



DCMA MANUAL 2501-10

Contract Debts

Office of Primary Responsibility:	Contract Maintenance Capability
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Approved by:	David G. Bassett, LTG, USA, Director

Purpose: This Issuance, in accordance with the authority in DoD Directive 5105.64, "Defense Contract Management Agency (DCMA)," Federal Acquisition Regulation, Subpart 32.6, "Contract Debts," and Defense Federal Acquisition Regulation Supplement, Subpart 232.6, "Contract Debts":

- Establishes procedures for identifying, collecting, and deferring collection of contract debts
- Documents the roles and responsibilities necessary to perform contract debt management

SUMMARY OF CHANGES

This Manual was rewritten. Agency users and stakeholders should read this Manual in its entirety. The following identifies the most notable changes:

- Adds the Director/Commander and Termination Contracting Officer to Section 2: Responsibilities
- Clarifies that the debt deferment responsibility is not re-delegable since the recommendation is made to the DoD Component's senior Financial Manager
- Adds a data posting requirement to collect demand for payment information

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SECTION 1: GENERAL ISSUANCE INFORMATION

1.1. APPLICABILITY. This Manual applies to DCMA Operational Units that administer contracts. Exceptions to this Manual apply to DCMA Special Programs Command (DCMAS) and sensitive compartmented information contracts that must be processed in accordance with DCMAS security requirements and the intent of this Agency Manual.

1.2. POLICY. It is DCMA policy to:

a. Identify and collect debts owed by contractors to the Government, and to properly establish a record of collection. This Manual supplements the Federal Acquisition Regulation (FAR), subpart 32.6, FAR subpart 33.2, Defense Federal Acquisition Regulation Supplement (DFARS), subpart 232.6, and DFARS and Procedures, Guidance and Information (PGI) 232.6. The procedures of this Manual apply to properly established and enforceable debts.

b. Execute this Manual in a safe, efficient, effective, and ethical manner.

SECTION 2: RESPONSIBILITIES

2.1. OPERATIONAL UNIT COMMANDER/DIRECTOR. The Regional Command/Center Commander/Director of the Operational Unit will:

- a. Ensure DCMA's position on debt deferment packages is clearly stated, well supported, and comprehensive prior to release.
- b. Approve release of debt deferment recommendations prior to forwarding to the agency/service senior Financial Manager (FM).

2.2. CONTRACTS DIRECTOR/TEAM SUPERVISOR. The Contracts Director or Team Supervisor will:

- a. Review demand for payment letters for accuracy and to ensure the conditions for the demand are supported and well stated.
- b. Conduct reviews of prepared debt deferment packages for quality and completeness.
- c. Support Administrative Contracting Officer (ACO) debt deferment determination recommendations and ensure position is supported and well stated.

2.3. ACO. All references to ACO in this Manual apply to the ACO, the Corporate ACO (CACO), the Divisional ACO (DACO), and the Termination Contracting Officer (TCO). The ACO will:

- a. Identify and demand payment of contract debts due to the Government under the terms and conditions of a contract while coordinating with the responsible disbursing officers for determining contract debt amount and contract debt collection in accordance with FAR 32.602 and DFARS 232.602.
- b. Notify the payment office cited in the contract of all identified contract debts so the payment offices can collect the amounts owed to the Government.
- c. Execute Contracting Officer's Final Decision (COFD) demand for payment in a timely manner to maximize availability of the funds to the program for which the funds were initially provided, to reduce difficulty in collecting the debt, and to avoid actual monetary loss to the Government.
- d. Follow up periodically with the payment office to ensure that contract debts have been collected and credited to the proper appropriations.
- e. Prepare debt deferment packages making a recommendation to approve or deny the contractor's request for deferment.
- f. Update the Debt Tracker to reflect status of demand for payment and debt deferment.

2.4. ASSIGNED LEGAL COUNSEL. The assigned legal counsel will:

- a. Assist the ACO by reviewing demand for payment letters, contract debt packages, COFD demand for payment, and any deferment of payment agreements for legal sufficiency.
- b. Provide legal advice and counsel to the ACO as the ACO develops a position on matters that could result in a contract claim and dispute.

2.5. HEADQUARTERS (HQ) PERFORMANCE ADVOCATE. The Performance Advocate at DCMA Headquarters will review and report on the debt deferment data from the Debt Tracker semiannually.

2.6. ACTION OFFICER (AO). Each Regional Command and Center will have an AO, identified on the Resource Page, who will:

- a. Review debt deferment packages for quality and completeness.
- b. Process debt deferment requests received from ACOs, maintain debt deferment documents, and track status of requests for debt deferments in the Debt Tracker list.
- c. Report semiannually to the Executive Director, Contracts; and Director, Contract/Pricing Policy; through the HQ Performance Advocate, on the status of debt deferment packages processed within the period to agency/service senior FMs.
- d. Update the Debt Tracker to reflect status of debt deferments.

2.7. EXECUTIVE DIRECTOR, DCMAS. The Executive Director, DCMAS will comply with Agency policy to the extent commensurate with the security requirements of the administered classified contracts.

SECTION 3: CONTRACT DEBT PROCEDURE

3.1. OVERARCHING PROCEDURE. This section covers procedures for making a debt determination and issuing a demand for payment.

a. There are two ways to make a demand for payment:

- issue a letter demanding payment pursuant to FAR 32.604; or
- issue a COFD pursuant to FAR 32.605, “Contracting Officer’s Final Decision”

b. When this manual refers to a demand for payment this applies to both a demand for payment pursuant to FAR 32.604 and a COFD demand for payment pursuant to FAR 32.605.

3.2. MAKE DEBT DETERMINATION. Contract debts are amounts that have been paid to a contractor to which the contractor is not currently entitled, or are otherwise due from the contractor, under the terms and conditions of the contract in accordance with FAR 32.601(a). If the ACO has any indication that a contractor owes money to the Government under a contract, the ACO must promptly determine whether an actual debt is due and the amount in accordance with FAR 32.603(a).

a. For examples of types of contract debts, see FAR 32.601(b).

b. The ACO must not issue a demand for payment for any money owed the Government due to a payment office overpayment or erroneous payment. The disbursing officer has the primary responsibility for collecting any payment due when the amounts due are contained in the contract in accordance with DFARS 232.602(b).

c. As soon as a potential debt comes to the attention of an ACO, the ACO must immediately provide the contractor notice of the potential debt in writing. The notification may be an email and does not require a formal memorandum. This notification provides the contractor an opportunity to respond to the potential debt and for the ACO to assess any additional information provided to make a debt determination.

d. When making a debt determination, the ACO must complete a Demand Letter Worksheet (see Resource Page). The worksheet must be reviewed and signed by a peer (an ACO other than the ACO who will sign the resulting demand for payment letter).

3.3. PURSUING COLLECTION OF A DEBT. In determining how best to pursue collection of a debt, the ACO must consult with assigned legal counsel to discuss the debt. The ACO will provide assigned legal counsel information on the basis for the Government’s entitlement to the debt, the amount, and the background on when the Government first became aware of the debt. The ACO will specifically request input from assigned legal counsel on the Statute of Limitations (SoL) to assure accommodation of any time limits in pursuit of the debt. See discussion of SoL in Paragraph 3.3.c. The Contracts Director/Team Supervisor must review the demand for payment letter prior to issuance to review for accuracy of contract terms and clause

references and to ensure the conditions for the demand are supported and well stated. The ACO may use one or a combination of the alternatives in Paragraphs 3.3.a., through 3.3.c., to pursue collection of the debt:

a. **Demand for payment prior to discussion of debt with the contractor.** This notice does not need to be a formal letter, but the ACO must provide a description of the debt as required by FAR 32.604(b)(1), and state that the contractor must notify the ACO if the contractor believes the debt is invalid or the amount is incorrect pursuant to FAR 32.604(b)(5)(i). An ACO may issue this informal notice prior to any agreement by the contractor to pay the debt.

b. **Formal demand for payment letter after discussion of the debt and agreement with the contractor.** A demand for payment issued in accordance with FAR 32.604 is not a final decision on a Government claim, but may be appropriate under a variety of circumstances, including when the SoL is not in jeopardy of being breached, and the Government can agree with the contractor on the amount of debt owed. A demand for payment letter must not be issued when the demand for payment includes demand for penalties (see Paragraph 3.3.c.2.(c)). Paragraph 3.4., of this Manual addresses the content of a formal demand for payment letter. The ACO will consider issuing a demand letter to start interest running under the Interest clause (FAR 52.232-17, Interest). An ACO may issue a demand for payment when:

(1) The contractor and the Government agree on the actual debt that is due to the Government;

(2) There is sufficient time for the ACO to issue a COFD after issuance of the demand for payment letter before the expiration of the SoL; and

(3) The contractor does not voluntarily pay the debt.

(4) FAR 32.604(a)(2) lists other situations when it is appropriate to issue a demand for payment letter.

c. **COFD demand for payment.** If the SoL is approaching, or the ACO and contractor do not agree on the actual debt amount that is due to the Government, the ACO must issue a COFD rather than a demand for payment letter to pursue collection of the debt. A demand for payment letter may be issued prior to issuing a COFD to pursue collection of the debt; however, issuance is not required in order to issue a COFD.

(1) Title 41, United States Code (U.S.C.), also known and referred to in this Manual as “The Contracts Dispute Act of 1978,” Section 7103(a)(4)(A), imposes a 6 year SoL on all claims, whether they are asserted by the contractor or by the Government. The limitations period begins upon accrual of a claim, which is the date when all events, that fix the alleged liability of either the Government or the contractor and permit assertion of the claim, were known or should have been known pursuant to FAR 33.201.

(2) The ACO must issue a COFD when the conditions at FAR 32.605(a) and FAR 33.211 or the following conditions apply:

(a) To state the ACO's final decision when the contractor and the Government disagree on the existence or actual amount of debt due to the Government;

(b) To preserve the Government's rights prior to expiration of the SoL;

(c) The debt arises from penalties for expressly unallowable costs included in a certified final indirect cost rate or cost proposal; and/or

(d) If the contractor does not pay the debt amount within the time specified in the demand for payment, unless the amounts were not repaid because the contractor has requested an installment payment agreement or the contractor requests a deferment of collections.

(3) The ACO must seek guidance from assigned legal counsel on whether to issue a COFD in cases where the ACO believes the SoL has expired. When a contractor contests a COFD, seek further guidance on the requirements in DCMA Manual (DCMA-MAN) 2501-09, "Contract Claims and Disputes."

(4) In preparing the final decision, the ACO must secure assistance from assigned legal counsel, and other advisors (such as Defense Contract Audit Agency) in accordance with FAR 33.211(a)(2).

3.4. DEMAND FOR PAYMENT LETTER CONTENT. The ACO's demand for payment must set out all statutory and regulatory authorities that apply to establish the debt amount and collect the contract debt. This information is consolidated in the Demand for Payment of debt and COFD Demand for Payment templates on the Resource Page. These documents include:

a. All the information required pursuant to FAR 32.604(b);

b. Appropriate information regarding contractor debts pursuant to DoD 7000.14-R, "Department of Defense Financial Management Regulation (DoD FMR)," Volume 16, Chapter 2 (hereafter referred to as the DoD FMR).

c. The due process notification requirement pursuant to the Bureau of the Fiscal Service, "A Guide for Managing Loads and Administration Debt," Appendix 8, which is located on the Resource Page of this Manual, in accordance with DoD FMR, Volume 16, Chapter 2.

d. A statement advising the contractor to make the check payable to the DFAS and the address for remittance of payment:

(1) Online payment may be made to DFAS at the web address provided on the Resource Page of this Manual and in the COFD demand for payment template letter. The COFD demand for payment letter includes instructions for online payment:

- In the search box enter Mechanization of Contract Administration Services (MOCAS) Automated Contract Administration Services Collection System “MOCAS-ACCS”;
- Then click ‘Continue to the Form’ to make payment using DFAS Form MOCAS-ACCS

(2) For MOCAS paid contracts (payment offices HQ0337, HQ0338, and HQ0339) remit payment to DFAS Columbus Disbursing Division:

By United States Postal Service:

Defense Finance and Accounting Service - Columbus Center
DFAS-JDCBB/CO
PO Box 182317
Columbus, OH 43218-2204

By United States Postal Service Express Mail or Commercial Delivery (e.g., Federal Express, United Parcel Service):

Defense Finance and Accounting Service - Columbus Center
DFAS-JDCBB/CO
3990 E. Broad Street
Building 21
Columbus, OH 43213-1152

(3) For non-MOCAS contracts, remit payment to the payment office identified in the contract.

3.5. COFD LETTER CONTENT. A COFD must be tailored to include all the debt-specific statutory and regulatory requirements of FAR 32.604(b), DoD FMR, and FAR 33.211(a)(4)(v), which includes language notifying a contractor of appeal rights. This information is in addition to the information required for a demand for payment. Multiple templates are on the Resource Page. See the Claims and Disputes Manual, DCMA-MAN 2501-09, for more information on COFDs and potential of claims.

3.6. DEMAND FOR PAYMENT SUPPORTING DOCUMENTATION.

a. The ACO must prepare a DFAS Contract Debt System (DCDS) Submission Checklist (on Resource Page) with a demand for payment, whether COFD or not. The ACO must complete and sign the DCDS Submission Checklist. DFAS requires supporting documents such as the invoice, payment voucher, and other information as stated on the DCDS Instruction on the Resource Page.

b. The ACO must furnish a copy of the DCDS Submission Checklist, supporting documents, and demand for payment to the DFAS Accounts Payable Support Debt email box as shown on the Resource Page. For DCMAS, distribution is limited by DCMAS security restrictions.

c. The ACO must furnish a copy of the demand for payment to the contractor by certified mail, return receipt requested, or by other method that provides evidence of receipt pursuant to FAR 33.211(b). The ACO may also email this to the contractor with a read receipt and acknowledgement.

d. The ACO must enter the debt demand information in the Debt Tracker on DCMA 360 (link on Resource Page) within 7 calendar days of issuing the demand.

e. The ACO or contract administrator must upload all documents pertaining to debts in the official contract file in the Agency system of record stated on the Resource Page and retain them in accordance with DCMA-MAN 4501-04, Volume 1, "Records and Information Management Program."

SECTION 4: CONTRACTOR DEBT DEFERMENT

4.1. CONTRACTOR DEBT DEFERMENT REQUEST.

a. The senior FM or designee of the appropriate department/agency contract financing office has sole authority for approving and disapproving a contractor's request for a deferment of collection in accordance with DoD FMR, Volume 16, Chapter 5.

b. If the contractor requests a debt deferment and there is administrative board appeal or litigation disputing the claim under the Disputes clause, FAR 52.233-1, of the contract, the ACO must submit to the senior FM information about the contractor's deferment request to include:

- (1) Financial condition.
- (2) Contract backlog.
- (3) Projected cash receipts and requirements.
- (4) The feasibility of immediate payment of the debt.
- (5) The probable effect on operations of immediate payment in full.

c. If the contractor has appealed the debt under the procedures of the Disputes clause of the contract, the information with the request for deferment may be limited to an explanation of the contractor's financial condition in accordance with FAR 32.607-2(a)(1).

d. When the contractor submits a written request for deferment of payment, the ACO must promptly assemble the documents in accordance with FAR 32.607-2(c)(2) and the Contract Debt Deferment Request Checklist (on the Resource Page), and prepare a written recommendation on the contractor's request whether to grant or deny the contractor's request. The ACO must provide a well-reasoned rationale for recommending that the request be granted or denied. The ACO must describe the nature of the dispute and the basis for the ACO's position. It is important that the information provided is objective and related to the contractor's ability to pay the debt. Debt deferment package documentation must include:

(1) Deferment of Payment Agreement:

(a) The ACO will prepare the Deferment of Payment Agreement using the template on the Resource Page, which includes information required pursuant to FAR 32.607-2. The ACO will then submit the package to the ACO's assigned legal counsel for a legal sufficiency review. The ACO must provide the following required supporting information to assigned legal counsel:

- copy of contractor's request for deferment of collection;
- copy of the COFD; and

- name of the service branch that, at the beginning of calendar year, holds contracts representing the largest percentage of sales by the contractor to the Government

(b) Include a statement as to whether the contractor has an appeal pending or action filed under the Disputes clause of the contract and the docket number (Armed Services Board of Contract Appeals (ASBCA) number or United States Court of Federal Claims (COFC) number) if the appeal has been filed.

(c) If the debt relates to multiple departments or agencies, the ACO must prepare the deferment of payment agreement to the department or agency owed the preponderance of the debt.

(2) The ACO's recommendation on the deferment, which will consist of:

(a) A memorandum addressed to the appropriate Regional Command/Center Commander/Director.

(b) The summary of any statutory and regulatory authority (for example FAR or DFARS citations) used to support the recommendation.

(c) A summary of the COFD demand for payment of debt and date issued.

(d) A detailed, written position that is fully articulated and supported by sufficient facts and analysis.

(e) Documented and accurate dates and facts.

(f) A statement advising of deferment to avoid possible over collections in accordance with FAR 32.607-2(d).

(g) For small business contractors and financially weak contractors, a statement assuring the balancing for Government security against loss and undue hardship on the contractor in accordance with FAR 32.607-2(e).

(h) Contract number(s) and lines of accounting.

(i) Tax identification number(s).

(3) Financial surveillance:

(a) Obtain a current financial capability review of the company by requesting this review from the Financial Capability Team (email address is located on the Resource Page).

(b) If the financial capability review includes a DCMA Form 1620, "Guaranty Agreement," (see Resource Page) that is signed by a third party guarantor, it must be included in the debt deferment package.

(4) The contractor's written request for debt deferment, which the ACO will ensure contains:

- (a) A copy of the contractor's written request for deferment of collection.
- (b) Contractor's proposed deferment of payment agreement (if provided).
- (5) The COFD demand for payment.
- (6) Subordination Agreement (if applicable).
- (7) Novation and Change of Name Agreements (if applicable).
- (8) The Contract Debt Deferment Request Checklist.

(9) The memorandum to the agency/service senior FM stating the ACO's recommendation, with a brief rationale, and requesting their decision on the deferment (see Resource Page for example).

e. The ACO must code deferred debts with MOCAS R9 Reason Code 64, Deferred Debt, and R3 Reason Code, DEBT.

f. The ACO will forward the debt deferment package to the Contracts Director/Team Supervisor, as appropriate, to conduct a review of the documents for quality and completeness in accordance with the Contract Debt Deferment Request Checklist. The quality review must ensure the ACO's position is supported, well-reasoned, and articulated.

g. The Contracts Director/Team Supervisor will forward the package to the AO at the Regional Command/Center Commander/Director.

(1) Upon receipt of an adequate package, the AO will log the package in the Debt Tracker in DCMA 360 (link on Resource Page) providing all the information shown in the template on the Resource Page for data management purposes. The AO will maintain all documents required by the Contract Debt Deferment Request Checklist.

(2) The AO must review the deferment request package for adequacy and completeness pursuant to the Contract Debt Deferment Request Checklist. If the AO determines the package requires revisions, the AO will return the package to the ACO for appropriate action and copy the Contracts Director/Team Supervisor for awareness. The ACO will resubmit the request after revisions have been made and requested actions taken. Upon receipt of an adequate package as determined by the AO, the AO will forward the package to the Regional Command/Center Commander/Director and updates the Debt Tracker in DCMA 360 with the deferment information.

(3) The ACO will identify the senior FM Official or Officials to address in the recommendation by referring to DoD FMR, Volume 16, Chapter 5, "Collection of Debts Owed

by Contractors." If the ACO has any questions, the ACO will seek guidance from assigned legal counsel.

h. The Commander/Director will review the package and approve release of the recommendation to the agency/service senior FM. This responsibility is not delegable since the recommendation is made to the DoD Component's senior FM and it is appropriate for the correspondence to be signed out by DCMA at a comparable level.

i. Upon approval of the Commander/Director, the AO will forward the package to the agency/service senior FM and update the Debt Tracker in DCMA 360. The ACO will see the DoD FMR, Volume 15, Chapter 5, for information about the appropriate agency senior FM official to send the debt deferment package. Note that a question may come up when a debt is owed to multiple agencies or activities. The ACO will follow the guidance in the FMR, and consult with assigned legal counsel if the ACO has questions.

j. After the agency/service senior FM renders a decision on the ACO recommendation, the AO will log the decision in the Debt Tracker. If the FM disapproves the debt deferment the AO forwards the decision to the ACO. If the FM approves the deferment of debt, the AO forwards the deferment of payment agreement to the ACO.

k. The ACO will close the coordination with the contractor within 30 calendar days after receiving the agency/service senior FM's decision.

(1) If the senior FM approves the request for deferment, the ACO will obtain the contractor's signature on the deferment of payment agreement.

(2) If the senior FM disapproves the request for deferment, the ACO will issue a written notice of disapproval to the contractor.

(3) The ACO will provide to the AO a copy of the signed agreement or the disapproval notification to the contractor.

l. The ACO provides the agency/service senior FM's decision (approval or disapproval) and copies of any executed deferment agreements to the payment office.

m. The ACO or contract administrator must upload all documents pertaining to debts in the official contract file in the Agency system of record stated on the Resource Page and retain them in accordance with DCMA-MAN 4501-04, Volume 1.

n. Documents will be protected and marked in accordance with DCMA-MAN 3301-08, "Information Security," and stored in the Agency's official document storage location.

4.2. APPEAL OF AGENCY ACTION. If the contractor appeals the underlying COFD or other Agency action after the request for deferment of collection of debt has been submitted to the AO, the ACO must update the required documents to include the current appeal information, and submit these updated documents to the AO:

- The deferment of payment agreement
 - The ACO recommendation for deferment of payment
- a. The ACO will provide updates to the AO of any changes to the debt deferral request such as when a settlement agreement is reached, the case is dismissed, etc.
- b. The AO will update status on the Debt Tracker throughout the process.

4.3. REPORTING DEBT DEFERMENTS.

a. Semiannually, not later than 30 calendar days after the periods ending September 30 and March 31, the AO will report debt deferment information for their Region including all open cases and any closed cases during the 6-month period to the HQ Performance Advocate via email to the HQ Contract Debts inbox (email address located on the Resource Page). The content of this information may be submitted in the body of an email and does not require a formal memorandum. AOs must submit their Regional Commands' Debt Tracker which will contain the following information:

(1) Demand for payment letters

- ACO/CACO/DACO/TCO
- Contract Management Office/Command
- Contract Number(s)
- Contractor
- Commercial and Government Entity code
- Debt Amount
- Principal
- Interest
- Penalties (Expressly Unallowable Costs)
- Date Issued
- Reason for Demand
- Audit report Number
- Date Funds Collected

(2) Debt Deferments

- ACO/CACO/DACO/TCO
- Contract Management Office/Command
- Contractor
- Debt Amount
- Service/Agency
- ASBCA or U.S. COFC number
- Date of contractor's deferment request
- Date Region receives request from ACO/CACO/DACO/TCO
- Date package forwarded to Region Commander/Director

- Date debt deferment processed to Service/Agency senior FM
- Date debt deferment decision received from Service/Agency senior FM
- Date Region sends decision to ACO/CACO/DACO/TCO
- FM decision (approval or disapproval of debt deferment)
- Final decision (ASBCA decision, settlement reached, etc.)
- Amount settled
- Number of days to process the debt deferment package from the date of deferment request until the memorandum is sent to the Service/Agency senior FM

b. The HQ Performance Advocate will pull debt deferment data from the Debt Tracker semiannually; review the data for accuracy; and send a report to the Executive Director, Contracts and the Director, Contract/Pricing Policy on the status of debt deferment packages processed within the period to agency/service senior FM. The HQ Performance Advocate is identified on the Resource Page.

4.4. INSTALLMENT PAYMENTS. If a contractor requests an installment payment agreement, the ACO must notify the contractor to send a written request for an installment payment agreement to the payment office identified in the contract for processing in accordance with FAR 32.607-1. A contractor may request, and the contractor and Government may agree to, an installment payment plan without a determination that the indebtedness to be repaid is a legally enforceable debt.

4.5. IMPACT ON DEBT DEFERMENT OF CONTRACTOR APPEAL OF DEBTS TO BOARD OR COURT. Pursuant to the Contracts Dispute Act of 1978, a contractor may appeal a COFD from DCMA demanding payment of a contract debt to the ASBCA or the U.S. COFC. The contractor may request in writing, a deferment of debt payment and/or installment payment agreement until the appeal is decided in accordance with DoD FMR, Volume 16, Chapter 5. Appeal of a COFD neither automatically supports debts deferment, nor changes the procedures stated herein except as specifically stated in Paragraph 4.1.c. If an appeal to the ASBCA is settled, the ACO must notify the AO of the settlement amount and the AO will update this information in the Debt Tracker.

4.6. FOLLOW UP ACTIONS ON DEBT COLLECTION. The ACO must follow up with the payment office to determine whether the debt has been collected and credited to the correct appropriation(s). The follow up may be quarterly early in the fiscal year and must be monthly near the end of the fiscal year. The ACO must enter the debt amount collected in the Debt Tracker on DCMA 360 (link on Resource Page).

a. If the ACO receives the contractor's payment, the ACO must immediately forward the payment to the disbursing office, with proper documentation, to allow posting into the accounting system. The ACO must request a confirmation of receipt of the payment from the disbursing office in accordance with DoD FMR, Volume 16, Chapter 1.

b. If the ACO and contractor seek to engage in settlement discussions relating to the COFD to promote an open exchange of information during the settlement discussion, the ACO must initiate an Agreement to Conduct Confidential Settlement Discussion document as shown on the

Resource Page. The ACO must initiate this Agreement prior to settlement discussions with a contractor and follow the procedures in DCMA-MAN 2501-09.

c. If the contractor does not pay the debt or pursue one of the options outlined in the COFD demand for payment letter, follow the procedures in DCMA-MAN 2501-09.

4.7. BANKRUPTCY. If the ACO receives a notice of bankruptcy, the ACO must immediately comply with the requirements in DoD FMR, Volume 16, Chapter 5.

a. When either the procuring contracting officer or ACO office receives information that bankruptcy proceedings have been initiated, the receiving office must immediately notify DFAS Office of General Counsel by email (address on Resource Page) or mail to:

DFAS Office of General Counsel
Defense Finance and Accounting
8899 East 56th Street
Indianapolis, IN 46249

b. At a minimum, the notification must include:

- (1) The name of the contractor.
- (2) The court in which the bankruptcy petition was filed.
- (3) The date of the filing of the bankruptcy petition.
- (4) The bankruptcy court docket number (if available).

GLOSSARY

G.1. DEFINITIONS.

Assigned Legal Counsel. Those counsel who are directly assigned by the Office of General Counsel to serve as the primary legal advisor to a specific DCMA ACO.

Claim. A written demand or written assertion by one of the contracting parties seeking, as a matter of right, the payment of money in a sum certain, the adjustment or interpretation of contract terms, or other relief arising under or relating to the contract. However, a written demand or written assertion by the contractor seeking the payment of money exceeding \$100,000 is not a claim pursuant to The Contracts Dispute Act of 1978, Section 71, until certified as required by the statute. A voucher, invoice, or other routine request for payment that is not in dispute when submitted is not a claim. The submission may be converted to a claim, by written notice to the contracting officer as provided in FAR 33.206(a), if it is disputed either as to liability or amount or is not acted upon in a reasonable time.

Debt. An amount of funds or property that an appropriate official of the Federal Government has determined to be due the U.S. Government from a person, organization, or entity other than another federal agency, which the Government is entitled to receive immediately pursuant to Section 3701 U.S.C., Title 31.

Operational Unit. Comprised of the Eastern, Central, and Western and Cost and Pricing Regional Commands; International and DCMAS; and the Business Operations, Closeout, Logistics, Earned Value Management, and Safety Centers.

SoL. Is a law that sets the maximum time the parties involved have to initiate legal proceedings from the date of an alleged offense.

GLOSSARY

G.2. ACRONYMS.

ASBCA	Armed Services Board of Contract Appeals
ACO	Administrative Contracting Officer
AO	Action Officer
CACO	Corporate Administrative Contracting Officer
COFC	Court of Federal Claims
COFD	Contracting officer's final decision
DACO	Divisional Administrative Contracting Officer
DCDS	DFAS Contract Debt System
DCMA Form 1620	Guaranty Agreement
DCMA-MAN	DCMA Manual
DCMAS	DCMA Special Programs
DFARS	Defense Federal Acquisition Regulation Supplement
DFAS	Defense Finance and Accounting Service
DFAS Form MOCAS-ACCS	Mechanization of Contract Administration Services Automated Contract Administration Services Collection System
DoD FMR	Department of Defense Financial Management Regulation
FAR	Federal Acquisition Regulation
FM	Financial Manager
HQ	Headquarters
MOCAS	Mechanization of Contract Administration Services
SoL	Statute of Limitations
TCO	Termination Contracting Officer
U.S.C.	United States Code

REFERENCES

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- DoD Directive 5105.64, “Defense Contract Management Agency (DCMA),” January 10, 2013
- DoD 7000.14-R, Volume 16, “Department of Defense Financial Management Regulation (DoD FMR),” January 2016, current edition
- United States Code, Title 31
- United States Code, Title 41 (also known and referred to in this Manual as “The Contracts Dispute Act of 1978,” as amended)