

# MS 777 Debts Owed the Agency

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## **1.0 Purpose and Scope**

### **1.1 Purpose**

The purpose of this Manual Section is to provide the agency with a comprehensive and uniformly applied Debt Collection Program, consistent with good business practices and federal rules and regulations concerning “Debts” owed to federal agencies. This Manual Section sets forth the roles and responsibilities for those involved in collecting Debts and preparing associated supporting documentation, recording Debts into the financial management systems, monitoring outstanding Debts, collecting funds, cancelling Debts, and reporting.

### **1.2 Scope**

Covered transactions include transactions based on “Billings,” or other demands, for the payment of amounts due the agency, whether in U.S. dollars (USD) or foreign currencies. The policy, as set forth in this Manual Section, is applicable to the Collection of overpayments, reimbursements, and refunds for credit to appropriation accounts or to other receipts for credit to USD or foreign trust funds.

#### **1.2.1 Types of Transactions Covered by this Manual Section**

This Manual Section covers:

- (a) Overseas transactions, which include overpayment of Volunteer allowances; unused grant funds; overpayment of salary or benefits to personal services contractors (PSCs); overpayments to vendors, landlords, host country families, and other service providers; reimbursement to the agency for personal use of Peace Corps equipment or property and loss or destruction of Peace Corps equipment or property; and refunds from vendors and host country entities.
- (b) Domestic transactions, which include overpayment of pre-service allowances; overpayment of readjustment allowances; overpayment to vendors; reimbursement to the agency for personal use of Peace Corps equipment or property and loss or destruction of Peace Corps equipment or property; Debts referred to Peace Corps Headquarters from Posts; and payments associated with domestic U.S. Direct Hire (USDH) payroll, including overpayment of salaries and benefits, under-deduction of employee benefit contributions, and overpayment of the Peace Corps’ portion of benefit contributions.

#### **1.2.2 Types of Transactions Not Covered by this Manual Section**

This Manual Section does not cover contractually binding prepayments where the period for performance of delivery of prepaid items has not yet occurred; travel advances where the period of performance for travel covered and vouchering has not yet occurred; uncollected host country contributions (*see MS 722 Host Country Contributions*); uncollected private sector pledges (*see MS 721 Gifts and Fundraising* and *MS 511 Personal Property Management*); and receivable balances for the Peace Corps’ implementation of other federal agencies’ programs.

## 2.0 Authorities

- (a) 31 USC 3711-3720E – Claims of the United States Government.
- (b) 5 USC 5584 – Claims for overpayment of pay and allowances, and of travel, transportation and relocation expenses and allowances.
- (c) Debt Collection Improvement Act of 1996 (DCIA).
- (d) 22 CFR 309 – Debt Collection.

## 3.0 Definitions

- (a) **Billing:** The “Bill of Collection” or letter requesting payment of an amount due the U.S. government.
- (b) **Collection:** The process of receiving amounts owed to the government, such as payment on a Debt.
- (c) **Debt or Claim:** An amount of money determined by the appropriate agency official to be owed to the United States by any person or organization. The terms Debt and Claim are synonymous.
- (d) **Debtor:** A person or entity that owes money to the United States.

## 4.0 Roles and Responsibilities

### 4.1 The Office of the Chief Financial Officer (OCFO)

OCFO is responsible for the oversight and implementation of the agency’s Debt Collection Program.

#### 4.1.1 The Chief Financial Officer (CFO)

The CFO:

- (a) Reviews the overall status of Claims and Collections on an annual basis;
- (b) Has the authority to compromise or cancel Debts owed the agency;
- (c) Refers eligible Debts to the U.S. Treasury for Collection within 180 days of delinquency;
- (d) Has the authority to delegate oversight, management, monitoring, Collection, referral, and write-off authority to others within the agency; and
- (e) Ensures that any Debts owed to the agency due to theft, or fraud are reported to the Office of Inspector General (OIG).

## **4.2 Posts**

Posts must maintain separation of responsibilities in the performance of Billing and Collection to ensure that adequate internal controls are in place. The same individual who performs the Collection activities may not perform Billing activities. The Billing Officer at Post is generally a member of the Post Administrative Unit. The Collections Officer is the Imprest Fund Cashier.

### **4.2.1 The Billing Officer**

When funds are due to the agency, the Billing Officer:

- (a) Collects and maintains all supporting documentation that clearly demonstrate the basis for money due the agency, coordinates issuance of notification of Debts to Debtors, and coordinates internal notification of Debts;
- (b) Performs timely recordation of Debts into the financial management system, or other tracking tools, as required;
- (c) Maintains accurate Billing files and prepares required reports on the status of outstanding Debts; and
- (d) Works with Post leadership to identify uncollectible Debts as Debts either for write-off, compromise, or referral to HQ.

### **4.2.2 The Collections Officer**

The Collections Officer:

- (a) Accepts funds from the Debtor, consistent with Debt documentation;
- (b) Enters funds received into the financial management system upon receipt and provides a general receipt to the Debtor and the Billing Officer and retains a copy for the Cashier's records.

### **4.2.3 The Cashier Supervisor or Cashier Verification Officer:**

The Cashier Supervisor or Cashier Verification Officer:

- (a) Conducts monthly reviews and reconciles all Billing files.

### **4.2.4 The Director of Management and Operations (DMO)**

The DMO:

- (a) Provides overall oversight of Billing and Collection activities at Post;
- (b) Works with the Billing Officer to identify uncollectible Debts; and
- (c) Refers uncollectible Debts to the Country Director or to HQ.

#### **4.2.5 The Country Director (CD)**

The CD:

- (a) Reviews uncollectible “Bills of Collection” listings quarterly;
- (b) Has authority to compromise or cancel Debts under \$100 USD; and
- (c) May approve referral of uncollectible Debts of greater than \$100 USD to HQ.

#### **4.3 Peace Corps Headquarters**

OCFO is responsible for the administration and oversight of domestic Debts and Debts that have been referred to HQ by overseas Posts. OCFO must maintain separation of responsibilities in the performance of Billing and Collection to ensure that adequate internal controls are in place. The same individual who performs the Collection activities may not perform Billing activities. The Director of Global Accounts Payable (OCFO/GAP) shall appoint a Receivable Claims Officer and a Collections Officer.

##### **4.3.1 The Receivable Claims Officer**

When funds are due to the agency, the Receivable Claims Officer:

- (a) Collects and maintains all necessary supporting documentation that clearly demonstrates the basis for money due the agency, coordinates issuance of notification of Debts to Debtors, and coordinates internal notification of Debts;
- (b) Performs timely recordation of Debts into the financial management system, or other tracking tools, as required;
- (c) Maintains accurate Billing files and prepares required reports on the status of outstanding Debts; and
- (d) Works with Director of OCFO/GAP to identify uncollectible Debts for write-off or compromise.

##### **4.3.2 The Collections Officer**

The Collections Officer:

- (a) Accepts funds from the Debtor, consistent with Debt documentation, and records the receipt of funds by the agency into the appropriate financial management system; and
- (b) In any instance where funds are received indirectly (e.g., directly deposited into the U.S. Treasury), confirms receipt of funds by the agency and records such receipt in the appropriate financial management system.

### **4.3.3 The Director of Global Accounts Payable (OCFO/GAP)**

The Director of OCFO/GAP:

- (a) Provides overall oversight of Billing and Collection activities at HQ;
- (b) Works with the Receivable Claims Officer to identify uncollectible Debts; and
- (c) Refers uncollectible Debts to the CFO for further action.

## **5.0 Policy**

### **5.1 Supporting Documentation**

All Claims and receivables must have supporting documentation that clearly and completely supports the establishment of the Claim. Supporting documentation must identify the name of the Debtor, the date the bill was established, and include an explanation for the Debt, the amount of the bill, and the appropriate fiscal coding.

The Billing/Receivable Claims Officer must record the Debt in the appropriate financial management system when the debt is known.

A notification of indebtedness (i.e., a Bill of Collection or other notification) must be sent to the Debtor along with instructions on how to settle the Debt. These notifications and instructions are also supporting documentation for the Claim.

### **5.2 Debts Owed by Parties Having Ongoing Engagement with the Agency**

These include Debts for Volunteers, Trainees, staff, contractors, or other parties that have an ongoing relationship with the agency.

Where the Peace Corps has scheduled future payments, such Debts may be settled by offset of future payments. Details for offset repayment of Debts must be included in the supporting documentation for the Debt. Offsets for repayment of Debts should be completed through a single deduction from the next scheduled payment. However, when there is a Debt that has a balance and, in the opinion of the CD (regarding overseas transactions) or CFO (regarding domestic transactions), a single deduction would create an undue hardship on the Debtor, that Debt may be offset over a period covering more than one scheduled payment. Such a Debt may not be offset for a period longer than the remaining period of the ongoing relationship of the Debtor with the agency. Details of the schedule and repayment plan for such Debts must be included in a supporting documentation file.

USDH Employee salary offsets will follow the procedures outlined in 22 CFR 309 Subpart C.

### **5.3 Debts Owed by Parties in a Terminating or Previous Engagement with the Agency**

Debts owed by parties that were in a previous engagement with the agency or in a soon-to-be terminated engagement should be paid by the Debtor in full at the time of issuance of the Debt.

The Billing/Receivable Claims Officer may establish a partial payment from the Debtor with the balance to be offset against remaining or final payments. Details for the schedule and payment plan for repayments of Debts need to be included in the supporting documentation file for the Debt.

#### **5.4 Monitoring**

Posts and HQ must perform a monthly reconciliation of outstanding Debts.

#### **5.5 Collection**

Once the Debtor has paid the agency or settled the Debt, the Collections Officer must provide the Debtor with confirmation that the Debt is settled. In the instance where the Debtor has directly paid the agency, the Collections Officer must apply the funds received to the obligation or appropriation against which the Debt was established.

#### **5.6 Referral of Debts to HQ**

Debts that are greater in amount than \$100 USD and deemed by the CD to be uncollectable, or the cost of efforts to collect will exceed the amount of the Debt, must be referred to OCFO. Posts must provide documentation that outlines Collection efforts and demonstrates that all avenues to make Collection have been exhausted. HQ will provide confirmation of receipt of the request to refer the Debt, along with approval for Post to terminate Collection activities.

#### **5.7 Cancellation of Debt**

Reasonable due diligence and effort should be taken to collect money owed to the agency. Cancellation of Debts should only be performed when the agency has exhausted all reasonable avenues for the proper settlement of Claims.

Debts owed to the agency by currently serving PSCs, Volunteers, Trainees, USDH staff, or other parties in an ongoing relationship with the agency cannot be considered uncollectible, as these may be offset from future payments.

A Debt in an amount up to \$100 USD may be cancelled by a CD when there is no reasonable likelihood that the Debt will be collected and is therefore uncollectible, or where efforts to collect Debts will exceed the amount that will ultimately be collected.

Overseas referred or domestic Debt may be cancelled by the CFO or those holding a specific “Delegation of Authority” when all available recovery options for the agency have been exhausted and the Debt meets one of the following criteria:

- (a) The agency is unable to collect any substantial amount through its own efforts or through the efforts of others;
- (b) The agency is unable to locate the Debtor;

- (c) Costs of Collection are anticipated to exceed the amount recoverable;
- (d) The Debt is legally without merit, or enforcement of the Debt is barred by any applicable statute of limitations;
- (e) The Debt cannot be substantiated; or
- (f) The Debt against the Debtor has been discharged in bankruptcy. (*See* 31 CFR 903.3.)

The agency may consider waivers for overpayments of salary or allowances, travel, transportation, or relocation expenses to an employee or Volunteer in instances where the Collection of which would be against equity and good conscience and not in the best interests of the United States. These Collections may be waived in whole or in part by the CFO in consultation with the Office of the General Counsel.

## **6.0 Procedures**

Procedures are established in the Overseas Financial Management Handbook (OFMH) and the Domestic Financial Management Handbook (DFMH).

## **7.0 Effective Date**

The effective date of this Manual Section is the date of issuance.