

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

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 [June 2020](#) is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and ensured compliance with administrative instructions.	Revision
2.10.1.4.1 - 2.10.2.2.2	Deleted procedural content.	Deletion
3.5.2.1	Clarified that the two-thirds rule is not the default rate of collection.	Addition
5.2	Added specific example of out-of-service debt created by public use of DoD facility.	Addition
5.4.5	Clarified primary method of manual debt submission for out-of-service debts.	Revision
5.5.4	Added additional examples of “lump sum or agreed-upon installment payments” as out-of-service debt collection options.	Addition
2.11, 5.1.1. and 6.0	Added reference to U.S. Department of the Treasury’s Centralized Receivables Service as an additional example of available debt collection services.	Addition

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CHAPTER 3

COLLECTION OF DEBTS OWED BY INDIVIDUALS TO THE DOD

1.0 GENERAL

1.1 Overview

1.1.1. This chapter pertains to the collection of debts owed to the 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.

1.1.2. This chapter does not apply to collection of debts owed by contractors, vendors, assignees, state and local governments, or foreign entities. Refer to Chapters 5 and 6. This chapter 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 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.

1.1.3. This chapter does not prescribe policy and requirements 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).

1.1.4. For purposes of this chapter, the civilian payroll office (PRO), military pay office, and military retiree pay office are examples of debt collection offices (DCOs).

1.2 Purpose

This chapter prescribes policy and requirements for the collection of debt owed to the DoD by individuals.

1.3 Authoritative Guidance

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

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

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

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

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

1.3.6. [Federal Claims Collection Standards \(FCCS\) parts 900-904](#);

1.3.7. Regulations for collection by offset from indebted government employees (Title 5, [Code of Federal Regulations \(CFR\), section 550, subpart K](#)); and

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

2.0 COLLECTION OF DEBT FROM CURRENT, SEPARATING, TRANSFERRING, AND RETIRED DOD CIVILIAN EMPLOYEES

2.1 General

This section prescribes policy and requirements for the collection of debt owed to DoD by current, separating, transferring, and retired DoD civilian employees due to the overpayment of civilian pay and/or allowances.

2.2 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, 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 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 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.

2.3 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:

2.3.1. Compute the amount of the overpayment and assemble agency records establishing the debt;

2.3.2. Notify the human resources office immediately if corrective personnel action is required. Continued payment of erroneous pay and allowances is not authorized and must cease immediately;

2.3.3. Provide the employee with due process before collecting an overpayment of pay and allowances, except under certain limited circumstances as set forth in Chapter 2; and

2.3.4. Correct the employee's records when appropriate.

2.4 Overview of Debt Collection from Current DoD Employees

2.4.1. General

2.4.1.1. After determining the amount owed to the United States by a current DoD employee and establishing a debt, the PRO must determine if collection may be made using a routine pay adjustment under paragraph 2.5. If the PRO cannot use a routine adjustment to collect a debt, then the PRO must contact the debtor by issuing a written debt notification that satisfies due process requirements. Refer to Chapter 2, sections 4.0 and 5.0 for guidance on debt notifications.

2.4.1.2. 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 7.0 for information regarding voluntary repayment by a debtor.

2.4.1.3. Alternatively, a debtor may choose to request a 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).

2.4.1.4. 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 5 U.S.C. § 5514, or under other specific statutory authority set out in Chapter 2, section 9.0.

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

2.4.2.1. 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 four 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.

2.4.2.2. 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 four 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.

2.4.2.3. Involuntary Salary Offset/Hearing Petition Example

2.4.2.3.1. 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 four 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.

2.4.2.3.2. 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 Chapter 2, subparagraph [9.2.3](#) for guidance on determining disposable pay.

2.5 Procedures for Routine Pay Adjustments

2.5.1. 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 four pay periods preceding the adjustment or amount to \$50 or less. Routine adjustments may be necessary due to overpayments 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.

2.5.2. 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 [5 CFR 550.1104\(c\)](#).

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

2.5.4. 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 9.2.3 for guidance on computing disposable pay.

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

2.5.6. For routine adjustments involving health or life insurance premiums, refer to paragraph 2.7.

2.6 Processing Debt Repayments

2.6.1. Voluntary Repayment

2.6.1.1. 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 Department of Defense (DD) Form 1131, Cash Collection Voucher. The accounting data must include the appropriation or fund that funded the overpayment.

2.6.1.2. Payroll Deductions (Salary Offset)

2.6.1.2.1. 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 two 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.

2.6.1.2.2. Installment Deductions (Salary Offset). If an employee is unable to repay the debt in one lump-sum 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.

2.6.2. Involuntary Repayment by Salary Offset

2.6.2.1. 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.

2.6.2.2. Before initiating involuntary salary offset, the DCO must ensure the debtor was given due process pursuant to Chapter 2, section 4.0, 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 [9.2](#).

2.7 Collection of Indebtedness Due to Underdeduction of Health or Life Insurance Premiums

2.7.1. An employee's debt may be the result of an election or a change in coverage in the Federal Employees Health Benefit (FEHB) or Federal Employees' Group Life Insurance (FEGLI) programs that results in the underdeduction of premiums. Collection of the debt caused by the underdeduction 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 four pay periods or less, or the amount is \$50 or less. Refer to 5 CFR 550.1104(c) for additional information.

2.7.2. In such cases, the PRO must notify the employee, either in advance or concurrently with the actual collection. The notice must indicate: (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.

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

2.7.4. 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](#).

2.7.5. 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 Health Benefits Premiums From Monies Payable Under the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS) (In Lieu of [Standard Form \(SF\) 2805](#), Request for Recovery of Debt Due the United States), to request the offset from amounts that may be paid to the separated employee from the retirement system. See [FERS Handbook, Chapter 4](#).

2.7.6. 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 CFR, Part 582](#).

2.8 Collection of Indebtedness from Final Salary and Lump-Sum Payments

2.8.1. Collection of a Previously Established Debt

2.8.1.1. 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.

2.8.1.2. 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 with no limit on the maximum rate of collection. If a debt balance remains after offsetting and collecting the debt from the deceased employee's final pay, the DCO should forward the debt case to the Debt and Claims Management Office (DCMO) for collection against the estate of the deceased employee. The DCO should not pursue collection of the employee's debt from any of the employee's beneficiaries named under [5 U.S.C. § 5582](#).

2.8.2. 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 CFR 901.3\(b\)\(4\)\(iii\)\(C\)](#).

2.8.3. 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 CFR 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 CFR 581.103](#), severance pay is subject to court-ordered garnishments for alimony, child support, and commercial debts.

2.9 Collection of Indebtedness from Transferring DoD Employees

2.9.1. General

2.9.1.1. This section applies to DoD employees who transfer within DoD, resulting in a change of PRO, 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.

2.9.1.2. 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.

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

2.9.2.1. In accordance with 5 CFR, Part 550, Subpart K, the losing PRO must ensure the gaining PRO is aware of the following information, which is typically provided systemically:

2.9.2.1.1. The identity of the indebted employee;

2.9.2.1.2. The amount of the debt, including assessments of interest, penalties, and administrative charges (IPA), when appropriate;

2.9.2.1.3. The accounting classification for credit;

2.9.2.1.4. The nature of the debt and the original due date (generally 30 days from the initial notification of indebtedness);

2.9.2.1.5. 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;

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

2.9.2.1.7. 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;

2.9.2.1.8. 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;

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

2.9.2.1.10. A copy of [DD 2481](#), Request for Recovery of Debt Due the United States by Salary Offset, properly completed and certified.

2.9.2.2. 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.

2.9.3. Transfer to Another Federal Agency. When an employee transfers to another federal agency outside of DoD, the PRO/DCO should forward the debt case to the DCMO pursuant to the instructions in section 5.0.

2.10 Collection of Indebtedness from Retirement Funds of Former Civilian Employees

2.10.1. Action by the PRO

2.10.1.1. General. Upon retirement, if an employee is still indebted to DoD, and the amount withheld from final salary and lump-sum payments (paragraph 2.8) 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. Paragraph 2.10 applies only when the former employee has been provided the due process rights found in Chapter 2. Alternatively, the PRO may submit the debt directly to the DCMO for collection action that may result in the offset of retirement funds via referral to the [U.S. Department of the Treasury \(Treasury\) Offset Program](#). For additional information on collection of indebtedness from retirement funds, refer to [5 CFR, Part 831, Subpart R](#) (for CSRS retirees) and [5 CFR, Part 845, Subpart A](#) (for FERS retirees).

2.10.1.2. Scope. The instructions contained in subparagraph 2.10.1 apply to all debts that the DCO is collecting on behalf of DoD, with the exception of debts resulting from an individual's failure to pay health benefit premiums. Refer to paragraph 2.7 for guidance regarding the collection of debts for health benefit premiums.

2.10.1.3. 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 [Exhibit 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.

2.10.1.4. Submission of Complete or Incomplete Debt Claims to OPM. If the DCO chooses to submit a claim directly to OPM, it must do so in accordance with [5 CFR 831.1805\(b\)\(5\)](#), [5 CFR 845.405\(b\)\(5\)](#), and the CSRS and FERS Handbook, Chapter 4.

*2.11 Collection of Indebtedness from Former DoD Civilian Employees

PROs and DCOs must refer debts of former personnel, who are no longer DoD civilian employees (out-of-service debtors), to the DCMO. See section 6.0 for Components using Treasury's Centralized Receivables Services (CRS), as authorized by an appropriate authority within DoD.

2.12 Collection of Debts Other than Overpayment of Pay and Allowances

2.12.1. General. Pursuant to [5 CFR 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 PRO.

2.12.2. 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:

2.12.2.1. Overpayment of travel allowances;

2.12.2.2. 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);

2.12.2.3. Unofficial telephone use;

2.12.2.4. DoD Component hospital uncollected billings;

2.12.2.5. Commissary store debts (such as for dishonored personal checks); and

2.12.2.6. 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](#).

2.12.3. Requests for Salary Offset Under Other Statutory Authority

2.12.3.1. Collections of Unused Travel Advances (Unearned Advance Per Diem and Mileage Allowance) and Unearned Temporary Quarters Subsistence Expense. In addition to 5 U.S.C. § 5514, additional statutes authorize salary offset. The PRO should follow any specific requirements under these statutes for offset. When a statute does not provide other procedures, prior to any involuntary offset, debtors should be provided with notice of the debt and an opportunity for review. See 64 Comptroller General (Comp. Gen.) 142 (1984).

2.12.3.1.1. Under [5 U.S.C. § 5705](#), a federal employee who is entitled to per diem or mileage allowances may receive a travel advance. Any amount 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.

2.12.3.1.2. 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 8.1 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.

2.12.3.2. 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 1299](#), Application for Shipment and/or Storage of Personal Property, before the actual shipment of the property.

2.12.3.2.1. 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.

2.12.3.2.2. 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.

2.12.3.3. Collection of Employee Training Expenses

2.12.3.3.1. 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 CFR 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.

2.12.3.3.2. 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 [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.

2.12.3.4. Negotiation of Duplicate Treasury Payments

2.12.3.4.1. 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.

2.12.3.4.2. 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.

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

3.0 COLLECTION OF DEBT FROM ACTIVE AND RESERVE MEMBERS

3.1 General

This section pertains to the collection of debt owed to DoD by active and reserve military members, hereafter referred to as members. Debt collection authority for members exists both under the common law and various statutes. Much of this section discusses the authority for collection under 37 U.S.C. § 1007 and 5 U.S.C. § 5514; however, there are other debt collection authorities listed in Tables 3-1 through 3-6.

3.2 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 a debt 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. Refer to Chapter 4, section 6.0 for information on review opportunities for military members.

3.3 Collection From Member's Pay

3.3.1. 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 United States are collected under 5 U.S.C. § 5514. Routine adjustments are authorized under 5 U.S.C. § 5514. Other statutory authority may authorize collection of specific classes of debts. See Comp. Gen. B-230865 (1990) and U.S. Tafoya, 803 F2d 140 (1986).

3.3.2. Voluntary Repayment Encouraged. Members indebted to the United States 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 and to agree to a repayment schedule that adequately protects the interest of both the United States and the member. The member may authorize or request collection in greater amounts than could be collected involuntarily.

3.3.3. Collection without a Member's Consent

3.3.3.1. Current Pay

3.3.3.1.1. Current pay is available for repayment of a debt 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.

3.3.3.1.2. 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.

3.3.3.2. Final Pay. When a member receives final pay on separation, indebtedness to the United States may be collected under the common law rule of offset, subject to the limitations in subparagraphs 3.3.3.2.1 through 3.3.3.2.3 and Table 3-6. Even 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). Except as specified in Table 3-6, amounts are generally collectible as follows:

3.3.3.2.1. Officers of any Service. There is no limitation on the amount that may be deducted from an officer of any Service from his or her final separation pay;

3.3.3.2.2. Army and Air Force Enlisted Members. An amount due from an enlisted member of the Army or Air Force may be deducted from their final separation pay. Pursuant to 37 U.S.C. 1007(d), the appropriate rate of collection in subparagraph 3.5.2 applies to collection from the member's final separation payment; and

3.3.3.2.3. Navy and Marine Corps Enlisted Members. There is no limitation on the amount that may be deducted from an enlisted member of the Navy or Marine Corps from his or her final separation pay.

3.3.3.3. Collection of Remaining Debt Amounts. When the entire debt cannot be offset from final separation pay, refer to section 5.0 for guidance on collecting additional amounts due after separation.

3.4 Computation of Gross and Disposable Pay

3.4.1. 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.

3.4.2. 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); Servicemembers' 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).

3.5 Collections by Salary Offset Under 37 U.S.C. § 1007(c)

Section 1007(c) of Title 37 authorizes the deduction of an amount, from a member's current pay, that the Secretary of the Military Department concerned administratively determines to be owed to the United States, or any of its instrumentalities, due to the overpayment of pay and allowances. Debts collected under 37 U.S.C. § 1007 are subject to due process requirements. Limitations on amounts subject to collection under 37 U.S.C. § 1007 are set out in subparagraph 3.5.2. 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 3.5.2 or 3.3.3 for final separation. 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 14.5.5 for guidance on delaying the start of the repayment requirement to recover the indebtedness.

3.5.1. Due Process Requirements Under 37 U.S.C. § 1007

DCOs must use the procedures set out in Chapter 2 for debts that require due process 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.

3.5.2. Amount of Pay Subject to Collection

* 3.5.2.1. 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 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. **Note: Collection at the rate of two-thirds is not the default rate of collection and is applied only in those limited situations where the overpayment is the fault of the member. Therefore, in most cases, collection at the rate set out in subparagraph 3.5.2.2 will be applicable.**

3.5.2.2. 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.

3.5.2.2.1. Overpayments Made On or Prior to October 28, 2009. 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.

3.5.2.2.2. Overpayments Made After October 28, 2009. 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.

3.5.2.2.3. Requests for Delayed Collection. 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.

3.5.3. Collection of Combat Zone/Combat Operation Wounded Member Debts

3.5.3.1. 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:

3.5.3.1.1. The member is notified of the overpayment; and

3.5.3.1.2. The later of the following occurs:

3.5.3.1.2.1. 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

3.5.3.1.2.2. 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.

3.5.3.2. 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 3.5.2.2 and must follow due process requirements set out in Chapter 2.

3.6 Collection by Salary Offset Under 5 U.S.C. § 5514

3.6.1. Debt Determination. A federal agency, other than the DoD, may determine that a member is indebted to the United States 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.

3.6.2. 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 9.2.

3.6.3. 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 the Defense Finance and Accounting Service (DFAS) for collection. For due process procedures, refer to Chapter 2.

3.6.4. Routine Administrative Adjustment

3.6.4.1. 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 either occurred within the four 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.

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

3.6.4.3. 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.

3.6.5. 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 CFR 901.9](#).

3.7 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.

3.8 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.

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

3.9.1. Purpose and Authority. This section provides the procedures for collecting in-service debts owed to the Army and Air Force Exchange Service, the Navy Exchange Command, 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 United States may be deducted from the member’s pay in monthly installments.

3.9.2. 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 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.

3.9.3. Applicability and Scope

3.9.3.1. 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.

3.9.3.2. 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.

3.9.4. General Procedures

3.9.4.1. 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.

3.9.4.2. Collection of any portion of the debt remaining uncollected at the time of a member's separation is subject to subparagraph 3.5.2.

3.9.4.3. When a member enrolls in a credit plan, the Exchange Command must advise the member of the maximum deduction for delinquent accounts under subparagraph 3.5.2. DFAS, or the field finance office, is responsible for ensuring that collections do not exceed two-thirds of the member's monthly disposable pay.

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

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

3.9.5. Exchange Command Responsibilities

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

3.9.5.2. 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.

3.9.5.3. 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.

3.9.5.4. 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.

3.9.5.5. 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.

3.9.5.6. 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.

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

3.9.6. System Overview

3.9.6.1. 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).

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

3.9.6.3. 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.

3.9.6.4. 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 Command is responsible for the refund.

3.9.6.5. If the deduction amount input by the Exchange Command is greater than two-thirds of the member's disposable pay (subparagraph 3.4.2), 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.

3.9.6.6. 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.

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

3.9.6.8. 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.

4.0 COLLECTION OF DEBT FROM MILITARY RETIREES AND SBP ANNUITANTS

4.1 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, Combat Related Special Compensation (CRSC), an overpayment of active duty pay and allowances, or other indebtedness arising from service on active duty.

4.2 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).

4.3 Routine Pay Adjustments Under 5 U.S.C. § 5514

4.3.1. 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 four 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 (VA) increases that may result in retirement benefit debts.

4.3.2. 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.

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

4.3.4. 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.

4.4 Debt Collection

4.4.1. 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 8.1 for guidance on determining the financial status of the military retiree. Military retirees indebted to the United States should be encouraged to discharge their indebtedness through lump-sum repayment.

4.4.2. Authority for Involuntary Collection. A military retiree’s pay is available for repayment of indebtedness by involuntary offset without the military retiree’s consent, provided the military retiree is afforded due process under Chapter 2, as follows:

4.4.2.1. Debts to the DoD, or any of its instrumentalities or other uniformed services, will be deducted from pay under 37 U.S.C. § 1007(c);

4.4.2.2. Debts determined to be owed to another federal agency will be collected by salary offset under the authority of 5 U.S.C. § 5514;

4.4.2.3. Debts determined to be owed to another federal agency will be collected by administrative offset under the authority of 31 U.S.C. § 3716; and

4.4.2.4. Routine adjustments are authorized under 5 U.S.C. § 5514.

4.4.3. Limitation on Amount of Deductions. Debt collection amounts are subject to the limitations set out in the authorizing debt collection statute. The maximum monthly amount that may be collected under 37 U.S.C. § 1007(c) is subject to the limitations under subparagraph 3.5.2.

4.4.4. “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.”

4.5 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.

4.6 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.

4.7 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:

4.7.1. Reduction of pay entitlement, which takes precedence over all other items for deduction or collection. These reductions include:

- 4.7.1.1. Readjustment pay,
- 4.7.1.2. Separation pay,
- 4.7.1.3. Severance pay,
- 4.7.1.4. Variable Separation Incentive,
- 4.7.1.5. Special Separation Benefit,
- 4.7.1.6. Reserve Special Separation Pay,
- 4.7.1.7. Forfeiture of pay, and
- 4.7.1.8. VA compensation;

4.7.2. Reimbursement to the United States, to include:

- 4.7.2.1. FITW,
- 4.7.2.2. TRICARE – Dental Plan,
- 4.7.2.3. RSFPP premiums,
- 4.7.2.4. SBP and Supplemental SBP (SSBP) premiums, and
- 4.7.2.5. Reserve Component (RC) SBP (RCSBP) premiums;

4.7.3. Involuntary repayment of indebtedness to the United States, which includes:

- 4.7.3.1. Routine adjustments and automatic collections;
- 4.7.3.2. Other overpayments of retired pay and CRSC;

- 4.7.3.3. Delinquent RSFPP, SBP, SSBP, or RCSBP costs;
 - 4.7.3.4. Debts arising from active duty;
 - 4.7.3.5. Debts to DoD appropriated fund activities;
 - 4.7.3.6. Hospital rations issued to a member;
 - 4.7.3.7. Excess cost of shipment of household goods;
 - 4.7.3.8. Unpaid hospital bills for medical services furnished a dependent;
 - 4.7.3.9. Court-martial fines; and
 - 4.7.3.10. Debts from other departments or agencies outside DoD, including court judgments;
- 4.7.4. Garnishment for alimony and child support payments and Uniformed Services Former Spouses' Protection Act payments;
- 4.7.5. Court-ordered bankruptcy payments under Chapter 13 of the revised Bankruptcy Code;
- 4.7.6. Indebtedness to a nonappropriated fund activity; and then
- 4.7.7. SITW.
- 4.8 Collection of Debt from SBP Annuitants
- 4.8.1. General. Generally, SBP annuity overpayments are the result of one of the following: (1) the failure to reduce an annuity by the amount of disability indemnity compensation awarded by the VA, (2) the non-termination of an annuity due to ineligibility, (3) an erroneous computation, (4) insufficient or untimely information, (5) unpaid SBP premiums, or (6) 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
- 4.8.2. 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.
- 4.8.3. 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:

4.8.3.1. The annuitant making direct remittance payments to DFAS Retired and Annuitant Pay;

4.8.3.2. The annuitant authorizing the VA to reduce Dependency and Indemnity Compensation and remit the amount collected to DFAS Retired and Annuitant Pay; or

4.8.3.3. The DFAS Retired and Annuitant Pay reducing the SBP annuity payments through administrative offset as authorized by law.

5.0 COLLECTION OF DEBT FROM FORMER EMPLOYEES, FORMER MEMBERS AND OTHER NON-DOD RELATED DEBTORS

5.1 General

* 5.1.1. 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. The 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. [See section 6.0 for Components using Treasury’s CRS.](#)

5.1.2. The DCMO may also provide collection assistance for other debts as specifically agreed to in each Service’s mission work agreement.

5.1.3. The DCMO must comply with the [31 U.S.C. § 3701- 31 U.S.C. § 3720E](#) and all applicable laws and regulations, including the FCCS. However, pursuant to paragraph 5.4, the DCO is responsible for all due process requirements under the FCCS.

*5.2 Reasons for Individual Out-of-Service Debts

An out-of-service debt 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, erroneous payments to other individuals, or indebtedness by the public for use of DoD’s facilities or services, [such as healthcare services provided to non-beneficiaries of the Military Health System at DoD military treatment facilities.](#)

5.3 Obtaining Service from the DCMO

Other DoD Components not supported by DFAS may obtain debt collection services from the DCMO.

The DoD Component and the DCMO must document the services to be provided using a [Fiscal Service Form 7600A](#), United States Government Interagency Agreement (IAA) - Agreement Between Federal Agencies General Terms & Conditions (GT&C) Section Support Agreement.

5.4 DCO Responsibilities

The DCO must:

5.4.1. 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 the 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;

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

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

5.4.4. Refer delinquent, individual, out-of-service debts that are \$225 or greater to the 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 the DCMO as one debt package. Components that have implemented the processes and procedures 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 the Fiscal Service ([Fiscal Service](#)) Debt Management Services 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;

* 5.4.5. For manually submitted debts, use a transmittal letter to refer eligible debts to the DCMO and to ensure that the debts are received by the DCMO (refer to paragraph 5.7 for systemic referral of debts to the DCMO). Prepare the transmittal letter in duplicate and send it to [askDFAS](#), along with all substantiating documentation, or to the DCMO, DFAS-IN, Department 3300 (ATTN: Case Management), 8899 East 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:

5.4.5.1. 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;

5.4.5.2. 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;

5.4.5.3. The date the debt became known;

5.4.5.4. The date the debt was due;

5.4.5.5. The date the debt became delinquent (usually 30 days from the date of the debt notification letter);

5.4.5.6. The amount of accrued IPA;

5.4.5.7. Copies of any follow-up correspondence between the debtor and the DCO;

5.4.5.8. 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;

5.4.5.9. The debtor's branch of service or agency where formerly employed;

5.4.5.10. The debtor's, sponsor's, or beneficiary's social security number;

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

5.4.5.12. Copy of DD 139 for military pay debts;

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

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

5.4.6. 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. [Exhibit 3-2](#) is a sample debt certification statement;

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

5.4.8. 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;

5.4.9. 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

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

5.5 DCMO Responsibilities

The DCMO must:

5.5.1. 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;

5.5.2. 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;

5.5.3. 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;

* 5.5.4. Pursue collection action once debts are entered in DDMS. Figure 3-3 illustrates a general overview of the individual, out-of-service, delinquent debt collection steps. The DCMO debt services provided to the DCO include the following: issuing written demands for payment to the debtor; collecting debts [via lump sum or agreed-upon installment payments](#); referring delinquent debts to private collection agencies for collection; reporting debts to credit bureaus; referring uncollectible, delinquent debts to Treasury for offset (see Chapter 2); and referring uncollectible debts to the DOJ for litigation. The DCMO may also process debts for compromise, suspension of collection, or termination of collection. In the case of deceased debtors, the DCMO must use [DD 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;

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

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

5.5.7. 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, Life Insurance and Retirement; [SF 2806/SF 3100](#), [Individual Retirement Record](#); Internal Revenue Service ([IRS](#)) [Form W-2](#), Wage and Tax Statement; and [IRS Form 941](#), Employer's QUARTERLY Federal Tax Return).

5.6 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 the 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.

5.7 Collection Assistance for System-Generated Individual Out-of-Service Debts

5.7.1. Uncollected debts over \$225 maintained on the Master Military Pay Account of Active Component and 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. Debts being referred must be correct, valid, legally enforceable, and the DCO must have provided the debtor with all due process requirements unless there is an agreement that the DCMO will provide due process instead. Once these system-generated debts are entered in DDMS, the debts are serviced in the same manner as debts referred to the DCMO by the DCOs under paragraph 5.5. 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.

5.7.2. 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 (see Chapter 2 for guidance on referring delinquent debts to Treasury).

*6.0 COLLECTION OF DEBT USING TREASURY CRS

CRS is a Treasury, Fiscal Service program managed by its Debt Management Services area. Under its authority at [31 U.S.C. 3711\(g\)](#), CRS provides servicing for federal, nontax, administrative debt from the point at which a creditor agency establishes a debt until the debt is paid, otherwise resolved, or referred to the Treasury's Cross-Servicing program for further action.

A creditor agency using CRS services must execute an annual written agreement with Fiscal Service and certify that referred debts are valid and legally enforceable. DoD Components that are authorized to enter into a CRS agreement with Treasury use the service to collect debts owed to DoD. Collection is governed by the terms of the CRS agreement. See [*I Treasury Financial Manual Part 3 – Chapter 3000*](#) for further guidance.

7.0 REFUNDING PREVIOUSLY COLLECTED DEBTS AND LATE PAYMENT CHARGES

7.1 Scope

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

7.2 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.

7.3 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.

7.4 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.

7.5 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 Due to Unjustified Personnel Action at [5 U.S.C. § 5596](#).

7.6 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.

Exhibit 3-1. Sample Notification Prior to Referral of Debt to OPM

(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, ATTN: J3DCBB/555, 1240 E. 9th St., 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 Civil Service Retirement System (CSRS) or Federal Employees Retirement System (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)

Exhibit 3-1. Sample Notification Prior to Referral of Debt to OPM (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

Exhibit 3-2. Sample Debt Certification Statement

DEBT CERTIFICATION STATEMENT

Pursuant to Title 28, United States Code, Section 1746 ([28 U.S.C. § 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 the DCMO to obtain the current e-mail address for submission of e-mailed certifications.

Figure 3-3. DDMS Debt Processing Steps

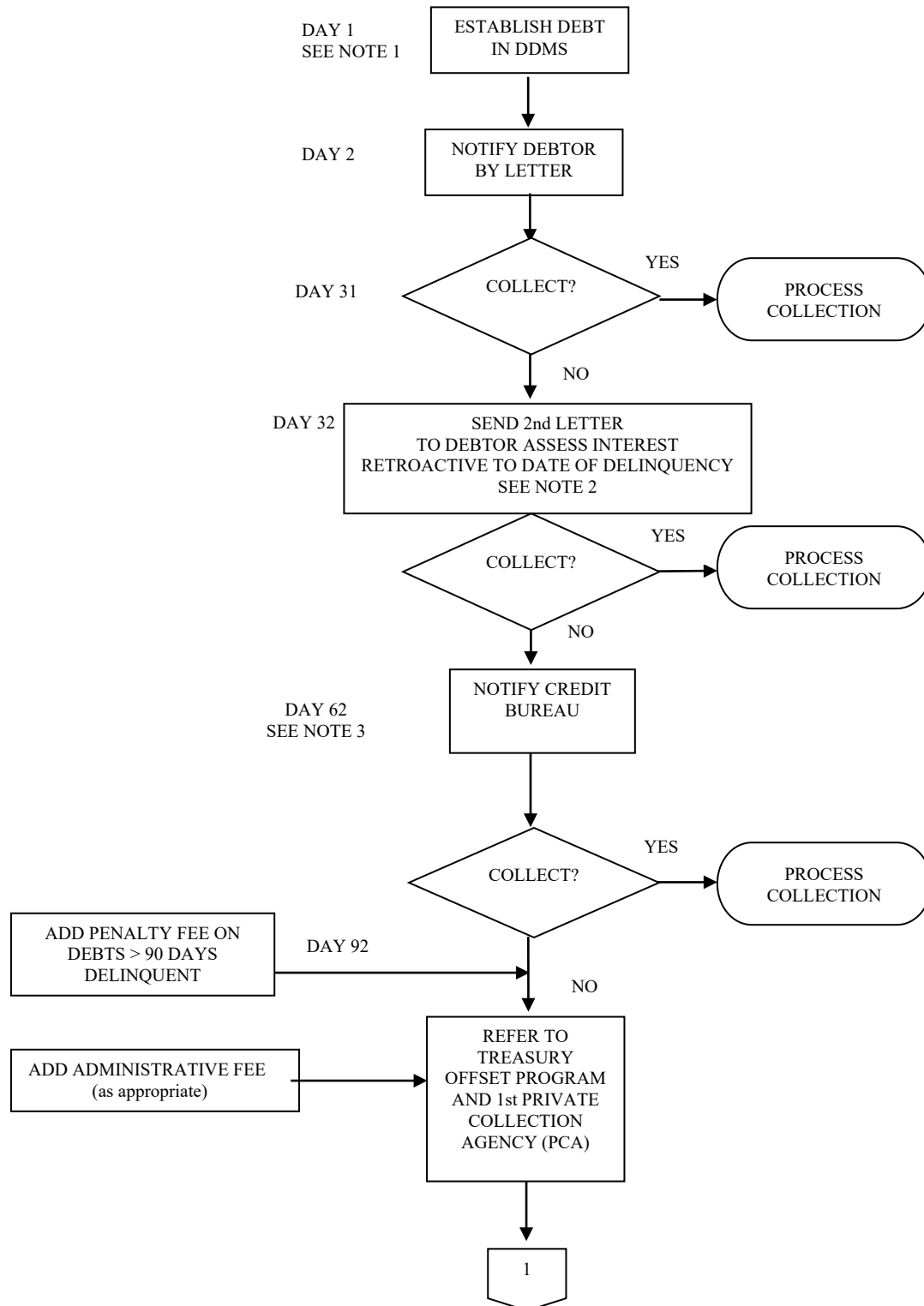


Figure 3-3. DDMS Debt Processing Steps (Continued)

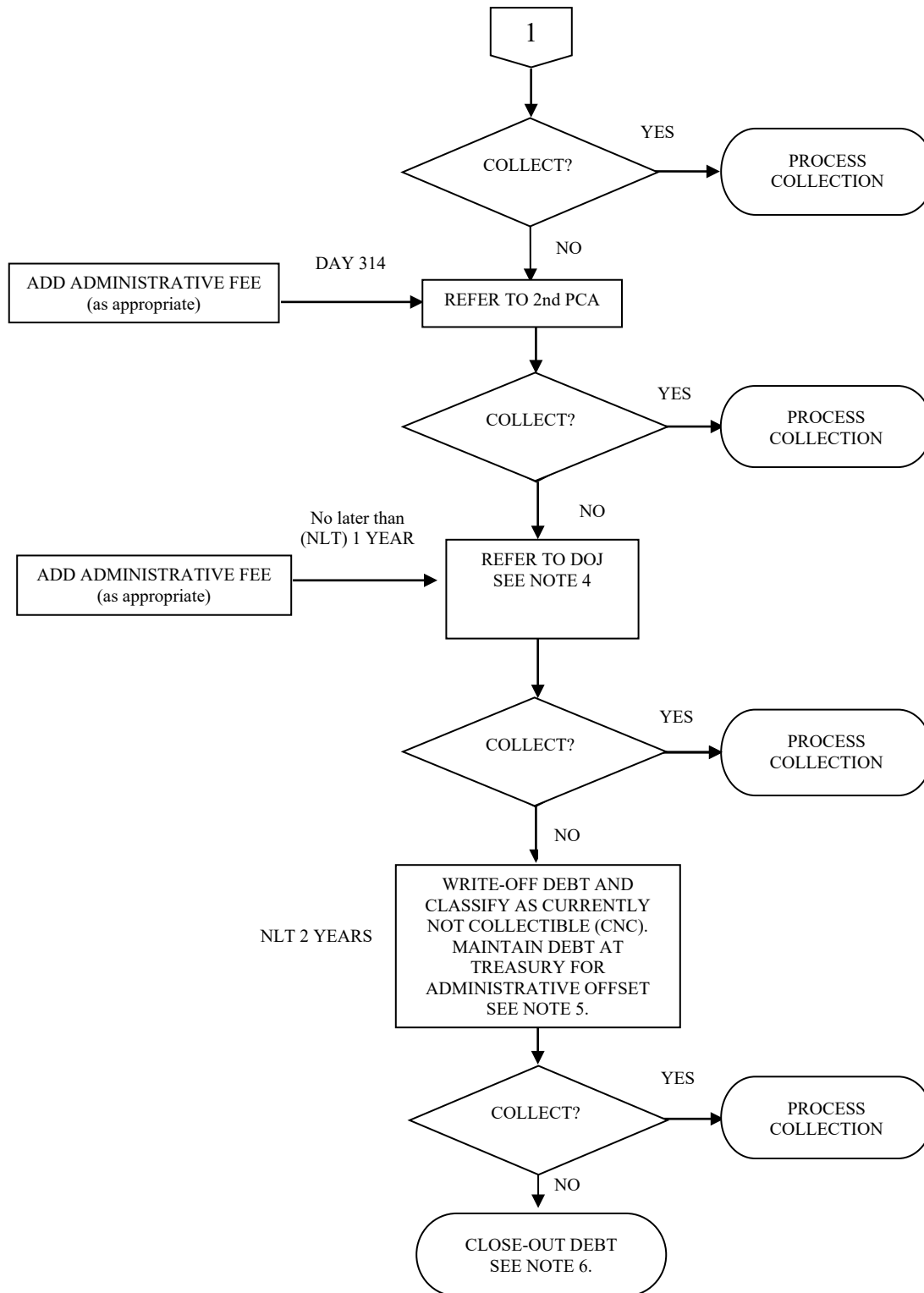


Figure 3-3. DDMS Debt Processing Steps (Continued)

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. The 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 the close-out of debts.

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

R U L E	If an	of	is indebted to the United States for	and	then collect from current pay	at a monthly rate not to exceed that shown in this table or in the rule cited
1	officer or enlisted member	any Military Service	payment disallowed by GAO or by the DoD Office of the General Counsel in accounts of a disbursing or certifying officer	the Secretary of the Military Service concerned or the Secretary's designee has determined the indebtedness is valid	involuntarily (note 1)	disposable pay (see subparagraph 3.4.2).
2	officer or enlisted member	any Military Service	debt cited in GAO notice of exception or informal inquiries (note 2)	the Secretary of the Military Service concerned or the Secretary's designee has determined the indebtedness is valid	involuntarily (note 1)	Table 3-6, rule 2.
3	officer or enlisted member	any Military Service	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	involuntarily (note 1)	Table 3-6, rule 2.
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	any Military Service	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 subparagraph 3.5.3)	Table 3-6, rule 5.

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

R U L E	If an	of	Is indebted to the United States for	and	Then collect from current pay	at a monthly rate not to exceed that shown in this table or in the 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 subparagraph 3.5.3)	Table 3-6, rule 6.
6	officer	any 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	applicable amount of allotment.

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 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	If an	of	is indebted to the United States for	and	then withhold from current pay	at a monthly rate not to exceed that shown in this table or in the rule cited
1	account- able 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 subparagraph 3.4.2).
2	account- able official (note 1)	any Military Service	arrears in accounts because of failure to account for funds entrusted to the member	debt is shown by the judgment of a court	involuntarily	disposable pay (see subparagraph 3.4.2).
3	account- able official (note 1)	any Military Service	arrears in accounts because of failure to account for funds entrusted to the member	debt is shown by special order issued by the Secretary of the Military Service concerned	involuntarily	rate directed by special order of Secretary of the Military Service concerned (all pay excluding allowances, or lesser amount).
4	account- able official (note 1)	any Military Service	arrears in accounts because of failure to account for funds entrusted to the member	relief of an officer, pursuant to 31 U.S.C. 3527 , was denied.	involuntarily	rate directed by special order of Secretary of the Military Service concerned (all pay excluding allowances, or lesser amount).
5	account- able enlisted member (note 3)	any Military Service	arrears in accounts because of failure to account for funds entrusted to the member	relief of an officer, pursuant to 31 U.S.C. 3527, was denied.	involuntarily	disposable pay (see subparagraph 3.4.2).
6	officer or enlisted member	any Military Service	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	If	of	is indebted to the United States for	and	and	then collect from current pay	at a monthly rate not to exceed that shown in this table or in the rule cited
1	an account-able 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 subparagraph 3.4.2).
2	an account-able officer	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	involuntarily	disposable pay (see subparagraph 030304.B) 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	any uni-formed service	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	involuntarily	disposable pay (see subparagraph 3.4.2).
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	involuntarily	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	involuntarily	Table 3-6, rule 2.

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

R U L E	If	of any Military Service is indebted to the United States for	then collect from current pay	At a monthly rate not to exceed that shown in this table or in the 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	amount owed or received.
3	an officer or enlisted member	excess cost of shipment of household goods	involuntarily or pursuant to Military Service regulations	amount owed or received.
4	a medical officer	compensation or stipend payments received from state, county, municipal, or privately owned hospitals for medical service	involuntarily or pursuant to Military Service regulations	amount owed or 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	amount owed or received.
6	an officer or enlisted member	amount due the DoD, its instrumentalities, or other uniformed services by reason of court judgment	involuntarily	Table 3-6, rule 2.
7	an officer or enlisted member	a debt determined valid from a federal agency outside DoD or other uniformed service including debts resulting from court judgments	involuntarily	Table 3-6, rule 3.
8	an officer or enlisted member	a travel advance in excess of entitlements (see note)	involuntarily or pursuant to Military Service regulations	Table 3-6, rule 2.

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	If	of	is indebted to	for	and	then collect from current pay	at a monthly rate not to exceed that shown in this table or in the 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 subparagraph 3.4.2).
2	an officer or enlisted member		member's spouse, former spouse, or child	court ordered child support or alimony	the commander has convened a board to investigate complaint, and board has assessed damages, and commander has approved an amount of assessment	involuntarily	see Volume 7A, Chapter 41.
3	an officer or enlisted member	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)	the commander has convened a board to investigate complaint, and board has assessed damages, and commander has approved an amount of assessment	involuntarily	disposable pay (see subparagraph 3.4.2).
4	an officer or enlisted member	the Navy or Marine Corps	a commissary	an uncollectible check which member or member's authorized agent has issued or endorsed to the commissary (notes 1 and 2)	the commander has convened a board to investigate complaint, and board has assessed damages, and commander has approved an amount of assessment	involuntarily or pursuant to Military Service regulations	Table 3-6, rule 2.
5	an officer or enlisted member	any Military Service	other appropriated fund activity or office	an uncollectible check endorsed or issued by member or member's agent (note 1)	the commander has convened a board to investigate complaint, and board has assessed damages, and commander has approved an amount of assessment	involuntarily or pursuant to Military Service regulations	Table 3-6, rule 2.

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

R U L E	If	of	is indebted to	for	and	then collect from current pay	at a monthly rate not to exceed that shown in this table or in the rule cited
6	an officer or enlisted member	any Military Service	a nonappropriated fund activity	any indebtedness by member or member's agent (note 1)	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	involuntarily or pursuant to Military Service regulations	Table 3-6, rule 2.
7	an officer or enlisted member	any Military Service	a nonappropriated fund activity	any indebtedness by member or member's agent (note 1)	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	involuntarily or pursuant to Military Service regulations	Table 3-6, rule 2.
8	an officer or enlisted member	any Military Service	the IRS 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	involuntarily or pursuant to Military Service regulations	see Volume 7A, Chapter 41

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	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 officer or enlisted member of any Military Service	an administratively determined indebtedness to the United States or its instrumentalities	do not exceed maximum limitation specified in paragraph 3.5 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 U.S. 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 4.0 (notes 1, 2, 3, and 4)	retired pay (see section 4.0) or pay in new enlistment.
3	an officer or enlisted member of any Military Service	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 3.6.2)	unpaid pay and allowances, separation payments under Volume 7A, Chapter 35; Reservists' Involuntary Separation Payment; amounts deducted for U.S. 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 4.0 (notes 1, 2, 3, and 4)	retired pay (see section 4.0) or pay in new enlistment.

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

R U L 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 3.6.2)	involuntarily or pursuant to Military Service regulations (note 5)	retired pay (see section 4.0) or pay in new enlistment.
5	an officer or enlisted member of any Military Service	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 4.0) or pay in a subsequent period of military service.
6	an officer or enlisted member of any Military Service	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	involuntarily or pursuant to Military Service regulations (note 5)	retired pay (see section 4.0) or pay in a subsequent period of military service.

NOTES:

1. For Army and Air Force enlisted members that do not exceed the maximum limitation specified in paragraph 3.5. 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 Volume 7A, Chapter 35 for VSI or Volume 7B, Chapter 4 for SSB.
5. Do not exceed maximum limitation specified in subparagraph 3.5.2.
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	If a (an)	of	is indebted for	then collect from retired pay	at a maximum monthly rate of
1	retired member	any Military Service	overpayment of retired pay	involuntarily	see note 1.
2	retired member	any Military Service	overpayment of active duty pay and allowances carried forward from active duty	involuntarily	rate established while on active duty (note 1).
3	retired member	any Military Service	unpaid hospital bills for medical services furnished a dependent	involuntarily or pursuant to Military Service regulations	see note 1.
4	retired member	any Military Service	excess cost of shipment of household goods	involuntarily or pursuant to Military Service regulations	see notes 1 and 2.
5	retired member	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	retired member	the Navy or Marine Corps	uncollectible check to a commissary issued or endorsed by member or member's agent	involuntarily or pursuant to Military Service regulations	see notes 1 and 3.
7	retired member	any Military Service	any indebtedness to a nonappropriated fund activity	involuntarily or pursuant to Military Service regulations	see note 1.
8	retired member	any Military Service	hospital rations furnished to a member	involuntarily or pursuant to Military Service regulations	see note 1.
9	retired member	any Military Service	TRICARE payment on behalf of member's dependents	with member's consent	amount applicable.
10	retired member	any Military Service	delinquent federal income tax	involuntarily	amount applicable.
11	retired member	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	retired member	the Navy or Marine Corps	loss, damage, or destruction of arms or equipment in member's care or use	with member's consent	see note 1.
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	see note 1.

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

R U L E	If a (an)	of	is indebted for	then collect from retired pay	at a 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	retired member	any Military Service	a debt determined valid from another federal agency	involuntarily	not to exceed 15 percent of disposable pay.
16	retired member	any Military Service	RSFPP and SBP payments to a surviving annuitant when retiree presumed dead is later found to be alive	involuntarily	all pay or amount applicable.
17	retired member	any Military Service	advanced and unused travel expense	involuntarily	see notes 1 and 4.
18	retired member	any Military Service	dual compensation restrictions	involuntarily	see note 1.
19	retired member	any Military Service	negotiating both original and substitute checks	involuntarily	
20	retired member	any Military Service	retired pay paid concurrently with active duty pay while serving as a Reservist. (a) prior fiscal year(s) or prior month(s)	involuntarily	see note 1.
21	retired member	any Military Service	(b) current	involuntarily	1/12 of total for fiscal year
22	retired member	any Military Service	readjustment pay (a) paid prior to September 15, 1981 (see Volume 7B, Chapter 4, Table 4-1) (b) paid after September 14, 1981	involuntarily	all.
23	retired member	any Military Service	non-disability severance pay (a) paid prior to September 15, 1981 (see Volume 7B, Chapter 4, Table 4-2) (b) paid after September 14, 1981	involuntarily	see note 4.

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

R U L E	If a (an)	of	is indebted for	then collect from retired pay	at a maximum monthly rate of
24	retired member	any Military Services	separation pay	involuntarily	see note 2.
25	retired member	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	involuntarily	see notes 1 and 4.
26	retired member		an uncollectible check endorsed by the member to a disbursing officer	involuntarily	see note 1.

NOTES:

1. Deductions will not exceed limitation set forth in paragraph 4.4.
2. Submit these types of indebtedness to the 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. Refer to Volume 7B, Chapter 4 for additional guidance.