



February 2019

DEPARTMENT OF DEFENSE

Process Improvements Needed in Recouping Overpayments to Service Members

GAO Highlights

Highlights of [GAO-19-61](#), a report to congressional committees

Why GAO Did This Study

DOD sometimes overpays service members due to errors in administrative processing of pay and allowances, and calculating pay and leave. Nearly 400 Debt Collection Offices in DOD are responsible for the recovery and collection of debts (see figure for basic elements of the debt collection process). DOD has acknowledged that collection actions related to overpayments have placed undue burden on service members and their families, such as financial hardship, garnished wages, and damaged credit scores.

House Report 115-200 accompanying the National Defense Authorization Act for Fiscal Year 2018 included a provision for GAO to study DOD's process for recoupment of service member overpayments. This report evaluates the extent to which (1) the DOD Debt Collection Regulation is clear, and (2) military services' and DFAS policies and procedures follow DOD Debt Collection Regulation. GAO reviewed DOD regulations on debt collection, interviewed DOD officials, and examined non-generalizable samples of debt notification letters sent to serving and separated service members between January 2016 and May 2018.

What GAO Recommends

GAO is making five recommendations to DOD to help ensure its debt collection regulations, policies, and procedures are clear and carried out consistently. DOD concurred with all of the recommendations.

View [GAO-19-61](#). For more information, contact Alicia Puente Cackley at (202) 512-8678 or CackleyA@gao.gov or Asif A. Khan at (202) 512-9869 or KhanA@gao.gov.

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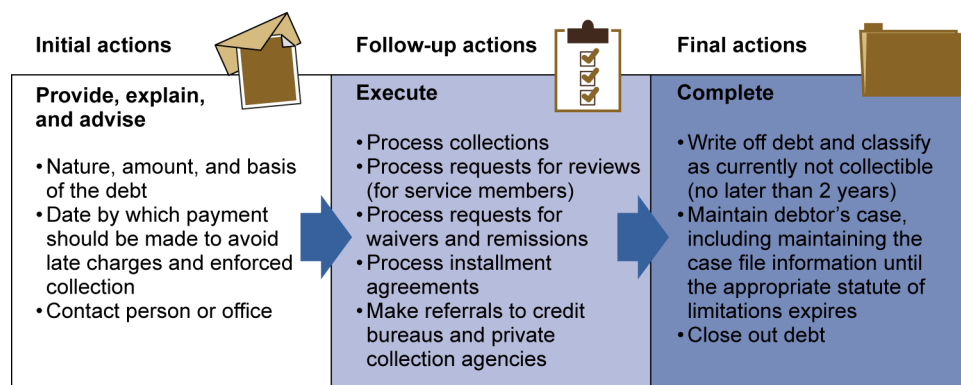
Process Improvements Needed in Recouping Overpayments to Service Members

What GAO Found

Key aspects of the Department of Defense's (DOD) Debt Collection Regulation—which includes rules for recoupment of service member overpayments—are incomplete or unclear. For example, the regulation requires that certain pieces of information be included in the letter notifying service members of DOD-related debts. However, we found that the letter's template in the Debt Collection Regulation is missing two of the required pieces of information, including that any portion of a debt remaining at the time of separation may be collected from the service member's final pay and allowances. Additionally, the regulation does not clearly state whether or when to suspend collection actions during the review process for service members formally disputing their debt. As a result, the military services (Army, Navy, Air Force, and Marine Corps) and the Defense Finance and Accounting Service (DFAS)—which carry out the regulation—do not have clear direction when administering debt collection activities, which has led to inconsistent application. Further, service members may not be fully informed of the rights and protections to which they are entitled.

GAO also found that the military services' debt collection policies and procedures do not consistently follow the DOD Debt Collection Regulation. Specifically, debt notification letters that GAO reviewed did not consistently include all 18 pieces of information required by the DOD Debt Collection Regulation. For example, letters did not explain service members' right to a written decision of a review or their right to inspect and copy records related to the debt. Further, the military services' policies and procedures often were not current, complete, or clear. As a result, some service members may not have been properly notified of their debt, their rights to dispute it, or the potential consequences of inaction, such as involuntary payroll deduction. Unless the military services and DFAS fully incorporate the DOD Debt Collection Regulation into their respective policies and procedures, service members will likely continue to receive inaccurate and incomplete information about their debts and related rights and protections.

Elements of Department of Defense (DOD) Debt Collection Process for Service Members and DOD Civilian Employees



Source: GAO analysis of DOD Financial Management Regulation and Department of the Treasury guidance. | GAO-19-61

Contents

Letter		1
	Background	4
	Key Aspects of Service Member DOD Debt Collection Regulation Are Incomplete, Unclear, or Outdated	10
	Military Service and DFAS Policies, Procedures, and Debt Notification Letters Do Not Consistently Follow DOD Debt Collection Regulation	14
	Conclusions	23
	Recommendations for Executive Action	24
	Agency Comments and Our Evaluation	25
Appendix I	Objectives, Scope, and Methodology	26
Appendix II	Debt Forgiveness and Other Forms of Debt Relief	30
Appendix III	Department of Defense (DOD) Debt Notification Letter Requirements for DOD Employees	32
Appendix IV	Example of a Service Member Debt Notification Letter That Includes All Required Information	35
Appendix V	Examples of Service Member Debt Notification Letters That Do Not Meet All Requirements	48
Appendix VI	Comments from the Department of Defense	54
Appendix VII	GAO Contacts and Staff Acknowledgments	57

Tables

Table 1: Key Department of Defense (DOD) Debt Collection Statutory Provisions and DOD Components' Collection Responsibilities	5
Table 2: Roles and Responsibilities of Department of Defense (DOD) Offices Collecting Debt from DOD Civilian Employees and Service Members	6
Table 3: Waivers, Remissions, and Other Forms of Debt Relief Used by the Department of Defense (DOD)	30
Table 4: Department of Defense (DOD) Debt Notification Letter Requirements for DOD Employees	32

Figures

Figure 1: Elements of Department of Defense (DOD) Debt Collection Process for DOD Civilian Employees and Service Members	7
Figure 2: General Flow of Debt Collection Referrals for Department of Defense (DOD) Civilian Employee and Service Member Debt	9
Figure 3: Service Member Debt Notification Letter That Includes All 18 Required Pieces of Information	36
Figure 4: Example 1 of a Service Member Debt Notification Letter Missing Required Pieces of Information	49
Figure 5: Example 2 of a Service Member Debt Notification Letter Missing Required Pieces of Information	50
Figure 6: Example 3 of a Service Member Debt Notification Letter Missing Required Pieces of Information	53

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February 15, 2019

The Honorable James M. Inhofe
Chairman
The Honorable Jack Reed
Ranking Member
Committee on Armed Services
United States Senate

The Honorable Adam Smith
Chairman
The Honorable Mac Thornberry
Ranking Member
Committee on Armed Services
House of Representatives

The Department of Defense (DOD) sometimes overpays service members due to errors in administrative processing of pay and allowances, and calculating pay and leave. DOD attempts to recover these debts through Debt Collection Offices located throughout the military services (Army, Navy, Air Force, and Marine Corps), and the Defense Finance and Accounting Service (DFAS)—the office within DOD that provides payment services to service and civilian personnel, retirees and annuitants.¹ The debt collection process starts with the Debt Collection Office sending a debt notification letter informing the service members of the debt, repayment options, and due process rights. Potential consequences for not repaying the debt can include involuntary payroll deductions, interest penalties, and credit bureau reporting.

DOD has acknowledged that collection actions related to overpayments have placed undue burden on service members and their families—including financial hardship, garnishment of wages, and damage to credit scores. DOD's efforts to recoup approximately \$22 million in cash bonuses and other incentives paid to service members in the California Army National Guard from 2004 through 2010 received extensive media coverage. In response, in October 2016, the Secretary of Defense said he

¹According to the DOD Financial Management Regulation, Debt Collection Office refers to the office or individuals, or any other organizational element at the DOD component level primarily responsible for establishing and collecting debt for the component. DOD 7000.14-R, *Financial Management Regulation*, vol. 16, ch. 1, § 010203 (Feb. 2018).

was suspending debt collection activities from affected service members until he could ensure that the process was fair and efficient. Further, he stated that affected service members would have decisions on their cases completed no later than July 2017. While DOD initially took actions to recoup some of these payments, guidance from the Office of the Secretary of Defense in October 2016 and the National Defense Authorization Act for Fiscal Year 2017 allowed for the waiver or other forgiveness of debt for most of the affected California National Guard service members.²

House Report 115-200 accompanying the National Defense Authorization Act for Fiscal Year 2018 included a provision for GAO to study DOD's process for recouping overpayments made to service members.³ This report evaluates the extent to which (1) the DOD Debt Collection Regulation is clear, and (2) military services' and DFAS policies and procedures follow DOD's Debt Collection Regulation.⁴

To address our first objective, we reviewed and analyzed documents applicable to DOD debt collection, including DOD's Financial Management Regulation (FMR), which includes the DOD Debt Collection Regulation; the DOD Financial Management Regulation Revision Standard Operating Procedures; and debt and claims information on DFAS' website. Specifically, we reviewed these documents for consistency and clarity. We reviewed applicable laws and other federal regulations and guidance, including the Department of the Treasury (Treasury) Bureau of the Fiscal Service's Managing Federal Receivables, applicable sections of the Code of Federal Regulations, and the U.S. Code.⁵ To better understand DOD's FMR, including the DOD Debt Collection Regulation, we interviewed officials representing the

²Pub. L. No. 114-328 § 671(c), 130 Stat. 2000, 2174-2178 (2016); Secretary of Defense Press Release, *Statement from Secretary of Defense Ash Carter on California National Guard Bonus Payments*, Release No. NR-379-16 (Oct. 26, 2016).

³H.R. Rep. No. 115-200, at 141 (2017).

⁴This report uses "DOD Debt Collection Regulation" to refer to Financial Management Regulation, Volume 16. The scope of our report focused on Chapters 1-4 of Volume 16.

⁵The scope of our report focused on three main statutory provisions (37 U.S.C. § 1007; 31 U.S.C. § 3716; and 5 U.S.C. § 5514) that pertain to salary and administrative offset of DOD employee and service member debt owed to DOD. We recognize that additional laws dealing with non-DOD debt collection with separate rules and regulations exist; however, those laws are outside the scope of this audit.

Comptroller of the Office of the Under Secretary of Defense (OUSD Comptroller), DFAS, and the military services.

To address our second objective, we reviewed and analyzed the military services' policies and procedures that are designed to implement the FMR and govern debt management and collection, and compared them to the requirements of the DOD Debt Collection Regulation.⁶ We focused on requirements addressing due process (debtor notification and the opportunity to dispute), debt forgiveness (waivers and remissions), and credit bureau reporting. We compared templates of the letters notifying service members of their debt in the military services' policies and procedures with the requirements and sample templates for those notification letters in the DOD Debt Collection Regulation. We also interviewed and, where appropriate, obtained documentation from agency officials at the military services and DFAS.

We randomly selected a non-generalizable sample of 50 Debt Collection Offices across the military services and DFAS based on the listings of Debt Collection Offices officials provided to us.⁷ We asked that each of these offices provide one debt notification letter issued between January 2016 and May 2018 to service members who were serving in the military at the time the letter was issued.⁸ We asked Debt Collection Offices that

⁶While the military services confirmed that the documents they provided to us were current as of March 2018, we did not confirm that the documents encompassed all documentation relevant to their debt collection policies and procedures. The military services' policies and procedures vary in length, purpose, and audience. Each service provided multiple documents, with some documents pertaining to military pay generally, while others may pertain specifically to only travel or pay and allowances. For example, they include comprehensive pay system manuals, instruction manuals that focus specifically on travel-incurred debt, standard operating procedures, training guides, and fact sheets.

⁷DOD officials compiled a list of 392 Debt Collection Offices (225 Air Force; 97 Army; 63 Navy; 7 Marine Corps) in total across the military services; in addition, DFAS is responsible for 36 Debt Collection Offices on behalf of the Army. We did not verify that the list of the 392 Debt Collection Offices was a complete universe because our non-generalizable sampling methodology did not require this confirmation. We used that list to generate a random sample of 50 Debt Collection Offices (31 Air Force; 11 Army; 7 Navy; 1 Marine Corps) from which to request debt notification letters.

⁸Of the 50 debt notification letters requested, we received 49 items for testing, which had been issued to service members that incurred debt and were serving between January 2016 and May 2018. Forty-seven Debt Collection Offices sent us copies of actual letters sent. Two Debt Collection Offices had not sent any letters during the time period requested, and therefore provided us with templates from their policies and procedures instead. One Debt Collection Office did not issue any debt notification letters during the time period requested and did not have an available template to provide us.

had not issued a debt notification letter during this time period to instead provide a debt notification letter template that would be used if a service member were to be notified of a new debt. Additionally, we asked DFAS, which is responsible for processing debt for separated service members, to provide ten debt notification letters issued to service members who separated from service prior to fully repaying a DOD debt, one letter issued to a military retiree, and one letter issued to a military annuitant between January 2016 and May 2018.⁹ We compared the information in these debt notification letters with the requirements listed in the DOD Debt Collection Regulation. Appendix I contains a more detailed description of our scope and methodology.

We conducted this performance audit from September 2017 to February 2019 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

Provisions Governing DOD Debt Collection Activities

Several laws, as well as rules, guides, policies, and instructions from DOD and Treasury, outline procedures for collecting DOD employee debts, including the recoupment (repayment) of service member overpayments. DOD civilian employee and service member debt collection is authorized by three key statutory provisions—one specific to uniformed service members (37 U.S.C. § 1007) and two generally applicable to federal debt collection across the federal government but also applicable to uniformed service members in some situations (31 U.S.C. § 3716 and 5 U.S.C. § 5514). Table 1 lists these statutory

⁹Of the ten debt notification letters requested, we received nine letters issued to members who had separated from service with a DOD related debt between January 2016 and May 2018, and one related to a civilian employee that we did not include in our analysis.

provisions, the responsible DOD components when collecting debts under them, and the employees they apply to.¹⁰

Table 1: Key Department of Defense (DOD) Debt Collection Statutory Provisions and DOD Components’ Collection Responsibilities

Statutory Authority	DOD Component	Employee Status
37 U.S.C. § 1007 Allows DOD to offset (deduct) from a service member’s pay for the collection of debts that are administratively determined to be owed to a DOD Component by the service member. This is known as salary offset.	Military Services	Service members currently serving
	Defense Finance and Accounting Service (DFAS)	Service members currently serving, military retirees, and annuitants
31 U.S.C. § 3716 Allows for the withholding of funds payable by the United States (including funds payable by the United States on behalf of a State government). This is known as administrative offset.	DFAS	Service members no longer serving and not receiving military retiree pay or annuities
	DFAS	DOD civilians no longer employed
5 U.S.C. § 5514 Allows DOD to deduct from service members’, DOD civilian employees’, and other employees’ current pay or salary accounts. This is known as salary offset. With regard to debts owed to DOD or its components (as opposed to debts owed to other federal agencies),the statute only applies to DOD civilian employees	DFAS	DOD civilians currently employed and service members currently serving who have non-DOD debt

Source: GAO analysis of DOD Financial Management Regulation. | GAO-19-61

These statutory provisions are implemented by the DOD Debt Collection Regulation, found in FMR Volume 16, which addresses the agency-wide requirements for collecting and managing debts owed to DOD, including debts resulting from service member overpayments.¹¹ The DOD Debt Collection Regulation, first published in Volume 16 in January 2016, consolidated debt collection regulations previously found in other FMR volumes and associated chapters.¹² The military services and DFAS are required to manage their activities consistent with the FMR. This requirement includes developing and administering the military services’

¹⁰DOD components include many organizations and offices across DOD. For this report, we use “DOD components” to refer to the military services—Army, Navy, Air Force, and the Marine Corps—and DFAS.

¹¹DOD 7000.14-R, *Financial Management Regulation*, vol. 16. Volume 16 applies to all debts owed to DOD by any person, organization, or entity except another federal agency. In addition to service members, for example, the policy covers collection of debt from DOD civilian employees, DOD contractors, and foreign entities.

¹²Since January 2016, there have been updates to the FMR in keeping with the Financial Management Regulation Revisions Standard Operating Procedures to revise and reissue chapters biennially, or more frequently as necessary.

debt collection policies and procedures consistent with the DOD Debt Collection Regulation.

Roles and Responsibilities in DOD Debt Collection

The FMR requires that each DOD component establish and maintain a debt management program that identifies, recovers, and collects debts owed by DOD civilian employees and service members.¹³ Each DOD component must clearly designate one or more offices, known as Debt Collection Offices, responsible for the recovery and collection of debts. These offices must ensure that debtors are afforded due process in accordance with the DOD Debt Collection Regulation. The DFAS Debt and Claims Management Office provides assistance in collecting debt from former DOD civilian employees and service members, and when collection by salary offset is not available because the debtor is no longer paid by DOD and has not agreed to pay the debt. Table 2 details the roles and responsibilities for the DOD offices that collect debt from DOD civilian employees and service members.

Table 2: Roles and Responsibilities of Department of Defense (DOD) Offices Collecting Debt from DOD Civilian Employees and Service Members

DOD Office	Roles and Responsibilities
Debt Collection Office	<ul style="list-style-type: none">Establishes and collects debt for the military servicesConducts initial debt collection actions and complies with due process procedures, consisting of a notice and an opportunity for reviewEnsures that service members are afforded all legal rights relative to collection of a debt due to overpayments of pay and allowancesProcesses service member requests for remissions of indebtedness^a
Defense Finance and Accounting Service's Debt and Claims Management Office	<ul style="list-style-type: none">Manages the collection of delinquent debts owed to DOD by former employees who are no longer paid by DOD^bProvides debt collection services if a military service's Debt Collection Office that established the debt cannot collect a debt through salary offset (payroll deduction)Ensures due process is provided prior to administrative offset, which is the withholding of funds payable by the United States, if a referring Debt Collection Office that established the debt did not already provide due processMakes determinations on applications requesting waiver of indebtedness from service members and DOD civilians

Source: GAO analysis of DOD Financial Management Regulation. | GAO-19-61

¹³Such programs, although required to be aggressive, should be fair, according to the Bureau of the Fiscal Service's *Managing Federal Receivables* (March 2015). Additionally, DOD may terminate active collection if all appropriate means of collection have been pursued and the debt is determined to be uncollectible. Appendix II provides examples of where DOD may be flexible in enforcing debt collection, such as granting debt forgiveness or providing other forms of debt relief.

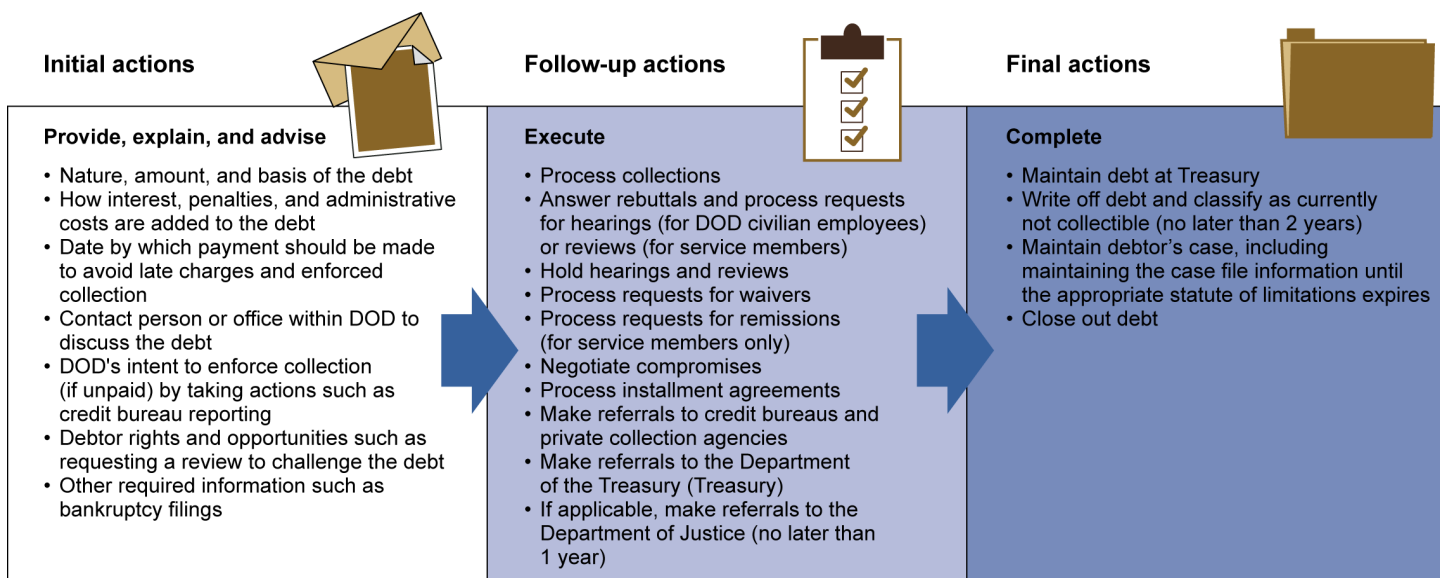
^aAccording to the Defense Finance and Accounting Service, a remission is the cancellation of a debt or portion of a debt.

^bAccording to Financial Management Regulation, Volume 4 (February 2016), debts are delinquent when not paid by the date specified in the initial written demand for payment unless other satisfactory payment arrangements have been made. Delinquent debts are aged from the date of delinquency. DOD 7000.14R, Financial Management Regulation, vol. 4, ch. 3, § 030210 (Feb. 2016).

DOD Debt Collection Cycle for DOD Civilian Employees and Service Members

The basic elements for collecting DOD civilian employee and service member debts include providing the debtor with a written notice of the debt, performing follow-up actions, and completing the debtor's case file (see fig. 1).

Figure 1: Elements of Department of Defense (DOD) Debt Collection Process for DOD Civilian Employees and Service Members



Source: GAO analysis of DOD Financial Management Regulation and Department of the Treasury guidance. | GAO-19-61

A debt, including one resulting from an overpayment, is generally established when the DOD component determines that there is a debt and identifies its exact amount. The DOD component's initial determination triggers the debt collection process through the military pay office within the military service, which is responsible for initial debt collection and due process procedures. These procedures include issuing debt notification letters to inform debtors of their debt and debt collection rights, including the right to request a waiver (the relinquishment of a

claim against an individual for a debt resulting from erroneous payments of pay or allowances) or remission (the cancellation of a debt or portion of a debt).¹⁴ Initial debt collection procedures also include providing the debtor with an opportunity for review—to request that the relevant Debt Collection Office to validate the details of the debt and allow the service member to dispute those facts. The component's Debt Collection Office will attempt to collect the debt by voluntary or involuntary payroll deductions—actions referred to as salary offset.

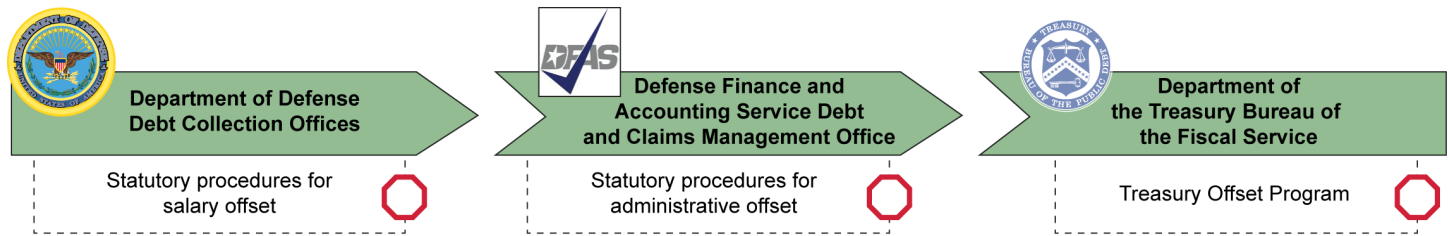
If the debt cannot be collected through salary offset, the DOD component's Debt Collection Office will refer the debt to the DFAS Debt and Claims Management Office for debt collection services. This typically occurs when a service member separates without an agreement to repay the debt. The DFAS Debt and Claims Management Office will assume responsibility for debt collection and will attempt to obtain voluntary repayment of the debt from the debtor. If still unable to collect, the DFAS Debt and Claims Management Office will refer the debt to Treasury for administrative offset, which is the withholding of funds payable by the United States. Federal agencies are required to refer any debts more than 120 days delinquent to the Treasury Offset Program for recovery by centralized administrative offset.¹⁵ According to the FMR, debts are delinquent when not paid by the date specified in the initial written demand for payment unless other satisfactory payment arrangements have been made.¹⁶ The DFAS Debt and Claims Management Office may also refer the debt to the Department of Justice (Justice) for litigation. Figure 2 shows the general flow of debt collection referrals.


¹⁴See Appendix II for information on the application of waivers, remissions, and other forms of debt relief.

¹⁵The Treasury Offset Program allows agencies to submit debts to one centralized location for offset of all eligible federal and state payments. Federal agencies are encouraged to submit delinquent debts to the Treasury Offset Program as early as 60 days after the required debt notification letter is sent to the debtor.

¹⁶According to Financial Management Regulation, Volume 4 (February 2016), delinquency starts one day after the payment due date or other agreed upon date, depending on the agreement or instrument. Delinquent debts are aged from the date of delinquency. DOD 7000.14R, *Financial Management Regulation*, vol. 4, ch. 3, § 030210 (Feb. 2016)

Figure 2: General Flow of Debt Collection Referrals for Department of Defense (DOD) Civilian Employee and Service Member Debt



 Process may stop at this stage if debt has been fully collected

Source: GAO analysis of DOD Financial Management Regulation and Department of the Treasury guidance. | GAO-19-61

DOD Credit Bureau Reporting

The Debt Collection Improvement Act of 1996 requires that all federal agencies, including DOD, report delinquent debts to credit bureaus.¹⁷ The DFAS Debt and Claims Management Office must follow Treasury guidance when carrying out credit bureau reporting. This guidance states that debts may be reported to credit bureaus no earlier than 60 days from the date a debtor is notified of the intention to report the debt to a credit bureau.¹⁸ Other conditions must be met before delinquent debt can be reported to credit bureaus. For example, the DFAS Debt and Claims Management Office must have determined that a service member has not filed for a review of the debt and that a decision regarding a waiver or remission is not pending. In addition, service members must have been provided with an opportunity to dispute the validity or amount of the debt, and to contest the involuntary repayment schedule.

DFAS officials stated that the DFAS Debt and Claims Management Office must report delinquent debts to four credit bureaus—Experian, Equifax, TransUnion, and Innovis—and submit the information using Metro 2 (the standard format credit bureaus use to accept credit information). These debts are reported by DFAS as “government overpayment” in the Metro 2

¹⁷Credit bureaus are major consumer and commercial credit reporting agencies that have agreements with government agencies to receive and integrate credit information from federal agencies and private sector entities into their respective databases. This information is sold to purchasers of credit data (in the form of credit reports, for example). The credit report is used largely to determine creditworthiness, conduct credit scoring, and assist with collection efforts.

¹⁸According to DFAS and military service officials, the DFAS Debt and Claims Management Office is responsible for reporting delinquent debts to credit bureaus.

“Account Type” field, which distinguishes government overpayment debt from other debts.

Key Aspects of Service Member DOD Debt Collection Regulation Are Incomplete, Unclear, or Outdated

Required Information Is Not Included in the DOD Debt Collection Regulation’s Service Member Debt Notification Letter Template

The DOD Debt Collection Regulation specifies when a debt notification letter must be issued, and states that debt notification letters should include 18 specific pieces of information concerning the amount and reason for the indebtedness the debtor’s rights to inspect records and dispute the debt, and other items.¹⁹ The DOD Debt Collection Regulation also includes a template for debt notification letters to service members.

However, we found that the template was missing 2 of the 18 required pieces of information:

- excess collections will be refunded to the debtor unless prohibited by law, and
- any portion of a debt remaining at the time of separation may be collected from the debtor’s final pay and allowances.

When asked, OUSD Comptroller and DFAS officials did not explain why those two required pieces of information were missing from the service member debt notification letter template, but agreed that all debt notification letters need to be consistent and contain the required information. The officials explained that the information contained in the letter may change (for example, depending on whether the employee is entitled to a hearing or a review), and that they have tried to incorporate information required by regulation when relevant to the particular circumstance of the letter.

¹⁹DOD 7000.14-R, *Financial Management Regulation*, vol. 16, chap. 2, § 020502, 020505 (June 2017). See Appendix III for a listing of DOD’s debt notification letter requirements.

During our review, OUSD Comptroller and DFAS officials told us they intended to update the template to include all 18 pieces of information required by the DOD Debt Collection Regulation at the next revision of the chapter. However, at the conclusion of our audit, the two missing pieces of information were not included in the template. Until the template provided in the regulation includes all required information service members may receive notification letters that do not fully inform them of the right to a refund of excess collections and the possible deduction from their final pay and allowances.

The DOD Debt Collection Regulation Does Not State Whether or When to Suspend Collection Actions for Active Duty Service Members Disputing Debt

The debt notification letter template for service members in the DOD Debt Collection Regulation states that collection action will be initiated if a request for review is not provided by the “suspense” date. However, the main text of the DOD Debt Collection Regulation does not explicitly state whether or when to suspend collection actions for active duty service members disputing their debt.²⁰ This omission has led to confusion among the military services and DFAS over whether or when a suspension is required. For example, an Air Force official told us that the Air Force suspends collection activities during the review process even though it is not required to do so. Similarly, a link on the DFAS website states that collection continues during the review process, although DFAS officials told us that in practice they suspend such collection until the review process is completed.

DOD officials stated that when a service member submits a timely request for review, DOD’s practice is to suspend collection until the review is completed. The officials agreed that the DOD Debt Collection Regulation needed to be revised to explicitly state that this practice is a requirement.²¹ However, as of August 2018, the DOD Debt Collection Regulation had not been updated to explicitly state whether or when to suspend collection actions for active duty service members disputing

²⁰DOD 7000.14-R, *Financial Management Regulation*, vol. 16, chap. 2, fig. 2-2 (June 2017). Military Sample Debt Notification for Overpayment of Pay and/or Allowances (Officer Letter) states: “Upon timely receipt of your request, the debt will be reviewed and a written response will be issued to you within 60 days. If your request for review and supporting documentation is not supplied by the suspense date, immediate collection action will be initiated...”

²¹DOD officials further noted that there may be rare situations where it would be appropriate to send a notice and provide a review after collection action has taken place, but that this practice should only be used in exigent circumstances when, for example, there is a special need for prompt action to secure the government’s interest.

debt. Without clarification and written procedures in the DOD Debt Collection Regulation and DFAS website regarding whether or when collection action should be suspended during the review process, the military services and DFAS will not have clear direction on the suspension requirements and may not be consistently following the appropriate procedure.

The FMR Cross-References Outdated FMR Sections

DOD's standard operating procedures require that FMR chapters be updated biennially and that references be current and relevant. However, we found that, as of August 2018, portions of the FMR cross-referenced outdated sections of the FMR instead of directing users to the DOD Debt Collection Regulation consolidated in January 2016. The following are examples of the topics addressed in the outdated cross-references, along with the FMR volume and chapter where the outdated cross-references were found:²²

- Salary offset: (Volume 4 Chapter 3, was last updated in February 2016, but includes outdated cross-references);
- Due process for the collection of overpayments: (Volume 7B Chapter 46, included outdated cross-references between January 2016 and March 2018);
- Termination of collection action: (Volume 4 Chapter 3, was last updated in February 2016, but includes outdated cross-references); and
- Timing of collections for overpayments of travel claims: (Volume 9 Chapter 8, included outdated cross-references between January 2016 and March 2018)

Additionally, the military services, DFAS, and service members who were directed to outdated sections may not have seen the additions and clarifications to the DOD Debt Collection Regulation that DFAS made in January 2016 and after. Such additions and clarifications include, but are not limited to the following:

²²Financial Management Regulation volumes such as accounting policy (Volume 4), military pay policy (Volumes 7A/7B), and travel policy (Volume 9) include discussion and guidance addressing debt collection activities when the processes overlap. For example, Volume 4, Chapter 3 covers the accounting treatment for public receivables which include debts from service members, and cross-references where regulations and procedures can be found for debt collection.

-
- Reviews for service members. Clarification was made that reviews and hearings are performed under different authoritative guidance. Therefore, a section was added to provide review requirements for due process, requesting a review, requesting records, review procedures, written review results, and a statement informing debtors that there is no appeal of final determination.
 - Information requirements in the debt notification letter. A stipulation was added that service members must be notified of their right to request a review pursuant to the “Reviews for Service Members” section that was added to the regulation and to their right to written review results.
 - Requests for remission/cancellation. Language was added that DFAS no longer processes remission requests for any military service and that all requests for remission should be submitted on forms designated by the respective military service and submitted to the military service instead.
 - Additional documentation to include with waiver requests. Instructions were added for applicants to include copies of all supporting documentation, leave and earnings statements, notifications of personnel actions, and any statements from the applicant in support of the waiver application. We previously reported that this was one of the steps that DOD took to improve the availability of the documentation that is used to adjudicate waiver cases for service member debts that were sometimes delayed due to lack of documentation.²³

Additionally, we found instances where cross-references within the DOD Debt Collection Regulation were not consistently updated to reflect revisions. For example, updates in April 2018 were made to add and move paragraphs in Chapter 4 of the DOD Debt Collection Regulation addressing hearings and reviews, but Chapter 2 of the DOD Debt Collection Regulation continued to cross-reference the original version of Chapter 4 as of October 2018.

DOD’s Standard Operating Procedures for revising the FMR explains that it is to be revised by chapter. Further, each chapter is assigned an “Action Officer” responsible for staying abreast of changes in requirements from authoritative sources including Congress, the Office of Management and

²³GAO, *Military Recruiting: Army National Guard Has Implemented Internal Controls for Soldier Incentives but Needs to Better Plan to Maintain the Integrity of Those Controls*, [GAO-18-283](#) (Washington, D.C.: Feb 16, 2018).

Budget, and Treasury that affect their assigned chapters, and coordinating with subject matter experts who will review and concur or not concur on proposed chapter revisions. The procedures state that each chapter is to be updated at least biennially and more frequently, if necessary. The procedures also state that during the review process, the Action Officer should verify that existing references are current and relevant, research any discrepancies, and obtain input from subject matter experts or others with knowledge of the chapter topic.

According to an OUSD Comptroller official, cross-referencing to outdated regulation results from publication timing overlaps, and the current procedures already address this problem. However, our analysis showed that those procedures are not being followed. Chapters in the FMR—and therefore, cross-references within those chapters—had not been consistently updated on a biennial basis, nor have references been consistently updated to be current and relevant as required by DOD's standard operating procedures. As a result, the military services' Debt Collection Offices may not be aware when requirements have been added or changed, and may have difficulty determining the current chapters that apply. Further, service members subject to DOD debt collection may not be able to readily access the currently applicable regulations, which could hinder their ability to exercise the rights available to them.

Military Service and DFAS Policies, Procedures, and Debt Notification Letters Do Not Consistently Follow DOD Debt Collection Regulation

Military Services' Policies and Procedures Are Not Consistent with the DOD Debt Collection Regulation and Are Not Complete or Clear

According to federal internal control standards, management should ensure that quality information is appropriate, current, complete, accurate, accessible, and provided on a timely basis. Each unit within the organizational structure, such as divisions, offices, and related subunits, should document policies in the appropriate level of detail to allow management to effectively monitor the control activity. Management periodically reviews policies, procedures, and related control activities for continued relevance and effectiveness in achieving the entity's objectives.²⁴ We found that the debt collection policies and procedures of each of the four military services and DFAS frequently reference outdated FMR sections, and some of the policies and procedures contain outdated or inconsistent information affecting the debt collection process, such as debt notification, debt waiver, and debt remission. Additionally, military service policies and procedures do not comprehensively detail the review process. The terms used are not consistent with those used in the DOD Debt Collection Regulation, and the various debt collection processes are not clearly distinguished from one another. Our analysis identified the following examples of how military service policies and procedures are outdated or inconsistent with the DOD Debt Collection Regulation, or are incomplete or unclear:

Outdated or inconsistent

- References to FMR. All of the military services' policies and procedures continue to reference outdated FMR sections instead of the current version. For example, these policies and procedures continue to reference FMR Volume 7A, Chapter 50 as a DOD authority for debt collection actions, although this material was revised and consolidated into the DOD Debt Collection Regulation in January 2016.²⁵
- Routine intra-agency adjustments. Policies and procedures of the Army, Navy and Air Force state outdated and inconsistent thresholds below which the military services are permitted to collect without first providing a debt notification letter. According to the DOD Debt Collection Regulation, routine intra-agency adjustments may be used to collect overpayments that are \$50 or less, or that have occurred within four pay periods of the adjustment. When collection is

²⁴GAO, *Standards for Internal Control in the Federal Government*, [GAO-14-704G](#) (Washington, D.C.: Sep., 2014).

²⁵In addition to Financial Management Regulation, Volume 7A, Chapter 50, military service policies and procedures also include outdated references to Volume 7B, Chapter 28 and Volume 5, Chapter 28.

Incomplete

completed in this manner, the DOD Debt Collection Regulation requires that a written notice with a statement of the nature and amount of the adjustment and a point of contact for questions about the adjustment be provided by the payday in the pay period in which the adjustment is processed, or as soon thereafter as practical. However, some military service policies and procedures permit collection to be completed for amounts up to \$500, and after more than four pay periods without first providing a debt notification letter.

- Waivers. The Air Force and Army have policies and procedures that provided incorrect information about where to submit waiver applications, what forms to use, or who has authority to grant waiver requests as those policies and procedures had not been updated in accordance with the current DOD Debt Collection Regulation.
- Remissions. The Navy's policies and procedures provide outdated information about who has authority to grant remissions.
- Due process. The DOD Debt Collection Regulation states that due process consists of providing debtors with both written notice and an opportunity to dispute the debt. However, the Army's policy and procedures that we reviewed did not mention the requirement to give debtors the opportunity to dispute the debt when defining due process.
- Templates for debt notification letters. None of the templates for debt notification letters included in the military service policies and procedures we reviewed included all of the required information stipulated in the DOD Debt Collection Regulation. The military services' templates we reviewed omitted between 2 and 16 of the 18 required pieces of information that Debt Collection Offices need to provide in the letters to debtors.²⁶ Specifically, the Army templates were missing 2 required pieces of information; the Navy template was missing 9; the Air Force template was missing 9; and, the Marine Corps template was missing 16. Further, none of the templates included a statement informing the debtor of the right to a refund if the debt is later waived or found not to be owed.
- Reviews for service members. Military service policies and procedures do not always include information about the DOD Debt Collection Regulation's requirements on certain key aspects of the service member review process for resolving debtor disputes. For

²⁶Specifically, we reviewed two Army templates and one template from each of the other services.

Unclear

example, Army, Navy, Air Force, and Marine Corps policies and procedures do not explain that a service member has the right to request records upon receiving written debt notification or has 45 days to request a review from the date that records are distributed. Additionally, all four of the military services have policies and procedures that do not explain the service member's right to a written decision, and when that written decision should be provided.

- Different terms for reviews. Military service policies and procedures use different terms to describe reviews for service members and do not clearly link the terms to those used in the DOD Debt Collection Regulation. This creates difficulty in distinguishing the review process from other processes such as hearings, waivers, remissions, and appealing a denied claim for refund.²⁷ While the DOD Debt Collection Regulation uses the term "review," military service policies and procedures may use terms such as "rebuttal," "dispute," and "appeal" when referring to the process by which a service member can dispute the validity of debt. For example, one of the Navy's standard operating procedures discusses the "hearing" process but does not mention service members' right to a "review," making it unclear whether there are any procedures that apply for service members requesting a review.²⁸ The hearing process provides a different form of debt "dispute" or "rebuttal." However, according to the DOD Debt Collection Regulation, in many cases, the service member may not be entitled to a hearing. Similarly, an Air Force official stated that the "appeal" procedures included in Air Force guidance are intended to address service member reviews. However, the use of the term "appeal" without clear linkage to the relevant section of the DOD Debt Collection Regulation covering reviews makes it unclear that the "appeals" are the same as reviews for service members as described in the DOD Debt Collection Regulation.
- Descriptions that commingle different processes. Army and Marine Corps policies and procedures do not clearly distinguish the process of disputing a debt—where a service member may challenge the validity or amount of the debt—from the waiver and remission processes, which are forms of debt forgiveness where the service member is not challenging the validity of the debt. For example, one

²⁷See Appendix II for information on the application of waivers, remissions, and other rights.

²⁸Hearings and reviews are both processes for disputing debt, but each has different procedural requirements and applications.

of the Army's standard operating procedures provides instructions for service members to submit a request for a waiver under "Application for a Rebuttal." According to the DOD Debt Collection Regulation, however, an individual cannot simultaneously request a waiver while challenging debt. Additionally, the waiver and remission processes are not always clearly distinguished from one another.²⁹

Military service officials provided the following explanations for why their policies and procedures have not been updated to be in accordance with the FMR:

- Military service policies and procedures are required to be updated less frequently than the FMR and are on a different update schedule.
- The process for publishing policies is complex.
- Challenges exist with staff turnover and the time needed to train new staff and implement a new process for updating policies and procedures.

Although the FMR may be updated more frequently than military service policies and procedures, complex publishing processes and staff turnover within the military services exist. Without military service policies and procedures that are consistent with the DOD Debt Collection Regulation, complete, and clear, DOD and the military services have limited assurance that the DOD Debt Collection Regulation is being applied consistently across the military services and that all service members are able to exercise the rights and protections to which they are entitled.

Debt Notification Letters to Service Members Do Not Follow Requirements

Letters to Service Members Serving at Time of Issuance

In our review of the debt notification letters, we found numerous instances where the letters did not contain information required by the DOD Debt Collection Regulation or included guidance that was unclear or inconsistent with the Regulation.

Of the 49 debt notification letters we examined that were sent to service members who were serving at the time of issuance, 45 did not include all 18 pieces of information required by the DOD Debt Collection Regulation. For example:

²⁹Waivers are processed by DFAS. Remissions are processed by the respective services.

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- Forty-three letters did not include a statement that amounts will be promptly refunded for amounts paid by or deducted from the service member that are later waived or found not to be owed.
 - Forty-two letters did not advise the service member that if the requested review was granted, the service member had the right to receive a written decision within 60 days of filing the request.
 - Twelve letters did not advise the service member of the right to inspect and copy DOD records related to the debt.
 - Nine letters did not state the intention to collect the debt from the service member by means of payroll deductions (salary offset) if payment was not received within 30 days of letter issuance.
 - Eight letters did not include a statement regarding the right to request a remission of the debt.
 - Seven letters did not include a statement that if the service member wished to dispute the existence or amount of the debt, the service member had the right to submit a written request for review.
 - Six letters did not include a statement regarding the right to request a waiver of the debt.

These findings generally corresponded to the required information that was missing in the respective military service's notification letter templates, as previously discussed. Further, Marine Corps officials told us that they did not issue debt notification letters except for service members about to separate from service.³⁰ From the impending separation letter we reviewed, 14 of the 18 required pieces of information were omitted. According to Marine Corps officials, a standardized template is used by the Marine Corps for all impending separation letters and has therefore led to a systemic omission of the required information we found missing.

Additionally, we identified seven notification letters that did not clearly distinguish between options available to service members to request a review or apply for a waiver or remission. For example, these letters instructed service members to request a waiver or remission, which are used when the service member is no longer disputing debt and requests

³⁰Instead, such notifications were provided on service members' Leave and Earnings Statements where only the nature, amount, and point of contact information is required. Because this form of notification does not provide service members with all of the DOD Debt Collection Regulation due process requirements, DOD's FMR only permits its usage in limited circumstances, such as for routine adjustments where the overpayment occurred within the four pay periods preceding the adjustment or amount to \$50 or less.

forgiveness of the debt, in the event that he or she disagreed and wished to dispute the debt. In another case, the letter indicated that the service member was allowed to simultaneously file a request for review and a request for a waiver or remission. According to DOD Debt Collection Regulation, however, applying for a waiver is not the proper forum to contest the validity or amount of the debt because submitting a waiver application is an acknowledgment that the individual does not intend to dispute the validity or amount of the debt. Likewise, a remission is an improper forum for disputing debt since it, along with waivers, is a primary mechanism to forgive a service member's debt.

Other requirements were also commingled in some of the notification letters we reviewed, such as a service member's rights to request a waiver or request a remission. These are separate processes with different DOD approving bodies, and the denial of a waiver does not preclude a service member from applying for the remission or cancellation of the debt. Generally, the authority to waive debts lies with the DFAS Director and is applicable for errors in payroll, travel, and other allowances that meet the requirements for waiver, whereas the authority for remission of debts lies with the respective military services and is generally applicable for any debts.³¹ However, 8 of the 49 letters we reviewed described waiver and remission as the same process or provided information for one process that was applicable to the other. For example, service members were referred to waiver procedures if requesting remissions, and one letter advised a service member to file a remission application if requesting a waiver.

We also found letters to service members that referred to outdated regulation, inapplicable regulation, or portions of procedures that did not exist. Of the 26 letters that made references to regulations:

- Thirteen letters referenced military service policies and procedures that were outdated. One of those instances referred to an appendix of the procedures that did not exist.
- Seven letters referenced superseded FMR sections and informed service members that debt collection actions were being taken in accordance with regulation that was no longer applicable, as it had

³¹Additional requirements for waiver can be found at the Department of Defense Instruction 1340.23.

been revised and consolidated into the DOD Debt Collection Regulation in January 2016.³²

- Two letters incorrectly referenced portions of the FMR for instructions applicable for collecting debt from DOD civilian employees and contractors instead of portions applicable to service members.

If debt notification letters do not consistently comply with requirements and guidance specified in the DOD Debt Collection Regulation, service members may not be receiving proper instructions for contesting the validity of their debt or applying for debt relief options such as waivers or remissions. Further, they may not be fully informed of the consequences of nonpayment, such as involuntary salary offset.

Letters to Service Members Separated from Service

All of the nine debt notification letters to service members separated from the military services that we examined were missing the following three required pieces of information:

- Due Date to Request a Review. Although DFAS informed separated service members that they may request a review of the validity or amount of debt, DFAS did not provide a deadline for submitting the request. The DOD Debt Collection Regulation states that the right to a review is waived if the debtor does not submit a request “in a timely manner.”
- Right to a Written Decision. Separated service members who may request a review were not notified of the right to receive the results in writing or how soon a written decision would be provided after submitting the request.
- Tax Filing. Separated service members were not notified that for joint federal income tax filers, the service member’s spouse must file IRS Form 8379, *Injured Spouse Allocation*, to claim his or her share of the tax refund.³³

By not confirming that service members receive the required information, DFAS cannot be certain that service members have been provided due process before DFAS continues collection activities. DFAS officials stated that two of the required pieces of information listed above (the due date to

³²Specifically, the letters included outdated references to FMR, Volume 7A, Chapter 50 and Volume 5, Chapter 28.

³³IRS Form 8379 allows the injured spouse on a jointly filed tax return to claim his or her share of the joint refund when the joint federal income tax overpayment is applied to a past-due debt obligation to the United States of the other spouse.

request a review and the right to a written decision of the review) are not required when DFAS is collecting the debt of separated service members, as those debtors are presumed to have received due process (i.e. received debt notification letters and the opportunity to dispute the debt) prior to DFAS receiving the debt for collection. According to internal control standards, management should design control activities to achieve objectives and implement control activities through policies.³⁴ Further, when the debt is transferred from the Debt Collection Office to DFAS, the DOD Debt Collection Regulation states that certification statements must be included with the documentation transferred, and should confirm that the Debt Collection Office provided the debtor with all due process requirements, including a debt notification letter. However, we found that DFAS is not confirming, by receiving certification statements or otherwise, that the Debt Collection Office has provided the service member with due process requirements, prior to the debts being transferred electronically to DFAS.³⁵

DFAS officials stated that debts electronically transferred (approximately 93 percent of debts) from the Debt Collection Office to DFAS are not accompanied by debt certification statements. As discussed above, our analysis shows that the debt notification letters we reviewed do not always contain all required information; therefore, by not requiring debt certification statements from Debt Collection Offices, DFAS cannot be certain that service members have been properly notified of their debt and their rights to dispute it prior to the debt being transferred.

Letters to Military Retirees and Annuitants

Our review of one debt notification letter for a military retiree and one for a military annuitant found that 6 of the 18 required pieces of information were not included in both letters:

- Right to a Written Decision. Debtors were not notified of their right to receive written review results if they requested a review of their debt or how soon a written decision would be provided after submitting the request.

³⁴[GAO-14-704G](#)

³⁵According to FMR Volume 16, Chapter 3, certification statements should state that the amounts of the debts being referred are correct and that the debts are delinquent, valid, legally enforceable, and confirm that the Debt Collection Office provided the debtor with all due process requirements. Debt Collection Offices referring debts electronically must also submit a debt certification statement. DOD 7000.14-R, *Financial Management Regulation*, vol. 16, ch. 3, § 030504.F (May 2016).

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- Right to a Refund. Debtors were not notified that they will be promptly refunded for amounts paid by or deducted from the member that are later waived or found not to be owed.
 - Tax Filing. Debtors were not notified that for joint federal income tax filers, the debtor's spouse must file IRS Form 8379, *Injured Spouse Allocation*, to claim his or her share of the tax refund.
 - Collection Action on Delinquent Debts. Debtors were not notified that if DFAS is unable to collect the debt, other collection methods may be used, such as referring the debt to a private collection agency, reporting the debt to a credit bureau, garnishing non-federal employment wages, or referring the debt to Justice for litigation; and that any debts delinquent for more than 120 days are required to be transferred to Treasury for collection or may be transferred sooner.
 - Penalty for False or Frivolous Statements. Debtors were not notified of the consequences, which could include disciplinary or criminal penalties, of knowingly providing false or frivolous statements, representations, or evidence.
 - Bankruptcy. Debtors were not informed of their responsibility to notify DFAS if the debtor files or has filed for bankruptcy.

To the extent that debt notification letters do not include all information required by the DOD Debt Collection Regulation, military retirees and military annuitants may not be fully informed of how DOD will enforce collection if the retiree or annuitant does not pay. As a result, retirees and annuitants may not be able to fully exercise their rights to dispute debts and may not be aware that their debts may be reported to credit bureaus, or referred to private collection agencies and Treasury for collection.

Conclusions

Although DOD has updated and consolidated existing debt collection regulations into one volume, the debt notification letter template for service members is missing two key pieces of information. In addition, the Debt Collection Regulation does not clearly state whether or when to suspend collection actions if service members formally dispute their debt. Other sections of the Financial Management Regulation do not cross-reference the correct portions of the updated DOD Debt Collection Regulation. As a result, the military and DFAS do not have clear direction when collecting debts, and service members may not be fully informed of the rights and protections to which they are entitled.

The DOD Debt Collection Regulation also requires the military services and DFAS to develop and administer policies and procedures consistent

with the Regulation. However, the military services' debt collection policies and procedures frequently reference outdated FMR sections, and contain outdated or inconsistent information affecting the debt collection process. In numerous instances, debt notification letters sent by the military services and DFAS did not contain required information or included guidance that was unclear or inconsistent with the Regulation. As a result, service members were often not properly notified of their debt, their rights to dispute it, and the potential consequences of inaction, such as involuntary payroll deduction.

Recommendations for Executive Action

We are making the following five recommendations to DOD:

The Under Secretary of Defense (Comptroller) should revise the service member debt notification letter template to include all of the information required by DOD Financial Management Regulation Volume 16. (Recommendation 1)

The Under Secretary of Defense (Comptroller), in coordination with DFAS, should revise DOD Financial Management Regulation Volume 16 and the DFAS website to clearly state whether and when collection action should be suspended during the review process for service members who dispute their debt. (Recommendation 2)

The Under Secretary of Defense (Comptroller) should ensure that cross-references within each chapter related to debt collection functions in the FMR are current, relevant, and updated in a timely fashion. (Recommendation 3)

The Secretary of Defense should direct the Secretaries and Commandant of the military services, and the Director of DFAS where these responsibilities are shared, to review and update outdated debt collection procedures; update service level debt notification letter templates; and clarify debt and due process procedures applicable to the recoupment of DOD overpayment debts from service members for consistency with DOD Financial Management Regulation Volume 16 and other applicable areas of the Financial Management Regulation. (Recommendation 4)

The Secretary of Defense should direct the Secretaries and Commandant of the military services, and the Director of DFAS, to ensure that all of the information required by DOD Financial Management Regulation Volume 16 is included in debt notification letters sent to service members. (Recommendation 5)

Agency Comments and Our Evaluation

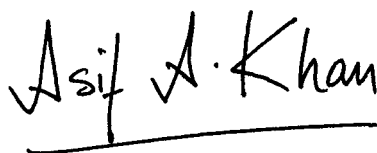
We provided a draft of this report to DOD for review and comment. In its comments, reproduced in appendix VI, DOD concurred with each of the five recommendations and described planned actions it will take to implement them.

We are sending copies of this report to the appropriate congressional committees; the Acting Secretary of Defense; and, the Under Secretary of Defense (Comptroller). In addition, the report will be available at no charge on the GAO website at <http://www.gao.gov>.

If you or your staff have any questions about this report, please contact Alicia Puente Cackley at (202) 512-8678 or CackleyA@gao.gov or Asif A. Khan at (202) 512-9869 or KhanA@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. Key contributors to this report are listed in appendix VII.



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Director, Financial Management and Assurance

Appendix I: Objectives, Scope, and Methodology

The objectives of this report were to evaluate the extent to which (1) the Department of Defense (DOD) Debt Collection Regulation is clear, and (2) military services' and DFAS policies and procedures follow DOD's Debt Collection Regulation.

To address our first objective, we reviewed and analyzed documents applicable to DOD debt collection, including DOD's Financial Management Regulation (FMR), which includes the DOD Debt Collection Regulation; the DOD Financial Management Regulation Revision Standard Operating Procedures; and debt and claims information on the Defense Finance and Accounting Service's (DFAS) website.¹ Specifically, we reviewed these documents for consistency and clarity, focusing on debt collection processes including debt notification, debt dispute, debt forgiveness, and credit reporting. We also reviewed cross-references within the FMR to determine whether those references were current and relevant. Additionally, we reviewed the military service member debt notification template in the DOD Debt Collection Regulation for consistency with the required pieces of information in the Regulation. We reviewed applicable laws and other federal regulations and guidance, including the Bureau of the Fiscal Service's *Managing Federal Receivables*, applicable sections of the Code of Federal Regulations, and the U.S. Code.² To better understand the FMR, including the DOD Debt Collection Regulation, we interviewed officials representing the Comptroller of the Office of the Under Secretary of Defense (OUSDC Comptroller), DFAS, and the military services (Army, Navy, Air Force, and Marine Corps).

To address our second objective, we reviewed and analyzed the military services' policies and procedures that are designed to implement the FMR and govern debt management and collection at the services and

¹This report uses "DOD Debt Collection Regulation" to refer to the Financial Management Regulation, Volume 16. The scope of our report focused on FMR Volume 16, Chapters 1-4. DFAS' website for debt and claims information can be accessed at: <https://www.dfas.mil/debtandclaims/>.

²The scope of our report focused on three main statutory provisions (37 U.S.C. § 1007; 31 U.S.C. § 3716; and, 5 U.S.C. § 5514) that pertain to salary and administrative offset of DOD employee and service member debt owed to DOD. We recognize that additional laws dealing with non-DOD debt collection with separate rules and regulations exist; however, those laws are outside the scope of this audit.

compared them to the DOD Debt Collection Regulation.³ Specifically, in November 2017, we asked each military service to provide us with service-level documents, including those relating to (1) processing debt collection, providing due process, and forgiving debt; (2) responsibilities for processing debt; and (3) procedures for reporting debt to credit bureaus. We asked for documents such as policies, procedures, and guidance, as well as handbooks and flowcharts that describe the relevant processes. We confirmed with the military services that the documentation they provided was current.

In analyzing the military services' policies and procedures, we focused on requirements addressing due process (debtor notification and the opportunity to dispute), debt forgiveness (waivers and remissions), and credit bureau reporting. We compared templates of the letters notifying service members of their debt in the military services' policies and procedures against the requirements and sample templates for those notification letters stipulated in the DOD Debt Collection Regulation.⁴ We also interviewed and, where appropriate, obtained documentation from agency officials at the military services and DFAS.

To further address our second objective, we randomly selected a non-generalizable sample of 50 Debt Collection Offices across the military services and DFAS. DOD officials provided us with a list of 392 Debt Collection Offices—225 in the Air Force, 97 in the Army, 63 in the Navy, 7 in the Marine Corps, and 36 in DFAS, that collect debt on behalf of the Army. We did not verify that the lists of Debt Collection Offices were a complete universe. We used the list to generate a random sample of 50 Debt Collection Offices (31 Air Force; 11 Army; 7 Navy; 1 Marine Corps) from which to request debt notification letters.

We asked each of the 50 Debt Collection Offices in our random sample provide one debt notification letter it had issued between January 2016

³We did not confirm that the documents encompassed all documentation relevant to their debt collection policies and procedures. Each service provided multiple documents with some documents pertaining to military pay generally, while others may pertain specifically to only travel or pay and allowances.

⁴See appendix III for a complete listing of the debt notification letter content requirements listed in the DOD Debt Collection Policy.

and May 2018 to service members that were then serving in the military.⁵ For Debt Collection Offices that did not issue a debt notification letter during our requested time period, we asked that they instead provide a debt notification letter template that would be used if a service member were to be notified of a new debt. Additionally, we asked DFAS, which is responsible for processing debt for separated service members, to provide 10 debt notification letters issued to service members who separated from service prior to fully repaying a DOD debt.⁶ DFAS also provided one letter issued to a military retiree, and one letter issued to a military annuitant between January 2016 and May 2018 that we included in our analysis.

We compared the content of these debt notification letters against the requirements of the DOD Debt Collection Regulation, which specifies 18 pieces of information that must be included in the letters to ensure due process requirements were communicated to the service member.⁷ In addition, we verified that the information and guidance provided in the letters were current and directed the service member to applicable topics and resources. We looked for instances where the debt notification letter included commingled or confusing information related to these requirements. While the data obtained from the Debt Collection Offices' debt notification letters is not generalizable across the military services and DFAS, it enabled us to gain an understanding of which items were missing from debt notification letters.

We conducted this performance audit from September 2017 to February 2019 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to

⁵Of the 50 debt notification letters requested, we received 49 items for testing, which had been issued to service members that incurred debt and were serving between January 2016 and May 2018. Forty-seven Debt Collection Offices sent us copies of actual letters issued. Two Debt Collection Offices had not issued any letters during this time period, and instead provided templates from their policies and procedures. One Debt Collection Office did not issue any debt notification letters during this time period and did not have an available template to provide us.

⁶Of the ten debt notification letters requested, we received nine letters that had been issued to members who had separated from service, prior to fully repaying a DOD related debt, between January 2016 and May 2018, and one related to a civilian employee that we did not include in our analysis.

⁷Letters issued to separated service members notify them to visit www.dfas.mil/debtandclaims/information for further required information about the collection process, applicable regulations, and other opportunities available to them.

obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendix II: Debt Forgiveness and Other Forms of Debt Relief

While various legal provisions govern the Department of Defense’s (DOD) collection of civilian employee and service member debt, DOD has some flexibility in how it enforces debt collection. Table 3 provides information on the application of two forms of debt forgiveness—waivers and remissions—and describes other forms of debt relief that DOD can provide to civilian employees and service members.

Table 3: Waivers, Remissions, and Other Forms of Debt Relief Used by the Department of Defense (DOD)

Debt Forgiveness: Waivers and Remissions		
	Waivers	Remissions
Applicability	<ul style="list-style-type: none"> Civilian DOD employees and service members. Debt that is the result of an erroneous payment of salary or allowances or an erroneous payment of a Survivor Benefit Plan annuity, travel, transportation, relocation expenses or allowances.^a 	<ul style="list-style-type: none"> Service members. Debts of regular or reserve service members in active status, where debt was incurred on or after October 7, 2001.
Conditions	<ul style="list-style-type: none"> May only be granted when the collection of debt would be against equity and good conscience and not in the best interests of the United States. Any debt resulting from an erroneous payment where there is an indication of fraud, misrepresentation, fault, or lack of good faith on the part of the debtor cannot be waived.^b Financial hardship should not be a factor in considering the appropriateness of a waiver. 	<ul style="list-style-type: none"> Remission must be in the best interests of the United States. Specific factors for granting remission may vary by military component, and may include, for example, good faith, hardship, injustice, and value to the service.
Limits	<ul style="list-style-type: none"> The Defense Finance and Accounting Service’s Debt and Claims Management Office is authorized to grant or deny service members a waiver of debt aggregating to not more than \$10,000 (or \$1,500 for civilian employees). If the aggregated debt is over \$10,000 for service members (or \$1,500 for civilian employees), the authority to grant the waiver lies with the Director of the Defense Office of Hearings and Appeals or designee under the DOD Office of the General Counsel. 	<ul style="list-style-type: none"> None specified in DOD Debt Collection Regulation.
Refund	<ul style="list-style-type: none"> If the requested waiver is approved, a debtor is entitled to refund of the amount of the debt repaid prior to the waiver being approved. 	<ul style="list-style-type: none"> There is no specific requirement in the DOD Debt Collection Regulation that a service member be refunded the amount of debt already repaid.
Appeal	<ul style="list-style-type: none"> A debtor may appeal the denial of a waiver application. The Defense Office of Hearings and Appeals reviews the debtor’s appeal and may affirm, modify, or reverse the initial determination. 	<ul style="list-style-type: none"> DOD Debt Collection Regulation does not specify any appeal rights if the service member is denied remission.
Other Forms of Debt Relief		
Voluntary Installment Repayments	If the debtor is financially unable to pay a debt in a lump sum, DOD may accept voluntary repayment from the debtor in regular installments rather than proceeding with collection by involuntary offset.	
Compromise	DOD may agree to accept less than the full amount of an outstanding debt in full satisfaction of the entire amount of the debt. DOD may consider factors including litigation risks, the debtor’s inability to pay the full amount, and whether collection costs exceed amounts recoverable.	

**Appendix II: Debt Forgiveness and Other
Forms of Debt Relief**

Suspension	DOD may cease collection action temporarily with the intent to initiate collection action at a later date. DOD may consider factors including whether the debtor's location is known, the debtor's financial condition, and whether the debtor has requested a waiver, remission, or review of the debt.
Termination	DOD may cease active debt collection after the agency has pursued all appropriate means of collection and determined the debt is uncollectible. DOD may pursue collection at a later date if there is a change in the debtor's status or a new collection tool becomes available. DOD may consider factors including whether a substantial amount can be collected using the tools available, whether the debtor can be located, and costs of collection.
Claim for Refund	A service member can file a claim for any amounts considered erroneously collected from his or her pay account. If the Claim for Refund is denied in whole or in part, the service member may submit an appeal to the Defense Office of Hearings and Appeals.
Correction of Military Records	The Secretary of a Military Department may correct any military record of the Secretary's department when the Secretary considers it necessary to correct an error or remove an injustice. An individual may be owed money pursuant to the correction of his or her military record.

Source: GAO analysis of DOD debt collection information, including DOD's Financial Management Regulation. | GAO-19-61

^aOther waiver authority may apply to payments that were not erroneously paid. Such waiver authority is generally exercised by the DOD component as provided by other statutory authority. Such debts resulting from non-erroneous payments include, for example, those related to student loan repayments and recruitment and relocation bonuses.

^bThe Defense Office of Hearings and Appeals has held that a waiver will not be granted if it appears the debtor had records (such as a Leave and Earnings Statement) which, if reviewed, would have indicated an overpayment, and the debtor failed to review such documents for accuracy or otherwise failed to take corrective action. Such failure on the part of the debtor renders the debtor partially at fault and ineligible for a waiver of the debt.

Appendix III: Department of Defense (DOD) Debt Notification Letter Requirements for DOD Employees

DOD’s Debt Collection Offices are required to issue an initial debt notification letter to a debtor within five working days following confirmation of (1) the existence and validity of the debt, (2) the basis of indebtedness, and (3) the amount of the debt. Although only one debt notification letter is required to be issued to a debtor, Debt Collection Offices may issue additional letters at 30-day intervals. Only after due process has been completed may involuntary salary and administrative offset begin. Table 5 lists eighteen pieces of information that all debt notification letters are required to contain per the DOD Debt Collection Regulation in Financial Management Regulation, Volume 16.¹

Table 4: Department of Defense (DOD) Debt Notification Letter Requirements for DOD Employees

Requirement	Description
1. Statement of Facts Regarding the Debt	<ul style="list-style-type: none">• Include explanation of amount and reason for the indebtedness.• Include authority for establishing the debt.• Cite the basis on which the determination of indebtedness was made.
2. Request for Lump-Sum Payment	<ul style="list-style-type: none">• Request that debt be repaid in a lump sum by check or money order.
3. Payment Due Date	<ul style="list-style-type: none">• State that payment must not be more than 30 days from the date of the initial debt notification letter, unless otherwise mandated by statute, contract provision, another notice of indebtedness, or based on unusual circumstances as determined by the agency (for example, medical-related debts where insurance is billed first).• Include the date by which payment must be made to avoid incurring interest, penalties, administrative fees, and enforced collection.

¹DOD 7000.14-R, *Financial Management Regulation*, vol. 16,chap. 2, § 020505 (June 2017)

**Appendix III: Department of Defense (DOD)
Debt Notification Letter Requirements for DOD
Employees**

Requirement	Description
4. Right to Request a Hearing or Review	<p>Hearing</p> <ul style="list-style-type: none"> • Include a statement indicating that if the debtor wishes to dispute the existence or amount of the debt (or contest the repayment schedule for collection by salary offset), then the debtor may do so by submitting a written request for review in the form of a hearing petition. • Advise the debtor of the method and period of time for filing the hearing petition, typically 30 days from the date of the debt notification letter. • State that the timely filing of a hearing petition will stay the beginning of collection proceedings, and that interest and penalty charges will not be collected until and unless the hearing official's decision is in favor of a collection. • Detailed hearing petition instructions may be provided to the debtor online through the Internet. <p>Review</p> <ul style="list-style-type: none"> • Include a statement indicating that if the service member wishes to dispute the validity or amount of the debt (or contest the involuntary repayment schedule), then the service member must submit a written request for review containing the service member's identifying information, the reason for requesting a review, supporting documentary evidence, and a dated signature. • Advise the service member that a request for review must be received not later than 30 days from the mailing date of the debt notification, or by the date indicated in the debt notification.
5. Right to a Written Decision	<p>Hearing</p> <ul style="list-style-type: none"> • Advise the debtor that if a hearing is granted, the debtor has the right to receive a written decision from the hearing official within 60 days after the filing of the hearing petition, unless the hearing official grants a request for a delay in the proceedings. <p>Review</p> <ul style="list-style-type: none"> • Advise the service member that if a review is granted, the service member has the right to receive written results within 60 days.
6. Right to Inspect Records	<ul style="list-style-type: none"> • Advise the debtor that he or she has the right to inspect and copy the DOD records relating to the debt.
7. Voluntary Repayment Agreement Information	<ul style="list-style-type: none"> • Advise the debtor of the opportunity to establish a schedule for the voluntary repayment of the debt by entering into an installment payment plan if the debtor claims, and can support, an inability to repay the debt in a single lump sum.
8. Right to Request a Waiver or Remission	<p>Waiver</p> <ul style="list-style-type: none"> • If applicable, include a statement regarding the right to request a waiver of the indebtedness in accordance with applicable statutory authority for waiving a debt. Detailed waiver application instructions may be provided to the debtor online. <p>Remission</p> <ul style="list-style-type: none"> • If applicable, include a statement regarding the right to request a remission of the indebtedness in accordance with applicable statutory authority for cancelling the debt.
9. Collection Action on Delinquent Debts	<ul style="list-style-type: none"> • Include a statement indicating that if the Debt Collection Office is unable to collect a debt, other collection methods may be used, such as referring the debt to a private collection agency, reporting the debt to a credit bureau, garnishing non-Federal employment wages, or referring the debt to Department of Justice for litigation. • Inform the debtor that any debts delinquent for more than 120 days are required to be transferred to the Department of the Treasury for collection, and in some cases, the debt may be transferred sooner.
10. Collection from Final Pay of Employee	<ul style="list-style-type: none"> • Include a statement indicating that any portion of a debt remaining at the time of separation may be collected from the debtor's final pay and allowances.

**Appendix III: Department of Defense (DOD)
Debt Notification Letter Requirements for DOD
Employees**

Requirement	Description
11. Interest, Penalties, and Administrative Costs	<ul style="list-style-type: none"> Contain a statement explaining the requirements under 31 C.F.R. § 901.9 to assess IPA, including the following information: <ul style="list-style-type: none"> An explanation that if the debt is not paid by the due date, then interest will be charged from the date of delinquency, or from the date specified in the repayment agreement, if applicable. Include a statement indicating that the interest rate will be calculated pursuant to 31 C.F.R. § 901.9; An explanation that if the debt is not paid in full by the due date stated in the debt notification letter, then the Debt Collection Office will assess administrative costs for the processing and handling of the delinquent debt; and An explanation that if the debt is delinquent for more than 90 days, then the Debt Collection Office will assess a penalty, not to exceed 6 percent per annum, on the unpaid portion of the debt accruing from the date of delinquency.
12. Point of Contact	<ul style="list-style-type: none"> Include a statement identifying the name, mailing address, email address, fax number, and telephone number of a point of contact the debtor may contact regarding the debt.
13. Payment Address	<ul style="list-style-type: none"> Provide the address where payment should be mailed or delivered (including instructions for Pay.Gov or electronic funds transfer, where applicable), and include notice that the check, money order, or wire transfer must be made payable to the Department of the Treasury.
14. Penalty for False or Frivolous Statements	<ul style="list-style-type: none"> Indicate that consequences of knowingly providing false or frivolous statements, representations, or evidence including disciplinary procedures, penalties, and criminal penalties under applicable laws and regulations.
15. Bankruptcy	<ul style="list-style-type: none"> Include a statement indicating the debtor is responsible for notifying the Debt Collection Office if the debtor files or has filed for bankruptcy.
16. Right to a Refund	<ul style="list-style-type: none"> Include a statement that amounts paid or deducted for the debt, which are later waived or found not to be owed to the Government, will be refunded promptly to the debtor, unless prohibited by law.
17. Tax Filing	<ul style="list-style-type: none"> Provide notice that for joint income tax filers, the spouse should file IRS Form 8379, <i>Injured Spouse Allocation</i>, with the Internal Revenue Service to claim his or her share of the tax refund.
18. Salary Offset Procedures	<ul style="list-style-type: none"> Where applicable, state the Debt Collection Office's intention to collect the debt of a Federal employee by means of payroll deductions (salary offset) if payment is not received within 30 days. Identify the amount, frequency, proposed beginning date, and the duration of deductions by salary offset.

Source: DOD's Financial Management Regulation. | GAO-19-61

Appendix IV: Example of a Service Member Debt Notification Letter That Includes All Required Information


Figure 4 is a debt notification letter that contains all of the eighteen pieces of information that are required to be included per the DOD Debt Collection Regulation in Financial Management Regulation, Volume 16.¹ (See appendix III for a list of the eighteen required pieces of information.)

¹DOD 7000.14-R, *Financial Management Regulation*, vol. 16, chap. 2, § 020505 (June 2017)

Appendix IV: Example of a Service Member
Debt Notification Letter That Includes All
Required Information

Figure 3: Service Member Debt Notification Letter That Includes All 18 Required Pieces of Information

NOT AT FAULT DEBT NOTIFICATION LETTER

 [Redacted]

S: 01 March 2018
AETS-FCQ-PCM

January 29, 2018

MEMORANDUM FOR RECORD

THRU: COMMANDER, FINBGJA1

FOR: [Redacted]

SUBJECT: Notification of Indebtedness

Requirement #3: Payment due date

Requirement #1: Statement of facts regarding the debt

Requirement #2: Request for lump-sum payment

1. **Notification.** This Notification of Indebtedness is to inform you that you are indebted to the United States in the amount of **\$ 1,603.33** for the following reason(s): Overpayment of **Hardship Duty Pay (HDP); Hostile Fire Pay (HFP)**. Finance has adjusted your debt for any previous payments made and offsets taken.

Requirement #13: Payment address

2. **Payment of Your Debt.** Please pay the amount of your debt, as specified above, in full by the suspense date of this notification. You have the option to pay your debt in cash, by cashier's check, or via money order. If you are making payments with Community Bank make cashier's checks or money orders payable to "DSSN 6387, 266th FMSC". If you are making payments at the 106th FMSU Cash Cage located in Grafenwoehr or Kaiserslautern make cashier's checks or money orders payable to "Disbursing Officer, DSSN 6321". Please complete the enclosed Voluntary Repayment Agreement/Election Form indicating your desire to pay the debt in full and coordinate your payment with your local Finance Customer Service Team (FCST) prior to the suspense date. If you are unable to pay the full amount of the debt in one lump sum, you may agree in writing to pay the debt in regular installments.

Requirement #7: Voluntary repayment agreement information

3. **If You are Unable to Pay Your Debt.** If you do not repay the debt in full or do not complete the enclosed Voluntary Repayment Agreement/Election Form by the suspense date in full, a collection action will be initiated which will include an administrative fee of \$15.00 and a charge of 1.00%. Beginning on the pay period following the suspense date on this notification, finance will involuntarily initiate collection of the debt, administrative fee, and interest. You may pay by using salary offset procedures (payroll deductions). A maximum of 15 percent of your disposable pay will be deducted each pay period until your debt is paid in full. The amount may fluctuate each pay period depending on your available net disposable pay. The estimated disposable pay and 15 percent of your disposable pay are indicated in the Voluntary Repayment Agreement/Election Form. Repayment of the principal amount of your debt would be completed in approximately 4 months. If you retire or leave the service before your debt is paid in full, the entire amount of your final pay may be applied to pay off your debt. Debt amounts remaining at the time of separation will be collected from final payments of any nature.

Requirement #18: Salary offset procedures

Requirement #10: Collection from final pay of employee

Note: When it is determined that a Soldier's overpayment of pay or allowances is the fault of the Soldier, the debt can be recovered in monthly installments of up to two-thirds of the Soldier's disposable monthly pay. The definition of "fault" in this context means responsibility, liability, culpability, or blameworthiness.

1

Source: GAO analysis of DOD Debt Notification Letter. | GAO-19-61

Part 1 of 12

**Appendix IV: Example of a Service Member
Debt Notification Letter That Includes All
Required Information**

NOT AT FAULT DEBT NOTIFICATION LETTER

**Requirement #4:
Right to request a
review**

**Requirement #8:
Right to request a
waiver**

4. **Opportunities Available to You.**

a. You may inspect and/or receive copies of records related to your debt by contacting your FCST.

b. You may request a review by finance if you question the validity or amount of the debt or contest the involuntary repayment schedule (see enclosed instructions on "Requesting a Review").

c. If you do not wish to dispute the validity or amount of the debt, you are entitled to request a waiver of your debt by submitting a DD Form 2789, Waiver/Remission of Indebtedness Application (see the enclosed instructions on "Requesting a Waiver") if your debt is the result of an erroneous payment of pay or allowances or an erroneous payment of travel, transportation, or relocation expenses and allowances. By submitting an application for a waiver, you acknowledge that you do not intend to dispute the validity or amount of the debt. Waiver claims require no evidence of fraud, misrepresentation, fault, or lack of good faith. Generally, a waiver is precluded when a Soldier receives a significant unexplained increase in pay or allowances, or otherwise knows, or reasonably should know, that an erroneous payment has occurred and fails to make inquiries or bring the matter to the attention of appropriate officials. A waiver may be inappropriate even though the recipient of the payment makes inquiries or brings the matter to the attention of appropriate officials and is mistakenly advised that the payment is proper. The fact that an erroneous payment is the result of an administrative waiver.

Requirement #8: Right to request a remission or cancellation of indebtedness

d. You have the right to initiate a DA Form 3508, Application for Remission or Cancellation of Indebtedness, IAW AR 600-4 (see the enclosed instructions on "Requesting a Remission or Cancellation of Indebtedness"). You may request that the debt be remitted or canceled on the basis of hardship, injustice, or both. In accordance with AR 600-4, Chapter 1, Paragraph 1-8, Subparagraph e, a debt that is obtained or converted to own use through fraud, larceny, embezzlement, or other unlawful means may not be remitted or canceled under 10 U.S.C 4837.

5. **Questions about Your Debt.** Please see the enclosed "Collection of Your Debt" for additional information regarding debt collection. The Department of Defense Financial Management Regulation (DoD FMR) contains general information concerning debt collection authority in Volume 16, Chapters 1-4, and is available at http://comptroller.defense.gov/FMR/vol16_chapters.aspx.

6. **Point of Contact.** Please complete the enclosed Voluntary Repayment Agreement/Election form and return it to your serving FCST, which will serve as your point of contact for this notification.

**Requirement #12:
Point of contact**

Supervisor, Debt Processing Branch

Encls

1. Collection of your Debt
2. Requesting a Review
3. Requesting a Waiver
4. Requesting a Remission or Cancellation of Indebtedness
5. Voluntary Repayment Agreement/Election Form

2

Source: GAO analysis of DOD Debt Notification Letter. | GAO-19-61

Part 2 of 12

Appendix IV: Example of a Service Member
Debt Notification Letter That Includes All
Required Information

NOT AT FAULT DEBT NOTIFICATION LETTER

Requirement #6:
Right to inspect
records

Requirement #11:
Interest, penalties, and
administrative costs (IPA)

COLLECTION OF YOUR DEBT

Right to Review Records. In accordance with Department of Defense Financial Management Regulation (DoD FMR), Volume 16: "Department of Defense Debt Management," Chapter 2, you have the opportunity to inspect and copy government records applicable to your debts and have the opportunity to review all the decisions related to your debt. If you desire to have a copy of the documents substantiating the debt(s), please contact your Finance Customer Support Team.

Interest and Additional Charges. Interest will not be charged if full payment of the debt is made by the suspense date specified in this Notification of Indebtedness Memorandum. Interest charges will be assessed on all debt not paid in full by the date due, regardless if the debt is to be paid in a lump-sum or installments. Debt that is paid through an installment plan is not considered delinquent as long as the payments are made on time; however, interest will continue to be assessed on the outstanding balance owed and collected until the debt is paid in full. The rate of interest charged is at the U.S. Treasury Tax and Loan Rate. Additional penalties may be imposed at the rate of up to 6 percent a year on any unpaid portion of your debt that is delinquent for more than 90 days, commencing on the date your debt becomes delinquent and continuing until the debt is paid in full. In addition to interest and penalty charges, administrative charges will be assessed to cover the added costs incurred in handling a delinquent debt beyond the date on which payment was due. Unlike the interest charge, which begins to accrue on the date the Notification of Indebtedness Memorandum is issued, the administrative charge is applied only if payment is not made by the due date specified in the Notification of Indebtedness Memorandum. Debt that is paid through an agreed upon installment plan is not considered delinquent as long as the payments are made on time; however, interest will continue to be assessed on the outstanding balance owed and collected until the debt is paid in full.

Requirement #9:
Collection action on
delinquent debts

Collection Action on Delinquent Debts. If the Defense Finance and Accounting Service (DFAS) is unable to collect your debt by salary offset, it may enforce repayment of your debt by using other available collection remedies such as referring your debt to a private collection agency, reporting your debt to a credit bureau, garnishing your non-Federal employment wages, or referring your debt to the Department of Justice for litigation. Debts delinquent for more than 120 days are transferred to the Department of Treasury for collection. Debts delinquent for 90 days or less may be transferred sooner than 120 days. Treasury may offset your federal benefit payments, such as Social Security and federal employee retirement benefits, to collect your debt. You may also be prohibited from being approved for a federal loan if you do not resolve your outstanding delinquent debt.

Requirement #14:
Penalty for false or
frivolous statements

Penalties for False or Frivolous Statements. Please be advised that if you make or provide any knowingly false or frivolous statements, representations, or evidence with respect to your debt, you may be liable for penalties under the False Claims Act (31 U.S.C. § 3729-3731) or other applicable statutes; and/or criminal penalties under 18 U.S.C. § 286, 287, 1001, and 1002; and other applicable statutes. You may also be subject to disciplinary procedures under any other applicable statutes or regulations.

Tax Considerations. Per IRS Publication 15, income tax withheld by DFAS in a prior calendar year cannot be adjusted. Therefore, if your overpayment occurred in a prior calendar year, you must pay back the gross amount of your debt, including any taxes previously withheld and paid on your behalf to the IRS. You may be entitled to a deduction (or credit in some cases) for the repaid wages on your income tax return for the year of repayment of your debt. If your overpayment and repayment both occur in the same calendar year, DFAS will be able to adjust your tax withholding and you will be

3

Source: GAO analysis of DOD Debt Notification Letter. | GAO-19-61

Part 3 of 12

Appendix IV: Example of a Service Member
Debt Notification Letter That Includes All
Required Information

NOT AT FAULT DEBT NOTIFICATION LETTER

**Requirement #17:
Tax filing**

responsible for repaying only the net overpaid amount. Upon repayment in the same calendar year, your W-2 will be adjusted to reflect your income and the associated taxes. Finally, please be aware that should your debt repayment ever become delinquent and collected by the offset of your tax refund, your spouse may file Form 8379, Injured Spouse Allocation, with the Internal Revenue Service (IRS) to claim his or her share of the tax refund.

Right to a Refund. DFAS will promptly refund to you any amounts you have paid or that were deducted for your debt which are later waived or found not owed to the United States.

Bankruptcy. If you file for bankruptcy, you must notify your Finance Customer Support Team as soon as possible.

**Requirement #15:
Bankruptcy**

**Requirement #16:
Right to a refund**

4

Source: GAO analysis of DOD Debt Notification Letter. | GAO-19-61

Part 4 of 12

Appendix IV: Example of a Service Member
Debt Notification Letter That Includes All
Required Information

NOT AT FAULT DEBT NOTIFICATION LETTER

REQUESTING A REVIEW

Requirement #4:
Right to request
a review

If you question the validity or amount of your debt you may request a review and validation of the debt by finance. You may also contest the involuntary repayment schedule. You must submit a written request for a review that identifies and explains, with reasonable specificity, the facts and evidence you believe support your position. The request for review must be received not later than 30 days from the mailing date of the debt notification. There is no standardized format for a request for review; it should contain your identifying information, the reason for requesting a review, documentary evidence, and a dated signature. You waive your right to a review if you fail to submit a request in a timely manner. Finance may accept a late request if you can show that the circumstances beyond your control.

Requirement #6:
Right to inspect
records

Requesting Records. You may make a written request to finance for records related to your debt. A request for records must be made prior to the deadline for submitting a request for review. Within 45 days after the date the records are provided to you, you must submit a written request for review to finance or you will waive your right to review.

Review Procedures. The request for review must be submitted to your Finance Customer Support Team (FCST). Upon receipt of the request for review, finance will consider the information and any documentary evidence contained in your request and will perform a review and validation of the debt. Finance will issue you written review results. During this process, finance will not initiate collection of your debt unless otherwise required by statute.

Written Review Results. Finance will provide you written results of your request for a review within 60 calendar days.

Appeal of Final Determination. The determination on review is final. There are no provisions for review or appeal of the Debt Collection Office's decision on salary or administrative offset.

Where do I find additional information? See DoD FMR Volume 16, Chapter 4, paragraph 040206.

Requirement #5:
Right to a written decision (of review)

Appendix IV: Example of a Service Member
Debt Notification Letter That Includes All
Required Information

NOT AT FAULT DEBT NOTIFICATION LETTER

REQUESTING A WAIVER

Requirement #8:
Right to request
a waiver

What is a waiver? Under 5 U.S.C. § 5584, the United States may waive its right to collect the debt you owe if collection would be against equity and good conscience and not in the best interest of the United States. The debt must be the result of an erroneous payment of pay or allowances (including travel, transportation, or relocation expenses and allowances). A debt may be waived in whole or in part. Collection of your debt generally will not be suspended during the waiver review process. The appropriateness of a waiver depends on the facts of each particular case. Generally, a Soldier who receives an erroneous payment from the U.S. Government acquires no right to the money. The recipient of the payment is bound in equity and good conscience to make restitution. If the payment was made by mistake, no matter how careless the act of the U.S. Government may have been, the recipient of the payment must make restitution. A waiver is not a matter of right and is available only to provide relief as a matter of equity when warranted by the circumstances of the individual case. Economic or financial considerations play no role in the determination of a waiver request.

Indication of Fraud, Misrepresentation, Fault, or Lack of Good Faith. A waiver may only be granted when the collection would be against equity and good conscience and not in the best interests of the United States. There must be no indication the erroneous payment was solely or partially the result of the fraud, misrepresentation, fault, or lack of good faith of the applicant. An individual does not acquire title to the amounts paid erroneously and should hold the excess amounts for eventual repayment to the U.S. Government. Defense Office of Hearings and Appeals (DOHA) has held that a waiver will not be granted if it appears the debtor had records (such as Leave and Earning Statements) which, if reviewed, would have indicated an overpayment, and the debtor failed to review such documents for accuracy or otherwise failed to take corrective action. Such failure on the part of the debtor renders the debtor partially at fault and ineligible for a waiver of the debt.

May I apply for a waiver and simultaneously request a review? No. By submitting an application for a waiver, you acknowledge that you do not intend to dispute the validity or amount of the debt. Requesting a waiver is not the proper forum to contest the validity or amount of your debt. If your waiver application includes arguments concerning the validity or amount of your debt, your application may be denied. In order to contest the validity or amount of your debt, you must file a petition for a review concerning your debt.

Is there a time limit for filing a waiver application? Yes. Military members must file a waiver application within 5 years after the erroneous payment was discovered. For the purposes of starting the 5-year period, the date of discovery is the date that an appropriate official first determines that an erroneous payment has been made. Typically, the date of discovery of the debt for the purposes of filing a timely waiver request is 5 years from the date the debt notification memorandum was issued to the debtor.

What must be included in a waiver application and where should the application be submitted?

DD Form 2789 Waiver/Remission of Indebtedness Application: You must complete and sign DD Form 2789 "Waiver/Remission of Indebtedness Application" available at: <http://www.esd.whs.mil/Portals/54/Documents/DD/forms/dd/dd2789.pdf>. Provide the application and all supporting documents to your Finance Customer Support Team (FCST). If your waiver application is missing information, you will receive a request to submit additional information. Failure to submit the additional information within 30 business days of notification will result in your request for waiver being closed with no action.

6

Source: GAO analysis of DOD Debt Notification Letter. | GAO-19-61

Part 6 of 12

**Appendix IV: Example of a Service Member
Debt Notification Letter That Includes All
Required Information**

NOT AT FAULT DEBT NOTIFICATION LETTER

Supporting Documents: You must include supporting documents with your waiver application. Supporting documents include, but are not limited to:

- ☒ Copies of all supporting documentation referred to in DD Form 2789.
- ☒ Copies of Leave and Earnings Statements covering 3 pay periods prior to the overpayment(s) through 3 pay periods after the overpayment ended. If you do not have access to your Leave and Earnings Statements, you must include a statement explaining why they are not available.
- ☒ Any statement from you or any other persons in support of your application. Statements must be attested to be true and correct to the best of the individual's knowledge and belief.

Where Do I Find Additional Information? See DoD FMR Volume 16, Chapter 4, paragraph 0404.

**Appendix IV: Example of a Service Member
Debt Notification Letter That Includes All
Required Information**

NOT AT FAULT DEBT NOTIFICATION LETTER		Requirement #8: Right to request a remission or cancellation of indebtedness
REQUESTING A REMISSION OR CANCELLATION OF INDEBTEDNESS		

What is a Remission or Cancellation of Indebtedness? Generally, any indebtedness may be considered for remission/cancellation. The debt must be a debt over which the United States Army has jurisdiction. For example, the Secretary of the Army may not remit a service member's indebtedness because of liability for damage to property of another Military Service. In accordance with the authority of Section 4837, Title 10, United States Code (10 USC 4837), the Army may remit or cancel a Soldier's debt(s) to the U.S. Army or its instrumentalities if such action is in the best interests of the United States and the debt was incurred while on active duty or in an active status. The objectives of remission or cancellation of debt are to remit or cancel debts to the U.S. Army that are considered to be unjust and in the best interest of the United States. Indebtedness to the U.S. Army will not be remitted or canceled when debts are due to loss of public funds obtained or converted to own use through fraud, larceny, embezzlement, or other unlawful means.

How to apply. With the help of your immediate commander, you must complete a DA Form 3508, Application for Remission or Cancellation of Indebtedness at:
http://armypubs.army.mil/pub/eforms/DR_a/pdf/web/A3508_final.pdf. You may request that the debt be remitted or canceled on the basis of hardship, injustice, or both. Your application packet must contain evidence that either:

- a. You did not know, and could not have known, of the error; or
- b. You inquired of a proper authority and were told that the payment was correct.

Basis for application.

- a. *Injustice.* If claiming injustice only, fill out DA Form 3508, Sections I, VII, and VIII.
- b. *Hardship.* If hardship only is claimed under DA Form 3508, Item 15, fill out all sections on the form. In section VII, include any unusual factors or obligations that could help prove that repayment would cause hardship. When claiming hardship, failure to fill out all sections will result in the DA Form 3508 being returned for completion. Refusal to fill out all sections will result in the DA Form 3508 being returned without action.
- c. *Injustice and hardship.* If claiming both hardship and injustice, fill out all sections of the DA Form 3508. Enter "NA" for items that do not apply.

Enclosures to application. Include the following forms/documents as enclosures to the packet:

- (1) DA Form 2823 (Sworn Statement).
- (2) Documentation of monthly expenses must be included in order to process the request when claiming hardship. Monthly receipts shall cover the period within 60 days of the accepted remission package. Outdated or incomplete receipts will cause the package to be returned for proper documentation.
- (3) Documents that disclose cause, reason, category, amount, and inclusive period of indebtedness, such as—
 - (a) DD Form 139 (Pay Adjustment Authorization).
 - (b) Forms sent to you by DFAS (for example, adjustment authorization and/or information for replies to rebuttals).
 - (c) DD Form 200 (Financial Liability Investigation of Property Loss).
 - (d) DD Form 362 (Statement of Charges/Cash Collection Voucher).
 - (e) Transportation Operations Letter, Subject: Household Goods Pay Adjustment.

8

Source: GAO analysis of DOD Debt Notification Letter. | GAO-19-61

Part 8 of 12

**Appendix IV: Example of a Service Member
Debt Notification Letter That Includes All
Required Information**

NOT AT FAULT DEBT NOTIFICATION LETTER

- (4) Statements from persons knowing the circumstances of the debt, if needed.
- (5) If needed, statements from reliable individuals having information on the debt indicating that application packet approval would be in the best interest of the U.S. Government and/or that collection would create hardship. Reasons must be fully explained.
- (6) Any other evidence to support the case, if needed.

Sworn Statement. You must submit a detailed sworn statement on DA Form 2823. If the form is not available, submit a written statement that has been countersigned by a commissioned officer having notary powers (10 USC 936 and UCMJ, Article 136) or by a notary public. The statement must include the following:

- a. Circumstances, including cause and reason for the debt to the U.S. Army.
- b. Period involved.
- c. Date of discovery.
- d. Information about official notification of the debt to the U.S. Army, including how, when, and who informed you.
- e. Suspicion or knowledge of error.
- f. Whom you informed of the error or suspicion of error.
- g. Efforts made by you to have the error corrected.
- h. Evidence to support efforts to correct the cause of debt.
- i. Reason for delay (if any) in correcting error.
- j. A full explanation concerning the use of the erroneous funds. Explain if they were safeguarded or spent.
- k. If injustice is claimed, an explanation for the claim.
- l. If hardship is claimed, an explanation of the problems that repayment would cause.

Commanders' Involvement.

The immediate commander will assist the Soldier with the process and provide a recommendation of approval, in whole or in part, or disapproval in a formal, signed memorandum. The immediate commander must send the formal memorandum, with enclosures, to the commander exercising Special Court-Martial jurisdiction.

The commander who possesses Special Court-Martial convening authority must review and evaluate the DA Form 3508 and its corresponding enclosures to ensure that the case is complete and well-documented. The commander must sign a formal memorandum providing reasons that the request to remit or cancel the debt to the U.S. Army be approved, in whole or in part, or that it be disapproved.

Where Do I Find Additional Information? See Army Regulation 600-4, Remission or Cancellation of Indebtedness.

Appendix IV: Example of a Service Member
Debt Notification Letter That Includes All
Required Information

NOT AT FAULT DEBT NOTIFICATION LETTER

Voluntary Repayment Agreement/Election Form

Debt Information:

Soldier's Name: [REDACTED]

Debt Reason: Hardship Duty Pay (HDP); Hostile Fire Pay (HFP)

Amount Owed: \$ 1,603.33

Estimated Disposable Net Pay Amount: \$ 2,726.28

Note: Disposable pay is pay that remains after any legally required deductions from earnings are withheld. Disposable Pay equates to Gross Pay (pay minus allowances) minus Federal Insurance Contributions Act (FICA); Armed Forces Retirement Home; Federal Income Tax Withholdings (FITW); Service members' Group Life Insurance (SGLI) (including Family SGLI (FSGLI); Traumatic SGLI (TSGLI)); and State Income Tax Withholdings (SITW). For reservists, the deductions to calculate disposable pay are: FICA; FITW; SITW; and SGLI (including FSGLI and TSGLI).

Estimated Deduction Amount at 15% of Net Disposable Pay per Pay Period: \$ 408.94

Debt Dates: 8/2/2017 through 1/15/2018 Creation Date: 1/13/2018

Acknowledgement. I acknowledge that I owe the total amount indicated above and that I am obligated to repay the debt to the United States. I understand that in the event I take no further action, 15 percent of my disposable pay will be deducted automatically beginning with the first pay period following the suspense date on the Notification of Indebtedness Memorandum.

Interest and Administrative Fee. I understand that if I decide to repay the amount owed by any method other than in a single lump-sum payment by the suspense date indicated on my Notification of Indebtedness Memorandum, interest will be charged. I understand that interest at the Treasury Tax and Loan rate and will be charged on the unpaid balance every month until the debt is paid in full. Also, I understand that if I do not complete this Voluntary Repayment/Election Form and return it to my Finance Customer Support Team by the suspense date indicated on the Notification of Indebtedness Memorandum, that a one-time administrative fee of \$15.00 will be charged. In addition, I understand that if my debt becomes delinquent due to an agreed upon installment payment not being made by the due date, I will be charged a \$15.00 administrative fee.

Payment Obligation. I acknowledge the validity of this debt and agree to repay the debt in the manner I have indicated below. **Please choose one of the following repayment plans (check one):**

 Payment in Full by Check or Cash. I will repay my debt in a lump sum via a cashier's check, money order, or in cash and will contact my local Finance Customer Service Team to receive instructions for how to make the lump-sum repayment.

 Payment by Military Pay Offset. I will repay my debt by having the payments deducted from my military pay.

10

Source: GAO analysis of DOD Debt Notification Letter. | GAO-19-61

Part 10 of 12

NOT AT FAULT DEBT NOTIFICATION LETTER

In the Event of Default. In the event I default on my obligation under this agreement, finance is entitled to terminate this agreement without notice. Upon termination, the U.S. government will retain all amounts paid. Any unpaid balance of the debt will be automatically reinstated and shall become immediately due and payable pursuant to law. The U.S. government is entitled to take any lawful action it deems appropriate to collect the debt without duplicating notices and opportunities for review previously provided to me.

Appendix IV: Example of a Service Member
Debt Notification Letter That Includes All
Required Information

NOT AT FAULT DEBT NOTIFICATION LETTER

Other Due-Process Elections:

**Requirement #4:
Right to request
a review**

**Requirement #8:
Right to request
a waiver**

_____ I question the validity or amount of the debt and will request a Review of the Debt. I understand that collection of the debt, any interest, the administrative fee, and penalty charges will be suspended until the review process is completed. I also understand that collection of the debt will begin at 15% of my disposable pay if I do not provide my written request for review by the suspense date.

_____ I do not dispute the validity or amount of the debt and will request a Waiver of Indebtedness. I understand that waivers only apply to indebtedness that is the result of an erroneous payment of pay or allowances or an erroneous payment of travel, transportation, or relocation expenses and allowances. I also understand that collection of the debt at 15% of my disposable pay, any interest and penalty charges, and the administrative fee will not be suspended until the hearing official issues a written decision.

_____ I will request a Remission or Cancellation of Indebtedness. I understand that collection of the debt, any interest and penalty charges, and the administrative fee will be suspended until U.S. Army Human Resources Command makes its determination on the request. I also understand that collection of the debt will begin at 15% of my disposable pay if I do not provide my completed remission packet by the suspense date provided to me following my request for a remission or cancellation of indebtedness.

I have read and fully understand and agree to the terms of this agreement.

Signature of Soldier: _____

_____ Date: _____

Soldier's Printed Name

Signature of Commander: _____

_____ Date: _____

Commander's Printed Name

Submitting Your Signed Agreement. Please sign and return this Voluntary Repayment Agreement/Election Form to your local Finance Customer Service Team.

**Requirement #8:
Right to request
a remission or
cancellation of
indebtedness**

Source: GAO analysis of DOD Debt Notification Letter. | GAO-19-61

Part 12 of 12

Appendix V: Examples of Service Member Debt Notification Letters That Do Not Meet All Requirements

Figures 5, 6, and 7 are debt notification letters that do not contain all eighteen pieces of information that are required to be included per the DOD Debt Collection Regulation in Financial Management Regulation, Volume 16.¹ (See appendix III for a list of the eighteen required pieces of information.)

¹DOD 7000.14-R, *Financial Management Regulation*, vol. 16, chap. 2, § 020505 (June 2017)

Appendix V: Examples of Service Member Debt Notification Letters That Do Not Meet All Requirements

Figure 4: Example 1 of a Service Member Debt Notification Letter Missing Required Pieces of Information

Other Missing or Incomplete Requirements in Figure 5:

- Requirement 4: Right to request a review (incomplete)
- Requirement 5: Right to a written decision of the review
- Requirement 8: Right to request a waiver or remission
- Requirement 9: Collection action on delinquent debts
- Requirement 11: Interest, penalties, and administrative costs
- Requirement 13: Payment address
- Requirement 14: Penalty for false or frivolous statements
- Requirement 15: Bankruptcy
- Requirement 16: Right to a refund
- Requirement 17: Tax filing

Source: GAO. | GAO-19-61

2018 Date: March 5, 2018,

From: Director, Lemoore. Publication outdated, replaced and consolidated into Financial Management Regulation, Volume 16 in January 2016.

To: ENS [redacted] USN

Via: Commanding Officer, [redacted]

Subj: INDEBTEDNESS TO THE U.S. GOVERNMENT

Ref: (a) DJMS Procedures Training Guide Part 7, Chapter 7
(b) DODFMR Volume 7A, Chapter 50

1. Per reference (a), you are hereby advised of indebtedness to the amount of [redacted]. The overpayment is due to transfer to new [redacted] Station and the changes Basic Housing Allowance.

2. If you wish, you may inspect and copy all records pertaining to the debt. If you believe you have already paid the debt, please provide the disbursing officer with a receipt, a canceled check, or other evidence of payment. If you consider the debt to be invalid, you should inform the disbursing officer, either orally or in writing, explaining your position. The disbursing officer will then assist you in resolving the issue.

3. If you acknowledge owing the indebtedness, but feel that you should not be required to repay it, you have the right to request remission of the indebtedness. Information concerning the preparation and submission of waiver requests is contained in SECNAVINST 7220.38 series. Assistance in preparing such a request can be obtained from your personnel office. Publication was canceled in January 2005.

4. If you do not exercise your rights as explained in paragraphs 2 and 3, you have the following options for liquidating this indebtedness:

a. Cash repayment in a lump sum;
b. One-time collection from your pay;
c. Cash deposit with remainder to be paid by installment,
d. Installment liquidation of the entire amount.

5. If you have not made remittance or expressed a preference of repayment by 30 days from the date of this letter, your pay will be checked at the maximum rate provided by law. Therefore, you are strongly urged to consult with disbursing office personnel in order to arrive at a satisfactory resolution. Any portion of the debt that remains outstanding at the time of separation will be collected from your final pay and allowances.

6. Your POC to discuss this indebtedness is [redacted] at PSD Lemoore. You can reach him at [redacted] or by email at [redacted].

Copy to:
CPC [redacted]

1. Letter received on [redacted], by [redacted].

2. Hold collection action in abeyance. The member has not been Notified due to (circle): a. Deployment b. Hospitalization, c. TAD until [redacted], d. Leave until [redacted]. The member will be notified upon termination of the above status.

3. The military member has been notified and desired action is indicated (circle). a. Cash repayment by attached check b. Collection by pay account checkage, c. Request for remission of indebtedness being initiated.

Publication last updated July 2002 and provides outdated or incomplete procedures and guidance over debt collection processes such as debtor notifications, reviews, waivers, and remissions. Continuously references outdated Financial Management Regulation policy.

Instructions commingle a request for a remission of indebtedness with a request for a waiver.

Option not provided to request a waiver.

Source: GAO analysis of DOD Debt Notification Letter. | GAO-19-61

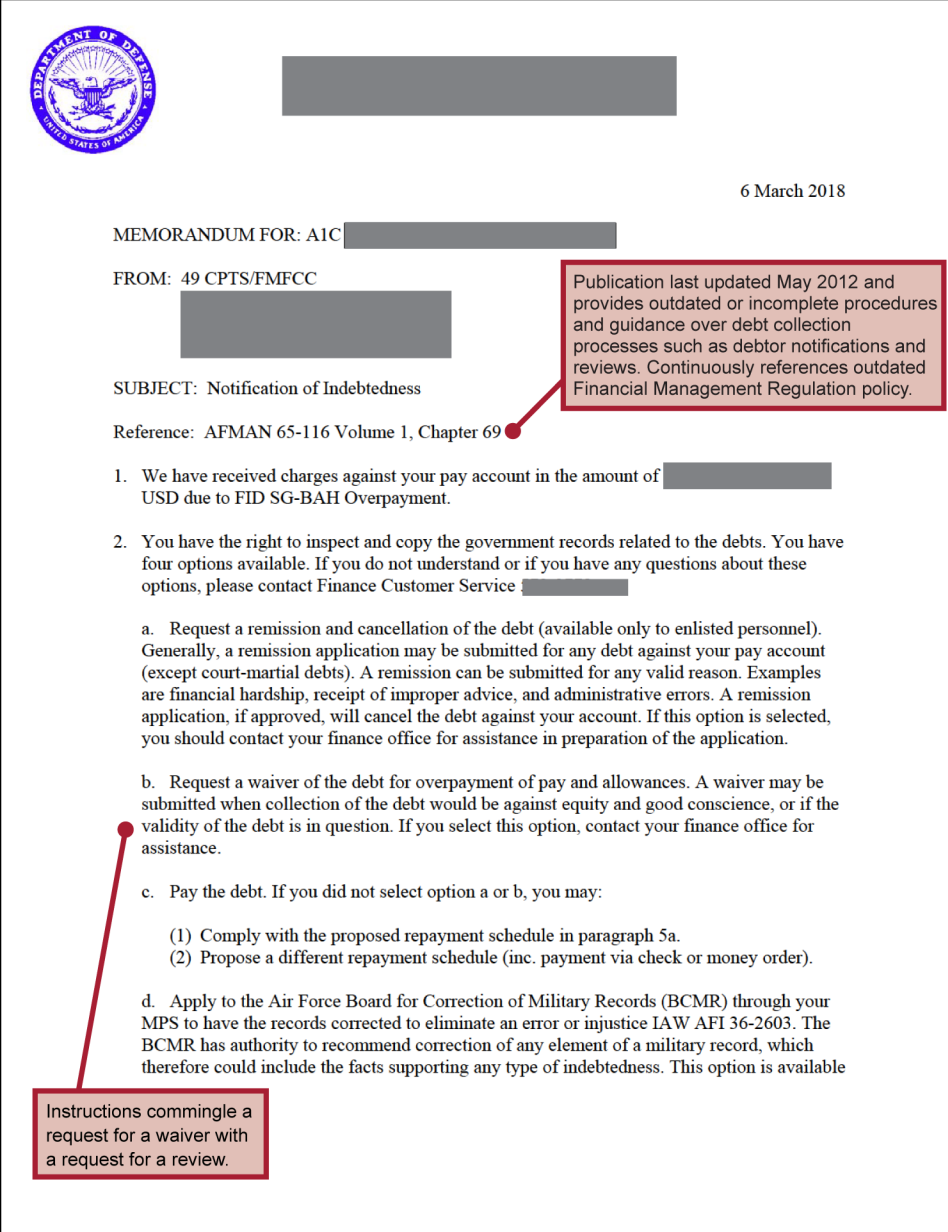
Appendix V: Examples of Service Member Debt Notification Letters That Do Not Meet All Requirements

Figure 5: Example 2 of a Service Member Debt Notification Letter Missing Required Pieces of Information

Other Missing or Incomplete Requirements in Figure 6:

- Requirement 4: Right to request a review
- Requirement 5: Right to a written decision of the review
- Requirement 8: Right to request a waiver or remission
- Requirement 9: Collection action on delinquent debts
- Requirement 11: Interest, penalties, and administrative costs
- Requirement 14: Penalty for false or frivolous statements
- Requirement 15: Bankruptcy
- Requirement 16: Right to a refund
- Requirement 17: Tax filing

Source: GAO. | GAO-19-61



The figure shows a sample debt notification letter from the Department of Defense. It includes a header with the department's seal and a date of 6 March 2018. The letter is addressed to A1C [redacted] and is from 49 CPTS/FMFCC. The subject is 'Notification of Indebtedness' and the reference is 'AFMAN 65-116 Volume 1, Chapter 69'. The letter contains four main points: 1. A charge against the pay account for USD due to FID SG-BAH Overpayment. 2. Information about the right to inspect government records and four options available: a. Request a remission and cancellation of the debt (available only to enlisted personnel). b. Request a waiver of the debt for overpayment of pay and allowances. c. Pay the debt. d. Apply to the Air Force Board for Correction of Military Records (BCMR) through your MPS to have the records corrected to eliminate an error or injustice IAW AFI 36-2603. The BCMR has authority to recommend correction of any element of a military record, which therefore could include the facts supporting any type of indebtedness. This option is available. There are two red callout boxes. One points to the date and contains the text: 'Publication last updated May 2012 and provides outdated or incomplete procedures and guidance over debt collection processes such as debtor notifications and reviews. Continuously references outdated Financial Management Regulation policy.' The other points to the BCMR option and contains the text: 'Instructions commingle a request for a waiver with a request for a review.'

DEPARTMENT OF DEFENSE
UNITED STATES OF AMERICA

6 March 2018

MEMORANDUM FOR: A1C [redacted]

FROM: 49 CPTS/FMFCC
[redacted]

SUBJECT: Notification of Indebtedness

Reference: AFMAN 65-116 Volume 1, Chapter 69

1. We have received charges against your pay account in the amount of [redacted] USD due to FID SG-BAH Overpayment.

2. You have the right to inspect and copy the government records related to the debts. You have four options available. If you do not understand or if you have any questions about these options, please contact Finance Customer Service [redacted].

a. Request a remission and cancellation of the debt (available only to enlisted personnel). Generally, a remission application may be submitted for any debt against your pay account (except court-martial debts). A remission can be submitted for any valid reason. Examples are financial hardship, receipt of improper advice, and administrative errors. A remission application, if approved, will cancel the debt against your account. If this option is selected, you should contact your finance office for assistance in preparation of the application.

b. Request a waiver of the debt for overpayment of pay and allowances. A waiver may be submitted when collection of the debt would be against equity and good conscience, or if the validity of the debt is in question. If you select this option, contact your finance office for assistance.

c. Pay the debt. If you did not select option a or b, you may:

(1) Comply with the proposed repayment schedule in paragraph 5a.
(2) Propose a different repayment schedule (inc. payment via check or money order).

d. Apply to the Air Force Board for Correction of Military Records (BCMR) through your MPS to have the records corrected to eliminate an error or injustice IAW AFI 36-2603. The BCMR has authority to recommend correction of any element of a military record, which therefore could include the facts supporting any type of indebtedness. This option is available.

Instructions commingle a request for a waiver with a request for a review.

Publication last updated May 2012 and provides outdated or incomplete procedures and guidance over debt collection processes such as debtor notifications and reviews. Continuously references outdated Financial Management Regulation policy.

Source: GAO analysis of DOD Debt Notification Letter. | GAO-19-61

Part 1 of 3

**Appendix V: Examples of Service Member Debt
Notification Letters That Do Not Meet All
Requirements**




only after all other options have been exhausted. When the BCMR application is for excess cost for movement of personal properties, it must be supported by a copy of the final adjudication from JPPSO/ECAF, and if appropriate, a copy of the response to the request for remission. Further, a payment option, mentioned in paragraph 2c above, must be selected and payment be initiated when BCMR action is being pursued.

3. If this charge is for excess costs for movement of personal property, review the DD Form 139, Pay Adjustment Authorization, for the statement "additional charges possible". If this occurs, there may be an additional debt against your account about which you will be notified later. If you wish to appeal the validity of these excess cost charges, immediately contact the Traffic Management Office (TMO) for proper counseling.
4. Any portion of the debt remaining at the time you are separated from the Air Force will be collected from your final pay and allowances.
5. Our proposed repayment schedule is:
 - a. Monthly payments effective next month deducting from your paychecks in the amount of [REDACTED] USD per month until the debt is repaid.
6. Please return this notification to us no later than 30 days from the date on the MFR to advise us of your option. If you fail to return it within this suspense, collection will automatically be taken against your account by DFAS at a rate of up to 2/3 your pay. If you have any questions, please contact us for assistance. Any appeal, waiver, or remission application must be submitted within the timeframe indicated below. For any questions regarding this notice, please contact our office via email at 49CPTSFSSO@us.af.mil.

[REDACTED] Financial Operations

Appendix V: Examples of Service Member Debt
Notification Letters That Do Not Meet All
Requirements



1st Ind to 49 CPTS/FMFC ltr _____, Notification of Indebtedness

TO: 49 CPTF/FMFC:

Check on of the following:

☐ Post the debt to my account per your paragraph 5a.

☐ I request a faster method of payment. I can pay this debt in _____ monthly installments.

☐ I will make a payment on _____ via check or money order.

☐ I request a longer method of repayment because of financial hardship. I will pay the debt in _____ monthly installments in the amount of _____ (must be > \$50/mo). I will provide the documentation required within 30 days from the date of this notification, I understand that failure to do so will result in the debt being processed by automatically at a rate of up to 2/3 my pay.

☒ I will question the validity of the debt. You can expect my waiver⁹³ package within 10 business days from the date signed below, I understand that failure to deliver the package within this suspense will result in the debt being processed at a rate of up to 2/3 my pay.

☐ I will request a remission⁹⁴ of the debt due to financial hardship that repayment would cause. You can expect my remission package within 10 business days from the date signed below, I understand that failure to deliver the package within this suspense will result in the debt being processed at a rate of up to 2/3 my pay.

Instructions commingle a request for a waiver with a request for a review.

Member's signature and date

This document contains information that must be protected IAW AFI 33-332 and DoD Regulation 5400.22; Privacy Act of 1974 applies.

⁹³ WAIVER: Per AFMAN 65-116 Vol 1, Chapter 73, the member must submit a completed DD Form 2789 (<http://www.esd.whs.mil/Portals/54/Documents/DD/forms/dd/dd2789.pdf>), AF IMT 2451 (http://static.e-publishing.af.mil/production/1/saf_fm/form/af2451/af2451_rev.pdf), Waiver Checklist (Contact Finance), billing statements (NOT RECEIPTS) for expenses listed on AF Form 2451, Leave and Earning Statements for all affected pay periods, a signed and notarized (go to legal for notary service) Memorandum for Record stating all expenses listed on AF Form 2451 that the member cannot provide billing statements for, and other substantiating documentation requested by the servicing finance office (based on individual circumstances).

⁹⁴ REMISSION: Per AFMAN 65-116 Vol 1, Chapter 73, the member must submit a completed DD Form 2789 (<http://www.esd.whs.mil/Portals/54/Documents/DD/forms/dd/dd2789.pdf>), AF IMT 2451 (http://static.e-publishing.af.mil/production/1/saf_fm/form/af2451/af2451_rev.pdf), Member Remission Checklist (Contact Finance), billing statements (NOT RECEIPTS) for expenses listed on AF Form 2451, Leave and Earning Statements for all affected pay periods, a signed and notarized (go to legal for notary service) Memorandum for Record stating all expenses listed on AF Form 2451 that the member cannot provide billing statements for, and other substantiating documentation requested by the servicing finance office (based on individual circumstances).

Source: GAO analysis of DOD Debt Notification Letter. | GAO-19-61

Part 3 of 3

Appendix V: Examples of Service Member Debt Notification Letters That Do Not Meet All Requirements

Figure 6: Example 3 of a Service Member Debt Notification Letter Missing Required Pieces of Information

Other Missing or Incomplete Requirements in Figure 7:

- Requirement 3: Payment due date
- Requirement 4: Right to request a review
- Requirement 5: Right to a written decision of the review
- Requirement 8: Right to request a waiver or remission
- Requirement 9: Collection action on delinquent debts
- Requirement 11: Interest, penalties, and administrative costs
- Requirement 13: Payment address
- Requirement 14: Penalty for false or frivolous statements
- Requirement 15: Bankruptcy
- Requirement 16: Right to a refund
- Requirement 17: Tax filing
- Requirement 18: Salary offset procedures

Source: GAO. | GAO-19-61

MEMORANDUM FOR: [REDACTED] DATE: 11 Nov 17
FROM: [REDACTED]
SUBJECT: Notification of Indebtedness

1. We have identified that you are indebted to the U.S. in the amount of \$ [REDACTED], which is the result of overpayment of Active Duty.

2. You have the right to inspect and copy the government records related to the debt.

3. The options below are available. If you do not understand or if you have any questions about these options, please contact [REDACTED] at [REDACTED].

a. Re-pay the indebtedness in full with a cash/check payment.

b. Agree with the proposed repayment schedule identified in paragraph 5 below.

c. Request a monthly payment amount.

d. Apply for a remission or waiver of the indebtedness.

4. Any portion of the debt remaining at the time you are separated from the Air Force will be collected in full from your final pay and allowances.

5. Our proposed repayment schedule is:
2/3rds of your pay per schedule pay month effective 17 Feb 2018

6. If you choose to pay in full with a check payment, please come by during office hours (T-F 0700-1730).

7. If you choose to apply for a remission, the application must be submitted to this office no later than the suspense stated above. If you have any questions, please contact us immediately.

Check one of the below options and return NLT (ASAP)

☒ Collect the debt per your proposal in paragraph 5

☐ Will come by the office to request monthly amount

☐ Make a cash/check payment by _____

☐ Apply for a remission of the debt. You can expect my remission application by _____
(Date must not be after NLT suspense date)

Member's signature _____ Date signed _____

Option not provided to request a review.

Instructions commingle a request for a remission of indebtedness with a request for a waiver.

Option not provided to request a waiver.

Source: GAO analysis of DOD Debt Notification Letter. | GAO-19-61

Appendix VI: Comments from the Department of Defense



COMPTROLLER

OFFICE OF THE UNDER SECRETARY OF DEFENSE
1100 DEFENSE PENTAGON
WASHINGTON, DC 20301-1100

JAN 30 2019

Ms. Alicia Puente Cackley
Director, Financial Markets and Community Investment
U.S. Government Accountability Office
441 G Street, NW
Washington DC 20548

Dear Ms. Cackley,

This is the Department of Defense (DoD) response to the Government Accountability Office (GAO) Draft Report, GAO-19-61, "DEPARTMENT OF DEFENSE: Process Improvements Needed in Recouping Overpayments," dated January 2, 2019 (GAO Code 102326). Enclosed are our responses to address the recommendations directed to the Secretary of Defense and the Under Secretary of Defense (Comptroller).

We appreciate the opportunity to review and comment on the GAO draft audit report. My staff point of contact for this audit is Mr. Brian J. Banal. Reach him at 703-571-1652 or brian.j.banal.civ@mail.mil.

Mark E. Easton
Deputy Chief Financial Officer

Enclosure:
As stated



GAO DRAFT REPORT DATED JANUARY 1, 2019
GAO-19-61 (GAO CODE 102326)

“DEPARTMENT OF DEFENSE: PROCESS IMPROVEMENTS NEEDED IN
RECOUPING OVERPAYMENTS TO SERVICE MEMBERS”

DEPARTMENT OF DEFENSE COMMENTS
TO THE GAO RECOMMENDATIONS

RECOMMENDATION 1: The Under Secretary of Defense (Comptroller) should revise the service member debt notification letter template to include all of the information required by DOD Financial Management Regulation Volume 16.

DoD RESPONSE: Concur. The Defense Finance and Accounting Service (DFAS) will update the debt notification letter template to include all of the information required by the Department of Defense Financial Management Regulation (DoD FMR) Volume 16. The updated template will be published in DoD FMR Volume 16 by May 31, 2019.

RECOMMENDATION 2: The Under Secretary of Defense (Comptroller), in coordination with DFAS, should revise DOD Financial Management Regulation Volume 16 and the DFAS website to clearly state whether and when collection action should be suspended during the review process for service members who dispute their debt.

DoD RESPONSE: Concur. DFAS will update DoD FMR Volume 16 to clarify the suspension of collection action during the review process. This update will be completed by October 31, 2019. In addition, DFAS will update its website to clarify the procedures for debt dispute/review and to clearly state whether and when collection action should be and should not be suspended during the review process for service members who dispute their debt. This update will be completed by July 1, 2019.

RECOMMENDATION 3: The Under Secretary of Defense (Comptroller) should ensure that cross-references within each chapter related to debt collection functions in the FMR are current, relevant, and updated in a timely fashion.

DoD RESPONSE: Concur. The Office of the Under Secretary of Defense (Comptroller) (OUSDC) has controls in place to ensure that cross-references within each chapter related to debt collection functions in the DoD FMR are current, relevant, and updated in a timely fashion. These controls include standard operating procedures (SOPs) and a quality assurance checklist, which require action officers (responsible for updating DoD FMR chapters) to review the DoD FMR to determine if other chapters contain information that impacts their chapter updates. Although cross-referencing is addressed in the current revision process established by OUSDC, further clarifying language regarding this issue will be added to the fiscal year 2019 revision of the DoD FMR SOP. The revised SOP will be published by April 30, 2019.

Enclosure

RECOMMENDATION 4: The Secretary of Defense should direct the Secretaries and Commandant of the military services, and the Director of DFAS where these responsibilities are shared, to review and update outdated debt collection procedures; update service level debt notification letter templates; and clarify debt and due process procedures applicable to the recoupment of DOD overpayment debts from service members for consistency with DOD Financial Management Regulation Volume 16 and other applicable areas of the Financial Management Regulation.

DoD RESPONSE: Concur. The Secretary of Defense, through the OUSD(C), uses the DoD FMR to provide financial management guidance to the Secretaries of the Military Departments. The OUSD(C) will direct, in writing to the Military Departments and the DFAS, the review and update of outdated debt collection procedures; the update of service level debt notification letter templates in DoD FMR Volume 16; and the clarification of due process procedures applicable to the recoupment of DoD overpayment debts from service members, for consistency with DoD FMR Volume 16 and other applicable FMR areas. Actions will be completed by July 1, 2019.

RECOMMENDATION 5: The Secretary of Defense should direct the Secretaries and Commandant of the military services, and the Director of DFAS, to ensure that all of the information required by DOD Financial Management Regulation Volume 16 be included in debt notification letters sent to service members.

DoD RESPONSE: Concur. Our response to Recommendation 4 applies.

Appendix VII: GAO Contacts and Staff Acknowledgments

GAO Contacts:

Alicia Puente Cackley, (202) 512-8678, CackleyA@gao.gov
Asif A. Khan, (202) 512-9869, KhanA@gao.gov

Staff Acknowledgments:

In addition to the contacts named above, Arkelga Braxton (Assistant Director), Marshall Hamlett (Assistant Director), Cole Haase (Analyst in Charge), Yue Pui Chin, Marc Molino, Brian Paige, Tovah Rom, and Jessica Sandler made key contributions to this report.

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