

VA Financial Policies and Procedures
Payroll: Allowances

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0201 OVERVIEW

This chapter establishes the Department of Veterans Affairs (VA) financial policies and procedures regarding payroll allowances. Allowances are amounts granted to VA employees to reimburse for extraordinary expenses related to fulfilling official VA duties. In addition, some allowances may be granted as an incentive to recruit and retain an employee to a particular duty station. See Volume XV, Chapter 3, *Awards and Incentives*.

Allowances in both foreign and non-foreign areas are authorized under Executive Order 10000 and regulated by the Office of Personnel Management (OPM) under 5 U.S.C. Part III, Chapter 59, *Allowances*. VA's Office of Human Resources Management has the authority to apply the regulations to determine an employee's eligibility to receive a cost-of-living allowance (COLA), education allowance, foreign transfer allowance, living quarters allowance, physician's comparability allowance, post differential, and/or uniform allowance.

Under the E-Government Act of 2002's e-Payroll initiative, Federal agencies' payroll operations were consolidated to four providers. The Office of Management and Budget (OMB) selected the Defense Finance and Accounting Service to process VA's payroll transactions. VA's payroll operations cover the entire process necessary to issue a paycheck for each employee, on a biweekly basis, for his or her services rendered during the pay period. This includes entering employee data, recording time and attendance documentation, ensuring proper deductions are entered, disbursing payments through VA's payroll provider, charging the appropriation, making necessary adjustments, and reporting expenses.

0202 POLICIES

020201 AUTHORITY FOR ALLOWANCES. VA will pay allowances based on eligibility requirements determined from criteria specified by laws and/or regulations, as prescribed by 5 U.S.C. Part III, Chapter 59, *Allowances*, 5 C.F.R. 591, *Allowances and Differentials*, VA Human Resource Management policy, as outlined in VA Handbook 5007, *Pay Administration*, and/or the Department of State's Standardized Regulations (DSSR).

020202 TYPES OF ALLOWANCES.

020202.01 NON-FOREIGN ALLOWANCES.

A. VA will provide a non-foreign COLA, as established by OPM under 5 U.S.C. 5941, to eligible employees in non-foreign areas where living costs are substantially higher than those in the Washington, DC area, not to exceed 25 percent of the employee's hourly rate of basic pay.

B. As described in 5 U.S.C. 5941(a)(2), VA will provide a non-foreign post differential which will not exceed 25 percent of an employee's hourly rate of basic pay as an allowance payable to eligible employees while stationed at an overseas post. Post differential areas are listed in 5 C.F.R. 591.231 (also in 5 C.F.R. Appendix B to Subpart B to Part 591). COLA and non-foreign post differential percentages may not exceed a combined rate of 25 percent of the hourly rate of basic pay.

020202.02 FOREIGN ALLOWANCES.

A. VA will provide foreign post (hardship) differential for employees working in an overseas location with extraordinarily difficult living conditions, excessive physical hardship, or notably unhealthful conditions that affect the majority of employees officially stationed or detailed at that place. The foreign post differential rates are determined and adjusted by the Department of State; see DSSR Section 510 for additional information.¹ Foreign post differential may exceed 25 percent of basic compensation.

B. VA will provide an education allowance to eligible employees to assist in meeting extraordinary and necessary expenses, as confirmed by local human resources representatives, in providing adequate elementary and secondary education for children while the employee is assigned to an overseas post. Entitlement to extraordinary and necessary expenses, as defined by DSSR guidance and 5 USC 5924(4), will be determined by the facility's local HR department.

C. VA will provide a foreign transfer allowance to eligible employees to offset a part of the cost for extraordinary, necessary, and reasonable expenses incurred incident to establishing himself or herself at an assigned overseas post. Entitlement to extraordinary, necessary, and reasonable expenses, as defined by DSSR guidance and 5 USC 5924(2)(A), will be determined by the facility's local HR department.

D. VA will pay a living quarters allowance to eligible employees if, under unusual circumstances, living quarters are not provided at an assigned overseas post.

020202.03 PHYSICIANS COMPARABILITY ALLOWANCE (PCA). VA will provide a PCA to eligible Government physicians or dentists who are paid under the General Schedule, Senior Executive Service or other pay system as defined in 5 U.S.C. 5948 and who enter into a service agreement with the Department intended to recruit and retain the physician or dentist.

020202.04 UNIFORM ALLOWANCE. VA will pay a uniform allowance to eligible VA employees in positions that require uniforms; however, the allowance will not be paid to an employee who is issued a uniform through VA resources. Eligible VA employees will receive an initial lump-sum uniform allowance payment for the first year of service. Payment for subsequent years of uniform wearing service will be made as a biweekly

¹ Refer to the Department of State's website for more information, at: http://aoprals.state.gov/content.asp?content_id=260&menu_id=89.

pay period allowance, which becomes effective on the beginning of the first pay period following completion of the first year of service. VA will pay eligible full-time employees a biweekly uniform allowance based on the authorized maximum per annum allowance divided by 26 pay periods. Eligible part-time and intermittent employees will have their biweekly uniform allowance calculated as follows: divide the per annum maximum uniform allowance by 26 pay periods to obtain the full-time biweekly rate, then divide by 80 hours per pay period to obtain the hourly rate; the hourly uniform allowance rate will be multiplied by the number of regular non-overtime hours worked each pay period. Special note: for years which have 27 pay periods, the total biweekly uniform allowance paid each fiscal year will not exceed the maximum per annum entitlement authorized.

0203 AUTHORITY AND REFERENCES

- 020301 Executive Order 10000, Regulations governing additional compensation and credit granted certain employees of the Federal Government serving outside of the United States
- 020302 5 U.S.C. Part III, Chapter 59, Allowances
- 020303 5 U.S.C. 5901, Uniform Allowances
- 020304 5 U.S.C. 5941, Allowances based on living costs and conditions of environment; employees stationed outside of the continental United States or in Alaska
- 020305 5 U.S.C. 5948, Physicians Comparability Allowances
- 020306 29 U.S.C. 8, Fair Labor Standards
- 020307 38 U.S.C. 903, Uniform Allowance
- 020308 5 C.F.R. Part 591, Allowances and Differentials
- 020309 5 C.F.R. Part 591, Subpart B—Cost-of-Living Allowance and Post Differential - Nonforeign Areas
- 020310 5 C.F.R. Part 591, Subpart B, Appendix A, Places and Rates at Which Allowances Are Paid
- 020311 5 C.F.R. 591, Subpart B, Appendix B, Places and Rates at Which Allowances Are Paid
- 020312 Public Law 111-84, National Defense Authorization Act for Fiscal Year 2010, Subtitle B—Non-Foreign Area Retirement Equity Assurance
- 020313 Department of State Standardized Regulations, Chapter 500, Section 530 Hardship Differential Applicable to Post

020314 Department of State Standardized Regulations, Chapter 200, Section 270,
Education Allowance

020315 Department of State Standardized Regulations, Chapter 200, Section 240
Foreign Transfer Allowance

020316 Department of State Standardized Regulations, Chapter 100 Section 130,
Living Quarters Allowance

020317 VA Handbook 5007, Pay Administration

0204 ROLES AND RESPONSIBILITIES

020401 The Secretary or Deputy Secretary will ensure that effective and efficient financial policies and systems for payroll administration are established.

020402 The Assistant Secretary for Management/Chief Financial Officer (CFO) oversees all financial management activities relating to the Department's programs and operations, as required by the Chief Financial Officers Act of 1990 and 38 U.S.C. 309. Responsibilities include the direction, management and provision of policy guidance and oversight of VA's financial management personnel, activities and operations. The CFO establishes financial policy, systems and operating procedures for all VA financial entities and provides guidance on all aspects of financial management.

020403 The Assistant Secretary for Human Resources and Administration will (through the Deputy Assistant Secretary for Human Resources Management) advise Under Secretaries, Assistant Secretaries, Other Key Officials, and field station managers and supervisors of legal and policy requirements and authorities relating to employee pay, leave, allowances, and deductions, excluding taxes.

020404 Under Secretaries, Assistant Secretaries, and Other Key Officials (through Chief Financial Officers) will provide and/or arrange for training for fiscal/finance office staff and timekeepers in policy and procedures relating to automated and manual systems for employee pay, leave, allowances, and deductions.

020405 Chief Financial Officers in the Administrations will ensure that appropriate levels of training and advisory services are provided to ensure VA policy and procedures relating to payroll administration are carried out as effectively and efficiently as possible.

020406 The Employees Accounts Section is commonly referred to as Local Payroll. A brief summary of responsibilities for this section includes: ensuring facility training and support is provided to timekeepers and supervisors for time and attendance (T&A) reporting, ensuring biweekly T&A data and daily master record update transactions are transmitted timely, and ensuring employees receive appropriate pay and leave

entitlements. Specific responsibilities for the Employee Accounts Section are extensive and are outlined in Volume XV, Chapter 1: *Payroll: Overview*.

020407 The Director, Austin Information Technology Center, or designee specified in writing by name and position, will ensure transmission of VA timecard data to VA's payroll provider, creation of payroll reports, and storage of payroll data/reports. Accounting/payroll processing documents (e.g., for retirement corrections) will be prepared, as needed, in accordance with applicable laws, regulations, and VA or Treasury Department policy.

020408 The Director, Financial Services Center, or designee specified in writing by name and position, will ensure that payroll activity is generated and processed as needed, to include Tier 1 payroll support services. Accounting/payroll processing documents will be prepared, as needed, in accordance with applicable laws, regulations, and VA or Treasury Department policy.

020409 The Defense Finance and Accounting Service (DFAS), one of four e-Payroll service providers, is VA's designated payroll service provider. DFAS processes payroll and makes all employee deductions and disbursements, generates leave and earnings statement files and W-2s (Wage and Tax Statement), charges VA appropriations and cost centers, and reports all payroll-related financial information to the Treasury on behalf of VA.

020410 Facility Directors will ensure appropriate local controls, policies, and procedures are established and followed to ensure compliance with all laws, regulations, and policy covering payroll and related human resources issues.

020411 Chiefs, Human Resources Management Service will provide appropriate levels of advice and assistance to employees, beneficiaries, supervisors, and other key officials regarding laws, regulations, and policy covering human resources issues, including interpretation of rules relating to hours of duty, pay, leave, and authorization of deductions from pay. The Chiefs will also ensure human resources data is accurately and timely entered into automated human resources systems that integrate with payroll systems.

020412 Facility Agent Cashiers will follow established VA policy and procedures for payroll-related collections not made through payroll deduction. Agent Cashiers will receive and distribute employee salary checks as directed by payroll, and will follow established VA policy and procedures for returning any unclaimed salary checks.

020413 Service/Division Chiefs will designate an adequate number of unit timekeepers and alternates by memorandum to the Fiscal/Finance Officer indicating names (position is not sufficient for this purpose), status (timekeeper or alternate or removal from timekeeper function), and effective date.

020414 Supervisors and other leave-approving officials, as authorized in VA Directive 5011, section 3f, and VA Handbook 5011, Part III, Chapter 1, section 2b, are accountable for the work time and absence of employees for whom they are responsible, including leave approval and certification of attendance through appropriate time and attendance collection procedures or automated systems.

020415 Timekeepers will prepare and maintain time and attendance reports for each affected employee whose record has been assigned to their jurisdiction. Timekeepers remain under the administrative supervision of the supervisor of their own organizational element while performing the "additional duties" relating to preparation and maintenance of time and attendance reports. However, timekeepers are under the technical supervision of the Employee Accounts Section with regard to time and attendance reporting requirements affecting employee leave and pay entitlements. Additional responsibilities for timekeepers are specifically outlined in the Payroll Policy Volume XV, Chapter 1, *Payroll: Overview*.

0205 PROCEDURES

020501 AUTHORITY FOR ALLOWANCES.

VA will pay allowances based on eligibility requirements determined from criteria specified by laws and/or regulations, as prescribed by 5 U.S.C. Part III, Chapter 59, *Allowances*, 5 C.F.R. 591, *Allowances and Differentials*, VA Human Resources Management policy, as outlined in VA Handbook 5007, *Pay Administration*, and/or the Department of State's Standardized Regulations.

020502 TYPES OF ALLOWANCES.

020502.01 NON-FOREIGN ALLOWANCES.

A. Non-Foreign Cost-of-Living Allowance. VA will provide eligible employees with a non-foreign COLA, established by OPM under 5 U.S.C. 5941, in non-foreign areas², defined as Alaska, Hawaii, the Territory of Guam, the Commonwealth of the Northern Mariana Islands, the Commonwealth of Puerto Rico, and/or the U.S. Virgin Islands, where living costs are substantially higher than those in the Washington, DC area. VA will phase out the non-foreign COLA and transition it to locality pay with full implementation by 2012, as prescribed by the Non-Foreign Area Retirement Equity Assurance Act (Public Law 111-84). Refer to Volume XV, Chapter 6, *Payments*, for a more detailed discussion of locality pay.

1. Eligibility. VA will determine eligibility based on the pay plan, type of appointment, COLA eligibility area, and duty station assigned in the employee's master record for employees whose rates of basic pay are fixed by statute. Prevailing rate (Wage Grade)

² COLA areas are defined in 5 C.F.R. 591.207.

employees are ineligible for non-foreign COLA as their rates of pay are determined by wage surveys.

2. Payroll Processing. Local HR staff will enter the non-foreign COLA percentage rate into the employee's master record to be released for processing. After the action updates in the employee's master record, VA's payroll service provider will issue the payment based on the percentage entered. This allowance will not exceed 25 percent³ of the employee's hourly rate of basic pay. COLA areas and rates for allowances are listed in Title 5 C.F.R. Part 591, Subpart B, Appendix A.

3. Entitlements and Withholding. VA will not include the non-foreign COLA as part of an employee's rate of basic pay for the purpose of computing entitlements to retirement, life insurance or additional pay, other than for Fair Labor Standards Act (FLSA) Non-Exempt Overtime. Non-foreign COLA may be subject to State and local tax; however, it is not subject to Federal, Social Security or Medicare tax.

4. COLA Calculation. VA will calculate the non-foreign COLA by multiplying the percentage of COLA in the master record by the employee's per annum salary. VA will pay COLA for the number of regular pay hours/days worked during which the employee receives basic pay (non-overtime hours). The hourly/daily rate is derived by dividing the annual COLA amount by 2087 for Title 5 employees; by 2080 for Title 38 hourly employees; and by 364 for Title 38 Full-time Physicians and Dentists who are paid a daily rate. See Appendix B, Section 1 for examples of computing COLA.

5. Effect on Overtime and Other Additional Pay. VA will include non-foreign COLA in the straight time rate of pay and in the regular rate of pay for non-exempt employees under the FLSA for overtime computation. Non-foreign COLA does not impact calculation of other premium pay or calculation of FLSA exempt overtime. For more information regarding overtime and computation procedures, see Volume XV – Chapter 6, *Payments*.

B. Non-foreign Post Differential. VA will provide non-foreign post differential, as prescribed under 5 U.S.C. 5941(a)(2), for qualified employees working in American Samoa, the Territory of Guam, and the Commonwealth of the Northern Mariana Islands if environmental conditions differ substantially from those in the continental U.S. and warrant an allowance as a recruitment incentive.

1. Eligibility. VA will determine eligibility based on the pay plan, post differential eligibility area, and duty station assigned in the employee's master record for employees whose rates of basic pay are fixed by statute. Prevailing rate (Wage Grade) employees are ineligible for the non-foreign post differential allowance as their rates of pay are determined by wage surveys.

³ NOTE: COLA plus non-foreign post differential percentages may not exceed a combined rate of 25 percent of the hourly rate of basic pay.

2. Payroll Processing. Local HR staff will enter the non-foreign post differential percentage rate into the employee's master record to be released for processing. After the action updates in the employee's master record, VA's payroll service provider will issue the payment based on the percentage entered. This allowance will not exceed 25 percent⁴ of the employee's hourly rate of basic pay. Non-foreign post differential areas are listed in Title 5 C.F.R. 591.531 and 5 C.F.R. Part 591, Subpart B, Appendix A. DCPS entitlement screen codes for this allowance are shown in Appendix A of this chapter.

3. Entitlements and Withholding. VA will not include the non-foreign post differential as part of an employee's rate of basic pay for the purpose of computing entitlements to retirement, life insurance or additional pay, other than for FLSA Non-Exempt Overtime. Non-foreign post differential is considered income and subject to all applicable taxes.

4. Non-foreign Post Differential Calculation. VA will calculate non-foreign post differential by multiplying the percentage of post differential in the master record by the employee's per annum salary. VA will pay non-foreign post differential for those hours/days during which the employee receives basic pay (non-overtime hours). The hourly/daily rate is derived by dividing the annual post differential amount by 2087 for Title 5 employees; 2080 for Title 38 hourly employees; and 364 for Title 38 Full-time Physicians and Dentists who are paid a daily rate. See Appendix B, Section 2 for examples of computing non-foreign post differential.

5. Effect on Overtime and Other Additional Pay. VA will include non-foreign post differential only in the regular rate of pay for non-exempt employees under the FLSA for overtime computation. Non-foreign COLA does not impact calculation of other premium pay or calculation of FLSA exempt overtime. For more information regarding overtime and computation procedures, see Volume XV Chapter 6, *Payments*.

020502.02 FOREIGN ALLOWANCES.

A. Foreign Post (Hardship) Differential. VA will provide foreign post differentials, determined and adjusted by the Department of State, for employees working in covered overseas locations.

1. Eligibility. VA will determine eligibility based on the pay plan, post differential eligibility area, and duty station assigned in the employee's master record for employees whose rates of basic pay are fixed by statute. Guidance for foreign post differential rates and eligibility is provided under the Department of State Standardized Regulations (DSSR), Chapter 500, Section 530.

⁴ NOTE: COLA plus non-foreign post differential percentages may not exceed a combined rate of 25 percent of the hourly rate of basic pay.

2. Payroll Processing. Local HR staff will enter the foreign post differential percentage rate into the master record, which may exceed 25 percent of the employee's hourly rate of basic pay.

3. Entitlements and Withholding. Foreign post differential is considered income and subject to all applicable taxes.

4. Calculation. VA will calculate foreign post differential the same as non-foreign post differential (see 020502.01B4 above). See Appendix B, Section 2 for examples of computing foreign post differential.

B. Education Allowance. VA will provide an education allowance⁵, as prescribed by the DSSR, Chapter 200, Section 270, to eligible employees to assist in meeting extraordinary and necessary expenses, not otherwise compensated for, in providing adequate elementary and secondary education for children while employees are assigned to an overseas post. Local HR staff will submit a remedy ticket to VA's payroll service provider with the required DSSR documentation and authorization.

C. Foreign Transfer Allowance. VA will provide a foreign transfer allowance, as indicated by DSSR, Chapter 200, Section 240, to an eligible employee to offset a part of the cost for extraordinary, necessary, and reasonable expenses, not otherwise compensated for, incurred incident to establishing himself or herself at the overseas post. Local HR staff will submit a remedy ticket to VA's payroll service provider with the required DSSR documentation and authorization.

D. Living Quarters Allowance (Foreign). VA will pay living quarters allowance⁶ under DSSR, Chapter 100, Section 130 to eligible employees if, under unusual circumstances, living quarters are not being provided. A living quarters allowance, temporary lodging allowance, or a supplementary post allowance may be authorized if appropriate. VA will calculate living quarters allowance based on the guidance provided by DSSR, Chapter 100, Section 135. Local HR staff will submit a remedy ticket to VA's payroll service provider with the required DSSR documentation and authorization.

020502.03 PHYSICIAN'S COMPARABILITY ALLOWANCE.

A. Physician's Comparability Allowance (PCA). VA will provide PCA to eligible Government physicians or dentists who are paid under the General Schedule, Senior Executive Service or other pay systems, as defined in 5 U.S.C. 5948, and who enter into a service agreement with the Department which intends to recruit and retain a physician or dentist.

⁵ Rates for Education Allowances are established by the Department of State and can be found at http://aoprals.state.gov/Web920/education_all.asp?MenuHide=1

⁶ Additional guidance and rates for Living Quarters Allowance, established by the Department of State, and can be found at: http://aoprals.state.gov/Web920/lqa_all.asp?MenuHide=1

1. Ineligible Employees. VA will not pay a PCA to physicians or dentists who are paid under Title 38 of the U.S. Code. As subscribed under 5 U.S.C. 5948(b), VA will also not pay any physician who:

- a. Is employed less than 20 hours per week or on an intermittent basis;
- b. Occupies an internship or residency training position;
- c. Is a reemployed annuitant; or
- d. Is fulfilling a scholarship obligation to the U.S. Government.

2. Payroll Processing. VA will limit the maximum annual amount of PCA for a physician or dentist with 24 months or less of Government service to \$14,000. VA will limit PCA to \$30,000 for a physician or dentist with more than 24 months of service as a Government physician or dentist. VA will establish service agreements for a period of one year of service, unless the physician or dentist requests a longer period. VA will specify repayment requirements for service agreements in excess of one year. Local HR staff will enter the approved PCA amount into the employee's master record to be released for processing. After the action updates in the employee's master record, VA's payroll service provider will issue the payment based on the hourly rate of pay and the number of hours in a pay status for the pay period.

3. Entitlements and Withholding. The Federal PCA Amendments of 2000 (Public Law 106-571) made PCA payments basic pay for retirement purposes when certain conditions are met. PCA is not considered as basic pay for insurance entitlements, or for applying pay limitations under 5 U.S.C. 5304, i.e., severance pay, lump sum annual leave, continuation of pay, Federal Employees Government Life Insurance (see 5 U.S.C. 5948(h)(1)).

4. Calculation. VA will calculate PCA by dividing the per annum salary by 2087 and multiplying the hourly rate by the number of basic pay hours in a pay status. See Appendix B, Section 3 of this chapter for an example to compute PCA.

020502.04 UNIFORM ALLOWANCE.

A. Uniform Allowance. VA will pay uniform allowances to eligible VA employees in positions that require uniforms, as prescribed under 5 U.S.C. 5901, or for Departmental police under 38 U.S.C. 903; however, a uniform allowance will not be paid to an employee who is issued a uniform through VA resources. Uniform allowance rates are contained in Appendix C.

1. Eligibility. VA will pay a uniform allowance to eligible VA employees in positions that require uniforms; however, an allowance will not be paid to an employee who is issued a uniform through VA resources. Eligible VA employees will receive an initial lump-sum uniform allowance payment for the first year of service. After the first year, VA will issue

uniform allowances biweekly. Payment for subsequent years of uniform-wearing service will be made as a biweekly pay period allowance, which becomes effective on the beginning of the first pay period following completion of the first year of service. VA will pay eligible full-time employees a biweekly uniform allowance based on the authorized maximum per annum allowance divided by 26 pay periods. Eligible part-time and intermittent employees will have their biweekly uniform allowance calculated as follows: divide the per annum maximum uniform allowance by 26 pay periods to obtain the full-time biweekly rate, then divide by 80 hours per pay period to obtain the hourly rate; the hourly uniform allowance rate will be multiplied by the number of regular non-overtime hours worked each pay period. Special note: for years which have 27 pay periods, the total biweekly uniform allowance paid each fiscal year will not exceed the maximum per annum entitlement authorized.

2. Payroll Processing. VA will authorize uniform allowances on VA Form 10-5397, *Employee Uniform Allowance Authorization*. Local HR staff will forward the form authorizing payment of the uniform allowance to local payroll office staff for processing. Local payroll office staff will enter the initial uniform allowance amount, biweekly uniform allowance, effective date and/or changes to uniform allowances on the On-Line Data Entry (OLDE) uniform allowance screen and submit the data for transmission to VA's payroll provider for processing. VA will retain completed forms in employee payroll folders. An employee receiving a uniform allowance who resigns within the first 12 months after receiving the initial allowance will repay a pro rata share of the amount paid, based on the number of full months remaining in the 12-month period.

a. VA will use VA Form 10-5397, authorizing the initial uniform allowance payment to a part-time or intermittent employee, to indicate the pro rata amount to be paid based on the maximum number of duty hours reflected on the VA Form 10-5397.

b. VA's payroll service provider will automatically compute biweekly uniform allowance payments based on the normal hours established in the employee's master record for full-time employees, and will compute biweekly uniform allowance for part-time and intermittent employees on non-overtime hours in pay status. Biweekly uniform allowance payments will not be issued when a full-time employee's time and attendance record reflects leave without pay and/or non-pay for the entire pay period.

c. VA's central processing system will generate a record print out (RPO) message M80 to provide notification that the biweekly payment of an established uniform allowance will begin with payroll processing for the next pay period. Local payroll office staff must retain the RPO and verify the DCPS master pay history in the following pay period to ensure biweekly allowance begins as reflected on the RPO.

d. Upon resignation within the first year of uniform allowance entitlement, the employee will incur debt for the prorated share of the uniform allowance due to the agency for uncompleted service.

(1) For debts incurred for initial lump sum uniform allowance paid after the local station converted to VA's current payroll provider, DFAS, the local payroll office will edit the OLDE uniform allowance screen to remove the uniform allowance: enter zeros for the hourly rate, enter the effective date of separation, and change the day number to coincide with the date the uniform allowance is to be canceled. Upon receipt of the out-of-service debt package, local payroll office staff must initiate the debt collection process to collect the debt. Refer to Volume XII, *Debt Management*, policies and procedures for more detailed information.

e. Upon loss of entitlement to uniform allowance for an active employee, the employee will incur debt for the prorated share of the uniform allowance due to the agency for uncompleted service during the first year following entitlement or for the amount of biweekly uniform allowance received in error. Initial uniform allowance repayment liability may be waived by local management in situations beyond an employee's control (e.g., reassignment for failure to meet physical standards or in lieu of disability retirement).

(1) For debts incurred for initial lump sum uniform allowance and/or for overpayment of biweekly uniform allowance paid **after** the local station converted to VA's current payroll provider, DFAS, the local payroll office will enter the following on OLDE uniform allowance screen: enter zeros for the hourly rate, enter the effective date of cancellation, and change the day number to coincide with the date the uniform allowance is to be canceled. DFAS will create a debt based on this action for the amount owed.

(2) For debts incurred for initial lump sum uniform allowance or biweekly uniform allowance overpayment paid **prior** to the local station's conversion to DFAS, VA local payroll office staff will calculate the amount due, complete a DD Form 2481, *Request for Recovery Debt Due the United States by Salary Offset*, and submit a remedy ticket with the required documentation to request collection of the prorated share of the uniform allowance due to the agency for the uncompleted period of service. In instances where the remedy ticket does not process prior to separation or the employee's final salary check is insufficient to cover the prorated share due the agency, the VA payroll provider will consider the debt uncollectible and it will become an out-of-service debt. Upon receipt of the out-of-service debt package, local payroll staff must initiate the debt collection process to collect the debt. Refer to Volume XII, *Debt Management*, policies and procedures for more detailed information.

See Appendix C-3 for examples of initial lump sum uniform allowance collection calculations.

3. Entitlements and Withholding. VA will not consider uniform allowance for tax or retirement purposes.

4. Calculation. VA will use the initial uniform allowance, per annum allowance, pay period rate, and hourly rates contained in Appendix C to compute uniform allowances.

0206 DEFINITIONS

020601 Allowances. Amounts that are granted to VA employees to reimburse them for extraordinary expenses related to fulfilling official VA duties.

020602 Cost-Of-Living Allowance (COLA). An allowance that the Office of Personnel Management (OPM) established under 5 U.S.C. 5941 at a location in a non-foreign area where living costs are substantially higher than in the Washington, DC area.

020603 Defense Civilian Pay System (DCPS). System owned and operated by DFAS that is used to process payroll.

020604 Defense Finance and Accounting Service (DFAS). Entity within the Department of Defense (DoD) that provides finance and accounting services for both DoD and other Federal agencies. DFAS is the payroll service provider for VA.

020605 Foreign Transfer Allowance. An allowance under 5 U.S.C. 5924(2)(A) for extraordinary, necessary and reasonable expenses, not otherwise compensated for, incurred by an employee incident to establishing him or herself at any post of assignment in a foreign area, including costs incurred in the United States, its territories, possessions, the Commonwealth of Puerto Rico and the Commonwealth of the Northern Mariana Islands prior to departure for such post.

020606 Foreign Post Differential. An allowance that the U.S. Department of State defined in DSSR Section 500 which is payable to eligible employees while stationed at a covered overseas post.

020607 Locality Pay. Additional pay granted to a qualified employee when non-Federal pay exceeds Federal pay by more than 5 percent in the pay area, as authorized in 5 U.S.C. 5304. Locality pay is considered part of basic pay for purposes of retirement, life insurance, and premium pay.

020608 Non-Foreign Areas for COLA. The geographic area of the State of Alaska, State of Hawaii, Territory of Guam and Commonwealth of the Northern Mariana Islands, Commonwealth of Puerto Rico, and U.S. Virgin Islands, as defined in 5 C.F.R. 591, Subpart B, Appendix A.

020609 Non-Foreign Areas for Post Differential. The geographic area of American Samoa, Johnston Atoll, Midway Atoll, Territory of Guam and Commonwealth of the Northern Mariana Islands, and Wake Atoll as defined in 5 C.F.R. 591, Subpart B, Appendix B.

020610 Non-Foreign Post Differential. An allowance the OPM established under 5 U.S.C. 5941 at a location in a non-foreign area where conditions of environment differ substantially from conditions of environment in the contiguous United States and warrant its payment as a recruitment incentive.

020611 On-Line Data Entry (OLDE). Input system screens used to enter data into the PAID application.

020612 Physician's Comparability Allowance (PCA). An allowance that an agency may pay to an eligible Government physician who enters into a service agreement with the agency in order to recruit and retain the physician as defined in 5 U.S.C. 5948.

020613 Prevailing Rate Employees. Individuals employed as a recognized trade, craft, skill, or labor worker and/or employed by the Veterans' Canteen Service; also known as Federal wage employees. This category of employee is defined under 5 U.S.C. 5342(2). DFAS may refer to these employees as "ungraded."

020614 Washington, DC, Area or DC Area. The geographical areas of the District of Columbia; Montgomery County, MD; Prince Georges County, MD; Arlington County, VA; Fairfax County, VA; Prince William County, VA; and the independent cities of Alexandria, Fairfax, Falls Church, Manassas, and Manassas Park, Virginia; and in the context of certain survey items, includes additional geographic locations beyond these jurisdictions.

0207 RESCISSIONS

020701 MP-6, Part V, Supplement 2.3, Chapters 3 and 13, Sections 3.06, 3.11, 3.12, 3.20, 13.02b(3), 13.03c, and 13.11

020702 VA Directive 4100, Payroll Administration, paragraph 2d, Premium Pay, Allowances, and Differentials

020703 OF Bulletin 04GA2.06 Non-Foreign COLA in FLSA Overtime Computation

0208 QUESTIONS

Questions concerning these payroll policies and procedures should be directed as follows:

VHA	VHA Payroll Helpline (Outlook)
VBA	VAVBAWAS/CO/OPERATIONS (Outlook)
All Others	Payroll Policy (Outlook)

APPENDIX A: DEFENSE CIVILIAN PAY SYSTEM ENTITLEMENT CODES

Allowance Type¹	DCPS Entitlement Screen Code²
Cost-of-Living Allowance	YC
Education Allowance	Y2
Foreign Post Differential	YG
Foreign Transfer Allowance	Y1
Living Quarters Allowance	YE
Non-foreign Post Differential	YD
Physician’s Comparability Allowance	YM
Uniform Allowance	ZP
Biweekly Uniform Allowance	B
Lump-Sum Uniform Allowance	L

¹ “**Allowance Types**” are displayed on the employee Leave and Earnings Statement.

² “**DCPS Entitlement Screen Codes**” are displayed on the Pay Rates & Appointments screen (Employee Master Record) and Pay History screen.

APPENDIX B: EXAMPLES OF ALLOWANCE CALCULATIONS

1. **COLA.** COLA is calculated by multiplying the percentage of COLA in the master record by the employee's per annum salary. COLA is paid for those hours/days during which the employee receives basic pay. The hourly/daily rate is derived by dividing the annual COLA rate by 2087 for Title 5 employees; 2080 for Title 38 hourly employees; and 364 for Title 38 Full-time Physicians and Dentists paid a daily rate.

Title 5	$(57,926 \times 20.94\%) = 12,129.70/2087 = 5.81$ per hour 5.81×80 hours (pay status) = 464.80 per pay period
Title 38	$(78,366 \times 20.94\%) = 16,409.84/2080 = 7.89$ per hour 7.89×80 hours (pay status) = 631.20 per pay period
FT P&D	$(97,987 \times 20.94\%) = 20,518.48/364 = 56.37$ per day 56.37×14 days (pay status) = 789.18 per pay period

2. **Post Differential.** Both foreign and non-foreign post differentials are calculated by multiplying the percentage of post differential in the master record by the employee's per annum salary. The hourly/daily rate is derived by dividing the annual post differential rate by 2087 for Title 5; 2080 for Title 38 hourly employees; and by 364 for Title 38 Full-time Physicians and Dentists paid a daily rate. Post differential is payable for those hours/days during which the employee receives basic pay.

Title 5	$(57,926 \times 25\%) = 14,481.50/2087 = 6.94$ per hour 6.94×80 hours (pay status) = 555.20 per pay period
Title 38	$(78,366 \times 25\%) = 19,591.50/2080 = 9.42$ per hour 9.42×80 hours (pay status) = 753.60 per pay period
FT P&D	$(97,987 \times 25\%) = 24,496.75/364 = 67.30$ per day 67.30×14 days (pay status) = 942.20 per pay period

NOTE: COLA and non-foreign post differential percentages may not exceed a combined rate of 25% of the hourly rate of basic pay. Foreign post differential percentages are determined by the Department of State and therefore, the 25% of basic pay limitation does not apply. Foreign post differential rates are determined by the DSSR.

3. **Physician's Comparability Allowance.** PCA is computed by dividing the per annum salary by 2087 and multiplying the hourly rate by the number of hours in a pay status.

Annual PCA:	$30,000/2087 = 14.37$ per hour 14.37×80 (hours in pay status) = 1,149.60 per pay period
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APPENDIX C: UNIFORM ALLOWANCE

APPENDIX C-1: RATES EFFECTIVE JANUARY 31, 2010
Uniform Allowance and Rates

Reference for Employee Uniform Allowance (excluding Police Officers): VHA Handbook 1850.04				
Employee	Initial Lump Sum Allowance	MAXIMUM Per Annum Allowance	Pay Period Rate	Hourly Rate
Chief, Food Production, Foreman, or Leader	400.00	204.00	7.85	0.0981
Dental Assistant, Hygienist, and Expanded Function Dental Auxiliary (EFDA)	400.00	215.00	8.27	0.1034
Fire Chief, Fire Fighter, and Fire Prevention Inspector*	800.00	500.00	19.23	0.2404
Nurse, Supervisory and Staff	400.00	215.00	8.27	0.1034
Nurse, Practical or Vocational	400.00	215.00	8.27	0.1034
Nurse Practitioner, Infection Control, Anesthetists	400.00	215.00	8.27	0.1034
Nursing Technicians	400.00	215.00	8.27	0.1034
Physician Resident, if approved	400.00	215.00	8.27	0.1034
Reference for Police Officer Uniform Allowance: 38 USC 903				
Employee	Initial Lump Sum Allowance	MAXIMUM Per Annum Allowance	Pay Period Rate	Hourly Rate
Police Officer	400.00	200.00	7.69	0.0961

*Effective 1/31/10, VA will pay eligible full-time employees a biweekly uniform allowance based on the maximum per annum allowance divided by 26 pay periods. Eligible part-time and intermittent employees will have their uniform allowance calculated by multiplying the hourly rate by the number of regular non-overtime hours worked each pay period. *Special note: for years which have 27 pay periods, the total biweekly uniform allowance paid each fiscal year will not exceed the maximum per annum entitlement.*

APPENDIX C-2: RATES PRIOR TO JANUARY 31, 2010
Uniform Allowance and Rates

Reference for Employee Uniform Allowance (excluding Police Officers): VHA Handbook 1850.04				
Employee	Initial Allowance	Per Annum Allowance	Pay Period Rate	Hourly Rate
Chief, Food Production, Foreman, or Leader	400.00	204.00	7.82	0.0977
Dental Assistant, Hygienist, and Expanded Function Dental Auxiliary (EFDA)	400.00	211.00	8.11	0.1014
Fire Chief, Fire Fighter, and Fire Prevention Inspector*	400.00	220.00	8.43	0.1054
Nurse, Supervisory and Staff	400.00	215.00	8.27	0.1034
Nurse, Practical or Vocational	400.00	215.00	8.24	0.1030
Nurse Practitioner, Infection Control, Anesthetists	400.00	215.00	8.27	0.1034
Nursing Technicians	400.00	215.00	8.24	0.1030
Physician Resident, if approved	400.00	215.00	8.24	0.1030
Reference for Police Officer Uniform Allowance: 38 USC 903				
Employee	Initial Allowance	Per Annum Allowance	Pay Period Rate	Hourly Rate
Police Officer	400.00	200.00	7.66	0.0958

*Effective 1/31/10, VA will pay eligible full-time employees a biweekly uniform allowance based on the maximum per annum allowance divided by 26 pay periods. Eligible part-time and intermittent employees will have their uniform allowance calculated by multiplying the hourly rate by the number of regular non-overtime hours worked each pay period. *Special note: for years which have 27 pay periods, the total biweekly uniform allowance paid each fiscal year will not exceed the maximum per annum entitlement.*

**APPENDIX C-3: UNIFORM ALLOWANCE LUMP SUM COLLECTION
CALCULATIONS FOR UNCOMPLETED SERVICE**

A. Re-Payment Calculation for Initial Lump Sum Allowance

SAMPLE 1 – CALCULATION FOR FULL MONTHS. Employee worked 3 full months and will incur debt for the remaining 9 months of uncompleted service

\$400 (amount of initial uniform allowance paid) divided by 12 (# of months in 1 year) equals monthly allowance of \$33.33.

$\$33.33 \times 9$ months (remaining number of full months of uncompleted service) = \$299.97.

Amount due must be rounded to the nearest whole dollar amount: if .50 or greater, then round up to next highest whole dollar; if less than .50, then round down to next lower whole dollar.

- Employee will incur debt of \$300.00.

SAMPLE 2 – CALCULATION FOR PARTIAL MONTHS. Employee received uniform entitlement for pay period beginning April 11, 2010; employee resigned September 23, 2010. Employee worked 5 months and 12 days. Employee will receive credit for any partial month of service completed; thereby leaving 6 months of uncompleted service in this example.

\$400 (amount of initial uniform allowance paid) divided by 12 (# of months in 1 year) equals monthly allowance of \$33.33.

$\$33.33 \times 6$ months (remaining number of full months of uncompleted service) = \$199.98.

Amount due must be rounded to the nearest whole dollar amount: if .50 or greater, then round up to next highest whole dollar; if less than .50, then round down to next lower whole dollar.

- Employee will incur debt of \$200.00.

B. SAMPLE SCREEN ENTRIES

Employee paid the initial allowance and is now entitled to the biweekly allowance.

EXAMPLE 1: Employee transfers in from another VA facility in the middle of a pay period and is entitled to a biweekly uniform allowance. The biweekly uniform allowance is \$8.27 and the hourly rate is \$.1034.

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PADMA490          P A I D - MASTER RECORD UPDATE TRANSACTIONS
09/14/2010
                  ENTER Q AND S, GARAGE, PARKING, UNIFORM ALLOW (31)
15:52:43

STATION   SSN          YEAR      DAY NUM    FUTURE DATE      EMPLOYEE
NAME
    101          000-00-0000   2010          143          N
      EMPLOYEE NAME 1

HRLY UNIFORM ALLOW  UNIFORM EFF DATE  PARKING FEES AMOUNT  GARAGE AMOUNT
      . 1034          05/23/2010

INITIAL UNIFORM ALLOW

                                TAXABLE                                AMOUNT  STATION

HOUSEKEEPING QUARTERS
NON-HOUSEKEEPING QUARTERS
SUBSISTENCE

Q/M/P/G EFFECTIVE DATE

SSN  000-00-0000          DAY NUM          ACTION AD          STATION 101
```

Employee is erroneously paid a biweekly allowance and is not entitled to biweekly payments.

EXAMPLE 2: In the event an employee is erroneously paid a biweekly uniform allowance in the amount of \$8.27 and the hourly rate of .1034.

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PADMA490          P A I D - MASTER RECORD UPDATE TRANSACTIONS
09/14/2010          ENTER Q AND S, GARAGE, PARKING, UNIFORM ALLOW (31)
15:52:43

STATION   SSN          YEAR      DAY NUM    FUTURE DATE      EMPLOYEE
NAME
  101          000-00-0000   2010          143          N
      EMPLOYEE NAME 2

HRLY UNIFORM ALLOW  UNIFORM EFF DATE  PARKING FEES AMOUNT  GARAGE AMOUNT
      . 0000          00/00/0000

INITIAL UNIFORM ALLOW

                                TAXABLE          AMOUNT      STATION

HOUSEKEEPING QUARTERS
NON-HOUSEKEEPING QUARTERS
SUBSISTENCE

Q/M/P/G EFFECTIVE DATE

SSN  000-00-0000          DAY NUM          ACTION AD          STATION 101
```