

UNITED STATES DEPARTMENT OF AGRICULTURE  
FOOD SAFETY AND INSPECTION SERVICE  
WASHINGTON, DC

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<b>FSIS DIRECTIVE</b>	3730.1	7/26/84
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**RECOVERY OF EMPLOYEE INDEBTEDNESS**

**I. PURPOSE**

This Directive prescribes Agency policy for collecting salary overpayments and other employee indebtedness.

**II. CANCELLATION**

Cancel FSQS Directive 3730.1, dated 8/7/80.

**III. REASON FOR REISSUANCE**

A. Incorporates provisions as implemented by NFC, of the Debt Collection Act, which permits salary offset to recover employee indebtedness.

B. Increases the minimum salary deduction from 10 percent to 15 percent of disposable pay.

**IV. REFERENCES**

FSIS Directive 3730.2, Waiver of Claims Against Employees Arising from  
Erroneous Payments of Pay and Allowances  
FSIS Directive 3800.5, Travel Advances  
FSIS Directive 4296.3, Salary Deductions and Adjustments  
Public Law 97-365, Debt Collection Act of 1982

**V. ABBREVIATIONS**

The following will appear in shortened form in this Directive.

NFC National Finance Center  
SPO Servicing Personnel Office  
T&A Time and Attendance Report

Form AD 343 Payroll Action Request

**VI. EXCLUDED DEBTS**

Current procedures for the collection of excessive travel advances and the automatic collection of outstanding travel advances at separation remain unchanged. (See FSIS Directive 3800.5).

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**DISTRIBUTION:** G03

**OPI:** B&FD - Fiscal Services and  
Review Branch

VII. **DEFINITIONS**

A. **Disposable Pay.** Employee's net pay plus any deductions for U.S. Savings Bonds and financial institutions.

B. **Minor Debt.** Debt less than \$100 or 15 percent of disposable pay, whichever is lesser.

C. **Major Debt.** Debt in the amount of \$100 or more.

VIII. **RECOVERY OF MINOR DEBT**

A. **Notification To Employee.** NFC will provide advance written notice to the employee and the SPO of the amount, nature of indebtedness and pay period deduction will begin. Additional explanation will be provided by FSIS if the debt arose from documents submitted by the FSIS such as a corrected T&A, a late personnel action, or Form AD-343.

B. **Method.** Minor debt will be recovered by a one-time deduction from the employees salary payment.

IX. **RECOVERY OF MAJOR DEBT**

A. **Notification to Employee.** The employee will receive written notification of the debt which provides for a minimum of 30 days written notice informing the employee of the nature, amount of indebtedness, intent to collect the debt, and related interest by salary offset, and an explanation of the employee's rights to:

1. Inspect and copy records related to the debt.
2. Establish a written repayment plan with FSIS under terms agreeable to FSIS. (See available courses of action in Attachment 1.)
3. Request a hearing on the:
  - a. Decision of the outstanding debt.
  - b. Amount of the debt.
  - c. Terms of the repayment schedule if established other than by a written agreement described in subparagraph A. 2. (See paragraph X. for further details.)

B. **Automatic Deduction.** When employee does not respond to the notice within 30 days, NFC will automatically deduct 15 percent of the disposable pay from employee's salary. Fifteen dollars is the minimum amount deductible.

C. **Other Than Automatic Deduction.**

1. **Less Than 15 Percent.** May be granted in cases of extreme financial hardship. Employee must apply in writing to the Director, Personnel Division. Such waiver must be approved by the Deputy Administrator, Administrative Management and formally reported to the Director, Office of Finance and Management.

2. **More Than 15 Percent.** Employee must give written consent to increase deduction above 15 percent.

D. **Changes Due to Salary Adjustments.** As salary increases or decreases:

1. The SPO will initiate documents to adjust the repayment schedule to reflect the agreed-upon rate of repayment.

2. Employees encountering financial difficulties may apply for consideration described in subparagraph C. 2.

3. Employees with existing reduced repayment schedules should contact the SPO to arrange for a new repayment schedule, if necessary.

E. **Period of Recovery.** Full recovery of the debt must be accomplished within 3 years.

X. **EMPLOYEE HEARING**

If an employee wishes a hearing regarding the debt, he/she must notify the SPO within 15 days of the receipt of the written notice of indebtedness. The SPO will direct NFC to:

A. Delay payroll deductions or other collection action until hearing is completed.

NOTE: All requests for employee hearings will be held pending Office of Personnel Management approval of USDA's hearing procedures.

B. Refund any amounts deducted before hearing notification was received.

XI. **INTEREST AND OTHER PENALTIES ON THE DEBT**

A. **Interest.** Interest will be assessed on the unpaid balance of the debt under rates established quarterly by the Department of Treasury.

B. **Other Penalties.** Additional charges, not to exceed **six percent** per year, may be assessed to cover the cost of processing delinquent claims and for failure to pay any portion of a debt over 90 days past due.

XII. **WAIVER OF INDEBTEDNESS**

Waivers of employee debts for overpayments of pay and allowances may be granted following procedures outlined in FSIS Directive 3730.2.

XIII. **TRANSFERS AND SEPARATIONS**

A. **Employees Transferring Within USDA.** When an indebted employee transfers within USDA, the SPO will forward a copy of the repayment plan to the personnel office of the new employing agency. Current NFC salary deductions will continue until the debt is paid in full.

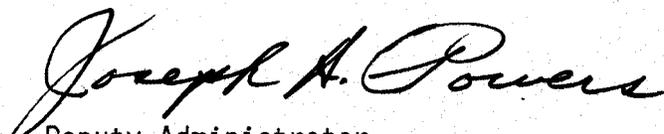
B. **Employees Leaving USDA.**

1. **Inter-Departmental Transfers.** When an indebted employee transfers to another agency, a letter will be forwarded to the new agency personnel office providing the following information:

- a. A full explanation of the indebtedness and the repayment schedule.
- b. A recommendation that a portion of payments due the employee be withheld according to the previously arranged repayment schedule.
- c. A request for acknowledgement and statement of action taken or to be taken.

2. **Separation/Termination Actions.** When an employee retires, resigns, or employment otherwise ends, before collection of the indebtedness is complete, the deduction will be made from subsequent payments of any nature due the individual from USDA. Related responsibilities are:

- a. **Agency Managers** insure that separation actions are submitted to SPO immediately after employee gives notice of resignation.
- b. **SPO** promptly notifies NFC, through the use of wire notification, of the employee's separation.
- c. **Supervisors** insure that final T&A's are properly coded to avoid any delay in flagging the final salary check.
- d. **NFC** makes collection from final salary, lump sum leave payment, or through establishment of a lien against retirement contributions.

  
Deputy Administrator  
Administrative Management

**SAMPLE REPAYMENT AGREEMENT**

RE: (Debtor Employee Name)  
SSN: XXX-XX-XXXX

I understand that I am indebted to the U.S. Department of Agriculture in the amount of \$\_\_\_\_\_ and:

I elect to repay the indebtedness in a lump sum. Enclosed is my payment in the amount of \$ \_\_\_\_\_.

I elect not to repay the indebtedness in a lump sum. However, I do agree to have 15 percent of my disposable pay deducted from my biweekly salary until the amount of the overpayment is repaid. I also understand that interest will be assessed on the unpaid balance until the indebtedness is paid in full.

I elect to repay the indebtedness at a rate of \$ \_\_\_\_\_ per pay period which is greater than 15 percent of my disposable pay.

I am unable to repay the indebtedness through deduction of 15 percent of my disposable biweekly pay because of extreme financial hardship. I have requested and received approval from the Deputy Administrator, Administrative Management, (copy attached) for a repayment based upon installment of \$ \_\_\_\_\_. I understand that interest will be charged on the unpaid balance until the debt is completely repaid.

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Date)