

**VOLUME 16: “DEFINITIONS”****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 glossary consolidates definitions related to debt management and debt collection from Volumes 4, 5, 6A, 7A, 7B, 8, 10, and 15. | New     |

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## DEFINITIONS

### A. General

The following list defines significant terms in debt management and debt collection.

### B. List of Definitions

#### Accounts Receivable Office (ARO)

The ARO is the office responsible for recording and reporting receivables and may also be the office responsible for debt collection.

#### Administrative Wage Garnishment

Administrative wage garnishment is a process whereby an employer withholds amounts from an employee's wages and pays those amounts to satisfy a debt to the Department of Defense (DoD).

#### Cross-Servicing Program

The Cross-Servicing Program is the Department of Treasury's (Treasury) consolidated debt collection program in which the Treasury uses a variety of tools to collect a debt, such as demand letters, telephone calls, the Treasury Offset Program (TOP), Administrative Wage Garnishment, and credit bureau reporting.

#### Debt

A. As defined in Title 31, United States Code, section 3701 (31 U.S.C. 3701), debt is an amount of funds or property that an appropriate official of the Federal Government has determined to be due the United States Government from a person, organization, or entity other than another Federal agency, which the Government is entitled to receive immediately. Debts include, but are not limited to: insured or guaranteed loans and amounts due from fees, leases, rents, royalties, services, sales of real or personal property, overpayments, financial obligations from foreign military sales purchasers, penalties, damages, interest, fines, and forfeitures.

B. Debt in this context does not include tax debts, amounts due a nonappropriated fund instrumentality unless specifically included in the DoD Financial Management Regulation, or delays in processing employee-elected coverage or a change in coverage under Federal benefits programs if processing delays did not exceed 2 monthly or 4 biweekly pay periods.

#### Debt and Claims Management Office (DCMO)

The DCMO offers debt management and collection assistance for delinquent debts owed to DoD by individual debtors who are former DoD employees that are no longer paid by DoD. If

a Component's DCO cannot collect a debt through offset because the debtor is no longer being paid by DoD, and the debtor has not agreed to pay the debt, then the DCO should obtain debt collection services from the DCMO. The DCMO also makes determinations on hearing requests and applications requesting the waiver of individual indebtedness.

#### Debt Collection Office (DCO)

A. DCO refers to the office or individuals at the DoD Component level that are primarily responsible for debt establishment and collection for the Component. After establishing a debt, the DCO is also responsible for due process procedures. DCOs that manage the debt collection for the Component are typically located in the following areas: AROs, military and civilian payroll offices (located both within and outside of the Defense Finance and Accounting Service (DFAS)), Debt Management Office (DMO), DCMO, contracting offices, disbursing offices, or the Foreign Debt Management Office.

B. If the DCO and ARO are separate offices, the DCO is responsible for working with the ARO to ensure that appropriate accounting actions are completed and supportable for future audits. DCOs must ensure that all debts referred are valid and legally enforceable. DCOs must reverse transactions for debts subsequently determined not to be valid or legally enforceable pursuant to Volume 4, Chapter 3.

#### Debt Compromise

Debt compromise is an agreement between the DoD and the debtor to accept less than the full amount of an outstanding debt in full satisfaction of the entire amount of the debt. A debt compromise is final and conclusive unless obtained by fraud, misrepresentation, presenting a false claim, or mutual mistake of fact.

#### Debt Management Office (DMO)

The DMO is the DFAS office that services referred vendor/contractor debts.

#### Debt Referring Office

The Debt Referring Office is the office responsible for referring contractor, assignee, and business entity debt to the DMO or the office responsible for referring individual out-of-service debt to the DCMO. The Debt Referring Office could include, but is not limited to, accounts receivable offices, debt collection offices, accounting offices, military pay offices, vendor pay offices, contracting offices, and disbursing offices.

#### Delinquent Debt

A delinquent debt is a debt that has not been paid by the due date specified in the written demand for payment (i.e., invoice, debt notification letter, or applicable agreement or instrument (including a post-delinquency payment agreement)). A debt becomes delinquent when:

A. Payment has not been made by the due date specified in the initial written debt notification. Typically, the debt notification provides a 30-day grace period to allow the debtor to pay the debt in full and avoid interest, penalties and administrative fees. If a debtor fails to pay the debt within the grace period, the date of delinquency is the date of the debt notification letter, unless expressly stated otherwise in the letter; or

B. If payment is being made under an installment plan and the installment payment is not made by the due date, or by the end of the “grace period” as established in a loan or repayment agreement, then the entire balance of the debt becomes delinquent from the due date of the missed payment. Date of delinquency begins the day after the payment due date.

#### Erroneous Payment

An erroneous payment is a payment that was not legal and proper when made. Refer to Volume 5, Chapter 5 for information on pecuniary liability. Examples of an erroneous payment include:

- A. An improper overpayment to a payee;
- B. Two or more payments to a payee for the same entitlement (i.e., duplicate payment);
- C. A payment to the wrong payee;
- D. A United States (U.S.) Treasury check issue overdraft (in some cases);
- E. A shortage caused by negotiation of both an original and a substitute U.S. Treasury check;
- F. Payment based on fraudulent, forged, or altered documents; and
- G. A payment made in violation of law or regulation.

#### Legally Enforceable Debt

A debt is legally enforceable if the DCO has made a final determination that the debt is valid, and there are no legal bars to collection action. If the debt is the subject of a pending administrative review process required by statute or regulation, and collection action during the review process is prohibited, then the debt is not considered legally enforceable for purposes of mandatory referral to the Department of the Treasury.

#### Long-Term Loans and Credits

Long-term loans and credits include any indebtedness to the DoD in which the original payment terms provide for payment within a period of time exceeding one year after delivery or performance.

## Offset

An offset is the withholding of the entire amount or a portion of a payment to a payee and applying the amount withheld to liquidate the payee's debt. Tax refunds, salary, military and civilian retirement pay, contractor payments, grant payments, benefit payments, travel reimbursement, and other Federal payments may be offset to liquidate a debt. There are several methods used to perform offset.

A. Administrative offset is the withholding of any payment to a payee to satisfy a debt.

B. Salary offset is limited to the withholding from pay and allowances. Salary offset is accomplished by installment deduction(s) at officially established pay intervals from the current pay of the individual.

C. Centralized offset is done by the Department of the Treasury.

D. Non-centralized offset is done by Federal agencies internally on a case-by-case basis.

## Short-Term Loans and Credits

Short-term loans and credits are any debts in which the original payment terms provide for payment between 90 days up to and including one year after delivery or performance. Foreign Military Sales transactions, which provide for payment 120 days after delivery or performance, will be classified as short-term credit sales.

## Suspension of Collection Action

Suspension of a collection action is a determination to cease collection action temporarily with the intent to initiate collection action at a later date.

## Termination of Collection Action

Termination of collection action is a determination to cease active debt collection. Unlike close-out, debt collection may be resumed following termination of collection activity.

## Treasury Offset Program (TOP)

TOP is a program that allows agencies to submit delinquent, valid, and legally enforceable debts to the Bureau of the Fiscal Service for collection via offset of all eligible payments the debtor may receive from the Government.