



# Department of Veterans Affairs

## Financial Policy

### Volume XII

#### Debt Management

### Chapter 3

#### Employee Debt

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### 0301 Overview

This chapter establishes the Department of Veterans Affairs' (VA) financial policies regarding employee debt collection. Depending on the type of debt (e.g., travel, salary, health benefits), employees will be notified of their indebtedness by either VA or the Defense Finance and Accounting Service (DFAS).

This chapter discusses how VA, in the performance of its debt management duties will:

- VA and DFAS will actively collect employee debt in accordance with applicable laws and regulations;
- The employee's servicing payroll office will act as the primary point of contact for employee debt questions and for disputes related to salary overpayments and salary offsets for VA related debts;
- Once salary offset begins, an employee request to waive the debt will not stop collection by salary offset unless and until a waiver is granted;
- Employees can request a waiver of employee debt up to three years after the debt is discovered without regard to whether the debt was already paid. If the debt is subsequently waived any amount collected will be refunded;
- VA has unique collection authority that cuts an employee's time to respond to debt notice to 10 days where relocation expense was approved based on fraudulent information;
- Outside of waiver or discharge by appropriate authority, current employee debt cannot generally be identified as uncollectible and will not be written-off or closed-out; and
- Employee debt discharge of \$600 or more will be reported to the IRS as earnings.

### 0302 Revisions

Section	Revision	Office	Reason for Change	Effective Date
030504	Targeted change to address changes to <a href="http://www.pay.gov">www.pay.gov</a> and other collection practices	OFP (047G)	To comply with current practices	March 2022
App B	Added new appendix	OFP (047G)	DMC Request	June 2021
App C	Added new appendix	OFP (047G)	DMC Request	June 2021
All	Combine Employee Debt and Salary Offset Chapters	OFP (047G)	Consolidation	February 2021

Section	Revision	Office	Reason for Change	Effective Date
Various	Reformatted to new policy format and completed five-year update	OFP (047G)	Reorganized chapter layout	February 2021
030505C TDY and Local Travel Debt	Add \$25 debt collection threshold	Travel Policy, VAFSC	Cost savings; see 38 C.F.R. § 1.921, Analysis of Costs	April 2020
Table of Contents and 0302 Revisions	Updated to add Revisions section	OFP (047G)	To highlight chapter changes	July 2016
030503 Collection Activities	Updated to reflect mandatory change 180 to 120 days	OFP (047G)	To comply with 2014 Digital Accountability and Transparency Act (DATA)	July 2016
0306 Authorities and References	Updated to add DATA link	OFP (047G)	To comply with 2014 law	July 2016

### 0303 Definitions

**Compromise** – Governed by 31 U.S.C. § 3711, a compromise is an offer and acceptance of a partial payment in settlement and full satisfaction of the offeror’s indebtedness as it exists at the time the offer is made. It is a final settlement, binding on the parties to the compromise, unless procured by fraud, misrepresentation of a material fact or mutual mistake of fact.

**Defense Civilian Pay System (DCPS)** – A payroll system operated by Defense Finance and Accounting Service (DFAS).

**Notice of Indebtedness (NOI)** – Written communication sent by VA providing the debtor with notification of the existence and amount of the debt, payment remittance information, accrual of interest, penalties, and administrative costs, and due process rights. A NOI is sometimes referred to as a demand letter.

**Notice of Debt** – Is a basic notice of amounts due; it is usually a line item on the Leave and Earnings Statement (LES) at the time an offset begins or soon after.

**Remedy** – Helpdesk ticketing system that exchanges information and tracks discussion of individual employee records and adjustment information between VA field payroll, HR staff and the DCPS support office.

**Report of Investigation** – A document containing employee information and questions as well as information from agency representatives supporting the validity of an employee debt. Reports of investigation are used by waiver and hearing officers to assist in evaluating debts.

**Salary Offset** – A mechanism used to collect a debt under 5 U.S.C. § 5514, by deduction(s) at one or more pay intervals from the employee's current pay.

**Treasury Cross-Servicing Program (CS)** – A consolidated government-wide program operated by the Bureau of Fiscal Service's Debt Management Services fulfilling the requirement of the Debt Collection Improvement Act of 1996. The program consists of collection tools including Treasury demand letters, telephone calls to debtors, administrative wage garnishment (AWG) and the use of Private Collection Agencies (PCAs).

**Waiver** – A decision that conditions exist which should result in cancellation, forgiveness, or non-recovery of a debt owed, including interest and other late payment charges assessed on such debts under the applicable statutes and implementing regulations 38 C.F.R. § 1.955, through 38 C.F.R. § 1.969, Revision of waiver decisions, and 38 C.F.R. § 17.105.

### 0304 Roles and Responsibilities

**Chief of the Local Finance Activity** is responsible for ensuring compliance with the policies for the administration of VA's debt collection activities. Any reference to the chief of the local finance office also includes the: Director of the Debt Management Center (DMC), Director of the Financial Service Center (FSC) where appropriate, as well as Chief Fiscal Officers in VA Medical Centers, Chief Finance Officers in Regional Offices and Chief Fiscal Officers in the Consolidated Patient Account Centers (CPAC).

**Committee on Waivers and Compromises (COWC)** – A decision making body authorized to consider and accept settlements, compromises and/or waiver requests for benefit debts, employee debts and overpayments per 38 C.F.R. § 1.955. The committee may be part of a centralized system or a regional office committee system.

**Defense Finance and Accounting Service (DFAS)** – A organization within the Department of Defense (DoD) that provides finance and accounting services for DoD and other Federal agencies. DFAS is the payroll service provider for VA.

**Employees** are responsible for prompt submission of leave requests in accordance with HR leave administration policy, reviewing their timesheet and their LES for accuracy and for promptly notifying:

- Their supervisor and timekeeper of timesheet discrepancies regarding leave charges, telework and extra work time, and
- HR or payroll representatives of other pay, leave and deduction discrepancies.

**Servicing Payroll Office** trains timekeepers and supervisors on timekeeping system functions and works with timekeepers, supervisors and other employees to resolve pay and leave discrepancies, ensures prompt adjustment processing, deduction input and accurate and secure timekeeping and payroll records.

## **0305 Policies**

### **030501 General Policies**

- A. In accordance with Treasury regulation 31 C.F.R. Part 901, VA will:
- Actively collect employee debt;
  - Promptly issue notice of debt or a NOI and take necessary follow-up action to recover or otherwise resolve employee debt;
  - Utilize salary offset to recoup employee debts; and
  - Coordinate debt information with:
    - DFAS to process salary offsets, and
    - Treasury for assistance in recovering overdue debt in accordance with the requirements of 31 U.S.C. § 3716.

### **030502 Notice of Debt and NOI**

- A. In general, Chief of the Local Finance Activity will initiate and facilitate debt collection procedures for organization(s) under their purview.
- B. For salary debts, DCPS issues automated notice of salary-related debt when a retroactive change is made that reduces an employee's entitlement to pay issued in a prior pay period (e.g., pay rate decrease, employment period reduced, deduction increased, timecard change adding LWOP or removing or reducing premium pay). Depending on the debt type, notice can be a NOI or the basic notice of debt on the LES if the offset already started.
- C. DFAS will issue a NOI for employee health insurance premiums advanced during insufficient pay status. VA will also send NOI for advanced health insurance premium debt as the DFAS NOI is not sufficient to fulfill Office of Personnel Management (OPM) requirements for this circumstance. See VA Financial Policy

Volume XII, Chapter 8 – Notice of Indebtedness, for additional information on NOIs, and OPM's Employing Office Notification.

- D. When relocation expenses are obtained based upon employee fraud, the VA NOI will stipulate that the debtor has ten business days to repay the debt or respond to the NOI before VA will initiate salary offset. See 38 U.S.C. § 723. Refer to VA Directive and Handbook 5021, Employee/Management Relations for disciplinary guidance in response to intentional fraudulent activity.
- E. When travel advances paid by the Agent Cashier are not promptly accounted for and offset within VA's travel system, the travel coordinator will request payroll recoupment of the advance through the salary offset process. See section 030505, Collection of Travel Related Debts.
- F. Employees do not receive a NOI for debts owed to the Veterans Canteen Service (VCS) as the employee enters into an agreement up front allowing the VCS to recover the cost of purchases through salary offset. Separated employees with a balance still owed to VCS will receive a NOI from VCS.
- G. For all other current employee debt owed to VA that has not been established in DCPS or VA's financial accounting system, the VA payroll or program office will issue a NOI and will follow-up after 30 days to submit the debt to DFAS for collection provided no employee action remains in process disputing the debt. See VA Financial Policy Volume XII, Chapter 8 – Notice of Indebtedness, for additional information.

**030503 Employee Debt Inquiry and Other Debt Service Activity.**

- A. VA will direct all employee requests for information on VA related debts to the servicing payroll office or other VA office involved; employees should not be referred to DFAS regarding debt to VA.
- B. VA servicing payroll office representatives will investigate and respond promptly to employee inquiries on the nature, cause, and amount of debts. To assist the servicing payroll office in researching the debt, employees will provide a copy of the DFAS NOI or other debt notice received.
- C. For inquiries on VA debt previously offset (offset identified in LES remark), the servicing payroll office will provide a statement of employee rights and obligations as noted on VA Form FL4-520f, Immediate Offset – Employee Salary.
- D. The VA servicing payroll office will respond to employee inquiries regarding the history of VCS debt deductions; however, employees will be directed to VCS for further information on VCS debt inquiries.

- E. The VA servicing payroll office will normally refer third-party debt inquiries to DFAS for additional information on salary offset transactions.
- F. Employee inquiries regarding debt offset by other Federal agencies including offset through the Treasury Offset Program (TOP) and CS require redirection to the government agency collecting the debt.

### **030504 Collection Activities**

- A. Payment methods for current employee debt established in DCPS include:
  - 1. Employee agreement to salary offset or, automatic salary offset (preferred).
  - 2. Payment using the PAY.gov website. Access the website for salary overpayment debt billed by DFAS. Scroll down past top icons to the “Pay a Debt” option. Select the Defense (DoD) Finance and Accounting Service, then the “Civilian Pay” link and complete the form. Follow website instruction to pay the debt account identified in the DFAS debt letter. Contact DFAS at 866-92-6488 with questions on the payment process.
  - 3. Paying the VA Agent Cashier. This option is limited to non-salary related debt established for VA collection outside the payroll system, or salary debt from separated employees.
  - 4. Installment agreement. The chief of the local finance office or designee may agree to an installment repayment plan to recover employee debt to VA in accordance with requirements in 31 C.F.R. § 901.8, and 38 C.F.R. § 1.914. Employees requesting agreements will submit a completed VA Form 5655, Financial Status Report, that will be reviewed by the approving official to verify inability to pay in a single payment (See 38 C.F.R. § 1.990).
  - 5. Local payroll staff, in coordination with the local HR office will ensure the employee is notified of pending debt and advise the employee of the available options to satisfy the debt after leaving VA. VA stations will use a modified version of VA Form 3248CO, Employee’s Clearance from Indebtedness, or similar automated process to document notice of employee separation to offices with required action such as removing systems access and recovering issued equipment. Instruction for local form development is available on VA Form 3248CO.
- B. Federal Salary Offset Fundamentals
  - 1. The Order of Precedence established by OPM directs the priority of deductions when pay is not sufficient to cover all deductions.

2. Involuntary salary offset deductions are normally taken at a maximum rate of 15% of disposable pay, which is earnings following reduction for retirement, taxes, and basic health and life insurance. See disposable pay definition in 5 C.F.R. § 550.1103. However, there are some items such as child support, federal tax debt, advanced salary or advanced travel payments and the unpaid balance upon separation of a debt installment agreement, whose deduction amount may exceed 15% of disposable pay.
  3. Interest, administrative cost of collection and late payment penalties will generally be added to the amount due for delinquent debt. See VA Financial Policy Volume XII, Chapter 9 – Interest, Administrative Cost and Penalty Charges, for additional information.
  4. Health insurance premium debt collection process under OPM requirement is contained in 5 C.F.R. § 890.502(b)(2)(ii). The following health insurance premium debt collection process only applies to the regular health insurance premiums and not to other health related deductions or allotments, such as those for separate dental and/or vision insurance plans, long term care, flexible spending accounts or health savings accounts. Insurance providers bill employees directly or suspend coverage if earnings do not allow regular deductions in accordance with plan requirement.
    - a. Health insurance premium debt will be recovered at the rate of one additional employee premium amount per pay period above the regular pay period health insurance deduction, unless the employee requests the withholding at a higher rate.
    - b. Prompt employee response to initial NOI does not suspend health insurance premium collection activity if the amount to be recovered was accumulated over 4 pay periods or less.
    - c. The servicing VA payroll office will assist accounting staff in verifying all advanced health benefit contribution and charge transactions from the DCPS debt record are reflected on the duplicate VA advanced health receivable account in the VA financial accounting system. The VA debt will become active if the employee separates before DFAS can fully collect the debt.
- C. Most employee debts require a minimum notice period and due process rights before agencies may begin collection by salary offset. See 5 U.S.C. § 5514(a)(2); 5 C.F.R. §§ 550.1104(b, d); and 38 § C.F.R. 1.983. However, certain debts are excepted from the requirements of 5 U.S.C. § 5514(a)(2), 5 C.F.R. §§ 550.1104(b, d) and 38 C.F.R. § 1.983. They include:
1. Debts resulting from routine intra-agency adjustments of pay attributable to clerical or administrative error or delays in processing pay documents, if the

overpayment occurred within the four pay periods immediately preceding the adjustment;

2. Those amounting to \$50 or less; or
3. Adjustments to pay arising out of an employee's election of coverage or a change in coverage under a Federal benefits program requiring periodic deductions from pay, if the amount to be recovered was accumulated over four pay periods or less.

For these debts, VA may begin collection immediately so long as the agency provides written notice of the nature and amount of the debt and a point of contact for contesting the adjustment. This notice must be provided at the time of adjustment or as soon thereafter as practicable. See 5 U.S.C. § 5514(a)(3); 5 C.F.R. § 550.1104(c); and 38 C.F.R. §§ 1.980(e)-(g).

D. For automated salary offsets (i.e., salary-related debt), DCPS will begin the offset process:

1. Concurrent with notice for debt excepted from standard waiting period requirement (See 38 C.F.R. §§ 1.980(e-g) and 5 C.F.R. § 550.1104(c));
2. Following a 30-day waiting period, when the employee has not met deadlines to submit a written dispute or a request that suspends salary offset;
3. When a hearing confirms debt validity;
4. When a waiver request is denied; or
5. When 6-months pass without DFAS receiving an update from the VA payroll office on the status of an on-going hearing or waiver determination case.

E. For non-automated salary offsets, the VA servicing payroll office will transmit a completed form DD 2481, Request for Recovery of Debt Due the United States by Salary Offset, to DFAS to begin the salary offset process for unpaid overdue current employee non-salary related debt to VA (e.g., negligent damage to, or loss of, agency property, travel advances, breach of contract, breached service agreements (for debt not already established in DCPS by HR actions processed), etc.).

F. Non-VA debt for collection by VA salary offset is administered by DFAS, including garnishment, alimony or child support, other court ordered offset, IRS tax levy and other overdue debt to another government entity.

G. Salary Offset Debt Disposition upon Transfer or Separation:

1. Transfer to Another VA facility. Debt records remain active with the employee record in DCPS upon transfer to another VA facility (activity). Debt recovered after transfer will be credited to the VA facility where the debt originated.
2. Transfer to Another Federal Agency Paid through DFAS. Debt records remain collectible by DFAS on behalf of VA while DFAS continues to process employee salary payments. VA debt recovered after transfer will be credited to the VA facility (activity) where the debt originated.
3. Federal Employment Ended (non-retirement), or Transfer to Another Federal Agency Not Paid through DFAS. DFAS will forward VA unpaid debt records to the Financial Services Center (FSC) following employee separation. Upon receipt, VA FSC will forward the DFAS “out-of-service” debt record to the local finance office for collection action. Duplicate VA advanced health insurance premium debt records may be activated before the DCPS debt record is received when verified complete as noted in 030504B4c.
4. Retirement. Payroll debt records established for collection in DCPS prior to separation for retired VA employees will be forwarded directly by DFAS to OPM or to a Non-Appropriated Fund (NAF) retirement administrator if applicable.

H. Other Debt Collection Tools include:

1. VA or DFAS submission directly to OPM or another retirement administrator for employee debt offset from retirement contributions or benefits; and
2. Transfer of collection responsibility to CS for separated employee debt to VA before 120 days delinquent.

**030505 Collection of Travel Related Debts**

- A. In accordance with OMB Circular A-123, Appendix B, VA will pursue salary offset for travel card related debts. This applies to all overdue travel card debt without regard to how the debt was incurred on the card. The station’s travel charge card Agency/Organization Program Coordinator (A/OPC) is responsible for initiating the salary offset process for these debts. For more information on the A/OPC specific responsibilities see VA Financial Policy Volume XVI, Chapter 2 – Government Travel Charge Card Program.
- B. A travel advance issued via EFT directly to an employee (not from a travel charge card which is addressed in section A above) for travel expenses, represents an outstanding amount due to the Government until repaid. An outstanding travel advance is recouped by offsetting current pay, retired pay or other amounts payable to the employee by the United States Government in accordance with 5 U.S.C. § 5705. The employees payroll office is responsible for initiating the salary offset

process by submitting a DD2481 to DFAS. If the employee separates with an outstanding travel advance that was not offset from the employee's final pay, the servicing accounting office will clear the advance from the related travel order, establish the debt in VA's accounting system, and issue a NOI. See Appendix A for a sample DD 2481.

- C. For travel debt VA will audit/review employee submitted travel vouchers to confirm or deny entitlement to expense reimbursement in accordance with Federal Travel Regulation (FTR) requirement. VA will collect TDY overpayments, identified via audit, of \$25 or more. Travel offices have discretion to collect low dollar debt below the \$25 minimum threshold where a significant enforcement principle is involved, such as repeated claims for disallowed items. Travel offices will refer overdue employee TDY debt to the servicing payroll office for collection through salary offset. To initiate salary offset the servicing payroll office must submit a DD2481 to DFAS. See Appendix A for a sample DD 2481.

### **030506 Validity of Debt, Waiver and Compromise Requests**

- A. When an employee questions the validity of a debt or a waiver or compromise request is received, VA will take the following steps:
1. The servicing payroll office will promptly direct hearing, waiver and compromise requests to the chief of the local finance office or designee responsible for preparing a report of investigation.
  2. The chief of the local finance office at the affected station will prepare a report of investigation for the signature of the Station Director on all employee debts considered for hearing, waiver or compromise. If all or part of the debt involves activity of another VA station, the necessary information will be obtained from the other station to permit full development of the facts.
  3. The chief of the local finance office responsible for an employee pay or allowance, travel or relocation expense debt report of investigation will also prepare and maintain the related correspondence to or from the debtor and will ensure debt collection activity proceeds as required. Waiver or compromise of overpayments will depend upon the facts of the particular case and applicability of waiver authority. The chief of the local finance office may also initiate a waiver request when the facts and circumstances warrant such consideration.
  4. If the employee requests a hearing or waiver within 30 days of the date of the NOI for full due process debt, the VA servicing payroll office will notify DFAS to suspend salary offset pending a determination. Offset will commence when and if an initial decision is made to deny the waiver, or a hearing determines the debt is valid or sets the rate of repayment. After an initial waiver denial decision, the

offset will continue even if the employee subsequently appeals denial of the waiver.

5. A full report of investigation is not required for waiver request cases involving amounts of \$100 or less where there is no indication in the record of fraud, misrepresentation, fault or lack of good faith on the part of the employee or any other person having an interest in obtaining a waiver of the debt. A statement to this effect will be sent with the waiver referral package to the COWC.
6. The report of investigation will contain:
  - a. A statement of the aggregate (gross) amount of the debt.
  - b. A citation of inclusive dates of each pay period in which erroneous payment was made and the amount of the debt applicable to each pay period.
  - c. The appropriation or fund from which erroneous payment was made. If any other appropriation or fund was involved, the amount applicable to each should be included.
  - d. A detailed statement describing the circumstances under which the erroneous payment was made, or the travel debt occurred.
  - e. The date the debt was discovered at the facility and the date the initial demand payment letter was sent to the employee, or the date of the NOI from DFAS.
  - f. A statement as to whether the erroneous payment is the subject of an exception to full due process NOI (See 030504C above).
  - g. A statement as to whether there is any indication of fraud, misrepresentation, fault or lack of good faith on the part of the employee or any other person having an interest in obtaining a waiver of the debt.
  - h. Any other relevant information, such as personnel action forms, leave and earnings statements, training or other instructions indicating knowledge on the part of the employee concerning the possibility of having received an erroneous payment of pay and allowances. At a minimum, copies of SF 50-B, Notification of Personnel Action, applicable pay statements and any other forms or documents that either establish or have a bearing on the employee's pay entitlement should be included.
  - i. A statement of the corrective action that has been or will be taken to prevent similar erroneous payments in the future.
  - j. A recommendation with respect to waiver or other employee concern.

- k. A statement from the employee with respect to any knowledge of the erroneous payment he or she may have had at the time of its occurrence and any corrective action taken, if an error was suspected.
7. Applications for waiver or compromise of employee erroneous overpayment debt are transmitted along with the completed report of investigation by the chief of the local finance office to the COWC of jurisdiction. Hearing requests for erroneous overpayment are transmitted along with the report of investigation to the DMC.
- B. The report of investigation package including employee claims and evidence from both the employee and VA is the basis for a paper hearing determination on employee debt validity by an Administrative Law Judge or other non-VA hearing officer. The hearing officer may defer to the chief of the local finance office regarding an employee request to enter an installment agreement.
  - C. When a request for a hearing or waiver related to salary overpayment debt is received before the applicable deadline, the VA servicing payroll office will transmit to DFAS a Notification to Stop VA Employee Full Due Process Debt Deductions Pending Debt Waiver or Hearing memorandum. The servicing payroll office will submit to DFAS status updates on a periodic basis (i.e., at least once every six months following the previous update while the hearing or waiver request remains unresolved) and when a final determination is made.
  - D. Waiver determinations on employee erroneous pay and allowances and travel, transportation and relocation expenses are delegated to the centralized VBA Committee on Waivers and Compromises (COWC). Refer to 38 C.F.R. § 1.963a, and VA Financial Policy Volume XII, Chapter 11 – Committees on Waivers and Compromises, for additional information.
  - E. Requests for waiver of personal liability of a certifying official (e.g. charge card user) for fraudulent or improper purchases or payments are forwarded to the Secretary of Veterans Affairs (SECVA). This is despite 31 U.S.C. § 3528, that requires the Comptroller General to make a relief determination. VA policy is aligned with the 1991 Department of Justice (DOJ) opinion which decided the Comptroller Generals' waiver authority outlined in this statute violates constitutional doctrine of separation of powers. Treasury's Bureau of Fiscal Service developed Certifying Officer Training that explains the DOJ decision.

### **030507 Termination of Collection Action, Write-Off or Close-Out**

- A. Causes for stopping further collection of an employee debt and refund of amounts already collected include determination to grant a waiver by the COWC or a hearing officer having jurisdiction, or written determination that a debt is not valid from:

- The Office of General Counsel;
  - A Federal court (e.g., bankruptcy court discharge of debt to VA); or
  - Other Federal office with jurisdiction (e.g., Equal Employment Opportunity Commission).
- B. Outside waiver or discharge actions noted above, current employee debt cannot generally be identified as uncollectible which rules out either write-off or close-out.
- C. Separated employee debt for which CS and other collection resources are not effective for principal amounts not exceeding \$100,000 are subject to termination and close-out in accordance with standards set forth in 38 C.F.R. §§ 1.940-1.944, pursuant to 31 U.S.C. § 3711(a)(3), and 31 C.F.R. Part 903. Recommendation for termination and close-out for debt with principal amounts exceeding \$100,000 must be referred to the DOJ for determination.

### **030508 Reporting a Debt**

- A. VA will report the discharge of \$600 or more in employee debt as taxable earnings, via IRS Form 1099-C, Cancellation of Debt, in accordance with IRS requirements. See additional information on the requirement for reporting debt discharge in VA Financial Policy Volume XII, Chapter 13 – Termination of Collection Action and Reporting Discharge of Debt to IRS.
- B. VA will report current employee salary-related debt information on VA's behalf in accordance with Treasury Report on Receivables (TROR) reporting requirements.

### **0306 Authorities and References**

[5 C.F.R. Part 550, Subpart K, Collection by Offset from Indebted Government Employees](#)

[5 C.F.R. Part 890 Subpart E, \(FEHB\) Contributions and Withholdings](#)

[5 U.S.C. § 5514, Installment deduction for indebtedness to the United States](#)

[5 U.S.C. § 5584, Claims for overpayment of pay and allowances, and of travel, transportation and relocation expenses and allowances](#)

[5 U.S.C. § 5705, Advancements and deductions](#)

[31 C.F.R. Parts 900-904, Debt Collection, Compromise, Suspension, and Termination Standards, and Referral to the Department of Justice, aka Federal Claims Collection Standards \(FCCS\)](#)

[31 U.S.C. § 3528, Responsibilities and relief from liability of certifying officials](#)

[31 U.S.C. § 3711, Collection and compromise](#)

[31 U.S.C. § 3716, Administrative offset](#)

[38 C.F.R. §§ 1.900-1.1000, Standards for Collection, Compromise, Suspension or Termination of Collection Effort, and Referral of Civil Claims for Money or Property](#)

[38 C.F.R. §1.963a, Waiver; erroneous payments of pay and allowances.](#)

[38 C.F.R. § 17.105, Waivers.](#)

[38 U.S.C. § 723, Recoupment of relocation expenses paid on behalf of employees of Department](#)

[38 U.S.C. § 5302, Waiver of recovery of claims by the United States](#)

[67 Comptroller General 496 \(1988\), Agency travel advance waiver authority](#)

[Debt Collection Improvement Act of 1996](#)

[Department of Justice Opinion - Comptroller General's Authority to Relieve Disbursing and Certifying Officials From Liability](#)

[Digital Accountability and Transparency Act of 2014](#)

[IRS Filing Requirements](#)

[IRS Form 1099-C, Cancellation of Debt](#)

[OPM Employing Office Notification](#)

[OPM PPM-2008-01, Order of Precedence](#)

[PAY.gov](#)

[Treasury Certifying Officer Training Job Aid-Relief from Liability](#)

[TFM Volume I, Part 6, Chapter 3000, Payments of Unclaimed Moneys and Refund of Moneys Erroneously Received and Covered](#)

[Treasury Report on Receivables](#)

[VA Directive 5021, Employee/Management Relations](#)

[VA Form 5655, Financial Status Report](#)

[VA Forms 3248CO, Separation Notice and Employee Debt Clearance VACO](#)

[VA Forms FL4-520a-g, Notice of Indebtedness](#) (VA intranet access only)

[VA Office of Financial Policy Volumes](#)

[VAFSC News Flash FY19 issue 17, IPACs to DFAS for Payroll Debt Collections](#)

### **0307 Rescissions**

- A. VA Financial Policy Volume XII, Chapter 1D – Salary Offset for Federal Employees Indebted to U.S.
- B. VA Financial Policy Volume XII, Chapter 4 – Employee Debt

### **0308 Questions**

Questions concerning these financial policies and procedures should be directed to the following points of contact:

VHA	VHA 10A3A Accounting Policy (Outlook)
VHA	VAFSC Nationwide Accounting (Outlook)
VBA	VAVBAWAS/CO/FINREP (Outlook)
VBA	VAVBAWAS/CO/OPERATIONS (Outlook)
NCA	NCA Financial Policy Group (Outlook)
NCA	NCA Budget Service (Outlook)
All Others	OFP Accounting Policy (Outlook)

Appendix A: Sample DD 2481. Request For Recovery of Debt Due the United States By Salary Offset.

REQUEST FOR RECOVERY OF DEBT DUE THE UNITED STATES BY SALARY OFFSET							
PRIVACY ACT NOTICE							
The data on this form is covered by the Privacy Act of 1974, as amended, 5 U.S.C. Section 552a.							
<b>1. PAYING OFFICE IDENTIFICATION</b>				<b>2. EMPLOYEE IDENTIFICATION</b>			
a. NAME				a. NAME (Last, First, Middle Initial)			
b. ADDRESS (Street, City, State and Zip Code)				b. ADDRESS (Street, City, State and Zip Code)			
c. CONTACT NAME (Last, First, Middle Initial)				c. DATE OF BIRTH (YYYYMMDD)		d. SOCIAL SECURITY NUMBER	
d. E-MAIL ADDRESS				e. TELEPHONE NO. (DSN and Commercial)			
To liquidate a debt to the United States, the named Creditor Component asks that the debt be collected as shown from the current pay of the employee identified above. Notices and inquiries concerning the debt should be sent to the address shown below.							
<b>3. DEBT INFORMATION</b>							
a. REASON FOR DEBT				b. DATE RIGHT TO COLLECT ACCRUED (YYYYMMDD)			
				c. DEBT IDENTIFICATION NUMBER, IF ANY			
d. ORIGINAL DEBT AMOUNT		\$	e. NUMBER OF INSTALLMENTS		(1) @	(2) Amount	
f. INTEREST DUE (If none, show N/A)		\$				\$	0.00
g. PENALTY DUE (If none, show N/A)		\$				\$	0.00
h. ADMINISTRATIVE COST (If none, show N/A)		\$				\$	0.00
i. TOTAL COLLECTION TO BE MADE		\$	0.00		j. COMMENCE DEDUCTIONS ON (YYYYMMDD)		
<b>4. DUE PROCESS</b> (X applicable items and either enter date action taken in Column (1) or X Column (2) or (3) and attach acknowledgement or consent.)							
	(1) Date Action Taken	(2) Acknowledgement	(3) Consent		(1) Date Action Taken	(2) Acknowledgement	(3) Consent
a. CREDITOR COMPONENT 30 DAY SALARY OFFSET NOTICE				d. HEARING HELD			
b. EMPLOYEE DID NOT RESPOND (Consent assumed)				e. DECISION FOR CREDITOR COMPONENT			
c. EMPLOYEE REQUESTED A HEARING				f. OTHER (Specify)			
I certify the following: (1) The debt identified above is properly due the United States from the named employee in the amount shown; (2) This Agency's regulations implementing 5 U.S.C. 5514 have been approved by the Office of Personnel Management; and (3) The information concerning this Component's and the employee's actions is correct as stated.							
<b>5. CREDITOR COMPONENT INFORMATION</b>							
a. NAME				b. ADDRESS (Street, City, State and Zip Code)			
c. CONTACT NAME (Last, First, Middle Initial)		d. E-MAIL ADDRESS		e. TELEPHONE NO. (DSN and Commercial)			
f. ACCOUNTING CLASSIFICATION (Line of Accounting)							
g. DOCUMENT NUMBER							
h. CERTIFYING OFFICIAL							
(1) Signature		(2) Date Signed (YYYYMMDD)		(3) Title		(4) Telephone No. (DSN and Commercial)	
<b>6. DFAS ACCOUNTING OFFICE</b>							
a. OFFICE, SYMBOL, AND PROCESSOR'S NAME		b. E-MAIL ADDRESS		c. TELEPHONE NO. (DSN and Commercial)		d. DATE (YYYYMMDD)	

**Appendix B: Hearing Request for VA Employees under the Debt Collection Act with a Non-Veterans Affairs Hearing Official**

**General Information:**

- A. In 2018, the Department of Veterans Affairs (VA) entered into a Memorandum of Agreement (MOA) with the Defense Finance and Accounting Service (DFAS) whereby DFAS provides hearing officer support for VA salary offset (employee debt) hearings. The VA Office of General Counsel (OGC), on behalf of the VA Debt Management Center (DMC) and with the assistance of Facility Fiscal Officers, will represent VA in these hearings.
- B. The following information should be used to meet VA employee rights as related to hearings in conjunction with employees' debts not involving benefits under laws administered by VA. Specifically, the following provides guidance for Chief Fiscal Officers and Facility Fiscal Officers and the instructions that must be provided to indebted employees for use in preparing their hearing requests.
- C. Centralized administrative offset, including Federal salary offset, is authorized under Public Law 97-365, the Debt Collection Act of 1982, and Public Law 104-134, the Debt Collection Improvement Act of 1996. Salary offset hearings are authorized by 5 U.S.C. § 5514, 5 C.F.R. § 550.1107, and 31 C.F.R. § 901.3. Procedures related to salary offset and hearings are set forth at 38 C.F.R. §§ 1.980 – 1.995.
- D. The following situations are not considered as debts eligible for hearing under the provisions of 38 C.F.R. § 1.980:
  1. Any adjustment to pay arising out of an employee's election of coverage or a change in coverage under a Federal employee benefits program requiring periodic deductions from pay if the amount to be recovered was accumulated over four pay periods or less;
  2. A routine intra-agency adjustment of pay that is made to correct an overpayment of pay attributable to clerical or administrative errors or delays in processing pay documents, if the overpayment occurred within the four pay periods preceding the adjustment and, at the time of such adjustment, or as soon thereafter as practicable, the individual is provided written notice of the nature and amount of the adjustment and a point of contact for contesting such adjustment;

3. Any adjustment to collect a debt amounting to \$50 or less, if at the time of such adjustment, or as soon thereafter as practicable, the individual is provided with written notice of the nature and amount of the adjustment and a point of contact for contesting such adjustment; or
4. Debts or claims arising under the Internal Revenue Code of 1954, as amended, the Social Security Act, the tariff laws of the United States, or to any case where collection of a debt by salary offset is explicitly provided for (e.g., travel advances in 5 U.S.C. § 5705 and employee training expenses in 5 U.S.C. § 4108) or prohibited by another statute.
5. The procedures and requirements of these regulations do not apply to salary offset used to recoup a Federal employee's debt where a judgment has been obtained against the employee for the debt.

The OGC points of contact for these cases is [EmployeeDebtHearings@va.gov](mailto:EmployeeDebtHearings@va.gov)

**Facility Fiscal Officer Instructions for Responding to a Request for a Hearing Under the Debt Collection Act**

**Facility Fiscal Officer Responsibilities:**

- A. It is critical to document submission dates related to the hearing process. Upon timely receipt of a request for hearing (within 30 days of notification of debt), the Facility FO will review the package for completeness. The Facility FO will also initiate suspension of collection action via remedy ticket to Defense Finance and Accounting Service (DFAS) through the servicing payroll office.
- B. If the request is received after 30 calendar days of notification of debt, or if it is incomplete, the Facility FO will return the submission to the employee with an appropriate written explanation. If the package was returned because it was incomplete, the employee may resubmit the package with the missing documentation within 30 calendar days of the date the package was returned. If the package was returned because the request was not submitted timely, the employee may resubmit the package with an explanation showing the late request was the result of circumstances beyond their control or because they failed to receive actual notice of the filing deadline. If the employee does not respond timely or fails to provide sufficient reasons to demonstrate that the untimeliness was the result of circumstances beyond their control, they have waived their right to a hearing, and enforced salary offset may commence.
  - A. The Facility FO will conduct an informal investigation to confirm the validity and existence of the debt. The Facility FO will also complete the “Salary Offset Hearing Request Checklist” and gather all required documentation supporting the debt.

- B. Thereafter, the Facility FO will deliver the employee's complete package, along with the Salary Offset Hearing Request Checklist and supporting documentation, to the Office of General Counsel (OGC). OGC will be the VA representative with the hearing official and will coordinate delivery of the hearing request to DFAS.
  
- C. DFAS hearing officials adjudicate salary offset hearings. DFAS will first complete an informal reconsideration of the debt and will provide written notice of its findings to the employee and VA. To continue with the formal hearing process, the employee must provide written notice to DFAS. DFAS will inform the employee of the deadline to submit any additional evidence and arguments to support the request. DFAS will then close the record and is expected to issue a final decision to the employee and VA within 60 days. OGC will coordinate implementation of the decision with the Facility FO.

**Appendix C: Salary Offset Hearing Request Checklist**

**Submission Information**

Submitter Name: \_\_\_\_\_

Submitter Job Title & Station: \_\_\_\_\_

Phone: \_\_\_\_\_ Email: \_\_\_\_\_@va.gov

**Debtor Information**

Debtor Name: \_\_\_\_\_

Date of Notification of Debt: \_\_\_\_\_ Date Hearing Requested: \_\_\_\_\_

Documents Provided  Employee request  DFAS debt letter(s)  SF50(s)  
By Employee:

Leave & Earnings Statement(s)  Other: \_\_\_\_\_

Waiver Requested:  No  Yes - status: \_\_\_\_\_

**Station Action**

Informal Investigation Conducted:  Yes – report enclosed  No\*

Station Position – Debt is:  Valid  Invalid\*

Required\* Documents  Personnel actions (SF50, SF52, etc.)  Leave & Earnings  
Statements  
to Support VA position:  Debt case screen(s) from DCPS  Debt calculation  
explanation

Additional documents included to support validity of debt:  
\_\_\_\_\_

Date Submitted to OGC: \_\_\_\_\_ By:  Email  Mail

Notes: \_\_\_\_\_

\*Do not submit request if informal investigation has not been conducted, if investigation found debt to be invalid, or if all required documents are not included.

Employee's hearing request and supporting documents, as well as checklist and supporting documents, should be emailed to EmployeeDebtHearings@va.gov. If volume makes it impractical to email, mail documents to: US Department of Veterans Affairs Office of General Counsel, ATTN: Employee Debt Hearings, 1 Veterans Dr Bldg 73, Minneapolis, MN 55417.

**SALARY OFFSET HEARING REQUEST CHECKLIST INSTRUCTIONS**

**Submission Information.** Information about individual submitting request to DMC.

Item	Description	Tips
Submitter Name	Individual submitting hearing request to DMC	List any other individuals involved in matter
Submitter Job Title	Job title of individual submitting hearing request	Include job title for any other individuals involved in matter
Station	Name of station submitting employee debt hearing request	Indicate if any other stations or facilities are involved in matter
Phone, Email	Phone and email of individual submitting hearing request	Provide contact information for other individuals as appropriate

**Debtor Information.** Information about employee debt.

Item	Description	Tips
Debtor Name	Name of employee debtor requesting hearing	Include middle initial when possible
Date of Notification	Date from DFAS letter	Located in upper right-hand corner
Date Hearing Requested	Date employee submitted hearing request to Fiscal Officer	Request is not timely if more than 30 days between DFAS notice and date hearing was requested; Fiscal to notify debtor
Documents Provided	Specify which documents debtor submitted as part of hearing request	Do not submit to DMC without copy of debtor statement, DFAS debt letter, and other documents; Clearly indicate which additional documents were submitted by debtor so VA files appropriate documents in the case
Waiver Requested	Whether debtor seeks a waiver of the debt	If waiver was requested, provide status of request; If pending, will not be filed for hearing until waiver decision issued

**Station Action.** Information about station actions to investigate debt.

Item	Description	Tips
Informal Investigation Conducted	Indicate whether informal investigation conducted by station.	DO NOT submit hearing request to DMC until Fiscal has investigated issue and informed debtor of the results; Submit copy of report and supporting documentation to DMC
Station Position of Debt	Indicate whether investigation found debt to be valid	DO NOT submit hearing request to DMC if debt is found to be invalid – Fiscal should terminate debt
Documents Provided	Indicate which documents station used to determine and support validity of debt	Provide copies of ALL documents relating to debt, including: -all SF50s effective during period of debt -all LES's during period of debt -DCPS debt case screen for each debt -audit or other explanation of calculation of debt  -any other documents relating to debt (ex – email correspondence, debt letter, Master Pay or Time History, FEHB enrollment form, etc.)
Submitted to DMC	Indicate method and date submitted to DMC	Should be submitted to DMC within 7 business days of hearing request
Notes	Any other helpful information about case	When in doubt, make notes or provide additional documentation to DMC

### Employee Instructions to Request a Hearing Under the Debt Collection Act

Under 5 U.S.C. § 5514(a)(2)(D) and 38 C.F.R. § 1.980 *et seq.*, an employee may request a hearing before a hearing official not employed by the Department of Veterans Affairs to contest the existence or amount of the debt or to contest the amount proposed to be involuntarily deducted from the employee's pay each pay period. To request a hearing, the employee must submit a written, signed request with the Facility Fiscal Officer (FO) not later than 30 calendar days from the date of debt notice. The employee maintains the right to file for a waiver, which is a separate action from requesting a hearing.

Collection action will be suspended upon a timely and complete request for hearing. A recommended format for the request is included on the last two pages of this document. Although this recommended format is not required, the request for hearing **MUST** include the following information:

- The words "Request for a Hearing Under the Debt Collection Act" prominently captioned at the top of the first page.
- Your name, home and work address, home and work telephone number, and home and work email address.
- A statement of the date the notification of indebtedness under the Debt Collection Act was received.
- A copy of the notification of indebtedness.
- A statement detailing why you object to the determination of the existence or amount of the debt or the proposed offset schedule. The statement should identify and explain with reasonable specificity the facts, evidence, and legal arguments that support the position.
- A copy of all records in your possession which relate to the debt.
- If you request an oral hearing: an explanation of why the matter cannot be resolved by a review of the documentary evidence alone.
- If you contest the proposed payment schedule: a copy of any Financial Hardship Agreement, as well as evidence and arguments supporting an alternate payment plan.
- Your signature with date signed.

Deliver your signed request and supporting documentation to your Facility FO. The Facility FO will review the package for completeness. The package will be returned to you if it is received more than 30 calendar days after the date of the written debt notification or it is incomplete. If the package is returned to you because it was incomplete, you may resubmit the package with the missing documentation within 30 calendar days of return. If the package was returned to you because it was submitted late, you may resubmit the package within 30 calendar days of return with an explanation showing the late submission was the result of circumstances beyond your control or because you failed to receive actual notice of the filing deadline.

If your request for hearing is timely, the Facility FO will initiate suspension of debt collection by salary offset. If you do not timely request hearing, or do not timely respond to a returned hearing request, you are not entitled to a hearing, and VA may commence enforced salary offset.

The Facility FO will communicate with the VA Debt Management Center (DMC) and Office of General Counsel (OGC) to coordinate the hearing.

DFAS hearing officials adjudicate salary offset hearings. DFAS will first complete an informal reconsideration of the debt and will provide you written notice of the findings. To continue with the formal hearing process, you must provide written notice to DFAS. DFAS will inform you of the deadline to submit any additional evidence and arguments to support your request. DFAS will then close the record and is expected to issue a final decision within 60 days.

**Request for Hearing under the Debt Collection Act**

Your request for a hearing before a hearing official not employed by the Department of Veterans Affairs must be submitted to the VA Facility Fiscal Officer (FO) within 30 calendar days from the date of your notification of the debt. If the request for hearing is received timely, salary offset procedures will be postponed until a final decision is rendered by the hearing official.

Complete and return this form along with all necessary documentation and information to the Facility FO.

Name: \_\_\_\_\_  
(last name, first name, middle initial)

Home address: \_\_\_\_\_

Work address: \_\_\_\_\_

Home phone: (        ) \_\_\_\_\_ Work phone: (        ) \_\_\_\_\_

Home email address: \_\_\_\_\_

Work email address: \_\_\_\_\_

Type of hearing requested:  paper (based only on written submissions) OR  oral

- If an oral hearing is requested, you must explain why the matter cannot be resolved by a review of documentary evidence alone
- The hearing official will determine the form of the hearing (written or oral) but will take your request into consideration

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

Have you included the following items?

- Your contact information
- Date you received the notification of indebtedness under the Debt Collection Act
- A copy of the notification of indebtedness
- A statement detailing why you object to the determination of the existence or amount of the debt or the proposed offset schedule. The statement should identify and explain with reasonable specificity the facts, evidence, and legal arguments that support the position.
- A copy of all records in your possession which relate to the debt

- If you request an oral hearing: an explanation of why the matter cannot be resolved by a review of the documentary evidence alone.
- If you contest the proposed payment schedule: a copy of any Financial Hardship Agreement, as well as evidence and arguments supporting an alternate payment plan.