



Department of Veterans Affairs

Financial Policy

Volume XII

Debt Management

Chapter 4

Employee Debts

Approved:

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7.29.2016

Date

Financial Policies and Procedures
Employee Debts

CHAPTER 4

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0401 OVERVIEW

This chapter establishes the Department of Veterans Affairs (VA) financial policies and procedures relating to collection actions on debts owed by an employee, defined as an individual who is or was employed in a civilian capacity by the Federal Government. Debt, as defined in this chapter, refers to a claim for money made by or owed to the Government, arising out of VA activities other than benefit debts, such as amounts owed for salary overpayments or Federal Employee Health Benefits Premiums where an employee elects to continue his or her health benefit enrollment while in a non-pay status.

040101 AUTHORITY FOR EMPLOYEE DEBT COLLECTION. In accordance with debt collection standards established in 31 C.F.R. 901.1-901.12, "*Standards for the Administrative Collection of Claims*" and 38 C.F.R. 1.910-1.953, "*Standards for Collection of Claims*," VA has the authority to make all reasonable efforts to recover debts due from employees and to satisfy such indebtedness in full, including the assessment of any interest, administrative costs, penalties and other late payment charges on various types of debts, as necessary.

040102 ACTIONS FOR EMPLOYEE DEBT COLLECTION. VA has authority to waive, compromise, offset suspend and terminate/close out debt during the collection process when applicable regulations and guidelines are met. VA will apply the Debt Collection Standards defined in Chapter 1, "*VA Debt Collection Standards*," when collecting debts owed by employees. VA may recover the full amount of the debt directly from debtors through a one-time lump sum payment, a series of voluntary or involuntary salary offsets or installment payments.

In addition to these methods, VA may seek collection through alternative means, including referrals to the Department of the Treasury (Treasury) via the Treasury Offset Program (TOP) or the Treasury Cross-Servicing Program (see Appendix A) and referrals to VA Regional Counsels (RC) or the Department of Justice (DOJ) for enforced collection (litigation). VA may report discharges of indebtedness to the Internal Revenue Service (IRS) as income to the debtor. Former employees may have their debts paid through administrative wage garnishments from their current non-Federal employers.

Refer to the following chapters in Volume XII, Debt Management, for more detailed information on employee debt actions which may be taken:

- 1B Waiver of Debts
- 1C Compromise of Debts
- 1D Salary Offset for Federal Employees Indebted to U.S
- 1E Treasury Offset Program and Treasury Cross-Servicing
- 1F Administrative Wage Garnishment
- 1G Referrals for Enforced Collection (Litigation)
- 1H Suspension of Collection Action

- 1I Termination of Collection Action & Debt Close Out
- 1J Reporting Discharge of Indebtedness to IRS

0402 POLICIES

040201 AUTHORITY FOR EMPLOYEE DEBT COLLECTION. VA will take prompt and aggressive action, including effective follow-up, to collect, compromise, suspend or close out employee indebtedness as appropriate to the type of debt and circumstances surrounding the debt. VA will assess interest, penalties and administrative costs on employee debts in accordance with 31 C.F.R. 901.9, "*Interest, Penalties and Administrative Costs,*" and 38 C.F.R. 1.915, "*Interest, Administrative Costs and Penalties.*"

040202 ACTIONS FOR EMPLOYEE DEBT COLLECTION.

A. VA will ensure debtors are promptly notified and provided all avenues to resolve the debt in accordance with Debt Collection Standards, defined in Chapter 1, "*VA Debt Collection Standards,*" when collecting debts owed by employees.

B. VA will initially attempt to recover the full amount of the debt directly from employees (current or past) through a lump sum payment, a series of voluntary or involuntary salary offsets or installment payments.

C. VA may waive, compromise, offset, suspend or terminate/close out a debt as appropriate to the debt and depending on the circumstances surrounding the debt and the financial capability of the debtor to make timely payments.

D. VA may seek collection through alternative means, including referrals to the Treasury via the TOP or the Treasury Cross-Servicing Program and referrals to VA's RC or DOJ for enforced collection (litigation) when collection efforts in "B" above prove insufficient or unsuccessful to satisfy the debt in full.

E. VA will report discharges of indebtedness to the IRS as income to the debtor as appropriate.

F. VA may collect or refer debts of former employees for collection through administrative wage garnishments from their current non-Federal employers.

0403 AUTHORITY AND REFERENCES

040301 [5 U.S.C. 5512, Withholding Pay; Individuals in Arrears](#)

040302 [5 U.S.C. 5513, Withholding Pay; Credit Disallowed or Charge Raised for Payment](#)

040303 [5 U.S.C. 5514, Installment Deduction for Indebtedness to the United States](#)

- 040304 5 U.S.C. 5522, Advance Payments; Rates; Amounts Recoverable
- 040305 5 U.S.C. 5584, Claims for Overpayment of Pay and Allowances and of Travel, Transportation and Relocation Expenses and Allowances
- 040306 5 U.S.C. 5705, Advancements and Deductions
- 040307 5 U.S.C. 5724, Travel and Transportation Expenses of Employees Transferred; Advancement of Funds; Reimbursement on Commuted Basis
- 040308 28 U.S.C. 2415(f)-2416, Statute of Limitations
- 040309 31 U.S.C. 3701, Definitions and Application
- 040310 31 U.S.C. 3711-3720E, Claims of the United States Government
- 040311 31 U.S.C. 3728, Setoff against Judgment
- 040312 5 C.F.R. 550.201-550.206, Advances in Pay
- 040313 31 C.F.R. Chapter II, Part 285, Debt Collection Authorities under the Debt Collection Improvement Act of 1996
- 040314 31 C.F.R. Chapter IX, Federal Claims Collection Standards (Department of the Treasury--Department of Justice), Sections 900 to 904
- 040315 38 C.F.R. PART 1 – General Provisions: Standards for Collection, Compromise, Suspension or Termination of Collection Effort and Referral of Civil Claims for Money or Property, Sections 1.900-1.953
- 040316 38 C.F.R. PART 42 -- Standards Implementing The Program Fraud Civil Remedies Act, Subpart 42.43, Collection of Civil Penalties and Assessments
- 040317 38 C.F.R. PART 42 -- Standards Implementing The Program Fraud Civil Remedies Act, Subpart 42.44, Right to Administrative Offset
- 040318 33 Comp. Gen. 443 (1954), Set-Off - Pay or Compensation Due Military or Civilian Personnel - Indebtedness to United States
- 040319 Financial Accounting Standards Advisory Board (FASAB), Statement of Federal Financial Accounting Standards (SFFAS) No. 1, Accounting for Selected Assets and Liabilities
- 040320 SFFAS No. 7, Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting, paragraph 53

040321 Department of the Treasury (Treasury), Cross-Servicing Implementation Guide, Revised - July 2008

040322 Treasury Debt Management Services (DMS), Treasury Offset Program

040323 Department of Veterans Affairs Forms

040324 Digital Accountability and Transparency Act (DATA Act), Pub. L. 113-101

0404 ROLES AND RESPONSIBILITIES

040401 The Assistant Secretary for Management/Chief Financial Officer (CFO) oversees all financial management activities relating to the Department's programs and operations, as required by the Chief Financial Officers Act of 1990 and 38 U.S.C. 309. Responsibilities include the direction, management and provision of policy guidance and oversight of VA's financial management personnel, activities and operations. The CFO establishes financial policy, systems and operating procedures for all VA financial entities and provides guidance on all aspects of financial management.

040402 Under Secretaries, Assistant Secretaries, Chief Financial Officers, Fiscal Officers, Chiefs of Finance Activities, Chief Accountants and other key officials are responsible for ensuring compliance with the policies and procedures set forth in this chapter.

040403 Delegation of Authority

A. The Secretary of Veterans Affairs has delegated authority under the Federal Claims Collection Act, as amended, to the Assistant Secretary for Management/CFO to:

1. Collect claims in any amount;
2. Suspend collection action on claims valued up to \$100,000;
3. Terminate collection action on claims valued up to \$100,000;
4. Refer claims valued over \$100,000 (exclusive of interest and other charges) to DOJ through the appropriate RC for disposition; and
5. Refer claims of any amount for litigation.

B. With the exception of debts under \$40,000, the CFO in each VA Administration has been delegated the authority, itemized above, for all debts resulting from the operations of their respective Administrations.

C. The Deputy Assistant Secretary (DAS) for Finance has likewise been delegated the same authority for all debts under his or her collection jurisdiction for VA's Central Office (VACO) Finance Activity and the Debt Management Center (DMC).

D. The Chief of the Finance Activity at each VA field station has the authority, itemized above, for debts under \$40,000.

E. All VA officials, who have delegated authority, are responsible for implementing termination/close out action if it appears that future collection action would be fruitless or not cost effective to pursue.

0405 PROCEDURES

040501 AUTHORITY FOR EMPLOYEE DEBT COLLECTION.

A. VA will determine the existence of any employee debt before initiating the debt collection process. VA will decide if it is necessary or beneficial to delay establishment of the debt, if charges are incurred. If the establishment of the debt is delayed, the initial demand letter should not be sent until the debt is established in the appropriate accounts receivable system.

As an example, VA employs many current military reservists, Veterans and other personnel who may receive benefits or be placed in a non-pay status. When reviewing employee debt, VA should consider any special circumstances surrounding the debt, such as the employee reentered active duty service. Discretion and good judgment should govern the collection actions in these circumstances weighing the collection of debt to the impact on the employee.

B. VA will assess late payment charges as follows¹:

1. Interest charges will be calculated at a specified rate (i.e., the rate established annually by the Secretary of the Treasury – see 040310 and 040315 above) from the date the initial demand letter or Notice of Indebtedness (NOI) is mailed to the debtor, unless payment is received in full within 30 days from the date of the initial NOI.

2. Administrative costs² will be charged at a specified monthly rate (subject to change annually) on debts that are not paid within 30 days from the date of the initial written NOI or on any debt where an acceptable repayment plan has not been received from the debtor within the initial 30 day period.

3. Penalty charges³ may be assessed for any employee or nonbenefit debt that is more than 90 days past due. The 90 day time period begins 31 days after the date of the initial written NOI.

¹ For more detailed discussion on late payment charges, refer to Chapter 1A, “*Interest, Administrative Costs and Penalty Charges*,” in this volume of VA’s financial policies and procedures.

² Administrative costs are not assessed on debts owed by the Veterans Canteen Service.

³ Late payment charges are not assessed on debts owed by the Veterans Canteen Service, debts paid in full by the payment due date and claims against third-party payers (e.g., insurance companies) resulting from medical services provided to Veterans for a nonservice-connected disability or condition when such Veteran is eligible to receive payment from the third party for the medical treatment. Claims against third-party payers are not legally enforceable debts.

040502 ACTIONS FOR EMPLOYEE DEBT COLLECTION.

A. VA will carry out its debt collection activity consistent with standards defined in Chapter 1, “*VA Debt Collection Standards.*”

1. VA will notify the employee debtor in writing as soon as the debt has been established. For the content to be included in demand payment letters, refer to Chapter 1, “*VA Debt Collection Standards,*” of this volume of VA financial policies and procedures.

2. VA will properly notify employees and provide them the opportunity to exercise applicable due process rights (e.g., right to dispute the existence or amount of the debt or to request waiver, if applicable) within established timeframes. For more information relating to the debtor’s rights, refer to Chapter 1, “*VA Debt Collection Standards.*”

3. In order to maintain internal control, follow-up on delinquent debts will not be made by VA’s agent cashiers because they collect and deposit funds. The follow-up function will be performed by personnel who do not have access to collections and deposits.

B. VA may recover the full amount of the debt directly from employee debtors through payments made via lump sum settlements, a series of voluntary or involuntary salary offsets or installment payments.

1. Lump-Sum Payments. A lump sum payment is the preferred method of collecting employee debts. VA will demand payments from employees for debts owed, including travel debts. If the employee fails to cooperate with VA’s payment demand and when the debt is not resolved, VA will resort to other debt collection options.

2. Offsets. Offset may be made from almost any payment made to the debtor from the Federal Government, such as VA salary payments, however, an employee’s nonbenefit debt may not be offset from benefit payment received from participation in VA-administered benefit program. Such requests should be made to the appropriate officials at OPM under 38 C.F.R. 1.919.

a. VA may recover its debts through involuntary offsets against monies owed to debtors from either the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS), if the debtor has failed to arrange a satisfactory repayment plan. Such requests should be made to the appropriate officials at OPM under 38 C.F.R. 1.919.

b. If current salary was being offset to apply to a debt (e.g., nonbenefit overpayment, travel, etc.) and a balance is remaining at the time an employee terminates, resigns, retires or separates from employment, the final salary and/or a lump-sum payment will be withheld to apply to the debt. If a balance still remains after the withholding of final

salary and lump-sum payment, the balance should be set off from the employee's CSRS or FERS as described in "a" above.

c. If current salary was not being offset to apply to a debt (e.g., nonbenefit and/or travel overpayment), care will be taken to afford the employee certain due process rights to contest either the existence or amount of the debt or, if applicable, to request a waiver before offsetting final salary, lump-sum payment, CSRS or FERS. However, if the Chief of the Finance Activity determines that there is no other source of recovery and collection of the debt would be jeopardized by deferral of offset, then an involuntary offset is to commence immediately and notification to the debtor should be made at the time offset begins or as soon thereafter as possible. If a waiver is granted in whole or in part, a refund of amounts already collected will be made.

d. An involuntary offset of an overpayment made to a payee in one capacity will not be made from benefits currently being paid in another capacity (e.g., offset against a surviving spouse for an overpayment made to him/her as wife or husband payee, legal custodian, etc.).

3. Installments. When the employee (current or past) debtor is clearly unable to pay the full amount within a reasonable length of time or the employee (current or past) debtor refuses to pay the debt in full and it appears VA will be unable to enforce full collection, VA may arrange for an installment payment plan.

a. An employee will submit a request to arrange a voluntary repayment schedule to pay the debt in installments no later than 30 days after the date of the initial NOI. Acceptable financial information should be secured before accepting an offer to pay by installments. At a minimum, this request should include a completed VA Form 5655, "*Financial Status Report*," or its equivalent. The offset is in abeyance until the employee is notified in writing about whether the voluntary repayment agreement has been accepted by VA.

b. The repayment agreement should provide for complete liquidation within a reasonable time. The following conditions will be considered when deciding upon an appropriate installment repayment plan:

(1). The size and frequency of installment deductions will bear reasonable relations to the size of the debt and employee's ability to pay and, when possible, will be sufficient to liquidate the debt in 3 years or within the employee's anticipated period of employment.

(2). The amount of installment deductions to be deducted from disposable pay should be mutually agreed upon between VA and the debtor.

(3). A repayment plan resulting from involuntary offsets will support a position that the percentage of deduction from disposable pay will not cause any extreme financial hardship. In the case of involuntary offsets, VA will notify the employee in writing as to

the rate of deduction that was approved. Failing to provide the financial information in a timely manner to support a position of disagreement on the involuntary plan will result in the employee waiving his/her right to object to the involuntary deduction percentage at an offset hearing.

c. When the debt is greater than \$50, installment payments of less than \$50 per month should be accepted only if justifiable on grounds of financial hardship or another reasonable cause.

d. When a debt is repaid in partial payments or by installment payments, VA will apply the payments in a timely manner and in the following order:

(1). Marshal Fees –Fees for legal and judicial services, not otherwise classified.

(2). Court Costs - Fees for legal and judicial services, not otherwise classified.

(3). Penalties - General Fund Receipts 36_3220, Proprietary Receipts, not otherwise classified.

(4). Administrative Collection Fees - General Fund Receipts 36_3220, Proprietary Receipts, not otherwise classified.

(5). Late Payment Interest - General Fund Receipts 36_1435, Proprietary Interest, not otherwise classified.

(6). Principal amount.

e. In the case of a contract debt, such as personal services contracts and permanent change of station (PCS), payments will be applied to contractual interest according to the terms of the contract and any relevant laws or regulations.

f. Should the debtor become delinquent in the installment payments, a prompt reminder followed by a strong demand letter should be sent to the debtor. If such follow up does not result in the resumption of payments, other avenues of collection will be pursued.

C. VA may approve a waiver, compromise, suspension and/or termination/close out of a debt under various circumstances during the debt collection process.

1. Waiver⁴. In the demand payment letter, VA will advise the debtor of his or her right to request a waiver of the debt. In the case of an employee debt, the waiver request must be received by VA within 3 years following the date the erroneous payment was discovered. Erroneous payments of pay and allowances, as well as travel, transportation and relocation expense debts for employees may be waived in

⁴ For more information on the waiver of employee debts, refer to Chapter 1B, "Waiver of Debts" of this volume of VA financial policies and procedures.

accordance with 5 U.S.C. 5584. The standard for waiver of employee debts is defined in 38 C.F.R. 1.963a.

2. **Compromise⁵.** VA may accept an offer of compromise of debt when collection of the full amount will create a financial hardship, when the amount cannot be collected within a reasonable timeframe, when a significant doubt exists concerning the ability to prove the case in court or when the cost of collecting the debt in full is greater than the debt itself. When employee debtors have been notified and have submitted compromise offers, VA will fully consider the feasibility of all compromise offers when the debtors are unable or unwilling to pay. VA may accept compromise offers, including any reservations or specific conditions on the approvals or reject such compromise offers. If rejected, VA will advise the debtors of the reasons for rejecting the offers and, if appropriate, the amount that would be acceptable. Rejection decisions of compromise offers may not be appealed by employee debtors (38 C.F.R. 1.958).

3. **Suspension⁶.** VA will suspend collection action when a request for waiver or dispute of the debt is received within 30 days of the written NOI to the debtor. VA may suspend collection activity on the debt when an employee debtor cannot be readily located, the debtor's financial condition is expected to improve in the future, the debtor has filed a bankruptcy petition or an administrative review of the existence or amount of the debt. VA will document the reason and applicable standard on the accounts receivable record when suspending collection action. When collection action is temporarily suspended, VA will establish and review the suspension decision every six months at a minimum.

4. **Termination⁷.** VA may terminate collection action on employee debts and either close out the debt or put it into a Currently Not Collectible (CNC) category. Termination will occur if it appears that future collection action would be fruitless or not cost effective to pursue collection.

D. VA will refer almost all delinquent, legally enforceable, nontax debts over 120 days old to Treasury for administrative offset and for cross-servicing purposes, in accordance with 31 U.S.C. 3711(g) and 3716(c) before any effort is made to pursue enforced collection through the RC or DOJ. Anticipated uncollectible claims of debt, including travel overpayments, may be referred to VA's RC or DOJ for enforced collection through litigation after other efforts are attempted without success. Nonbenefit and travel overpayment debts with a balance of at least \$600, exclusive of interest, administrative costs, penalties and other charges that meet the criteria for enforced collection will be referred to DOJ. This will also include any salary overpayments or other nonbenefit debts owed by terminated employees remaining after offset from salary, lump-sum

⁵ For more information on the compromise of employee debts, refer to Chapter 1C, "*Compromise of Debts*" in this volume of VA financial policies and procedures.

⁶ For more information on the suspension of employee debts, refer to Chapter 1H, "*Suspension of Debts*" in this volume of VA financial policies and procedures.

⁷ For more information on the termination and close out of employee debts, refer to Chapter 1I, "*Termination of Collection Action and Debt Close Out*" of this volume of VA financial policies and procedures.

payments, CSRS or FERS. For more information relating to referrals to Treasury, the RC or DOJ, refer to Chapter 1E, "Treasury Offset Program and Treasury Cross-Servicing," and Chapter 1G, "Referrals for Enforced Collection (Litigation)," respectively, within this volume of financial policies and procedures.

E. VA will report discharges of indebtedness to the IRS as income to the debtor. Most employee debts arising from the erroneous payment of pay or allowances have already been reported to IRS as income at the time of payment. Even if collection of such a debt were terminated, it has already been reported. For more information relating to reporting discharge of indebtedness to the IRS, refer to Chapter 1J, "Reporting Discharge of Indebtedness to IRS," in this volume of financial policies and procedures.

F. Former employees may have their debts paid through administrative wage garnishments from their current non-Federal employers. For more information relating to administrative wage garnishment, refer to Chapter 1F, "Administrative Wage Garnishment," within this volume of financial policies and procedures.

0406 DEFINITIONS

040601 Allowances. As they relate to any employee, allowances include, but are not limited to payments for quarters, uniforms and overseas cost of living expenses, as well as travel and transportation expenses and relocation allowances.

040602 Benefit Debts. Debts of employees arising out of participation in a VA benefits program (e.g., education, compensation and pension, etc.) under authority of title 38 of the U.S. Code, as opposed to personal benefits associated with actual employment (e.g., health and life insurance benefits).

040603 Close-out. Occurs when an agency, after determining that additional future collection efforts on a debt would be futile, reports the amount of a terminated debt to the Internal Revenue Service (IRS) as potential income to the debtor on Form 1099-C, Cancellation of Debt. For debts that are not reportable to IRS, close-out never actually occurs.

040604 Collection Actions. Collection actions include issuance of demand letters, or, if necessary, referral to Treasury for offset or cross-servicing or further referral to VA Regional Counsels (RC) or Department of Justice (DOJ) for enforced collection.

040605 Compromise. 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.

040606 Cross-Servicing. Refers to an arrangement between two or more Federal agencies in which a function, such as debt collection, is performed by one agency in support of one or more agencies and for which reimbursement is required from the

agencies receiving the support. Cross-Servicing most often refers to a Federal agency's referral of a delinquent debt to Treasury for collection action.

040607 Debts. Claims for money made by or owed to the Government, arising out of activities of VA.

040608 Debtor. Any person who owes a debt to VA. This includes individuals, corporations, partnerships, sole proprietorships, estates, trusts, other Government agencies and other legal entities against which VA has a claim.

040609 Delinquent. In the case of most administrative debts delinquency occurs when payment is not made by the due date specified in the initial billing notice (usually 30 calendar days from the date the notice is mailed) or an applicable agreement (including a post-delinquency payment agreement), unless other satisfactory payment arrangements have been made.

040610 Disposable Pay. That part of the debtor's compensation (including, but not limited to, salary, bonuses, commissions and vacation pay) from an employer remaining after the deduction of health insurance premiums and any amounts required by law to be withheld.

040611 Due Process. The constitutional right of "due process" requires an agency to provide debtors with notice of, and the opportunity to dispute, a debt or intended debt collection action.

040612 Employee. An individual who is or was, employed in a civilian capacity by the Federal Government.

040613 Enforced Collections (Litigation). The referral of a delinquent debt to the RC or DOJ for collection through litigation.

040614 Nonbenefit Debts. Any debt that does not arise as a result of participation in a VA benefits program administered under authority of Title 38 of the U.S. Code. Examples of this type of debt include salary overpayments, the recovery for the value of lost keys and books, equipment and checks cashed at the Veterans Canteen Service, which are subsequently returned marked "insufficient funds."

040615 Notice of Indebtedness (NOI). Written communication with the debtor explaining the details of the debt along with the debtor's due process rights, including your right to request a hearing and waiver of the debt. This notice advises the debtor of the timing of repayment and repayment options for paying off the debt, possible course of action to be taken by VA and the potential effect of added interest and other late payment charges to the debt.

040616 Offset. The collection of a debt, in part or in full, from monies a debtor is currently receiving or may receive in the future from the Government.

040617 Pay. Salary, wages, pay, compensation, emoluments and remuneration for services. It includes, but is not limited to, overtime pay; night, standby, irregular and hazardous duty differential; pay for Sunday and holiday work; payment for accumulated and accrued leave; and severance pay. It also includes expenses of travel and transportation or expenses of transportation of household goods. It does not include allowances for temporary quarters, real estate or miscellaneous expenses, even though such payments are for inclusion in the employee's earnings for income tax purposes.

040618 Salary Offset. A mechanism used to collect a debt under 5 U.S.C. 5514 by deduction(s) at one or more officially established pay intervals from the current pay account.

040619 Suspension of Collection Action. Temporary delay of collection actions on a debt owed to VA.

040620 Termination of Collection Action. Refers to a decision made to cease active collection action on a debt, in accordance with criteria set out in the Federal Claims Collection Standards, because such action is not economically worthwhile or is otherwise inappropriate.

040621 Travel Debts. Debts that include unliquidated travel advances and travel overpayments.

040622 Treasury Offset Program. A centralized offset program, administered by the Treasury's Financial Management Service (FMS) Debt Management Services, to collect delinquent debts owed to Federal agencies and States in accordance with 26 U.S.C. 6402(d) - collection of debts owed to Federal agencies, 31 U.S.C. 3720A - reduction of tax refund by amount of the debts and other applicable laws.

040623 Waiver. A decision that conditions exist, under the applicable statutes (38 U.S.C. 5302 and 5 U.S.C. 5584) and implementing regulations (38 CFR 1.955-1.969, 17.105) that prohibit recovery by VA of certain debts as defined in the statutes and regulations, including interest and other late payment charges assessed on such debts.

0407 RESCISSIONS

040701 MP-4, Part VIII, Chapter 8, Employee Debts

040702 MP-4, Part VIII, Chapter 9, VA Benefit Debts of VA Employees

0408 QUESTIONS

Questions concerning these financial policies and procedures should be directed as follows:

| | |
|------------|---------------------------------|
| VHA | VHA Accounting Policy (Outlook) |
| VBA | VAVBAWAS/CO/FINREP (Outlook) |
| All Others | OFP Accounting Policy (Outlook) |

0409 REVISIONS

| Section | Revision | Office | Reason for Change | Effective Date |
|---|--|------------|------------------------------|----------------|
| 0403 Authority and References | Updated to include addition of 040324 Digital Accountability and Transparency Act (DATA Act) with Link | OFP (047G) | To comply with new Law | July 2016 |
| 040502 Actions for Employee Debt Collection | Updated to reflect mandatory change of 180 days to 120 days | OFP (047G) | To comply with new Law | July 2016 |
| 0409 in Table of Contents and Revisions | Updated to include addition of Revisions within Table of Contents and REVISIONS section of policy. | OFP (047G) | To highlight chapter changes | July 2016 |

APPENDIX A: EMPLOYEE DEBT REPAYMENTS

This additional procedural guidance concerns VA employee debts that are referred for collection by VA to the Treasury Offset Program (TOP), as required by 31 USC 3716 and 31 CFR 901.3(b). Under TOP, both Treasury and the Defense Finance Accounting Service (DFAS) conduct duplicate debt collection efforts in order to recover either benefit or non benefit debts owed by VA employees. This duplicate collection effort can lead to over collection of a debt, necessitating a refund to the debtor.

After a debt is referred to TOP, a VA employee may decide to make alternative collection arrangements with VA rather than let further TOP offset continue. VA may recover the full amount of the debt directly from debtors through a one-time lump sum payment, or through a series of voluntary installment payments. Whenever feasible, an employee can submit a request to arrange a voluntary repayment schedule through payroll installment deductions with their station Fiscal Officer. Once VA agrees to receive payments in regular installments, VA must obtain a legally enforceable written agreement, such as [VA Form 1100](#), between the debtor and the station Fiscal Officer that specifies and documents all the terms of the agreement. The installment payments must be sufficient in size and frequency to liquidate the debt in 3 years or less. When a repayment agreement is approved by the Fiscal Officer, it must be forwarded to the facility payroll office. The facility payroll office will ensure the required documentation is sent to DFAS for processing. The employee cannot go directly to DFAS to set up this repayment option.

Once a lump sum payment, installment payment, or payroll installment deduction agreement is made between the debtor and station Fiscal Officer, the station Fiscal Officer will contact the authorized user. Then, the authorized user of the TOP or FedDebt/Cross-Servicing Programs must go into the application and remove the debt to stop any further administrative offset. In the TOP application, the authorized user must "inactivate" or "close out" the debt, which is then cycled out of the system at the end of the day. For those debts initially sent to the Cross-Servicing Program and subsequently referred to TOP, the authorized user must "RECALL" the debt in the FedDebt application, which immediately removes the debt from the system.