



RELEASE - TRANSMISSION OF REVISED MATERIAL TO BE
INCORPORATED INTO THE FEDERAL (EEOICPA) PROCEDURE MANUAL:
CHAPTER 3-0900 DEBT LIQUIDATION

EEOICPA TRANSMITTAL NO.11-06

September 2011

EXPLANATION OF MATERIAL TRANSMITTED:

This material is issued to update, revise and replace
Chapter 3-0900 Debt Liquidation as follows:

- Paragraph 4, Assessment of Charges, subparagraph c,
Interest is revised as follows:
 - c. Interest. Interest is assessed at the rate in
effect on the date of the final decision (unless the
claimant has defaulted on a previous agreement). The
rate of interest assessed shall be the rate of the
current value of funds to the United States Treasury
as published in the Federal Register. The Treasury
Current Value of Funds Rate is posted on the U.S.
Treasury website at:
<http://www.fms.treas.gov/cvfr/index.html>.

- Exhibits 1 and 2, second and third demand letters, are
revised as follows:
 - The P.O. Box for remitting payments is revised to:

U.S. Dept. of Labor
DEEOIC
P.O. Box 77247
Washington, DC 20013

- The following "Notice to Customers Making Payment By
Check" has been added to the end of the demand
letters following the signature block:

Notice to Customers Making Payment by Check

When you provide a check as payment, you authorize us either to use information from your check to make a one-time electronic fund transfer from your account or to process the payment as a check transaction. When we use information from your check to make an electronic fund transfer, funds may be withdrawn from your account as soon as the same day we receive your payment.

Privacy Act - A Privacy Act Statement required by 5 U.S.C. § 552a(e)(3) stating our authority for soliciting and collecting the information from your check, and explaining the purposes and routine uses which will be made of your check information, is available on internet site at: <https://www.pccotc.gov/pccotc/index.htm> , or call toll free at 1-866-945-7920 to obtain a copy by mail. Furnishing the check information is voluntary, but a decision not to do so may require you to make payment by some other method.



Rachel P. Leiton
Director, Division of
Energy Employees Occupational Illness Compensation

FILING INSTRUCTIONS:

Replace the entire EEOICPA Unified PM Chapter 3-0900 Debt Liquidation.

File this transmittal sheet behind Part 3 in the front of the Unified Federal (EEOICPA) Procedure Manual.

Distribution: List No. 3: All DEEOIC Employees
List No. 6: Regional Directors, District Directors, Assistant District Directors, National Office Staff, and Resource Center Staff

TABLE OF CONTENTS

<u>Paragraph and Subject</u>	<u>Page</u>	<u>Date</u>	<u>Trans. No.</u>
<u>Chapter 3-0900 Debt Liquidation</u>			
Table of Contents	i	10/09	10-01
1 Purpose and Scope	1	10/09	10-01
2 Responsibilities	1	10/09	10-01
3 Recovery	2	10/09	10-01
4 Assessment of Charges	4	09/11	11-06
5 Waiver of Interest and Other Charges	4	10/09	10-01
6 Compromise	5	10/09	10-01
7 Compromise to Limit Repayment Period	6	10/09	10-01
8 Compromise in Consideration of Partial Payment	8	10/09	10-01
9 Collection Strategies	10	10/09	10-01
10 Recovery from Compensation Entitlement	11	10/09	10-01
11 Recovery in Cases with No Compensation Entitlement	11	10/09	10-01
12 Referring Debts to Department of Treasury	13	10/09	10-01
13 Termination of Collection Action (Write-off)	16	10/09	10-01
14 Recovery from Deceased Claimant's Estate	17	10/09	10-01
15 Credit Reporting	18	10/09	10-01
16 Court Ordered Restitution in Fraud Cases	18	10/09	10-01

Exhibits

1 Sample Second Demand Letter		09/11	11-06
2 Sample Third and Final Demand Letter		09/11	11-06
3 Waiver of Charges Worksheet		10/09	10-01
4 Compromise of Principal Worksheet		10/09	10-01
5 Sample Compromise Order		10/09	10-01
6 Sample Compromise Memorandum		10/09	10-01
7 Sample Letter Terminating Collection Actions		10/09	10-01

-
1. Purpose and Scope. EEOICPA PM 3-800 addresses the identification and establishment of debts to the point of finding a specific debt amount to be due and payable (i.e., collectible). The purpose of this chapter is to provide guidance for managing debts by collection, compromise and termination. Included are procedures for the assessment of charges, collection actions, salary offset, administrative offset, compromise, referral to the Department of the Treasury, and termination (write-off) of collection efforts.
 2. Responsibilities. The collection and settlement of debts are handled by:
 - a. Claims Staff. Claims Examiners identify the potential overpayments and initially compute the debts.
 - b. National Office Fiscal Point of Contact (POC). National Office Fiscal POC employees are authorized to compromise claims and to suspend or terminate collection action, subject to the approval of the Chief of the Policies, Regulations, and Procedures Unit (PRPU), on claims of \$1 to \$100,000 (exclusive of interest, penalties, and administrative costs). The POC also recommends referral of claims of more than \$100,000 to the Director, Division of Energy Employees Occupational Illness Compensation (DEEOIC), for such action.
 - (1) If there is any indication of fraud on the part of the claimant or any other party with an interest in the claim, the POC refers the claim to the Director of DEEOIC, who in turn refers the claim to the Department of Justice (DOJ). The POC has no authority to compromise, suspend or terminate recovery on such claims.

A case involves fraud if an investigation is ongoing which is likely to lead to an indictment, if an indictment is pending, or if there has been a conviction in connection with the debt claim. Cases where the DOJ has declined to seek an indictment, or the criminal case has been dismissed, or an acquittal has occurred are not considered fraud cases.
 - (2) The POC also takes preliminary and final actions with respect to waiver of recovery, establishing and maintaining accounts receivable actions in a

spreadsheet, pursuing collection of the debt, and monitoring accounts receivable to determine if and when referral to the Department of the Treasury or termination of collection action may be appropriate.

c. An overpayment of compensation does not become a "debt" and is not subject to recoupment until established due process procedures have been provided and a final decision on waiver of recovery has been issued. Until that time, the POC may accept payment against the overpayment but may not assess any charges, take any action to collect from compensation owed, or issue requests for offset by any other agency.

3. Recovery. The overpayment decision serves as the first demand letter to a claimant. If there is no response from the claimant, or the claimant has responded but failed to agree to a reasonable collection strategy as outlined by DEEOIC, the PA generates a second demand letter within 30 days of the issuance of the overpayment decision (see Exhibit 1). If the claimant does not respond or resolve the overpayment within 30 days of the issuance of the second demand letter, a third and final demand letter is sent (see Exhibit 2).

a. Means of Recovery. DEEOIC may employ various means of recovery where an overpaid claimant has been made aware of the overpayment (via the overpayment decision described above) but fails to refund the overpayment within 60 days of the issuance of the third and final demand letter.

(1) Where the claimant has failed to refund the overpayment, DEEOIC recovers the overpayment by reducing any further lump sum payments due (current and future).

(2) Should the claimant die prior to repaying the overpayment, DEEOIC shall decrease future payments to any eligible survivors with respect to the underlying occupational illness or covered illness.

(3) If no element of fraud on the claimant's part is present, the PA refers the debt to the Department of the Treasury when a recoverable overpayment exists and the claimant fails to refund the full amount within 60 days of the final demand letter, and DEEOIC is unable to recover from any future or current compensation.

(a) Due to cross-servicing requirements of the Debt Collection Improvement Act of 1966, debts that are delinquent for more than 180 days should be referred to the Department of the Treasury for further debt collection action on the agency's behalf. Agencies may also refer debts that have been delinquent for less than 180 days to the Department of the Treasury to ensure efficient, cost-effective debt collection.

(b) If there is sufficient reason to conclude that full or partial collection of the debt would be best achieved through litigation, the Department of the Treasury referral should include a recommendation to forward the debt to the Department of Justice for litigation [see DLMS 6 § 1162(a)].

(c) However, no claim should be referred for litigation until DEEOIC's collection efforts and administrative processes are completed and the debt remains delinquent and legally enforceable. All referrals of this type should have the concurrence of the Office of the Solicitor of Labor.

(d) The overpayment is subject to the provisions of the Federal Claims Collection Act of 1966, as amended (31 U.S.C. 3701 et seq.), and may be reported to the Internal Revenue Service as income.

(4) Where there is an indication of fraud, a false claim being made, or misrepresentation on the part of the claimant, the PA refers the debt to the Department of Justice for recovery if no overpayment refund is made in full at the end of the recovery process.

The PA follows the current fraud procedures and promptly refers the claim to the Office of Inspector General for investigation. However, a debt would not be referred to the Department of Justice if the debt is less than \$2,500, which is the minimum amount necessary for referring debts to the Department of Justice for litigation.

4. Assessment of Charges. The Debt Collection Act of 1982 authorizes the assessment of interest, administrative costs, and penalties on delinquent debts.

a. Final Decision. Charges are assessed on any debt where a final decision has been issued, beginning on the date the claimant was notified that charges may apply to the debt, or the date of the final decision, whichever is later.

b. Court Order. In cases of court-ordered restitution, the Court Order takes precedence over the Debt Collection Act. Unless stipulated in the Court Order, charges may not be assessed on the part of the debt corresponding to the restitution amount set by the court (see paragraph 16 below).

c. Interest. Interest is assessed at the rate in effect on the date of the final decision (unless the claimant has defaulted on a previous agreement). The rate of interest assessed shall be the rate of the current value of funds to the United States Treasury as published in the Federal Register. The Treasury Current Value of Funds Rate is posted on the U.S. Treasury website at:
<http://www.fms.treas.gov/cvfr/index.html>.

d. Administrative Costs. When a debt is found to be delinquent and is referred to the Department of the Treasury for collection, a charge is added to the principal and interest as an administrative cost of collection.

5. Waiver of Interest and Other Charges. Interest charges may be waived under three circumstances. Waiver of these charges is mandatory under the provisions outlined in the first two subparagraphs below, and discretionary under the provisions outlined in the third subparagraph.

a. Full Payment Within 30 Days. If the principal is repaid in full within 30 days of the notification (final decision) that charges are applicable, then charges are waived. This may be extended for one additional 30-day period on a case-by-case basis for good cause shown. Acceptable reasons for the 30-day extension include (but are not limited to) situations where the claimant needs the additional time to liquidate assets or arrange financing to

pay the debt, or where the claimant does not receive the final decision in a timely manner (e.g., because of absence from home due to vacation).

b. Claimant Without Fault. Where the claimant is without fault in the creation of the debt and a repayment agreement has been established, interest charges are waived if:

(1) The monthly payment is so small that it does not cover the interest, or

(2) There is so little left after interest that the debt will not be paid off within the lifetime of the claimant as determined by actuarial tables.

The POC determines whether charges are waived under this provision by completing the Waiver of Charges Worksheet (Exhibit 3).

If the claimant should later default on the repayment agreement, interest charges will again apply.

c. Cost of Recovery Exceeds Accrued Charges. If the full amount of the principal is paid after charges have accrued, and the additional cost of recovering the charges is greater than the amount of the accrued charges, then the DEEOIC may, at its discretion, waive the charges.

6. Compromise. Compromise differs from waiver of recovery of an overpayment. Waiver is accomplished by formal decision negating the overpayment before it becomes a debt, while compromise is an administrative means of disposing of a debt by accepting a partial settlement. The claimant has no legal right to settlement or compromise. Also, the claimant need not be without fault for compromise to be considered.

a. Compromise to Limit Repayment Period. This method of compromise is addressed more fully in paragraph 7 below.

b. Compromise Due to Legal Issues. A debt may also be compromised if the Office of the Solicitor notifies the POC that significant doubt exists as to whether the Government could establish its claim in court, and the claimant has offered partial repayment. This may occur because of a dispute about the law or facts of the case. However, the POC does not make a judgment about legal enforceability

without the Office of the Solicitor's specific advice after review of the case. (The limitations noted in subparagraph c below also apply here.)

c. Resolution of Debt. Once a compromise letter explaining the reasons for, and amount to be compromised, is issued by the National Office and the agreed-upon portion of the debt has been refunded to DEEOIC, the debt is fully resolved. The POC annotates the accounts receivable records to reflect resolution by compromise and the amount repaid.

(1) The POC also sends a letter to the claimant confirming that the debt has been discharged. Unless the compromise was for reasons of economic hardship, the POC also advises in this letter that the amount compromised will be reported as income to the IRS and may be subject to taxation under IRS rules.

(2) At the end of each year, the National Office POC files IRS Form 1099G in cases where the debt has been compromised for reasons other than economic hardship, and a copy of the form is forwarded to the claimant's case file.

7. Compromise to Limit Repayment Period. Compromise of the principal amount owed is an established tool for collecting existing overpayments. However, compromise for the application of additional charges is different from compromise of principal. Compromise of additional charges is mandatory where the repayment period must be limited. Compromise to limit the repayment period may be due to hardship, or based on life expectancy. In such cases, a specific mathematical formula is used to determine the amount to be compromised.

Under this policy, the POC considers compromising additional charges in all cases at the time the repayment agreement is established, unless charges are waived pursuant to paragraph 5(c) of this chapter. If charges are waived under that provision, then compromise will not be considered under this policy.

a. Effect of Charges. If charges cannot be waived and a repayment schedule (either initial or re-negotiated) is being established, compromise must be considered in cases

where the POC has determined that a certain amount is the most the claimant can afford to repay.

For example, if the POC determines, by review of detailed financial information, that the maximum amount the claimant can afford per installment and the period required for repayment of the debt at this rate is extended by more than 35% due to the application of the charges, then the amount of the principal must be compromised so that the period required for repayment of the debt is not extended by more than 35%.

b. Information Needed. The following information is needed to determine whether compromise of accrued charges and/or principal is required: the amount of the principal, the amount of the monthly payment, and the interest rate.

c. General Calculation Rule. Some cases may be eliminated from consideration for compromise by applying the following rule: divide the current principal balance (plus any accrued charges) by the monthly payment and multiply the result by the annual interest rate.

If the result is less than 5.5%, no compromise is necessary, and the POC so indicates on the Compromise of Principal Worksheet (Exhibit 4). If the result is 5.5 or greater, the POC completes the Compromise of Principal Worksheet in its entirety to determine the amount to be compromised.

d. Compromise Order. If the principal must be compromised under this provision, the principal (before compromise) does not exceed \$100,000, and no indication of fraud is present, the Chief of the PRPU certifies the Compromise of Principal Worksheet and the POC issues a compromise order to the claimant. The compromise order, which includes the information outlined below, does not carry the right to a hearing. Exhibit 5 is a sample compromise order.

If the repayment period is sufficiently reduced by compromising only accrued charges, the PRPU Chief certifies the Compromise of Principal Worksheet and the POC issues a compromise order to the claimant, regardless of the principal amount. The compromise order includes:

-
- (1) The amount of each component of the debt (with separate amounts specified for principal, accrued administrative costs, accrued penalty, and accrued interest, as applicable);
 - (2) The rationale for the determination that the debt cannot be waived;
 - (3) The rationale for any determination with respect to fraud (see paragraph 2b above);
 - (4) A brief explanation of the rationale for compromise (the Compromise of Principal Worksheet may be incorporated by reference);
 - (5) The amount to be accepted in full settlement of each component of the debt (with separate amounts specified for principal, accrued administrative costs, accrued penalty, and accrued interest, as applicable);
 - (6) The time and manner of payment; and
 - (7) A statement that the debt is not compromised or settled until full payment of the specified amount has been made.

e. Principal Over \$100,000. If any amount of the principal must be compromised under this provision and the principal amount (before compromise) exceeds \$100,000, the case is referred to the Director of DEEOIC for further action after the Chief of the Policies, Regulations and Procedures Unit (PRPU) certifies the Compromise of Principal Worksheet.

f. Compromise Not Approved. If neither accrued charges nor principal are compromised under this provision, the POC files the Compromise of Principal Worksheet in the case file.

8. Compromise in Consideration of Partial Payment. Regardless of whether it is required under the provisions of this chapter, compromise may be further considered as a means of disposing of debts where collection would be extremely difficult or expensive. The claimant need not be without fault for compromise to be considered, however, the claimant has no legal right to settlement or compromise to dispose of an overpayment.

a. Proposal. The claimant may propose that DEEOIC be satisfied with partial recovery on the debt, or DEEOIC may propose a compromise to the claimant. For example, compromise might occur if the claimant reported a liquid asset that exceeded the resource base, but was insufficient to cover the debt, and otherwise had only enough income to meet expenses. The compromise would provide for recovery of the amount available and forgiveness of the remainder.

However, in judging whether repayment would cause hardship, the POC assesses the claimant's income and assets according to the criteria provided in EEOICPA PM 3-0800. The claimant should be required to submit a current financial report (OWCP-20), if one has not been provided within the previous six months. Also, the POC informs the claimant that under certain circumstances the compromised portion of the debt will be reported to IRS as income

b. Repayment Within Reasonable Time. Compromise should be considered if the Government cannot collect the full amount because the claimant is unable to pay it within a reasonable time, or the claimant refuses to pay the claim in full and the Government cannot enforce collection by court action within a reasonable time. In determining inability to pay, the OWCP may consider:

- (1) The age and health of the claimant;
- (2) Current and potential income;
- (3) Inheritance prospects;
- (4) The possibility that the claimant has concealed or transferred assets to avoid recoupment; and
- (5) The availability of assets or income for enforced collection.

If the POC finds that compromise is warranted, he or she prepares a memorandum to the file which describes the financial circumstances of the claimant, the proposed compromise, and the considerations which led to the compromise recommendation. Exhibit 6 is a sample compromise memorandum.

c. Limitations. The compromise limitations described earlier in this chapter also apply here. If compromise of the debt principal appears warranted but the original principal amount is more than \$100,000, or where there is an indication of fraud (see paragraph 2b above), then the compromise memorandum and the case file should be referred to the Director of DEEOIC for further action.

d. Compromise Order. If compromise appears warranted and the limitations noted above do not apply, the POC issues a compromise order which includes the items listed in paragraph 4a above. The POC incorporates the information noted in the compromise memorandum in the compromise order to explain the basis for the compromise to the claimant. The compromise order does not carry the right to a hearing. Exhibit 5 is a sample compromise order.

e. Contractual Agreement. When a debt is compromised, the United States agrees to be satisfied with partial repayment. Even if the claimant's circumstances change, such that the reasons for the compromise are no longer valid, OWCP has officially forgiven the remainder of the debt and may not press for additional repayment unless the claimant defaults on the repayment agreement. Therefore, compromise should be undertaken only after the claimant's financial circumstances are known.

9. Collection Strategies. Strategies for collection of a debt are generally pursued in the following order, as appropriate:

a. Recovery of Entire Debt. This may occur by reducing any further compensation payment due currently or in the future for which there is direct statutory authority under 42 U.S.C. 7385j-2. Such recoupment, either in a lump sum or in installments, is addressed in paragraph 9 below.

b. Voluntary Repayment in Lump Sum. Such repayments are addressed in paragraph 10 below.

c. Voluntary Deduction from Retirement Benefits. Such deductions are made in installments from periodic payments.

d. Involuntary Offset of Retirement Benefits. Also, refund of retirement contributions may be pursued.

e. Voluntary Installment Payments. Payments made directly by the debtor are addressed in paragraph 10 below.

f. Compromise. This action is addressed in paragraph 6 above. Where a debt exceeds \$100,000, a recommendation is made to forward the debt to the Department of Justice for litigation or for compromising, suspending or terminating debt collection.

g. Termination or Suspension. These actions, also termed write-offs, are addressed in paragraph 13 below.

10. Recovery from Compensation Entitlement. If further compensation is owed to the claimant, the POC recovers the debt from any lump-sum payment due currently or in the future. Collection action cannot begin until after the POC issues a final overpayment decision. If a sufficiently large lump-sum payment of compensation is due, the debt is recovered in full by a single deduction from compensation owed. The POC sends the claimant a letter explaining the recovery method. The POC establishes an accounts receivable on the accounts receivable spreadsheet to track the balance due, interest incurred, and/or payments received.

11. Recovery in Cases With No Compensation Entitlement.

a. Lump Sum Preferable. Debts are collected in one lump sum whenever possible. If the claimant cannot pay in this manner, payment may be accepted in regular installments. The POC determines the size and frequency of the installment payments by the size of the debt and the claimant's ability to repay.

b. Claimant's Resources. The POC evaluates the claimant's resources for repayment as soon as a final overpayment decision is made (see EEOICPA PM 3-0800) and sets or negotiates an appropriate repayment plan with the claimant.

If detailed information about the claimant's financial status is not already in the case file, it should be obtained. This information may include: Form OWCP-20 Overpayment Recovery Questionnaire; information provided on Forms EE-1 and EE-2; information provided by the Social Security Administration in response to requests from the

DEEOIC; and other documents concerning the claimant's financial status.

c. Detailed Financial Information Not Available. If the claimant refuses to submit detailed financial information, or has not yet had time to reply to a request for such information, the POC may accept voluntary installment payments in an amount determined by the claimant, until detailed financial information becomes available.

However, the POC should not enter into a formal agreement with the claimant, and should not consider waiver of charges (see paragraph 4) or compromise of principal (see paragraphs 5 and 6), unless and until the claimant provides detailed financial information and agrees to installment payments in an amount which reasonably represents the maximum he or she can afford.

d. Schedule of Payments. If the claimant offers to repay on a set schedule or requests a change in a schedule already established, the POC evaluates the proposed repayment plan for reasonableness on the basis of the claimant's resources as documented in the case file. The Department of Labor's regulations concerning debt collection recommend that debt repayment be scheduled to recover the entire amount (including any interest or penalties) in three years, but this may not be practical if the claimant does not have appreciable income (29 C.F.R 20.33(a)).

(1) If the repayment plan is not reasonable, the POC asks the claimant, in writing, to contact the POC or the Chief, PRPU to discuss an accelerated repayment plan.

(2) If the repayment plan is reasonable, the POC obtains a signed statement from the claimant which specifies the terms of repayment. This statement constitutes a legally enforceable agreement. The POC annotates the accounts receivable spreadsheet and diaries the next payment.

e. Unreasonably Small Payments. If the claimant unilaterally makes installment payments in amounts so small that the debt will never be repaid, or will be repaid in an unreasonably long period (such that the claimant will

become a "perpetual debtor"), and the claimant refuses to increase the payments or submit detailed financial information justifying the size of the payments, the POC refers the debt to the Department of the Treasury with a recommendation that the debt be forwarded to the Justice Department for resolution, if appropriate.

f. No Response to Demand Letters. If no response is received to the demand letters, the POC attempts to contact the claimant by telephone. The POC explains who is calling and refers to the decision that stated the amount and terms of collection. The POC asks what arrangements the claimant would like to make to effect repayment.

If the claimant does not suggest a repayment plan, the POC should be prepared, based on review of the case file, to propose a weekly or monthly amount. The POC ensures that the details of the telephone call are documented in the ECMS Telephone Messaging System. When agreement is reached, the POC drafts a follow-up letter referring to the telephone call and the terms discussed, and requesting the first installment payment.

g. Further Action. If the telephone call is unsuccessful, or if the claimant does not begin the agreed-upon payments, the POC evaluates the debt for referral to the Department of the Treasury, with a recommendation that it be forwarded to the Department of Justice, if appropriate, for termination of collection action.

12. Referring Debts to Department of Treasury. The Debt Collection Improvement Act of 1996 provides that any non-tax debt or claim owed to the United States that has been delinquent for a period of 180 days be turned over to the Secretary of the Treasury for appropriate action to collect or terminate collection actions on the debt or claim. To further this goal, the Department of the Treasury (DOT) has created the Debt Management Services (DMS), a division of the Financial Management Services Branch.

DMS provides government-wide debt collection services through the Treasury Offset Program (TOP) and Cross-Servicing Program. TOP involves offsets of payments from a variety of federal programs and includes offset of income tax refunds. The Cross-Servicing Program includes skip trace services, administrative wage garnishment, referral of debts to the Department of Justice

(DOJ) for litigation, and referral of debts to private collection agencies.

The DOT oversees all collection activity on all referred debts, and all debts more than 180 days delinquent must be referred for either TOP or Cross-Servicing or both. All debts related to overpayment of benefits under the EEOICPA are referred for both.

a. Notice to Claimant. At least 60 days prior to referral to the DOT, the POC sends a letter advising the claimant that referral for collection action is possible. The notice includes specific advice that the claimant can:

- (1) Inspect and request copies of records about the debt;
- (2) Enter into a mutually agreeable written repayment agreement; and
- (3) Request review of the amount of the debt, its past-due status, and whether the debt is legally enforceable.

Sample letters shown as Exhibits 1 and 2 include language for this purpose, so issuance of either or both at 30-day intervals after the debt becomes final provides adequate due process. The DOT will not accept debts where such notice has not been given.

b. Referral. When a debt is 180 days delinquent, it is eligible for referral to the DMS at DOT. If the POC has made no progress in collection efforts through recoupment of compensation benefits or voluntary repayment actions, the POC refers the debt to the DOT.

The POC ensures that all due process requirements have been met and that the debt is appropriate for referral to the DOT. DOT will not accept debts that are not final, covered by bankruptcy, already in private collection, in litigation, or with the Department of Justice (DOJ).

The POC refers the case to the DOT using the automated Debt Management System on the DOT's website. The POC completes the DMS Agency Profile for each debt referred for servicing. The profile information includes:

-
- (1) Claimant/Debtor's Social Security number;
 - (2) Agency Points of Contact;
 - (3) The method(s) by which DEEOIC wants the DMS to service their debts (refer to TOP, refer to credit bureaus);
 - (4) Payment agreement parameters (e.g., will interest accrue during payment agreements); and
 - (5) Whether the administrative fee is added to the debt or charged to DEEOIC.

c. Return of Debt. The DOT may return a debt to DEEOIC if it has been collected in full, found to be uncollectible, or covered by a bankruptcy filing, or if compromise has been reached. Returned debts are sent to the POC for further action as necessary.

d. Debt and Transaction Tracking. DMS tracks all debts and payments using Fed Debt, a debt and debtor based system which allows:

- (1) DMS to better handle joint and several debts;
- (2) A demand letter to be sent to each debtor;
- (3) Users to update debt and/or debtor information;
- (4) Multiple payment agreements for a debt;
- (5) Removal of a debtor/claimant from the debt without closing the entire debt;
- (6) Records of transactions, including how payments are applied (i.e., administrative fees, penalties, interest and principal);
- (7) Federal agencies to report payments, adjustments and reversals they receive in their offices.

The POC has access to the DMS Fed Debt System and uses it to track the status of the debt until it is resolved.

e. Referral to Department of Justice (DOJ). A component of DOT's Cross Servicing is referral of debts in excess of \$100,000 to the DOJ for litigating, compromising, suspending and terminating collection. The DOJ has the exclusive authority to compromise, suspend or terminate collection activity on debts in excess of \$100,000, unless it decides, in its discretion, to return the debt to the agency for such purposes.

The POC ensures that all DOT referrals for debts in excess of \$100,000, exclusive of interest, include recommendations to forward the debt to DOJ for permission to compromise, suspend or terminate collection action.

- (1) While the DOJ is considering a case, the POC carries the accounts receivable record as open and annotates it as referred to DOJ.
- (2) When collecting a debt under a DOJ agreement, DEEOIC cannot charge interest or send billing notices.
- (3) The POC cancels the accounts receivable record on a case referred for collection when notified by the DOJ that it will not take further action.

13. Termination of Collection Action (Write-off). When DOT directs DEEOIC to write off the debt, the POC removes the account from DEEOIC's receivables.

a. Potential for Litigation. National Office managers periodically review the accounts receivable spreadsheets to identify cases in which aggressive collection action has brought no result. Each case is examined to determine whether litigation would lead to collection of the debt.

Cases in which collection is not likely to succeed are terminated. They include situations where the claimant appears to have no assets or income which could be attached by a court; where the claimant's financial circumstances are such that hardship would result from recoupment; or where the Office of the Solicitor or the U.S. Attorney's Office states that DEEOIC has a poor legal case against the debtor.

The POC prepares a memorandum regarding termination of collection action where collection actions have brought no

results. In the memorandum, the POC states the nature and amount of the debt, the efforts made to collect it, and the financial circumstances of the claimant, explaining why termination of collection action is warranted.

If the debt exceeds \$100,000, or is between \$2500 and \$100,000 and there is an indication of fraud (see paragraph 2b above), the Chief of the PRPU signs the memorandum. Debts of \$2500 or less which cannot be collected by administrative means, including referral to the DOT, must be written off, since the DOT will not accept them.

b. Suspension of Collection Action. Occasionally a claimant may ask that the debt be forgiven due to financial hardship. The POC may suspend collection action because of financial hardship, but reserves the right to resume collection action in the event of future claims or a change in the claimant's circumstances. Exhibit 7 shows a sample letter advising a claimant of this action.

c. Termination of Collection Action. When collection action is terminated, the POC documents and closes the accounts receivable record. Termination of collection action, or the "write-off" of a bad debt, is an administrative action which differs from waiver or compromise. Termination of collection action does not forgive the debt, since DEEOIC may collect it at a later date. Generally, however, once a debt has been written off, collection actions are never resumed.

At the end of each year, DOT files IRS Form 1099G for each case where the debt has been written off for reasons other than economic hardship, and a copy of the form is sent to the POC for inclusion in the case file. Once Form 1099G has been filed, the POC documents the accounts receivable record accordingly, and DEEOIC may not collect the debt at a later date.

14. Recovery from Deceased Claimant's Estate. If the claimant dies before the debt is completely recovered, the POC acts quickly to obtain pertinent information about the estate. Prompt action is essential because creditors who have not properly asserted a claim before the estate is closed are generally precluded from any recovery. Once the estate has been closed and the proceeds distributed, collection action must be terminated. The information to be requested and the action to

be taken are described in EEOICPA PM 3-0800 and are the same for an established debt as for a newly discovered debt.

15. Credit Reporting. Under the Debt Collection Act of 1982, claimants whose accounts become delinquent are subject to reporting to private credit reporting bureaus. The DOT refers delinquent DEEOIC debts to one or more credit bureaus based on information the POC places in the DOT's Debt Management System. The credit bureaus maintain credit information on individuals and provide the information upon request to lenders. The POC points out the possibility of credit reporting to individuals who refuse to cooperate in the debt collection process.

If a claimant disputes the information in a credit bureau's file, the DOT will contact the National Office to verify the information. The POC verifies the information and responds to the DOT within seven business days.

If DOT fails to respond to the credit bureaus within a given time limit (generally 30 days), the credit bureau will accept the claimant's version of the facts.

If the information held by the credit bureau was incorrect, the POC notifies the DOT and corrects the information in the office's overpayment tracking system. The POC also updates the Treasury's online debt system, so that the error is not repeated in the next transmission to the credit bureau.

16. Court Ordered Restitution in Fraud Cases. When a claimant has been convicted of filing a false claim which resulted in an overpayment/debt due the government, the court often orders the defendant/claimant to make restitution to the United States as a condition of probation. The amount of restitution may or may not be the full amount of the debt owed to OWCP.

a. "Global Settlement". If the Court Order states that the restitution amount will be in full satisfaction of the debt owed the United States (a "Global Settlement"), the Court Order takes precedence over the OWCP's administrative debt collection process.

In such cases, if the restitution amount is less than the outstanding debt principal balance, the principal balance must be reduced to the restitution amount set by the court. Also, interest may not be applied to such debts unless stipulated in the Court Order. However, if the

probation period ends and the claimant fails to make full restitution, the POC pursues collection of the full original debt amount.

b. Other Than "Global Settlement". If the Court Order does not represent a "Global Settlement," the POC continues to pursue collection of the full amount of the debt, taking credit for any restitution amounts received. Unless the Court Order stipulates assessment of interest, interest may not be applied to the restitution amount and any restitution payments received should be applied directly to the debt principal.

In criminal cases, OWCP is sometimes asked to assist the DOJ in calculating the loss to the government in accordance with federal sentencing guidelines. This may involve calculating how benefits would have been paid if the claimant had fully advised OWCP. The POC processes all such requests.

SAMPLE SECOND DEMAND LETTER

Dear **[Claimant Name]**:

This letter is in further reference to your debt in the amount of **[\$]**, which resulted from the overpayment of benefits in your case. A copy of our overpayment decision and first demand for payment, dated **[insert date]** is enclosed. We have not received payment from you or any indication that you intend to cooperate in this matter.

If we do not receive payment, or some indication that you intend to make payment, within 30 days of the date of this letter, we may add administrative charges for sending any additional demands for payment.

If your debt remains delinquent, we will refer it to the Department of the Treasury for collection. We will assess an additional administrative cost to help defray the expense of this referral. Information about the status and delinquency of your debt is reportable to credit bureaus.

- You may inspect and request copies of your records about this debt;
- You may contact us to enter into a mutually agreeable written repayment agreement; and
- You may request a review of our determinations about the amount of your debt, its past-due status, and its legal enforceability. To exercise this right, you must state your request in writing, state your reason(s) for challenging our determinations, and sign your statement. If you believe that any information of record concerning your debt is not accurate, timely, relevant, or complete, you must provide information or documentation to support your belief.

You are expected to reply within 30 days. Make your check payable to the U.S. Department of Labor, OWCP, and include your EEOICPA file number on the check. Send payment to:

U.S. Dept. of Labor
DEEOIC
P.O. Box 77247
Washington, DC 20013

If you wish to enter into a written repayment agreement, contact me immediately at **[insert telephone number]**.

Sincerely,

Unit Chief for Policies,
Regulations and Procedures
DEEOIC

Enclosure:

Notice to Customers Making Payment by Check

When you provide a check as payment, you authorize us either to use information from your check to make a one-time electronic fund transfer from your account or to process the payment as a check transaction. When we use information from your check to make an electronic fund transfer, funds may be withdrawn from your account as soon as the same day we receive your payment.

Privacy Act - A Privacy Act Statement required by 5 U.S.C. § 552a(e) (3) stating our authority for soliciting and collecting the information from your check, and explaining the purposes and routine uses which will be made of your check information, is available on internet site at: <https://www.pccotc.gov/pccotc/index.htm> , or call toll free at 1-866-945-7920 to obtain a copy by mail. Furnishing the check information is voluntary, but a decision not to do so may require you to make payment by some other method.

SAMPLE THIRD AND FINAL DEMAND LETTER

Dear **[Claimant Name]**:

This letter is in further reference to your debt in the amount of **[\$]**, which resulted from the overpayment of benefits in your case.

Because 30 days have passed and we have not received payment or an indication that you intend to repay this money, your debt is now considered to be delinquent. Interest will therefore be assessed at the rate which applied when you received your first notice of indebtedness, or **[\$]**. We may add penalty charges of 6% per year for any portion of the debt remaining delinquent for more than 90 days and administrative charges.

We may refer the debt to a credit bureau and to the Department of the Treasury for administrative offset if payment is not made within 60 days of the date of this letter. Information which will be given to a credit bureau is limited to your name, address and social security number; the amount, status and history of the debt; and the program under which the debt arose, that is, the Energy Employees Occupational Illness Compensation Program.

Once your debt has been referred to the Department of the Treasury, administrative charges will be added to the current principal amount. These charges, which are computed as a percentage of the debt, reflect our collection cost. They are authorized by the Debt Collection Improvement Act of 1996 (Public Law 104-134). This referral will therefore result in a large increase in the size of your debt.

You may avoid these outcomes by sending a check in the amount stated above. Make your check payable to U.S. Department of Labor, OWCP, and include your EEOICPA file number on the check. Send it to:

U.S. Dept. of Labor
DEEOIC
P.O. Box 77247
Washington, DC 20013

September 2011

Exhibit 2

As you have been advised previously, you have certain rights with respect to referral of your debt to the Department of the Treasury or to credit bureaus:

- You may inspect and request copies of your records about this debt;
- You may contact us to enter into a mutually agreeable written repayment agreement; and
- You may request a review of our determinations about the amount of your debt, its past-due status, and its legal enforceability. To exercise this right, you must state your request in writing, state your reason(s) for challenging our determinations, and sign your statement. If you believe that any information of record concerning your debt is not accurate, timely, relevant, or complete, you must provide information or documentation to support your belief.

If you wish to enter into a written repayment agreement, contact me immediately at **[insert telephone number]**.

Sincerely,

Unit Chief for Policies,
Regulations and Procedures
DEEOIC

Notice to Customers Making Payment by Check

When you provide a check as payment, you authorize us either to use information from your check to make a one-time electronic fund transfer from your account or to process the payment as a check transaction. When we use information from your check to make an electronic fund transfer, funds may be withdrawn from your account as soon as the same day we receive your payment.

Privacy Act - A Privacy Act Statement required by 5 U.S.C. § 552a(e)(3) stating our authority for soliciting and collecting the information from your check, and explaining the purposes and routine uses which will be made of your check information, is available on internet site at: <https://www.pccotc.gov/pccotc/index.htm>, or call toll free at 1-866-945-7920 to obtain a copy by mail. Furnishing the check information is voluntary, but a decision not to do so may require you to make payment by some other method.

WAIVER OF CHARGES WORKSHEET

File Number: 123456789

1. **Current principal balance** \$ _____

2. **Accrued charges**

a.) accrued Administrative charges \$ _____

b.) accrued penalty \$ _____

c.) accrued interest \$ _____

Total (Item 2a + Item 2b + Item 2c) \$ _____

3. **Interest rate** (express as percent; i.e. 5% not .05)
Monthly interest rate (annual rate/12) _____ %

4. **Monthly payment** \$ _____

5. **Monthly interest** (Item 1 x Item 3) \$ _____
If Item 5 >= Item 4, then charges are waived. Stop here
If Item 5 < Item 4, go on to Item 6

6. **Period to repay full amount of debt** (months)
a) Period to repay accrued charges _____ mos.
Item 2/Item 4- (Item 1 x Item 3)
b) Period to repay principal _____ mos.
Total (Item 6a + Item 6b) _____ mos.

7. **Debtor's life expectancy** (see page 2 of this exhibit;
multiply that figure by 12 to convert years to months).

IF ITEM 7 IS LESS THAN ITEM 6, then all charges must be waived.

IF ITEM 7 IS GREATER THAN OR EQUAL TO ITEM 6, then charges cannot be waived.

Consider whether the accrued charges and/or principal must be compromised by completing the Compromise of Principal Worksheet.

Calculations performed by: _____ Date: _____

Certified by: _____ Date: _____

 WAIVER OF CHARGES WORKSHEET (Continued)

Life Table 6.3 Expectation of Life at Single Years of Age, by Race and Sex. United States, 1999. Found in "National Vital Statistics Reports, March 21, 2001, Volume 50, Number 6, page 2 (Table A and 7-12, Tables 1-3), published by the Department of Health and Human Services, Center for Disease Control and Prevention, National Center for Health Statistics, National Vital System.

Age	All Races		
	Both Sexes	Male	Female
30	48.2	45.7	50.5
31	47.3	44.8	49.8
32	46.3	43.9	48.6
33	45.4	42.9	47.6
34	44.4	42.0	46.7
35	43.5	41.1	45.7
36	42.6	40.2	44.8
37	41.6	39.2	43.8
38	40.7	38.3	42.9
39	39.8	37.4	41.9
40	38.8	36.5	41.0
41	37.9	35.6	40.0
42	37	34.7	39.1
43	36.1	33.8	38.2
44	35.2	32.9	37.2
45	34.3	32.0	36.3
46	33.4	31.1	35.4
47	32.5	30.3	34.4
48	31.6	29.4	33.5
49	30.7	28.5	32.6
50	29.8	27.7	31.7
51	28.1	26.8	30.8
52	28.1	26.0	29.9
53	27.2	25.2	29.0
54	26.4	24.4	28.2
55	25.5	23.6	27.3
56	24.7	22.7	26.4
57	23.9	21.9	25.6
58	23.1	21.2	24.7
59	22.3	20.4	23.9
60	21.5	19.6	23.1
61	20.7	19.9	22.3
62	20.0	18.9	21.5
63	19.2	18.2	20.7
64	18.9	17.5	19.9
65	17.7	16.1	19.1
66	17.4	16.1	18.4
67	16.3	15.4	17.6

68	15.6	14.7	16.9
69	15	13.5	16.1
70	14.3	12.8	15.4
71	13.7	12.3	14.7
72	13.0	11.7	14.1
73	12.4	11.1	13.4
74	11.8	10.6	12.7
75	11.2	10.0	12.1
76	10.7	9.6	11.5
77	10.1	9.0	10.8
78	9.6	8.5	10.2
79	9.0	8.0	9.7
80	8.5	7.5	9.1
81	8.0	7.1	8.6
82	7.5	6.7	8.0
83	7.1	6.3	7.5
84	6.7	5.9	7.1
85	6.3	5.5	6.6

COMPROMISE OF PRINCIPAL WORKSHEET

File Number: 123456789

- 1. **Current principal balance** \$ _____
- 2. **Accrued charges**
 - a.) accrued Administrative charges \$ _____
 - b.) accrued penalty \$ _____
 - c.) accrued interest \$ _____
 - Total (Item 2a + Item 2b + Item 2c) \$ _____
- 3. **Interest rate** (express as percent; i.e. 5% not .05)
 - a.) Annual Interest rate _____ %
 - b.) Monthly interest rate (annual rate/12) _____ %
- 4. **Monthly payment** \$ _____

5. **To determine if this is a candidate for compromise apply the following rule:**

Divide the current principal balance (plus any accrued charges) by the monthly payment; and multiply the result by the annual interest rate.

$$\frac{\text{Item 1} + \text{Item 2}}{\text{Item 4}} \times \text{Item 3a} = \text{_____}$$

If the result is less than 5.5, no compromise is necessary. If the result is 5.5 or greater complete the balance of the worksheet to determine the amount, if any, to be compromised.

- 6. **First month interest** (Item 1 x Item 3b/100) \$ _____
- 7. **Period within which debt must be repaid** (months)
(Item 1/Item 4 x 1.35) _____

If Item 6 is >/= to Item 4, then all accrued charges are compromised; skip Item 8 through 10, and go to Item 11 to determine the amount of principal to be compromised. Otherwise, continue with Item 8.

8. Period to repay full amount of debt (months)

- a.) Period to repay accrued charges _____ mos.
 (Item 2/Item 4) - (Item 1 x Item 3)
- b.) Period to repay principal _____ mos.
- Total (Item 8a + Item 8b) _____ mos.

If Item 8b is <= to Item 7, no principal need be compromised. Skip to Item 12.

If Item 8b is > Item 7, the amount of the principal must be compromised. Continue to the next item.

9. Maximum amount of accrued charges to be compromised.

(Item 8 - Item 7/Item 8a) x Item 2 _____

If no number is generated here, then there are no accrued charges to be compromised. Proceed to the next item.

10. Apportionment of compromise

- a.) Item 9 or Item 2, whichever is less
- b.) Admin Charges (Item 2a or Item 10a, whichever is less)
- c.) Balance (Item 10a - Item 10b)
- d.) Penalty (Item 2b or Item 10c, whichever is less)
- e.) Balance (Item 10c - Item 10d)
- f.) Interest (Item 2c or Item 10e, whichever is less)

11. Amount of principal after compromise \$ _____

If this amount is more than the original principal, then there is no compromise of principal.

12. New debt balances. (If Item 10 was skipped then consider item 10a thru 10e as zero)

- a.) Accrued admin charges (Item 2a - Item 9b)
- b.) Accrued penalty (Item 2b - Item 10d)
- c.) Accrued interest (item 2c - Item 10f)
- d.) Principal Balance (Item 11; or, if Item 11 was skipped, use Item 1)

Calculations performed by: _____ Date: _____

Certified by: _____ Date: _____

SAMPLE COMPROMISE ORDER

1. An overpayment of compensation was found in the above referenced case in the amount of **{insert amount}**.

It has been determined that the claimant does not have the present or prospective ability to pay the full amount of the claim within a reasonable period of time. It has been further determined that there is no indication of fraud, the filing of a false claim, or misrepresentation on the part of the claimant or on the part of any other party having an interest in the claim.

(Adjust wording of paragraph 2 to fit circumstances.)

2. On **{insert date}** DEEOIC advised the claimant that he was found (with/without) fault in the matter of the overpayment and was notified of the grounds for consideration of waiver and of his rights in the matter. The claimant applied for waiver, and on **{insert date}** a final determination was made that claimant was with fault in the matter and was not entitled to consideration of waiver.

3. Based on the information outlined above, it is hereby determined that full settlement of the claim for recovery of the overpayment shall be accepted in the amount of **{insert amount}**, which does not exceed \$100,000 exclusive of interest and penalties, to be paid in the following manner and time:

{Describe payment terms}

4. The claim for overpayment shall not be considered settled until full payment of **{insert amount}** has been made within the time and in the manner specified above. The failure to make such payment shall result in the reinstatement of the full amount of the overpayment, less any amounts paid prior to default.

Given by me this day of

Unit Chief for Policies,
Regulations and Procedures
DEEOIC

SAMPLE COMPROMISE MEMORANDUM**MEMORANDUM TO FILE:**

The claimant in the attached case is indebted to DEEOIC in the amount of {**insert amount**}. The indebtedness arose because the Office accepted a claim for {**insert**} condition which was later rescinded by decision dated {**insert date**}. The claimant was fully advised of his rights in the matter of the overpayment but did not request a review of the documents or a telephone conference. The decision regarding the overpayment was made final by letter decision dated {**insert date**}.

The claimant has agreed that a certificate in the amount of {**insert amount**} be paid in partial settlement of the debt and he proposed that we accept this in full settlement. The claimant submitted financial reports showing that his income is derived solely from a pension under the Civil Service Retirement Act and Social Security benefits. Also, the claimant has submitted documentation of his expenses which, according to the calculations in the file, consume virtually all of his income. There is no indication of fraud in this case.

Since it appears extremely unlikely that the debt can be recouped in a reasonable period of time, either voluntarily or through legal proceedings, given the claimant's age, health, and financial circumstances, I recommend that this proposal for settlement be accepted and that an order be issued compromising the remainder of the debt upon receipt of {**insert amount**}.

SAMPLE LETTER TERMINATING COLLECTION ACTIONS

Dear CLAIMANT NAME:

This is in further reference to your debt to the United States in the amount of **{insert amount}**, and your letter to us of **{insert date}**.

I have reviewed the issues raised in your letter, and the information concerning your financial situation which you have provided. I have determined that collection action on your debt will be terminated indefinitely and that no further action will be taken by this office, unless we are notified that your circumstances have changed.

I have taken this action because it has been found that your financial circumstances are such that recovery would cause hardship. In the event that we receive evidence of substantial income or assets which would support collection, we reserve the right to take further action to recover the money due.

Sincerely,

Unit Chief for Policies,
Regulations and Procedures
DEEOIC