Debt Management
Agenda

- What Causes a Debt
- The Basic Debt Process
- Debt Collection Statues
- Debt Manager Responsibilities
- Debt Notifications
- Debt Notification Letter Contents
- Due Process
- Payroll Collections
- Hearings/Appeals
- Waivers
Agenda

- Remissions
- Writing Off Debts
- Out of Service Debts
- Common DTS Debt Issues
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What Causes a Debt
A debt is caused by an overpayment of government funds to a member

- Member overpaid pay of allowance
- Member’s reimbursement amount is less than funds advanced
- Member reimbursed for an unauthorized expense identified by post pay review or compliance tool
- Member receives advance but TDY cancelled
What Causes a Debt
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The Basic Debt Process
Step 1
• Debt is discovered and established in the appropriate system

Step 2
• Member is notified of debt in writing (Debt Manager ensures member receives debt notification)

Step 3
• 30 day due process period starts the day the notification is mailed or transmitted
The Basic Debt Process

Step 4

• During the due process period the debt manager provides assistance voluntary payroll collection, filing a request for a hearing with DFAS, or filing a remission or waiver.

Step 5

• Debt manager immediately initiates involuntary payroll collection if no action is taken by the member after the 30 day due process period expires.
The Basic Debt Process

Step 6
• Debt collection begins

Step 7
• Debt collects until fully satisfied

Step 8
• Debt is reconciled and dropped from accounting system
The Basic Debt Process
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Debt Collection Statutes
Prompt Collection of Debt

- DCOs must promptly and aggressively initiate collection action on all established debts owed to the DoD and must complete follow-up actions to ensure successful repayment to the DoD.
Statute of Limitations for Collecting Debts

• The DoD may refer a debt to the Department of Justice (DOJ) for litigation against a debtor in order to enforce collection or obtain a judgment in favor of the DoD.

• Federal law limits the period of time within which an agency may file a lawsuit to collect a debt. Collection is generally the later of 6 years from the date the date of delinquency or 1 year after a final decision has been rendered in an administrative proceedings.
Statute of Limitations-Service Members

• *Debts Incurred On or After December 23, 2016.* The indebtedness may only be recovered if collection commences before the end of the 10-year period beginning on the date the member incurred the debt.

• Generally, the date a debt is “incurred” by a member is the date the overpayment is received by the member. The date debt collection commences is typically when the member receives written notification of the debt.
Statute of Limitations-Service Members

- *Debts Incurred Before December 23, 2016.* Indebtedness incurred by a member prior to December 23, 2016, should be recovered, even when recovery efforts commence after the end of the 10-year period following the date on which the debt was incurred by the member.
Statute of Limitations-Civilians

- There is no statute of limitation on debt collection from current or former civilian employees.
- All debts, including those previously ineligible for collection prior to the removal of the time limit, may be collected by administrative offset without any time limitation.
- Debts more than 10 years delinquent as of December 31, 2009, which were previously ineligible for collection, may now be collected by administrative offset, provided additional notice and due process requirements are met.
Debt Collection Statutes
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Debt Manager Responsibilities
Debt Manager Responsibilities

- The DM is responsible for all debt actions
- Ensures that the member has received notification of the debt and has an opportunity to repay the debt
- Applies the “DUE PROCESS SERVED” stamp if debt incurred in DTS
- Provides additional instructions to the member on how to satisfy the debt
- Monitors system generated emails from DTS as members, NDEAs, and the AOs sign documents
- Provide instructions and assistance on the waiver and appeal process
Debt Manager Responsibilities

- Maintain all records pertinent to the waiver and appeal process
- Initiates voluntary or involuntary collection
- Follows up with DFAS for payroll collections awaiting response or overdue
- Enters approval or rejection of payroll deduction requests in DTS
- Manually records any collections against the debt that do not flow back from DEAMS/GAFS
- Initiates out of service transfers requests
- Initiates debt Write Offs
Debt Manager Responsibilities

- Runs the Debt Management Report to monitor DTS debts
- Runs the Debt Report to monitor RTS debts
- Memo closes and reconciles debts in RTS
- Assists member with waiver and appeal process
Debt Manager Responsibilities
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Debt Notification
• Federal Law requires the issuance of one debt notification letter to the debtor.

• Debt notification letters must include the due process notification requirements listed in the Bureau of the Fiscal Service’s (Fiscal Service), “Managing Federal Receivables,” Appendix 8, dated March 2015.

• The requirements for the notice of indebtedness can be found in 5 U.S.C. § 5514, 5 C.F.R. 550.1104(b) and (d), 31 C.F.R. 901.2, and 31 C.F.R. 285.7(d)(4).
Debt Notification

• Debt Managers must issue the initial debt notification letter to the debtor within 5 working days following confirmation of the existence and validity of the debt;
• Include the basis of indebtedness and the amount of the debt.
• Only one due process debt notification is required to be issued to the debtor.
• Additional demand letters may be sent at 30-day intervals after the date of the initial debt notification letter when deemed appropriate.
• Debt Managers must exercise care to ensure the debt notification letter is dated the same day the letter is mailed to the debtor’s last known address or hand-delivered to the debtor.

• DMs should ensure notification emails sent via the Defense Travel System (DTS) are received by the member. No additional letter is needed.

• DMs are required to retain a copy of the debt notification letter as part of the debtor’s file.
Debt Notification

• When warranted by the facts of a particular case, a DM is not prohibited from issuing a written demand for payment to the debtor prior to issuing the due process debt notification letter.

• Salary and administrative offset may only begin after due process has been completed.
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Debt Notification
Letter Contents
Debt notification letters should contain the following:

• Explanation of the amount and reason for the indebtedness, the authority for establishing the debt, and the basis on which the determination of indebtedness was made.
• Request that the debt be repaid in a lump sum by check or money order.
• Payment Due Date (must not be more than 30 days from the date of the initial debt notification letter)
Debt Notification Letter

• Notification of the right to Request a Hearing.
• Notification of the right to a Written Decision (if a hearing is granted, the debtor has the right to receive a written decision from the hearing official within 60 days after the filing of the hearing petition)
• Right to Inspect Records (must advise the debtor that he/she has the right to inspect and copy the records relating to the debt)
• Voluntary Repayment Agreement Options (must advise the debtor of the opportunity to establish a schedule for the voluntary repayment of the debt by entering into an installment payment plan)
Debt Notification Letter

- Right to Request a Waiver or Remission.
- Collection Action on Delinquent Debts (statement indicating that if the DM is unable to collect a debt, other collection methods may be used)
- Collection from Final Pay (statement indicating that any portion of a debt remaining at the time of separation may be collected from the debtor’s final pay and allowances)
- Interest, Penalties, and Administrative Costs (statement explaining interest may charged for delinquent debt)
Debt Notification Letter

- Point of Contact (statement identifying the name, mailing address, email address, fax number, and telephone number of a point of contact the debtor may contact regarding the debt)
- Payment Address (address where payment should be mailed including instructions for pay.gov or EFT)
- Penalty for False or Frivolous Statements (consequences of knowingly providing false or frivolous statements, representations, or evidence)
- Bankruptcy (statement indicating the debtor is responsible for notifying DM if the debtor files or has filed for bankruptcy)
Debt Notification Letter

- Right to a Refund (statement that amounts paid or deducted for the debt, which are later waived or found not to be owed to the Government, will be refunded promptly to the debtor)
- Tax Filing (notice that for joint income tax filers, the spouse should file IRS Form 8379, Injured Spouse Allocation, with the IRS to claim his or her share of the tax refund).
- Salary Offset Procedures (state the intention to collect the debt by means of payroll deductions (salary offset) if payment is not received within 30 days).
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• Include the basis of indebtedness and the amount of the debt.

• Only one due process debt notification is required to be issued to the debtor.

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Debt Notification Letter

- Debt Managers must exercise care to ensure the debt notification letter is dated the same day the letter is mailed to the debtor’s last known address or hand-delivered to the debtor.
- DMs should ensure notification emails sent via the Defense Travel System (DTS) are received by the member. No additional letter is needed.
- DMs are required to retain a copy of the debt notification letter as part of the debtor’s file.
• When warranted by the facts of a particular case, a DM is not prohibited from issuing a written demand for payment to the debtor prior to issuing the due process debt notification letter.

• Salary and administrative offset may only begin after due process has been completed.
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Due Process
Due Process

- By law you must give a member a 30 day period in which the member can resolve a debt.
- Due process starts the day the member is notified of the debt in writing.
- No involuntary collection takes place during the 30 day due process window.
- Filing of appeals, waivers, or remission freezes the due process clock.
Due Process

Member’s Options

• Provide documentation to resolve debt
• Pay debt in full
• Request voluntary payroll collection
• Request Hearing/Appeal
• Request Waiver
• Request Remission (Title 10 only)
Due Process
Payroll Collection

Payroll Collection Process

• There are two types of payroll collections (Voluntary and Involuntary)

• You must collect at least $50 per month

• Payroll collection is started manually in DJMS via DMO or by the DM in the Debt Management Tool

• Voluntary payroll collection may be initiated at any time during the due process window

• Involuntary payroll collection MUST be initiated on the 31st day of the due process window if no action is taken by the member
Voluntary Payroll Collection

• Voluntary payroll collection is requested by the member and can be initiated at any time during the due process cycle

• Voluntary payroll collection is only an option during the 30 day due process window
Involuntary Payroll Collection

- Involuntary payroll collection is initiated by the DM once the 30 day due process window has expired
- Take the member’s grade or rank into consideration when selecting repayment amount
- Do not cause financial hardship for a member
- Collection may not extend past 12 months
- Debt collection may not extend past current date of separation
Payroll Collection - Rates

Military – AC System

• You may not collect more than 2/3 of the member’s unallotted pay
• You may not extend collection more than 12 months
• Amount placed in “Amount/Pay Period” in DTS will collect once a month (split between 15th and EOM check)
Payroll Collection - Rates

Military – DSG (RC System)

• You may not collect more than 2/3 of the member’s unallotted pay
• You may not extend collection more than 12 months
• Amount placed in “Amount/Pay Period” in DTS will collect once per 4 hour drill period (4 times per UTA) or once per Inactive duty or Active Duty day performed (10 day AT order will result in 10 collections)
Civilian/Technician (DCPS)

• You may not collect more than 15% of the member’s unallotted pay
• You may not extend collection more than 12 months
• Amount placed in “Amount/Pay Period” in DTS will collect twice a month (once every paycheck)
Payroll Collection in DTS

• DO NOT submit payroll request more than once
• Select the “CANCEL” button immediately after selecting submit
• DO NOT select the “APPROVED’ button
• Only select the “APPROVED” button AFTER the debt has started to collect
• If payroll collection requested multiple times or if the APPROVED button is used right away DFAS will not get the debt notification
Payroll Collection in DTS

- Select the “REJECTED” button when debt is determined to be erroneous, or debt needs to be written off, or if debt needs to be sent to Out of Service

- Contact NGB/FM if payroll collection has not started within 60 days
Payroll Collection
Payroll Collection Scenarios
Scenario 1

A1C Smith owes $1300 and would like to submit to voluntary payroll collection. He requests a repayment of $75 per month. What is the max you can set the monthly collection amount?

$108.33
GS 6 John Storm owes a $500 debt. He would like to spread it over 12 months. What is the maximum amount of months you should set up collection?

10 months ($50 a month)
SSgt Doe owes a debt of $300. He requests collection over 6 months. He is due to separate in 3 months. What should be the collection amount per month?

$100 (Do not extend collection past separation date)
1Lt Dan owes a debt of $600. He is a DSG. He would like to pay it back over 6 months. How much is collection set up for?

$25 ($25 X 4 drill periods per month = $100)
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Hearings/Appeals
Hearings/Appeals

• This is the time for members to dispute the validity of the debt, the amount of the debt, or the collection schedule

• CONUS members may elect to request a hearing anytime during the 30 day due process window

• OCONUS members may elect to request a hearing anytime during the 30 day due process window and 15 days beyond

• Requesting a hearing is no longer an option after 30/45 day periods expire
Hearings/Appeals

- Once a hearing is requested due process suspends
- The hearing process takes place outside of DTS and is handled at DFAS-IN
- No collection action takes place until hearing process is complete
- Member may appear at hearing in person or make a written appeal
- If appeal is denied, 30 day due process resumes the next day (does not restart)
- A waiver can still be requested if a hearing is denied
Civilians and Technicians

- Hearing requests are made in writing and may be faxed directly to DFAS at 888-401-5849 or mailed to DFAS Civilian Pay-IN, Dept. 6200, 8899 East 56th St., Indianapolis, IN 46249-1900.

- Petitions must include the member’s SSN and signature

- Petition must be labeled as “HEARING PETITION”
Hearings/Appeals

Military

• Requests are made in using the online tool located on the DFAS.mil website:

https://www.dfas.mil/debtandclaims/militarydebts/disagreewithdebt.html
Hearings/Appeals

To Contest the Validity of Your Debt or the Amount of Your Debt

• Provide a statement concerning why you believe the debt (or the amount) is erroneous.

• Support your argument with a written summary of the facts of your case for the hearing official.

• Include the date and manner in which you became aware of the overpayment.

• Include all evidence you want the hearing official to review (i.e. LES, witness statements, etc.)
Hearings/Appeals

To Contest the Proposed Schedule for Collection of Your Debt

• Provide an alternate payment schedule and a statement explaining your financial status.
• Provide copies of records to be considered by the hearing official.
Hearings/Appeals
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Waivers
A waiver is an act of the government to intentionally relinquish its claim against an individual for a debt resulting from erroneous payments of pay or allowances

• To process a waiver request, the member must understand how the debt came about, why they were placed in debt, and that the amount of the debt corresponds to the erroneous payments received during the debt period
Waivers

- This is a members chance to request relief of the debt (cannot argue the validity of the debt)
- Member may elect to request a waiver anytime, even after the 30 day due process window
- Collection is suspended if request made during due process window
- The waiver process takes place outside of DTS and is handled at DFAS-IN
Waivers

- Members completes a DD2789, provides back up documentation, and submits to their servicing FM office
- FM office completed section II of the form and submits all documentation via CMS to DFAS-IN
- A package must be submitted before the waiver/appeal module is updated in DTS
- If waiver is submitted after due process expires, involuntary payroll collection still begins
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Remissions
A remission is the cancellation of a debt or portion of a debt by the Secretary of a Military Department

- Only available to Title 10 military members
- The remission process takes place outside of DTS and is handled at AFFSC
- Collection suspended if submitted during due process window
Remissions

• Members completes a DD2789, provides back up documentation, and submits to their servicing FM office

• FM office completed section II of the form and submits all documentation via CMS to AFFSC

• A package must be submitted before the waiver/appeal module is updated in DTS

• If waiver is submitted after due process expires, payroll collection begins on the 31st days
Remissions

• A package must be submitted before waiver/appeal module is updated in DTS

• If waiver is submitted after due process expires, payroll collection begins
Remissions
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Debt Write Off Process
Debt Write Off Process

• Debts $225 or less are not collectable once a member is no longer in the service.
• This includes civilians who no longer work for the Federal Government.
• The member must be completely separated from the service.
Debt Write Off Process

RTS/Pay Debts
• Writing off for RTS or Pay debts are done manually
• Documentation is created and filed locally
Debt Write Off Process

DTS Debts

- Write off for DTS debts are done in the Debt Management Tool in DTS
- The Write Off link in DTS displays on the Debt Detail screen after the PAY COLLECT REJECT stamp has been applied
- You must amend the voucher and send through the routing in order for DTS to send the transaction to the accounting system to drop the debt
Debt Write Off Process
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Out of Service Debts
Out of Service Debts

- Debts greater than $225 are more are still collectable once a member leaves the service.
- This includes civilians who no longer work for the Federal Government.
- These debts is transferred to the DFAS Out Of Service Collection team.
Out of Service Debts

DTS Debts

• Out of service transfer is done in the Debt Management Tool
• The Out of Service link in DTS displays on the Debt Detail screen after the PAY COLLECT REJECT stamp has been applied
• Do not stamp an out-of-service debt as “approved” until DFAS-IN sends email notification back to DM that they are authorized to release funds/close debt
Out of Service Debts

- You must amend the voucher and send through the routing in order for DTS to send the transaction to the accounting system to drop the debt
- This will cause DTS to send DEAMS the transaction to drop the debt out of the accounting system
Out of Service Debts

RTS/Pay Debts
- Out of service transfer is manually
- A transmittal of the debt must be submitted to DFAS along with:
  - Certification Statement
  - Due process demand letter
  - Line of accounting
  - Substantiating documents
Out of Service Debts

Eligibility

- Debtor has an individual debt
- Debtor is currently listed as separated on all DOD pay systems
- Debt is delinquent
- Total debt is more than $225.00 or multiple debts that add up to more than $225.00
- Debt is from DOD appropriated funds
Figure 3-1. Sample Notification Prior to Referral of Debt to Office of Personnel Management (Continued)

**Explanation of Blank Spaces on Sample Debtor Notification**

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

Figure 3-2. Sample Debt Certification Statement

DEBT CERTIFICATION STATEMENT

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

__________________________  _________________________________
Date                      Signature of Debt Certifying Official

Print Name:_________________________

Title:___________________________

Office Symbol:__________________
**Submissions:** Debt referral packages can be sent to DCMO via:

- **Courier Service:** Mail to:
  DFAS-IN  
  ATTN: Case Management  
  8899 East 56th Street  
  Indianapolis, IN 46249-3300

- **Email Box:** dfas.indianapolis-in.jaa.mbx.oosdebt-debtmlgmt-baselevel@mail.mil

  Send only PDF or TIF type files. Send one attachment (pdf or TIF) per debtor

- **Right Fax:** 317-275-0281
Out of Service Debts

DFAS Actions

• Establish Debt
  • DFAS will return transmittal to the POC indicating debt was established
  • Responsible CPTF will drop obligation out of accounting system

• Reject Debt
  • DFAS will return transmittal to the POC indicating debt was rejected
  • Reject letter will include reason(s) for reject
  • Debt Manager makes correction and resubmits
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Common DTS
Debt Issues
Debt paid in full Debt Management Tool does not show any collection

- You will need to request the collection voucher info from DFAS by opening a TraX ticket
- Post the collection data to the “Manual Collection” module
- Upload collection voucher to DTS voucher
- Amend document and route for approval
Common DTS Debt Issues

Debt collected in DTS but debt not reduced in Debt Management Tool

• Amend document and route for approval
• Debt will be stamped “Debt Satisfied”
Debts Route to the wrong DFAS Debt Management Office

• This is a result of the member’s profile being set up with the wrong Military/Civilian category
• Ensure that military members are set up as Military and Civilians/Technicians are set up as Civilians
• This will ensure the debt is routed to the correct debt management office at DFAS
Common DTS Debt Issues

Unit’s DTA ID invalid or outdated

• Invalid DTA IDs with result in your unit not receive collection voucher info from DFAS
• Ensure your units DTA ID is up to date and correct
• Your DTA ID is located on the “Organization” screen in the DTA Maintenance tool
• To correct your DTA IS submit a helpdesk ticket via TraX
Common DTS Debt Issues

Payroll collection requested but collection never starts

• The most likely cause of this issue is the “Approved” button was selected after the request was made
• Simply resubmit the payroll collection
• Hit the “Cancel” button when the Approved, Reject, Cancel buttons appear
Debt collected outside of DTS

- You will need to request the collection voucher info from DFAS via TraX help desk ticket
- Post the collection data to the “Manual Collection” module
- Upload collection voucher to DTS voucher
- Amend document and route for approval
Common DTS Debt Issues

Debt collected both within DTS and outside of DTS

• This will result in an over collection
• You will need to request the collection voucher info from DFAS
• Post the collection data to the “Manual Collection” module and upload collection voucher
• Amend document and route for approval
• You will receive an “Over collection” notice from DTS
• Amend the document and route for approval to disburse funds
Common DTS Debt Issues

Debt paid in full but does not show as “Debt Satisfied” in DTS

- Ensure all collections equal total debt.
- If they do, amend document and route for approval
- If collections do not equal total debt initiate payroll collection to collect outstanding amount
Common DTS Debt Issues

Debt paid in full and shows as “Debt Satisfied” in DTS but debt still open in accounting system

• Amend document and route for approval
Common DTS Debt Issues

Transaction in Debt Management Tool results in “Internal Server” Error

• This means the member is no longer in your hierarchy
• Receive the person back into your DTS hierarchy
Common DTS Debt Issues

LOA no longer available in manual collection module

• Upload collection voucher to Response Imaging
• Name “Manual CCV: CTLxxxxxxxx”
• This will create an amendment
• Create non-mileage expense
• Name expense as “Manual CCV: CTLxxxxxxxx”
• Route for approval
Selecting the “Approved” button during the initial set up of Payroll Collection

- If you do this your payroll collection transmission will not go to DFAS
- Select “Cancel” button after setting up payroll collection
Common DTS Debt Issues

LOA rejects after voucher approved (no POS ACK)

• You must upload the CCV collection info via “Reponses Imaging” in Debt Management Tool
• Route document for approval
Common DTS Debt Issues
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