

**SUMMARY OF MAJOR CHANGES TO  
DoD 7000.14-R, VOLUME 5, CHAPTER 32  
“DEBT REFERRALS OUTSIDE THE DEPARTMENT OF DEFENSE”**

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

**Substantive revisions are denoted by a ★ preceding  
the section, paragraph, table, or figure that includes the revision.**

**Hyperlinks are denoted by underlined, bold, italic fonts.**

<b>PAR</b>	<b>EXPLANATION OF CHANGE/REVISION</b>	<b>PURPOSE</b>
<b>Multiple</b>	<b>Changes “Debt Management Office (DMO)” to “Debt Collection Office (DCO).”</b>	<b>Amendment</b>
<b>Multiple</b>	<b>Changes “administrative costs” to “administrative charges.”</b>	<b>Amendment</b>
<b>Multiple</b>	<b>Changes “person” to “debtor.”</b>	<b>Amendment</b>
<b>Multiple</b>	<b>Changes “claim” to “debt.”</b>	<b>Amendment</b>
<b>3201</b>	<b>Adds “individual” to first sentence.</b>	<b>New</b>
<b>320302.B</b>	<b>Adds source of authority for collection agencies to offer incentives for payment.</b>	<b>New</b>
<b>3204</b>	<b>Renames “commercial credit bureaus” and “consumer reporting agency” as “credit bureau.”</b>	<b>Amendment</b>
<b>320602.C</b>	<b>Deletes requirement for DMO to account for and process payment.</b>	<b>Deletion</b>
<b>320603</b>	<b>Deletes introductory paragraph. Same information contained in subsequent paragraphs.</b>	<b>Deletion</b>
<b>320603.A</b>	<b>Clarifies requirement to charge refunds to the appropriation or account that was credited with the relevant collection.</b>	<b>Amendment</b>
<b>320603.A</b>	<b>Adds example.</b>	<b>New</b>
<b>320603.B</b>	<b>Clarifies requirement to charge refunds to the applicable DoD Component's current year operating funds.</b>	<b>Amendment</b>
<b>320401</b>	<b>Debts incurred by military members will not be reported to credit bureaus while a decision is pending on a request for waiver or remission of the debt.</b>	<b>New</b>

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## CHAPTER 32

**DEBT REFERRALS OUTSIDE THE DEPARTMENT OF DEFENSE**★3201 APPLICABILITY

Policies in this chapter apply to all **individual** debts owed to or collected by the Department of Defense (DoD), except as otherwise specifically covered in other parts of this Regulation. Refer to [Chapter 28, Table 28-1](#), of this volume for guidance on **other** categories of debtors within DoD.

3202 DEBT REFERRALS TO THE DEPARTMENT OF JUSTICE

320201. **General.** After taking aggressive collection **action**, designated **Debt Collection Offices (DCOs)** shall promptly refer to the Department of Justice (DOJ) for litigation all uncollectible delinquent debts greater than \$2,500, exclusive of interest, penalties, and administrative **charges**, that cannot be compromised, suspended, or terminated. In addition, **DCOs** shall promptly refer any debt based in whole or in part on conduct in violation of the antitrust laws or any debt involving fraud, the presentation of a false debt, or misrepresentation on the part of the debtor or any party having an interest in the debt to DOJ. **DCOs** shall refer debts with a principal amount over \$1,000,000, exclusive of interest, penalties, and administrative **charges**, to the responsible DOJ litigation division in Washington, D.C. Debts with a principal amount of \$1,000,000 or less, exclusive of interest, penalties, and administrative **charges**, shall be referred to the DOJ's Nationwide Central Intake Facility as required by the Claims Collection Litigation Report (CCLR) instructions. **DCOs** shall promptly refer debts within the statute of limitations period for initiating lawsuits against debtors, and generally within 1 year of the date that the debt last became delinquent.

320202. **Debt Referral to the DOJ.** The CCLR requires use of an accompanying signed Certificate of Indebtedness to refer all uncollectible debts to DOJ for approval and litigation, as well as for approval for compromise, suspension or termination. The **DCO** shall complete all sections of the CCLR appropriate for the debt being referred and furnish such other information as required by DOJ. Include as attachments to the CCLR a completed checklist or brief summary of actions taken to collect or resolve the debt and an explanation for the omission of any administrative collection **action** required by the "Federal Claims Collection Standards", [Title 31, Code of Federal Regulations, Parts 900-904 \(31 C.F.R. 900-904\)](#), or this Regulation. If a debtor's address is unknown, then include a list of the debtor's prior known addresses and an explanation of actions taken to locate the debtor. Include with the debt referral the debtor's latest credit history data, such as a commercial credit report, balance sheet, or financial statement submitted by the debtor. Also indicate whether there is reasonable prospect of enforcing debt collection. Credit data may be omitted from the CCLR if a debtor is bankrupt or in receivership, or if the debtor's liabilities are fully covered by insurance. If applicable, then include the identity and address of the insurer, and the type and amount of insurance. Credit data also may

be omitted if credit history is not available, such as may be the case for a state or local government unit. Indicate clearly on the CCLR the DOJ litigation action being sought (e.g., enforced collection or judgment lien) with respect to the underlying debt.

320203. Minimum Amount for Referral. Generally, only nonfraud debts with a principal balance greater than \$2,500 are eligible for referral to DOJ. After consultation with the Financial Litigation staff attorneys of DOJ, DCOs may refer debts under \$2,500, exclusive of interest, penalties, and administrative charges, to DOJ for acceptance under certain circumstances, as shown below.

A. Litigation to collect such smaller debts is important to ensure compliance with policies or programs.

B. Referral is for the purpose of securing a judgment against the debtor that will be filed as a lien against the debtor's property pursuant to [Title 28, United States Code, Section 3201 \(28 U.S.C. 3201\)](#), and returned to the referring office for enforcement.

C. The debtor has the ability to pay the debt and the government effectively can enforce payment with due regard for the exemptions available to the debtor under state and federal law and the judicial remedies available to the government.

320204. Preservation of Evidence. Preserve all debt files and records that may be needed by DOJ to prove its case in court. Also refer certified copies of the documents that form the basis for the debt in the debt referral package. Provide originals of the documents if requested by DOJ.

320205. Contact with Debtor after Referral. Once a debt has been referred to DOJ, DoD Component personnel shall refrain from contact with the debtor regarding the debt. DoD Components shall refer debtors raising questions to the appropriate DOJ office and shall notify DOJ immediately of any payments received by the DoD Component or DCO on referred debts in accordance with DOJ guidance.

### 3203 DEBT REFERRALS TO PRIVATE COLLECTION AGENCIES

320301. Authority to Use Private Collection Agencies. Designated DCOs may utilize private collection agencies to supplement their debt collection programs.

320302. Contracts for Private Collection Agency Services. Federal agencies generally are required to use government-wide contracts to obtain services provided by private collection agencies. Contracts with private collection agencies to locate delinquent debtors and recover delinquent debts will define the services available that generally will conform to the following terms agreed to between the federal government and the collection agency.

A. The referring DCO shall retain the authority to resolve disputes, compromise debts, suspend or terminate collection activity, refer debts to credit bureaus, and refer debts to DOJ for litigation.

★ B. The collection agency is not allowed to offer the debtor, as an incentive for payment, the opportunity to pay the debt less the collection agency's fee unless the collection agency is granted authorization [by the DCO](#) in advance of granting such an offer.

C. The collection agency is subject to the "Privacy Act of 1974" to the extent specified in [5 U.S.C. 552a\(m\)](#) and to applicable federal and state laws and regulations pertaining to debt collection practices, including but not limited to, the Fair Debt Collection Practices Act ([15 U.S.C. 1692](#)).

D. The collection agency is required to account for all amounts collected.

E. The collection agency shall comply with other requirements, as appropriate, with regard to locating and contacting debtors, accepting installment payments, processing late payment charges, and returning uncollectible debts to the referring DCO.

F. The debts cannot be subject to the requirement to transfer debts to the Department of the Treasury. See [31 U.S.C. 3711\(g\)](#) and [31 C.F.R. 285.12\(e\)](#).

320303. Funding Private Collection Agency Contracts. Contracts [with private collection agencies](#) may be funded in accordance with either of the following:

A. Fixed fee. Payment [to the collection agency](#) is a set fee determined without regard to the amount actually collected under the contract, but only to the extent that funds are made available in advance in appropriations.

B. Contingent fee. Payment [to the collection agency](#) is based on a provision in the contract permitting the collection agency to deduct a fee, consistent with prevailing commercial practice, based on a percentage of the amount collected under the contract.

★3204 DEBT REPORTING TO CREDIT BUREAUS

320401. Authority to Refer Debts. DCOs shall report delinquent debts to credit bureaus and, in addition, may report nondelinquent debts to credit bureaus with due consideration for the Bankruptcy Code and the "Privacy Act of 1974" ([5 U.S.C. 552a](#)), as appropriate. In accordance with [31 C.F.R. 901.4](#), credit bureaus are not subject to the Privacy Act. [Effective March 1, 2007, in accordance with 10 U.S.C. 2780\(b\), debts incurred by military members will not be reported to credit bureaus during the time that a decision regarding waiver or remission/cancellation of the debt is pending.](#)

320402. Due Process. Before reporting debts to credit bureaus, DCOs shall ensure that the due process requirements listed below have been met. [Duplication of previously provided due process notice\(s\) or opportunity for review with respect to a particular debt is not required prior to reporting the debt to the credit bureau as long as the requirements reflected below have been met.](#)

- A. Information comes from a system of records for which the Privacy Act notice indicates that information in the system may be disclosed to a **credit bureau**.
- B. **DCO** has decided that the **debt** is valid and overdue.
- C. **DCO** has notified the **debtor** in writing—
1. that payment of the **debt** is overdue.
  2. that, within not less than 60 days after sending the notice, **DCO** intends to disclose to a **credit bureau** that the **debtor** is responsible for the **debt**.
  3. of the specific information to be disclosed to the **credit bureau**.
  4. of the rights the **debtor** has to a complete explanation of the **debt**, to dispute information in the records of the **DoD Component or DCO regarding the debt** and to administrative repeal or review of the **debt**.
- D. **Debtor** has not—
1. repaid or agreed to repay the **debt** under a written repayment plan that the **debtor** has signed and the **DoD Component or DCO** has agreed to.
  2. filed for review of the debt under paragraph C.4 .
- E. **DCO** has established procedures to—
1. disclose promptly, to each **credit bureau** to which the original disclosure was made, a substantial change in the condition or amount of the **debt**.
  2. verify or correct promptly information about the **debt** on request of a **credit bureau** for verification of information disclosed.
  3. get satisfactory assurances from each **credit bureau** that the **credit bureau** is complying with all laws of the United States related to providing consumer credit information.
- F. Information disclosed to **credit bureaus** is limited to—
1. information necessary to establish the identity of the **debtor**, including name, address, and taxpayer identification number.
  2. the amount, status, and history of the **debt**.
  3. the **DoD Component** or program under which the **debt** arose.

320403. Maintaining Reported Debts Current. Once a debt is reported to a credit bureau, DCO shall make prompt disclosure to that credit bureau of any substantial change in the condition or amount of the debt. DCO also shall verify or promptly correct information about a debt when required and when requested by a credit bureau.

320404. Maintenance of Debt Records. The credit bureau must remove accurate, negative information from a credit report only if it is over 7 years old. Bankruptcy information can be reported for 10 years. DCOs shall retain records for debts reported to credit bureaus in accordance with guidelines of the National Archives and Records Administration General Records Schedule.

### 3205 TREASURY OFFSET PROGRAM (TOP)

320501 The Financial Management Service (FMS), Department of the Treasury, has broad administrative offset collection responsibilities for delinquent debts based on the “Debt Collection Improvement Act of 1996,” as expressed in [31 C.F.R. 285.7](#). FMS established TOP to accomplish centralized administrative offsets of federal tax and nontax payments to collect federal delinquent debts government wide. Under TOP, a database of certified delinquent debts submitted by government creditor organizations is maintained and updated. Before FMS disburses a payment, it makes a comparison to determine whether the payment should be offset to satisfy a payee’s delinquent debt.

320502. The DCO shall certify and refer eligible debts that are more than 180 days delinquent to FMS for collection by administrative or tax refund offset. Prior to referral to FMS, DCO shall consider the out-of-service (OOS) debt program and procedures in [Chapter 29](#) of this volume to determine whether the OOS program offers more cost-effective services and debt management controls and reporting. DCO shall send any required offset correspondence to debtors at the most current address as maintained in the DoD Component’s files, regardless of source. Fees to cover the costs of debt collection and administrative offset programs are authorized. FMS deducts such fees from the amount offset before the residual amount is transmitted to the referring DCO. These offsets are not subject to any type of verification by the paying activity, so any action by a debtor to recover an offset will be referred to DCO. Although FMS will not identify the source of the offset to DCO, any tax information that may be known by any means is confidential and its use is restricted and governed by [26 U.S.C. 6103](#).

320503. Some payments are prohibited by law from being offset and are exempt from centralized administrative offset. For example, certain payments under the “Social Security Act,” “Black Lung Benefits Act,” and “Railroad Retirement Board Act” are generally exempt, unless the Department of Treasury issues regulations permitting offset. In addition, the Department of the Treasury can exempt offset of means-tested benefit payments (programs wherein eligibility for beneficiary payment is based on the need to maintain a certain standard of living) and other classes of payments based on a determination that offset would not be in the best interest of the United States. An example would be administrative offset to collect a debt where the offset would tend to interfere with or defeat the purpose of a government payment program.

320504. As necessary, the Department of the Treasury determines, in the best interest of the United States, how funds collected shall be applied to multiple debts.

320505. In accordance with [31 U.S.C. 3716\(f\)](#), the Department of the Treasury may waive the provisions in the “Computer Matching and Privacy Protection Act of 1988” concerning matching agreements and post-match notification and verification ([5 U.S.C. 552a9o](#)) *and (p)* for administrative offset under this paragraph upon receipt from a DCO that the due process requirements have been met as enumerated in [Chapter 30](#) of this volume. The certification of a debt in accordance with paragraph [Chapter 30](#) of this volume will satisfy this requirement. If the Department of the Treasury grants such a waiver, then only the Department of the Treasury Data Integrity Board is required to oversee any matching activities in accordance with [31 U.S.C. 3716\(f\)](#).

320506. Under [31 U.S.C. 3716\(h\)](#), the Department of the Treasury may enter into reciprocal agreements with states for federal disbursing officers to collect state debts through offset of federal payments and for state disbursing officers to collect federal debts through offset of state payments. Thus, as a result of Department of the Treasury and state government agreements and implementing regulations, offsets of state debts certified to Department of the Treasury may be paid to states and DoD disbursing officers may receive requests from Department of the Treasury to offset payments to satisfy debts due to states.

#### ★3206 REFUNDING PREVIOUSLY COLLECTED DEBTS AND LATE PAYMENT CHARGES

320601. General. Occasionally, because of post-collection clarification regarding a debt, monies collected for penalties, administrative costs, interest, and collection fees shall be authorized for refund to the debtor by the DoD Component or DCO. Such refunds occur 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. When making a refund payment, the DoD Component or DCO shall prepare a Standard Form (SF) 1049 (Public Voucher for Refunds), an SF 1034 (Public Voucher for Purchases or Services Other Than Personal), or other approved voucher and submit it for payment, along with documentation from the debtor or other source(s) that establishes the former debtor’s claim against the government. The DoD Component or DCO shall retain a copy of the voucher and supporting documentation in the debtor’s case file.

320602. Determination of Refund Amount. The amount collected from the debtor that is subject to refund usually includes penalties, administrative charges, and interest computed on the principal amount of the debt. Additional fees will have to be considered for inclusion in the refund if the debt was collected by the Department of the Treasury and/or a commercial collection agency. A debt refund might be applied against a part, or to the entire amount, of the debt. When a debt is collected, the principal debt amount is credited to the appropriation or other account owed the debt if the appropriation/account is still open. If the appropriation/account is closed, then the collection shall be credited to receipt account 3200, “Collections of Receivables from Canceled Accounts.”



A. Once DCO effects collection, the amounts received for penalty, administrative charges, and interest are credited to a miscellaneous receipt account that is prefixed by the appropriate departmental symbol (17, 21, 57, or 97 for the Navy, Army, Air Force, and Defense, respectively).

B. When collection is effected through TOP, the fee added to the debt is retained by the Department of the Treasury. The amount collected by offset (minus the amount retained by the Department of the Treasury) is deposited to the appropriate appropriations and accounts. If a refund is required, then the amount refunded to the debtor shall be the total amount collected by offset even, though a portion representing the Department of the Treasury's administrative fees was not returned to the referring DCO.

C. When collection is made by a commercial collection agency, the amount collected from the debtor includes an additional fee assessed on the total debt referred for collection. The collection agency retains its fees and remits the remainder of the amount collected from the debtor to the DCO. The remaining amount represents debt principal, penalty, administrative costs, and interest referred to the collection agency. These amounts are credited to the appropriate appropriation(s) and account(s). If the debtor is entitled to a refund, then the amount refunded shall be the total amount collected, including the collection agency fee.

320603. Funding the Payment of Collected Debt Refunds.

A. The refund of the amounts collected for principal debt, interest, penalty, and administrative charges should be charged to the appropriation or account that was credited with the collection. Any amount to be refunded that was credited to an appropriation or account that subsequently has been closed, shall be charged to the current fiscal year for the same appropriation or account as allowed by law. For example, if the original principal debt were collected into a military pay appropriation, the associated interest and administrative fees were collected into 3210 (General Fund Proprietary Receipts, Defense Military, Not Otherwise Classified), and the penalty was collected in 1099 (Fines, Penalties, and Forfeitures, Not Otherwise Classified), then the refund will be charged to these same accounts for the amounts originally collected.

B. The refund to the debtor for fees assessed and retained by the Department of the Treasury or private collection agencies, shall be charged to the applicable DoD Component's current year operating funds.