

**VOLUME 16, CHAPTER 1: “GENERAL PROVISIONS FOR DEPARTMENT OF DEFENSE (DOD) DEBT MANAGEMENT”**

**SUMMARY OF MAJOR CHANGES**

Changes are identified in this table and also denoted by [blue font](#).

Substantive revisions are denoted by an asterisk (\*) 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\*\*\*](#).

The previous version dated [November 2019](#) is archived.

<b>PARAGRAPH</b>	<b>EXPLANATION OF CHANGE/REVISION</b>	<b>PURPOSE</b>
All	Updated hyperlinks and ensured compliance with administrative instructions.	Revision
1.1.11 (010101.K)	Added references for accepting payments electronically or via credit card.	Addition

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## CHAPTER 1

**GENERAL PROVISIONS FOR DEPARTMENT OF DEFENSE (DOD) DEBT  
MANAGEMENT**

## 1.0 GENERAL (0101)

## 1.1 Overview (010101)

1.1.1. Policy and requirements in this volume apply to administrative actions associated with the collection and disposition of debts that are owed to the DoD by any person, organization, or entity except another Federal agency. Policy and requirements regarding debts owed to the DoD by Federal agencies are contained in Volume 4, Chapter 3.

1.1.2. Policy and requirements in this volume are not applicable to debts owed by DoD or debts arising from antitrust, fraud, tax, or interagency claims.

1.1.3. Policy and requirements for loss of funds cases are contained in Volume 5, Chapter 6. Debts that are the result of improper payments may require loss of funds investigations in accordance with Volume 5, Chapter 6. Debts resulting from improper payments have additional reporting requirements under the [\*Improper Payments Information Act of 2002\*](#), the Improper Payments [\*Elimination and Recovery Act of 2010\*](#), and the Improper Payments Elimination and [\*Recovery Improvement Act of 2012\*](#). Refer to Volume 4, Chapter 14 and Volume 10, Chapter 22 for additional guidance regarding the improper payments program.

1.1.4. Policy and requirements for recording and reporting accounts receivable are contained in Volume 4, Chapter 3.

1.1.5. Where specific statutory authority applies to the collection of a particular category of debt, the provisions of the applicable statute will determine the appropriate debt collection procedures.

1.1.6. Policy and requirements for handling personally identifiable information are contained in the [\*DoD Directive 5400.11, "DoD Privacy Program."\*](#)

1.1.7. The [\*DoD Delinquent Debt Management Guidance\*](#) (DDMG), signed August 31, 2012, defines the end state of debt management through the incorporation of Services' and Agencies' Enterprise Resource Planning (ERP) systems. Components that have implemented the DDMG are permitted to follow those requirements in place of specific steps defined throughout Volume 16.

1.1.8. Payments of amounts owed to DoD by organizations, businesses, and individuals must be made in accordance with the terms specified in contracts, agreements, or demand letters.

1.1.9. Nothing in Volume 16 exempts accountable officials from pecuniary liability arising from erroneous payments or loss of funds as discussed in Volume 5, Chapter 6.

1.1.10. Policy and requirements for remitting debt payments via cash and check are contained in the Treasury Financial Manual ([TFM, Volume 1, Part 5, Chapter 2000](#)).

\* 1.1.11. Policy and requirements for remitting debt payments electronically are contained in the [TFM, Volume 1, Part 5, Chapter 7500](#). Policy and requirements for remitting debt payments via credit card are contained in [TFM, Volume 1, Part 5, Chapter 7000](#).

1.1.12. Nothing in Volume 16 will be interpreted in a manner that would impair DoD's ability to collect debts under the common law utilizing any available statutory authority.

1.1.13. Nothing in Volume 16 or the Federal Claims Collection Standards (FCCS) (Title 31, Code of Federal Regulations ([CFR, parts 900-904](#))) requires the omission or duplication of administrative proceedings associated with debt collection that may be required by other laws or regulations. DoD's failure to comply with this volume or the FCCS does not create any right or benefit, substantive or procedural, enforceable by law or in equity by a party against the United States, its agencies, its officers, or any other person. Refer to [31 CFR 900.7-900.8](#).

## 1.2 Purpose (010102)

This chapter provides an overview of the policies and requirements for collection and management of debt owed to the DoD.

## 1.3 Authoritative Guidance (010103)

1.3.1. DoD is required to aggressively collect debts in accordance with the following statutes, as well as other statutes and regulations expressly identified in this volume:

1.3.1.1. Debt Collection Improvement Act of 1996 ([Public Law 104-134](#), Chapter 10, section 31001);

1.3.1.2. Debt Collection Act of 1982 ([Public Law 97-365](#));

1.3.1.3. Federal Claims Collection Act of 1966 (codified at Title 31, United States Code, section 2701([31 U.S.C. § 3701](#)) et seq; [5 U.S.C. § 5514](#); and [37 U.S.C. § 1007](#));

1.3.1.4. Contract Disputes Act of 1978 ([41 U.S.C. § 7101 et seq.](#));

1.3.1.5. Internal Revenue Code provisions regarding the authority to make credits or refunds ([26 U.S.C. § 6402](#));

1.3.1.6. FCCS (31 CFR 900-904);

1.3.1.7. Regulations for collection by offset from indebted Government employees ([5 CFR 550](#), subpart K); and

1.3.1.8. Regulations for the collection of past-due support by administrative offset ([31 CFR 285.1](#)).

1.3.2. Policy and requirements in this volume are intended to be consistent with the [Federal Acquisition Regulation](#) and the Defense Federal Acquisition Regulation Supplement ([DFARS](#)).

## 2.0 RESPONSIBILITIES (0102)

### 2.1 Accounts Receivable Office (ARO) (010201)

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

### 2.2 Contracting Officer (010202)

The contracting officer has primary responsibility for determining the amount of the debt and ensuring collection for most types of contract debt. The contracting officer, or another authorized official, will request that a payment office collect a debt and will provide a copy of the contract, with the accompanying documents necessary to facilitate collection, to the payment office. If the contracting officer or designated official receives the contractor's payment, then he or she must immediately forward the payment to the disbursing office, with proper documentation, to allow posting into the accounting system. The contracting officer or designated official should request a confirmation of receipt of the payment from the disbursing office. Refer to Chapter 5 for additional responsibilities related to contract debt.

### 2.3 Debt Collection Office (DCO) (010203)

2.3.1. DCO refers to the office or individuals at the DoD Component level that are primarily responsible for debt establishment and collection for the Component. 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 Offices (DMOs), the Debt and Claims Management Office (DCMO), contracting offices, disbursing offices, or the Foreign Debt Management Office. DCO also refers to any other organizational element within a DoD Component that performs debt management/collection activities.

2.3.2. After establishing a debt, the DCO is responsible for initial debt collection and due process procedures, including the issuance of debt notification letters that comply with all the requirements for debt collection under the FCCS. 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. DCOs must ensure that all debts are valid and legally enforceable. DCOs must work with the AROs to reverse accounting entries for debts subsequently determined not to be valid or legally enforceable pursuant to Volume 4, Chapter 3.

## 2.4 DFAS DCMO (010204)

The DFAS DCMO offers debt management and collection assistance for delinquent debts owed to DoD by individual debtors who are no longer paid by DoD (i.e., out-of-service employees and Service members). 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 waiver of individual indebtedness. Refer to Chapters 3 and 4 for additional guidance on referring debts to DCMO and the waiver process.

## 2.5 DFAS DMO (010205)

The DMO is responsible for processing collection actions on referred delinquent vendor/contractor debt. The DMO will document debt collection activities, including any basis for a debt compromise, suspension, or termination of collection action, and retain the documentation in individual debtor files. Refer to Chapter 5 for additional guidance on when to refer debts to DMO and DMO responsibilities.

## 2.6 DoD Component (010206)

DoD Components are responsible for establishing debt management programs as described in section 3.0 and ensuring DCOs and AROs collect and manage debt owed to that Component.

## 3.0 DEBT MANAGEMENT PROGRAM (0103)

### 3.1 General (010301)

Each DoD Component must establish and maintain a debt management program to identify, recover, and collect debts owed by individuals to the United States. DoD Components must clearly designate the DCOs responsible for the recovery and collection of debts within the DoD Component. The recovery of debts must be undertaken promptly, using a strategy that is determined to result in the maximum recovery of debt. DoD Components must ensure debtors are afforded due process, in the form of proper debt notification and the right to review, in accordance with Volume 16 and applicable regulations and guidance issued by the U.S. Department of the Treasury. DoD Components must establish guidance that clearly assigns responsibilities for processing, monitoring, reporting, and closing out delinquent debts.

### 3.2 Debt Prevention and Monitoring (010302)

3.2.1. DoD Components must institute procedures and assign responsibility to designated personnel (including contractors and vendors), as necessary, to ensure that appropriate personnel and organizations (e.g., personnel, entitlement, payroll, finance and accounting, disbursing, and legal offices) are promptly notified and kept apprised of activities that could give rise to indebtedness by any member, employee, or other personnel. Such indebtedness could be the result

of employment or other financial or contractual relationship between DoD and the debtor. DoD Components must maintain continuous communication and follow up to prevent indebtedness from remaining unresolved for an extended period.

3.2.2. DoD officials must establish procedures to identify the causes of indebtedness, delinquencies, and defaults, and must take corrective action to mitigate those causes and thereby reduce the number of debts subject to collection.

### 3.3 DoD Debtor Information Exchange and Debt Collection Partnership Programs (010303)

DCOs must share information concerning debtors. DCOs must cooperate with each other and with other Federal agencies, including any private debt collection agencies and credit bureaus working on behalf of such agencies. DCOs must take all actions necessary to facilitate the collection of delinquent debts owed by current and former DoD civilian employees and military members, as well as other debtors.

### 3.4 Debt Management Requirements (010304)

DoD officials, including contracting officers, contractor/vendor pay offices, disbursing officers, and AROs, must cooperate with each other to ensure that debts are collected, properly recorded in the accounting systems, and accurately reported in the agency's financial statements.

### 3.5 Documenting Collection Activity (010305)

The DCO must document all debt collection activities, including how the debt was established, due process procedures, installment payment plan agreements, collection activity and/or the basis for debt compromise, suspension, or termination of collection action. The DCO must also document bankruptcy activity if applicable. Documentation should be retained in individual debtor files and provided to the office responsible for recording and reporting of the related accounts receivable.

### 3.6 Automating Debt Collection and Reporting Systems (010306)

DoD Components must use automated debt collection and reporting systems to the extent that it is feasible and cost effective for recording, processing, and controlling debts. The Deputy Chief Financial Officer created the DDMG, signed August 31, 2012, which defines the end state of debt management through the incorporation of Services' and Agencies' ERP systems. These systems must be utilized to the fullest extent possible in compliance with the DDMG.

#### 4.0 INTERNAL CONTROLS (0104)

##### 4.1 General (010401)

DoD Components involved in the collection and management of debts owed to the DoD must adhere to the basic standards for internal controls prescribed in [\*DoD Instruction 5010.40\*](#), “Managers’ Internal Control Program Procedures.” DoD Components will establish and maintain internal controls to ensure that debts owed to DoD are recorded, reported, managed, and aggressively collected.

##### 4.2 Recording and Reporting Accounts Receivables (010402)

Major categories of receivables must be maintained to facilitate clear and full disclosure (e.g., disclose the debtor, the amount, the age, and the type of debt). Subsidiary records must be reconciled to the control accounts on at least a monthly basis. The DoD Components must document the date of a debt so that timely and appropriate collection and follow-up action can be accomplished. Refer to Volume 4, Chapter 3 for guidance on recording and reporting accounts receivables.