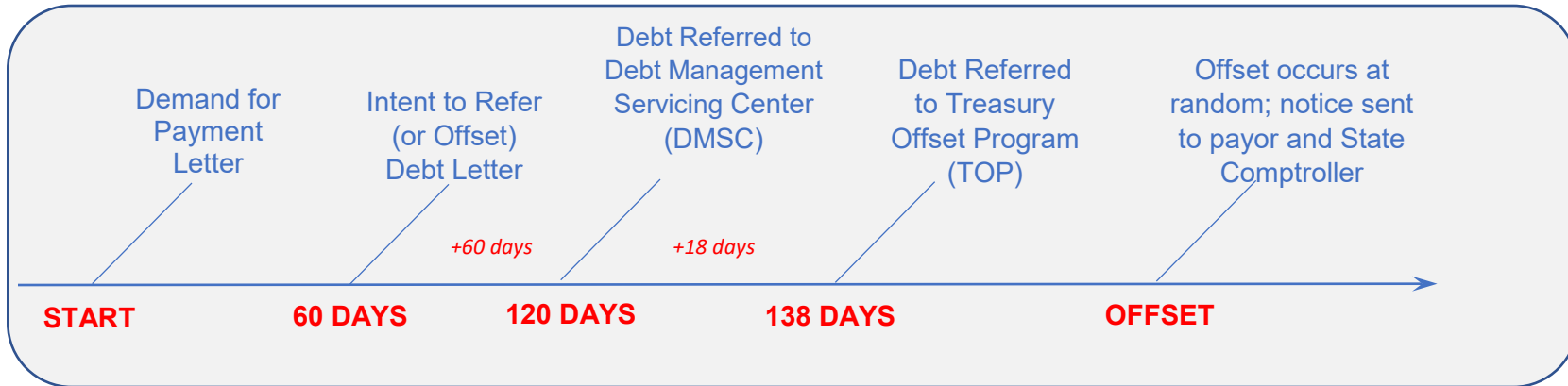
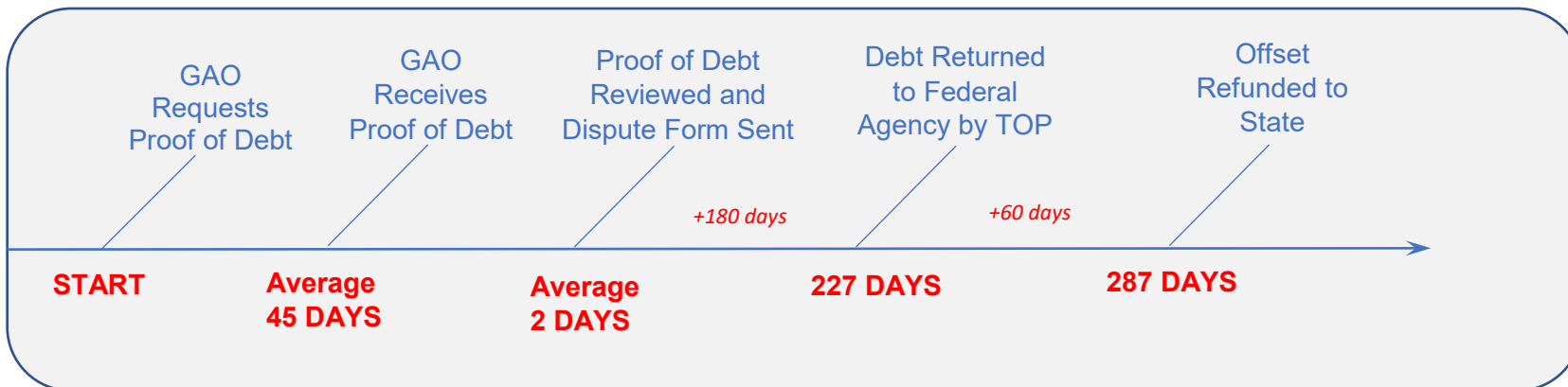


## Timeline of Debt Notice to Offset



## Timeline of Proof of Debt Received to Refund



**Demand for payment letter** - The initial written request for payment from the Federal agency. This notice is sent to the debtor's address associated with the Tax Identification Number (TIN). If a state agency receives one of these letters meant for another agency or if they are unsure what to do with it they should contact the General Accounting Office [Federalgrants@azdoa.gov](mailto:Federalgrants@azdoa.gov) as soon as possible.

**Intent to Refer Debt letter** – At 60 days past requested payment date in the demand for payment letter, the Federal agency is required by 31 CFR Part 285 to provide notice to debtor of the intent to refer the debt for offset. The notice must include the nature of debt, amount and intention to collect through offset and explain rights. If a state agency receives one of these letters meant for another agency or if they are unsure what to do with it they should contact the General Accounting Office [Federalgrants@azdoa.gov](mailto:Federalgrants@azdoa.gov) as soon as possible.

**Debt referred to the U.S. Treasury Bureau of Fiscal Service Debt Management Servicing Center (DMSC)** – At 120 days past the requested payment date in the demand for payment letter, the debt is required by 31 CFR Part 285 to be referred to Fiscal Service Debt Management. Additionally per the 31 CFR 285 the creditor agency must certify that the debt is eligible for collection by offset and the debt submitted must be:

(A) Past-due in the amount stated by the creditor agency;

(B) Legally enforceable;

(C) More than \$25, or such other amount as Fiscal Service may prescribe; and

(D) Not secured by collateral subject to a pending foreclosure action, unless the creditor agency certifies that offset will not affect the Government's rights to the secured collateral.

There is a notification process in place to email the State Comptroller's Office with basic debt information, including the debt ID number. If this notification occurs and the Federal agency that referred the debt is known, the proof of debt can be requested by the General Accounting Office.

**Debt referred to the U.S. Treasury Bureau of Fiscal Service Treasury Offset Program (TOP)** – DMSC sends the debt to TOP for offset 18 days after the debt has been received. Disbursing Federal granting agencies compare records with delinquent debt records submitted to TOP for collection by offset by TIN. When a match occurs the payment is reduced to pay the debt. When a state agency receives a payment that is less than expected they should send the associated details to the General Accounting Office [Federalgrants@azdoa.gov](mailto:Federalgrants@azdoa.gov) immediately to determine if this could be an offset. Do NOT reduce the deposit document in AFIS to match the wire. A notice should be sent to the payor. While there is a process in place to notify the State Comptroller's Office monthly about offsets which have occurred, it is very important to identify the offsets at the time of occurrence and capture those

proof of payment documents. It is very difficult to identify offset details after the fact and the TOP does not always have reliable information about the payor. GAO also needs to know where the payment was made from to be able to reimburse it.

**GAO requests proof of debt** – Once notice of debt or offset is received GAO requests proof of debt. The proof of debt is needed to determine if the State agrees the debt is valid. In cases where the debt is valid and the debtor agency is known, GAO works with the debtor agency to have them reimburse the agency which was offset. When the debt is invalid, we dispute the debt and then wait.

**Debt returned to Federal agency** – If the Federal agency does not respond to the dispute within 180 days TOP returns the funds to the agency and the Federal agency will then reimburse the State.

**Refunded** – Once the State has been refunded, GAO will work with agencies that have been offset to reimburse them. It is important to have proof of offset and know where the funds were taken from to appropriately reimburse the correct programs.