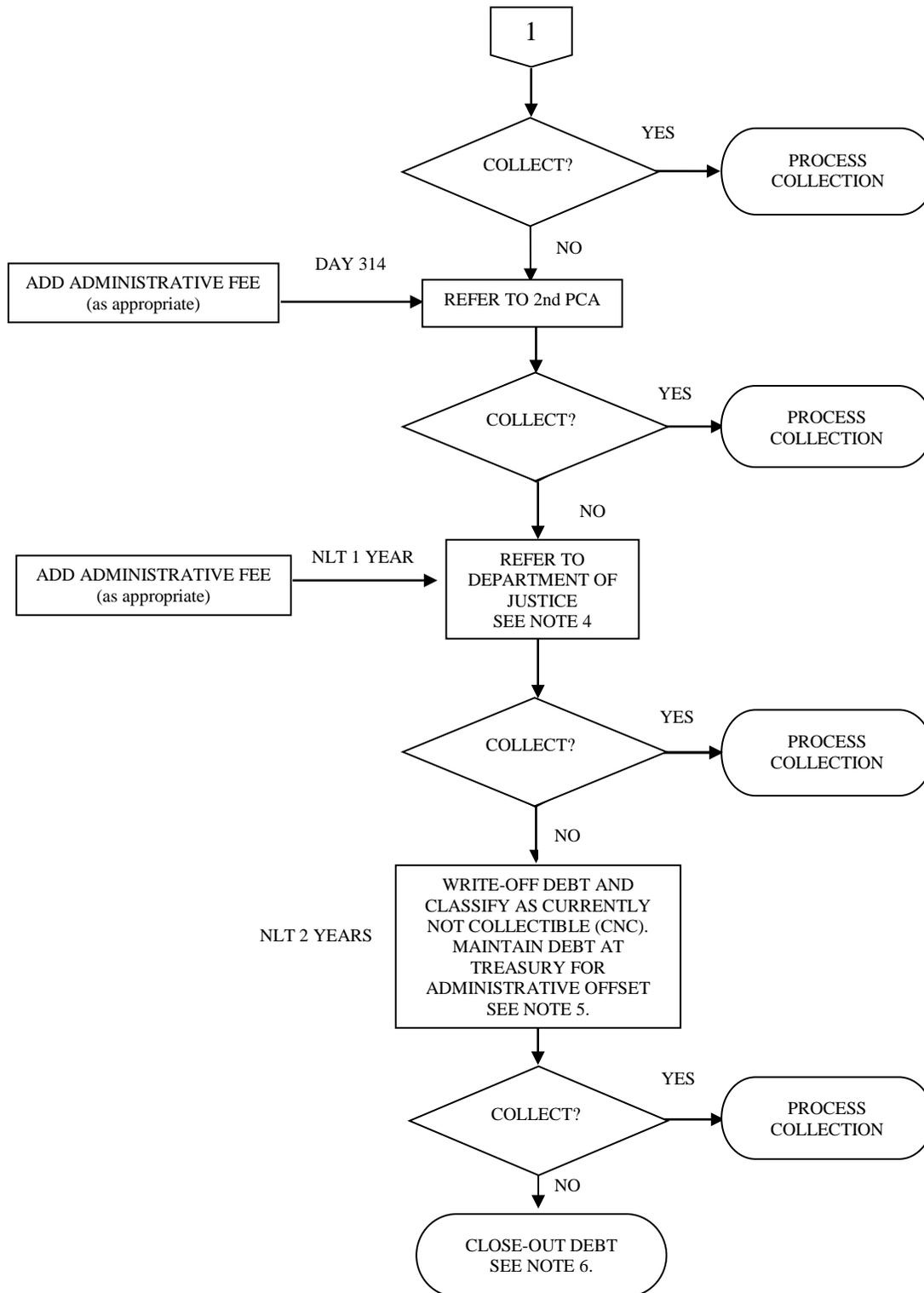


Figure 3-3. Defense Debt Management System (DDMS) Debt Processing Steps (Continued)

NOTES:

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

Table 3-1. Military Member Indebtedness Due to Erroneous Payments, Government Accountability Office Disallowances, and Notices of Exception

| R U L E | A | B | C | D | E | F |
|------------------|---|----------------------|--|--|--|---|
| | If an | of | is indebted to the United States for | and | then collect from current pay | at monthly rate not to exceed that shown in this table or in rule cited |
| 1 | officer or enlisted member | any Military Service | payment disallowed by Government Accountability Office (GAO) or by the DoD Office of the General Counsel (OGC) in accounts of a disbursing or certifying officer | | involuntarily (note 1) | disposable pay (see paragraph 030304.D). |
| 2 | | | debt cited in GAO notice of exception or informal inquiries (note 2) | | | |
| 3 | | | erroneous payment (including allotments the member knew or reasonably should have known were erroneous) made to or on behalf of the member of any Uniformed Service (note 3) | the Secretary of the Military Service concerned or the Secretary's designee has determined the indebtedness is valid | | |
| 4 | officer or enlisted member recovering from a wound, injury or illness incurred through no fault of the member in the line of duty in a combat operation or zone | | an overpayment of pay or allowances through no fault of the member incurred on or before October 28, 2009 | the Secretary of the Military Service concerned or the Secretary's designee has determined the indebtedness is valid | after a 90 day delay following reassignment of the member from a military treatment facility or other medical unit outside of the theater of operations or member's consent (see paragraph 030305.A.2) | Table 3-6, rule 5. |

Table 3-1. Military Member Indebtedness Due to Erroneous Payments, GAO Disallowances, and Notices of Exception (Continued)

| R U L E | A | B | C | D | E | F |
|------------------|---|----------------------|---|--|---|--|
| | If an | of | Is indebted to the United States for | and | then collect from current pay | at monthly rate not to exceed that shown in this table or in rule cited |
| 5 | officer or enlisted member recovering from a wound, injury or illness incurred through no fault of the member in the line of duty in a combat operation or zone | any Military Service | an overpayment of pay or allowances through no fault of the member incurred on or after October 29, 2009 | the Secretary of the Military Service concerned or the Secretary's designee has determined the indebtedness is valid | after a 180 day delay beginning on the date of the completion of the tour of duty of the member in the combat operation or combat zone or member's consent (see paragraph 030305.A.2) | Table 3-6, rule 6. |
| 6 | an officer | a Military Service | erroneous payment of allotment caused by failure to report, as required, the death of the allotter or any other fact making the allotment not payable | appropriate investigation is made, and the overpaid amount is not recovered from the allottee | with officer's consent; or with approval of the Secretary concerned | amount applicable. |

NOTES:

1. This does not change rules on collections of indebtedness of accountable, certifying, or disbursing officers.
2. If a Notice of Exception covers erroneous payment by a Uniformed Service, then rule 3 will be applied. A Notice of Exception is issued by the GAO and pertains to a disbursing officer account(s).
3. When a member's pay is not promptly reduced to allow for Uniform Code of Military Justice (UCMJ) forfeitures, the resulting indebtedness is considered an erroneous payment within this rule.

Table 3-2. Military Member Indebtedness Due to Loss of Public Funds

| R U L E | A | B | C | D | E | F | |
|------------------|--------------------------------------|----------------------|---|--|--|---|---|
| | If an | of | is indebted to the United States for | and | then withhold from current pay | at monthly rate not to exceed that shown in this table or in rule cited | |
| 1 | accountable official (note 1) | any Military Service | arrears in accounts because of failure to account for funds entrusted to the member | debt is admitted by officer (note 2) | involuntarily | disposable pay (see paragraph 030304.D). | |
| 2 | | | | debt is shown by the judgment of a court | | | |
| 3 | | | | debt is shown by special order issued by the Secretary of the Military Service concerned | | | rate directed by special order of Secretary of the Military Service concerned (all pay excluding allowances, or lesser amount). |
| 4 | | | | or upon the denial of relief of an officer pursuant to Title <u>31 U.S.C 3527.</u> | | | |
| 5 | accountable enlisted member (note 3) | any Military Service | | | | disposable pay (see paragraph 030304.D). | |
| 6 | officer or enlisted member | | public funds obtained or converted to own use through fraud, larceny, embezzlement, or other unlawful means | the mis-appropriation of funds is admitted by the member | involuntarily, or as prescribed by regulations of the Military Service concerned | Table 3-6, rule 2 (note 4). | |

NOTES:

1. Applies to officers who hold in trust sums or balances of public money for which they are required to account, such as disbursing officers and deputies or agents to disbursing officers.
2. A mere acknowledgment or report of a shortage in accordance with Military Service regulations is not an admission for the purpose of this rule. The phrase "debt is admitted" means either a written statement made by the accountable officer admitting indebtedness, acknowledged or witnessed before a person authorized to administer oaths or, another person designated by higher authority, or if the accountable officer refuses to sign a statement, then a certification by a commissioned officer that the accountable officer clearly and unequivocally admitted the indebtedness is sufficient to authorize the withholding from officer's current pay.
3. If exact amount of debt is not known at the time the loss is discovered, then establish the debt at the amount then known and adjust when investigation is completed.
4. Applies to enlisted members who are entrusted with public funds. It includes military postal clerks and members who, though not bonded, are entrusted with public funds for small purchases.

Table 3-3. Military Indebtedness Due to Loss or Damage to Public Property or Supplies

| R U L E | A | B | C | D | E | F | G |
|------------------|--|--------------------------|--|--|---|-------------------------------|--|
| | If | of | is indebted to the United States for | and | and | then collect from current pay | at monthly rate not to exceed that shown in this table or in rule cited |
| 1 | an accountable officer | the Army or Air Force | loss or damage to military supplies, upon final settlement of accounts of officer charged with issue of the supplies | the officer fails to show satisfactorily that the loss or damage of property was not due to any fault on the officer's part | the officer is found pecuniarily liable by a report of survey or by a board of officers, and findings are approved by the Secretary concerned | involuntarily | disposable pay (see paragraph 030304.D). |
| 2 | | the Navy or Marine Corps | loss or damage to public property entrusted to the officer, such as stores, supplies and receipts from sale of public property | the Commander, Naval Supply Systems Command or the Commandant of the Marine Corps (Installation and Logistics) renders determination | the Director, DFAS-Cleveland Site issues instructions to the member's commanding officer on action to take to liquidate debt | | disposable pay (see paragraph 030304.D) or lesser amount approved by the Assistant Secretary of the Navy (Financial Management and Comptroller) or the Commandant of the Marine Corps. |
| 3 | an officer or enlisted member | the Army or Air Force | damage or cost of repairs to arms or equipment | the member had the care of, or was using the property when damaged | negligence or abuse in care or use of property is established by a board of officers or on a report of survey, and findings are approved by Secretary concerned | | disposable pay (see paragraph 030304.D). |
| 4 | a non-accountable officer or enlisted member | any Uni-formed Service | loss of or damage to Government property | liability is established under regulations of the Military Service concerned | case is not within the scope of rule 3 | | Table 3-6, rule 2. |
| 5 | an officer or enlisted member | any Military Service | damage to or failure to satisfactorily clean assigned housing or damage to or loss of equipment or furnishings of such housing | the damage, loss or requirement for cleaning was caused by the abuse or negligence of the member, the member's dependent(s) or a guest of either the member or the member's dependent(s) | the negligence or abuse is established by administrative determination under regulations of the Military Service concerned. | | |

Table 3-4. Military Member Indebtedness to United States

| R U L E | A | B | C | D | |
|------------------|-------------------------------|--|---|---|---|
| | If | of any Military Service is indebted to the United States for | then collect from current pay | at monthly rate not to exceed that shown in this table or in rule cited | |
| 1 | an enlisted member | enlistment or reenlistment bonus for period unserved | involuntarily | Table 3-6, rule 2. | |
| 2 | an officer or enlisted member | unpaid hospital bills for medical services furnished a dependent | involuntarily or pursuant to Military Service regulations | | |
| 3 | | excess cost of shipment of household goods | | | |
| 4 | a medical officer | compensation or stipend payments received from state, county, municipal, or privately owned hospitals for medical service | | amount received. | |
| 5 | an officer or enlisted member | jury duty fees (as distinguished from expenses) from any court, except while on authorized leave, and receiving active duty pay and allowances | involuntarily | Table 3-6, rule 2. | |
| 6 | | amount due the DoD, its instrumentalities, or other Uniformed Services by reason of court judgment | | | |
| 7 | | a debt determined valid from a federal agency outside DoD or other Uniformed Service including debts resulting from court judgments | | | Table 3-6, rule 3. |
| 8 | | a travel advance in excess of entitlements (see note) | | | involuntarily or pursuant to Military Service regulations |

NOTE:

If the member has not filed a claim on a timely basis as defined by Military Service regulations, then the entire amount of the advance is considered to be in excess of entitlements.

Table 3-5. Military Member Indebtedness to Individuals, Government Instrumentalities, and Agents

| R U L E | A | B | C | D | E | F | G |
|------------------|-------------------------------|--------------------------|--|---|---|---|---|
| | If | of | is indebted to | for | and | then collect from current pay | at monthly rate not to exceed that shown in this table or in rule cited |
| 1 | an officer or enlisted member | any Military Service | any person | willfully damaging or wrongfully taking property of that person | the commander has convened a board to investigate complaint, and board has assessed damages, and commander has approved an amount of assessment | involuntarily | amount approved by commander not to exceed disposable pay (see paragraph 030304.D). |
| 2 | | | member's spouse, former spouse or child | court ordered child support or alimony | | | (see Volume 7A, Chapter 41). |
| 3 | | the Army or Air Force | a commissary | an uncollectible check which member or member's authorized agent has issued or endorsed to the commissary (notes 1 and 2) | | | disposable pay (see paragraph 030304.D). |
| 4 | | the Navy or Marine Corps | | | | involuntarily or pursuant to Military Service regulations | Table 3-6, rule 2. |
| 5 | | any Military Service | other appropriated fund activity or office | an uncollectible check endorsed or issued by member or member's agent (note 1) | | | |
| 6 | | any Military Service | a nonappropriated fund activity | any indebtedness by member or member's agent | the custodian of the nonappropriated fund instrumentality has tried all means for direct collection from member, and a request has been sent to member's commander for assistance in obtaining direct payment | | |
| 7 | | | the Internal Revenue Service or the Treasury | delinquent income taxes or court ordered child support (note 3) | IRS Notice of Levy is served or court ordered garnishment is issued | | (see Volume 7A, Chapters 41 and 50). |

Table 3-5. Military Member Indebtedness to Individuals, Government Instrumentalities, and Agents (Continued)

| | A | B | C | D | E | F | G |
|----------------------------|-------------------------------|----------------------|--------------------------------------|--|--|--|--|
| R U L E | If | of | is indebted to | for | and | then collect from current pay | at monthly rate not to exceed that shown in this table or in rule cited |
| 8 | an officer or enlisted member | any Military Service | a military banking facility overseas | an uncollectible check endorsed or issued by the member or a defaulted loan made to the member | military banking facility overseas has complied with required procedures | involuntarily | Table 3-6, rule 2. |

NOTES:

1. Generally, an agent is one who has been given a power of attorney by the member.
2. Effective February 1, 1999, collection of dishonored checks written by the member or the person who presented the check based upon their status and relationship to the member as well as costs associated with that check may be collected.
3. Upon certification from Department of Health and Human Services to the Treasury, IRS Notice of Levy may be issued for delinquent child support (Refer to Volume 7A, Chapter 41, section 4103).

Table 3-6. Military Member Rates of Collection

| R U L E | A | B | C | D | E |
|------------------|---|--|--|--|---|
| | If | Is indebted for | then the DCO may authorize or approve liquidation by monthly installments that | and if debt remains at time of separation, collect from final pay | And if total debt is not liquidated from final pay, establish collection from |
| 1 | an officer or enlisted member of any Military Service | court-ordered child support or alimony and garnishment or attachment of pay is directed by court order | do not exceed limitations set forth in Volume 7A, Chapter 41 | as directed by court order | retired pay, retainer pay, or pay in new enlistment and limited by Volume 7A, chapter 41. |
| 2 | | an administratively determined indebtedness to the United States or its instrumentalities | do not exceed maximum limitation specified in paragraph 030305 unless the member consents to collection of a greater amount. Commander may authorize collection of a lesser amount when justified or as provided for in the regulations of the Military Service concerned (note 1) | unpaid pay and allowances, separation payments under Volume 7A, Chapter 35; Reservists' Involuntary Separation Payment; amounts deducted for United States savings bonds including undelivered bonds; separation travel allowance for officers; reimbursement for transportation of household goods, dislocation and trailer allowance (for enlisted members, do not collect from separation travel allowance, or donation on discharge). If member is retiring, then see section 0304 (notes 1, 2, 3 and 4) | retired pay (see section 0304) or pay in new enlistment. |
| 3 | | an administratively determined indebtedness to the United States excluding the DoD and its instrumentalities or other Uniformed Services | do not exceed 15 percent of disposable pay for that month (see subparagraph 030306) | | |

Table 3-6. Military Member Rates of Collection (Continued)

| R U L E | A | B | C | D | E |
|------------------|---|---|---|--|--|
| | If | is indebted for | then the DCO may authorize or approve liquidation by monthly installments that | and if debt remains at time of separation, then collect from final pay | and if total debt is not liquidated from final pay, then establish collection from |
| 4 | an officer or enlisted member of any Military Service | any indebtedness incurred on or after December 4, 1987, to a Service relief society, (Army Emergency Relief, Air Force Aid Society, Navy-Marine Relief Society, or Coast Guard Mutual Assistance) | do not exceed 15 percent of disposable pay for that month (see subparagraph 030306) | involuntarily or pursuant to Military Service regulations (note 5) | retired pay (see section 0304) or pay in new enlistment. |
| 5 | | an overpayment of pay or allowances through no fault of the member (for overpayments made on or after October 17, 2006 through October 28, 2009) | do not exceed 20 percent of disposable pay for that month | involuntarily or pursuant to Military Service regulations (note 5) | retired pay (see section 0304) or pay in a subsequent period of military service. |
| 6 | | an overpayment of pay or allowances through no fault of the member (for overpayments made on or after October 29, 2009) | do not exceed 15 percent of disposable pay for that month. | | |

NOTES:

1. For Army and Air Force enlisted members that do not exceed the maximum limitation specified in subparagraph 030305. This limitation does not apply to enlisted members whose accounts are being settled on discharge for fraud, desertion, or because of mental incompetence.
2. For enlisted members, travel allowances remaining due after the completion of separation travel may be collected.
3. For members transferring to the Retired Reserve and receiving Reservists' Special Separation Pay (RSSP), the entire amount of the RSSP payment(s) is available for offset.
4. If indebtedness is a result of an unfulfilled bonus agreement, and separation is under the Special Separation Benefit (SSB) or Voluntary Separation Incentive (VSI) program, then refer to subparagraph Volume 7A, Chapter 35 for SSB or for VSI.
5. Do not exceed maximum limitation specified in subparagraph 030305.A.1.
6. In unusual circumstances, the initiation of collection action of travel advances pursuant to a consent agreement may be delayed if the delay is approved by the Director, DFAS (or designee). However, the repayment period will, in all cases, be scheduled to repay the advance before the member's expected date of separation.

Table 3-7. Military Retiree Indebtedness to Government Agencies

| R U L E | A | B | C | D | E | | |
|----------------------------|-------------------|----------------------------|--|--|---|---|--------------------|
| | If a (an) | of | is indebted for | then collect from retired pay | at maximum monthly rate of | | |
| 1 | retired member | any Military Service | overpayment of retired pay | involuntarily | see note 1. | | |
| 2 | | | overpayment of active duty pay and allowances carried forward from active duty | | rate established while on active duty (note 1). | | |
| 3 | | | unpaid hospital bills for medical services furnished a dependent | | involuntarily or pursuant to Military Service regulations | see note 1. | |
| 4 | | | excess cost of shipment of household goods | | | see notes 1 and 2. | |
| 5 | | the Army or Air Force | uncollectible check to a commissary issued or endorsed by member or member's agent | involuntarily | all pay (excluding FITW). See note 3. | | |
| 6 | | the Navy or Marine Corps | | | | involuntarily or pursuant to Military Service regulations | see notes 1 and 3. |
| 7 | | any Military Service | | | | | |
| 8 | | | hospital rations furnished to a member | | | | |
| 9 | | | TRICARE payment on behalf of member's dependents | with member's consent | amount applicable. | | |
| 10 | | | delinquent federal income tax | involuntarily | | | |
| 11 | | the Army or Air Force | loss, damage, or destruction of arms or equipment in member's care or use | involuntarily or pursuant to Military Service regulations | See note 1. | | |
| 12 | | the Navy or Marine Corps | | | | with member's consent | |
| 13 | | accountable officer | any Military Service | loss or damage to military supplies, upon final settlement of accounts of officer charged with issue of the supplies | involuntarily or pursuant to Military Service regulations | | |

Table 3-7. Military Retiree Indebtedness to Government Agencies (Continued)

| R U L E | A | B | C | D | E |
|----------------------------|------------------|----------------------|--|--|--|
| | If a (an) | of | is indebted for | then collect from retired pay | at maximum monthly rate of |
| 14 | retired member | any Military Service | damage to assigned family housing, or damage to or loss of equipment or furnishings caused by the abuse or negligence of the member or the member's dependent(s) or guests of member or the member's dependent(s) while on active duty and established by a Report of Survey | involuntarily | see notes 1 and 4. |
| 15 | | | a debt determined valid from another federal agency | | not to exceed 15 percent of disposable pay. |
| 16 | | | RSFPP and SBP payments to a surviving annuitant when retiree presumed dead is later found to be alive | | all pay or amount applicable. |
| 17 | | | advanced and unused travel expense | | see notes 1 and 4. |
| 18 | | | dual compensation restrictions | | see note 1. |
| 19 | | | negotiating both original and substitute checks | | |
| 20 | | | retired pay paid concurrently with active duty pay while serving as a Reservist. (a) prior fiscal year(s) or prior month(s) (b) current | | see note 1. 1/12 of total for fiscal year |
| 21 | | | any Military Service readjustment pay (a) paid prior to Sep 15, 1981 (see Volume 7B, Chapter 4, Table 4-1) (b) paid after Sep 14, 1981 | | all. |
| 22 | | | non-disability severance pay (a) paid prior to Sep 15, 1981 (see Volume 7B, Chapter 4, Table 4-2) (b) paid after Sep 14, 1981 | | see note 4. |

Table 3-7. Military Retiree Indebtedness to Government Agencies (Continued)

| R U L E | A | B | C | D | E |
|----------------------------|------------------|-----------------------|--|--|---------------------------------------|
| | If a (an) | of | is indebted for | then collect from retired pay | at maximum monthly rate of |
| 23 | retired member | any Military Services | separation pay | involuntarily | see note 2. |
| 24 | | any Military Service | an uncollectible check endorsed or issued by the member or a defaulted loan made to the member at a military banking facility overseas | | see notes 1 and 4. |
| 25 | | | an uncollectible check endorsed by the member to a disbursing officer | | see note 1. |

NOTES:

1. Deductions will not exceed limitation set forth in paragraph 030404.
2. Submit these types of indebtedness to DCMO.
3. Effective February 1, 1999, collection of dishonored checks written by the member or the person who presented the check based upon their status and relationship to the member as well as costs associated with that check may be collected involuntarily.
4. Monthly rate based on service for which readjustment, severance, or separation pay was received as a proportion of the total deducted equals the lump-sum payment received.