DOD 7000.14-R

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

VOLUME 8

CIVILIAN PAY POLICY AND PROCEDURES

AUGUST 1999

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

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FOREWORD

This Volume of the "Department of Defense Financial Management Regulation" is issued under the authority of DoD Instruction 7000.14, "DoD Financial Management Policy and Procedures," November 15, 1992. It governs financial management by establishing and enforcing requirements, principles, standards, systems, procedures, and practices necessary to comply with financial management statutory and regulatory requirements applicable to the DoD. It directs financial management requirements, systems, and functions for all appropriated, nonappropriated, working capital, revolving, and trust fund activities. In addition, it directs statutory and regulatory financial reporting requirements.

This Volume of the Regulation applies to the Office of the Secretary of Defense, the Military Departments, the Chairman of the Joint Chiefs of Staff, the Combatant Commands, the Inspector General of the DoD, the Defense Agencies, and the DoD Field Activities (hereafter referred to collectively as "DoD Components").

Heads of DoD Components shall ensure that the provisions of this Volume are adhered to in day-to-day operations. Activities must satisfy their bargaining obligations under Title 5, United States Code, section 71, adhering to policies and procedures contained in this Volume. Unions should be given advance notice of the changes, and the changes ordinarily would not be implemented until bargaining is completed. When changes conflict with existing negotiated agreements, they generally do not apply to covered employees until the agreement expires and the bargaining obligation is fulfilled.

This Volume of the Regulation is effective immediately and is mandatory for use by all DoD Components. The Heads of DoD Components shall not issue supplementary directives or regulations without the prior written approval of the Office of the Under Secretary of Defense (Comptroller).

The reporting requirements contained in this Regulation are exempt from licensing in accordance with paragraph E.4.f. of DoD 8910.1-M, "DoD Procedures for Management of Information Requirements," November 1986.

Forward recommended changes to this Volume of the Regulation through channels to the address below. Submit requests for deviations from or exceptions to specific standards, with justification, to:

Office of the Under Secretary of Defense (Comptroller)
Director for Financial Commerce
1100 Defense Pentagon
Washington, DC 20301-1100

All 15 volumes of the "DoD Financial Management Regulation" are available on the Internet at http://www.dtic.mil/comptroller/fmr/. Printed or CD-ROM copies of the Regulation may be purchased through the Internet home page or directly from the Defense Automated Printing Service, 1401 South Fern Street, Arlington, Virginia 22202, (703) 607-5257.

William J. Lynn
Under Secretary of Defense
(Comptroller)

INTRODUCTION TO THE DOD FINANCIAL MANAGEMENT REGULATION

GENERAL

This Regulation provides all DoD Components with the policy, regulation, and procedures within the area of responsibility of the Under Secretary of Defense (Comptroller). The Regulation consists of the following 15 Volumes:

1. General Financial Management Information, Systems, and Requirements
2. Budget Formulation and Presentation
3. Budget Execution - Availability and Use of Budgetary Resources
4. Accounting Policy and Procedures
5. Disbursing Policy and Procedures
6. Reporting Policy and Procedures
7. Military Pay Policy and Procedures
8. Civilian Pay Policy and Procedures
9. Travel Policy and Procedures
10. Contract Payment Policy and Procedures
11. Reimbursable Operations, Policy and Procedures
12. Special Accounts, Funds and Programs
13. Nonappropriated Funds Policy and Procedures
14. Administrative Control of Appropriations
15. Security Assistance Policy and Procedures

AUTHORIZATION

This Regulation is issued by the Under Secretary of Defense (Comptroller) under authority of DoD Instruction 7000.14 (reference (a)).

PARAGRAPH NUMBERING SYSTEM

The paragraph numbering system of this Regulation is consistent for all 15 Volumes. The 6-digit paragraph number and its subparagraph designators are formulated as follows:

01	01	01	A.1.a.(1)(a)
CHAPTER 1	SECTION 1	PARAGRAPH 1	SUBPARAGRAPHS

PUBLICATIONS INCORPORATED

This volume of the Regulation (Volume 8) supersedes Volume 8 dated January 1995.

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SUMMARY OF MAJOR CHANGES

1. This is the first revision to the DoD FMR, Volume 8. Major changes throughout this Volume are denoted by a star (★) symbol. An explanation of those changes follows:

Figures

Change Figure 1-11 to 1-13.
Add Figure 1-11, Sample Letter to Employee.
Add Figure 1-12, Sample Letter to DMDC Monterey/DFAS Center.
Change Figure 3-1 to include TSP deduction.
Update Figure 8-1 and Attachment 1 and 2.
Change Figure 8-2, editorial change ("starting" to "beginning").

Tables

Table 4-1, change to include availability pay in number 1.
Table 4-2, adds FICA rates for 1996, 1997, 1998 and 1999.
Table 4-4, deleted.
Table 4-5, renumbered to Table 4-4 and adds cost changes for optional life insurance.
Table 4-6, renumbered to Table 4-5 and adds new codes for group life insurance.
Table 4-7, renumbered to Table 4-6 and clarifies allotments of pay table.
Table 8-1, addition of TSP.
Table 9-1, addition of FML.

References, pages

Adds references to 5 U.S.C. to include chapters and sections 31, 3392, 5543, 5921, 5922, 5923, 5924, 5925, 5928, 6106, 6327, 7115, 8114, and 8401.
Adds reference to 31 U.S.C. to include section 1345.
Adds reference to 31 C.F.R. to include section 208.
Adds references to Public Laws to include 101-335, 102-138, 102-486, 103-226, 103-329, 103-388, 104-106, 104-134, 104-201, 104-208, 104-316, 105-61 and 105-85.
Adds reference to Under Secretary of Defense (Comptroller) memorandum covering payroll allotments to political action committees.
Adds reference to DFAS memorandum covering Use of Source Data Automation Systems.
Adds references to 5 C.F.R. to include Parts 334, 351.201, 550.408, 551.424, 551.501, 551.531, 582, 582.402, and 950.901.
Adds reference to Comptroller General Decisions to include Comp Gen. B-202564, July 31, 1981.
Adds reference to Executive Order 5396, July 17, 1960.
Changes reference to DoD 1400.25-M, subchapters 630, 711 and 1250.
Adds reference to 11 U.S.C. to include section 13.
Adds reference to DoD 1401.1-M.

Adds reference to 10 U.S.C. to include sections 2164 and 12301.
Adds reference to 4 C.F.R. to include part 92.6.
Adds reference to 26 C.F.R. 1.61-21.
Deletes reference to DoD Directive 1426.1.
Deletes reference to DoD Instruction 1400.6.

Definitions

Adds "Availability Pay"

Abbreviations and/or Acronyms

Adds Base Realignment and Closure (BRAC)
Adds Civilian Personnel Management Service (CPMS)
Adds College Retirement Equity Fund (CREF)
Adds Customer Service Representative (CSR)
Adds Civil Service Retirement and Disability Fund (CSRDF)
Adds Domestic Dependent Elementary and Secondary Schools (DDESS)
Adds Defense Office of Hearings and Appeals (DOHA)
Adds Family Friendly Leave (FFL) Act of 1994
Adds Family and Medical Leave (FML) Act of 1993
Adds Financial Management Service (FMS)
Adds Human Resources Organization (HRO)
Adds Interim Geographic Adjustment (IGA)
Adds Injury Compensation/Unemployment Compensation (IC/UC)
Adds National Archives and Records Administration (NARA)
Adds Operating Location (OPLOC)
Adds Teachers Insurance and Annuity Association (TIAA)
Adds Under Secretary of Defense (Comptroller) (USD(C))
Adds Union Central Group Life Insurance (UCGLI)
Adds United States Soldiers and Airmens Home (USSAH)
Adds Uniformed Services Employment and Reemployment Rights Act (USERRA)
Adds Voluntary Separation Incentive (VSI) Pay
Adds Wage Leader (WL)
Adds Wage Supervisor (WS)
Adds Washington Headquarters Service (WHS)

Paragraph 010103. Adds that Operating Manuals are replacing several of the FPM supplements.

Subparagraph 010201.A. Changed to provide updated requirements for operation of a payroll system other than DCPS.

Subparagraphs 010202.A.1. and 2. Deleted. The debit and credit entries may be found in Volume 4 of this Regulation.

Subparagraph 010203.A.5. Replaces "authorize pay and entitlements for personnel" with "compute the payroll."

Section 0103. Updated with new EFT guidelines and policy.

Subparagraph 010402.A. Deleted "at the civilian payroll processing site."

Subparagraph 010403.A. Changes the liaison office to the customer service representative (CSR).

Subparagraph 010403.B.4. Addition of DFAS-CL/L information.

Subparagraph 010403.D. Changes the liaison office to the CSR.

Subparagraph 010403.D.2. Deleted.

Subparagraph 010406.A.2.a. Deleted. Original subparagraphs 010406.A.2.b. through j. realigned as subparagraphs 010406.A.2.a. through i.

Subparagraph 010406.B.4.e. Deletion of master control totals information.

Subparagraph 010407.A. Change from civilian personnel office to appropriate human resources organization. Deletes reference to nonintegrated civilian payroll systems. Deletes subparagraphs 010407.A.1. through 26. All data element values will be reconciled.

Subparagraph 010407.B. Replaced.

Paragraph 010503. Addition of procedures for completion within 90 days.

Subparagraph 010504.A. Adds clarification of duties by the losing civilian payroll offices.

Subparagraph 010504.B. Adds clarification of employee substantiating document files.

Subparagraph 010504.C.3.b. Addition. Original subparagraphs 010504.C.3.b. and c. realigned as subparagraphs 010504.C.3.c. and d.

Subparagraph 010504.G.9. Deleted. Original subparagraphs 010504.G.10. and 11. realigned as subparagraphs 010504.G.9. and 10.

Subparagraph 010504.H. Adds clarification of types of adjustments.

Subparagraph 010504.I. Adds guidance on maintenance and disposition of historical files.

Subparagraph 020102.A.6. Editorial change ("promptly" to "electronically").

Subparagraph 020102.B. Clarification of supervisor's responsibilities for time and attendance.

Subparagraph 020102.C.3.d. Deleted. Clarification of subparagraphs 020102.C.3.a. through c.

Paragraph 020103. Deleted.

Subparagraph 020205.C. Deletion of "and week."

Subparagraph 020205.G. Deletion of "and times."

Subparagraphs 020206.A. and B. Clarifies work schedule information.

Subparagraphs 020206.B.1.a. and c. Deleted. Subparagraphs 020206.B.1.b. and d. realigned.

Subparagraphs 020206.C. Adds reference to OPM Handbook on Alternative Work Schedules.

Subparagraphs 020208.A. and B. Clarifies overtime and compensatory time authorization.

Subparagraph 020208.D. Replaced.

Subparagraph 020209.A. Clarifies COP information.

Subparagraphs 020301.A. and B. Deleted.

Paragraphs 020301., 020302., 020303., and 020305. Changes made in accordance with Title 6 of the GAO Policy and Procedures Manual for Guidance of Federal Agencies, March 22, 1996.

Paragraph 020307. Adds information in 5 U.S.C. 6106 for use of recording clocks.

Subparagraph 020402.A. Rewords the paragraph to clarify certification of time and attendance.

Paragraphs 020404., 020405., 020406., 020501., 020502., 020503., and 020504. Changes made in accordance with Title 6 of the GAO Policy and Procedures Manual for Guidance of Federal Agencies, March 22, 1996.

Paragraph 020406. Deleted.

Paragraph 020602. Changes the liaison office to the CSR.

Section 0209. Adds the Source Data Automation System information.

Subparagraph 030101.A. Changes the reference payroll computations are based on.

Subparagraph 030101.G. Changes the liaison office to the CSR.

Subparagraphs 030103.A.2. and 3 and B.2. Clarifies premium pay limitations.

Subparagraph 030201.D. Change in interim geographic adjustment information.

Subparagraph 030201.D.1. through 4. Deletes detailed interim geographic adjustment information.

Subparagraph 030201.G. Changes "works" to "official duty station."

Paragraph 030301. Removes reference to FPM Supplement 990-2.

Subparagraph 030302.A.1. Removes reference to FPM Supplement 990-2. Adds information on intermittent employees.

Subparagraph 030302.B.2. Clarifies reference of 5 U.S.C. Chapter 55.

Subparagraphs 030302.E.1. and 2. Order was reversed.

Subparagraphs 030302.E.5. Adds new compensatory time information.

Subparagraphs 030302.E.1., 2., 6 and 7. Removes reference to FPM letters. Adds information for compensatory time for FWS employees.

Subparagraph 030302.E.7. Adds reference to 5 C.F.R. 551.501.

Subparagraph 030302.E.9. Deleted.

Subparagraphs 030302.E.10. through 12. Realigned.

Subparagraph 030302.F. Adds reference to section 0507. for additional information.

Subparagraphs 030303.A. and B. Removes reference to FPM Supplements.

Paragraph 030304. Removes reference to FPM Supplements.

Subparagraphs 030304.A. and B. Removes statement concerning part-time employees.

Paragraph 030307. Adds information on AUO payment circumstances.

Subparagraph 030308.A.3. Adds TSP.

Subparagraph 030308.B.1. Adds TSP.

Paragraph 030309. Adds new form of premium pay called "availability pay."

Paragraph 030401. Adds change in DoD 1400.25-M, CPM Subchapter 1250.

Subparagraphs 030402.A. through G. Adds change in DoD 1400.25-M, CPM Subchapter 1250.

Subparagraph 030402.F. Adds information on imminent danger pay.

Paragraph 030403. Editorial change to delete "non." Clarify entitlement percentages.

Subparagraph 030404.C.2. Clarify entitlement percentages.

Subparagraph 030404.D.3. Adds TSP.

Paragraph 030502. Updated with changes to DoD 1400.25-M, subchapter 575. Changed to include all payment data in a single paragraph and adds FEGLI.

Paragraph 030503. Deleted. Paragraph 030504. and 030505. realigned.

Paragraph 030504. Updated with changes to DoD 1400.25-M, subchapter 575 and adds FEGLI.

Section 0306. Updated with changes to DoD 1400.25-M, subchapter 575.

Paragraph 030603. Changes minimum period of required service.

Subparagraph 030704.C. Adds remark for employees with tours of duty commencing on or after October 28, 1991.

Subparagraph 030704.F. Editorial change to add "Form."

Subparagraph 030705.A. Removes reference to FPM Supplement 990-2.

Paragraph 030706. Provide information on lump sum payment of BRAC restored annual leave and closure of an installation in Panama.

Subparagraphs 030801. and 030802.B. Provide information on lump-sum payment of severance pay.

Paragraphs 030901., 030902., 030904. and 030905. Adds changes in policy for advances of pay for DoD employees for overseas transfers.

Section 0311. Updates procedures for awards in the DoD 1400.25-M, subchapter 451.

Subparagraph 031203.C. Adds TSP.

Subparagraph 031203.D. Adds TSP, FEHB, and FEGLI.

Subparagraph 031303.D.1. Changes reference from FPM Letter 550-78 to 5 C.F.R. 550.805.

Subparagraph 031303.D.4. Deletes reference to FPM Letter 550-78. Changes Form 1099-MISC to Form 1099-INT.

Subparagraph 031303.E.5.a. Updates OPM address.

Subparagraph 031305.A.. Adds reference to the "Federal Employees Health Benefits Handbook for Personnel and Payroll Offices."

Subparagraph 031404.B. Adds reference to DSSR, section 610 m. and n.

Paragraphs 031502. and 031503. Adds information on transportation fringe benefits and Government provided home-to-work transportation.

Section 0401. Changes the liaison office to the Customer Service Representative (CSR).

Subparagraph 040301.E.8.d. Change in remarks on SF 2806/3100 for sick leave.

Subparagraphs 040301.E.11.a. and b. Change in disposition of SF 2806/3100.

Subparagraphs 040301.E.11.g.(1). Updates payment procedures for military service credit deposits.

Subparagraph 040301.H.2.a.(1). Editorial change on posting of accumulative deductions.

Subparagraphs 040303.B. and D. Adds information concerning NAF retirement portability.

Paragraph 040304. Change to remittance of funds.

Subparagraphs 040502.C., 040511.B.2. and 3., 040511.F.2., 040601.A.13., 040601.A.16(b)., 040703.A. and C., 040801.E., 040803.A.1.a., 041402.J.2. and 041402.K.5.a. Changes the liaison office to the CSR.

Subparagraphs 040508.A. and C. Changes the method of disbursement of taxes to FEDTAX.

Subparagraph 040601.A.14. Change to collection of delinquent state taxes by DFAS-CL/L.

Paragraph 040602. Updated with current IRS tax information for Guam and the Commonwealth of the Northern Mariana Islands.

Subparagraph 040703.B. Changes the Form 7311 from TFS to FMS.

Subparagraph 040801.B. D. and E. Changes the usage of SF 2809/2810 in FEHB coverage.

Subparagraph 040802.B.8. Deletes Four-Day Rule and adds the FEHB daily proration rule.

Subparagraphs 040802.B.10., and 11. Changes reference from "four-day rule" to "subparagraph 040802.B.8."

Subparagraph 040802.B.12. Adds new guidance for retroactive changes in FEHB enrollment.

Subparagraph 040901.A. Provides information for the Federal Employees Life Insurance Improvement Act.

Subparagraph 040902.B.6. Adds availability pay to basic pay for FEGLI deduction.

Subparagraph 040904.B. Adds information for the Federal Employees Life Insurance Improvement Act.

Subparagraph 040906.H. Adds information for FEGLI withholding from employees whose pay is insufficient to cover the cost of the premiums.

Paragraph 040914. Adds the FEGLI daily proration rule.

Paragraph 040915. Adds the FEGLI revised rule for movement to new age band.

Subparagraphs 041202.A. and B. Adds final guidance for commercial garnishments.

Subparagraph 041402.B. Adds additional forms to be used for authorized allotments

Subparagraph 041402.N. Adds allotment to a political action committee.

Paragraph 041408.A.7. Clarifies the forms to be used for allotment cancellation.

Subparagraph 041409. Adds additional forms to be used for authorized allotments

Paragraph 041501. Clarifies definition of basic pay provided in 5 U.S.C. 8331 and TSP Bulletin 96-33.

Subparagraphs 041505.C. and D. Editorial change ("tape" to "file")

Subparagraphs 041507.A. and B. Editorial change ("tape" to "file")

Paragraph 041602. Changes the types of TSP loans permitted.

Section 0417. Adds new section on TSP lost earnings.

Paragraph 050101. Deletes FPM Supplement 990-2, Book 630. Adds reference to DoD 1400.25-M, Subchapter 630.

Subparagraph 050202.C. Adds remark concerning an employee on OWCP.

Subparagraphs 050203.A., B., and C. Updates the uncommon tours of duty leave accruals and charges to leave to the DoD 1400.25-M, Subchapter 630.

Subparagraph 050204.B. Deletes FPM Supplement 990-2, Book 630. Adds reference to DoD 1400.25-M, Subchapter 630.

Subparagraph 050204.D. Updates with lump sum leave provisions in 5 U.S.C. 3392.

Subparagraph 050303.A. Removes the 3 years break in service rule for recredit of sick leave with exceptions.

Paragraph 050304. Adds an example of advance criteria for uncommon tours of duty.

Paragraph 050307. Adds sick leave for adoption purposes.

Section 0504. Adds the Family and Medical Leave Act provisions.

Section 0505. Adds the Family Friendly Leave Act provisions.

Section 0506. Adds the bone marrow or organ donor leave provisions.

Section 0507. Adds the leave provisions for NAF portability.

Paragraph 050807. Updates lump sum leave provisions of employees entering military service.

Paragraph 050901. Deletes FPM Supplement 990-2, Book 630 reference.

Paragraph 051001. Removes "only GS employees are authorized compensatory time off under compressed schedules."

Paragraph 051201. Replaces "makes" with "made" permanent the voluntary leave transfer and voluntary leave bank programs.

Paragraph 051401. Adds definition of "credit hours."

Paragraph 051402. Changes information provided in paragraph 051401.

Paragraph 051601. Removes FPM chapter 630 reference.

Paragraphs 051602. through 051607. Adds information on DoD 1400.25-M, Subchapter 630.

Paragraph 051608. Adds 5 C.F.R. 551.424 reference.

Paragraph 051609. Adds excused absence for official duty status for a federal firefighter or federal law enforcement officer.

Paragraphs 051710. and 051715. Adds the CSR.

Paragraph 051802. Adds the provisions of 5 U.S.C. 5519 for reducing the civilian pay for military service.

Paragraph 051803. Adds guidance for civilian employees to attend weekend drills as a member of a Reserve Component of the Armed Forces.

Paragraph 051809. Adds the employee guidance concerning usage of accrued annual leave or available compensatory time for military service.

Paragraph 051810. Editorial change ("time" to "leave")

Paragraph 051811. Adds the entitlement for military reserve technicians of an additional 44 workdays of military leave in a calendar year.

Paragraph 052101. Adds "one-time" basic service period for home leave.

Subparagraph 052201.F. Adds reference to official duty status of an employee under 5 U.S.C. 6327.

Subparagraph 052401.A. Removes reference to FPM Supplement 351-1 and adds reference to 5 C.F.R. 351.201.

Subparagraph 052401.C. Removes reference to FPM chapter 340 and adds reference to 5 C.F.R. Part 340.

Paragraph 052501. Removes reference to FPM chapter 343.

Paragraph 052502. Removes reference to FPM chapter 353.

Paragraph 052601. Removes reference to FPM chapter 630.

Paragraph 060101. Change from civilian personnel office to the appropriate human resources organization.

Subparagraph 060102.A.. Change from civilian personnel office to the HRO.

Subparagraphs 060102.B.1. and 2. Adds information on the Injury Compensation - Unemployment Compensation application developed by the Civilian Personnel Management Service.

Subparagraph 060103.A. Adds new guidance on the UCFE program.

Subparagraph 060103.A.2.b. Deletion. Realignment of 060103.A.2.c. through e.

Subparagraph 060103.A.2.c. Adds new guidance on the UCFE program.

Subparagraph 060103.B.2. Adds new guidance on the UCFE program.

Paragraph 060104. Change from civilian personnel office to the HRO.

Subparagraph 060106.A.3. Adds new guidance on the UCFE program.

Paragraph 060302. Adds "via the major command or claimant."

Subparagraphs 060303.A. and B. Updates the losing civilian payroll office responsibilities.

Subparagraph 060303.A.9. Changes the liaison office to the CSR.

Subparagraphs 060303.B.4, 7, 10, 11, 12, 15, and 16. Deletion. Realignment of subparagraphs 060303.B.5. through 17. Replaces DD Form 2274 with the SF 1190 in subparagraph 060303.B.4.

Subparagraph 060303.C.4. Updates the requirements for bond balance refunds for mass transfers.

Subparagraph 060303.C.5. Updates the requirements for compensatory hours payment for mass transfers.

Subparagraph 060303.C.6. Deletion and realignment of 060303.C.7.

Section 0604. Changes from GAO to OPM responsibility with appropriate address. Provides updated procedures for claims.

Paragraph 070101. Changes the DoD 1400.25-M, Chapter 592 to Subchapter 1250.

Subparagraph 070103.B. Provide additional information on the Panamanian Cedula number.

Paragraph 070204. Adds information on the DoD Domestic Dependent Elementary and Secondary Schools (DDESS).

Paragraph 070302. Removes reference to FPM Chapter 340 and adds 5 C.F.R. Part 340.

Paragraph 070303. Removes reference to FPM Chapter 340 and adds 5 C.F.R. Part 340.

Paragraph 070304. Removes reference to FPM Chapter 340 and adds 5 C.F.R. Part 340.

Paragraph 070304. Removes reference to FPM Supplement 532-1 and adds OPM Operating Manual, Federal Wage System.

Paragraph 070501. Change from civilian personnel office to the HRO.

Paragraph 070502. Change from civilian personnel office to the HRO.

Subparagraphs 070502.B. and C. Change from GAO to OPM.

Paragraph 070508. Adds the death gratuity payment authorized under P.L. 104-208.

Paragraph 070601. Removes reference to FPM Chapter 304 and adds 5 U.S.C. Chapter 31

Paragraph 070606. Removes reference to FPM Chapter 304.

Paragraph 070704. Change from GAO to OPM in processing of doubtful claims.

Paragraph 070905. Change from civilian personnel office to the HRO.

Paragraphs 071403 and 071404. Updated original paragraph 071403. with specific information for Leave and Overtime. Realigned paragraphs 071404. and 071405. to paragraphs 071405. and 071406.

Paragraph 071406. Deleted references to FPM letters.

Paragraph 071502. Update of the U.S. Court of Military Appeals Judges information.

Subparagraph 071602.E. Change from civilian personnel office to the HRO.

Section 0717. Addition of Service Secretariats.

Subparagraph 080102.A. Clarifies the requesting official for special payments.

Subparagraph 080102.F. Clarifies the gross-to-net payments of special payments.

Subparagraph 080102.G. Change from 080102.F.4.

Subparagraph 080102.G.1. Deletes the Form 8109 and provides additional information.

Subparagraph 080102.I. Change from 080102.H.

Subparagraph 080201.A. Adds Debt Collection Improvement Act of 1996.

Subparagraph 080305.A.1. Adds that requests for hearings shall be processed by the Defense Debt and Claims Management Office.

Paragraph 080306. Changes provision concerning waivers of erroneous payments of pay and allowances.

Subparagraph 080307.A. Adds the collection of overpayments through routine pay adjustments authorized under the Debt Collection Improvement Act of 1996.

Paragraph 080309. Clarifies procedures for collection from final salary and lump sum payments.

Paragraph 080403. Clarifies procedures for debt cases when an employee transfers outside the Department.

Subparagraph 080404.A.5. Clarifies procedures for transfer of debt case once SF 2805 has been sent to OPM.

Subparagraphs 080405.A. and B. Changes address for transfer of debts after employee separation.

Paragraph 080504. Adds reference (b).

Paragraph 080506. Adds collection by the civilian payroll office will be initiated upon receipt of the DD Form 2481.

Paragraph 080513. Adds comment for collection of dishonored personal checks.

Subparagraph 080601.A. Changes Secretary of Defense designee and address for salary offset requests from non-DoD Federal agencies.

Subparagraph 080601.D. Clarifies request to collect a debt by salary offset.

Subparagraph 080601.E. Change from DAO-CL, Arlington to DFAS-CL.

Subparagraph 080601.F. Changes debt collection procedures.

Paragraph 080602. Changes from "appropriate DFAS Center" to "DFAS-CL."

Subparagraph 080602.B. Deletes "30 days in advance of offset."

Subparagraph 080602.F. Changes from "DFAS Center which originally forwarded the salary offset request" to "DFAS-CL."

Subparagraph 080603.A.3. Changes from "DMDC, Monterey, and the DFAS Center which originally forwarded" to "DFAS-CL."

Paragraph 080604. Changes from "DMDC, Monterey, and the DFAS Center which originally forwarded the salary offset request" to "DFAS-CL."

Subparagraph 090101.A.l. Replaced "facsimile equipment, if available" with "RITS."

Subparagraph 090101.B.5. Changes reconciliation from monthly to quarterly.

Paragraph 090102. Adds payroll records required for retroactive computations involving former civilian payroll offices.

Subparagraph 090202.C. Updates report on transfer of employee.

Subparagraph 090203.H. Deletes "as specified in the withholding agreement."

Subparagraph 090203.I. Adds new biweekly report on Combined Federal Campaign.

Subparagraph 090203.J. Adds new biweekly report on Voluntary Separation Incentive (VSI) Agency Contributions.

Subparagraph 090204.C. Adds monthly report on Full-Time Equivalent or Work Year Reporting.

Subparagraph 090205.D. Adds new quarterly report on Health Benefits Reconciliation.

Subparagraph 090205.E. Adds new quarterly report on Transportation Fringe Benefits.

Subparagraph 090205.F. Adds new quarterly report on Civilian Direct Deposit Participation.

Subparagraph 090206.A.2. Updates addresses for the semiannual savings bond report.

Subparagraph 090206.B. Updates reporting requirement.

Subparagraph 090207.D.1. Adds new information on the SF 2809/2810/2811.

Subparagraph 090207.D.2.f. Deletes (1), (5) and (6) and realigns (2), (3) and (4)

REFERENCES, FIGURES AND TABLES

REFERENCES

(a) DoD Instruction 7000.14, "DoD Financial Management Policy and Procedures," November 15, 1992

(b) Title 5, United States Code, chapters and sections as follows:

	102	Military Departments
	105	Executive agency
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(c) Title 31, Code of Federal Regulations, Sections as follows:
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210 Federal payments through financial institutions by the Automated Clearing House method
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(d) Title 31, United States Code, sections as follows:

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(e) Public Laws

83-598 Federal Employees Group Life Insurance Act of 1954, August 17, 1954
86-382 Federal Employees Health Benefits Act of 1959, September 28, 1959
86-604 Former Congressman - Reemployment, July 7, 1960
90-486 National Guard Technicians Act of 1968, August 13, 1968
93-416 Compensation for Work Injuries, September 7, 1974
93-579 The Privacy Act of 1974, December 31, 1974
95-437 Federal Employees Part-time Career Employment Act of 1978, October 10, 1978
95-598 Revised Bankruptcy Act, October 1, 1979
96-431 Military Leave Fiscal Year Basis, September 8, 1980
96-465 The Foreign Service Act of 1980, October 17, 1980
97-276 Continuing Appropriation for Fiscal Year 1983, October 2, 1982
97-365 Debt Collection Act of 1982, October 25, 1982
98-615 Civil Service Retirement Spouse Equity Act of 1984, November 8, 1984
99-196 Federal Employees Flexible and Compressed Work Schedules Act of 1982, Permanent Authority, December 23, 1985
99-335 Federal Employees' Retirement System (FERS) Act of 1986, June 6, 1986
100-654 Federal Employees' Health Benefits Amendments Act of 1988, November 14, 1988
★ 101-335 Thrift Savings Plan Technical Amendments Act of 1990, July 17, 1990
101-508 The Portability of Benefits for Nonappropriated Fund Employees Act of 1990, November 5, 1990
101-509 Federal Employees Pay Comparability Act (FEPCA) of 1990, November 5, 1990
★ 102-138 Foreign Relations Authorization Act for Fiscal Years 1992 and 1993, October 28, 1991
102-378 Technical and Miscellaneous Civil Service Amendments Act of 1992, October 2, 1992
102-484 National Defense Authorization Act for Fiscal Year 1993, October 23, 1992
★ 102-486 Energy Policy Act of 1992, October 24, 1992
103-3 Family and Medical Leave Act of 1993, February 5, 1993
103-89 Performance Management Recognition System Termination Act of 1993, September 30, 1993
103-94 Hatch Act Reform Amendments of 1993, October 6, 1993

103-103 Federal Employees Leave Sharing Act of 1993, October 8, 1993
★ 103-226 Federal Workforce Restructuring Act of 1994, March 30, 1994
★ 103-329 Treasury, Postal Service and General Government Appropriations Act of 1995, September 30, 1994
★ 103-388 Federal Employees Family Friendly Leave Act, October 22, 1994
★ 104-106 National Defense Authorization Act for Fiscal Year 1996, February 10, 1996
★ 104-134 Debt Collection Improvement Act of 1996, July 26, 1996
★ 104-201 National Defense Authorization Act for Fiscal Year 1997, September 23, 1996
★ 104-208 Omnibus Consolidated Appropriations Act of 1997, September 30, 1996
★ 104-316 The General Accounting Office Act of 1996, October 19, 1996
★ 105-61 The Treasury and General Government Appropriations Act for Fiscal Year 1998, October 10, 1997
★ 105-85 The National Defense Authorization Act for Fiscal Year 1998, November 18, 1997
★ 105-261 The Strom Thurmond National Defense Authorization Act, 1999, October 17, 1998
★ 105-311 The Federal Employees Life Insurance Improvement Act, October 30, 1998

(f) Comptroller of the Department of Defense Memorandums:
"Policy for Direct Deposit of Pay," April 22, 1992
★ "Payroll Allotments to Political Action Committees, " May 26, 1994

(g) General Records Schedule 2, Payrolling and Pay Administration Records, National Archives and Records Administration (NARA)

(h) Department of the Treasury, Internal Revenue Service, Circular E

(i) Office of Personnel Management Operating Manual, The CSRS and FERS Handbook for Personnel and Payroll Offices

(j) Office of Personnel Management Handbook on Alternative Work Schedules, December 1996

(k) Defense Finance and Accounting Service Memorandums:
★ "Use of Source Data Automation (SDA) Systems for Submission of Time and Attendance (T&A) Data," November 10, 1992

"Change 6 to the DFAS Regulation on Delegating Statutory Authority," January 29, 1992

(l) Title 5, Code of Federal Regulations, Parts as follow:
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1606 Lost Earnings Attributable to Employing Agency Errors

(m) Section 709 of title 32, United States Code, National Guard, Caretakers and clerks

(n) Title 29, United States Code, Sections as follows:
201 Fair Labor Standards Act of 1938, June 25, 1938
202 Congressional finding and declaration of policy
203 Definitions
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205 Special industry committees for Puerto Rico and Virgin Islands
206 Minimum wage
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214 Employment under special certificates
215 Prohibited acts; prima facie evidence
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Chapter 200	Cost-of-living allowances
Chapter 200, section 220	Post allowance
Chapter 200, section 240	Foreign transfer allowance
Chapter 200, section 250	Home service transfer allowance

Chapter 200, section 260	Separate maintenance allowance
Chapter 200, section 270	Education allowance
Chapter 200, section 280	Education travel
Chapter 300	Representation allowances
Chapter 400	Official residence allowance
Chapter 500	Post differential
Chapter 600	Payments during an ordered/authorized departure
Chapter 650	Danger pay allowance
Chapter 900, section 920	Post classification and payment tables
Chapter 900, section 925	Maximum rates of per diem allowances for travel in foreign areas

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★ Subchapter 575, "Recruitment and Relocation Bonuses, Retention Allowances, and Supervisory Differentials"

★ Subchapter 630, "Leave Administration," December 1996

★ Subchapter 711, "Labor-Management Relations," December 1996

★ Subchapter 1231, "Employment of Foreign Nationals," January 12, 1998

★ Subchapter 1250, "Overseas Allowances and Differentials," December 1996

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10.206 Agency accounting and reporting of continuation of pay

609 Unemployment compensation for Federal civilian employees

609.9 Provisions of State law applicable to UCFE claims

609.21(b) Findings of Federal agency; Failure to meet time limit

(y) Office of Personnel Management Operating Manual, The Federal Employees Health Benefits Handbook for Personnel and Payroll Offices

(z) Office of Personnel Management Operating Manual, The Federal Employees Group Life Insurance Handbook for Personnel and Payroll Offices

★(aa) Title 26, Code of Federal Regulations, Section 1.61-21, Taxation of Fringe Benefits

(ab) DoD Directive 4500.36-R, "Management, Acquisition, and Use of Motor Vehicles," August 19, 1996

(ac) Civil Service Retirement System Act of May 29, 1930, as amended by P.L. 86-604, Former Congressman - Reemployment, July 7, 1960

(ad) Title 26, United States Code, Internal Revenue Code, Sections as follows:

112 Certain combat pay of members of the Armed Forces

3102 Deduction of tax from wages

3111 Rate of tax

3112 Instrumentalities of the United States

3121 Employment Taxes - General Provisions - Definitions
3122 Federal service
3306 Definitions (Federal Unemployment Tax Act)
3402 Income tax collected at source
6331 Levy and distraint
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(ae) Section 659 of title 42, United States Code, Enforcement of individual's legal obligations to provide child support or make alimony payments

(af) Title 11, United States Code, Sections as follows:

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(ag) Office of Personnel Management Operating Manual, The Guide to Personnel Data Standards

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79 Contributions to State retirement programs for National Guard technicians
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(aj) OPM Payroll Office Letters
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(ak) 59 Federal Register 14,541, 14,544, and 14,545, March 29, 1994

(al) DoD Directive 5035.1, "Fund-Raising Within the Department of Defense," August 28, 1990

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90-40 Processing Lost Earnings Records, December 17, 1990
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90-42 New Record Layouts for Lost Earnings, December 17, 1990
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92-29 Reports Produced by the TSP Lost Earnings System to Support Agency Financial Management Procedures, December 10, 1992
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★ 98-21 Changes to the Error Correction Procedures, June 19, 1998

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(ap) DoD Manual 1404.1-M, "DoD Personnel Policy Manual for Nonappropriated Fund
★ Instrumentalities," April 16, 1991
(aq) Title 39, District of Columbia Code
(ar) Title 10, United States Code, Sections as follows:
941 Article 141 Status
942 Article 142 Judges
943 Article 143 Organization and employees
944 Article 144 Procedure
945 Article 145 Annuities for judges and survivors
946 Article 146 Code committee
2031 Junior Reserve Officer's Training Corps
★ 2164 Department of Defense Domestic Dependent Elementary and Secondary Schools
★ 12301 Reserve components generally
(as) Title 38, United States Code, Sections as follows:
2021 Right to reemployment of inducted persons; benefits protected
2024 Rights of persons who enlist or are called to active duty; Reserves
(at) Title 22, United States Code, Section 3968, Local compensation plans
(av) DoD Manual 1416.8-M, "Foreign National Compensation," January 1990
(aw) DoD Directive 1400.6, "DoD Civilian Employees in Overseas Areas," February 15, 1980
(ax) Canadian Government Public Service Superannuation Act
(ay) Title 20, United States Code, Sections as follows:
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902 Regulations of Secretary of Defense
903 Administration
904 Leave
905 Quarters, quarters allowance, and storage
906 Entitlements in addition to basic compensation
907 Applicability of other laws
(az) DoD Directive 1400.13, "Salaries and Personnel Practices Applicable to Teachers and Other Employees of the DoD Overseas Dependents' Schools System," July 8, 1976
(ba) Title 4, Code of Federal Regulations, Parts as follows:
91 Standards for Waiver
91.5 Conditions for waiver
92 Procedure
★ 92.2 Where to apply

★ 92.3 Report of the agency or department
★ 92.6 Refund of amounts paid and waived
101 Scope of Standards
101.2 Definitions
102 Standards for the Administrative Collection of Claims
102.3 Collection by administrative offset
102.4 Administrative offset against amounts payable from Civil Service Retirement and Disability Fund
102.13 Interest, penalties, and administrative costs
103 Standards for the compromise of claims
104 Standards for suspending or terminating collection action
104.2 Suspension of collection activity
105 Referrals to Department of Justice or GAO

(bb) Title 18, United States Code, Sections as follows;
286 Conspiracy to defraud the Government with respect to claims
287 False, fictitious or fraudulent claims
1001 Statements or entries generally
1002 Possession of false papers to defraud United States

(bc) DoD Directive 1342.20, "Department of Defense Education Activity," October 13, 1992
(bd) Title 6, General Accounting Office Policy and Procedures Manual for Guidance of Federal Agencies; Pay, Leave, and Allowances, March 22, 1996
(be) DoD Instruction 7720.22, "Report of Work-Years and Personnel Costs for DoD Civilian Employment," June 13, 1979
(bf) Federal Information Resources Management Regulation Bulletin B-2
(bg) DoD Instruction 7710.3, "Reporting of Personnel and Payroll Outlays by Operating Location," January 12, 1987

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DEFINITIONS

1. Administrative Offset. The withholding of money payable by the United States to, or held by the United States for a debtor to satisfy a debt the debtor owes the United States. Administrative offset includes offset from salary (pay).

2. Advance of Pay. A single lump-sum payment authorized with each permanent change of station to a post in a foreign area.

3. Allotment. A recurring, specified deduction from pay authorized by a civilian employee to be paid to an allottee.

4. Allottee. A person or institution to whom an allotment is made payable.

5. Allotter. The employee from whose civilian pay the allotment is made.

6. Annuitant. A retired federal employee or his/her survivor who is receiving payments from the Office of Personnel Management.

7.★ Availability Pay. A premium pay provided for criminal investigators in job series 1811 and 1812, required to work, or be available to work, substantial amounts of unscheduled overtime duty based on the needs of the employing activity.

8. Beneficiary. A person other than a recipient who is entitled to receive all or part of a benefit payment from the federal government.

9. Continental United States (CONUS). The 48 contiguous states and the District of Columbia.

10. Continuation of Pay. Payment made to an employee during an absence from the job due to a traumatic on-the-job injury.

11. Data Element. A named identifier of each of the entities and their attributes that are represented in a database.

12. Data Element Value. Value input into a database that represents the literal representation for a data element.

13. Debt. Any amount of money or any property owed to a DoD Component or another federal agency by any person, organization, or entity except another federal agency. Debts include insured or guaranteed loans and any other amounts due from fees, leases, rents, royalties, services, sales of real or personal property, or overpayments, penalties, damages, interest, fines and forfeitures, and all other claims and similar sources. Delays in processing employee-elected coverage or a change in coverage under federal benefits programs are not normally considered debts if processing delays

did not exceed two monthly or four biweekly pay periods. Amounts due a nonappropriated fund instrumentality are not debts owed the United States unless specifically included by this Regulation.

14. Deductions. Monies withheld, by law or voluntarily, from an employee's pay (salary). The three basic types of deductions are:

a. Those required by law, regulations, or civilian legal decisions;

b. Those for benefits specifically authorized by law, such as health and life insurance; and

c. Voluntary, personal allotments to a designated payee.

15. Departmental Reporter. An organizational entity located at a DFAS Center responsible for serving as the focal point for a Military Service when dealing with the Office of Personnel Management and the Thrift Investment Board concerning retirement or Thrift Savings Plan reporting.

16. Deposit Fund Accounts. Expenditure accounts established to account for receipts (a) held in suspense temporarily and later refunded or paid into some other fund of the government, or other entity, or (b) held by the government as banker or agent for others and paid out at the direction of the owner. Such funds are not available for paying salaries, grants, or other expenses of the government. Expenditures are often offset by receipts within this type of fund.

17. Direct Deposit System. A federal government service for employees who authorize the automatic deposit of net pay, travel, and savings allotments to their personal bank account.

18. Disposable Pay. The amount that remains after pay (salary) is reduced by amounts that are:

a. Required by law to be deducted;

b. Properly withheld for federal, state, and local income taxes;

c. Deducted as health insurance premiums;

d. Deducted as normal retirement contributions; and

e. Deducted as normal life insurance premiums.

19. DoD Components. The Office of the Secretary of Defense, the Military Departments, the Chairman of the Joint Chiefs of Staff, the Combatant Commands, the Inspector General of the Department of Defense, the Defense Agencies, and the DoD Field Activities (hereafter referred to collectively as "DoD Components").

20. Due Process. Formal proceedings carried out in accordance with established rules and regulations for the collection of debts due the United States.

21. Electronic Funds Transfer (EFT). A system that provides the authority to debit or credit accounts in financial institutions by electronic means rather than source documents (e.g., paper checks.). Processing typically occurs through the Federal Reserve System and/or the Automated Clearing House (ACH) computer network. EFT transmissions shall be designed to conform to the American National Standards Institute (ANSI) Accredited Standards Committee (ASC) X12 standard.

22. Emergency Medical Technician. A specialist in the technical details of medical treatment responding to an urgent need for assistance requiring immediate action.

23. Employee. An individual appointed to a position in the Department and paid from appropriated, revolving, or trust funds.

24. Entitlement. Legally established benefits available to any person or unit of the federal government meeting eligibility requirements established by law.

25. Federal Agency. Any executive agency as defined by Title 5, United States Code (U.S.C.), section 105 (reference (b)), including the U.S. Postal Service and the Postal Rate Commission; a Military Department as defined by 5 U.S.C. 102 (reference (b)); an agency of the legislative branch, including the U.S. Senate and U.S. House of Representatives; and an agency or court of the judicial branch.

26. Federal Reserve System. Any Federal Reserve District Head Office, Branch, or regional check processing center that processes EFT payments, including Automated Clearing House, for the federal government.

27. Financial Institution. Bank, savings association, or credit union eligible under Title 31, Code of Federal Regulations (C.F.R.), part 210 (reference (c)) to serve as a government depositary.

28. Garnishment. A written notification concerning the attachment of monies to satisfy a debt that results in the withholding of a specified amount from the employee's pay (salary) to satisfy a debt.

29. Internal Controls. The manner in which financial, manpower, and property resources are to be controlled and safeguarded by the regular authorization, approval, documentation, recording, reconciling, reporting, and related accounting processes.

30. Leave and Earnings Statement. A document provided to each employee showing gross pay, deductions, and net pay for a pay period and cumulative totals for the year to date, along with leave balances at the end of the pay period.

31. Leave Record. A record showing the amounts of leave earned and used, and the balance available.

32. Lump-Sum Leave Pay. Payment for accumulated annual leave upon separation or change to a nonconvertible leave system.

33. Military Furlough. Absence due to extended active duty for general service with the Armed Forces.

34. Military Leave. An approved absence with pay authorized under 5 U.S.C. 6323 (reference (b)).

35. National Guard. The Army or Air National Guard of a state.

36. National Guard Technician. A federal employee of the National Guard, exclusive of National Guard Bureau employees.

37. Net Pay. The amount of wages, pay, or salary due after all payroll deductions is made.

38. Pay (Salary). Pay and salary have the same meaning. They include basic, premium, and any other authorized pay and allowances other than travel and transportation expenses.

39. Pay Period. A segment of time during which employees perform work and receive pay. For most federal civilian employees, a pay period covers 14 consecutive days, normally beginning on Sunday.

40. Pay Record. The part of each civilian employee's master pay record that contains all transaction information on payments and deductions with an audit trail to the authorizing documents. The pay record includes information such as pay grade, record of payments, all earnings separately identified by type (basic pay, bonuses, danger pay, etc.); allowances; allotments; any other deductions; year-to-date gross earnings; taxable earnings, and taxes withheld.

41. Recipient. A person authorized by a federal agency to receive benefit payments from the federal government.

42. State. A state or territory of the United States, including the Commonwealth of Puerto Rico.

43. United States. Unless otherwise qualified, means the 50 states and the District of Columbia.

44. Voluntary Deduction. Deduction from an employee's pay which requires written authorization from the employee to affect withholding.

45. Waiver. The cancellation, forgiveness, or non-recovery of a debt owed by an employee to an agency as permitted or required by law.

ABBREVIATIONS AND ACRONYMS

ACH	Automated Clearing House
ANSI	American National Standards Institute
ASC	Accredited Standards Committee
AUO	Administratively Uncontrollable Overtime
AWOL	Absence Without Leave
AWS	Alternate Work Schedule
★BRAC	Base Realignment and Closure
CFC	Combined Federal Campaign
C.F.R.	Code of Federal Regulations
CMSA	Consolidated Metropolitan Statistical Area
COLA	Cost of Living Allowance
Comp. Gen.	Comptroller General of the United States
CONUS	Continental United States
COP	Continuation of Pay
CPM	Civilian Personnel Manual
★CPMS	Civilian Personnel Management Service
★CREF	College Retirement Equity Fund
★CSR	Customer Service Representative
★CSRDF	Civil Service Retirement and Disability Fund
CSRS	Civil Service Retirement System
DAO	Defense Accounting Office
DBMS	Defense Business Management System
DCPS	Defense Civilian Pay System
DD/EFT	Direct Deposit and/or Electronic Funds Transfer
★DDESS	Domestic Dependent Elementary and Secondary Schools
DFAS	Defense Finance and Accounting Service
DMDC	Defense Manpower Data Center
DoD	Department of Defense
DoDEA	Department of Defense Education Activity
★DOHA	Defense Office of Hearings and Appeals
DPA	Danger Pay Allowance
DSSR	Department of State Standardized Regulations
EDP	Environmental Differential Pay
EFT	Electronic Funds Transfer
EIC	Earned Income Credit
EIN	Employer Identification Number
EMT	Emergency Medical Technician
E.O.	Executive Order
FECA	Federal Employees Compensation Act
FEGLI	Federal Employees Group Life Insurance
FEHB	Federal Employees Health Benefits

FEPCA	Federal Employees Pay Comparability Act
FERS	Federal Employees' Retirement System
★FFLA	Family Friendly Leave Act of 1994
★FIC	Federal Identification Number
FICA	Federal Insurance Contributions Act
FIRMR	Federal Information Resources Management Regulation
FITW	Federal Income Tax Withheld
FLSA	Fair Labor Standards Act
★FMLA	Family and Medical Leave Act of 1993
★FMS	Financial Management Service
FPM	Federal Personnel Manual
FRB	Federal Reserve Bank
FWS	Federal Wage System
GAO	General Accounting Office
GS	General Schedule
HDP	Hazardous Duty Pay
★HRO	Human Resources Organization
IA	Intra-Agency
IAD	Interest Accrual Date
★IC/UC	Injury Compensation/Unemployment Compensation
★IDP	Imminent Danger Pay
IO	International Organization
IRCN	Interagency Report Control Number
IRS	Internal Revenue Service
JROTC	Junior Reserve Officer Training Corps
★LBB	Leave Buy Back
LEO	Law Enforcement Officer
LES	Leave and Earnings Statement
LQA	Living Quarters Allowance
LSL	Lump Sum Leave
LWOP	Leave Without Pay
NAF	Nonappropriated Fund
★NARA	National Archives and Records Administration
NFC	National Finance Center
NGAUS	National Guard Association of United States
NOL	Notice of Levy
NPRC	National Personnel Records Center
NSA	National Security Agency
OCONUS	Outside the Continental United States
OFEGLI	Office of Federal Employees' Group Life Insurance
OMB	Office of Management and Budget
OPAC	On-line Payment and Collection
OPF	Official Personnel Folder
★OPLOC	Operating Location
OPM	Office of Personnel Management

OWCP	Office of Workers Compensation Program
PCS	Permanent Change of Station
P.L.	Public Law
PMRS	Performance Management Recognition System
RCS	Report Control Symbol
RIF	Reduction In Force
RITS	Retirement Insurance Transfer System
SCD	Service Computation Date
★SDA	Source Data Automation
SES	Senior Executive Service
SF	Standard Form
SSA	Social Security Administration
SSN	Social Security Number
TAPER	Temporary Appointment Pending Establishment of a Register
TDY	Temporary Duty
TFM	Treasury Financial Manual
★TIAA	Teachers Insurance and Annuity Association
TP	Teaching Position
TQSA	Temporary Quarters Subsistence Allowance
TSP	Thrift Savings Plan
UCFE	Unemployment Compensation for Federal Employees
★UCGLI	Union Central Group Life Insurance
UIC	Unit Identification Code
★UIC	Unemployment Insurance Commission
U.S.	United States
U.S.C.	United States Code
★USD(C)	Under Secretary of Defense (Comptroller)
★USERRA	Uniformed Services Employment and Reemployment Rights Act
★USSAH	United States Soldiers' and Airman's Home
USUHS	Uniformed Services University of the Health Sciences
★VSI	Voluntary Separation Incentive
WG	Wage Grade
★WHS	Washington Headquarters Services
★WL	Wage Leader
★WS	Wage Supervisor
WGI	Within-Grade Increase

CHAPTER 1

INTRODUCTION AND OVERALL REQUIREMENTS

0101 INTRODUCTION

010101. Purpose. This chapter prescribes the principles, objectives, and related requirements for DoD civilian employee pay operations and systems. The requirements in this chapter apply to civilian pay systems operated by the Department for employees paid from appropriated, revolving, or trust funds. These requirements apply to the processes related to computing payments for permanent, temporary, full-time, part-time, irregular, and special category employees.

010102. Statutory Authority. The authority of the Department to establish payroll procedures consistent with the requirements of law and regulation is derived from Title 5, United States Code (U.S.C.), chapters 53, 55, and 81 (reference (b)). Responsibilities, duties and liabilities are established by 31 U.S.C., sections 3527, 3528, 3529, and 3541 (reference (d)).

★ 010103. Additional Guidance. The instructions issued by the Office of Personnel Management (OPM) in the Federal Personnel Manual (FPM) were abolished. Several of the supplements were replaced with Operating Manuals that are to be used as guides in the administration of civilian pay and leave. Abolished portions of the FPM should no longer be used.

0102 OVERALL REQUIREMENTS

010201. Overview

★ A. As determined by the Under Secretary of Defense (Comptroller)/Chief Financial Officer, the DoD Components will use the Defense Civilian Pay System (DCPS) and will eliminate their own payroll systems.

★ 1. Any approved unique payroll system shall be integrated or interfaced with other applicable systems, such as the Defense Civilian Personnel Data System, general ledger or an installation-level general accounting system.

★ 2. The Director, Defense Finance and Accounting Service (DFAS) shall approve continued operation of any such unique payroll system.

B. DoD payroll operations and systems shall meet the following objectives:

1. Prompt and accurate payments to all those entitled to be paid, in compliance with appropriate statutes and regulations, with consideration being given to all authorized deductions from gross pay.

2. Prompt accounting for and disposition of, all authorized deductions from gross pay.

3. Proper control over, retention of, and disposition of, all payroll-related documents.

4. Timely preparation of adequate and reliable payroll records to support management purposes; planning, preparing, executing, and reviewing the budget; and internal and external reporting requirements.

5. Effective communication between employing activities and employees on payroll matters in addition to timely, accurate, and responsive customer service action to resolve payroll-related inquiries from employees.

6. Adequate controls over all phases of pay, leave, and allowances.

7. Interface of the payroll function with the general ledger, cost accounting, and personnel functions, with provisions for reconciling common data elements in any separate system to one another.

8. Capability to query current, historical, and/or archived data.

9. Audit trails to permit the tracing of transactions through the payroll system as specified in Volume 1 of this Regulation.

10. Compliance with accounting system development criteria specified in Volume 1 of this Regulation.

11. Compliance with internal control requirements, including data security and prevention of data disclosure, as specified in Volume 1 of this Regulation.

12. Compliance with DoD direction to standardize data elements for cross-functional shareability and integration.

★ 010202. Funds Control

★ A. Funds used to pay DoD civilian employees are appropriated by the Congress and apportioned to the Department by the Office of Management and Budget (OMB). At least monthly, an estimate of obligations shall be made for the payroll. As the payments are made, estimates shall be adjusted to reflect actual payment data.

B. Department civilian payroll systems shall be integrated or interfaced with, and fully support, the accounting system. These systems shall consist of detailed accounts and records that are kept as a subsidiary to, or support for, controlling or summary accounts in the

general ledger of the accounting system. The payroll systems shall produce required obligation and accrual data needed by the accounting system.

010203. Requirements. The Director, DFAS is responsible for the overall planning and general direction of the pay, leave, and allowance functions and systems. This responsibility necessitates that adequate written procedures are established and implemented; all personnel are adequately trained in their functions; and sufficient controls are installed and management oversight is established and implemented to ensure compliance with payroll system objectives summarized in subparagraph 010201.B. The Director, DFAS shall also ensure that payroll systems meet legal criteria and the requirements below.

A. Payroll procedures shall be:

1. Clearly written and be in accordance with applicable laws, regulations, and legal decisions;

2. Amended to reflect changes in applicable laws, regulations, and legal decisions;

3. As uniform as possible throughout the Department;

4. Distributed to payroll staffs and be available to individual employees as needed to ensure efficient and effective operations; and

★ 5. Reflective of clear assignments of responsibility, delegation of authority, and separation of duties for personnel who compute the payroll, certify payments, record payroll data in the accounts, distribute pay, review payroll transactions, and develop, test and maintain supporting computer systems.

B. Personnel engaged in pay, leave, and allowances activities shall:

1. Be adequately trained and kept informed about the requirements of laws, regulations, and legal decisions;

2. Be adequately supervised to help prevent any unauthorized, fraudulent, or other irregular act;

3. Perform operations effectively, efficiently, and economically in accordance with laws, regulations, and legal decisions;

4. Review the operations, including internal controls, on an ongoing basis to ensure such performance; and

5. Identify and resolve inconsistencies in information submitted, processed, and reported during the various payroll cycles.

C. Payroll systems shall be integrated or interfaced with:

1. Personnel systems to obtain current information on which to process pay, leave, and allowances. Additionally, accurate information is needed to help minimize the possibility of fraud, waste, and mismanagement;

2. The general ledger system to provide information to prepare various financial statements;

3. Cost accounting systems to distribute and charge payroll labor cost data to appropriations, jobs, projects, programs, and departments; to help in properly evaluating operations and management; and to support budget conception and development; and

4. Other financial management systems to meet reporting and management objectives.

D. The interfaces discussed in subparagraph 010203.C. shall be used to assist in timely reconciliation of data elements and discrepancies noted between the systems.

E. Transactions recorded in the pay, leave, and allowance records shall be adequately supported by properly authorized documents.

F. Procedures will be in effect to properly back-up data in the event of power failure, equipment malfunction, or other hazards.

G. External audits and internal examinations of payroll operations shall be made by persons not engaged in those operations to determine whether such operations are efficient, effective, and economical and are in accordance with laws, regulations, and legal decisions.

★ H. The frequency with which payrolls must be prepared has considerable bearing upon the cost of carrying out the payroll functions. So that payroll operations may be performed without incurring undue cost, employees' pay shall be computed on a biweekly basis, unless law requires a different time frame. Special payments are prohibited except as addressed in paragraph 080102. Advances of pay are covered in section 0309. All employees will be informed of the designated payday. Pay should be made available to the employees on the day designated as the payday. The payday lag between the close of the pay period and payday shall not exceed 12 calendar days. When a payday falls on a holiday or an 'in lieu of' holiday, the payday will be on the first preceding business day.

I. Savings bonds shall be mailed to the address provided by the employee. All purchased bonds shall be issued biweekly and mailed as soon as possible after payday. Bonds returned by the U.S. Postal Service shall be returned to the disbursing or issuing officer. All bonds

shall be kept in a safe or locked fireproof cabinet, pending distribution or return to the disbursing or issuing officer.

010204. Privacy Act Requirements

A. General

1. All Standard Forms (SF) and locally approved forms containing information subject to the Privacy Act of 1974 (reference (e)) should have a Privacy Act statement either incorporated in the body of the document or in a separate statement accompanying each form. When separate, the accompanying statement carries the same number as the form.

2. Whenever agencies ask for personal information, including the Social Security number (SSN) from an employee, that employee must be notified of the following:

a. The statutory authority for gathering the information;

b. The purpose for which the information will be used;

c. The "routine uses" of the information (persons or organizations who normally receive the information); and

d. The effect on the employee of not supplying the information.

This notification will be contained in the Privacy Act statement.

B. Forms. Whenever personal information is requested from an employee on forms covered by the Act, a copy of the form accompanied by the applicable statement will be given to the employee at the same time as the request for information.

C. Access and Accounting. Employees generally are entitled to have access to their own records under the Privacy Act, as are personnel who need to know the information to carry out their duties. Under specified conditions, certain other persons or agencies may receive information. Employees must be notified of release of information to outside agencies upon request. Agencies responsible for maintaining records must account for information released and requests for change by the employee concerned.

★0103 ELECTRONIC FUNDS TRANSFER (EFT) FOR FEDERAL CIVILIAN SALARY PAYMENTS

010301. General

A. Authority. Public Law 104-134, the Debt Collection Improvement Act of 1996 (Act) (reference (e)), requires all Federal payments to be made by electronic funds transfer (EFT), with the exception of tax refunds, beginning January 2, 1999. On September 25, 1998,

the Department of the Treasury and its Financial Management Service issued final rule 31 CFR Part 208 (reference (c)), which implements the EFT requirements of the Act.

B. Policy. The Department requires participation in EFT as a condition of employment. The policy covers all categories of DoD personnel including civilians, military, military retirees, and annuitants.

C. Responsibilities

1. Director, DFAS, in conjunction with the Office of the Deputy Chief Financial Officer shall:

a. Publish EFT payment policy and implementing procedures for pay of all DoD civilian personnel.

b. Coordinate the presentation of issues and proposed exceptions in the Department's mandatory EFT policy to the Department of the Treasury for approval.

c. Prepare appropriate reports for submission to the Department of the Treasury.

d. Ensure that DFAS Centers provide periodic reports to DFAS-HQ which reflect EFT participation; and

e. Furnish, to employing organizations at the end of each fiscal year quarter, a listing of DoD employees paid by DFAS who do not participate in EFT.

2. DoD Component Personnel Directors shall:

a. Ensure all civilian employees are informed of the conditions under which participation in the EFT program is required.

b. Promote EFT enrollment. Employing activities will be furnished a report after the end of each fiscal year quarter of employees, by organization, who do not participate in EFT.

3. Directors or Commanders of all DoD Activities shall:

a. Ensure that all personnel are made aware of, and comply with, the mandatory EFT provisions.

b. Monitor EFT participation.

c. Ensure that waivers for all eligible employees are on file.

d. Ensure reimbursements are made to civilian employees who incur charges due to the government's failure to accurately and timely deposit pay in their EFT accounts (see paragraph 010304.); and

e. Provide information for reporting purposes to DFAS Centers when so requested (see paragraph 010305.).

D. Applicability. The mandatory EFT provisions apply to all DoD personnel, including nonappropriated fund (NAF) personnel.

E. Waivers

1. General. Individuals who believe that EFT will cause them a hardship may elect a waiver.

2. Waiver Submission. Waivers will be submitted to the commanding officer or civilian director of the employing activity.

3. Authorized Waivers. In accordance with 31 CFR Part 208.4 (reference (c)), payment by EFT is not required in the following cases:

a. Where an individual determines that payment by EFT would impose a hardship due to a physical or mental disability or a geographic, language, or literacy barrier, or would impose a financial hardship.

b. Where the political, financial, or communications infrastructure in a foreign country does not support payment by EFT.

c. Where the payment is to a recipient within an area designated by the President or an authorized agency administrator as a disaster area. This waiver is limited to payments made within 120 days after this disaster is declared.

d. Where a threat may be posed to national security, the life or physical safety of any individual may be endangered, or a law enforcement action may be compromised.

e. Where the agency does not expect to make more than one payment to the same recipient with a one-year period, i.e., the payment is non-recurring, and the cost of making the payment via EFT exceeds the cost of making the payment by check.

010303. EFT Documentation for Enrollment

A. To enroll in the EFT program, an employee must complete one of the following Direct Deposit authorization forms and submit the form to his or her local Customer Service Representative.

1. SF 1199A (Direct Deposit Sign-Up Form);

2. FMS Form 2231 (FASTSTART Direct Deposit); or

3. DD Form 2762 (Direct Deposit Authorization).

Each form contains detailed instructions for completing the authorization. The SF 1199A has a section that must be completed by the employee's financial institution. FMS Form 2231 and DD Form 2762 do not require approval by a financial institution.

B. The following enrollment sources may be used to support the FMS Form 2231 or DD Form 2762:

1. Canceled check or share draft (micro encoded data on the bottom).

2. Savings or checking account identification card.

3. Department of the Treasury 1099-INT (Statement for Recipients of Interest Income).

4. Bank statement.

NOTE: A combination of sources may be necessary to obtain the required information to start or change EFT enrollment.

010304. Reimbursement of Financial Institution Charges

A. General. Charges by financial institutions resulting from erroneous information provided by the individual or the financial institution to the civilian payroll office are not the liability of the government and will not be reimbursed. Reimbursement is authorized and limited to overdraft charges or minimum balance or average balance charges levied by the financial institution as a result of an administrative or mechanical error on the part of the government which causes pay to be deposited late or in an incorrect manner or amount.

B. Procedures. When charges result from government errors, servicing DFAS Centers will contact the financial institution to explain the error and request charges levied against the account holder be reversed.

1. If the financial institution declines to reverse the charges, government reimbursement of the charges will be made. While the servicing DFAS Center normally absorbs

such charges, the DFAS Center reserves the right to charge the applicable agency's operating appropriation for such amounts when the error was caused by information furnished by that agency.

2. Letters will be provided to dishonored check recipients explaining that the dishonored check was caused by government error, not an error on the part of the individual.

010305. Reporting Requirements. The DFAS Centers will periodically report to DFAS-HQ/F on EFT participation. Refer to subparagraph 090205.F. for reporting guidance.

010306. Payments other than EFT

A. The disbursing officer shall mail checks to the non-work address provided by the employee. On an exception basis, checks shall be delivered to designated agents in the employing offices for delivery to the employees at the work locations.

B. In those situations when delivery of paychecks to individuals by designated agents is authorized, persons designated to deliver these paychecks shall not participate in the following activities: preparing, approving, or certifying vouchers and personnel action documents; maintaining the payroll; time and attendance records; and leave records. Each employee shall be known by, or identified to, the person who delivers the employee's paycheck. Paychecks should be handled as few times and by as few people as possible. Checks not delivered within the time specified by the disbursing officer shall be returned to the disbursing or issuing officer. All checks shall be kept in a safe or locked fireproof cabinet, pending distribution or return to the disbursing or issuing officer.

C. If, under extraordinary circumstances, payments must be made in cash, DoD civilian employees shall properly identify themselves and shall acknowledge payment by signing a receipt form when payments are received. Requiring a pay receipt in advance of actual payment shall not be permitted. All payments shall be made only by persons who have been authorized to perform disbursing functions and were not part of the pay computation process.

0104 ESTABLISHMENT AND CONTROL OF EMPLOYEES' PAY RECORDS

010401. Use of SSN for Identification

A. The SSN will be used to identify all employees paid by the Department.

B. The SSN has nine digits, with hyphens as separators before the fourth and sixth digits. Adding a prefix or suffix is not authorized. Only the nine digits are used in internal computer processing; however, the hyphens may be printed on output documents.

C. If an employee is not required to have an SSN, a pseudo SSN shall be used.

010402. Pay Records

★ A. Each employee shall have an individual pay record maintained as part of the master pay record. Normally, only one pay record shall be active at any given time for each authorized position. If more than one pay record is maintained, the rationale must be thoroughly documented and an audit trail maintained between the two pay records. Sufficient information on active pay records shall be retained or be accessible at the civilian payroll office to facilitate local input, payment, and administrative functions.

B. The pay record shall contain all transaction information related to payments and deductions with an audit trail to the authorizing source document. The record shall contain information on hourly, daily, or piece work pay rate; all earnings by type (overtime, night differential, danger pay, etc.) separately identified; all deductions by type (charity, union, health insurance, life insurance, etc.) separately identified; year-to-date wages earned; year-to-date deductions withheld; annual, sick, and any other leave earned; leave taken, lost, or forfeited; excess leave taken; and a settlement of lost or unused leave balances. The pay record shall contain other information, as necessary, for computing pay and preparing reports, as well as being the source for the Leave and Earnings Statement (LES).

C. The master pay record shall contain current month, and, as an integral part thereof or in a separate data file, at least the five preceding months' records readily available for processing and inquiry. Summary information shall be carried forward, longer than six months when required, until new summary records are established. Disposition of pay records shall be done in accordance with the General Records Schedule 2 (reference (g)).

010403. Payroll Substantiating Document File

★ A. With the centralization of the civilian payroll function, two separate document files will be established and maintained for each employee. One will be located at the civilian payroll office and one with the CSR. All source documents that substantiate the employee's entitlement to compensation, leave, benefits, and authorize or support deductions will be kept in the file folders as indicated in subparagraph 010504.B. The file label will contain the employee's name and SSN and will be maintained in SSN sequence.

B. The civilian payroll office file will contain the following:

1. SF 1150 (Record of Leave Data) and SF 1150-A (Transfer of Leave Records for Leave Recipient Covered by the Voluntary Leave Transfer Program);

2. Voluntary/involuntary DoD/non-DoD indebtedness to the U.S. Government;

3. Voluntary/involuntary tax levies;

★ 4. Bankruptcies, court-ordered garnishments of alimony, child support, and commercial debts are maintained by DFAS-CL/L;

5. Thrift Savings Plan (TSP) loan information;

6. NAF 401k authorization;

7. NAF retroactive TSP election authorization;

8. SF 1190 (Foreign Allowances Application, Grant, and Report);

9. Documentation for all manual pay and leave adjustments;

10. Cash collection vouchers;

11. Physician's allowance authorizations; and

12. Any other documentation to support payments.

C. The civilian payroll office will maintain and safeguard the retirement records (SF 2806, "Individual Retirement Record (CSRS)," SF 3100, "Individual Retirement Record (FERS)," and OPM Form 1514, "Military Deposit Worksheet") in a separate file per instructions in subparagraph 040301.E.

★ D. The employing activity/CSR files will contain the following documentation.

1. Preconversion historical files (all personnel and payroll data of an existing civilian payroll system prior to conversion to another civilian payroll system or a consolidated civilian payroll office);

★ 2. Employment/loan verification requests;

3. Employee deduction information (allotments and net pay distribution; charities; unions; federal, state and local taxes; bonds; and address changes); and

★ 4. The disposition of active and inactive files shall be in accordance with the General Records Schedule 2 (reference (g)).

★ E. All verified source documents will be placed in the document file not later than the end of the pay period in which the document applies. The folders will remain in an active status during the period the employee's pay account is maintained by the civilian payroll office. Upon the employee's separation or transfer, and after all final payroll transactions have been completed, the folder will be removed from the active file and placed in an inactive file. The disposition of active and inactive files shall be in accordance with the General Records Schedule 2 (reference (g)).

F. All files (manual and electronic) will be protected in accordance with "For Official Use Only" and Privacy Act (reference (e)) requirements.

010404. Document Control. In order to ensure timely processing of payroll documents and to facilitate audits and reconciliation of individual pay accounts, source documents should be controlled at the retention site. The following procedures are recommended:

A. Assign a control number to all source documents. The numbering system should facilitate the use of one line entries on the log (e.g., two digits identifying the pay period number and the last digits identifying the document number, beginning with one (1) for each pay cycle);

B. Identify the type of document or form number;

C. Record the date received and the clerk to whom routed for processing; and

D. Record the date processed and logged out for filing.

010405. Personnel Actions

A. The SF 50 (Notification of Personnel Action) is the primary source for payroll and personnel information systems. The content of the SF 50 will form the basis for personnel transactions flowing to payroll via automated personnel/payroll system interfaces.

B. The SF 2809 (Health Benefits Registration Form) and SF 2810 (Notice of Change in Health Benefits Enrollment) are used to start, change, and stop the coverage of health benefits for employees.

C. The Form TSP-1 (TSP Election Form) is used to start, change, and stop deductions for employees. The Form TSP-19 (Transfer of Thrift Savings Plan Information Between Agencies) is used to transfer TSP information between agencies. The civilian payroll office uses the Form TSP-22-R (Loan Payment Allotment Form-Reamortization) to begin deductions for a TSP loan.

010406. Payroll Controls. Appropriate controls must be established over payroll operations that will include, but are not limited to, the items below.

A. Controls that will help ensure the correct, complete, accurate, and properly authorized processing of payroll documents include, but not limited to, the following items.

1. An authorized official must approve in writing or through electronic signature (made by entering designated codes into an automated system under safeguards to prevent unauthorized use) corrections and other adjustments to data in official records, as follows:

a. Records of all changes made after records have been approved or certified must be generated and maintained.

b. Manual corrections on documents made after the documents have been approved or certified must be made in a way that does not obliterate the original entries. Corrections must be initialed and dated by the person making them and must be approved by a designated authorizing official.

c. Automated system changes to data must be made in such a way that an audit trail is maintained to show or provide reference to documents which show the original and new data and the authorization for the change. Such changes must be only on the basis of properly approved documents authorizing the changes.

★ 2. There must be separation of duties among those in the following list. When the size of the organization does not permit separation of all of the duties, the most effective separation feasible under the circumstances must be provided. In order to minimize opportunities for carrying out unauthorized, fraudulent, or otherwise irregular acts, the separation of duties should ensure that no one person performs all phases of a transaction from beginning to end without the intervention of some other person or persons who provide a cross-check:

a. Certification of payments,

b. Payroll computation,

c. Recording of payroll account data,

d. Distribution of pay,

e. Review of payroll transactions,

f. Automated system development,

g. System testing,

h. System implementation, and

i. System maintenance.

3. The following must be restricted to authorized personnel:

a. Access to personnel, payroll, and disbursement records or data files;

b. Access to forms used in authorizing special entitlements, allowances, and pay rates; and

c. Payroll processing equipment and related software.

4. When feasible, employees engaged in civilian payroll functions must not maintain or provide service for their own payroll and personnel records. This internal control shall be incorporated into security system software that governs access to civilian payroll system records. When the size of an office is so small that this is not feasible, employees engaged in payroll activity may only maintain and provide service for their own:

a. Routine deductions, such as withholding exemptions for federal, state, and local tax purposes, and voluntary allotments; and

b. Time and attendance documents under certain circumstances as provided for in paragraph 020404.

5. To detect inappropriate data at the earliest time and to the extent practical, data entered into automated payroll systems must be subjected to computerized edits when entered. Data elements not susceptible to such edits must be edited at the earliest practical time. Inappropriate data detected must be promptly investigated, corrected and, if appropriate, reprocessed. A record of such data, its originator, and its disposition must be generated and maintained.

B. Controls that help ensure that computerized payroll operations process transactions and produce reports accurately, by use of the following and other techniques:

1. Testing computer programs and changes to programs prior to placing them in operation and subsequently testing the various data elements and computational procedures as needed to ensure that they are operating as intended;

2. Certifying acceptance of software changes by the civilian payroll offices;

3. Performing periodic preventive maintenance on hardware, noting and promptly resolving problems; and

4. Including in the programmed instructions such techniques as:

a. Verification of SSNs or other identifying information for employees authorized to be paid against a master list or file of such information for valid current employees;

b. Use of proper authorization codes by authorized payroll employees;

c. Acceptance of data entry from authorized terminals only;

d. Verification of data entry using batch control totals, when applicable; and

★ e. The software in use must ensure that beginning totals plus transaction totals equal ending totals.

010407. Reconciliation with Human Resources Organization

★ A. Reconciliation of common data between the appropriate human resources organization (HRO) and the civilian payroll office must be accomplished every four months. The appropriate HRO reviews the reconciliation and annotates any mismatches it resolves and passes them to the civilian payroll office for its action. The civilian payroll office will ensure that review and necessary corrections are made to the civilian pay database. The civilian payroll office will accomplish the reconciliation within 10 workdays after receipt from the appropriate HRO.

★ B. Based on the predetermined schedule, DCPS will generate and transmit the reconciliation files to the appropriate personnel system host.

0105 CIVILIAN PAYROLL OFFICE DISESTABLISHMENT PROCEDURES

010501. Purpose. These procedures prescribe the responsibilities and actions for DoD civilian payroll operations that are being disestablished in accordance with consolidation initiatives. Refer to section 0603 for procedures concerning mass transfer of employee accounts between existing civilian payroll offices.

010502. Applicability and Scope. These instructions apply to all DoD civilian payroll offices regardless of Component affiliation whose payroll accounts are being transferred to a consolidated civilian payroll operation.

★ 010503. Responsibilities. Responsibility for implementing these procedures lies primarily with the civilian payroll office whose accounts are being transferred. However, there must be close coordination with the civilian payroll office's major command/claimant, the DFAS Center which has responsibility for the closing civilian payroll office, and the consolidated civilian payroll office which will assume responsibility for the transferred accounts. These procedures must be completed within 90 days after the date the payroll accounts are transferred to the consolidated civilian payroll office.

010504. Actions Required by the Losing Civilian Payroll Office

★ A. Notify Affected Parties. All parties who are currently receiving support from the civilian payroll office that is to be disestablished must be informed that the existing payroll servicing arrangement is being changed and when that change will occur. It is recommended that these parties be notified well in advance of the transfer, but not later than 30 days prior to the date of the actual transfer. For consolidations occurring overseas, it is recommended that notification be made not later than 45 days prior to the date of actual transfer.

★ 1. The following is a list of affected parties who should be notified of the impending change of the payroll servicing arrangement. Sample letters that may be used for that

purpose are shown in Figures 1-1 through 1-12. While the list is intended to be all inclusive, individual civilian payroll offices may have unique customers who are not mentioned. If this situation should occur, the losing civilian payroll office must develop a letter for those customers using one of the sample letters as a basis.

a. The appropriate HRO providing support to the civilian payroll office. The appropriate HRO will be responsible for notifying labor organizations and professional associations. See Figure 1-1.

★ b. Each Internal Revenue Service (IRS) District to which payments for tax levies is submitted. See Figure 1-2. Inform the IRS office that there will be no further annual civilian pay reporting for the losing civilian payroll office EIN. The consolidated civilian payroll office may submit adjustments to prior tax reports. See Figure 1-3.

c. Each state and local taxing authority for which withholding is being made (including those taxing authorities who do not have an agreement with the Department of the Treasury but for whom employees are making tax payments via allotments). See Figure 1-4.

★ d. The National Finance Center (NFC), as the TSP Recordkeeper. Adjustments prior to conversion will be made using the old payroll office number. See Figure 1-5.

e. Each court to which alimony, child support, bankruptcy, and commercial debt payments are being remitted. See Figure 1-6.

f. The supporting Federal Reserve Bank (FRB) and other financial institutions to which remittances are being made. See Figure 1-7.

★ g. The OPM. Adjustments prior to conversion will be made using the old payroll office number. See Figure 1-8.

h. Each NAF Employee Benefit System for whom retirement deductions are being remitted under the Portability of Benefits for Nonappropriated Fund Employees Act of 1990, P.L. 101-508, (reference (e)). See Figure 1-9.

i. Each Combined Federal Campaign (CFC) office for which charitable contributions are being remitted. See Figure 1-10.

★ j. Employees making installment payments by check or money order for indebtedness to the U.S. Government. See Figure 1-11.

★ k. The Defense Manpower Data Center (DMDC) and DFAS-Cleveland Center for salary offsets which will be processed at the consolidated civilian payroll office. See Figure 1-12.

★ l. Health Benefits Insurance Carriers. Inform insurance carriers by preparing an SF 2811 (Transmittal and Summary Report to Carrier - Federal Employees Health Benefits Program). Attach a system-generated listing, initiated by the civilian payroll office, to the SF 2811 in lieu of individual SFs 2810.

m. Other federal agencies for whom debts are being collected, e.g., Department of Education or Department of Veterans Affairs.

B. Prepare Employee Substantiating Document Files. Although every effort will be made to transfer data through the automated conversion process rather than by transferring hard-copy documents, it will still be necessary to send certain hard-copy documents from the losing civilian payroll office to the consolidated civilian payroll office. In many cases the information may not be contained in the automated files of the losing civilian payroll office and, therefore, would not be a part of the conversion process. In other cases, the documentation is required for legal support for action to be taken by the consolidated civilian payroll office. These hard-copy documents will supplement the automated conversion process and will facilitate the movement of civilian payroll accounts without degradation of timely and accurate payroll service.

1. In order to facilitate the movement of hard-copy documents, the losing civilian payroll office must prepare substantiating document files containing hard-copy documents that must be transmitted to the consolidated civilian payroll office. The files will consist of originals or copies, as appropriate. If the original is forwarded to the consolidated civilian payroll office, the losing civilian payroll office should retain a copy.

★ 2. Substantiating document files may be transmitted in either subject matter or employee sequence, depending on how files are maintained by the losing civilian payroll office. Subject matter files are defined for this purpose as a file maintained for a particular type of document, e.g., bankruptcies.

★ 3. The files will be letter size with the label in the upper left-hand corner. Labels must be either typed or printed legibly. If files are transmitted in subject matter sequence, the subject matter title will be contained in the first line of the upper left corner of the label and the second line will show the losing civilian payroll office name and number. All documents contained in the subject matter file should contain the employee's name and SSN.

★ 4. If files are transmitted in employee sequence, the first line of the label will contain the employee's SSN; the second line will contain the employee's last name, first name, and middle initial in that order; and the third line will show the losing payroll office name and number. The files will be assembled in either SSN sequence within payroll block or straight SSN sequence and sent as one package to arrive at the consolidated civilian payroll office not later than the end of the first week following conversion.

5. Listed below is documentation that must be included in the substantiating document file and transferred to the consolidated civilian payroll office:

a. Indebtedness to the U.S. Government. Forward a copy of documentation to support current collections with the unpaid balance of the debt, the appropriation or fund cite to be used, and the remittance address. Examples of indebtedness to the U.S. Government are advance of pay, government property lost or damaged/report of survey, travel collection, health benefits for leave without pay, Office of Workers' Compensation Programs (OWCP) leave buy back, or salary overpayment.

b. Form 668-W (Notice of Levy on Wages, Salary, and Other Income). Forward the original IRS tax levy (voluntary or involuntary) showing the unpaid balance. Any levies received after payroll accounts have been transferred should be forwarded directly to the consolidated civilian payroll office.

c. Court Ordered Bankruptcy. Forward the original court orders and addendums with balance due on the current order. Any court orders received after payroll accounts have been transferred should be forwarded directly to the consolidated civilian payroll office.

★ d. Court Ordered Garnishment. Forward a copy of the most current garnishment for alimony, child support, and/or commercial debt including addendum. If the garnishment was for a set amount, furnish the unpaid balance. Any court orders received after payroll accounts have been transferred should be forwarded in accordance with subparagraph 041202.C.

e. Authorizations of NAF 401k Contributions. Forward a copy of the authorization which supports employee contributions to a NAF 401k plan allowable by the Portability of Benefits for Nonappropriated Fund Employees Act of 1990 (reference (e)).

f. TSP Retroactive Contribution Authorization. Forward a copy of the authorization made by an employee who is currently making retroactive TSP contributions allowable by the Thrift Investment Board under its error correction procedures.

g. SF 1190. Forward a copy of the latest SF 1190 if the data is not included in the automated conversion process. The SF 1190 will be used to support payment of allowances and differentials in foreign areas.

★ h. Form TSP-22 (TSP Loan Payment Allotment Form). Forward a copy of all Forms TSP-22 which support TSP loan information.

i. SF 1150. Forward a copy of the SF 1150 if all leave data is not included in the automated conversion process. The SF 1150 will be produced and leave balances annotated in the remarks section if credit hours, compensatory hours, advance annual or sick leave, restored and/or reinstated leave, and compensatory time off for religious reasons are not included in the automated conversion process. Ensure all absence without pay, home leave, and military leave including leave for law enforcement purposes are annotated on the SF 1150 in blocks 16 through 23.

(1) Compensatory time balances must include the overtime rate of pay at which each occurrence of compensatory time was earned.

(2) Restored/reinstated leave information must include the effective date, the termination date, and the balance of each occurrence.

j. SF 1150A. Forward a copy of the SF 1150A if all donated leave data are not included in the automated conversion process. Information concerning individual donors and balances must be included in order to return unused leave.

k. LES. Forward a copy of the LES used to establish temporary leave balances for recent employee accessions when an SF 1150 has not been received by the losing civilian payroll office.

l. Authorization for Physician's Comparability. Forward a copy of the physician's comparability allowance service agreement (or equivalent) annotated with the unpaid balance.

m. Statement of Annual Annuity Amount for Reemployed Annuitants. Forward a copy of the most recent SF 50 or other documentation that supports the amount of biweekly salary offset for reemployed annuitants.

n. OPM Form 1514. Forward a copy of each OPM Form 1514 with an unpaid balance, a copy of the related SF 2806/3100, and supporting SF 2803/3108 (Application to Make Deposit or Redeposit). Ensure that the copy of OPM Form 1514 forwarded to the consolidated civilian payroll office includes postings for the final pay period paid by the losing civilian payroll office. NOTE: One pay period prior to conversion, forward an advance copy of OPM Form 1514. Ensure that the final OPM Form 1514 is included in the substantiating document file.

o. Form W-5 (Earned Income Credit Advance Payment Certificate). Forward a copy of the Form W-5 to support payment of the advance earned income credit if data is not included in the automated conversion process. If the transfer occurs the last pay period of the year, do not forward. The employee must submit a new Form W-5.

p. Continuation of Pay, Workers' Compensation, and Buy Back of Leave. Forward a copy of the documentation that supports payment of continuation of pay and/or places an employee on workers' compensation if available. Forward copies of the documentation to support buy back of leave.

q. SF 1154 (Public Voucher for Unpaid Compensation Due a Deceased Civilian Employee). Complete and forward an SF 1154 for each deceased employee who has not been officially separated from the payroll system and whose unpaid compensation has not been paid to the beneficiaries. The face of the SF 1154 should be completed only for the block beginning "Amount of unpaid compensation due....". The Summary of "Unpaid Compensation" on

the reverse of the SF 1154 must be completed in its entirety. Ensure that any unpaid compensation placed in the deposit fund account is transferred to the consolidated civilian payroll office via hard copy check. The consolidated civilian payroll office will make the payment to the beneficiaries using the SF 1154 furnished by the losing civilian payroll office upon receipt of the SF 1153 (Claim for Unpaid Compensation of Deceased Civilian Employee) from the appropriate HRO.

★ r. Unprocessed Documents. The CSR should process documents that have been received, but were not processed prior to the transfer of payroll accounts, to the consolidated civilian payroll office. Processing should be in accordance with procedures established for that CSR.

s. Severance Pay Authorization. Forward a copy of an SF 50 for each employee authorized and receiving severance pay. Annotate the remaining severance pay to be paid and weekly severance amount, if not included in the automated conversion process.

C. Prepare Payroll Office Substantiating Document Files. While the majority of employee-related information will be a data transfer as part of the automated conversion process, historical data to support the summary or civilian payroll office level will not be included. Therefore, it will be necessary to transfer certain documents that support actions taken by the losing civilian payroll office in the past.

1. In order to facilitate the movement of hard-copy documents, the losing civilian payroll office must prepare a civilian payroll office substantiating document file that consists of copies of the original documents. The losing civilian payroll office will retain the original documents in accordance with the General Records Schedule 2 (reference (g)). This will enable the consolidated civilian payroll office to make future corrections or adjustments as necessary.

★ 2. The files will be letter size with the label in the upper left-hand corner. The first line of the label will contain the applicable calendar year; the second line will show the losing civilian payroll office employer identification number (EIN); and the third line will contain the civilian payroll office name and number. One file for each calendar year will be assembled and sent as one package to the consolidated civilian payroll office as soon as practical, but not later than the end of the first week following conversion.

3. Listed below is the documentation that must be included in the substantiating document file:

a. Form 941 (Employer's Quarterly Federal Tax Return) and Form 941c (Statement to Correct Information Previously Reported on the Employer's Federal Tax Return). Forward copies of Forms 941 and 941c for the quarters of the current year plus the quarters for the three years prior to transfer to the gaining civilian payroll office;

★ b. Form W-3 (Transmittal of Wage and Tax Statements) and Form W-3c (Transmittal of Corrected Income and Tax Statements). Forward copies of Forms W-3 and

W-3c for the current year of conversion plus the three years prior to conversion for the losing civilian payroll office.

★ c. State and Local Tax Returns. Forward copies of all state and local tax reporting files for the current year and the prior three years; and

★ d. SF 135 (Records Transmittal and Receipt). Furnish copies of the SF 135 with accession number and storage bin number after the files have been forwarded to the National Personnel Records Center (NPRC) for the current and previous six years.

D. Complete Final Pay Period Processing. The losing civilian payroll office must complete processing for the last pay period for which it has responsibility. Completion of these actions will allow employee records to contain the most current information to be included in the automated conversion process.

1. Compute and process final salary and other payments.

a. Prior to processing the final pay period, ensure that all time and attendance reports have been received from employing activities and that all documentation has been received from the appropriate HROs and employees. The losing civilian payroll office will establish and publish cutoff dates for receipt of all documents for this last pay period.

b. Responsibility for special payments will be determined based upon time frames within which the automated conversion process is completed. Payments made after the last payday and before the automated conversion process is accomplished are the responsibility of the losing civilian payroll office. It is crucial that employee records be updated with such payments prior to the automated conversion processing. Payments made after the last payday and after the automated conversion process is accomplished are the responsibility of the consolidated civilian payroll office.

2. Prepare, balance, and distribute final pay period pay, leave, and management reports. Complete pay period processing in accordance with regular biweekly procedures and make final distribution of management reports. It is suggested that these reports be annotated "FINAL" and a short memorandum attached stating these are the last reports to be sent from this civilian payroll office and that future reports will be sent from the consolidated civilian payroll office. Furnish the consolidated civilian payroll office copies of certified documents, e.g., Form 941, state and local tax reports.

3. Produce SFs 2806/3100. Those civilian payroll offices whose automated system maintains and produces SFs 2806/3100 should ensure that these records are produced for the final pay period paid. Fiscal history records should be closed out for the current year, and the service history should reflect the last SF 50 or other applicable documentation.

E. Reconcile and Clear/Remit Deposit Fund Account Balances. Moneys that have been placed in deposit fund accounts pending remittance to the applicable payee must be

remitted immediately after the final pay period. These accounts must not contain a balance after payroll accounts have been transferred to the consolidated civilian payroll office. Any moneys remaining in these accounts after final remittances have been made must be reconciled and the account cleared. Listed below are types of accounts that may contain balances after completion of final pay period processing along with instructions for the disposition of those balances.

1. State and Local Tax. The disbursing office will remit all state and local taxes that have been withheld from employees, but not paid to the applicable taxing authority regardless of the regular payment schedule. Annotate the payment as "FINAL" and inform the taxing authority that future payments will be forthcoming from the consolidated civilian payroll office. An exception is the civilian payroll office which reports non-payroll type taxes under the same employer identification number as the civilian payroll office. For those, do not mark the remittance as "FINAL."

2. Savings Bonds. The bond issuing agent or disbursing officer shall remit all savings bond balances in the form of a Treasury check made payable to the disbursing officer (in his/her official capacity) at the consolidated civilian payroll office. Accompanying the check should be a listing or report which contains each employee identified by name, SSN, and the unpaid balance.

3. Indebtedness. Remit all collections that have been made for indebtedness that have other than a biweekly remittance schedule. Annotate the payment as the last one from the losing civilian payroll office and inform the creditor agency that future payments will be forthcoming from the consolidated civilian payroll office.

4. Other Items Not Remitted on a Biweekly Basis. Remit all collections that have been made for items that have other than a biweekly remittance schedule, e.g., monthly allotments. Annotate the payment as "FINAL" and inform the payee that future payments will be forthcoming from the consolidated civilian payroll office.

5. Beneficiary Compensation. Remit unpaid compensation due beneficiaries of deceased employees in the form of a Treasury check made payable to the disbursing officer at the consolidated civilian payroll office. Accompanying the check should be a listing or report containing the deceased employee's name, SSN, and the amount of unpaid compensation due. This information should support the SF 1154 contained in the employee substantiating document file transferred to the consolidated civilian payroll office and should be only for those deceased employees who have not been officially separated from the payroll system.

F. Prepare and Remit Quarterly and Annual Reports. Although the final pay period paid by the losing civilian payroll office may not coincide with the last pay period of the quarter or of the pay or leave year, the losing civilian payroll office will prepare reports or submit documentation to the applicable office.

1. Individual Leave Record (or equivalent). Prepare Individual Leave Records (or equivalent) for the year of transfer, if not previously produced. These records will be

maintained at the losing payroll office site for research and reference on the part of the consolidated civilian payroll office until the accounting activity is consolidated to a DFAS Operating Location (OPLOC).

2. Individual Pay Record (or equivalent). Prepare the Individual Pay Record (or equivalent) for the year of transfer, if not previously produced. These records will be maintained at the losing payroll office site for research and reference on the part of the consolidated civilian payroll office until the accounting activity is consolidated to an OPLOC.

3. Form 1099-MISC (Miscellaneous Income). Prepare and distribute unissued Form 1099-MISC (or Form W-2) to beneficiaries of deceased employees for whom the SF 1153 has been received. Distribution of the Form 1099-MISC (or Form W-2) to beneficiaries of deceased employees should be made as soon as payment has been made. The Form 1099-MISC will be prepared and submitted to the Social Security Administration (SSA) with the Form 1096 (Annual Summary and Transmittal of U.S. Information Returns). Transfer unpaid beneficiary compensation to the consolidated civilian payroll office in accordance with subparagraph 010504.E.5.

4. Form W-2 (Wage and Tax Statement). The Form W-2 for the current year may not be available when payroll accounts are transferred to the consolidated civilian payroll office. Therefore, it will not be possible to print and distribute these tax statements. The civilian payroll office assuming responsibility for the payroll accounts shall print and distribute Forms W-2 at the end of the current tax year using the EIN and address of the losing civilian payroll office. The losing civilian payroll office shall be responsible for undeliverable tax statements except in the case of a complete base closure. In the case of a base closure, the consolidated civilian payroll office shall assume responsibility for undeliverable Forms W-2. See subparagraph 090207.C.1. for additional information.

5. Form 941/941c. Prepare and balance the Form 941 for all wages, deductions, and contributions for the quarter of conversion and prepare Form 941c for prior quarters as necessary. Mail these tax reports as soon as all necessary balancing has been done. Form 941/941c must be filed within the time limits specified in Circular E (reference (h)). Inform the IRS of the gaining civilian payroll office's address and EIN.

6. Federal Tax Reporting. Magnetic tape specifications for the current year may not be available when payroll accounts are transferred to the consolidated civilian payroll office. Therefore, it may not be possible to create the year-end tape at the time payroll accounts are transferred. Conversion procedures will contain instructions for preparation and delivery of data files that will be used in creating the magnetic tape.

7. State and Local Annual Tax Reports. Prepare all state and local tax reports for the year of transfer. Taxable wages and year-to-date tax deductions must be balanced for all affected employees and any necessary corrections or adjustments made. Submit all state and local annual tax reports to the applicable taxing authority as soon as they are balanced and

reconciled. State and local tax reports must be filed within the time limits specified by the state or local authority.

8. Department of Labor Quarterly Continuation of Pay Report. Prepare the Department of Labor Quarterly Continuation of Pay Report as of the last pay period paid by the losing civilian payroll office. Submit the Department of Labor Quarterly Continuation of Pay Report in accordance with normal distribution instructions as soon as possible after the end of the last pay period paid, but not later than 30 days after the date of the last payday.

9. Report of Work Years and Personnel Costs for DoD Civilian Employment (0197-OPM-AN). Prepare Part C (Leave Earned and Used) of the Report of Work Years and Personnel Costs for DoD Civilian Employment as of the last pay period paid by the losing civilian payroll office. Part C was formerly Part D and has been redesignated for fiscal year 1992. The report should contain leave information for all pay periods paid during the current leave year by the losing civilian payroll office. Submit the Report of Work Years and Personnel Costs for DoD Civilian Employment in accordance with instructions as soon as possible after the end of the last pay period paid, but not later than the regularly scheduled submission date.

10. Report of Personnel and Payroll Outlays by Operating Location (RCS: DD-COMP(A) 1600). Prepare the Report of Personnel and Payroll Outlays by Operating Location as of the last pay period paid by the losing civilian payroll office. The report should contain information from the fourth quarter of the prior calendar year and all pay periods paid prior to the transfer of payroll accounts to the consolidated civilian payroll office. Submit the Report of Personnel and Payroll Outlays by OPLOC in accordance with instructions as soon as possible after the end of the last pay period paid, but not later than the regularly scheduled submission date.

11. Report of Collections for Federal Salary Offset (RCS: DD-COMP(M) 1659). Prepare the Report of Collections for Federal Salary Offset as of the last pay period paid by the losing civilian payroll office. The report should contain all collections made during the month in which the losing civilian payroll office accounts are transferred to the consolidated civilian payroll office. Submit the Report of Collections for Federal Salary Offset to the departmental level as soon as possible after the end of the last pay period paid, but not later than the regularly scheduled submission date.

G. Balance, Close Out, and Transfer Retirement Records. All SFs 2806/3100 must be balanced, closed out, and transferred from the losing civilian payroll office. The OPM has agreed to accept all SFs 2806/3100 for the CSRS/FERS as a part of the consolidation initiative. This includes those records being maintained for frozen CSRS accounts and military deposits. Records will only be forwarded to the OPM when the civilian payroll office, the departmental reporter, and the OPM are in balance. Listed below are the tasks that must be accomplished in order to submit the SFs 2806/3100.

1. Resolve Retirement Plan Discrepancies. Employees who have been erroneously placed in an incorrect retirement plan, and whose records have not been adjusted, must have such adjustments completed prior to submitting the records to the OPM. Complete

adjustment actions underway to correct the SFs 2806/3100 and correct associated reports such as the SF 2812 (Journal Voucher and Report of Withholdings and Contributions for Health Benefits, Group Life Insurance and Retirement) and Form 941 as necessary. Inform the consolidated civilian payroll office of any changes to previously converted data such as year-to-date Social Security and Medicare wages. In addition, request the appropriate servicing HRO perform a review of employee records to ensure that previously reported retirement plans are correct. Ensure that frozen CSRS accounts have been properly handled in accordance with instructions contained in OPM Operating Manual, the CSRS and FERS Handbook for Personnel and Payroll Offices (reference (i)).

2. Complete SF 2806/3100 Posting. Ensure that the name history, date of birth, SSN, payroll office information, service history, and fiscal history on the SF 2806/3100 are completely posted. The name history and service history must contain all SF 50 data received during the last pay period. The fiscal history calendar year salary deductions for the current pay year must include deductions for the last pay period paid by the losing civilian payroll office. Annotate the last entry of the service history with the following: "Transfer of payroll function to the Defense Civilian Pay System -- (name of consolidated civilian payroll office)." For example, the records for those payroll accounts transferred to the DFAS-Denver Center would read: "Transfer of payroll function to Defense Civilian Pay System - DFAS-Denver Center."

3. Balance SFs 2806/3100. The monetary amount contained on the last posting on the fiscal history accumulative total salary deductions for each hard copy SF 2806/3100 must be in agreement with cumulative retirement deductions for each employee contained in the automated civilian payroll system. Ultimately, this amount must also be in agreement with cumulative amounts agreed upon by the OPM and the departmental level. Discrepancies must be resolved and corrective action taken to adjust either cumulative retirement deductions and/or hard copy SFs 2806/3100.

4. Balance Military Deposit Worksheets. Ensure that all repayments (cash collections or payroll deductions) made for military service credit deposits have been posted to the OPM Form 1514 and the remaining balance reflects accrued interest through the date of the last payment. Ensure that each OPM Form 1514 is supported by, and is in agreement with, the SF 2806 or SF 3100 maintained for that purpose. This SF 2806/3100 is separate and apart from the SF 2806 or SF 3100 maintained for regular retirement. Ensure that all collections have been reported via the SF 2812.

5. Balance TSP Accounts. Amounts reported to the NFC on Form TSP-2 (Thrift Savings Plan Certifications of Transfer of Funds and Journal Voucher) must be in agreement with amounts reported by the disbursing officer to the departmental level. The departmental level will have performed an analysis of the two amounts based on information provided by the disbursing officer and the NFC. The losing civilian payroll office will be responsible for reconciling the difference and making necessary adjustments.

6. Balance SFs 2812. Amounts reported to the OPM on the SF 2812 must be in agreement with amounts reported by the disbursing officer to the departmental level. The departmental level will have performed an analysis of the two amounts based on information

provided by the disbursing officer and the OPM. The losing civilian payroll office will be responsible for reconciling the difference and making necessary adjustments. Ensure that all collections have been reported via the SF 2812.

7. Certify SFs 2806/3100. Each SF 2806/3100 must be certified for its accuracy. The certification will begin on the line below the last fiscal entry and will carry the annotation "Deductions and service certified correct." The payroll certifying officer will be responsible for signing the certification.

8. Transmit SFs 2806/3100. All SFs 2806/3100 for CSRS and FERS shall be forwarded to the OPM. This includes those records being maintained for frozen CSRS accounts and military deposits. SF 2807 (Register of Separations and Transfers for CSRS) and SF 3103 (Register of Separations and Transfers for FERS) shall be prepared to forward records to the OPM. A copy of the register shall be provided to the consolidated civilian payroll office. In order to minimize the number of registers submitted to OPM, each register except for the last should contain 100 records. The records will be arranged in alphabetical order within the register. Only the last page of the register should contain page totals, totals brought forward from page..., and accumulated totals to date; therefore, except for the final page of each register, cut off each page just above the "Page Totals" block.

a. Employees who separate or retire before their records are transferred to the OPM will have their SFs 2806/3100 submitted immediately in accordance with standard procedures. They will not be batched with other records submitted to the OPM as part of the transfer of the payroll function. The consolidated civilian payroll office must be informed of the register number that submits this type of record so the number may be annotated on the retirement transmittal submitted to the OPM from the consolidated civilian payroll office for the same employee. This will allow the OPM to combine both submissions into one package.

★ b. SFs 2807 received by a losing civilian payroll office after payroll accounts have been transferred to the consolidated civilian payroll office will be returned to the sender. Attach the SF 2807 to a memorandum explaining that the payroll accounts have transferred to the consolidated civilian payroll office and the SFs 2806/3100 must be sent to the OPM. A sample memorandum is at Figure 1-13.

★ 9. Clear OPM Discrepancy Notifications. All outstanding OPM discrepancy notifications must be resolved and returned as soon as possible. The goal is two weeks after the last SF 2806/3100 has been submitted.

★ 10. Microfiche SFs 2806/3100. A permanent record of SFs 2806/3100 must be made in case they are lost or destroyed during submission. Microfiche all SFs 2806/3100 prior to shipment from the losing civilian payroll office. Microfiche must be of a quality acceptable for the General Records Schedule 2 (reference (g)). Retirement cards are to be filmed in the same order as they appear on the register to OPM. The quality of the product should be reviewed after records are microfiched to ensure the records are legible. Two sets of microfiche must be produced.

One set must be retained as a part of the documents retained by the losing civilian payroll office and one set must be forwarded to the consolidated civilian payroll office.

★ H. Complete In-Process Adjustments. Losing civilian payroll offices may have work in progress that will not be completed prior to the transfer of payroll accounts to the consolidated civilian payroll office. Examples of these types of adjustments would include research and recalculation of retroactive adjustments to pay, leave, and deductions for court cases such as Armitage, et al. v. United States, MSPB and FLRA judgments, arbitrations, grievances, unfair labor practice determinations, and settlement agreements. The consolidated civilian payroll offices will not assume the responsibility for completion of these actions.

1. Adjustments for active employees that have not been updated in the losing civilian payroll office's current payroll system will not be included in data converted for the consolidated civilian payroll office. The losing civilian payroll office must complete the action and inform the consolidated payroll office of the results so that office may take the appropriate action.

2. Inactive employee records will not be converted for the consolidated civilian payroll office. The losing civilian payroll office must complete the in-process adjustment and take appropriate action to ensure the records and reports applicable to that office includes the adjusted amounts. Forward any report which has changed and which was previously included in the payroll office substantiating document files to the consolidated civilian payroll office.

★ I. Maintenance and Disposition of Historical Files

1. The losing civilian payroll office/accounting activity will be responsible for maintenance and disposition of those residual records that are not forwarded to the consolidated civilian payroll office. Records disposition will be in accordance with the General Records Schedule 2 (reference (g)).

2. Upon consolidation of the accounting activity to an OPLOC, provide microfiched copies of the residual employee pay records (or equivalent), leave records (or equivalent), and time and attendance records (as available) to the consolidated civilian payroll office. The quality of the product should be reviewed after records are microfiched to ensure that records are legible. Microfiched records which are not of an archival quality will not be accepted by the consolidated civilian payroll office.

a. Forward only the residual microfiched records that have not met disposition requirements in accordance with the General Records Schedule 2 (reference (g)). These records should be in chronological order, by pay block (if applicable) and SSN. For civilian payroll offices using other than the SSN for record sequencing (i.e. employee identification number or name), a listing should be provided, either on microfiche or hard copy, for converting the employee identification number or name to the SSN.

b. Forward either the hard copy or microfiched pay records to the NPRC. For civilian payroll offices using other than the SSN for record sequencing, also forward a

copy of the above mentioned listing to the NPRC. Forward to the consolidated civilian payroll office a copy of the SF 135 that accompanied these records to the NPRC.

c. Dispose of remaining records in accordance with local disposition procedures.

d. Employee and payroll substantiating files as specified in subparagraphs 010504.B. and C. may be disposed of in accordance with local disposition procedures since copies or originals of these documents have already been forwarded to the consolidated civilian payroll office.

MEMORANDUM FOR HUMAN RESOURCES OFFICERS

SUBJECT: Change in Payroll Servicing Arrangement

The payroll office located at (local civilian payroll office name and address), Payroll Office Number _____, is scheduled to be consolidated into the (name of consolidated site - Charleston, Denver, or Pensacola) effective with the pay period beginning _____. The Payroll Office Number assigned to the (name of consolidated site) is 97-38-(number).

This memorandum is to notify you officially of the impending change in the payroll servicing arrangement, and to request that you disseminate this information to all affected parties including state unemployment offices. We are particularly interested in ensuring that all labor organizations and other like employee associations be notified well in advance of the change in servicing arrangement and the effective date so they may inform their members. The (name of consolidated site) will be forwarding a "welcome" package to you under separate cover. This package will explain in greater detail the payroll services that will be provided and will also outline changes that you may expect.

It is also requested that you initiate action to change the servicing Payroll Office Number associated with each employee record contained in your automated civilian personnel system. This change is necessary to ensure that automated submissions of entitlement and deduction data are directed to the proper payroll office. The change in servicing Payroll Office Number should be made after completing all transactions for the pay period ending _____, and before initiating the first transaction for the pay period beginning _____. We have established a cut off date of _____ which will be the last date transactions may be received and processed by this payroll office. You are requested to make every effort to honor this date as we must be in a position to complete final pay period processing and prepare for the transfer of payroll files to the consolidated site.

The point of contact for (local civilian payroll office) is _____. He/she may be reached at _____. The point of contact for the (name of consolidated site) is _____. He/she may be reached telephonically at _____, or by addressing mail to (provide address).

Local Finance and Accounting Officer

Attachment

★Figure 1-1 (Sample Memorandum to Human Resources Officers)

Internal Revenue Service
Street Address
City, State ZIP Code

Dear Sir:

The payroll office located at (local civilian payroll office name and address) is scheduled to be consolidated into the (name of consolidated site - Charleston, Denver, or Pensacola) effective with the pay period beginning _____.

This letter is to notify you officially of the impending change in the payroll servicing arrangement, and to inform you that remittances for tax levies and voluntary repayment of delinquent taxes will no longer be made by this payroll office after _____. Enclosed is a list of employees within your jurisdiction for which this office is making payroll deduction for tax levy(s). The Form 668-W (Notice of Levy on Wages, Salary, and Other Income) provided to this payroll office has been forwarded to the (name of consolidated site) as part of the official records of that office. The (name of consolidated site) will honor the Notice of Levy, and you may expect to receive the first remittance on or about _____. Levies, which have been misrouted to this office and received after, _____ will be forwarded directly to the (name of consolidated site).

The point of contact for (local civilian payroll office) is _____. He/she may be reached at _____. The point of contact for the (name of consolidated site) is _____. He/she may be reached telephonically at _____, or by addressing mail to (provide address).

Sincerely,

Local Finance and Accounting Officer

Enclosure

★Figure 1-2 (Sample Letter to Internal Revenue Service for Levies)

Date_____

Internal Revenue Service
(Enter address of Regional Service Center)
_____
_____

Dear Sir:

The purpose of this letter is to advise you that all civilian payroll accounts located at _____ _____, Employer Identification Number (EIN) _____ will be moved to a consolidated civilian payroll office located at _____, effective _____.

The _____ uses Employer Identification Number _____. Its address is:

_____
_____
_____

Civilian employees affected by the consolidation will receive two Wage and Tax Statements (Forms W-2) for tax year ___. _____ will issue Forms W-2 to employees and submit federal tax reports to the IRS through _____. The _____ will also issue Forms W-2 to employees for wages paid beginning _____ through the end of the current tax year. Although _____ will perform no further annual civilian payroll reporting after tax year _____, we may have occasion to report certain adjustments for civilian employees against it in the future. Therefore, it must continue to be available for this purpose. Any questions, which pertain to the planned consolidation, should be directed to _____.

Sincerely,

Local Finance and Accounting Officer

★Figure 1-3 (Sample Letter to Internal Revenue Service for Closure)

State/Local Taxing Authority
Street Address
City, State ZIP Code

Dear Sir:

The payroll office located at (local civilian payroll office name and address), Employer Identification Number (EIN) _____, is scheduled to be consolidated into the (name of consolidated site -- Charleston, Denver, or Pensacola) effective with the pay period beginning _____.

This letter is to notify you officially of the impending change in the payroll servicing arrangement, and to inform you that this payroll office after will no longer make the withholding and remittance of taxes for your jurisdiction _____. The (name of consolidated site), EIN _____, will be withholding taxes according to your published formulas, and remittance will be in accordance with your agreement with the Department of the Treasury.

We will be providing you tax reports as a part of our normal disestablishment procedures. These reports will include those normally furnished to you after the end of the tax year other than Form W-2 and automated reporting media. The Form W-2 to individual employees will be produced and distributed after the end of the tax year by the consolidated payroll office. You will also receive year-end automated reporting at that time.

The point of contact for (local civilian payroll office) is _____. He/she may be reached at _____. The point of contact for the (name of consolidated site) is _____. He/she may be reached telephonically at _____, or by addressing mail to (provide address).

Sincerely,

Local Finance and Accounting Officer

★Figure 1-4 (Sample Letter to State/Local Taxing Authority)

National Finance Center
Thrift Savings Plan Operations Office
P.O. Box 61150
New Orleans, Louisiana 70161-1500

Dear Sir:

The payroll office located at (local civilian payroll office name and address), Payroll Office Number _____, is scheduled to be consolidated into the (name of consolidated site - Charleston, Denver, or Pensacola) effective with the pay date of _____. The Payroll Office Number assigned to the (name of consolidated site) is 97-38-(number).

This letter is to notify you officially of the impending change in the payroll servicing arrangement so that you may make the necessary changes to your records. Employee data records for the final submission from this payroll office will contain the TSP Separation Code "T" for those records that are being transferred to the (name of consolidated site). All other records will carry the TSP Separation Code applicable to the particular employee being reported. Enclosed is a list of employees currently having deductions made for TSP loans. Documentation to support these loans will be transferred to the (name of consolidated site) and you may expect to receive loan payment data along with regular biweekly employee data and payment record submissions.

The point of contact for (local civilian payroll office) is _____. He/she may be reached at _____. The point of contact for the (name of consolidated site) is _____. He/she may be reached telephonically at _____, or by addressing mail to (provide address).

Sincerely,

Local Finance and Accounting Officer

Enclosure

cc:
Thrift Investment Board

NOTE: Address correspondence to the Thrift Investment Board as follows:

Federal Retirement Thrift Investment Board
1250 H Street, NW
Washington, DC 20005

★Figure 1-5 (Sample Letter to National Finance Center)

Court of _____
Street Address
City, State ZIP Code

Dear Sir:

The payroll office located at (local civilian payroll office name and address) is scheduled to be consolidated into the (name of consolidated site - Charleston, Denver, or Pensacola) effective with the pay period beginning _____.

This letter is to notify you officially of the impending change in the payroll servicing arrangement, and to inform you that withholding and remittance of payments for (alimony, child support, bankruptcy, commercial debt) will no longer be made by payroll office after _____. The enclosed list reflects employees who are having deductions made by this payroll office on your behalf. The (name of consolidated site) has been provided the official court documentation and will continue to honor the collection. You may expect to receive remittances from them on a biweekly basis beginning on or about _____.

The point of contact for (local civilian payroll office) is _____. He/she may be reached at _____. The point of contact for the (name of consolidated site) is _____. He/she may be reached telephonically at _____, or by addressing mail to (provide address).

Sincerely,

Local Finance and Accounting Officer

Enclosure

★Figure 1-6 (Sample Letter to Courts)

Federal Reserve Bank/Financial Institution
Street Address
City, State ZIP Code

Dear Sir:

The payroll office located at (local civilian payroll office name and address) is scheduled to be consolidated into the (name of consolidated site - Charleston, Denver, or Pensacola) effective with the pay period beginning _____.

This letter is to notify you officially of the impending change in the payroll servicing arrangement, and to inform you that remittances for net salary payments and allotments will no longer be furnished by this payroll office after _____. Previously completed employee authorization for deposit to accounts will be transferred to the (name of consolidated site) and will continue to honor these authorizations. You may expect to receive the first remittance on or about _____.

The point of contact for (local civilian payroll office) is _____. He/she may be reached at _____. The point of contact for the (name of consolidated site) is _____. He/she may be reached telephonically at _____, or by addressing mail to (provide address).

Sincerely,

Local Finance and Accounting Officer

★Figure 1-7 (Sample Letter to Federal Reserve Bank/Financial Institution)

Chief
Financial Management Division
Retirement and Insurance Division
Office of Personnel Management
Washington, DC 20415-0001

Dear Sir:

The payroll office located at (local civilian payroll office name and address), Payroll Office Number _____, is scheduled to be consolidated into the (name of consolidated site - Charleston, Denver, or Pensacola) effective with the pay period beginning _____. The Payroll Office Number for the (name of consolidated site) is 97-38-(number).

This letter is to notify you officially of the impending change in the payroll servicing arrangement, and to inform you that you will no longer receive biweekly reports for withholdings and contributions. Submission of the last SF 2812 (Journal Voucher and Report of Withholdings and Contributions for Health Benefits, Group Life Insurance, and Civil Service Retirement) will be on _____. Individual Retirement Records for the Civil Service Retirement System and the Federal Employees Retirement System will be forwarded in accordance with agreements you have reached with the Director, Defense Finance and Accounting Service. We will be working closely with our departmental personnel and your staff to ensure that our records are in balance before they are remitted. Any questions concerning our records once they are balanced and forwarded should be directed to the (name of consolidated site).

The point of contact for (local civilian payroll office) is _____. He/she may be reached at _____. The point of contact for the (name of consolidated site) is _____. He/she may be reached telephonically at _____, or by addressing mail to (provide address).

Sincerely,

Local Finance and Accounting Officer

★Figure 1-8 (Sample Letter to Office of Personnel Management)

Nonappropriated Fund Employee Benefit System
Street Address
City, State ZIP Code

Dear Sir:

The payroll office located at (local civilian payroll office name and address) is scheduled to be consolidated into the (name of consolidated site - Charleston, Denver, or Pensacola) effective with the pay period beginning _____.

This letter is to notify you officially of the impending change in the payroll servicing arrangement, and to inform you that remittances for nonappropriated fund retirement will no longer be furnished by this payroll office after _____. Responsibility for deduction and remittance of retirement contributions will be assumed by the (name of consolidated site). You may expect to receive the first remittance on or about _____.

The point of contact for (local civilian payroll office) is _____. He/she may be reached at _____. The point of contact for the (name of consolidated site) is _____. He/she may be reached telephonically at _____, or by addressing mail to (provide address).

Sincerely,

Local Finance and Accounting Officer

★Figure 1-9 (Sample Letter to NAF Employee Benefit System)

Combined Federal Campaign of _____
Street Address
City, State ZIP Code

Dear Sir:

The payroll office located at (local civilian payroll office name and address) is scheduled to be consolidated into the (name of consolidated site - Charleston, Denver, or Pensacola) effective with the pay period beginning _____.

This letter is to notify you officially of the impending change in the payroll servicing arrangement, and to inform you that withholding and remittance of payments for charitable contributions will no longer be made by this payroll office after _____. The (name of consolidated site) will continue to honor previously executed employee authorizations for charitable contributions. You may expect to receive remittances on a biweekly basis beginning on or about _____.

The point of contact for (local civilian payroll office) is _____. He/she may be reached at _____. The point of contact for the (name of consolidated site) is _____. He/she may be reached telephonically at _____, or by addressing mail to (provide address).

Sincerely,

Local Finance and Accounting Officer

★Figure 1-10 (Sample Letter to Combined Federal Campaign)

Name of Employee
Street Address
City, State ZIP Code

Dear Sir:

The civilian payroll office located at (local civilian payroll office name and address) is scheduled to be consolidated into the (name of consolidated site - Charleston, Denver, or Pensacola) effective with the pay period beginning _____.

This letter is to notify you officially of the impending change in the payroll servicing arrangement, and to inform you that collection and processing of your payments for an indebtedness to the U.S. Government will no longer be made by the civilian payroll office after (date). The (name of consolidated site) has been provided the official documentation and will continue to honor your remittances. After the date mentioned above, send your remittances, paid to the order of _____ to the (name of consolidated site).

The point of contact for (local civilian payroll office) is _____. He/she may be reached at _____. The point of contact for the (name of consolidated site) is _____. He/she may be reached telephonically at _____, or by addressing mail to the (name of consolidated site).

Sincerely,

Local Finance and Accounting Officer

★Figure 1-11 (Sample Letter to Employee)

DMDC Monterey/DFAS - Cleveland Center
Street Address
City, State ZIP Code

Dear Sir:

The civilian payroll office located at (local civilian payroll office and address), is scheduled to be consolidated into the (name of consolidated site - Charleston, Denver, or Pensacola) effective with the pay period beginning _____.

This letter is to notify you officially of the impending change in the payroll servicing arrangement so that you may make the necessary changes to your records. Salary offsets will no longer be made by this civilian payroll office after _____. Enclosed is a list of employees having salary offsets and whose documentation will be forwarded to the (name of site) for salary offset. Requests for salary offset that are misrouted to this office and received after _____ will be forwarded directly to the (name of site.

The point of contact for (local civilian payroll office) is _____. He/she may be reached at _____. The point of contact for the (name of site) is _____. He/she may be reached telephonically at _____, or by addressing mail to the (name of site).

Sincerely,

Local Finance and Accounting Officer

Enclosure

★Figure 1-12 (Sample Letter to DMDC Monterey/DFAS Center)

MEMORANDUM FOR FINANCE AND ACCOUNTING OFFICE

SUBJECT: Return of Individual Retirement Records

The civilian payroll office located at (local civilian payroll office and address), Payroll Office Number _____, has been consolidated into the (name of consolidated site - Charleston, Denver, or Pensacola) effective with the pay period beginning _____.

In addition to the transfer of payroll accounts to the consolidated site, the Office of Personnel Management (OPM) has agreed to accept all Individual Retirement Records for the Civil Service Retirement System and the Federal Employees Retirement System. Therefore, as a result of the consolidation effort and the OPM agreement, it is not possible for this office to accept the retirement records attached to SF 2807 IA XX-XX. The attached SF 2807 is being returned to you without action, and the Individual Retirement Records erroneously forwarded to this office must now be forwarded to the OPM. You should prepare an SF 2807 in the OPM series and forward these records as soon as possible after receipt.

Local Finance and Accounting Officer

Attachment

★Figure 1-13 (Sample Memorandum to Finance & Accounting Office)

CHAPTER 2

TIME AND ATTENDANCE

0201 INTRODUCTION

020101. Objective. The payroll functional objective for time and attendance is to ensure that the attendance (i.e., presence and absence) of employees is accurately recorded and reported in order to compute pay, leave, and allowances.

020102. Responsibilities

A. Employing Activity's Responsibilities

1. Timekeepers and time and attendance certifiers have been properly trained.

2. Timekeeping and time and attendance certification processing are performed as required by the designated individuals.

3. All required supporting documentation is available for audit purposes.

4. Procedural guidance is clear and adequate to ensure that timekeeping and time and attendance certification is correctly performed.

5. The timekeepers and time and attendance certifiers make every effort to correct errors prior to electronic certification.

★ 6. All errors that were not detected and corrected prior to electronic certification are promptly reported electronically to the civilian payroll office. These errors would include the failure to enter the correct separation date as well as other time and attendance entries.

★ B. Supervisor's Responsibilities

1. Supervisors are responsible for the timely and accurate preparation, certification, and submission of time and attendance. The supervisor may assign checking of daily attendance and posting of time and attendance to a timekeeper. Assignment of these duties to a timekeeper does not relieve the supervisor of the responsibility for the accuracy of the time and attendance to which he or she certifies including that leave is approved and administered in accordance with applicable policies, regulations, instructions, and bargaining agreements. The supervisor should inform the timekeeper when an employee is on any type of leave, or has worked any type of premium work.

2. Normally, timekeeping responsibilities should be assigned to individuals who are aware of employees' attendance and absence each day.

3. Supervisors should ensure that exceptions to the employee's normal tour of duty are recorded timely and accurately.

4. An alternate timekeeper should be appointed to maintain time and attendance during the absence of the primary timekeeper.

C. Timekeeper's Responsibilities

1. Timekeeping is a critical function. Personnel chosen as timekeepers must be competent and responsible. They are responsible for keeping complete and accurate time and attendance reports. If possible, timekeepers should be collocated with the employees whose records they keep.

2. Organizations may designate supervisors or other employees (secretaries, clerk typists, or others) to serve as timekeepers. Timekeepers may be civilian or military personnel.

3. All employees appointed as timekeepers for time and attendance are responsible for:

★ a. Timely and accurate recording of all exceptions to the employee's normal tour of duty.

★ b. Ensuring, when required, that employees have requested exceptions (e.g., leave usage) to their established work schedules or have attested to their actual work schedules. These requests or attestations should be documented in writing or electronically including: a manually completed hard copy (e.g., a signed SF 71 (Application for Leave); or a sign-in, sign-out sheet), a printout of an automated record (e.g., a time and attendance report) with the employee's signature (written or electronic) or initials affirming the correctness of the data, or an automated or electronic record retained on magnetic medium.

★ c. Ensuring that all entries for overtime and compensatory time earned have been approved, and totals are correct before certification.

0202 REQUIREMENTS

020201. Daily Record of Time. For each civilian employee, a daily record of time in pay and nonpay status or piecework completed shall be maintained by a designated timekeeper who takes no part in preparing the payroll or by electromechanical devices, if permitted by local law. When such devices are used, adequate supervisory surveillance shall be maintained to ensure

proper and accurate time recording. Timekeepers responsible for time and attendance reports shall have positive knowledge as to the employee's presence and absence before marking the report.

020202. Time Period. The time period shown on time and attendance reports shall correspond to the length of a pay period; i.e., if payment is made for a 2-week period, the time and attendance report shall cover a 2-week period.

020203. Charge of Annual Leave. Time and attendance data shall indicate clearly whether annual leave taken is to be charged against the employee's current leave account or to a separate leave account established for restored leave. Unless annual leave taken is identified to an employee's restored account, regular leave will be charged.

020204. Accounting for Time and Leave. The time and attendance data shall reflect a proper and accurate accounting of an employee's actual time and attendance and leave.

020205. Data Element Values. Minimum data element values to be included on time and attendance reports or supporting documentation for each employee are as follows:

A. Employee name and SSN.

B. Pay period number or dates.

★ C. Number of hours worked by day and in total.

D. Number of hours of premium work, by type, to which employee is entitled.

E. Number of credit hours and compensatory time earned.

F. Number of leave hours (by type), credit hours and compensatory time used.

★ G. Dates leave is taken.

H. Any required supporting documentation for absences, e.g., court orders, SFs 71 or military orders.

I. Handwritten signature or automated approval code of an authorizing official.

J. Such other information as may be required in support of operations.

020206. Work Schedules

★ A. Basic Work Requirement. The basic work requirement is defined as the number of hours, excluding overtime hours, an employee is required to work or to account for by charging leave. Generally, a full-time employee's basic work requirement is 80 hours in a pay

period. The Department of Defense Education Activity (DoDEA) employees in pay plan "TP" (which includes educators, principals and assistant principals) are scheduled to work either full or half days. This includes educators employed in part-time and substitute positions. Attendance and absence must be recorded accordingly. If it is necessary to convert time for teacher personnel to hours, eight hours will be used for a full day and four hours for a half-day. An approved work schedule shall be maintained showing the planned arrival and departure for each day to support the time and attendance report.

★ B. Alternative Work Schedules (AWS). Title 5, United States Code, Chapter 61, subchapter II (reference (b)) made the AWS program permanent in 1985. The program permits a variety of flexible and compressed work schedules.

1. Flexible Work Schedule. Under certain flexible schedules, DoD civilian employees may work longer or shorter hours including credit hours on any given workday without taking leave or being paid overtime, as long as their basic biweekly work requirements are met (5 U.S.C. 6123) (reference (b)). By electing to work hours in excess of their tour of duty, employees may also complete the biweekly basic work requirements in fewer than 10 workdays without being paid overtime or being charged leave for the nonworkdays. This provision does not apply to TP pay plan employees.

★ a. Material variances or deviations as determined by the FWS plan must be approved by the supervisor before the change occurs, if feasible, or promptly after occurring, if not feasible. As part of their approval of the change, supervisors or designees must verify that the dates and amounts of material changes have been recorded in the appropriate time and attendance record.

★ b. In the case of a full-time employee, an 80-hour biweekly work requirement allows an employee to determine his or her own schedule within the limits set by the employing activity. A part-time employee determines his or her own schedule for a biweekly work requirement of less than 80 hours. The following are variations of the flexible work schedule:

(1) Flextime is a flexible work schedule that splits the tour of duty into 2 distinct kinds of time--core hours and flexible hours. Under any flextime schedule, an employee must be at work or on approved absence during core hours and must account for the total number of hours he or she is scheduled to work.

(2) Flexitour is a work schedule in which an employee, having once selected starting and stopping times within the flexible hours, continues to adhere to these times. Further opportunities to select different starting and stopping times may be provided subsequently by the employing activity.

(3) Gliding schedule is a flexible work schedule in which an employee has a basic work requirement of 8 hours in each day and 40 hours in each week. They

may select an arrival time each day and may change that arrival time daily as long as it is within the established flexible hours.

(4) Maxiflex is a flexible work schedule that contains core hours on fewer than 10 work days in the biweekly pay period and in which an employee has a basic work requirement of 80 hours for the biweekly pay period (or multiple thereof). The employee may vary the number of hours worked on a given workday or the number of hours each week within the limits established for the organization.

2. Compressed Work Schedule

a. A compressed schedule is a fixed schedule which enables the full-time employee to complete the basic work requirements of 80 hours in fewer than 10 full workdays in each biweekly pay period by increasing the number of hours in the workday. There are no flexible times in a compressed schedule. Employees' times of arrival and departure from work are set, as are the days on which they are to complete the basic work requirement. For employees working under compressed schedules, overtime pay will continue to be paid for work outside the compressed schedule (5 U.S.C. 6121 and 6128) (reference (b)). The two most common compressed schedules are the 4-10 and the 5-4/9 schedules. On the 4-10 schedule, employees work 10 hours a day for 4 days each workweek. On the 5-4/9 schedule, employees work 9 hours a day for 8 days, 8 hours for 1 day, and get 1 day off each pay period. Compressed work schedules are determined either by management or through negotiations with exclusive employee representatives.

b. The recording of absences is treated in the same manner as for employees working a regular or alternative work schedule. However, employees working a compressed work schedule will be charged leave in accordance with their basic work schedule.

★ C. For additional guidance, refer to the OPM Handbook on Alternative Work Schedules (reference (j)).

020207. Approval of Leave. Leave approval may be by handwritten or automated signature. Leave approvals must be in accordance with paragraph 050105.

020208. Overtime and Compensatory Time Earned Authorizations

★ A. An authorized official (preferably the official most knowledgeable of the time worked) will approve any overtime, compensatory time, or holiday work. The approval, which could be documented in writing or electronically, must be retained in accordance with section 0207.

★ B. Approval should be granted before the hours are worked whenever feasible and, when not feasible, as soon as possible after the work has been performed.

C. In granting such approval, care must be taken to distinguish between regular overtime and irregular or occasional overtime in order to properly determine an employee's overtime entitlement.

★ D. Compensatory time earned may be granted for irregular and occasional overtime work only. It is not authorized for regularly scheduled overtime work.

020209. Continuation of Pay (COP)

★ A. An employee who sustains a disabling job-related traumatic injury is entitled to the continuation of regular pay for up to 45 calendar days. See section 0312 for additional information regarding COP.

B. Controls will be established to ensure that employees do not exceed the 45-day limit. COP time will be accounted for as follows:

1. Days are counted on a calendar basis. If an employee is charged COP on Friday and the disability continues through the weekend, he or she is charged COP for Saturday and Sunday. Holidays, weekends, and regular days off following a COP day are counted as COP days. If 1 hour is used to see a physician and 7 hours are worked, it is still counted as 1 COP day. The time and attendance source document will show the actual hours worked in order to give an accurate picture of employee's work record.

2. Unless the injury occurs before the beginning of the workday, time lost on the day of injury should be charged to administrative leave. The period to be charged to COP begins with the first day or shift of disability or medical treatment following the date of injury, provided that the absence began within 45 days after the injury. COP should be charged for weekends and holidays if the medical evidence shows the employee was disabled on the days in question. For example, if the physician indicates that disability will continue only through Saturday for an individual who has Saturday and Sunday off, COP will be charged only through Saturday.

3. If work stoppage occurs for only a portion of a day or shift other than the date of injury, a full day of COP will be counted against the 45-calendar day entitlement, even though the employee is not entitled to COP for the entire day or shift. For example, if an employee who has returned to work uses 3 hours in order to receive physical therapy for the effects of the injury, he or she is entitled to only 3 hours of COP even though 1 full calendar day will be charged against the 45-day limit. If an employee is absent for all or part of the remaining workday, the time loss should be covered by leave, leave without pay (LWOP), absence without leave (AWOL), etc., as appropriate, since absence beyond the time needed to obtain the physical therapy cannot be charged to COP.

4. If the employee is only partially disabled following the injury, and continues to work several hours each workday, each day or partial day of absence from work is chargeable as a full day of COP against the 45-day period.

5. Absences charged to COP and disapproved later by the Department of Labor require conversion to sick or annual leave. If sick or annual leave is not available, COP will be converted to LWOP and reimbursements to the government must be for gross earnings paid while in a COP status. Refer to section 0803 for due process procedures. This collection includes payments made on behalf of the employee and adjustments to the deposit fund accounts by the civilian payroll office.

6. A physician, as necessary, must certify the time the employee takes off due to the injury.

C. Injured employees are permitted to return to duty with lighter jobs or a modification of their own job. When an injured employee returns to duty in an official light-duty status within the first 45 days of disability following an injury, each day or portion of a day in light-duty status will be counted as one day of COP. This also includes any day or portion of a day worked while under injury-related work restrictions imposed by a physician.

020210. Temporary Duty (TDY)

A. When an employee is on TDY, the hours worked and hours of leave will be recorded on the time and attendance document. All time actually spent away from the permanent duty station during the basic workweek will be recorded as time worked or leave taken by the employee's permanent duty station. The travel order will support entries on the time and attendance document for regular time.

B. When an employee is on extended TDY (official government-directed travel of 3 weeks or more in duration), the supervisor may require the employee to submit time and attendance data. Telephone, overnight mail, facsimile machine, or other acceptable means of communication may be used.

0203 TIME AND ATTENDANCE RECORDING

★ 020301. Requirements. Scheduled starting and ending times of the day for each employee or for groups of employees shall be established and recorded. The day an employee's shift begins is designated as the day of work for night and shift differential purposes. These requirements shall be modified for AWS (see subparagraph 020206.B.).

★ 020302. Certification of Absences. Indicated absences shall be initialed or signed by the employee or supported by an approved application for leave. A supervisor may require a medical certificate or other evidence of illness from an employee when granting sick leave. Such certification will be retained by the employing activity in accordance with section 0207.

★ 020303. Verification of Leave Charges. Employees must officially confirm each leave charge, except for administrative leave, AWOL charges, suspension or holiday absences.

020304. Leave Charges. All leave types are charged to the employee either by whole days, whole days or fractional hours.

★ 020305. DoDEA Educator Absences. Absences of DoDEA educators in the TP pay plan shall be recorded in full or half days. When an educator is required to work during any portion of a half-day increment, the educator's time shall be recorded in a duty status for the entire half-day increment. However, an educator who fails to work part of a scheduled increment for unacceptable reasons shall be charged leave or AWOL for the entire increment.

020306. Daylight Saving Time

A. Civilian employees working on a tour of duty when daylight saving time goes into effect are credited with the actual number of hours worked on the tour of duty. The hour lost as a result of the change is charged to annual leave, compensatory time used, credit hour used, or leave without pay, whichever is applicable with the employee's request. Employees may be allowed to work 1 hour beyond the end of their shift.

B. Civilian employees working on a tour of duty when standard time goes into effect are credited with the actual number of hours worked. Any time worked in excess of 8 hours will be paid as overtime and/or compensatory time earned or recorded as credit hours.

★ 020307. Recording Clock. A recording clock may not be used to record time of an employee of an executive department in the District of Columbia. See 5 U.S.C. 6106 (reference (b)).

0204 TIME AND ATTENDANCE CERTIFICATION

020401. Controls. The certification of time and attendance is an authorization for the expenditure of government funds. Each employee's time and attendance report shall be certified correct by the employee's supervisor, acting supervisor, or other designated representative authorized to act as an alternate certifier at the end of the pay period. Certification shall not ordinarily be made earlier than the last workday of a pay period. In some circumstances (such as when a legal holiday falls on a Friday or Monday), it is not practical to operate without an early cutoff. In such cases, additional controls, which shall be demonstrated in the system design, shall be in place and operating. These controls shall ensure that any change in attendance or absence certified by a supervisor that occurs after the cutoff date either is identified and reported before pay computation or is reported for the next pay computation. The employee may initial the corrected entry(ies) or submit an SF 71 for such absence, as appropriate.

020402. Responsibility. All time and attendance reports and other supporting documents shall be reviewed and approved by an authorized official. This official shall be aware of his or her responsibilities for ensuring accuracy of the reports and shall have knowledge of the time worked and absence of employees for whom approval is given.

★ A. Certification of time and attendance documents must be based on knowledge from personal observation, work output, timekeeper verification, from checking data against other independent sources (such as matching starting and ending times of work against sign-in and sign-out sheets or time clock entries), from reliance on other internal controls, or a combination of these. Approving officials must have a reasonable basis for relying on systems of internal control to ensure accuracy and legal compliance when they do not have positive, personal knowledge of the presence and absence of, or other information concerning, employees whose time and attendance documents are being approved. This basis must involve periodic testing of internal controls to ensure that they are working as intended.

B. Approvals shall be made individually for each employee, and a handwritten or automated signature shall be provided for each time and attendance report.

C. A single supervisory signature for a multiple employee report may be made to approve the information recorded for all employees listed on the report. There are three prerequisites for a single signature:

1. The data elements itemized in paragraph 020205. shall appear on the report for each employee listed on the report;

2. Supporting documents required for the information on the report shall be reviewed by the supervisor; and

3. The supervisor shall initial or sign each page of the report and also shall either sign the last page of the report or enter an approval code into an automated system.

D. For computerized ("paperless") time and attendance systems in which time and attendance data is contained in a computer file and displayed on a terminal, a single automated code may be entered by the supervisor to approve the information contained in the file provided that the data elements itemized in paragraph 020205. are contained in the file. The supervisor prior to approving time and attendance data reviews supporting documents or computerized files. A record of changes made to a file, once approved by someone other than the original approving official, is generated and sent to either the original approving official or a designated person other than the one who made the changes.

020403. Delay. Certification of the time and attendance report may not be delayed for the purpose of obtaining the employee's initials or signature for leave when the employee is not available. The employee shall submit a confirming SF 71 upon return to duty.

★ 020404. Maintenance by Employee. Normally, employees may not maintain their own time and attendance reports. The situations in which employees may maintain their own time and attendance recordings are as follows:

A. The employee is the timekeeper;

B. Employees work flexible hours outside the hours of the timekeeper and supervisor;

C. An employee is working alone at a remote site; and

D. Employees are based at, but are frequently away from, the location of their supervisors and timekeepers during working hours.

To provide reasonable assurance that employees are working when scheduled, supervisors can make occasional telephone calls to employees during the times they are scheduled to work and can determine the reasonableness of work output for the time spent.

★ 020405. Prior Approval. When it is not practical for the supervisor to approve a time and attendance record prior to the receipt of supporting documents, the employee may be paid and a subsequent review performed of the documents by the supervisor.

★ 020406. Exceptions. Exceptions to the general prohibition of employees approving their own time and attendance recordings are intended to apply only when it is not feasible for employees described to have their time and attendance report approved by a supervisor. In such instances, the Component head or designee shall grant an official authorization in writing. These exceptions are:

A. An employee working alone at a remote site for long periods;

B. Employees are based at, but frequently away from, the location of their supervisors and timekeepers during working hours; and

C. The employee is head of an organization within an agency that has no supervisor on site.

0205 TIME AND ATTENDANCE REPORTING

★ 020501. Methods. Time and attendance (T&A) data must be transmitted to the payroll system, as required, by using positive (100 percent) reporting or exception reporting. Under positive reporting, all T&A data are reported to the payroll system for each employee. Under exception reporting, only exceptions to the employee's scheduled tour of duty are reported to the payroll system. (NOTE: The appropriate function key must be pressed to denote that all exceptions have been reported) When reporting to the payroll system by source data automation (SDA), positive reporting will be required for each employee.

★ 020502. Controls. Regardless of the reporting method, the controls shall ensure that all required T&A information, including current period corrections and prior period adjustments, are properly reviewed and approved by an authorized offficial and reported timely and accurately.

★ 020503. Generation of a Charge to Annual Leave. If any required T&A data are missing for an employee, the civilian payroll system will generate a charge against the employee's annual leave balance. (NOTE: T&A data are considered missing if (a) under positive reporting, time has not been reported for the employee's entire scheduled tour of duty; or (b) under exception reporting, the appropriate function key has not been pressed to denote that all exceptions have been reported.) If the annual leave balance is not sufficient to support the employee's regularly scheduled tour of duty, the remainder will be charged as shown in Table 5-2. The employee's pay and leave record will be corrected upon submission of the certified time and attendance data.

★ 020504. Source Data Automation (SDA). Refer to section 0209 for information on SDA systems.

0206 ADJUSTMENTS AND CORRECTIONS

020601. Current Period Corrections. Timekeepers will correct errors in data as discussed in subparagraph 020102.C.3.d.

★ 020602. Prior Period Adjustments. If the time and attendance for the current pay period has been processed and a change is required, certified adjusted time and attendance data will be input to the payroll system or forwarded to the civilian payroll office via the CSR. The adjustment will be promptly processed in the employee's pay and/or leave record no later than the pay period following receipt for on-line adjustments.

020603. Electronic Corrections. Electronic corrections for current period corrections and prior period adjustments will be made in accordance with the payroll system's users manual.

0207 RETENTION OF RECORDS

020701. Storage Location. Employing activities shall establish a uniform practice to be followed as to the locations at which the time and attendance reports and related supporting documentation are to be maintained. Time and attendance reports, together with approved applications for leave, overtime approvals, military orders, jury duty certification, etc., may be retained at the timekeepers' offices, or sent to a designated storage location.

020702. Internal Controls. Sufficient internal controls shall be established to prevent unauthorized changes to completed time and attendance reports, regardless of where they are retained.

020703. Retention Period. Time and attendance reports and all other payroll records shall be kept in accordance with records retention requirements as explained in the General Records Schedule 2 (reference (g)). This schedule requires time and attendance reports and other supporting documents to be kept available for audit or for 6 years, and 3 months, whichever occurs first.

0208 LABOR DISTRIBUTION

020801. Interface with Cost Accounting Systems. Civilian payroll systems shall interface with cost accounting systems, if established, to ensure payroll labor costs are distributed and charged to appropriate cost centers. Organizations that operate a formal cost accounting system shall ensure that costs are reconciled to the labor distribution processes no less frequently than monthly.

★0209 SOURCE DATA AUTOMATION SYSTEMS

020901. Requirements. The requirements for obtaining approval to use an SDA were established by DFAS memorandum of November 10, 1992 (reference (k)). The requirements are:

A. The SDA will not cause the need for, or lead to the development of, a new interface to an existing legacy accounting system.

B. The SDA must provide time and attendance data to DCPS in a timely manner each pay period.

C. The SDA must have the capability to receive data from or transmit data to more than one DCPS civilian payroll office.

D. Only one SDA process will be approved per major claimant/major command/Defense activity. Employees not using the SDA must use either the DCPS on-line time

and attendance input system or the DCPS PC-based input system. Effective October 1, 1999, the DCPS PC-based input system will no longer be available.

E. The SDA must have the capability to support supervisory electronic certification of time and attendance, even if the major claimant/major command/Defense activity does not use this capability.

F. The SDA must provide positive acknowledgment of accurate time and attendance prior to payroll processing.

G. Standard DCPS time and attendance codes must be used with the SDA software application.

H. The SDA should support at least 1,000 employees.

I. Use of the SDA must eliminate any need for dual reporting of time and attendance and labor cost data.

020902. SDA Owner Responsibilities. The owner of the SDA is responsible for:

A. Maintaining the SDA software in accordance with DCPS interface specifications.

B. Any Federal Managers' Financial Integrity Act requirement pertaining to the SDA system.

020903. Approval. A request for SDA approval must be routed through the Component's chain of command to Service or Agency Headquarters. If the Service or Agency approves, the request is forwarded to DFAS-HQ for final approval. After approval, contact the Systems Engineering Organization in Pensacola, Florida, to obtain a test schedule and procedures.

CHAPTER 3

PAY ADMINISTRATION

0301 GENERAL PROVISIONS

030101. Payroll Computation

★ A. Payroll computations shall be based on statutorily authorized entitlements and in accordance with 5 C.F.R. 530, 531, 532, 534, 550, 551, 572, 575, 581, 591, 595, 610 and 630 (reference (l)). These entitlements shall be evidenced by an SF 50 or other approved documents, and a time and attendance report for days actually worked and any leave actually taken during the period.

B. Documents supporting entries made in the pay, leave, and allowance records shall consist of SFs 50 and other personnel documents; certified copies of travel orders; time and attendance reports, including any necessary supporting documents such as sign-in and sign-out registers or SFs 71; authorizations or approvals of overtime when required separately from time and attendance reports; pay adjustment authorizations; and similar official records.

C. Source documents need not be transmitted to the civilian payroll office provided the pay entitlement data in such documents are transmitted to the civilian payroll office and controlled by feedback to ensure consideration of that data in the pay computation process; controls are established to ensure that all data which should be transmitted are transmitted; and source documents and transmittal and control evidence are retained for audit in accordance with the General Records Schedule 2 (reference (g)).

D. Civilian payroll personnel shall ensure that payroll data are complete, correct, and accurate. Specifically, civilian payroll office personnel shall ensure that an employee's compensation is consistent with grade, position classification and other individual entitlements (retained grade and pay), and employment location. For example, an employee assigned to stateside duties shall not be paid any foreign area allowances, regardless of authorizing documents. In this example, the human resources organization (HRO) that issued such entitlement documents shall be requested to clarify and/or correct these documents.

E. The pay computation shall be accomplished as soon as possible after the close of the pay period.

F. Pay computations shall be based on the completed time and attendance record maintained for each employee.

★ G. Adequate channels of communication shall exist between the civilian payroll office, the HRO, and the CSR to ensure that all entitlement information is considered in each pay computation. At least every four months, personnel and pay data shall be reconciled and

discrepancies corrected promptly. The functional area that entered the incorrect data shall have primary responsibility for reconciling discrepancies in common data. Also see paragraph 010407.

030102. Notification of Changes to Pay. Notification of changes in pay is the responsibility of the HRO servicing the employee. The civilian payroll office shall adequately inform each employee in writing as to the nature and amount of the changes in gross pay from one pay period to the next. This information may be disclosed on an LES in lieu of a separate written advisory. This information shall be in sufficient detail to show total pay, allowances, deductions, and net pay.

030103. Statutory Ceilings on Compensation

A. Limitations on Premium Pay

1. Except as explained below, premium pay (night pay, compensatory pay, overtime pay, premium pay on an annual basis, and pay for Sunday and holiday work), in combination with basic pay, may not cause the total for any pay period for General Schedule (GS) employees to exceed the maximum rate payable for GS-15. No premium payments or compensatory time may be granted to an employee whose rate of basic pay is greater than the maximum rate for GS-15 (5 U.S.C. 5547(a) (reference (b)) and 5 C.F.R. 550.105 (reference (l)). Computation of the biweekly statutory pay limit for 32 U.S.C. (reference (m)) technicians does not include compensatory time worked. Title 32, U.S.C., section 709 (reference (m)) precludes National Guard technicians from being paid overtime; therefore, compensatory time earned by National Guard technicians will not be paid. For General Schedule (GS) employees receiving a geographic adjustment, the Supplementary Salary table will be followed to determine the GS-15, step 10 rate. Employees in occupations and/or locations for which a special rate has been established for the GS-15 are subject to a biweekly limitation equal to the special rate for GS-15, step 10.

★ 2. When the head of an agency, his or her designee, or the Office of Personnel Management (OPM) determines that an emergency exists, the biweekly limitation described in subparagraph 030103.A.1. does not apply to employees who are paid premium pay for work in connection with that emergency. In such situations, the total basic pay and premium pay for most GS employees are limited to the annual rate for GS-15, step 10, for the calendar year. This limit may include locality-based comparability or special salary rates.

★ 3. The biweekly limitation described in subparagraph 030203.A.1. does not apply to overtime pay earned by employees who are nonexempt from the FLSA (reference (n)).

B. Aggregate Limitation on Pay

1. The FEPCA (reference (e)) and 5 C.F.R. 530, subpart B (reference (l)) established a new aggregate limitation on pay. This limitation applies to members of the Senior Executive Service (SES) who previously were covered by an aggregate limitation that was applied on a fiscal year basis under 5 U.S.C. 5383(b)(1) (reference (b)), as well as to most other federal

employees. Under 5 U.S.C. 5307 (reference (b)), a covered employee may not receive any allowance, differential, bonus, award, or other payment in any calendar year to the extent such payment, in combination with the employee's basic pay, would exceed the rate payable for Level I of the Executive Schedule at the end of that calendar year. Amounts in excess of that amount generally will be paid at the beginning of the next calendar year. If an employee separates from the federal service, the entire excess amount is payable following a 30-day break in service.

★ 2. The aggregate limitation on pay applies to basic pay, allowances, differentials, bonuses, awards, and other similar cash payments made under 5 U.S.C. 5547 (reference (b)). Some of these payments are made on a one-time basis, and some are paid at the same time and in the same manner as basic pay. The FEPCA (reference (e)) classifies these as "continuing payments" and "noncontinuing payments" respectively. The aggregate limitation on pay does not apply to overtime pay earned by employees who are nonexempt from the FLSA (reference (n)).

3. Under the FEPCA (reference (e)), an agency may not authorize any discretionary continuing payment that would cause the total of all continuing payments at any time to exceed the rate payable for Level I of the Executive Schedule (5 C.F.R. 530.203(c)) (reference (l)). Examples of discretionary continuing payments include retention allowances, supervisory differentials, and physicians' comparability allowances. Nondiscretionary continuing payments (e.g., basic pay, locality-based comparability payments or interim geographic adjustments, cost of living allowances, post differentials, and remote work site allowances) are not subject to this regulatory restriction.

4. Finally, the FEPCA (reference (e)) provides that nondiscretionary continuing payments may not be discontinued or deferred for any period of time in order to make a continuing payment or discretionary continuing payment that would otherwise cause an employee's pay to exceed any of the limitations in these regulations. The FEPCA (reference (e)) also establishes an order of precedence for nondiscretionary continuing payments and any authorized physicians comparability allowance when the total of such payments exceeds the rate then payable for Level I of the Executive Schedule (5 C.F.R. 530.203 (e) and (f)) (reference (l)).

030104. Multiple Appointments. An employee shall not be entitled to receive pay from more than one position for more than an aggregate of 40 hours of work in one calendar week (Sunday through Saturday) (5 U.S.C. 5533a) (reference (b)). Generally, there is no restriction on the number of appointments that a person may hold, only upon the number of hours for which the person may be paid. An individual may be given more than one simultaneous part-time or intermittent appointment, or an employee on leave with pay may accept another federal appointment, so long as pay is not received for more than 40 hours a week (unless the employee is regularly paid for more than 40 hours a week under an authorized alternative work schedule) or from two sources for the same hours. The HROs will notify civilian payroll offices of multiple appointments via an SF 50.

0302 BASIC PAY

030201. General Schedule (GS) Employees

A. Basic Pay. Generally, basic pay for these employees means the rate of pay set by the law or an administrative action for the job held before any deductions and exclusive of additional pay of any kind.

B. Pay Computation. Computations will be based on the rates contained in the OPM salary tables.

C. Basic Rates

1. The hourly basic rate is derived by dividing the annual rate by 2,087 with the result adjusted to the nearest cent, counting one-half cent and over as a whole cent.

2. The biweekly rate is derived by multiplying the hourly rate by 80.

3. A daily rate is derived by multiplying the hourly basic rate by the number of daily hours of service.

4. For employees whose pay is monthly or covers one calendar month paid under the provisions of 5 U.S.C. 5505 (reference (b)), the following rules for division of time and computation of pay govern:

a. The pay for one month's pay is one-twelfth of the pay for one year;

b. The pay for one day is one-thirtieth of the pay for one month;

c. The 31st day of a calendar month is ignored in computing pay, except that the pay for one day is forfeited for a day of unauthorized absence on the 31st day of a calendar month;

d. For each day of the month elapsing before entering on duty, the pay for one day is deducted from the first month of pay for the individual.

★ D. Interim Geographic Adjustment (IGA). The IGAs of 8 percent that were authorized for the Consolidated Metropolitan Statistical Areas (CMSA) were discontinued because locality-based comparability payments (see subparagraph 030201.G.), exceeded the 8 percent rate. However, under 5 C.F.R. 531.701 (reference (l)), an IGA will still be taken into consideration when determining continued rates of pay. Refer to Subpart G of 5 C.F.R. (reference (l)) for additional information.

E. Special Higher Minimum Rates for Law Enforcement Officers (LEO) at Grades GS-3 through GS-10. Section 403 of FEPCA (reference (e)) provides LEOs at grades GS-3

through GS-10 worldwide special salary rates, beginning in January 1992. A special salary table number 491 authorized by section 403 of FEPCA, P.L. 101-509 (reference (e)), as amended by P.L. 102-378 (reference (e)), is published by the OPM. The LEOs are entitled to receive the higher of special rates under section 403 of FEPCA or special salary rates under 5 U.S.C. 5305 (reference (b)).

F. Special Pay Adjustment for Law Enforcement Officers (LEO) in Selected Geographic Areas. Section 404 of FEPCA (reference (e)) establishes special pay adjustments of 4, 8, and 16 percent for GS, SES, and senior-level LEOs whose official duty stations are in one of eight designated areas. These special pay adjustments are considered basic pay for retirement, life insurance, premium pay, severance pay, workers' compensation purposes, and for advances in pay. For grades GS-3 through GS-10 only, the rates of basic pay must be used for all other pay administration purposes, except as provided in 5 C.F.R. 531.203(d)(2)(vi) (reference (l)). For all other grades, the rates of basic pay in the General Schedule must be used for all other pay administration purposes. Under 5 U.S.C. 5304(g)(1) (reference (b)), the LEO special pay adjustment, when added to the employee's rate of basic pay under the General Schedule, may not exceed the rate for level IV of the Executive Schedule.

★ G. Locality-Based Comparability Payments. The FEPCA (reference (e)) authorizes the payment of locality pay for GS employees and certain other categories of positions in numerous locality pay areas. Locality pay is considered basic pay for retirement, life insurance, premium pay, advance pay, severance pay, lump-sum leave and workers' compensation purposes. Eligibility is based on where an employee's official duty station, not where he or she lives. Locality pay does not transfer with an employee from one pay zone to another. Employees shall receive whatever rate of pay applies at his or her new duty station. Employees on temporary assignment in a different pay zone shall continuing receiving their current salary. Locality pay does not apply overseas, nor in Alaska or Hawaii.

030201. Employees Under the Performance Management and Recognition System (PMRS)

A. On September 30, 1993, P.L. 103-89, Performance Management and Recognition System Termination Act of 1993 (reference (e)), was enacted, thereby terminating the PMRS on October 31, 1993. The provisions of this law apply to all employees who were covered by PMRS on October 31, 1993, and provide for the transition of former PMRS employees into their agency's Performance Management System and the GS pay plan, with its within-grade increases and waiting periods. It also permits agencies to pay current rates of pay, as adjusted by the 1993 final merit increases.

B. In order to identify all employees who are covered by the provisions of this law, the OPM decided to retain the GM pay plan code. The step for all employees using the GM pay plan code will continue to be "00".

C. All GS employees, including those still designated GM after October 31, 1993, will be eligible for within-grade increases according to the waiting periods established in

statute. The last PMRS merit increase received, including one for zero dollars, is an equivalent increase for the purpose of calculating and completing the prescribed waiting periods. Within-grade increases have the dollar value of one-ninth of the pay range and employees will have that increase added to their basic pay rate (including an off-step rate) upon completion of the appropriate waiting period, provided performance has been at an acceptable level of competence.

D. Promotion, change to a lower grade, a break in service of more than three days, transfer to another non-DoD agency, or reassignment to a nonsupervisory or nonmanagement position will end an employee's coverage under P.L. 103-89 (reference (e)). At that time, the employee's rate of basic pay will be adjusted to the designated GS step rate that meets or exceeds the current rate of pay, not to exceed step 10.

030202. SES Employees

A. Definition. In accordance with 5 U.S.C. 5381-5385 (reference (b)), SES employees are in positions in the Executive Branch which were formerly classified at GS-16, 17, and 18, and Executive Levels IV or V (or their equivalents) which do not require Senate confirmation. Nonsupervisory positions are not covered unless they carry significant policy-making responsibilities.

B. Rate of Pay. There are six rates of basic pay for SES employees. The minimum rate of basic pay is 120 percent of GS-15, step 1 and the maximum rate is Level IV of the Executive Schedule. These rates may be adjusted by the President when comparability adjustments are made in GS rates under the provisions of 5 U.S.C. 5305 (reference (b)).

030203. Senior Level Positions

A. Definition. Senior Level positions, established by section 102 of the FEPCA (reference (e)), are non-SES positions formerly classified at GS-16, 17, and 18. These positions do not include administrative law judges and board of contract appeals positions that have their own pay schedules.

B. Rate of Pay. These positions are paid under 5 U.S.C. 5376 (reference (b)), which establishes the minimum rate of basic pay at 120 percent of GS-15, step 1 and the maximum rate equal to Level IV of the Executive Schedule. There are no grades or steps under 5 U.S.C. 5376 (reference (b)). Therefore, employees may be paid at any rate between the minimum and maximum rates.

030204. Scientific and Professional Employees

A. Definition. Scientific and professional employees are those in positions above GS-15 who are engaged in research and development positions established under 5 U.S.C. 3104 (reference (b)) and section 102 of the FEPCA (reference (e)).

B. Rate of Pay. These positions are paid under 5 U.S.C. 5376 (reference (b)), which establishes the minimum rate of basic pay at 120 percent of GS-15, step 1 and the maximum rate equal to Level IV of the Executive Schedule. There are no grades or steps under 5 U.S.C. 5376 (reference (b)); therefore, employees may be paid at any rate between the minimum and maximum rates.

030205. Executive Schedule Employees

A. Definition. The Executive Schedule, defined in 5 U.S.C. 5311-5318 (reference (b)), is divided into five pay levels and is the basic pay schedule for senior management positions described in those sections. SES positions are not included.

B. Rate of Pay. The rate of pay is contained in the OPM annual salary tables.

030206. Federal Wage System (FWS) Employees

A. Definition. An FWS employee means an individual who is in a recognized trade or craft, or other skilled mechanical craft, or in an unskilled, semiskilled or skilled manual labor occupation. Included is any other individual, including a foreman or a supervisor, in a position having trade, craft or laboring experience and knowledge as a paramount requirement. These positions are commonly referred to as blue collar, wage grade, or wage board. For consistency, the term FWS will be used throughout this Volume. Pay for these positions is based on the prevailing rates in an area. See Appendix A to Subpart B of Part 532 of 5 C.F.R. (reference (l)). FWS employees are hourly rate employees who receive annual wage adjustments based on a review of comparability pay by wage area. Each area pay scale is divided into five parts or classes: WG (wage grade employee); WL (wage leader employee); WS (wage supervisor); WD (nonsupervisory employees covered by the production facilitating pay plan); and WN (supervisory employees covered by the production facilitating pay plan).

B. Rate of Pay. The rates are adjusted from time to time for comparable work within a local wage area. Basic pay for FWS employees means the scheduled rate of pay plus any night shift or environmental differential.

0303 PREMIUM PAY

★ 030301. Premium pay consists of certain types of pay such as overtime pay, which is discussed in paragraph 030302.; night pay; holiday pay for employees not in receipt of annual premium pay for standby duty; Sunday pay; annual premium pay for regularly scheduled standby duty; annual premium pay for administratively uncontrollable work; availability pay for LEOs; environmental pay for FWS employees; and hazard pay for GS employees. Rates and authorization for these various pays are contained in 5 U.S.C. 5343, 5542, 5544, 5545, 5546a, 5547, and 5549 (reference (b)). Employees, as defined by 5 U.S.C. 5541 (reference (b)), may be paid premium pay as authorized by 5 U.S.C. 5542, 5545(a)-(c), and 5546(a) and (b) (reference (b)) only to the extent that the pay does not cause the aggregate rate of pay for any pay period to exceed the maximum applicable rate for a GS-15. Premium pay cannot be paid to any GS employee whose basic rate of

pay equals or exceeds the maximum applicable rate for grade GS-15. Premium pay may be paid to an employee whose basic rate of pay is less than the maximum applicable rate of GS-15 only to the extent that the payment does not cause the total rate of pay for any pay period to exceed the maximum applicable rate for GS-15. The maximum rate does not apply to nonexempt GS employees (see subparagraph 030302.B). Hazard pay is excluded from this limitation. SES employees are not entitled to premium pay under any circumstances. TP pay plan employees are excluded from title 5 (reference (b)) premium pay provisions.

030302. Overtime Pay. Each employing activity shall be responsible for controlling overtime. Supervisors shall ensure that overtime worked is covered by funds targeted for their employing activity. Approval or disapproval of overtime shall be consistent with direction from the Deputy Secretary of Defense (reference (o)). The civilian payroll office shall pay only approved overtime as certified on the time and attendance report. Normally, approval to work overtime shall be made in writing in advance of performing the work.

A. Title 5 Overtime

★ 1. Regularly Scheduled. Title 5, C.F.R., Part 550 (reference (l)) contains provisions on premium pay for overtime. Regular overtime work means overtime work that is scheduled prior to the beginning of an employee's regularly scheduled administrative workweek. For each GS employee whose rate of pay does not exceed a minimum applicable rate for a GS-10, the overtime hourly rate is one and one-half times the employee's hourly rate of pay. For each GS employee whose rate of basic pay exceeds the minimum applicable rate for a GS-10, the overtime hourly rate is one and one-half times the hourly rate of basic pay at the minimum applicable rate for a GS-10 (5 U.S.C. 5542) (reference (b)). Regular overtime is authorized for full-time, part-time, and intermittent GS employees. An intermittent work schedule is appropriate when work is unpredictable and sporadic; therefore, instances of repetitive regularly scheduled overtime should seldom, if ever, occur. Refer to 5 C.F.R. 340.403 (reference (l)).

2. Irregular/Occasional. Irregular or occasional overtime work is overtime work that is not part of an employee's regularly scheduled administrative workweek.

B. FLSA (Nonexempt Employees)

1. For employees paid under 29 U.S.C. 201-219 (FLSA) (reference (n)), entitlement to overtime compensation is determined by calculating of an "hourly regular rate." The "hourly regular rate" of pay for all "nonexempt" employees is computed by adding all includible payments for the week, and then dividing by the total hours of work and paid leave. The Department shall compensate an employee who is nonexempt under the provisions of 5 C.F.R. 551.101 (reference (l)) for all hours of work in excess of 8 a day or 40 in a workweek at a rate equal to one and one-half times the employee's hourly regular rate of pay.

★ 2. Under section 210 of the FEPCA (reference (e)), effective on May 4, 1991, overtime pay computations for nonexempt employees must be made solely in accordance with the FLSA (reference (n)) regulations in 5 C.F.R. 551 (reference (l)), as amended. Agencies are

no longer required to compare overtime pay entitlements for nonexempt employees under 5 C.F.R. 550 and 551 (reference (l)) and pay whichever amount is greater. However, entitlements arising prior to May 3, 1991, still must be calculated using the previous rules. Nonexempt employees continue to be covered by the other premium pay provisions of 5 U.S.C., chapter 55, subchapter V (reference (b)) for night, Sunday, or holiday and annual premium pay for regularly scheduled standby duty or administratively uncontrollable overtime (AUO) work. The maximum biweekly and aggregate limitations on title 5 premium pay do not apply to overtime pay earned by employees who are nonexempt from the FLSA (reference (n)).

3. According to 5 U.S.C. 5544(a) (reference (b)), as amended by section 529 of P.L. 101-509 (reference (e)), hours of work (as defined in 5 U.S.C. 5542) (reference (b)) in excess of 8 hours in a day are deemed to be overtime hours for the purposes of section 7 of the FLSA (29 U.S.C. 207) (reference (n)), if the employee is not receiving annual premium pay for regularly scheduled standby duty (5 U.S.C. 5545(c)(1)) (reference (b)) or annual premium pay for AUO work (5 U.S.C. 5545(c)(2) (reference (b)); 5 U.S.C. 5544(a) (reference (b)) for FWS employees). Under the FLSA (reference (n)), such hours are considered overtime hours regardless of the total number of hours of work in the workweek. For example, an employee who works 10 hours on the first day of the workweek and is on LWOP for the remainder of the workweek is entitled to 2 hours of overtime pay under FLSA (reference (n)), even though the employee has worked a total of only 10 hours in the workweek.

★ C. Excluded Employees. SES employees are excluded from premium pay by the provisions of 5 U.S.C. section 5541 (reference (b)). Certain GS and all Executive Schedule employees are also excluded since, under the provisions of 5 U.S.C. 5547 (reference (b)), premium pay may be paid only to the extent that payment does not cause aggregate pay to exceed the maximum rate for GS-15. National Guard technicians are not entitled to premium pay for overtime. Instead, they may earn compensatory time.

D. Callback Overtime. A minimum of two hours of overtime will be paid if an employee is required to return to the place of employment for unscheduled overtime work or to work unscheduled overtime on a nonscheduled workday. If the callback occurs on a holiday during the employee's regular schedule, a minimum of two 2 hours holiday premium pay will be paid. When an FLSA nonexempt employee performs unscheduled overtime work on a day when work was not scheduled for the employee, or for which the employee is required to return to the place of employment, the employee is paid for two hours of work or the actual number of hours worked, whichever is greater. In all cases, the actual time worked will be recorded.

E. Compensatory Time

★ 1. Eligible employees, including FWS employees, can have compensatory time off from their scheduled tour of duty instead of payment for an equal amount of time spent in irregular or occasional overtime work. Those employees whose basic rate of compensation exceeds the maximum applicable rate for grade GS-10 may be required by their employing activity to take compensatory time off instead of overtime pay. The FWS and nonexempt employees may not be required to take compensatory time off instead of being paid overtime pay unless they request

compensatory time. See 5 C.F.R. 532.504 and 551.531 (reference (l)) and 5 U.S.C. 5543 (reference (b)).

★ 2. Compensatory time worked must be approved in advance in writing and administered in accordance with paragraph 020208. Compensatory time may not be earned when payment of the extra hours at overtime rates would be improper, as in the case of employees whose pay for any period is limited to the maximum rate payable for a GS-15 (26 Comp. Gen. 750 (1947)) (reference (p)). Compensatory time which may be earned by an employee in any one pay period is limited to the number of hours for which there would otherwise be an entitlement to overtime compensation before reaching the limitation on total pay period earnings (37 Comp. Gen. 362) (reference (p)). The granting of compensatory time off in lieu of overtime pay under 5 U.S.C. 5542 (reference (b)) is not to be administered in opposition to the overtime pay requirements of the FLSA (reference (n)). For the instructions on compensatory time off for nonexempt employees, see 5 C.F.R. 551.531 (reference (l)). For exempt employees, refer to 5 C.F.R. 550.114 (reference (l)).

3. Compensatory time worked cannot be credited to an employee whose basic rate of pay equals or exceeds the maximum rate for grade GS-15. Compensatory time worked in a pay period may be credited to an employee whose basic rate is less than the maximum rate of GS-15 only to the extent that the monetary value of the compensatory time worked does not cause the total rate of pay for that pay period to exceed the maximum applicable rate for GS-15.

4. Exempt GS employees may choose to earn compensatory time in place of payment for an equal amount of time spent in occasional or irregular overtime work. They may not earn compensatory time for regularly scheduled overtime. Compensatory time cannot be earned for holiday work.

★ 5. Compensatory time off must be granted to an exempt employee within a reasonable time after the overtime is worked. The limit for the use of compensatory time off is the end of the 26th pay period after that in which the overtime was worked. The unused compensatory time worked will then be paid at the overtime rate at which it was earned. Compensatory time earned before June 8, 1997, was placed in an "old compensatory time" account on June 7, 1998, and thereafter will be charged only if the employee has insufficient current compensatory time to cover the compensatory time off requested. National Guard employees are not paid for unused compensatory time worked. They must use their compensatory time by the end of the 26th pay period after it is earned or will forfeit that compensatory time.

★ 6. Upon request of a FWS or nonexempt employee, an employing activity may grant compensatory time off from a scheduled tour of duty instead of payment under FLSA for an equal amount of time spent in irregular or occasional overtime work, i.e., overtime work not scheduled in advance of the employee's workweek. However, if an employee fails to use compensatory time before the expiration of the established time period, the employee shall be paid for the overtime work at the FLSA overtime rate in effect at the time it was worked. See 5 C.F.R. 532.504 and 551.531 (reference (l)).

★ 7. Upon request of the employee, the employing activity may grant compensatory time off to a FWS or nonexempt employee on a flexible work schedule under 5 U.S.C. 6122 (reference (b)) instead of payment under 5 C.F.R. 532.504 and 551.501 (reference (l)) for an equal amount of time spent in overtime work, without regard to whether the overtime work was irregular or occasional in nature.

8. Employees on flexible or compressed schedules may earn compensatory time off.

9. When a GS employee takes compensatory time off during his or her scheduled tour of duty which includes night pay, the employee is still entitled to night pay for that time if the employee's scheduled tour of duty is between 6 p.m. and 6 a.m. and the employee's leave total is less than 8 hours in a pay period.

10. Compensatory time off may be granted before annual leave is approved except when annual leave would otherwise be forfeited.

★ 11. When an employee separates, dies, or transfers to another DoD Component (e.g., from Army to Navy, or Air Force to the Defense Logistics Agency) or the employee moves to a non-DoD agency (e.g., Army to Department of the Treasury) the losing Component shall pay for any unused compensatory time balances. The balance shall be paid at the overtime rate in effect when the compensatory time was earned. National Guard employees are not paid for unused compensatory time.

★ F. Time Off for Religious Reasons. Employees may earn compensatory time off for religious observances under provisions of 5 U.S.C. 5550a (reference (b)). Time off for religious reasons will be recorded in a special leave account and may be worked either before or after the period of time off. Advance time off for religious reasons should be repaid within a reasonable time. Any time-off balance will not transfer. When an employee separates, dies, or transfers to another DoD Component, any unused time-off balance will be paid, by the losing activity, at the basic hourly rate in effect when the time was worked. If the employee has an unliquidated advance time-off balance at the time of separation, death or transfer, an indebtedness is created. See paragraph 080309 for liquidation of this indebtedness. Compensatory overtime worked in this manner is exempt from maximum pay limitations and all other provisions of overtime and premium pay contained in 5 C.F.R. 550.1001-1002 (reference (l)), 5 U.S.C., chapter 55, subchapter V (reference (b)), and 29 U.S.C. 207 (reference (n)). See section 0511. for additional information regarding compensatory time off for religious reasons.

030303. Night and Shift Differential

★ A. GS Employees. Under 5 U.S.C. 5545(a) (reference (b)), night differential, at the rate of 10 percent of the hourly basic rate, is payable to employees for work between 6 p.m. and 6 a.m. if the regular tour of duty includes work during such hours. Accordingly, the hourly basic rate is multiplied by 10 percent, with the result adjusted to the nearest cent, counting one-half cent and over as a whole cent. The hours worked must be part of the regular tour. An employee is

entitled to a night differential for a period of paid leave only when the total amount of that leave in a pay period, including both night and day hours, is less than 8 hours. Exceptions to this rule are employees on court leave, military leave including leave for law enforcement and encampment purposes, time off with pay for a holiday, official travel status, administrative leave, compensatory time used, credit hours used, COP, and time off awards. They get night differential when temporarily assigned during the administrative workweek to a daily tour of duty that includes night work (5 C.F.R. 550.121-122) (reference (l)). Night differential is payable for overtime work between the hours of 6 p.m. and 6 a.m. if the overtime is regularly scheduled in advance of the administrative workweek.

★ B. FWS Employees. Under 5 U.S.C. 5343(f) (reference (b)), FWS employees will receive shift differential at the rate of 7.5 percent of their hourly rate for nonovertime work when a majority of scheduled hours occur between 3 p.m. and midnight; or 10 percent of their hourly rate for nonovertime work when the majority of scheduled hours occur between 11 p.m. and 8 a.m. (see the OPM Operating Manual, Federal Wage System, subchapter S8-4c) (reference (q)). An employee may be paid shift differential only when five or more hours of the regularly scheduled 8-hour shift (including meal periods) occur during the hours specified. See 53 Comp. Gen. 814 (1974) (reference (p)). Shift differential also is payable when an employee is:

1. On military leave including leave for law enforcement and encampment purposes.

2. In an official travel status during the hours of the regular shift.

3. On paid leave such as court leave, holiday leave, compensatory time used, COP, time off awards, and administrative leave.

4. Temporarily assigned to a different tour of duty.

C. National Guard Technicians. Army and Air National Guard technicians are not entitled to payment of night differential during periods of overtime work (50 Comp. Gen. 847 (1971)) (reference (p)). National Guard technicians are not entitled to premium pay for overtime. They earn compensatory time.

D. Part-time Employees. Part-time GS employees are eligible for night differential for work performed between 6 p.m. and 6 a.m. as part of their regularly scheduled administrative workweek.

E. Intermittent Employees. Intermittent GS employees who have no regularly scheduled tour of duty are not eligible for night differential. These employees are eligible for night differential during temporary assignment to a regular tour of duty with night work.

★ 030304. Sunday Premium Pay. Under 5 U.S.C. 5544 and 5546(a) (reference (b)), additional pay at a rate of 25 percent of the hourly basic rate is payable to full-time employees whose regularly scheduled basic workweek (which does not include overtime hours) includes

Sunday. The additional pay is payable for the entire period of nonovertime service for each daily tour of duty that includes Sunday. Full-time employees as defined in 5 U.S.C. 6301 (reference (b)) who receive basic pay for a period of paid leave or excused absence during that tour of duty are entitled to Sunday premium pay not to exceed October 9, 1997, under 5 U.S.C. 5544 or 5546(a) (reference (b)). Effective October 10, 1997, P.L. 105-61 (reference (e)), prohibited the payment of Sunday premium pay to all employees governmentwide who do not actually perform work on Sunday. Employees who have part-time or intermittent tours of duty are not entitled to Sunday premium pay. The maximum number of hours of Sunday premium pay that an employee can be paid for one Sunday is 16 hours. (This would be for two 8-hour tours: one starting on Saturday night and ending on Sunday morning; and the next tour starting Sunday night and ending on Monday morning.) To calculate, the hourly basic rate is multiplied by 25 percent with the result adjusted to the nearest cent, counting one-half cent and over as a whole cent (see OPM Operating Manual, Federal Wage System, subchapter S8-4e) (reference (q)).

★ A. Flexible Work Schedule. A full-time employee on a flexible work schedule who performs regularly scheduled nonovertime work during a period of duty, a part of which is performed on Sunday, is entitled to Sunday pay for the entire period of duty, not to exceed 8 hours.

★ B. Compressed Work Schedule. A full-time employee on a compressed work schedule who performs nonovertime work during a period of duty, a part of which is performed on Sunday, is entitled to Sunday pay for his or her entire period of duty on that day.

030305. Holiday Premium Pay. In accordance with 5 U.S.C. 5546 (reference (b)), an employee who performs work on a holiday designated by federal statute is entitled to pay at the rate of basic pay plus premium pay at a rate equal to the rate of the basic pay, for that holiday work which is not in excess of the scheduled tour of duty or overtime work as defined by 5 U.S.C. 5542 (reference (b)). An employee required to perform any work on a designated holiday is entitled to pay for at least two hours of holiday work. An employee who performs overtime work as defined by 5 U.S.C. 5542(a) (reference (b)) on a Sunday or a designated holiday is entitled to pay for that overtime work in accordance with 5 U.S.C. 5542 (reference (b)). Premium pay under 5 U.S.C. 5546 (reference (b)) is in addition to the premium pay which may be due for the same work under section 5545(a) and (b) of 5 U.S.C. (reference (b)), which provides premium pay for night work.

A. Flexible Work Schedule. For an employee working a flexible work schedule, holiday pay for nonovertime work is limited to 8 hours in a day. A part-time employee, scheduled to work on a day designated as an "in lieu of" holiday for full-time employees, is not entitled to a premium for work performed on that day.

B. Compressed Work Schedule. For an employee working a compressed work schedule, holiday pay for nonovertime work is limited to the number of hours normally scheduled for that day. A part-time employee, scheduled to work on a day designated as an "in lieu of" holiday for full-time employees, is not entitled to a premium for work performed on that day.

C. GS Employees. GS employees receive their basic pay, including any night differential, for holidays on which they are not required to work. Employees are entitled to

additional holiday premium pay for work performed on a holiday not to exceed 8 hours, during the hours of their regularly scheduled tour of duty.

D. FWS Employees. FWS employees who have a regular tour of duty and are not required to work due to a holiday are entitled to the same rate of pay for that day as if they had worked. When work is performed on a holiday, FWS employees are entitled to their basic rate plus premium pay at a rate equal to their basic pay for holiday work which is not more than 8 hours or is not overtime work.

E. Callback. Unscheduled overtime work performed by an employee on a day when work was not scheduled, or for which the employee is required to return to the place of employment, is deemed at least two hours in duration (5 U.S.C. 5542) (reference (b)). If the callback occurs on a holiday during the employee's regular schedule, a minimum of two hours holiday premium pay will be paid. However, the actual time worked shall be recorded for time and attendance purposes. If the employee works more than two hours, the actual number of hours worked will be paid.

030306. Regularly Scheduled Standby Duty Pay. Employees in a position requiring them to remain at, or within the confines of, the station during longer than ordinary periods of duty, a substantial part of which consists of remaining in a standby status rather than performing work, can receive premium pay on an annual basis instead of premium pay provided by other provisions, except for irregular, unscheduled overtime duty in excess of the regularly scheduled weekly tour. Premium pay under 5 C.F.R. 550.141-550.144 (reference (l)) is determined as an appropriate percentage, not in excess of 25 percent, of such part of the rate of basic pay for the position as does not exceed the minimum applicable rate of basic pay for GS-10 (including any applicable locality based comparability payment under 5 U.S.C. 5304 (reference (b)) or similar provision of law, and any applicable special rate of pay under 5 U.S.C. 5304 (reference (b)) or similar provisions of law).

A. Firefighter Positions. Firefighters generally are scheduled for duty six 12-hour days for an average of 72 hours a week or three alternate 24-hour shifts during each administrative workweek. A 60-hour week consisting of five 12-hour days may be established when firefighters are scheduled only during daylight hours. The rate of standby premium pay is determined by the HRO and forwarded to the civilian payroll office via SF 50 data. It is subject to retirement and life insurance deductions. Further guidance regarding firefighters and law enforcement personnel may be found in 5 C.F.R., Part 551 (reference (l)).

B. Other Fire Protection Personnel. Fire chiefs, assistant fire chiefs, fire prevention inspectors, and similar fire protection personnel have basic weekly tours of duty of 40 hours unless duties require substantial amounts of standby time. The rate of standby premium pay is determined by the HRO and forwarded to the civilian payroll office via SF 50 data. Standby premium pay is subject to retirement, TSP, and life insurance deductions.

★ 030307. Administratively Uncontrollable Overtime (AUO) - Annual Premium Pay for Overtime. Premium pay may be paid on an annual basis (except premium pay for regular overtime work, and work at night, on Sundays, and on holidays), when an employee is in a position

in which the hours of duty cannot be controlled administratively. The position requires substantial amounts of irregular, unscheduled overtime work, with the employee generally being responsible for recognizing, without supervision, circumstances that require an employee to remain on duty. The circumstances under which payment of AUO is appropriate are extremely limited; in particular, AUO is not appropriate for nonexempt employees. Annual premium pay under 5 U.S.C. 5545(c)(2), as amended (reference (b)), provides that premium pay for administratively uncontrollable overtime is an appropriate percentage (not less than 10 percent nor more than 25 percent) of the employee's rate of basic pay, which includes any interim geographic adjustment, special rate of pay for LEOs, or special pay adjustment for LEOs under section 302, 403, or 404 of FEPCA (reference (e)), a locality-based comparability payment under 5 U.S.C. 5304 (reference (b)), and any applicable special rate of pay under 5 U.S.C. 5305 (reference (b)) or similar provision of law (5 C.F.R. 550.151) (reference (l)). The rate is determined by the HRO and forwarded to the civilian payroll office via the SF 50 data. AUO for law enforcement personnel, which includes the office of special investigations agents, is subject to retirement, and life insurance deductions (5 U.S.C. 8331(3)(D) and 8704(c)(2)) (reference (b)). The AUO for Open Mess/Club Managers is not subject to retirement or life insurance deductions (5 U.S.C. 8331(3)(C) and (D), and 8704(c)(1) and (2)) (reference (b)).

030308. Hazardous Duty and Environmental Differentials

A. Hazardous Duty Pay (HDP)

1. Under 5 U.S.C. 5545(d) and 5548(d) (reference (b)), and 5 C.F.R. 550.901-907 (reference (l)), this entitlement, determined by the HRO, involves additional pay to GS employees for the performance of hazardous duty or duty involving physical hardship. Hazardous duty means a duty performed under conditions in which an accident could result in serious injury or death. Duty involving physical hardship means duty that may not in itself be hazardous, but causes extreme physical discomfort or distress and is not adequately alleviated by protective or mechanical devices, such as duty involving exposure to extreme temperatures for a long period of time, arduous physical exertion, or exposure to fumes, dust, or noise that causes nausea, skin, eye, ear, or nose irritation.

2. The amount of HDP is determined by multiplying the percentage rate authorized for the exposure, found in Appendix A, 5 C.F.R., Part 550, Subpart I (reference (l)), by the employee's hourly rate of pay. That amount is then multiplied by the number of HDP hours to be paid.

★ 3. HDP is not included as part of the employee's basic rate of pay for computation of overtime, holiday pay, Sunday premium, or the amount of retirement, TSP, and life insurance deductions.

4. HDP is paid for all hours in a pay status the day on which the exposure occurs.

5. Payment of HDP is not subject to the limit placed on other premium pay.

6. HDP may not be more than 25 percent of the employee's rate of basic pay.

7. TP pay plan employees are not authorized HDP.

B. Environmental Differential Pay (EDP)

★ 1. Under 5 C.F.R. 532.511 (reference (l)), EDP is included as part of an FWS employee's basic rate of pay for computation of overtime, holiday pay, Sunday premium, and the amount of retirement, TSP, and life insurance deductions. It is not part of basic pay for purposes of lump-sum leave payments and severance pay. The HROs determine the local situation for which EDP is payable and obtain approval from the OPM for additional categories not listed in Appendix J to the OPM Operating Manual, Federal Wage System (reference (q)). TP pay plan employees are not authorized EDP.

2. EDP is payable for actual exposure or for all hours in a pay status. The amount that is payable is determined by multiplying the percentage rate authorized for the exposure by the basic hourly rate of a WG 10, step 2. That amount is then multiplied by the number of EDP hours to be paid.

a. When environmental differential is payable for actual exposure, consider each exposure separately. Hours posted must not exceed the hours of active duty on the day of exposure. If the exposure is less than one hour, a minimum of one hour must be paid. If the exposure is longer than one hour, the actual amount of time exposed is payable in 15 minute increments.

b. When EDP is payable for all hours in a pay status, it will be paid for all regular and overtime hours the employee is in a pay status that day.

★ 030309. Availability Pay. A new form of premium pay called "availability pay" has been provided for LEOs by P.L. 103-329 (reference (e)). Refer to 5 U.S.C. 5545a for additional information. Availability pay applies to LEOs who perform criminal investigative work and are required to work, or be available to work, substantial amounts of unscheduled overtime duty based on the needs of the employing activity. The availability pay provision became effective on the first day of the first pay period beginning on or after October 30, 1994, except implementation was delayed until September 1995, for certain LEOs employed by Inspectors General. The HRO will determine entitlement to availability pay and will authorize payment via an SF 50. The OPM Operating Manual, Guide to Processing Personnel Actions (reference (r)), has specific instructions for completing the SF 50 authorizing availability pay.

★ A. Availability pay is fixed at 25 percent of basic pay (including locality pay). Availability pay will replace AUO pay for covered employees. Standby duty pay and AUO pay

may not be paid to an LEO receiving availability pay. Receipt of availability pay does not affect the LEO's entitlement to other types of premium pay based on hours other than unscheduled duty hours. An LEO receiving availability pay, however, may not be paid any other premium pay based on unscheduled duty hours.

★ B. The LEOs receiving availability pay may be compensated only for scheduled overtime hours that are in excess of the first two hours of overtime work on any day containing a part of the LEO's basic 40-hour workweek or for scheduled overtime hours on non-workdays.

★ C. Availability pay shall be treated as part of basic pay only for the following purposes:

★ 1. Advances in pay under 5 U.S.C. 5524a (reference (b));

2. Severance pay under 5 U.S.C. 5595(c) (reference (b));

3. Workers' compensation under 5 U.S.C. 8114(e) (reference (b));

4. Retirement benefits under 5 U.S.C. 8331(3) (reference (b));

5. TSP under 5 U.S.C. 8431 (reference (b)); and

6. Group life insurance under 5 U.S.C. 8704(c) (reference (b)).

★ D. The LEOs receiving availability pay are exempt from the minimum wage and overtime pay provisions of the FLSA (reference (n)).

★ E. Availability pay is subject to garnishment.

★ F. Availability pay shall be used in computing a lump-sum payment for accumulated annual leave under 5 U.S.C 5551 and 5552 (reference (b)).

0304 FOREIGN AND NONFOREIGN DIFFERENTIALS AND ALLOWANCES

★ 030401. Consistent with 5 U.S.C. 5941 (reference (b)) and 5 C.F.R. Part 591 (reference (l)), allowances and differentials payable to employees officially stationed in nonforeign areas and the 50 states are established by the OPM. Under 5 U.S.C. 5921 (reference (b)) and Executive Order No. 10,903 (reference (s)), allowances and differentials payable to employees officially stationed in foreign areas are established by the Secretary of State and published in the Department of State Standardized Regulations (DSSR) (reference (t)). DoD 1400.25-M, subchapter 1250 (reference (u)) sets forth the specific rules regarding foreign allowances and differentials for DoD civilian employees. The HROs will notify the civilian payroll office through the interface via SF 50 data when an employee is eligible for a nonforeign differential or allowance. The civilian payroll office will pay foreign differentials and allowances upon receipt through the interface of the SF 1190 (Foreign Allowances Application, Grant, and Report).

030402. Allowances and Differentials in Foreign Areas

★ A. Quarters Allowances. Quarters allowances are intended to reimburse an employee for substantially all costs associated with either temporary or residence quarters whenever government-owned or government-rented quarters are not provided to the employee without charge. See 5 U.S.C. 5923(a)(1) and (2) (reference (b)) and DoD 1400.25-M, subchapter 1250 (reference (u)).

★ 1. Living Quarters Allowance (LQA). The LQA entitlement is intended to reimburse an employee substantially for rent plus any costs not included in the rent for heat, light, fuel, gas, electricity and water. Employees receiving LQA may not receive the temporary quarters subsistence allowance (TQSA) for the same period of time. The daily rate is derived by dividing the annual amount by the number of days in a calendar year. It is paid for all applicable days in a pay period. The LQA may be paid on a biweekly basis or advanced for a period of not less than three months or of more than one year unless specifically approved by the officer designated to authorize allowances, and shall not exceed:

★ a. The total rent advanced to the lessor, or

★ b. The employee's maximum LQA rate as authorized in the DSSR section 920 (reference (t)).

An exception is the advancement of LQA for employees living in Korea for two years. See DSSR, chapter 100 (reference (t)), 5 U.S.C. 5923(a)(1) and (2) (reference (b)), and DoD 1400.25-M, subchapter 1250 (reference (u)).

★ 2. Temporary Quarters Subsistence Allowance. The TQSA is an allowance granted to an employee for the reasonable cost of temporary quarters, meals and laundry expenses incurred by the employee and/or family members for a period not to exceed 90 days after first arrival at a new post in a foreign area or a period ending with the occupation of residence (permanent) quarters, if earlier; or for a period not to exceed 30 days immediately preceding final departure from the post subsequent to the necessary vacating of residence quarters. The TQSA may continue during periods of official travel which authorize per diem if the head of the agency determines the employee acted responsibly in retaining temporary quarters during the period of travel. A possible extension of up to 60 additional days may be granted in compelling circumstances. The TQSA is authorized during periods when travel per diem is being paid. No post allowance is authorized while an employee is receiving TQSA. Receipts are required for lodging and laundry expenses, and the employee must supply a certified statement of the daily cost of meals. The TQSA is based on the maximum per diem rate for the foreign location found in the DSSR section 925 (reference (t)). Payment of TQSA may be made in advance for up to 30-day increments, in biweekly payments, or upon the completion of the TQSA period upon request of the employee and as authorized by the HRO. Also see DSSR, chapter 100, section 120 (reference (t)), 5 U.S.C. 5923(a)(1) and (2) (reference (b)) and DoD 1400.25-M, subchapter 1250 (reference (u)).

B. Cost of Living Allowance (COLA). The COLA is intended to reimburse an employee for certain excess costs, exclusive of any quarters costs, which result from being officially stationed in a foreign area. See DSSR, chapter 200 (reference (t)) and 5 U.S.C. 5924 (reference (b)).

★ 1. Post Allowance. The post allowance is a cost-of-living allowance granted to an employee officially stationed at a post in a foreign area where the cost-of-living, exclusive of the cost of quarters, is substantially higher than in Washington, D.C. It is intended to reimburse an employee for certain excess costs resulting from being stationed in a foreign area. Post allowance, which is an annual rate, is a percentage amount based on salary, size of family and location of the post. The daily rate is derived by dividing the annual amount by the number of days in a calendar year. It is paid for all applicable days in a pay period. Post allowance is not authorized at the same time an employee is receiving TQSA. Post allowance is included in the computation of lump-sum leave payments upon separation from federal service if separated in the foreign area (Comp. Gen. B-178428, June 28, 1973, reference (p)). See DSSR, chapter 200, section 220 (reference (t)) and DoD 1400.25-M, subchapter 1250 (reference (u)).

★ 2. Foreign Transfer Allowance. The foreign transfer allowance (FTA) is an allowance for extraordinary, necessary, and reasonable expenses, not otherwise compensated for, incurred by an employee incident to establishing that employee at any post of assignment in a foreign area. The subsistence expense portion of the FTA is intended to reimburse an employee for allowable expenses incurred prior to departure from a post in the United States, its territories, possessions, the Commonwealth of Puerto Rico and the Commonwealth of the Northern Mariana Islands, to a post in a foreign area. The miscellaneous expense portion of the FTA payment is $350 or the equivalent of salary for one week, whichever is the lessor amount, for an employee without family, and $700 or the equivalent of salary for two weeks, whichever is the lessor amount, for an employee with family. In any case, the ceiling for reimbursement shall be the salary for a GS-13, step 10. The allowance is authorized within the Department for payment of the miscellaneous expense portion, the lease penalty expense portion, and the subsistence expense portion. The wardrobe expense portion is not authorized for payment within the Department. See DSSR, chapter 200, section 240 (reference (t)) and DoD 1400.25-M, subchapter 1250 (reference (u)).

★ 3. Home Service Transfer Allowance. The home service transfer allowance is an allowance for extraordinary, necessary, and reasonable expenses, not otherwise compensated for, incurred by an employee in connection with a transfer to a post of assignment in the United States with a certified understanding by the employee to complete 12 months of government service following the effective date of transfer. The allowance is authorized within the Department for payment of the miscellaneous expense portion, the lease penalty expense portion, and the subsistence expense portion. The wardrobe expense portion is not authorized for payment within the Department. See DSSR, chapter 200, section 250) (reference (t)) and DoD 1400.25-M, subchapter 1250 (reference (u)).

★ 4. Separate Maintenance Allowance. A separate maintenance allowance is an additional cost-of-living allowance paid to assist an employee to maintain a separate household other than at the assigned post for the family or a member of the family. The employee must be

compelled or authorized to obtain such quarters for one or more of the following reasons: dangerous, notably unhealthy, or excessively adverse living conditions; for the convenience of the government; or because of special family needs. The rate is determined by the number of dependents maintained elsewhere and is computed and paid as an annual rate. The daily rate is derived by dividing the annual amount by the number of days in a calendar year. It is paid for all applicable days in a pay period. See DSSR, chapter 200, section 260 (reference (t)) and DoD 1400.25-M, subchapter 1250 (reference (u)).

★ 5. Education Allowance. The education allowance assists the employee with the extraordinary and necessary expenses, not otherwise compensated for, incurred because of service in a foreign area in providing adequate elementary and secondary education for his or her dependents. The allowance is not authorized for payment within the Department. However, reimbursement is authorized for transportation costs of dormitory student dependents of eligible employees between the employee's overseas duty station and the DoD approved school. See DSSR chapter 200, section 270 (reference (t)), 5 U.S.C. 5924 (reference (b)), and DoD 1400.25-M, subchapter 1250 (reference (u)).

★ 6. Education Travel. Educational travel is reimbursement for travel to and from a school in the United States for purposes of attending a full-time course for secondary or college education. Reimbursement will be limited to one annual round trip. An annual trip is defined as one round trip at any time within any one 12-month period. Any portion of the round trip not taken in the 12-month period does not accrue to a subsequent period. See DSSR chapter 200, section 280 (reference (t)), DoD 1400.25-M, subchapter 1250 (reference (u)), and 5 U.S.C. 5924 (reference (b)).

★ C. Representation Allowance. Representation allowances are intended to cover allowable items of expenditure by employees, including foreign national employees, whose official positions entail responsibility for establishing and maintaining relationships of value to the United States in foreign countries and by adult family members acting with, or on behalf of, these employees. Examples of allowable items are those of an entertainment or protocol nature, tips and gratuities, purchase of flowers, wreaths, etc., and other representational expenses which the head of an agency may authorize or approve as being a type to promote the interest of the United States. The employee's position first must be designated by the Secretary of Defense as eligible for the allowance. A voucher of expenses incurred will be the basis for payment. See DSSR, chapter 300 (reference (t)) and DoD 1400.25-M, subchapter 1250 (reference (u)).

★ D. Official Residence Allowance. The defraying of official residence expenses is intended to make possible the operation and maintenance of official residences in which a principal representative can properly represent the United States abroad. Such representation includes extending official (as distinct from personal) hospitality to foreign dignitaries and important visitors, receiving official deputations and callers, and holding requisite and appropriate ceremonies smoothly and with dignity. This representation also includes keeping the residence appropriately staffed and operating. The Secretary of State must designate eligible employees. See DSSR, chapter 400 (reference (t)), 5 U.S.C. 5913 (reference (b)), and DoD 1400.25-M, subchapter 1250 (reference (u)).

★ E. Post Differential. Post differential is established for a location with extraordinarily difficult living conditions, excessive physical hardship, or notably unhealthful conditions affecting the majority of employees officially stationed or detailed at that place. Living costs are not considered in differential determination. Post differential is additional compensation based on an established percentage over basic compensation ranging from 5 to 25 percent. Post differential is subject to Social Security and/or Medicare and federal tax deductions. Employees with tours of duty commencing on or after October 28, 1991, will have post differential excluded from the lump-sum leave payment in accordance with P.L. 102-138 (reference (e)). See DSSR, chapter 500 (reference (t)), 5 U.S.C. 5551 and 5925 (reference (b)) and DoD 1400.25-M, subchapter 1250 (reference (u)).

★ F. Danger Pay Allowance (DPA). An employee serving in a foreign area may be granted DPA on the basis of civil insurrection, civil war, terrorism or wartime conditions that threaten physical harm or imminent danger to the health or well being of the employee. An additional, but separate, imminent danger pay (IDP) allowance may be granted to civilian employees who accompany U.S. military forces in areas designated by the Department of State as subject to hostile fire or imminent danger. The IDP allowance may be paid only to employees who are on temporary duty or a detail of 42 days or less. See 5 U.S.C. 5928 (reference (b)), DSSR chapter 650 (reference (t)) and DoD 1400.25-M, subchapter 1250 (reference (u)).

★ 1. The DPA may not exceed 25 percent of the basic pay of the employee, except that if an employee is granted additional differential pay with respect to an assignment, the sum of the additional differential and any DPA may not exceed 50 percent of the basic pay of the employee. The DPA is paid to full-time employees, temporary employees assigned for four consecutive hours or longer, and part-time and intermittent employees. For part-time regularly scheduled employees and intermittent employees, the DPA shall be computed at the prescribed percentage of basic compensation earned during the applicable period. The DPA is not subject to any ceiling that would provide less than the full percentage rate authorized for the post. The DPA is subject to Social Security and/or Medicare, federal, state, and local tax deductions. Danger pay is not included as part of the lump-sum leave payment. See DSSR chapter 656 (reference (t))

★ 2. On October 1, 1995, the State Department, at the Department's request, added section 652g (reference (t)) to the DSSR. This section authorized the IDP allowance for civilian employees. The State Department authorizes the areas in which civilian employees are eligible to receive IDP. The IDP allowance shall be the same monthly flat rate amount paid to uniformed military personnel. Danger pay authorized under this section will not be paid for periods of time that the employee either receives danger pay authorized under DSSR, chapter 650, section 652f (reference (t)) or post differential that would duplicate political violence credit. The IDP will be calculated as a daily rate and paid on a monthly basis. Daily rates will be determined by dividing the monthly amount by the number of days in a month. This rate will change based on the number of days in a month. For periods of less than a month, an employee is entitled to the daily rate, times the number of days in the month the employee is in the allowance area. The IDP is subject to Social Security and/or Medicare, federal, state, and local tax deductions. The IDP is not included as part of the lump-sum leave payment.

★ G. Tropical Differential. Entitlement to tropical differential is limited to a maximum of 25 percent of the basic pay when authorized for the U.S. employees in Panama. See 35 C.F.R., part 251 (reference (v)).

H. Cuba Benefit Allowance. The Cuba benefit allowance applies to DoD non U.S. citizens, NAF and appropriated fund employees in the area of Guantanamo Bay, Cuba. The benefit allowance includes cash allowances (laundry, clothing, meals and transportation). The total pay rate will include the base rate plus the benefit allowance. Premium pay is to be calculated on the base rate only.

★ 030403. Entitlement When Both an Allowance and a Differential Have Been Established. Extra pay from an allowance or a differential each may not exceed 25 percent of the employee's rate of basic pay. When both an allowance and a differential have been authorized, the total pay for the allowance and the differential may not exceed 50 percent of the employee's rate of basic pay.

030404. Allowances and Differentials in Nonforeign Areas

A. Categories

1. Nonforeign Cost-of-Living Allowance. Nonforeign cost-of-living allowance is payable under 5 U.S.C. 5941 (reference (b)), at a location in a nonforeign area where living costs are substantially higher than those in the Washington, DC area. Nonforeign areas are the states of Alaska and Hawaii, the Commonwealths of Northern Mariana Islands and Puerto Rico, territories and possessions of the United States that the Secretary of State designates as being within the scope of Part II of Executive Order 10,000, as amended (reference (s)).

2. Nonforeign Post Differential. Nonforeign post differential is payable under 5 U.S.C. 5941 (reference (b)), at a location in a nonforeign area if conditions of environment differ substantially from conditions of environment in the contiguous United States and warrant its payment as a recruitment incentive.

B. Basic Requirement in Nonforeign Areas

1. When an allowance or a differential (or both) is set, each executive department, independent establishment, and wholly-owned government corporation must pay that allowance or differential (or both). Agencies must make these payments to all civilian employees in the area whose basic pay is fixed by statute and who are eligible; however, certain exceptions do exist.

2. The pay of employees under the FWS is based on the wages paid in the locality; therefore, these employees are not covered under this section.

C. Processing Allowances and Differentials

1. Notice of Eligibility. The civilian payroll office will accept SF 50 data as notice of an employee's eligibility for allowances or differentials. It will be a source document for payroll purposes. The HRO must report promptly to the civilian payroll office any changes in assignment and employment status that affects an employee's eligibility (including changes in rates).

★ 2. Entitlement When Both an Allowance and a Differential Have Been Established. Extra pay from an allowance or a differential, or both, may not exceed 25 percent of the employee's rate of basic pay. An employee eligible for an allowance is entitled to the full allowance set for a nonforeign area; therefore, the allowance should be paid first. If the allowance is less than 25 percent of the employee's basic pay, that part of the differential that will bring such employee's total extra pay to 25 percent of the basic rate shall be paid. Refer to 5 C.F.R. 591.210(d) (reference (l)).

D. Payment of Allowances and Differentials

1. Payment. An allowance or differential shall not be paid for time for which an employee does not receive basic pay except as stated in subparagraph 070202.B.

2. Duration of Payment. Payment of allowances and differentials shall start as of the date of arrival at the post of duty on regular assignments or on the date of entrance on duty, when an employee is recruited locally. Payment shall be stopped on the date of separation or as of the date of departure or transfer to a new post of regular assignment.

★ 3. Effect on Other Salary Payments. Allowances or differentials shall not be included in the base used to compute overtime pay under title 5 U.S.C., night differential, holiday pay, or any other extra pay, allowance or pay differential, retirement, TSP or FEGLI deductions. See 5 C.F.R. 591.210(e)(1) (reference (l)). An allowance or differential is included in an employee's regular rate of pay for computing overtime pay entitlement under the FLSA Act of 1938, as amended (reference (n)). See 5 C.F.R. 591.210(e)(2) (reference (l)). The cost-of-living allowance and post differential are included in the computation of lump-sum leave payments if separated in the nonforeign area. See 5 C.F.R. 591.210(c(1) (reference (e)).

4. Effect on Gross Pay. Allowances shall not be included in gross income for Social Security/Medicare, federal income tax deductions, and state tax deductions except for the state of Hawaii. Include the differentials in gross income for Social Security/Medicare, federal, state, and local income tax deductions. See Table 4-1.

0305 OTHER DIFFERENTIALS AND ALLOWANCES

030501. Physicians' Comparability Allowance

A. Title 5, C.F.R., Part 595 (reference (l)) and 5 U.S.C. 5948(e) (reference (b)) authorize the payment of allowances to certain eligible federal physicians who enter into service agreements with their agencies. These allowances are paid only in the case of categories of physicians for which the agency is experiencing recruitment and retention problems, and are fixed at the minimum amounts necessary to deal with such problems. Unless otherwise provided in the agreement or if the head of the agency by which the physician is employed determines that the failure was necessitated by circumstances beyond the control of the physician, if the physician fails to complete at least one year of service, (either voluntarily or because of misconduct) a refund of the total amount received is required.

B. The amount received shall not exceed:

1. $14,000 per annum if, at the time the agreement is entered into, the government physician had served as a government physician for 24 months or less, or

2. $20,000 per annum if the government physician has served as a government physician for more than 24 months.

C. An allowance may not be paid pursuant to this section to any physician who:

1. Is employed less than 20 hours per week or on an intermittent basis,

2. Occupies an internship or residency training position,

3. Is a reemployed annuitant, or

4. Is fulfilling a scholarship obligation to the U.S. Government.

D. Any allowance paid under this section shall not be considered as basic pay for the purposes of 5 U.S.C. 5551, 5552 and 5595, Chapters 81, 83, or 87 (reference (b)), or other benefits related to basic pay. See also 5 U.S.C. 5948(h)(1) (reference (b)).

E. Any allowance under this section for a government physician shall be paid in the same manner and at the same time as the physician's basic pay is paid. This allowance is subject to federal, state, and local income tax, Social Security and Medicare. This allowance is not subject to retirement or TSP.

★ 030502. Supervisory Differential

★ A. The authority to approve payment of supervisory differentials under Title 5, U.S.C. section 5755 (reference (b)) is delegated through, and subject to, the authority of the head of the DoD Component and the Component chain of command to the official(s) who exercises personnel appointing authority (normally, the head of an installation or activity). Only the Secretary or Deputy Secretary of Defense may approve a supervisory differential for an individual appointed to a Schedule C position, as defined by 5 U.S.C. 2103 (reference (b)). Additional detailed guidance

on the supervisory differential entitlement is contained in the DoD 1400.25-M, subchapter 575 (reference (u)). Payment of a supervisory differential is authorized to an employee under the General Schedule who has supervisory responsibility for one or more civilian employees not under the General Schedule. The differential is allowed if one or more of the subordinate civilian employees would, in the absence of such a differential, be paid more than the supervisory employee. A supervisory differential shall be calculated as a percentage of the supervisor's rate of basic pay. A dollar amount equal to the value of the authorized percentage will be provided by the HRO via SF 50 data.

★ B. The supervisory differential shall be paid in the same manner and at the same time as basic pay, but shall not be considered to be part of basic pay for any purpose. This differential is subject to Social Security and Medicare deductions and to federal, state, and local income tax. The supervisory differential is not subject to retirement, FEGLI, or TSP.

★ 030503. Retention Allowance

★ A. A retention allowance of up to 25 percent of basic pay may be offered to certain current employees in order to retain their services. A current employee is eligible for a retention allowance if the unusually high or unique qualifications of the employee or a special need of the agency for the employee's services make it essential to retain the employee. The approving officer must certify in writing that, absent a retention allowance, the employee likely would leave the federal service.

★ B. In general, the authority to approve a retention allowance is delegated through, and subject to, the authority of the head of the DoD Component and the Component chain of command to the official(s) who exercises personnel appointing authority (normally, the head of an installation or activity). Only the Secretary or Deputy Secretary of Defense may approve a retention allowance for an individual appointed to a Schedule C position, as defined by 5 U.S.C. 2103 (reference (b)). The authority to approve retention allowances for all other SES positions is delegated to the head of the DoD Component. This official may further delegate authority to appropriate levels consistent with existing pay administration policy. Additional guidance on the retention allowance entitlement is contained in DoD 1400.25-M, subchapter 575 (reference (u)).

★ C. Payment of retention allowances are authorized by 5 U.S.C. 5754 (reference (b)) and 5 C.F.R. 575 (reference (l)). A retention allowance shall be paid in the same manner, and at the same time, as basic pay although this allowance shall not be considered a part of basic pay. The retention allowance may be paid for as long as the conditions warranting the allowance continue to exist. This allowance is subject to Social Security and Medicare deductions and to federal, state, and local income tax. This allowance is not subject to retirement, FEGLI, or TSP.

030504. Remote Site Allowance. The remote site allowance is paid to an employee who is assigned to duty, except temporary duty, at a site so remote from the nearest established communities or suitable places of residence as to require an appreciable degree of expense, hardship, and inconvenience. Such hardships and inconveniences must extend beyond that normally encountered in metropolitan commuting, on the part of the employee in commuting to and

from his/her residence and such work site. When so assigned, the employee is entitled, in addition to pay otherwise due him, to an allowance not to exceed $10 per day. See 5 U.S.C. 5942 (reference (b)).

★0306 RECRUITMENT AND RELOCATION BONUSES

030601. The FEPCA section 208(a) (reference (e)), 5 U.S.C. 5753 (reference (b)), and 5 C.F.R. 575 (reference (l)) authorize payment of a recruitment and relocation bonuses. A recruitment or relocation bonus of up to 25 percent of basic pay may be offered to recruit certain newly appointed employees or retain certain current employees who must relocate to accept a position in a different commuting area. The approval of recruitment and relocation bonuses is treated in the same manner as the retention allowance in paragraph 030503. of this volume. Additional guidance for recruitment and relocation bonuses is contained in the DoD 1400.25-M subchapter 575 (reference (u)).

030602. Eligibility Criteria. Candidates for hard-to-fill positions and/or occupations that are critical to the organization's mission are eligible for recruitment or relocation bonuses. TP pay plan employees are not eligible to receive recruitment and relocation bonuses.

030603. Service Agreement. The OPM regulations (5 C.F.R. 575.106 and 206) (reference (l)) require that, before a recruitment or relocation bonus may be paid, the employee offered this bonus shall sign a written agreement to serve a specified number of months with the Department. The minimum period of such service shall be 6 months.

030604. Documentation and Recordkeeping. Each recruitment or relocation bonus shall be documented by the HRO via SF 50 data.

030605. Payment and Reduction or Termination of Recruitment and Relocation Bonuses. The recruitment or relocation bonus shall be paid as a lump-sum and shall be considered a supplemental wage. Federal income taxes shall be withheld at a flat 28 percent of the bonus. Social Security and Medicare shall be withheld as applicable. State and local taxes shall be withheld in accordance with tax formulas in effect for supplemental wages.

A. The bonus will be included with regular salary payments and separately identified on the LES.

B. The bonus shall not be considered part of basic pay for any purpose; i.e., no withholding shall be made for retirement coverage (CSRS/FERS) or life insurance.

C. The bonus shall be included in determining the aggregate limitation on pay as defined by 5 U.S.C. 5307 (reference (b)). No portion of the bonus shall be paid that would cause aggregate pay to exceed Level I of the Executive Schedule. This portion shall be paid in a lump-sum at the beginning of the following calendar year.

D. The bonus shall be recovered if the employee fails to complete the period of employment established by the service agreement. The amount to be repaid shall be determined by providing credit for each full month of employment completed by the employee under the service agreement. The amount owed by the employee shall then be recovered in accordance with provisions established by debt collection regulations. If a recruitment or relocation bonus must be recovered, the HRO shall notify the civilian payroll office via SF 50 data.

0307 LUMP-SUM LEAVE PAYMENTS

030701. Regulations. The regulations governing lump-sum payment for annual leave are contained in 5 U.S.C. 5551, as amended (reference (b)).

030702. Lump-Sum Payable. Lump-sum payment for accumulated and current accrued annual leave is as follows:

A. Separated Employees. An employee who is separated is paid in a lump-sum for all unused annual leave through the last full pay period before separation. If, however, if the employee is separated or has a break in service (from one agency to another), and is reemployed in a position under a leave system before a lump-sum payment check can be issued by the separating activity, payment is made for the days the employee was not in the federal service (less withholding tax) and the remainder of the annual leave is transferred to the gaining agency.

B. Certain Other Employees. An employee is entitled to a lump-sum payment for accumulated and accrued annual leave when he or she:

1. Transfers to a position not under a leave system to which annual leave may be transferred;

2. Moves to a position as an intermittent employee for whom there is no established regular tour of duty or to a position as a temporary employee engaged in construction work at hourly rates;

3. Enters the Armed Forces or transfers to a public international organization, provided the employee does not elect to retain the annual leave to his or her credit. However, leave restored under 5 U.S.C. 6304(d) (reference (b)) must be liquidated by lump-sum payment even though election is made to retain the accumulated and current accrued annual leave.

C. Payment to Beneficiary. Accumulated and accrued annual leave to the credit of an employee at the time of death shall be paid in a lump-sum to a designated beneficiary. If the employee has not designated a beneficiary, a lump-sum shall be paid in the established order of precedence under 5 U.S.C. 5581-5582 (reference (b)).

030703. Lump-Sum Not Payable. A lump-sum payment may not be made to an employee for accumulated annual leave when he or she is:

A. Transferring to a position to which annual leave is transferable; or

B. A student trainee placed in an intermittent status between full-time tours of duty.

★ 030704. Computation of Lump-Sum Payment

A. General Rule. The lump-sum payment for annual leave, including restored and reinstated annual leave, is calculated to include all pay changes to which the employee would be entitled had he or she remained in a duty status throughout the projected leave period. For example, an employee whose retained pay is scheduled to terminate during the projected leave period should have the lump-sum leave payment computed on the basis of the pay being received at the time of separation for the period covered by the retained rate, with the remainder computed at the scheduled reduced rate. Also, an employee is entitled to an adjustment in the lump-sum leave payment whenever a statutory change in pay becomes effective on a date which occurs during the projected leave period. The lump-sum payment for an FWS employee is similarly adjusted if the separation occurs after the issue date of a wage schedule or after a wage survey was ordered, but before the effective date of the wage increase as follows:

1. When an FWS employee is on the rolls on the date an order granting an increase is issued, but separates before the effective date of the wage increase and if his or her accrued annual leave extends beyond the effective date of the wage increase, the employee is entitled to have his or her lump-sum annual leave payment, authorized under 5 U.S.C. 5551(a) (reference (b)), paid at the higher rate for the leave that extends beyond the effective date of the increase (59 Comp. Gen. 494 (1980)) (reference (p)).

2. When an FWS employee separates after a wage survey is ordered, but before the date the order granting the wage increase is issued, and if his or her accrued annual leave extends beyond the effective date of the increase, the employee is entitled to have the lump-sum annual leave payment paid at the higher rate for the leave that extends beyond the effective date of the increase. The order that grants the new wage rate, however, must be issued before the effective date set by 5 U.S.C. 5344(b)(1) and (2) (reference (b)). Refer to 59 Comp. Gen. 494 (1980) (reference (p)).

B. Projecting the Leave. Nonworkdays (except holidays) are not counted against the leave when projecting the period over which the leave would otherwise be charged. The period covered by a lump-sum leave payment is not counted as federal civilian service.

★ C. Additional Pay. There is no provision to pay any premium pay for the period covered by a lump-sum payment and, therefore, employees are only entitled to their basic pay. Employees, however, who receive annual premium pay for standby duty under 5 U.S.C. 5545(c)(1) (reference (b)), employees who meet the definition of an LEO performing criminal investigator work receiving availability pay, and employees who meet the definition of an LEO receiving annual premium pay for administratively uncontrollable overtime under 5 U.S.C.

5545(c)(2) (reference (b)) also will receive annual premium pay as part of their basic pay. Consequently, only those premium pays would be included in a lump-sum payment.

D. Reemployed Annuitants. The lump-sum payment for reemployed annuitants upon separation from the service is based on the full pay rate without any reduction by the amount of the annuity.

E. Temporary Promotions. If the HRO has not terminated a temporary promotion prior to or as of the employee's separation date, lump-sum leave will be paid at the rate of the temporary promotion through the not-to-exceed date. After that time, the rate will revert to the employee's permanent rate of pay.

★ F. Payment. Lump-sum leave will be paid at the end of the pay period in which the separation transaction is received. Thus, lump-sum leave may or may not be included with any regular pay earned, depending on when the separation transaction is received. Payments will be identified separately, allowing the lump-sum leave to be taxed at a flat 28 percent for federal withholding, except when the employee's exemptions claimed on the Form W-4 exceed the regular pay. In the latter situation, the lump-sum leave and the regular pay for the pay period will be combined, and the taxes will be computed as if the total were a single payment.

★ 030705. Refunds. When a lump-sum payment has been made, and the employee reenters the federal service in a position subject to a formal leave system, he or she is required to refund the unexpired portion of the period covered by the lump-sum leave payment. This refund is required because all such unexpired leave is subject to recredit even though transfer to a different leave system is involved. Recredit of leave will be determined subject to the following paragraphs.

★ A. Regular Annual Leave

1. If reemployment is in the same leave year, any part of the refund which is for a period of leave in excess of the employee's formerly established leave ceiling for the year shall become subject to the regular procedures regarding forfeiture or possible restoration at the end of the leave year. Excess leave may be paid in another lump-sum payment if another separation occurs before the end of the leave year.

2. If reemployment is in a subsequent leave year, and any part of the refund is for a period represented by more than the leave ceiling (e.g., 240 hours), a refund will be required of all the unexpired portion. However, only a maximum of the leave ceiling hours may be recredited to the regular leave account. Any hours in excess of the leave ceiling are considered forfeited, unless it can clearly be established that the excess would have become restored in a separate account if the separation had not occurred.

B. Restored Annual Leave. If any part of the refund is for a period of restored leave, the restored leave shall again be established in a separate account. The limiting date for its use shall be the same date as that originally established during the former employment. If the originally established limiting date for the use of the restored leave would have occurred before the

date of reemployment, a refund will be required for all of the unexpired portion. None of that restored leave, however, may be recredited.

C. Procedures. Obtain a refund in the gross amount equal to the gross compensation received for the unexpired portion of the leave period. Make collections either by cash or payroll deduction.

1. Processing Actions:

a. Audit the transferred SF 1150.

b. Credit the refund to the appropriation currently charged for the employee's salary.

c. Process the cash collection or payroll deduction.

d. Credit the employee's leave account when the total amount has been collected.

e. Process as a cash collection to the United States Treasury any check for the unexpired portion of lump-sum leave payable that is received from another DoD installation.

2. After collection of the full amount of the refund, prepare a statement for the employee including:

a. References to 5 U.S.C. 5551 (reference (b)) as the basis for the refund.

b. Date the refund was fully paid.

c. Total amount collected.

d. Statement that the earnings shown on Form W-2 (Wage and Tax Statement) for the calendar year in which the refund was made were not decreased by the refund amount. If the refund is spread over two payroll years, make a separate statement for each year.

3. Distribute the statement as follows:

a. Give the signed original and one copy to the employee.

b. Attach a signed copy to Form W-2 or tapes sent to the SSA.

c. Send a copy to any state or local taxing authority as appropriate.

★ 030706. Lump-Sum Payment for Restored Annual Leave for Base Realignment and Closure (BRAC) and the Closure of an Installation in the Republic of Panama in Accordance With the Panama Canal Treaty of 1977. of Title 5 United States Code, section 5551 (reference (b)) requires payment of restored annual leave under 5 U.S.C. 6304(d)(3) (reference (b)) in certain situations. Effective on or after September 23, 1996, for BRAC and October 17, 1998, for Republic of Panama closures (P.L. 105-261, reference (e)), a lump-sum payment shall be made to any DoD employee moving to a position in any non-DoD federal agency or to any position within the Department that is not located at an installation being closed or realigned under 5 U.S.C. 6304(d)(3) (reference (b)). The SF 50 must contain a remark to indicate that "lump-sum payment for unused annual leave restored under 5 U.S.C. 6304(d)(3) is required under section 1611 of P.L. 104-201, dated September 23, 1996." The payroll office will make the lump-sum payment when this remark is received.

0308 SEVERANCE

★ 030801. Qualifications. An employee who qualifies under 5 U.S.C. 5595 (reference (b)) is entitled to severance pay in regular pay period intervals and amounts equal to that paid before separation. Public Law 104-106, section 1035 (reference (e)) allows Heads of DoD Components to authorize payment of severance pay in a lump-sum rather than on a biweekly basis. Title 5, United States Code, Section 5595(i)(4) (reference (b)) authorizes the Department to make a lump-sum payment of severance pay for separations taking effect before October 1, 1999. An employee separated within a pay period rather than at the end of a pay period receives an initial payment of severance pay for the remainder of that pay period. Severance pay for employees with variable work schedules or rates of pay is computed on the basis of the average rate of basic pay for the last position held during the 26 biweekly pay periods immediately preceding separation (5 C.F.R. 550.707) (reference (l)).

030802. Payments

A. The civilian payroll office will make severance payments. If the civilian payroll office is inactivated, the civilian payroll office assuming responsibility for servicing the closed civilian payroll office continues payment for the period of eligibility. The inactivated payroll office will discontinue the payments and send the new civilian payroll office enough pay data to establish the severance payments.

★ B. Severance payments are made biweekly based on SF 50 data provided. Appropriate withholding will be made for Social Security/Medicare, federal, state and local income taxes. If a former employee dies before the expiration of the entitlement period, severance payments will be continued on a biweekly basis to the beneficiary of the deceased or held in account until identification of the beneficiary by the HRO. Collection of an indebtedness from an employee's severance pay is permissible under 31 U.S.C. 3716 (reference (d)). These payments are subject to collection for any outstanding debts owed to the government. Additionally, under 5 C.F.R. 581.103 (reference (l)), severance pay is subject to court-ordered garnishments for alimony, child support, and commercial debts. However, any court-ordered garnishments are canceled upon

the death of an employee. Payments to beneficiaries are not subject to federal tax withholding requirements.

030803. Withholding Tax Reports

A. When a separated employee has been paid the total severance pay to which entitled, or at the end of the calendar year, whichever is earlier, a Form W-2 will be issued.

B. Severance pay paid to beneficiaries of deceased employees will be reported on Form 1099-MISC.

030804. Discontinued Entitlement. When the civilian payroll office that is making severance payments to a former employee receives official notification from a HRO or other appropriate source that the individual has been reemployed in the federal service, severance payments will be discontinued. Discontinuation of such payments shall be effective on the date of reemployment. The total of amounts paid will be reported to the gaining activity or agency. This information will be used in determining future entitlement to severance pay since total severance pay during an employee's lifetime cannot exceed one year's pay at the rate received immediately before separation (5 U.S.C. 5595(c)) (reference (b)).

0309 ADVANCE OF PAY

030901. Policy

A. Title 5 United States Code, section 5524a (reference (b)) allows agencies to make advances of pay to new hires., The Department, however, has not authorized the use of these advances.

★ B. Advances of pay for DoD civilian employees proceeding to or arriving at a post of assignment in a foreign area are authorized, when applicable. An advance of pay is a prepayment made available to an employee in a pay status. A teacher in a nonpay status because of the summer recess shall be eligible for an advance of pay. A single, lump-sum pay advance of base pay for up to three months may be authorized to an employee with each permanent change of station (PCS) to a foreign area. Advances are intended to finance unusual employee expenses associated with overseas assignments that often are not otherwise reimbursed and to aid foreign assignment recruitment and retention. Such expenses may include transportation, storage of household goods, shipping costs, deposits on living quarters overseas, and purchase of household items. See 5 U.S.C. 5927 (reference (b)) and DoD 1400.25-M, subchapter 1250 (reference (u)). Refer to subparagraphs 030402.A.1. and 2. for advances of LQA and TQSA.

C. For purposes of this section, a DoD civilian employee is defined as a full-time DoD employee who is a U.S. citizen paid from appropriated, revolving, or trust funds. New hires that are in a pay status and traveling to a foreign area on travel orders are also included. With respect to teachers, employment during a normally scheduled shift shall be considered full-time.

D. A foreign area is defined as an area located outside the United States, exclusive of the Commonwealth of Puerto Rico, territories of the United States, and other areas designated by the Secretary of State under E.O. 10903 (reference (s)).

★ E. Advances of pay for overseas transfers will be paid only by the disbursing officer (or the disbursing officer's overseas agent) who support the civilian payroll office servicing the overseas area, or in OCONUS from a disbursing officer who is a deputy to the CONUS office. Payment may be made in a single lump-sum or included in the next regular biweekly pay.

030902. Eligibility

★ A. The HRO responsible for the employee shall verify the eligibility for an advance by confirming the travel orders and the appropriate pay grade and step at the foreign post. If confirmation of the foreign pay grade or step is not obtained, the current gross pay at the time of the advance shall be used.

B. An employee may request an advance of pay 3 weeks before the estimated departure date for assignment to a foreign duty post or up to 2 months after arrival.

030903. Counseling. Each employee eligible for an advance shall be counseled by the HRO concerning authorized purposes of the advance, repayment requirements, expenses that can be anticipated at the foreign assignment, and application procedures.

★ 030904. Application. The employee shall request an advance on the SF 1190. The form serves as the request, authorization, and voucher document.

030905. Collection of Advance

★ A. Repayment shall be made by payroll deduction over a maximum of 26 pay periods. Advances for DoDEA employees must be repaid in no more than the number of full pay periods remaining in the school year, if applicable. Deductions shall begin the first pay period after receipt of the advance or following arrival at the foreign post, whichever is later. A copy of the SF 1190 must be sent to the gaining civilian payroll office for collection when payment is made by the losing disbursing office.

B. Partial or lump-sum repayments, in addition to payroll deductions, shall be accepted.

C. When an employee separates or transfers, the outstanding balance shall be due in full. Advances of pay are recoverable from the employee or the employee's estate by deduction from accrued pay, amount of retirement credit, other amounts due the employee from the government, or by other methods as provided in DFAS Regulation Number 005 (reference (w)).

D. The Defense Debt and Claims Management Office, DFAS-Denver Center, may waive, in certain cases, the government's right of recovery of an erroneous pay advance in accordance with the requirements in DFAS Regulation Number 005 (reference (w)) and 5 U.S.C. 5584 (reference (b)).

030906. Other Requirements or Conditions

A. An employee is authorized only one outstanding advance at a time, regardless of the frequency of PCS. If an employee becomes eligible for a second advance, the first shall be liquidated before payment is made for the second advance request.

B. More than one member of a household may be eligible for an advance.

C. Allotments and assignments of advances shall not be authorized.

D. Advances shall be paid to employees of another federal agency on a reimbursable basis provided there is an agreement between the other agency and DFAS to make similar payments to DoD employees.

E. Submission of statements and documents from the employee establishing the need for, and the use of, an advance may be required.

F. Management controls shall be developed to ensure only authorized employees obtain an advance and complete accountability procedures exist for the disbursement and collection of pay advances. Accounting records shall include current, accurate, and complete records of obligations, receivables, and collections.

G. On an exception basis, an additional payment on an advance shall be authorized when circumstances warrant and the employee has not received the full amount of the maximum possible advance consistent with the employee's pay grade. Examples of circumstances warranting a second payment, but not an all-inclusive list, are a substantial understatement of the maximum advance authorized; inadequate or inappropriate counseling on the purpose of the advance; and unforeseeable events leading to a significant increase in the cash outlay requirements of an employee at the foreign assignment location.

★0310 SPECIAL PAYMENTS. Special salary payments (e.g., beneficiary payments, employees erroneously omitted from the payroll) will be made in accordance with paragraph 080102.

★0311 AWARDS

031101. General. Title 5, United States Code, Chapter 45 (reference (b)) is the legal basis for the government-wide incentive awards program for civilian employees. The OPM prescribes regulations in 5 C.F.R., chapter 45 (reference (l)) under which the awards programs shall

be carried out. The DoD 1400.25-M, subchapter 451 (reference (u)) prescribes awards policies governing the award program for DoD civilian employees.

031102. Incentive Awards. The DoD 1400.25-M delegates to the heads of the DoD Components the authority to pay cash awards, grant time-off as an award, and incur the necessary expense for the honorary recognition of an employee (either as an individual or as a member of a group) on the basis of (a) suggestions, inventions, superior accomplishments, productivity gains, or other personal efforts that contribute to the efficiency, economy, or other improvements of government operations; (b) a special act or service in the public interest in connection with or related to official employment; or (c) performance as reflected in the employee's most recent record of rating.

A. Time Off as an Incentive Award. Authorized by 5 U.S.C. 4502(e) (reference (b)), a time off award may be granted in lieu of cash (5 C.F.R. 451.101-451.107) (reference (l)). Title 5, C.F.R. 451.104(f) (reference (l)) does not permit a time-off award to be converted to a cash payment under any circumstances.

1. Time off granted as an incentive award must be used within one year from the effective date. Sick leave may be granted to an employee who becomes incapacitated for duty during a period of time off. Supervisors and employees are responsible for scheduling the use of this leave within one year. The incentive leave is forfeited if not used within the one-year time frame. There is no provision for restoring time-off awards.

2. The maximum amount of time off that can be granted to any one individual for a single achievement should not exceed 40 hours. The maximum amount of time off that can be granted to any one individual within one leave year should not exceed 80 hours. Part-time employees and employees with uncommon tours of duty may be granted one-half the average number of hours in the employee's biweekly tour of duty for a single achievement. The maximum amount of time off which can be granted to part-time employees and employees with uncommon tours of duty during any one leave year is the average number of hours of work in the employee's biweekly scheduled tour of duty.

3. Unused time off should be transferred when an employee transfers from one activity to another, but remains within the same DoD Component. If an employee changes to another agency, any unused time off shall be forfeited.

B. Foreign Language Awards. These awards may be paid to qualifying LEOs who are proficient in, and use, a foreign language(s) in the performance of their duties. Additional information is in 5 U.S.C. 45, subchapter III (reference (b)).

031103. Payroll and Payment Procedures

A. The civilian payroll office accepts the SF 50 or automated systems equivalent from the HRO as authorization for payment of cash awards or granting of time-off

awards. Awards will be delivered to employees in the same manner as their net pay. Incentive award payments are not distributed to the worksite.

B. Time-off awards shall be posted to the employee's record and reduced when the time off is taken and or forfeited. Usage reported prior to the receipt of notification of the award shall be reflected as a negative balance in the civilian payroll system. Failure of the HRO to provide notification of the granting of the award within two pay periods of the usage shall be assumed to be a time and attendance error. The usage shall be converted as shown in Table 5-2.

C. Cash award payments are subject to the withholding provisions of the federal, state, and local income tax laws, and the provisions of FICA. The payroll system will deduct 28 percent federal tax automatically on special earnings of this nature. The applicable state and local tax deductions and Social Security and/or Medicare deductions will be computed based on tax information in the employee's current master record. No state and local taxes are withheld for employees assigned to overseas duty locations unless requested by the employee.

D. Payment to Separated Employees

4. When possible, the employee can be reestablished on the payroll using the last known information on the employee's master account record for applicable deductions and mailing address.

5. If the employee cannot be reestablished, payment can be made using an SF 1034 (Public Voucher for Purchases and Services Other Than Personal).

E. Cash award payments must be included on an employee's LES as well as the Form W-2.

0312 CONTINUATION OF PAY (COP) FOR FEDERAL EMPLOYEES

031201. The Federal Employees' Compensation Act (FECA), codified in pertinent part in 5 U.S.C., Chapter 81 (reference (b)), provides compensation and authorized medical care for all civilian employees of the United States for disability due to personal injury sustained while in the performance of duty. Regulations governing injury compensation are contained in 20 C.F.R. Part 10 (reference (x)).

A. Civilian employees are entitled to medical care and compensation for absences due to traumatic on-the-job injuries and disease sustained while in the performance of duty. Traumatic injury is not the same as disability from occupational disease. Eligible employees are entitled to up to 45 calendar days of COP for traumatic injury.

B. The FECA is administered by the OWCP, U.S. Department of Labor, through district offices. Each HRO maintains the address of the district office that services its region.

★ 031202. Continuation of Pay - Traumatic Injury

A. Entitlement to Continuation of Pay. An employee who sustains a disabling job-related traumatic injury is entitled to the continuation of regular pay for a period not to exceed 45 calendar days for each occurrence. The pay is subject to Social Security and/or Medicare, federal, state, and local tax, retirement, and all other normal deductions. The pay for a separated employee (unless the date of termination has been established prior to the injury) who is entitled to COP will be subject to Social Security and/or Medicare, federal, state, and local tax if appropriate. No other deductions will be taken. The injured employee's pay must continue unless denied by the Department of Labor.

1. Regular Pay. Regular pay is defined as follows:

★ a. For a full-time or part-time employee who works the same number of hours per week, the weekly pay rate shall be equal to the number of hours regularly worked each week times the hourly pay rate on the date of injury including premium pay, night or shift differential, holiday pay, and other extra pay, exclusive of overtime.

b. For a part-time employee who does not work the same number of hours per week, the weekly pay rate will be the average weekly earnings for the one-year period before the date of injury, exclusive of overtime.

c. For an intermittent or part-time employee, either permanent or temporary, who does not work each week of the year (or the period of appointment), the weekly pay rate equals the average of the employee's weekly earnings during the one-year period before the injury. It is computed on the basis of the total earnings divided by the number of weeks worked (partial weeks worked are counted as whole weeks). The annual earnings used for this computation must not, however, be less than 150 times the average daily wage earned within one year before the date of injury.

2. Standby premium, night or shift differential, holiday pay, or other extra pay should be included in regular pay in all instances. Overtime pay, however, must not be made part of COP except in the case of firefighters and law enforcement officers. If a salary increase (pay raise, step increase, promotion, etc.) occurs during the 45-day period, the new salary rate as of the effective date of the increase will be used for computing the remaining COP.

B. Controversion. Sometimes an agency objects to paying a claim for COP, either for one of the reasons provided by regulation or for some other reason. This action is controversion. The employing activity may controvert a claim by completing the indicated portion of Form CA-1 (Federal Employee Notice of Traumatic Injury and Claim for Continuation of Pay/Compensation) and submitting detailed information in support of the controversion to the OWCP.

★ C. Denial of COP. No COP may not be paid if the disability is not caused by a traumatic injury and the employee:

1. Is not a U.S. or Canadian citizen,

2. Does not file a written claim within 30 days of the date of injury,

3. Does not report the injury until after separation from employment,

4. Is injured away from the activity's premises by an event that is outside of the employee's official duties,

5. Is injured because of his or her own willful misconduct, intent to injure a person, intoxication by alcohol or illegal drugs, or

6. Does not stop work within 45 days after the injury.

D. Termination of COP. When pay is continued after the employee stops work because of a disabling injury, it must not be interrupted until the earliest of one of the following occurs:

1. The employee has not provided prima facie medical evidence of injury-related disability within 10 calendar days after the employee claims COP or the disability begins or recurs.

2. The activity receives medical information from the attending physician to the effect that the employee is no longer disabled.

3. The activity receives notification from the OWCP that pay should be terminated.

4. The COP has been used for 45 calendar days.

5. The employing agency receives evidence that the employee is partially disabled and the employee refuses suitable work.

6. The employee's scheduled term of employment expires and the date of termination has been established prior to the date of injury.

7. The employee returns to work with no loss of pay.

8. The OWCP determines that the employee refused or obstructed a medical examination required by OWCP.

9. Implementation of a disciplinary action where the preliminary notice is issued before the employee is injured.

E. COP Period. The COP period is 45 calendar days. If the employee has stopped work because of the disabling effects of the injury, the period starts at the beginning of the first full day or first full shift on which the disability begins. If disability occurs on the date of injury, the remainder of that day or shift will not be counted as COP. If the employee stops work for only a portion of a day or shift (other than the day or shift when the disability begins), that day or shift will be considered as one calendar day. If an employee is not immediately disabled as a result of the injury, the 45 days will begin on the first full day or the first full shift when the disability begins. The initial use of COP must begin within 45 days of the date of injury or the employee is only entitled to compensation from OWCP. The employee's scheduled nonwork days are included in determining the 45 days if medical evidence supports that the employee is disabled; however, there will be no COP paid for those nonwork days.

F. Light-duty Status. When a determination can be made that an employee is capable of performing light duty after an on-the-job injury, COP is chargeable against the 45-day entitlement when a personnel action has been taken to:

1. Assign or detail the employee to an identified position for which a position description exists which is classified at a lower salary level than that earned by the employee when injured;

2. Change the employee to a lower grade, or to a lower rate of basic pay; or

3. Change the employee to a different schedule of work that results in loss of salary or premium pay, other than Sunday premium, authorized for the employee's normal administrative workweek. An employee placed in light duty status who refuses to work after suitable work is offered is not entitled to COP.

G. Recurrence of Disability. Should an employee suffer a recurrence of the disability, the regular pay can be continued, providing the 45 calendar days were not all "used" during the initial period of disability. This is applicable, however, only during a 45-day period beginning from the date the employee first returned to work following the initial disability. If a recurrence happens after the 45-day window has expired, the regular pay should not be continued although some of the 45 days of COP eligibility may remain "unused." In that instance, the employee is entitled only to compensation payable by OWCP.

H. Use of Leave Instead of COP

1. An employee may use annual or sick leave to cover all or part of an absence due to an injury. If an employee elects to use leave each full or partial day for which leave is taken will be counted against the 45 days of entitlement. Therefore, when an employee uses COP intermittently along with sick or annual leave, entitlement is not extended beyond 45 days of combined absences.

2. An election of sick or annual leave is not always irrevocable. If an employee who has elected leave for the period wishes to elect COP, the employing activity must make that change on a prospective basis from the date of the employee's request. The employee may also receive COP in lieu of previously requested annual or sick leave, provided the request is made within one year of the date the leave was used or the claim was approved in writing, whichever is later. A corrected time and attendance report is needed to authorize a change from leave to COP.

3. Leave Status of Employees Eligible for COP

a. Employees eligible for COP must be placed in a leave status for time lost from work due to injury in excess of the 45 days of COP. They may take annual or sick leave, or LWOP, if necessary, until OWCP approves their claims. Employees who are receiving OWCP compensation after the 45-day period must be in a LWOP status.

b. These employees may buy back annual or sick leave taken under subparagraph 031202.H.3.a. when they are awarded compensation by OWCP except under subparagraph 031202.H.3.c. They cannot receive dual compensation for pay and leave and OWCP compensation for that time lost due to injury. The leave will be reinstated when bought back.

c. Employees eligible for COP who take annual or sick leave for time lost due to injury instead of COP are not eligible for OWCP compensation for that leave. These employees may not buy back that leave and have it reinstated.

4. Employees not eligible for COP must be in a leave status during absence due to injury. Employees may take annual or sick leave or LWOP while awaiting a decision from OWCP on their claims. Employees must be in an LWOP status while receiving OWCP compensation. These employees may buy back, and have reinstated, all annual and sick leave used for time lost from work due to injury if OWCP approves their claims for compensation.

031203. Buy Back of Leave

A. General. When an employee elects to take sick or annual leave, or both, subsequent to the completion of 45 days of COP or in the case of occupational disease, and the claim for compensation is subsequently approved by OWCP, the employee may arrange with the civilian payroll office to buy back the leave used within one year of the date the claim was approved and have it recredited to the leave account. The civilian payroll office shall make arrangements with OWCP to have compensation for the "buy-back" period paid directly to that office. After receipt, the civilian payroll office will notify the employee of the amount to be repaid and the method of repayment. An employee who elects to use sick or annual leave, or both, during the 45-day period of COP may not buy back the leave by claiming compensation for such period.

B. Computation. The gross amount paid for leave used during a period retroactively covered by compensation must be recovered; however, certain deductions may be recovered by payroll adjustment. The amount recovered from the employee and/or OWCP will

depend on whether payment for the leave was made in the current year or in a prior year. See Figures 3-1 and 3-2 for examples.

★ C. Current Year Recovery. The amount to be collected for leave payments made in the current calendar year will be the net pay plus deductions for bonds, savings allotments, alimony and/or child support, rent, indebtedness to the United States, and any other deductions for which the employee received value, but cannot be otherwise collected. Deductions that will be reversed (if applicable and if the moneys are recovered) in the payroll system are CSRS/FERS, Social Security and/or Medicare, federal, state and local taxes, FEHB (if OWCP payment is for more than 28 days), FEGLI (basic and optional), TSP, union dues, charitable contributions, military service credit deposits and civilian service credit deposits. Adjustments to earnings to date for other than those items reversed in the payroll system shall be made. Amounts collected from the employee and/or OWCP shall be taken up as a cash refund on a voucher for disbursement and/or collection.

★ D. Prior Year Recovery. The amount to be collected for leave payments made during a prior year will be the gross amount less CSRS/FERS, Social Security and/or Medicare, TSP, FEHB (if OWCP payment is for more than 28 days), and FEGLI (basic and optional). The procedure in subparagraph 031203.C. will be followed for payroll reversals and cash collection. The credit to CSRS/FERS will be posted as a separate credit line item on the SF 2806/3100 fiscal side indicating the year for which the adjustment was made with an explanation in the "Remarks" column. Adjustments for federal, state, and local income taxes are not authorized. The Form W-2 prepared for the employee upon separation or at the end of the payroll year, as appropriate, will not include any tax adjustments for a prior year. A certified statement must be prepared to go with the current year's Form W-2. It will state that a refund for prior year CCYY was made in the amount of $____, but that the gross wages shown on the current year Form W-2 have not been reduced by the amount of the refund.

E. Partial Payroll Deductions. If circumstances warrant, the amount due from the employee, after recovery of the amount repaid by OWCP, may be repaid by partial payroll deductions. Adjustment of those deductions to be reversed on the payroll will not be accomplished until the full amount has been repaid.

F. Recrediting of Leave. The full amount of leave used during the "buy-back" period will be recredited to the employee's leave account. Leave bought back, however, may not be recredited until the total amount has been repaid.

0313 BACK PAY

★ 031301. General. Title 5 United States Code, section 5596. (reference (b)) and implementing regulations in 5 C.F.R. 550, subpart H (reference (l)) authorize the payment of back pay and reasonable attorney fees for the purpose of making an employee financially whole (to the extent possible). Payment of back pay can be made when, on the basis of a timely appeal or an administrative determination (including a decision relating to an unfair labor practice or a grievance), an appropriate authority finds that the employee was affected by an unjustified or

unwarranted personnel action. Such action must have resulted in the withdrawal, reduction, or denial of all or part of the pay, allowances, and differentials, otherwise due the employee under an applicable law, rule, regulation, or provision of a collective bargaining agreement. The HROs will determine entitlement to payment of back pay that will be indicated in the remarks section of the SF 50.

031302. Correcting Unjustified or Unwarranted Personnel Action

A. When an appropriate authority corrects or directs the correction of an unjustified or unwarranted personnel action, the employee shall be deemed to have performed service in the Department during the period covered by the corrective action and the civilian payroll office shall compute, for the period covered by the corrective action, the pay, allowances, and differentials of the employee as if the improper personnel action had not occurred. In no case, however, will the employee be granted more pay, allowances, and differentials under the back pay law than he or she would have been entitled to if the improper personnel action had not occurred.

B. When an employee's total interim earnings (including those from other federal employment) exceed the total amount of back pay, the excess amount may be retained by the employee (Comp. Gen. B-194777, October 30, 1979) (reference (p)).

C. When an employee has been separated, corrective action is completed on the date the Department has reasonably set, with written notice to the employee, for return to duty. Until that date, the erroneous action is in effect. Failure by the employee to report for duty on the date set by the Department may result in the employee being charged annual leave, leave without pay, or absence without leave for the period from the date set for return of the employee to work until the date the employee actually returns to work. An employee who resigns instead of returning to duty, however, still is entitled to back pay, since there is no requirement that the employee must return to duty. In this case, the employee will receive back pay up to the date that he or she legitimately is separated, which may not be the date that he or she is requested to report for duty.

031303. Back Pay Computations

A. General. In computing the amount of gross back pay due an employee, the civilian payroll office must include premium pay and any changes that would affect the amount of pay, allowances, and differentials which the employee would have earned if the unjustified or unwarranted personnel action had not occurred. The computation of the net back pay to which an employee is entitled is a three-step process: interim net outside earnings from employment taken to take the place of government employment must be deducted from the gross back pay due the employee; erroneous payments received from the government as a result of an unjustified or unwarranted personnel action must be deducted from net back pay due the employee; and other authorized deductions. Authorized deductions which include retirement deductions computed on gross basic pay for the period of separation, federal and state taxes computed on net back pay after deductions for interim net earnings, and health benefits premiums, if any, may be made from the remaining back pay due the employee.

B. Computation of Gross Back Pay

1. Under 5 C.F.R. 550.805(c) (reference (l)), an agency may not pay back pay for any period during which the employee was not ready, willing, and able to perform his or her duties because of an incapacitating illness. The employing agency, however, must grant, upon request of the employee, any sick or annual leave to the his or her credit to cover the period of incapacity by reason of illness or injury. In addition, an agency may not pay back pay for any period during which the employee was unavailable for performance of their duties for reasons not related to, or caused by, the unjustified or unwarranted personnel action.

2. In computing an employee's pay, it is necessary to include any within-grade increases (WGI) to which the he or she became entitled during the period covered by the corrected personnel action. When the grant or denial of a WGI requires an acceptable level of competence determination, under 5 C.F.R., part 531, subpart D (reference (l)), the requirements for such a determination, including the right of reconsideration and appeal, must be followed (even though the determination is made retroactively) before the WGI may be included in the computation of the amount of back pay due the employee. It should be noted that the regulations governing WGIs waive the requirement of an acceptable level of competence determination when the employee had less than 60 days of service during the final 52 calendar weeks of the waiting period because of the unjustified and unwarranted personnel action (5 C.F.R. 531.409(d)) (reference (l)).

3. In computing the back pay of an employee who is restored to the rolls after an improper personnel action, any overtime the employee would have earned during the period of the erroneous separation is to be included in the back pay even though the overtime was not actually scheduled. The method of computing overtime incident to a back pay award due an employee may be based on the average number of overtime hours worked by fellow employees occupying similar positions during the same period (41 Comp. Gen. 273 (1961)) (reference (p)).

4. An employee who should have been selected for overtime work because a regulation or collective bargaining agreement provided for assignment of overtime work in a prescribed manner is entitled to back pay for the overtime not worked if the regulation or nondiscretionary provision of the agreement is violated. The appropriate authority must find that the action taken was unjustified or unwarranted and direct that corrective action be taken. The overtime will be computed on the basis of the number of hours worked by the employee selected to perform the overtime work during the same period (54 Comp. Gen. 1071 (1975)) (reference (p)).

5. Any allowances or differentials that the employee would have received if the improper personnel action had not occurred are included in the amount due the employee. This is true even though the employee did not physically remain in the location giving rise to entitlement to the allowance or differential (40 Comp. Gen. 479 (1961), 52 id 860 (1973), and 59 id 261 (1980)) (reference (p)).

6. In determining the amount of irregular or intermittent pay for physical hardship or hazard duty to which a GS employee would have been entitled, the civilian payroll

office may determine the number of days per week the employee performed each type or irregular or intermittent hardship or hazard duty during the 52 weeks preceding the unjustified or unwarranted separation for which they would have been compensated. The civilian payroll office may use an average of the amounts to make the necessary computations.

7. Payment of environmental differentials on an actual exposure basis or on the basis of hours in a pay status must be computed in accordance with the OPM regulations and instructions. The Department determines entitlement to such differentials on the basis of the 52 weeks preceding the unjustified or unwarranted separation for which the FWS employee would have been compensated.

8. When the Department is not able to determine with certainty the number of hours that the intermittent employee would have worked during the period covered by the corrected personnel action, the civilian payroll office may estimate the amount of back pay. This estimate is determined by taking an average of the number of hours worked by other DoD employees under the same type of appointment and performing the same kind of work to which the employee in question would have been assigned during this period. The civilian payroll office also may determine the average number of hours a week the employee actually worked for a representative period preceding the unjustified or unwarranted personnel action (such as 26 or 52 weeks, whichever would represent a fairer approximation of the employee's earnings if he or she had actually worked) and use these average weekly hours to make the necessary computations.

C. Computation of Net Back Pay

1. Under 5 C.F.R. 550.805(e) (reference (b)), the civilian payroll office must deduct any amounts earned by an employee from other employment during the period covered by the corrective action. The amount of entitlement is the difference between the amount of compensation the employee would have earned, including all premium pay, and the amount actually earned in employment during the period covered by the corrected personnel action. The amount earned in employment obtained to take the place of federal employment means net earnings, that is, gross earnings less losses and certain expenses incurred in connection with the interim employment or business (34 Comp. Gen. 382 (1955)) (reference (p)). Losses sustained in a venture unrelated to that separation, however, are not allowable for deductions (35 Comp. Gen. 268 (1955)) (reference (p)).

2. The only earnings from other employment that may not be deducted from back pay are earnings from outside employment the employee already had before the unjustified suspension or separation. For example, if an employee worked 20 hours on an outside part-time job prior to separation from government employment, and during the period of separation worked 40 hours, the amount representing the 20 hours additional time worked would be offset against the back pay computation. To clearly establish whether the pay for outside employment increased substantially during the period of separation, the Department should obtain a statement or affidavits from the employee covering his or her outside earnings.

D. Computation of Interest on Back Pay Awards

★ 1. Under 5 U.S.C. 5596 (reference (b)) interest shall be paid on all back pay awards that became final on or after December 22, 1987. In most cases, the actual date of the award or decision is not the date the decision becomes final, i.e., no longer subject to reconsideration or higher level review or appeal. Interest begins to accrue on the effective date of the withdrawal of pay, allowances, and differentials. As a result, most computations will involve a series of effective dates--one for each date (usually a pay date) on which the employee failed to receive an amount of pay, allowances, and differentials because of the unjustified or unwarranted personnel action. Section 550.805 of 5 C.F.R. (reference (l)) sets out procedures for the computation of back pay, and 5 C.F.R. 550.806 (reference (l)) addresses the computation of interest.

2. The Department must issue the interest within 30 calendar days of the date on which accrual of interest ends. If issuance of the interest payment is delayed more than 30 calendar days after the date on which accrual of interest ends, interest must be recomputed based on a new ending date meeting the 30-day requirement.

3. The applicable interest rate is the "overpayment rate" adjusted quarterly by the Secretary of the Treasury and published in an IRS Bulletin issued before the beginning of each quarter.

★ 4. Interest is computed in accordance with the formula or computer software provided to civilian payroll offices by the OPM. Taxes will not be withheld from interest payments on back pay awards. The civilian payroll office will provide employees with a Form 1099-INT for all interest payments. The OPM has requested a formal opinion from IRS regarding the tax status of interest on back pay.

E. Erroneous Payments. The following deductions are mandatory and necessary to achieve the "make whole" purpose of the back pay statute:

1. Retirement Annuity Payments. Any employee who, as a result of separation that is subsequently determined by an appropriate authority to have been erroneous, has been in receipt of retirement annuity payments (either special payments or regular annuity payments) is indebted to the government for the gross amount of retirement annuity payments authorized for the period covered by the corrective action. Because the gross amount of annuity payments had already been reduced by required health benefits and life insurance premiums, the civilian payroll office recovers an amount of annuity from the back pay award equal to the gross annuity less health benefits and life insurance premiums, and transfers that amount to the retirement system. The government then recovers the amounts paid from the CSRS or FERS gross annuity for health benefits and life insurance from the respective carriers for those programs, and the retired employee's account is satisfied. The civilian payroll office then must collect from the back pay due the employee the required amount for health benefits coverage during the period following restoration and transfer that amount, plus the agency's share, to the OPM on the SF 2812.

a. As an example of the above instruction, consider that the retired employee was entitled to a gross annuity of $500 per month less $50 per month for health benefits coverage and $50 per month for unreduced basic life insurance coverage after age 65, and optional insurance. The net amount payable to the annuitant in this example was $400 per month. If the period of erroneous annuity payment was for only one month, the gross indebtedness was $500. However, the net amount of indebtedness to be withheld from the back pay award is $400 (the amount the annuitant actually received).

b. Erroneous separations resulting in indebtedness to the retirement fund may occur in a number of circumstances, including: an erroneous separation resulting from removal for misconduct or poor performance that subsequently is overturned on appeal; a reduction-in-force action that subsequently is overturned on appeal; separation for retirement that subsequently is determined to have been coerced; and erroneous separation for retirement because of incorrect counseling about eligibility for retirement. The civilian payroll office must deduct the amount of the net erroneous retirement payments from the back pay award. The civilian payroll office must remit the appropriate amount payable to the U.S. Office of Personnel Management and if a check payment, mail that payment to the U.S. Office of Personnel Management, Funds Control Branch, Room 1312, 1900 E Street, N.W., Washington, D.C. 20415.

2. Refund of Retirement Contributions. Title 5, United States Code, section 8342(a) (reference (b)) authorizes refund of an employee's retirement contributions only upon absolute separation from the service or transfer to a position not subject to the law. An employee must be separated or transferred for at least 31 consecutive days to be eligible for this refund. Therefore, a refund of retirement contributions paid to an employee based on a separation which subsequently is found erroneous and canceled by restoring the employee to duty retroactively so that there was no break in service removes the legal basis for the refund. A refund that was paid in error represents a debt due the retirement fund that must be deducted from any back pay entitlement. If the restored employee is entitled to back pay, the civilian payroll office should contact the OPM to determine the amount of refund, if any, to be offset against the back pay entitlement. A payment for the appropriate amount should be remitted to the OPM, at the address shown in subparagraph 031303.E.1.b.

3. Severance Pay. The severance pay paid to an erroneously separated employee at the time of his or her removal must be deducted from the back pay award upon restoration to duty.

4. Lump-sum Payment for Annual Leave. The lump-sum payment that an erroneously separated employee received upon his or her removal must be refunded by the employee upon cancellation of the separation action. This is because the lump-sum payment for annual leave is authorized under 5 U.S.C. 5551(a) (reference (b)) only upon separation from the service. Therefore, when a separation is canceled and the employee is restored to duty as of the date of separation, the lump-sum payment is considered erroneous. Any lump-sum received by the employee must be offset against the employee's back pay award, and the leave must be recredited to the employee's leave account. There is no authority to permit an employee to elect to retain

payment or receive credit for the leave. The procedures for collecting leave payments are in subparagraphs 031203.C. and 031203.D.

5. Order of Precedence. The order of precedence for deducting erroneous payments from back pay awards when the net amount of back pay is insufficient to cover all the deductions is as follows: retirement annuity payments or refunds of retirement contributions, severance pay, and lump-sum payment for accrued annual leave.

★ a. Employees may request the OPM to waive recovery of erroneous payments of any amount from the Civil Service Retirement and Disability Fund. Requests for waiver should be submitted to U.S. Office of Personnel Management, Office of Retirement Programs, Reconsideration and Debt Collection Division, Room 3H30, 1900 E Street, N.W., Washington, D.C. 20415. Employees also may submit requests to that address to repay debts owed to the Civil Service Retirement and Disability Fund by installment deductions from salary.

b. For severance pay and lump-sum annual leave payments, any net indebtedness remaining after liquidation of back pay is subject to waiver (by GAO or DFAS, as applicable) under the authority of 5 U.S.C. 5584 (reference (b)).

F. Other Authorized Deductions

1. The retirement contribution is computed on the employee's gross back pay subject to retirement and deducted after subtracting the earnings from outside employment. Even if no amount of back pay is due the employee, because of excessive outside earnings, the employee must remit the appropriate amount of retirement fund contributions to the Department in order to receive full retirement credit for the period of the unjustified or unwarranted separation (Comp. Gen. Decision B-235638, December 4, 1990) (reference (p)) and (5 U.S.C. 8334(c) (reference (b)).

2. Income tax withholdings are not computed on gross back pay before deductions from outside employment. Rather, interim net earnings (i.e., gross earnings less losses and certain expenses incurred in connection with the interim employment or business, but before income tax withholdings), if any, must be deducted from the gross amount of back pay and income tax withheld on the remainder (unpublished Comp. Gen. Decision B-125762, 1957) (reference (p)).

3. Health benefits premiums for an employee restored to duty following an erroneous separation for retirement must be deducted if coverage under the health benefits program continued without interruption during the erroneous retirement.

G. Examples of Back Pay Computations. The following examples are set forth as an aid to computing back pay (figures are not actual but illustrative only):

Example 1:
An employee's gross back pay computation (based on basic pay only) is $10,000. During the period covered by the corrective action the employee earned $7,000 from outside employment (interim earnings).

Gross back pay	$10,000
Less interim earning	$7,000
Subtotal	$3,000
Less authorized deductions	
Retirement deductions computed on gross back pay ($10,000)	$700
Federal tax computed on net back pay ($3,000)	$325
State tax computed on net back pay ($3,000)	$97
Total deductions	$1,122
Net back pay	$1,878

Example 2:
An employee's gross back pay computation is $32,420, as follows:

Basic pay	$31,000
Overtime pay	$300
Holiday pay	$120
On-call pay	$1,000

The employee received lump-sum payments amounting to $1,000, and net retirement payments (gross retirement less the amount withheld for health benefits and the amount withheld for post retirement basic life insurance) amounting to $10,000. During the period covered by the corrective action the employee earned $11,000 from outside employment (interim earnings).

Gross back pay	$32,420
Less interim earnings	$11,000
Subtotal	$21,420
Less erroneous payments	
Erroneous retirement payments (not including FEHB and FEGLI premiums)	$10,000
Erroneous lump-sum payments for annual leave	$1,000
Total	$11,000
Subtotal	$10,420
Less other authorized deductions	
Retirement deductions computed on gross basic pay ($31,000)	$2,170
Federal tax computed on net back pay ($21,420)	$3,026
State tax computed on net back pay ($21,420)	$1,200
Health Benefits Premiums	$1,116
Total	$7,512
Net back pay	$2,908

031304. Restoration of Leave. Under 5 C.F.R. 550.805(g) (reference (l)), annual leave that is restored to an employee as a result of the correction of an unjustified or unwarranted personnel action, and that is in excess of the maximum leave accumulation authorized by law, must be credited to a separate leave account for use by the employee. Annual leave in such a separate leave account must be scheduled and used as follows:

A. For a full-time employee, excess annual leave of 416 hours or less must be scheduled and used by the end of the leave year in progress 2 years after the date on which the annual leave is credited to the separate account. This period is extended by one leave year for each additional 208 hours of excess annual leave or any portion thereof. Note: For both part-time and full-time employees, the ending date of the time limit for use of excess annual leave is not necessarily exactly 2 years, or the additional years, as appropriate, from the restoration date. Rather, the time limit ends at the end of the appropriate leave year.

B. A part-time employee shall schedule and use excess annual leave in an amount equal to or less than 20 percent of the employee's scheduled tour of duty over a 52 calendar week period by the end of the leave year in progress 2 years after the date on which the annual leave is credited to the separate account. The agency shall extend this period by one leave year for each additional number of hours of excess annual leave, or any portion thereof, equal to 10 percent of the employee's scheduled tour of duty over a period of 52 calendar weeks.

C. To determine the time limitations for use of restored leave, see paragraph 050403.

031305. Health Benefits and Life Insurance

★ A. Health Insurance. Title 5, United States Code, section 8908 (reference (b)) provides that if the enrollment of an employee, who was removed or suspended without pay, was terminated and the employee is ordered restored to duty on the grounds that the removal or suspension was unjustified or unwarranted, he or she may elect to (1) have the prior enrollment reinstated retroactive to the date it was terminated, with appropriate adjustments made in contributions and claims, to the same extent and effect as though the removal or suspension had not taken place, or (2) enroll the same as a new employee. Note: The statutory provisions of 5 U.S.C. 8908 (reference (b)) do not apply when an employee was separated erroneously for retirement under conditions that entitle him or her to continued enrollment. In such cases, there is no need to restore health benefits coverage; it was transferred to the retirement system and automatically continued. Refer to the Federal Employees Health Benefits Handbook for Personnel and Payroll Offices (reference (y)) for additional information.

B. Life Insurance

1. If an employee is restored retroactively to duty with pay after an erroneous suspension or removal, any insurance coverage the employee had before the improper action will continue as though the erroneous action never occurred. Retroactive salary deductions

for life insurance, however, shall not be withheld from any back pay awarded for the period of separation or suspension. If death or accidental dismemberment occurs during the period between the employee's removal and the finding that the separation was erroneous, insurance proceeds will be paid and premiums will be withheld from the back pay award for the period of separation or suspension (5 U.S.C. 8706(d)) (reference (b)) and Federal Employees Group Life Insurance Handbook for Personnel and Payroll Offices (reference (z)).

2. An employee who had no insurance coverage prior to an erroneous suspension or removal and who is restored to duty after the closing date of an open season for life insurance which occurred during the period between the employee's suspension or removal and restoration is entitled upon restoration to elect life insurance coverage, as permitted during the open season. Since coverage for basic life insurance is automatic, the effective date is the first day in a pay and duty status. For options A, B, and C, the effective date is the first day in a pay and duty status on or after the date the SF 2817 (Life Insurance Election) is received by the employing office. An employee who had life insurance coverage prior to an erroneous suspension or removal and who is restored to duty after the closing date of an open season for life insurance which occurred during the period between the employee's suspension or removal and restoration, is entitled upon restoration to elect additional life insurance coverage, as permitted during the open season. The effective date is the first day in a pay and duty status on or after the date the employing office receives the SF 2817.

031306. Payment of Reasonable Attorney Fees. Title 5, United States Code, section 5596(b)(1)(A)(ii) (reference (b)) provides for payment of reasonable attorney fees in accordance with the standards established under 5 U.S.C. 7701(g) (reference (b)), under certain conditions. Under 5 C.F.R. 550.807 (reference (l)), such payment is available in all back pay cases, without regard to the nature of the case or the appropriate authority in the case HROs will determine entitlement to payment of attorney fees and indicate the amount in the remarks on the SF 50.

031307. Reporting Back Pay to State Agencies. If an employee is awarded back pay, see subparagraph 060105. regarding notification of the state agency.

0314 EMERGENCY EVACUATION PAYMENTS

031401. Purpose. This section prescribes the responsibilities of the civilian payroll offices in the event of evacuation of civilian employees or their dependents under the provisions of the DSSR, chapter 600 (reference (t)) and 5 C.F.R., Part 550, subpart D (reference (l)). Civilian payroll offices will use these procedures when evacuation for military or other reasons of national interest or because of imminent danger to their lives has been ordered by the proper authority. The place these persons are evacuated from may be within or outside the United States.

A. Forms. DD Form 2461 (Authorization for Emergency Evacuation Advance and Allotment Payments for DoD Civilian Employees) is used to authorize and record emergency payments to employees and dependents. This record is kept by the civilian payroll office to record these payments on the permanent records. Information on this form may, in appropriate cases, be disclosed to other federal agencies (i.e., IRS, SSA, OPM) to state and local taxing/welfare

authorities, and to certain private organizations for crediting the payments to the employee's account. Before payment can be made to the employee or his dependents, an application for payment of amounts due the evacuated civilian employees or family members is required.

B. Determining entitlement and payee. Determine specific rates of entitlement, duration of evacuation/departure payments, and eligible allottees as follows:

1. For employees at foreign installations, use the DSSR, chapter 600 (reference (t)).

2. For all other employees, use 5 C.F.R. 550.401 through 550.408 (reference (l)).

C. Payments. Payments at the rate to which the employee was entitled immediately before the order of evacuation/departure may be made to the employee, or payments in the form of allotments may be made to an adult family member or designated representative.

031402. Transmission of Data to Safe-Haven Post

A. To the extent possible and practical, pay, leave, and other significant data will be sent from the evacuated installation to the safe-haven post as soon as possible after the evacuation order has been issued so that they will be available to support further payments. Some of the possible methods of communicating such data to the safe-haven post are shipping a machine or manual listing of the data; shipping the last complete payroll together with appropriate notations and changes; transmitting the essential data over available telephone, telegraph, or radio facilities; shipping the actual payroll, leave, and other appropriate records; providing the evacuated employees and dependents at the time that the evacuation is ordered with a statement of essential data in a locally reproduced format.

B. For the most part, the conditions and circumstances existing at the evacuation installation will determine the method and timing to be followed in transmitting the data. The safeguarding and preservation of the payroll, leave, and travel records are matters of primary concern because of the continuing need of the records after the conditions which gave rise to the emergency evacuation have been resolved. Accordingly, steps as necessary to safeguard and preserve the records should take precedence over the immediate need for them at the safe-haven post.

031403. Action Upon and During Evacuation. To the extent possible and practicable, employees and dependents remaining at the evacuated installation will continue to be paid in accordance with the normal fiscal procedures of that installation. A special advance payroll will be prepared in accordance with normal payroll procedures and charged against the appropriate funds available to the installation for advance payments authorized to be made to persons being evacuated.

031404. Action Upon Assignment of an Evacuated Employee

A. Return to Former Place of Employment

1. The disbursing officer will obtain a record of payments made to the employee and dependents from the safe-haven post and immediately request the supporting DFAS Center to furnish from its records the total amounts paid to each employee and dependents during the time of evacuation.

2. Upon receipt of the payment information from the supporting DFAS Center, the disbursing officer will reconcile all amounts paid and determine the amounts due the employee. A final payroll will be prepared to settle the employee's pay account subsequent to the last normal payment. That payroll will include all deductions that were suspended during the period of evacuation.

★ B. Assignment to an Installation Other Than One from Which Evacuated. The disbursing officer will take all action required in subparagraphs 031404.A.1. and 2. In addition, the disbursing officer will initiate a request to the former employing activity for the date of the last normal payment and all other pertinent information that normally would be furnished by a releasing activity. A new pay record will be established on the basis of the information obtained. When the required information cannot be obtained from the employee's last permanent station because of destruction of the records, it will be assumed that the employee drew all amounts due the employee as of the last day prior to evacuation. See DSSR, chapter 600 (reference (t)) and 5 C.F.R., Part 550, subpart D (reference (l)).

0315 MISCELLANEOUS

031501. Uniform Allowance. Uniform allowance is not paid through the civilian payroll system. It is paid through commercial accounts.

★ 031502. Transportation Fringe Benefits

A. Public Law 102-486 (reference (e)) requires employers report the valuation of fringe benefits as taxable income for amounts that exceed the established IRS threshold. The IRS publishes the qualified transportation fringe benefits excludable amount each year. Employers must determine the fair-market value of free or reduced parking provided to employees by comparing it to nearby commercial parking rates. The valuation in excess of the qualified published limits is includible as gross income and is subject to Social Security and/or Medicare, federal, state, and local income tax withholding. The valuation is not subject to retirement, group life insurance, or TSP deductions. See subparagraph 090205.D. for reporting information.

★ B. Beginning October 24, 1994, the Assistant Secretary of Defense (Force Management Policy) authorized DoD Components to implement the payment of subsidies for transit passes and riding in a commuter highway vehicle when going between a residence and work.

★ 031503. Government Provided Home-to-Work Transportation. Title 26, C.F.R., section 1.61-21 (reference (aa)), provides detailed rules as to the proper valuation method required for determining the employer-provided home-to-work benefit, as it must be reported on each applicable employee's Form W-2. The DoD 4500.36-R (reference (ab)) requires the USD(C), in coordination with the USD(P&R), to provide the necessary guidance annually concerning the valuation methods for home-to-work transportation. Employers are responsible for determining the value of the employer-provided benefit and reporting it to DFAS to be properly reported on the employee's Form W-2. The benefit is subject to Social Security/Medicare, federal, state, and local income taxes. The benefit is not subject to retirement, group life insurance, or TSP deductions.

Buy Back of Leave Computation – Sick Leave for Full Pay Period

PP#	HRS	GROSS	CSRS	FICA/ MED	TAX	FEHB	FEGLI	OPT FEGLI	CHARITY	UNION DUES
21	80	$680.80	47.66	9.19	120.57	31.50	5.50	16.00	2.00	1.75

ALLOT	TSP	NET
50.00	10.00	$386.63

Current Year Recovery:

Net pay	$386.63
Allotment	50.00
Charity	2.00
Health Benefits	31.50
Union dues	1.75
Amount of repayment	471.88
Amount of OWCP check (75% X 680.80)	510.60
Amount due employee	$ 38.72

Prior Year Recovery:

Net pay	$386.63
Allotment	50.00
Tax	120.57
Charity	2.00
Health Benefits	31.50
Union dues	1.75
Amount of repayment	592.45
Amount of OWCP check (75% X 680.80)	510.60
Amount due from employee	$ 81.85

★ Figure 3-1 (Example of Buy Back of Leave Computation for Employee Who Used Sick Leave for a Full Pay Period)

Buy Back of Leave Computation – Sick Leave for Less Than a Full Pay Period

PP#	HRS	GROSS	CSRS	FICA MED	TAX	FEHB	FEGLI	OPT FEGLI	CHARITY	UNION DUES	ALLOT	NET
20	80	$680.80	47.66	9.19	120.57	31.50	5.50	16.00	2.00	1.75	50.00	$396.63
Worked	47	$399.97	28.00	5.40	71.14	31.50	5.50	16.00	2.00	1.75	50.00	$188.68
Sick Lv	33	$280.83	19.66	3.79	49.43	-	-	-	-	-	-	$207.95
21	80	$680.80	47.66	9.19	120.57	31.50	5.50	16.00	2.00	1.75	50.00	$396.63
Worked	12	$102.12	7.15	1.38	18.09	31.50	5.50	16.00	2.00	1.75	-	$ 18.75
Sick Lv	68	$578.68	40.51	7.81	102.48	-	-	-	-	-	50.00	$377.88

Current Year Recovery:

Net Pay	$585.83
Allotment	50.00
Amount of repayment	$635.83
Amount of OWCP check (75% x $859.51)	644.63
Amount due employee	$ 8.80

Prior Year Recovery:

Net Pay	$585.83
Allotment	50.00
Tax	151.91
Amount of repayment	$787.74
Amount of OWCP check (75% X 859.51)	644.63
Amount due from employee	$143.11

Figure 3-2 (Example of Buy Back of Leave Computation for Employee Who Used Sick Leave for Less Than a Full Pay Period)

CHAPTER 4

DEDUCTIONS

★0401 GENERAL REQUIREMENTS. Written authority to make voluntary deductions from pay shall be obtained from DoD employees in all cases. All mandatory deductions shall be based on specific provisions of law or a court order. The authorization for each type of deduction shall contain sufficient information to properly establish the deduction and to enable payment to the proper payee of the amount deducted. A current file of all deduction authorizations shall be kept in the civilian payroll office, with the CSR or at other designated storage sites as justification for each deduction and maintained in accordance with General Records Schedule 2 (reference (g)).

0402 ORDER OF PRECEDENCE

040201. Deductions. Mandatory deductions are amounts required by law or regulation to be withheld from an employee's pay. Voluntary deductions are amounts withheld from pay that require written authorization from the employee. In some instances, an employee's gross pay is not sufficient to permit all mandatory and voluntary deductions to be made. In those cases, the following order of precedence shall apply:

A. Retirement, including retirement withheld under the Civil Service Retirement System (CSRS) Act of May 29, 1930, as amended (reference (ac)), the Federal Employees' Retirement System (FERS) Act (P.L. 99-335) (reference (e)) (5 U.S.C. 8334 and 8422) (reference (b)), state Retirement deductions for Title 32 National Guard technicians who elected to remain covered by a state retirement system (P.L. 90-486, section 6c) (reference (e)) and 5 U.S.C. 5518 (reference (b)), and retirement contributions withheld for NAF plans (P.L. 101-508) (reference (e)).

B. Federal Insurance Contributions Act (FICA); i.e., Social Security and/or Medicare (26 U.S.C. 3102, 3121, and 3122) (reference (ad)).

C. Current federal income tax authorized or required by law to be withheld (26 U.S.C. 3402) (reference (ad)). This includes any amounts voluntarily authorized by an employee in excess of the minimum withholding required.

D. Health insurance premiums for the current pay period and, when owed by the employee, for up to four pay periods immediately preceding the current period (5 C.F.R. 550.1104(c)) (reference (l)).

E. Basic group life insurance premiums (5 U.S.C. 8707) (reference (b)) and state life insurance premiums.

F. State income tax authorized, or required by law to be withheld, pursuant to an agreement between the state and the Secretary of the Treasury (5 U.S.C. 5517) (reference (b)).

G. Local income tax authorized, or required by law to be withheld, pursuant to an agreement between the local taxing authority and the Secretary of the Treasury (5 U.S.C. 5520) (reference (b)).

H. Mandatory repayments of indebtedness to the United States based on the age of the debt, not the agency to which it is owed, excluding those permitting IRS levy for prior year federal income taxes, as discussed in subparagraphs 040201.M. and O. (5 U.S.C. 5514, 5522, 5705, and 5724) (reference (b)) and (31 U.S.C. 3716) (reference (d)).

1. The amounts to be withheld and the duration of such withholdings must be determined under the due process provisions and other limitations contained in the law that applies to the particular collection action.

2. When there are multiple deductions required to satisfy various debts to the United States, and an employee's available pay subject to deduction is insufficient for all such deductions, priority shall be determined in accordance with the best interest of the United States. Debts to be collected normally are subject to the statute of limitations. Deductions for those debts for which the statute of limitations would first bar collection normally shall be made before deductions are made for debts under statutes of limitation allowing a longer time before barring collection.

I. Court-ordered garnishments for alimony and child support payments. If gross pay is not sufficient for both payments ordered in a single garnishment, a proportionate share of each payment must be made to the extent gross pay is available (42 U.S.C. 659) (reference (ae)). If there are multiple garnishments for these payments, the garnishments filed earliest are withheld first.

J. Court-ordered bankruptcy payments under 11 U.S.C. 1325 (reference (af)).

K. Court-ordered garnishments for commercial debts (P.L. 103-94) (reference (e)).

L. Optional life insurance premiums (5 U.S.C. 8714a, 8714b, and 8714c) (reference (b)).

M. Voluntary repayments of indebtedness due the U. S. Government in the order specified by the employee. These are separate payments from those set forth in subparagraphs 040201.H. (5 U.S.C. 5525) (reference (b)) and 040201.O. See 31 U.S.C. 3716 (reference (d)).

N. All other voluntary deductions in the following order (5 U.S.C. 5525 and 8432) (reference (b)):

1. Voluntary allotment for alimony and child support;

2. TSP loan allotments;

3. TSP deductions;

4. Employee organization dues;

5. Charity deductions;

6. Savings bond deductions;

7. Military service deposits;

8. National Guard Association of the United States (NGAUS) basic and optional insurance;

9. State-sponsored insurance for National Guard technicians; and

10. Other allotments.

O. IRS levy for prior year federal income taxes. The levy is based upon an employee's net pay and, during the time period it is effective, the affected employee may not increase the number or size of voluntary deductions (26 U.S.C. 6331 and 6334) (reference (ad)).

040202. Available Pay. An employee's available gross pay shall be reduced by the amount of each deduction withheld in the order specified in paragraph 040201. If an employee's remaining available pay, after applying as many deductions in the order of precedence as the pay will allow, is not sufficient to fund entirely the next deduction, then that deduction, if voluntary, will not be made. The full remaining available salary shall be paid the employee as net pay. If that next deduction is mandatory, however,, it will be made to the full extent of the remaining available pay, in which case, net pay will be zero.

0403 RETIREMENT

040301. CSRS and FERS Recordkeeping

A. General. The CSRS and FERS Handbook for Personnel and Payroll Offices (reference (i)) contains the instructions that civilian payroll offices need to carry out their responsibilities under CSRS and for basic retirement benefits under FERS.

B. Coverage. For employees subject to retirement, the SF 50 will reflect the appropriate retirement system to which an employee is subject. See Table 4-1 for pay subject to retirement deductions. Refer to the CSRS and FERS Handbook for Personnel and Payroll Offices (reference (i)) for the current deduction rates for both CSRS and FERS employees as well as the rates for employer contributions.

C. Responsibilities. Civilian payroll offices must fulfill the following general responsibilities relating to CSRS and FERS:

1. Withholding retirement deductions from employees' pay, making the correct agency contribution, and transmitting these monies to the fund.

2. An individual retirement record is prepared and maintained for each employee who is covered by CSRS or FERS.

3. Maintaining post-1956 military deposit accounts.

4. Certifying individual retirement records and related records, and ensuring the correctness of data in these records.

5. Certifying that the civilian payroll office portion of applications for retirement and survivor benefits is accurate and complete.

6. Maintaining retirement control accounts and preparing retirement accounting reports.

D. Communication with the OPM. Forward records of separated employees directly to the OPM Employees Service and Records Center, Boyers, PA, as follows:

1. CSRS Retirement Records
OPM/CSRS
P.O. Box 45
Boyers, PA 16020

2. FERS Retirement Records
OPM/FERS
P.O. Box 200
Boyers, PA 16020

E. Preparation and Maintenance of SF 2806/3100

1. An SF 2806/3100 is maintained for each employee subject to CSRS or FERS. These forms are used by the OPM to adjudicate the retirement rights of a separated employee or survivors. It is important each SF 2806/3100 be correct, complete, clear in every detail, and properly certified. Timely and accurate maintenance of the SF 2806/3100 also expedites closeout procedures when an employee is separated or transferred to the paying jurisdiction of another agency.

★ 2. The civilian payroll office will prepare an SF 2806/3100 for each employee subject to CSRS or FERS to include FERS reemployed annuitants. An SF 2806 will be

prepared for CSRS reemployed annuitants who choose to have CSRS deductions withheld. Additionally, an SF 2806 will be prepared at separation for a reemployed CSRS annuitant that qualifies for a supplemental annuity and did not have deductions withheld. Also, prior service in the same agency that is not subject to retirement coverage is recorded on the SF 2806/3100. Examples are shown in the CSRS and FERS Handbook for Personnel and Payroll Offices (reference (i)).

3. Method of Posting

a. The SF 2806/3100 may be posted by an automated data processing system, by typewriter, or handwritten in permanent ink. All entries must remain within the ruled lines on the hard copy form. If necessary, use a second line to complete an entry, but do not post in the margin.

b. Manual corrections to the SF 2806/3100 will be noted by the officer who certifies the form or other responsible person, by lining through an incorrect item, entering the correct data, and initialing the correction.

c. If the "Service History" or "Fiscal Record" becomes filled on one side of the record for a manually maintained record, continue posting on the reverse side by bringing the cumulative salary deductions forward with the annotation "Balance Forward."

4. Civilian Payroll Office Number. Each civilian payroll office has been assigned a civilian Payroll Office Number that has been forwarded to the OPM. This number is used by the OPM to control records and identify the civilian payroll office making and remitting deductions and contributions. This number must be reflected on each retirement record.

5. Maintenance of Service History

a. Post Service History entries as they occur. Obtain the data from the SF 50. The OPM Operating Manual, the Guide to Personnel Data Standards (reference (ag)), contains the standard data elements that shall be used. Examples are shown in the CSRS and FERS Handbook for Personnel and Payroll Offices (reference (i)).

b. Include additional pay to which an employee is regularly entitled and which is a part of basic salary for CSRS/FERS deductions, e.g., firefighter standby premium. Omit postings for additional pay that are received on an irregular or unscheduled basis. Also omit additional pay not subject to CSRS/FERS deductions.

6. Posting to "Fiscal Record"

a. Post the total of retirement deductions withheld during the year in column 6 of the SF 2806/3100 at the end of the calendar year. If no deductions were made because of a nonpay status, enter a zero in column 6. If an employee had more than one retirement

deduction rate during the year, enter separate yearly totals for each retirement deduction rate and note the deduction percentage rate for each entry in column 8.

b. If calendar year deductions entered in column 6 include deductions from additional pay not included in the base pay posted in the Service History, place an asterisk after the amount in column 6. Place an asterisk and footnote additional pay status or night shift pay in the lower left corner of the form. If calendar year deductions are annotated additional pay status or night shift pay, show in column 8 the number of LWOP hours for each hourly rate during the year. All LWOP must be shown. If none, show "No Leave Without Pay."

7. Entries in "Remarks" Columns. In addition to the "Service History" and "Fiscal Record," record the following information on the SF 2806/3100 under "Remarks," column 4 and 8, as appropriate.

a. Enter periods of LWOP or furlough of more than 6 months in a calendar year. Enter LWOP of more than 3 calendar days for reemployed annuitants.

b. For employees serving on an intermittent basis without a regular tour of duty, enter the number of days in a pay status during each calendar year. If the employee is paid at an hourly rate and the number of days on which work was performed cannot be determined, enter the number of hours in a pay status during each calendar year.

c. For employees serving on a part-time basis with a regular tour of duty administratively determined in advance, enter the tour of duty (e.g., 4 hours a day or 5 days a week). Refer to section 81A2.2-1C in the CSRS and FERS Handbook for Personnel and Payroll Offices (reference (i)) for additional information.

d. Enter the last date on which the employee was in a pay status, unused sick leave, and the service computation date annotated as "Service Computation Date (month, day, year)" when an employee retires or dies.

e. For piecework employees, record the aggregate earnings and number of days of LWOP, if any, during each calendar year.

f. Record periods of employment under the Social Security Act Amendments of 1965.

8. Sick Leave. If an employee dies, retires, or elects to convert to FERS, enter the amount of unused sick leave in column 4 of the SF 2806/3100 as follows:

a. If there is a minus or zero sick leave balance, enter "No unused sick leave balance."

b. If the employee has unused sick leave at the time of separation, enter the number of hours and cite "5 U.S.C. Chapter 63."

c. For employees with uncommon tours of duty, enter the number of hours of unused sick leave, with a notation showing there was an uncommon tour of duty, and the date the sick leave, if used, would have expired. Cite "5 U.S.C. Chapter 63."

★ d. If the SF 2806/3100 is for an application of disability retirement, post "Will use all sick leave" or "No unused sick leave." Only show sick leave on the SF 3100 if there is a CSRS component. When the application for disability retirement has been approved, post, if applicable, unused sick leave balance on the final SF 2806/3100 to be forwarded to the OPM.

9. Health Benefits Data. SFs 2806/3100 forwarded to the OPM for regular retirement, disability retirement, or deceased employees must be annotated with the status of health benefits in column 4 of the record. Examples are shown in the CSRS and FERS Handbook for Personnel and Payroll Offices (reference (i)).

10. FEGLI must be shown on the SF 2806/3100 as follows, selecting the appropriate statement shown in parentheses.

a. "Basic life: Elected (75%), (50%), (No) reduction."

b. "Standard Optional Insurance: (declined), (eligible to continue, coverage began (date)), (not eligible to continue)."

c. "Additional Optional Insurance: (declined), (eligible to continue, coverage began (date)), (not eligible to continue)."

d. "Family Optional Insurance: (declined), (eligible to continue, coverage began (date)), (not eligible to continue)."

11. Disposition of SFs 2806/3100

★ a. Transfers between civilian payroll offices in the same DoD Component, e.g., from one DoD (code 97) civilian payroll office to another DoD Component civilian payroll office:

(1) If the employee is covered by CSRS, complete the SF 2806 and transmit to the new civilian payroll office using an SF 2807. This type of transfer is commonly referred to as an "Intra-Agency Transfer."

(2) If the employee is covered by FERS, complete the SF 3100 and transmit the form to the OPM at the address cited in subparagraph 040301.D.2. using an SF 3103.

★ b. Transfers between civilian payroll offices not in the same Component, e.g., from a DoD civilian payroll office to a Department of Commerce payroll office (an "Inter-Agency Transfer"):

(1) If the employee is covered by CSRS, complete the SF 2806 and transmit it to the OPM at the address in subparagraph 040301.D.1. using an SF 2807.

(2) If the employee is covered by FERS, complete the SF 3100 record and transmit it to the OPM at the address in subparagraph 040301.D.2. using an SF 3103.

c. Employee Death. Send the SF 2806/3100 using an SF 2807/3103 to the OPM within 5 days of the date of the computation of final pay. Enter in column 4 of the SF 2806/3100 the service computation date "SCD (month, day, year)," FEHB carrier control number and enrollment code, "unused sick leave (enter hours) 5 U.S.C. Chapter 63" and pay ceased (date). The deceased employee's records and associated applications are to be received by the OPM within 30 days of the date of death.

d. Application for Refund of Retirement

(1) Upon leaving federal employment, an employee may request a refund of retirement deductions by submitting an SF 2802/3106 (Application for Refund of Retirement Deductions).

(2) If the request for refund is received at the same time as the notification of the separation, attach the SF 2802/3106 to the SF 2806/3100 and submit to the OPM within 10 calendar days after the ending date of the pay period in which the employee was separated. Annotate in column 4 of the SF 2807/3103 that the SF 2802/3106 is attached.

(3) If the employee completes the SF 2802/3106 within 30 days after the separation date and the SF 2802/3106 is received in the civilian payroll office after the SF 2806/3100 is transmitted to the OPM, send the SF 2802/3106 to the OPM. Annotate the SF 2802/3106 showing the date and number of the SF 2807/3103 on which the SF 2806/3100 was transmitted.

(4) If the employee has been separated more than 30 days, he or she must file the SF 2802/3106 directly with the OPM.

e. Disability Retirement Separations. Advance closeout of the SF 2806/3100 is required when an application for disability retirement is received from a current employee.

(1) Annotate the SF 2806/3100 as follows:

(a) Add the words: "Preliminary Disability Retirement" in the top margin of the SF 2806/3100.

(b) Post retirement deductions to the close of the previous calendar year.

(c) Enter the date the application for disability retirement was made in the "Service History."

(d) Show the pay status of the employee, as applicable: "Employee in duty status," "Leave with pay will end (date)," or "Pay stopped (date)." Also, enter in column 4 of the SF 2806/3100 the service computation date as follows: "SCD (month, day, year)."

(e) On each preliminary SF 2806/3100 submitted with an application for disability retirement, enter in column 4 the status of health insurance and life insurance. Examples are shown in the CSRS and FERS Handbook for Personnel and Payroll Offices (reference (i)).

(f) Show the unused sick leave data in column 4 of the SF 2806/3100 and enter "Will use all sick leave" or "No unused sick leave." In addition enter the projected date sick leave pay will terminate.

(2) Prepare a new SF 2806/3100 to record retirement deductions withheld after sending the preliminary SF 2806/3100 to the OPM. Add the words "Final-Disability Retirement" above the date of birth. Enter "APP FOR DIS RET EXC" and annotate the date the SF 2801/3107 (Application for Immediate Retirement) was executed on the "Service History" side of the SF 2806/3100. In addition, add a comment to reference the "Preliminary Retirement SF 2806/3100" on which calendar year deductions were reported to the OPM, plus the date and number of the SF 2807/3103 that transmitted the records. Post all actions that occur after submission of the SF 2801/3107 to this record.

(3) Prepare the SF 2807/3103 and send the preliminary SF 2806/3100 with the SF 2801/3107 to the applicable address listed in subparagraph 040301.D. within 5 calendar days after receipt of the application. Annotate column 4 of the SF 2807/3103 with "Preliminary Disability" and the date established by the HRO.

(4) On approval of the application, complete the final SF 2806/3100. Post retirement deductions withheld after the Preliminary SF 2806/3100 was sent. Show the effective date of the disability retirement and the date that pay ceased on the SF 2806/3100. Send the final SF 2806/3100 to the OPM within 5 calendar days after the date of the employee's final paycheck.

(5) Continue using the final SF 2806/3100 if the employee's application is denied. The OPM will not return the Preliminary SF 2806/3100. Annotate in column 4 of the SF 2806/3100 denial of the disability and the date.

f. Nondisability Retirement Separations. Send the SF 2806/3100 with the SF 2801/3107 with attached CSC Form 1084 (Information in Support of Civil Service Retirement Application) to the applicable address, listed in subparagraph 040301.D., within 10 calendar days after the ending date of the pay period in which the employee retired.

(1) Use the OPM checklists to ensure complete and accurate processing. Submit the completed and signed checklist to the OPM with the retirement package.

(2) Post retirement deductions through the date of retirement on the "Fiscal Record" of the SF 2806/3100.

(3) Enter the type of nondisability retirement in the "Service History," i.e., "Optional Service," "Mandatory Service," or "Discontinued Service."

(4) Enter the date pay stopped in column 4 of the SF 2806/3100. This will normally be the date of retirement; however, if the employee's pay status ends before the retirement date, enter the earlier date. Enter the "SCD (month, day, year)."

g. Service credit deposits for Post-1956 military service. Any individual first employed in a position subject to the CSRS Act (reference (ac)) on or after October 1, 1982, will receive credit for post-1956 military service only if he or she deposits a sum equal to 7 percent of the military basic pay received for post-1956 military service. Individuals who were first employed under CSRS before October 1, 1982, will have the option of making deposits for post-1956 military service and avoid a possible annuity reduction. A FERS employee may receive credit for post-1956 military service under FERS rules only if he or she deposits a sum equal to 3 percent of the military basic pay he or she earned during the period of military service, plus interest.

★ (1) Payment of military service credit deposits may be made either by cash payment or biweekly payroll deductions. Installment payments must be in whole dollar amounts not less than $25 per pay period, except for the last payment that may be in any amount to complete repayment. Unpaid balances are subject to interest calculations, and the OPM will issue annual guidance concerning the rate of interest to be used. Payments other than payroll deductions will be submitted directly to the disbursing office that supports the civilian payroll office operation in the form of a negotiable instrument. These payments must be submitted in time to be received by the disbursing officer by the close of business on the last regular business day before the interest accrual date. Therefore, if a deposit is sent by mail, the date of the postmark does not constitute the date of payment. Interest will be computed on the unpaid balance on the employee's interest accrual date.

(a) CSRS. Interest begins to accrue on deposits on October 1, 1985, or 2 years after an individual is first employed (or reemployed after a period of military service) in a position subject to CSRS. The interest accrual date (IAD) is the date each year when accrued interest is added to the amount owed by the employee. The initial IAD is the

date 1 year after the end of the interest free grace period. Thereafter, the IAD falls on the anniversary of the first IAD until the deposit is paid in full.

(b) FERS. For employees first employed prior to January 1, 1987, interest started to accrue on January 1, 1989. Therefore, the initial IAD for these employees is January 1, 1990. For employees first employed on or after January 1, 1987, interest begins to accrue 2 years from the date the individual was first employed subject to FERS. Therefore, the initial IAD for these employees is one year after the two-year interest free grace period ends.

(2) Record payments on the OPM Form 1514 (Military Deposit Worksheet). In addition, a separate SF 2806/3100 will also be maintained for Post-1956 military deposits. The SF 2806/3100 Service History should carry the annotation "Military Service History and Deposit Record."

(3) Upon retirement, close out the SF 2806/3100 when military service credit deposits are complete and annotate in the "Remarks" column "Deposit paid in full." Submit the SFs 2806/3100 along with the OPM Form 1514 and the SF 2803/3108 to the OPM via a regular SF 2807/3103.

(4) Close out and submit the SF 2806/3100 to the OPM via a regular SF 2807/3103 in the event an employee resigns, retires, or dies prior to completing the military service credit deposits. Annotate the SF 2806/3100 in the "Remarks" column with either "Paid in full" or "Partially paid," depending upon action taken by the employee or survivor. Notify the employee or survivor of the intended close out and provide the opportunity to complete payment prior to submitting to the OPM. Advise the employee or survivor that refunds of military service credit deposits may be made only by the OPM.

(5) Close out and send the SF 2806 for military deposits to the gaining civilian payroll office when an employee transfers to another civilian payroll office within the same Component. When the transfer is to another civilian payroll office, but not in the same Component, close out the SF 2806 and submit it to the OPM. A FERS post-1956 SF 3100 is sent to the OPM together with the regular SF 3100 for all transfers to another civilian payroll office including transfers within the same Component.

F. Safeguarding the SF 2806/3100. SFs 2806/3100 not maintained in a mechanized manner must be stored in secured fireproof containers. Manually maintained SFs 2806/3100 must be microfilmed/microfiched after the annual posting, and stored separately from the record itself in accordance with the OPM requirements.

G. Register of Separations and Transfers

1. The SF 2807 is used to control and transmit SFs 2806 to other civilian payroll offices and the OPM. The SF 3103 is used to control and transmit SFs 3100 to the OPM.

2. Series Designations. Maintain two separate series of SFs 2807 transmittal numbers depending on whether the SF 2807 is transmitted to another civilian payroll office or to the OPM. Each series is numbered consecutively throughout the calendar year, and the first SF 2807 prepared in a new calendar year will begin with the number 1. SFs 2807 transmitted to another civilian payroll office will be designated Intra-Agency (IA). Those transmitted to the OPM will be designated "OPM." For example, the first SF 2807 transmitted to the OPM for calendar year 1998 will be designated "OPM-98-1," while the first SF 2807 submitted to another civilian payroll office will be designated "IA-98-1."

3. Because all SFs 3100 are transmitted to the OPM, it is necessary to maintain only one series of transmittal numbers for SFs 3103. These forms must also be consecutively numbered throughout the calendar year, and the first SF 3103 transmitted to the OPM in a calendar year will begin with the number 1. All SFs 3103 will be designated "FERS." For example the first SF 3103 submitted to the OPM for calendar year 1998 will be designated "FERS-98-1."

4. More than one SF 2806/3100 may be submitted with each SF 2807/3103. However, the transmittal of completed retirement records should not be delayed while other records are being prepared for submission.

5. Copies Required

a. OPM Series. Prepare and submit the original to the OPM. Retain one copy in the civilian payroll office's files. An additional copy may be required according to the applicable DFAS Center instructions.

b. IA Transfers. Prepare and submit the original and one copy to the gaining civilian payroll office. Retain one copy for the losing civilian payroll office's files. An additional copy may be required according to the supporting DFAS Center instructions.

c. FERS Series. Prepare and submit the original to the OPM. Retain one copy for the civilian payroll office's files. An additional copy may be required according to the supporting DFAS Center instructions.

6. Filing the SF 2807/3103. File SFs 2807 received from other civilian payroll offices in a separate file in order of receipt by calendar year. Maintain a separate file for "IA" series of SFs 2807 forwarded to other civilian payroll offices. Maintain a separate file for "OPM" series of SFs 2807 forwarded to the OPM. Maintain a separate file for "FERS" series of SFs 3103 forwarded to the OPM. These files shall be in numerical order for each calendar year.

H. Adjustments

1. Current Employees

a. Erroneous Deductions. If an overdeduction was made for retirement from the pay of a current employee, make an adjustment during the next payroll cycle. Decrease the current retirement deductions from the employee's current pay period earnings, and make a corresponding adjustment in the employer's contributions.

b.. Deductions Not Withheld When Required. If an underdeduction occurred, or if deductions were not made for a period when an employee should have been covered by CSRS/FERS, that employee must be afforded rights under due process to repay the overpayment. If deductions were made for a NAF retirement plan when deductions are required for CSRS/FERS, adjust the NAF retirement deductions and contributions and Social Security contributions and deductions in the next pay period. These amounts should then be offset against the amounts that should have been submitted for CSRS/FERS to determine the net amount that must be withheld from the employee's current period pay.

2. Separated Employees

a. Overdeductions

★ (1) When an excess amount has been deducted from a former employee's pay, and the SF 2806/3100 has not yet been forwarded to the OPM, the amount is to be corrected in the current calendar year and the correct total accumulative deductions posted in columns 6 and 7 respectively on the SF 2806/3100 prior to forwarding to OPM.

(2) If the overdeduction is found after the SF 2806/3100 was sent to the OPM, an SF 2806-1 (Notice of Correction of Individual Retirement Record for CSRS Employees) or an SF 3101 (Notice of Correction of Individual Retirement Record for FERS Employees) must be prepared and submitted to the OPM.

(3) If an overdeduction from a former employee's pay results in excess employer contributions, the amount of the excess should be deducted from the next pay period's SF 2812 report.

b. Underdeductions

(1) When an insufficient amount has been deducted from a former employee's pay, and the SF 2806/3100 has not yet been submitted to the OPM, note the amount of the deficiency in column 8 of the SF 2806/3100. If the SF 2806/3100 has been submitted, another SF 2806/3100 must be prepared and annotated "Supplemental" in the upper left margin.

(2) When an underdeduction from a former employee's pay results in insufficient employer contributions, the insufficient amount will normally be included in the SF 2812 report for the next pay period.

c. In the cases of subparagraphs 040301.H.2.a. and b, an SF 1081 (Voucher and Schedule of Withdrawals and Credits) shall to be prepared and attached to the SF 2812 for accounting purposes.

d. Service History Corrections. Corrections to the SF 2806/3100 should be made on the retirement record if the error is detected before the record is submitted to the OPM. If the error is detected after the record is sent to the OPM, prepare an SF 2806-1 or SF 3101.

3. Transferred Employees

a. Overdeductions

★ (1) When an excess amount has been deducted from a transferred employee's pay, and the SF 2806/3100 has not been forwarded, the amount is to be corrected in the current calendar year and the correct total accumulative deductions posted in columns 6 and 7, respectively, on the SF 2806/3100 prior to forwarding.

★ (2) Prepare and submit an SF 2806-1 to the gaining civilian payroll office if the overdeduction is found after the SF 2806 was forwarded to another civilian payroll office within the Department.

(3) When an overdeduction from a transferred employee's pay results in excess employer contributions, deduct the amount of excess employer contributions from the SF 2812 report for the next pay period.

b. Underdeductions. Note the amount of underdeductions in column 8 of the SF 2806 when an insufficient amount has been deducted from a former employee's pay, and the SF 2806 has not yet been forwarded to another civilian payroll office within the same Component. Prepare and forward a supplemental SF 2806 to the gaining civilian payroll office if the SF 2806 has previously been submitted.

c. Service History Corrections. Correct the "Service History" portion of the SF 2806 if the error is detected before the record is sent to another civilian payroll office within the same Component. Prepare and submit an SF 2806-1 to the gaining civilian payroll office if the error is detected after the record is submitted.

d. Retroactive Payments

(1) Report CSRS/FERS deductions withheld from a retroactive salary payment for a separated employee by preparing a supplemental SF 2806/3100, and forwarding it to the OPM using an SF 2807/3103.

(2) Include CSRS/FERS deductions withheld from a retroactive salary payment for a current employee in the current year salary deduction on the SF 2806/3100 being maintained for the employee.

(3) Report CSRS/FERS deductions withheld from a retroactive salary payment for an employee transferred to another civilian payroll office within the same Component by preparing a supplemental SF 2806/3100. Send the SF 2806 to the gaining civilian payroll office using an SF 2807. The SF 3100 will be sent to the OPM using an SF 3103.

I. Availability of Retirement Funds for Loans, Garnishments, and Indebtedness

1. Loans and Garnishments

a. An employee may not borrow from the retirement fund or assign money credited to his or her account as security for a loan or for any other purpose. An employee's retirement account is not subject to any execution of levies, attachments, garnishments, or other legal processes except as follows:

(1) The OPM will comply with a garnishment or attachment order issued to enforce child support or alimony obligation.

(2) The OPM will comply with the assignment of retirement benefits in a state court order, decree, or community property settlement agreement in connection with the divorce, annulment of marriage, or legal separation of a federal employee or retiree.

2. Indebtedness

a. Conditions governing collection for indebtedness.

(1) An employee's contributions to the retirement fund may be offset to recover any valid debt to the U.S. Government.

(2) All of the following conditions must be met before an offset of these contributions may be made:

(a) The employee has been separated.

(b) The civilian payroll office has exhausted all other means of recovery.

(c) The employee has filed an application for refund or for a monthly civil service annuity benefit.

(d) The creditor agency has given the employee an opportunity to request reconsideration of the collection including an oral hearing, waiver, or compromise.

(3) If the employee dies before becoming entitled to annuity benefits, retirement fund contributions may be offset when an application for lump sum benefits is filed.

b. Collection procedures

(1) Before a civilian payroll office can request the OPM to recover a debt for a former employee from the retirement fund, the employee must be notified in writing of the following:

(a) The reason for, and amount of, the debt;

(b) The date repayment must be made, (normally not more than 30 days after the date of the notice);

(c) The intention to collect the debt by offset from the retirement fund unless the employee has entered into a repayment agreement with the agency;

(d) An opportunity to request reconsideration of the decision to collect the indebtedness, including waiver or compromise; and

(e) An explanation of the employee's right to an oral hearing.

(2) Only one written demand containing the above information is required to be sent to the employee. If there is no reason to believe that the employee has not received the demand notice, the civilian payroll office has the right to judge the claim based on evidence in its possession.

(3) An SF 2805 (Request for Recovery of Debt Due the United States) will be prepared, and the civilian payroll office will send Part 1, 2, and 4 of the SF 2805 to the OPM. Part 3 will be retained in the civilian payroll office. See section 0408 for instructions for health benefits indebtedness.

(4) If a debt has been pursued to judgment, written demand need not be made. A copy of the court order must be attached to the SF 2805.

(5) Do not retain the SF 2806/3100 pending completion of action necessary to prepare and submit an SF 2805. If an SF 2805 will be submitted at a later date, the SF 2806/3100 should be annotated in column 8, "Remarks," of the existence of the debt, the amount (if known), and the reason for the debt. If the exact amount of the debt is unknown, note in column 8 of the SF 2806/3100 that the employee is indebted in an unknown amount.

J. Entries on the Payroll Voucher. Employee deductions and employer contributions shall be reported separately on the DD Form 592, Part I - Payroll Summary. Civilian payroll offices reporting to the OPM via hard-copy SF 2812 shall cite the OPM deposit fund

account 24X8135.8 for the deductions and contributions on Part I. Civilian payroll offices reporting to the OPM via the Retirement Insurance Transfer System (RITS) shall report deductions and contributions on Part I, but shall not cite the OPM deposit fund account. Employer contributions shall be charged to the appropriation(s) from which the employee's salary is paid and shall be reported on Part II, Accounting Classification.

K. Pay Period Transmission of Deductions and Contributions. Deductions and contributions for CSRS and FERS are reported to the OPM each pay period using procedures described in subparagraph 090203.C.

040302. Contributions to State Retirement Programs for National Guard Technicians

A. General. The Department will negotiate agreements with states for federal employees' contributions to a state or state-sponsored contributory retirement program; and cooperate and process agreements with each state requesting a withholding agreement covering technicians of the National Guard for a state-sponsored retirement program.

B. Procedures

1. P.L. 90-486, section 6 (reference (e)) requires technicians who elected to continue coverage under a state retirement plan to make such an election by January 1, 1969. If a technician filed a valid election to remain covered by an employee retirement system sponsored by a state, the U.S. Government may pay the amount of the employer's contribution and withhold the employee's designated share for deposit to the state program that becomes due for the period beginning on or after January 1, 1969.

2. The federal share of payments, including employer's taxes imposed by 26 U.S.C. 3111 (reference (ad)), may not exceed the amount that the employing agency otherwise would contribute on behalf of the technician to the Civil Service Retirement and Disability Fund under 5 U.S.C. 8334 (reference (b)) and 32 C.F.R. 79.5(b) (reference (ah)).

3. A person covered under a state-sponsored program shall not earn credits concurrently toward retirement or receive an annuity under 5 U.S.C. 8331-8345 (reference (b)).

4. A person who retires under a state retirement program shall not be eligible for any rights, benefits, or privileges to which retired civilian employees of the U.S. Government may be entitled.

5. Agreements with states shall comply with the standards contained in subparagraph 040302.D.

C. Responsibilities

1. The Under Secretary of Defense (Comptroller) shall establish policy and procedures regarding state retirement programs for National Guard technicians and shall update

agreements with authorized state officials for the Secretary of Defense. This authority may be redelegated. See 32 C.F.R. 79.6 (reference (ah)).

2. The Secretary of the Army and the Secretary of the Air Force shall coordinate and implement the provisions of this chapter, and designate the National Guard Bureau as the responsible agent for maintaining existing agreements with states and for coordinating administrative actions, to include preparing updated agreements.

D. Standards for Contribution Agreements with State Retirement Programs for National Guard Technicians. Each agreement between the Secretary of Defense and a Governor, or other authorized state official--for employer and employee contributions to a state retirement program for National Guard technicians--shall be completed within 120 days of receipt of a state request, provided that:

1. State law provides for payment of employee contributions to a state-sponsored employee retirement system by withholding sums from the employee's compensation and making payment to the official designated to receive sums withheld.

2. The program is limited to technicians of the National Guard.

3. Each agreement is consistent with 32 C.F.R. Part 79 (reference (ah)) and contains a clause that subjects the agreement to any statutory amendments occurring after the effective date of the agreement.

4. The agreement shall comply with the requirements of state law that specifies who is eligible for such state-sponsored retirement programs.

5. The commencement date for contributions must be specified.

6. Contribution procedures, filing requirements, and payment instructions conform, when practicable, to the usual fiscal practices of the Department.

7. The agreement does not impose requirements on the Department that are more burdensome than those requirements imposed on departments, agencies, or subdivisions of the state concerned. Except to the extent that an agreement may be inconsistent with 32 C.F.R. Part 79 (reference (ah)), the agreement shall continue in full force and effect until amended, modified, or terminated by appropriate authority. See 32 C.F.R. 79.7(g) and (h) (reference (ah)).

040303. Civil Service Employees Covered By Retirement Systems for Nonappropriated Fund Employees

A. The Portability of Benefits for Nonappropriated Fund Employees Act of 1990, P.L. 101-508, subsection 7202 (reference (e)) permitted certain NAF employees to retain coverage under a NAF retirement plan during employment in a position that normally would be covered by CSRS or FERS. An employee who elects to remain covered by a NAF retirement plan

is excluded from coverage under CSRS or FERS for all subsequent periods of employment including periods of service as a reemployed annuitant. Refer to 5 C.F.R. 831.201(h), 831.204, 842.102, 842.104(g), and 842.106 (reference (l)) for additional information.

★ B. In accordance with P.L. 101-508 (reference (e)), the opportunity to retain coverage under a NAF retirement plan is limited to NAF employees who move after December 31, 1986, to positions within the Department or the Coast Guard which are covered under CSRS or FERS. Section 1043 of the National Defense Authorization Act for Fiscal Year 1996, P.L. 104-106 (reference (e)), broadens the definition of a qualifying move under P.L. 101-508 (reference (e)), for the purposes of remaining in the employee's prior retirement plan following a move to or from a NAF position. It also allows certain FERS and NAF employees who had a qualifying move after December 31, 1965, and before August 10, 1996, to combine all their service, both NAF and CSRS, toward a single retirement benefit.

C. Employees who elect to retain coverage under a NAF retirement system will have block 30 of the SF 50 annotated as "5-Other." The "Remarks," block of the SF 50 will state that the employee has elected to retain coverage under a NAF retirement system.

★ D. Employee retirement deductions, employer contributions, contributions to applicable 401(k) plans, and loan repayments will be made biweekly and submitted to the appropriate NAF employee benefit system. FICA shall be withheld and reported in accordance with current guidance of the Department of the Treasury.

E. There currently are six NAF retirement plans. Employees who elect to retain NAF coverage will continue to be covered by the plan in effect at the time of election.

★ 040304. Uniformed Services University of the Health Sciences (USUHS) Faculty Retirement. All full-time civilian faculty members of the USUHS with an appointment of more than 1 year are covered under the Teachers Insurance and Annuity Association and College Retirement Equities Fund, which is a tax deferred retirement plan. A total of 15 percent of the employee's base salary is collected for the retirement plan. The employer (USUHS) contribution is 10 percent and the employee's deduction is 5 percent. Funds will be directly remitted to TIAA/CREF, 730 Third Avenue, New York, NY 10017. Off-line collections may be deposited into and disbursed from deposit fund --X6875 and remitted to address above.

0404 FEDERAL INSURANCE CONTRIBUTIONS ACT (FICA) TAX

040401. Authority. The FICA (reference (ad)) states that all civilian employees of the U.S. Government are eligible to receive FICA benefits. See paragraph 040406. for employees who are exempt from Social Security and/or Medicare withholdings. Wages for covered employment are taxable regardless of the worker's age or whether the worker is receiving Social Security benefits. For purposes of this Regulation, taxes withheld under FICA (reference (ad)) will be referred to as Social Security and Medicare taxes. The term FICA applies to total deductions for both Social Security and Medicare.

A. Generally, civilian federal employees are covered by Social Security and Medicare or Medicare only, based on the type of appointment. Coverage is determined by the HRO and is reflected on the SF 50. Social Security and/or Medicare taxes are withheld on the same entitlements, but are subject to different wage limitations. The guidance herein applies to both Social Security and Medicare deductions. The deductions are shown separately on the Form W-2. For purposes of determining the maximum wages subject to Social Security and/or Medicare withholding, the Department is considered one employer. Effective with the first pay period in calendar year 1983, federal employees under CSRS became subject to Medicare withholding.

B. Effective January 1, 1984, new federal employees were subject to Social Security and Medicare withholding as well as retirement deductions directed by the OPM. If an employee transfers between DoD Components, the gaining civilian payroll office must consider those Social Security and/or Medicare taxes already deducted by the losing civilian payroll office in order not to exceed the maximum Social Security and/or Medicare tax liability due for that payroll year. When an employee transfers, include Social Security and/or Medicare year-to-date wages, and Social Security and/or Medicare year-to-date taxes in the "Remarks," section of the SF 1150.

040402. Compensation Subject to Social Security and/or Medicare

A. Current Earnings and Allowances

1. For employees covered under FICA, generally any compensation subject to federal income tax (without regard to exemption status) is subject to Social Security and Medicare deductions (see Table 4-1). Employees covered under CSRS are subject only to Medicare withholding. The basis for Social Security and/or Medicare tax deductions is the employee's gross pay for each pay period.

2. In areas outside the United States, the gross amount upon which Social Security and/or Medicare deduction is computed includes the Canal Zone tropical differential, foreign post differentials, and nonforeign post differentials.

B. Back Pay Awards. Employee and employer portions of Social Security and/or Medicare taxes computed for back pay awards should be figured at the rate in effect for the periods covered by the corrective action.

040403. Tax Amounts. The tax rate percentage and wage base limitation for Social Security and/or Medicare taxes require separate computation and reporting.

A. Employee Deductions. For each pay period, deduct the applicable Social Security and/or Medicare tax from the gross pay of each employee covered by Social Security and/or Medicare. Discontinue these deductions when the employee's earnings reach the applicable maximum limitation. Refer to IRS Circular E (reference (h)) for the yearly update. Maximum limitations for prior years are listed in Table 4-2.

B. Employer's Social Security and/or Medicare Tax. The U.S. Government must pay an employer's contribution equal to the same rate used for employees.

C. Official Social Security and Medicare Tax Tables. Tax tables are published in IRS Circular E (reference (h)).

040404. Voucher Entry. For each pay period, enter the employees' deductions and the employer's contributions for Social Security and/or Medicare taxes on the appropriate line of the DD Form 592 (Payroll for Personal Services-Certification and Summary). The employer's portion is charged to the same appropriation(s) as the employee's salary.

040405. Adjustments. Adjustments due to errors and cancellation of paychecks are outlined in section 0808.

040406. Employees Exempt from Social Security and/or Medicare. The following employees are exempt from Social Security and/or Medicare deductions:

A. Noncitizens employed outside the United States, the U.S. Virgin Islands, and Puerto Rico;

B. Interns, student nurses, and other student employees of federal hospitals (except medical and dental interns and residents) (26 U.S.C. 3121(b)(6)) (reference (ad));

C. Employees hired temporarily to handle fires, storms, earthquakes, floods, and other similar emergencies and disasters (26 U.S.C. 3121(b)(6)) (reference (ad));

D. Civilian chaplains. If a civilian chaplain wants to be covered under Social Security and/or Medicare, he or she must apply as a self-employed person, or if the order in which the chaplain belongs has made an election for its members to be covered by Social Security and/or Medicare, then the chaplain may also be covered by Social Security and/or Medicare;

E. Employees of instrumentalities of the U.S. Government that are specifically exempt from Social Security and/or Medicare by law (26 U.S.C. 3112) (reference (ad)); and

F. Title 32 National Guard technicians in Massachusetts and Nevada who elected to remain in the State Employees Retirement System.

040407. Panama Social Security System. All non-U.S. citizens employed by the Panama Canal Commission, after September 30, 1979, are covered by the Panama Social Security System (Social Security Provisions of the Agreement in Implementation of Article III of the Panama Canal Treaty). The employee's withholding is 7.25 percent of salary, and the employer's contribution is 12.45 percent of salary. Non-U.S. citizens covered by CSRS prior to October 1, 1979, who are employed by the Panama Canal Company or Canal Zone Government and were covered by CSRS, will continue to be covered under CSRS until termination.

0405 FEDERAL INCOME TAX WITHHOLDING

040501. General

A. Withholding Authority for Federal Income Tax. The Internal Revenue Code, 26 U.S.C. 3402 (reference (ad)), requires each federal agency to withhold federal income taxes from wages paid to employees. The current IRS Circular E (reference (h)) summarizes the employer's responsibilities and contains rates and tables prescribed by the Treasury Department. Title 26, U.S.C., section 3306 (c)(6), (reference (ad)) states that services performed in the employ of the United States are exempt from the tax imposed under the Federal Unemployment Tax Act.

B. Employer's Identification Number (EIN). An EIN is assigned by the cognizant District Director of the IRS to identify the tax accounts of employers. Only one identification number per civilian payroll office is authorized for use in reporting all federal and Social Security and/or Medicare taxes. Note that the federal taxes deducted for PCS are not reported under the civilian payroll EIN. The civilian payroll office has the responsibility for the collection and reporting of federal and Social Security and/or Medicare taxes using an Form 941. The current IRS Circular E (reference (h)) should be used for guidance to withhold and report federal income tax and Social Security and/or Medicare.

C. Method of Withholding. The two most common methods for withholding tax provided by the IRS are the percentage method and the wage-bracket method. Refer to IRS Circular E (reference (h)) for information on these two methods.

★ 040502. Form W-4. Statutory deductions for federal income taxes will be supported by Form W-4 (Employee's Withholding Allowance Certificate) from each employee stating the number of exemptions claimed or extra withholding authorized. Forms W-4 may be obtained from the nearest HRO or CSR. An employee may also be allowed to process tax changes through an automated computer program by using a personal identification code.

★ A. Withholding Allowances. An employee completes, at the time of entrance on duty, a Form W-4, and any additional forms required for withholding state or local taxes. The number of allowances claimed and the employee's marital status provides the basis to compute federal income tax withholding (FITW). The withholding of additional income tax in a fixed amount is permitted when the employee requests such withholding in either paper or electronic form. If an employee fails to submit a Form W-4, assume the employee is single and has no withholding allowances. Once filed, a Form W-4 remains in effect until the employee furnishes an amended certificate.

1. Permissible allowances are described on the Form W-4. Determining the accuracy of the number of allowances claimed is not the responsibility of the civilian payroll office.

2. The number of allowances claimed on the Form W-4 may be different than the number of exemptions claimed on the employee's tax return. Employees may use the worksheet on the Form W-4 to determine if they qualify for claiming extra allowances.

B. Additional withholding allowances, as computed through use of the table on Form W-4, may be claimed. An employee who wants to increase the amount of tax withheld may reduce the number of exemptions to which entitled. If an increase only in federal tax withheld is desired, the employee may request an additional amount be withheld on Form W-4, in whole dollar amounts, regardless of the number of exemptions claimed. The amount of withholding remains in effect until changed by the employee.

★ C. Reporting Certain Forms W-4 to the IRS. Civilian payroll offices must report to the IRS if certain Forms W-4 are received. This information will be accumulated by the CSR and sent to the civilian payroll office to be submitted with the Form 941, for each quarter. The Forms W-4 that are required to be reported include:

1. Any forms received with more than 10 allowances claimed.

2. Any form received from an employee who claims exemption from income tax, but is expected to earn more than $400 in a biweekly pay period. The reports must contain the following information: EIN; name and address of the civilian payroll office; and employee's name, SSN, and address.

D. The civilian payroll office will submit a copy of the Form W-4 currently in effect (or make the original available for inspection), when a written request is received from the IRS.

040503. Allowance Status Change. If an employee submits a new Form W-4, change the withholding effective the next pay period. If an employee claims the Form W-4 on file is erroneous and submits a corrected one, no retroactive adjustment is permitted.

040504. Compensation Subject to Income Tax. The general rule is that all wages and differentials are taxable, and all allowances are not taxable. See Table 4-1 for taxability on specific types of compensations.

040505. Withholding Allowances

A. Withholding Not Required. An employer is not required to deduct and withhold any federal income tax from wages paid to an employee who has certified to the employer (as prescribed by IRS) that the employee incurred no income tax liability for the preceding year and that the employee expects no liability for the current year. The employee uses the Form W-4 to make this certification. The employee must file a Form W-4 each year by February 15 to claim exemption from withholding.

B. Retained Copies of Forms 941 (Employer's Quarterly Federal Tax Return) and Related Reports. As forms are superseded or become obsolete, remove them from the active file and place in an inactive file. Treasury Department forms (e.g., Forms 941 or Forms W-4) do not have to be sent to the IRS District Director. However, the civilian payroll office must show, on request that the information is on file as a supporting record.

040506. Tax Tables and Tax Periods. Refer to IRS Circular E (reference (h)) for the current tax tables or applicable payroll system tax package.

040507. Adjustment in Tax Withheld

A. Undercollection. If no tax (or less than the correct amount) is withheld due to a computing error, instruct the employee to refund the overpayment in accordance with due process procedures (refer to section 0803 for procedures). If the employee is separated, refer to section 0804 for procedures.

B. Overcollection. If more than the correct amount of tax is deducted, refund the overcollection to the employee if within the same payroll year. Refund on the next payroll voucher, if possible, or use SF 1049 (Public Voucher for Refunds). Make an appropriate entry on the individual pay record. Include the amount refunded and the disbursing voucher number. If a Form W-2 was issued, prepare a corrected form as stated in IRS Circular E (reference (h)). Adjust overcollection of taxes on the current payroll. Enter the amount refunded, less the current pay period's tax withholdings on the pay record. Increase the normal net pay amount accordingly and note the reason for the adjustment on the pay record.

040508. Tax Payments - Payment of Withheld Tax

★ A. Tax Collection. All FITW, Social Security and Medicare taxes collected by the civilian payroll office will be directly remitted to IRS through FEDTAX, except for off-line payments that may be deposited in account --X6875.

B. Accounting. The civilian payroll office making the tax collection is responsible for preparing the Form W-2 and issuing it to the individual.

★ C. Disbursement. The disbursing office will disburse all taxes withheld based on the information provided by the civilian payroll office and the frequency of the payroll involved. The taxes are remitted for amounts withheld from wages for federal income taxes, Social Security and/or Medicare, and employer's contributions for Social Security and/or Medicare via FEDTAX on payday.

040509. Resident and Nonresident Aliens

A. Withholding Tax. Wages paid to both resident and non-resident aliens for services performed in the United States are subject to the withholding of federal income tax. The

same regulations, procedures, and rates that govern U.S. citizens apply to resident and nonresident aliens.

B. Withholding Allowances. Resident aliens may claim the full number of withholding allowances to which they would be entitled if they were U.S. citizens. Nonresident aliens who are residents of Canada, Mexico, Japan, or Korea may claim the full number of withholding allowances to which they would be entitled if they were U.S. citizens. All other nonresident aliens should not claim exemption from income tax withholding, request withholding as if they are single, and claim only one allowance. This may avoid underwithholding of income taxes.

C. Payment of Taxes and Tax Return. Federal income and Social Security/Medicare taxes withheld for resident and nonresident aliens covered in this chapter will be included with the total tax deposit payment and reported on the Form 941.

040510. Lump-Sum Leave Payment Refunds

A. Refer to section 0808 regarding procedures on adjustments of overpayments and underpayments.

B. When the entire amount has been collected, prepare a statement (a sample format is shown in Figure 4-1) to be distributed as follows:

1. The original is sent to the employee, with one copy for each taxing authority for which tax has been withheld from the employee's pay.

2. One signed copy is sent to the IRS, the state (if applicable), the city or county (if applicable), and any other authorized taxing authority.

040511. Advance Earned Income Credit (EIC). Civilian payroll offices must make advance EIC payments to eligible employees; however, eligible employees must request payment by filing an Form W-5 (Earned Income Credit Advance Payment Certificate) with their employing activity. They must file a new certificate each year.

A. Eligibility. Eligibility requirements are shown on Form W-5 and are summarized below:

1. The employee's expected earned income and adjusted gross income must each be less than the amount set by IRS for each taxable year.

2. The tax return must be filed as single, married filing jointly, head of household, or qualifying widow(er) with dependent child.

3. The employee cannot be a qualifying child of another person.

4. The employee generally must have a qualifying child, as defined in the instructions on Form W-5, living with him or her more than half the year, including time when the child is away at school or on vacation (the entire year for a foster child). The child must be under the age of 19 at the end of the year, a full-time student under the age of 24, or permanently and totally disabled.

5. The employee generally must claim a married child as a dependent. There are special rules that may apply, however, if the child is the child of divorced or separated parents, or if the employee qualifies as an unmarried head of household. See Form W-5 for details.

B. Form W-5. On Form W-5 an employee must show if in a married status. If the spouse also has filed a Form W-5 with an employer, use the advance EIC tables in the IRS Circular E (reference (h)) (either the wage bracket or percentage method table) titled "Married with Both Spouses Filing Certificate."

1. Form W-5 remains in effect until the end of the calendar year. Eligible employees must file a new certificate each year.

★ 2. The signed form becomes effective with the first payroll period ending (or the first wage payment made without regard to a payroll period) on or after the date the certificate is received by the CSR.

★ 3. If an employee has given the CSR a signed Form W-5 and later becomes ineligible for the credit, the employee must revoke the previously filed form. If the employee's situation changes because his or her spouse files a Form W-5, the employee then must file a new Form W-5 showing that his or her spouse has a Form W-5 in effect with an employer.

4. If an employee has a Form W-5 certifying that their spouse has a Form W-5 in effect and the spouse's form is no longer in effect, the employee must file a new Form W-5.

C. Amounts to be Paid to Eligible Employees

1. IRS Circular E (reference (h)) contains a biweekly payroll period table to be used with the employee's biweekly taxable wages to compute the advance payment.

2. The civilian payroll office will refer employees with questions about their eligibility for advance EIC payments to the IRS.

D. Paying the Advance EIC to Employees

1. The advance EIC payment does not change the amount of federal income tax, Social Security, or Medicare taxes that is withheld from employees' wages. The advance EIC payment is not compensation for services rendered and is not subject to payroll taxes.

2. Generally, employers will pay the amount of the advance EIC payment from withheld income, Social Security, and Medicare taxes. These taxes are normally required to be paid over to IRS either through federal tax deposits or with employment tax returns.

3. If for any pay period the advance EIC payments are more than the withheld income, Social Security, and Medicare taxes (including the employer's share of Social Security and Medicare taxes), the civilian payroll office may take one of two actions:

a. Proportionately reduce each advance EIC payment. (Each payment must be reduced by an amount that has the same ratio to the excess as the payment has to the total of all advance payments for the payroll period).

b. Elect to make full payment of the advance EIC amount and have these full amounts treated as an advance payment of the employer's tax liability. If excess EIC payments are applied against any other taxes, attach an explanation to that tax return on which the credit for overpayment is taken.

E. Reporting EIC Payments

1. Advance EIC payments will be identified on the DD Form 592 and reported on the Form 941.

2. The total amount of advance EIC payments made during the year will be shown on the employee's Form W-2.

3. The amounts shown on Form W-2 for income tax withheld (if any), Social Security, and Medicare taxes withheld are not affected by advance EIC payments. Likewise, no other entries on Form W-2 are changed because of these payments.

F. Recordkeeping

1. The civilian payroll office retains the following:

a. Amounts and dates of all wage payments and advance EIC payments.

b. Dates and amounts of tax deposits made.

c. Copies of Form 941 returns filed.

★ 2. The CSR will retain the following:

a. The employee's state withholding allowance certificate. These forms will be kept until superseded or canceled.

b. Copies of the employee's Form W-5.

c. Dates of employment.

0406 STATE INCOME TAX WITHHOLDING

040601. General. Each DoD employee shall complete a withholding certificate for state taxes as a basis for proper withholding. The certificate shall specify the employee's tax liability, place of residence, regular place of employment, exemptions and allowances. This certificate remains in effect until the employee submits a new certificate. state tax withholding is required for any DoD employee who is subject to the tax and whose regular place of federal employment is within the political boundaries of the state that has entered into an agreement with the Department of Treasury.

A. State Income Tax Withholding

1. Withholding Authority. Title 5, United States Code, section 5517 (reference (b)) and E.O. 11997 (reference (s)) provide for the withholding of state and territorial income taxes from the compensation of federal employees if an agreement has been entered into between the Secretary of the Treasury and the proper official of the state or territory. Employees may elect to have voluntary withholding for a state that has not reached an agreement.

2. Agreements with States. Agreements exist between the Secretary of the Treasury and many of the states for withholding income tax from the compensation of federal employees whose regular place of employment is within the state (TFM, Part Three, Chapter 5000, Appendix 2) (reference (ai)). The civilian payroll office will send copies of Forms W-2 to states that have negotiated agreements with the Secretary of the Treasury with respect to employees who (1) are subject to mandatory state withholding, or (2) may elect withholding under a state law (TFM, paragraph 3-5070.10) (reference (ai)).

3. Deduction for More than One State. If the employee is subject to withholding in more than one state, use separate deduction columns or codes to identify tax remittance for each state. The state requirements for withholding income tax may be modified by reciprocal agreements between states. The effect of reciprocal agreements generally is to relieve the nonresident employee of a tax liability to the state in which employed, and to relieve the employer of the duty to withhold such taxes.

4. Determination of Exemptions. Use the number of exemptions shown on Form W-4 for withholding state taxes unless other instructions are in state regulations or specified in the agreement with the Secretary of the Treasury. In some instances the Treasury-state agreement or state law permits nonresident employees to certify their compensation is not subject to that state's income tax. When the agreement or state law contains such a specific provision, the employee's signed statement is accepted as justification to discontinue withholding of state income tax, and the statement is filed with the employee's Form W-4.

5. Contacting States when a Civilian Payroll Office is Activated or a New Withholding Agreement is Established. To prepare to withhold state income taxes, the civilian payroll office will immediately prepare a letter to the state concerned including:

a. A request for the forms and instructions required to withhold tax, process returns, and pay the tax.

b. A request for a state EIN for the civilian payroll office.

c. The approximate date withholding will begin.

d. The name, address, and telephone number of the civilian payroll office.

6. Determining Employees Subject to Automatic State Withholding

a. Employees normally are subject to withholding for the state in which their duty station is located. The duty station is usually shown on the SF 50. The duty station also governs withholding for employees in continual travel status. For an employee whose duties are performed at a place other than the official duty station, the place where the employee regularly performs his or her duties is considered the regular place of employment for state tax withholding purposes.

b. Reciprocal agreements between states may affect automatic withholding according to the duty station.

c. In all disputed cases, the civilian payroll office will:

(1) Withhold the tax; and

(2) Advise the employee to negotiate directly with the proper taxing authority as to liability.

7. Voluntary Deductions of State Income Tax

a. When a state provides for voluntary allotment withholdings, civilian payroll offices must withhold tax for employees who have a legal obligation to pay. This applies whether or not the Department of the Treasury has a withholding agreement with the state.

(1) Employees must request the allotment on a proper withholding certificate.

(2) Employee tenure does not affect the allotment.

b. Civilian payroll offices located in foreign areas are not expected to exercise sole responsibility for determining the need for collection of state and local taxes for assigned employees. Each employee must assume that responsibility. Before a request is submitted, an employee must be advised of the following:

(1) Obtain assistance from the employing activity legal staff available to him or her; or

(2) Contact the appropriate state or local income tax office as to the applicability of withholding taxes while on an overseas assignment. Preferably, this should be done prior to an employee's departure from CONUS. Once a determination is made that withholding applies, civilian payroll offices will honor the request.

c. The civilian payroll office must comply with the agreement, regulations, and instructions of the state concerned.

d. The civilian payroll office will base the allotment amount on either:

(1) The amount (in whole dollars) set by an employee; or

(2) The withholding certificate filed by an employee and the state withholding tables or formulas.

e. The civilian payroll office will pay withheld state income taxes to each state concerned as prescribed for that state.

8. Wages Subject to State Withholding. All wages and salaries subject to federal income tax withholding are subject to state withholding. All cost-of-living allowances paid to employees in Hawaii are included as taxable income. Severance pay paid in accordance with 5 U.S.C. 5595 (reference (b)) is included; however, severance pay paid to the survivor of a deceased employee is excluded. Nonresident employees, who under the state income tax law are required to allocate at least three-fourths of their compensation to the state, shall be subject to withholding on their entire compensation. Nonresident employees, who under the state income tax law are required to allocate less than three-fourths of their compensation to the state, may elect to have:

a. State income tax withheld on their entire compensation, or

b. No income tax withheld on their compensation (31 C.F.R. 215.11) (reference (c)).

9. Amount of State Withholding and Personal Withholding Allowance Forms

a. The civilian payroll office will withhold amounts based on personal exemptions and either:

(1) The state withholding tax tables; or

(2) Percentage or formula methods in accordance with the proper withholding agreement.

b. Generally, the tax withheld, after subtracting proper exemptions and allowances, should not be less than:

(1) The amount set in the state withholding table; or

(2) The amount determined by the percentage or formula method prescribed.

c. The civilian payroll office may use the employee's Form W-4 to determine state withholding in place of state forms if:

(1) The withholding agreement authorizes it; and

(2) The state and federal exemptions allowed are the same.

d. Employees must file a state employee withholding exemption certificate if:

(1) Exemptions under state law are not the same as under federal law; or

(2) The state requires the use of a separate form.

10. State Exemption Certificates. Employees normally are subject to mandatory withholding under Treasury-state withholding agreements; however, an employee may claim exemption from withholding under certain conditions. Civilian payroll offices shall:

a. Require the use of state-furnished tax exemption certificates, if available.

b. Give the designated official of the taxing state the following information (on request) about employees claiming exemption:

(1) Name.

(2) SSN.

(3) The basis for the claimed exemption.

11. Accounting for Withheld Taxes

a. Employee Pay Records. The civilian payroll office shall record the amounts withheld each pay period on an employee's pay record when a special payment occurs; otherwise the system will automatically update an employee's records.

b. Deposit Accounts. The civilian payroll office shall:

(1) List the total of withheld state taxes as "State Taxes" under Payroll Summary on DD Form 592.

(2) Deposit the total in deposit fund account --X6275, Withheld State Income Taxes. (This account will be credited regardless of the employing activity of the employee; however, taxes deposited in the deposit fund account of the U. S. Army Corps of Engineers civil function will be credited to 96X6070).

c. Error Corrections. The civilian payroll office should correct a clerical error made in the prior pay period to the current calendar year if the employee is still on the payroll. If the error resulted in the underdeduction of withheld taxes, due process procedures will be followed to collect the overpayment. If the error resulted in the overdeduction of withheld taxes, the amount of the overdeduction will be refunded to the employee on the next regular payroll cycle. The civilian payroll office will not make any adjustment if:

(1) The employee is no longer on the payroll; or

(2) The error was in a prior calendar year.

d. Paying Out Withheld Taxes

(1) Frequency. Civilian payroll offices will comply with the state's current tax law, whether payment is required biweekly, monthly, or quarterly. (Current laws may differ from those cited in Treasury-State agreements executed in the past.) Civilian payroll offices will not make payments more often than required.

(2) Payment identification. The disbursing officer will issue checks on the basis of the SF 1049 that is prepared by the civilian payroll office. The civilian payroll office must prepare required tax payment documents.

12. Balancing State Wage and Tax Information. The civilian payroll office will balance the amounts reported on the Forms W-2 or magnetic tape to each state with year-to-date control totals for state taxes withheld and state taxable wages. These amounts must be balanced before Forms W-2 are distributed to employees and forwarded to the states.

★ 13. Change of Address. Employees must furnish a change of address to the CSR as needed.

★ 14. Collection of Delinquent Taxes. Title 5, C.F.R. Part 582 (reference (l)) authorizes the collection of a tax levy from a state or local government. The DFAS-Cleveland Center (DFASCL/L) has been designated as the agent to accept legal process for DoD civilian employees for state or local tax levies. All state income tax liens will be sent to: Defense Finance and Accounting Service - Cleveland Center, Office of General Counsel, Attention: Code L, P.O. Box 998002, Cleveland, Ohio 44199-8002.

15. Notice to Employees. The DoD Components shall advise their employees that information returns will be sent to state and other taxing authorities of the employee's state of residence (and, in some cases, employment) where such authorities have requested the information; however, only information properly releasable under the Privacy Act (reference (e)) shall be released. The notice should point out that employees may have income tax liability to these taxing jurisdictions.

16. Recordkeeping

a. The civilian payroll offices shall keep the following records of state tax deductions:

(1) EIN assigned by the state.

(2) Amounts and dates of all wages subject to state tax withholding.

(3) Names, addresses, and SSNs of employees.

(4) Copies of returns filed.

★ b. The CSR shall keep the following:

(1) The employee's state withholding allowance certificate. These forms shall be kept until superseded or canceled.

(2) Copies of the employee's Form W-5.

(3) Employment dates.

17. Annual Form W-2 Reporting. Refer to subparagraph 090207.C. for procedures.

18. Official State and Territory Codes and Abbreviations. The official abbreviations and state codes for all the states of the United States (including D.C.) and U.S. possessions and territories are listed in Table 4-3. No other abbreviations or codes shall be used.

★ 040602. Guam or the Commonwealth of Northern Mariana Islands Federal Income Taxes. The total amount of federal income taxes withheld from employee salaries creditable to Guam or the Commonwealth of Northern Mariana Islands shall be certified and submitted each calendar quarter to the IRS. The certifications must include the employer identification number, the quarter covered by the certifications, and the dollar amount withheld. The submission may contain one certification, but amounts attributable to Guam and the Commonwealth of Northern Mariana Islands separately shall be reported. Refer to TFM, Part 3, section 4085 (reference (ai)) for additional information.

040603. Puerto Rico Taxes

A. The U.S. Court of Appeals issued a decision on October 19, 1994, which invalidated the Department of the Treasury withholding agreement with Puerto Rico.

B. The decision does not relieve federal employees of their tax liability to Puerto Rico. The effect of the Court's decision is that all federal agencies making wage payments to federal employees in Puerto Rico must withhold federal income taxes on those payments in the same manner as they did prior to the withholding agreement with Puerto Rico, even though Puerto Rico (rather than the United States) is entitled to income tax on those payments.

0407 CITY AND LOCAL INCOME AND EMPLOYMENT TAX WITHHOLDING

040701. Withholding Authority. Title 5, United States Code, section 5520 (reference (b)) and E.O. 11997 (reference (s)) authorized withholding of city, county or employment tax from compensation of federal employees who are subject to tax and whose regular place of federal employment is within the city which entered into a proper agreement with the Secretary of the Treasury. Withholding is also required if the employee is a resident of the local tax authority. Each DoD employee shall complete a withholding certificate for city or local taxes as a basis for proper withholding. An out-of-state employee's consent to have city or local taxes withheld is also required when applicable.

A. An agreement must be reached between the Secretary of the Treasury and the applicable city, county or local taxing authority before withholding is required (TFM, Part Three, Chapter 5000, Appendix 3) (reference (ai)). The agreement provides for mandatory withholding of income or employment tax from the compensation of federal employees whose regular place of employment is within the city or county or is a resident of the city or county. Generally, this is based on where employees report for work. In the case of employees who perform their services other than where they report, the regular place of employment is where the employee regularly performs his or her services.

B. Administration of City and County Withholding Agreements. Civilian payroll offices shall apply policies and follow procedures as prescribed for states. Wages subject to mandatory city and county withholding:

1. Basic wages. All wages and salaries subject to federal income tax withholding are normally subject to city and county withholding. Severance pay paid to an employee is included; however, severance pay paid to the survivor of a deceased employee is excluded.

2. Mandatory withholding

a. The civilian payroll office shall withhold tax from wages of federal employees who reside in cities or counties that have entered into withholding agreements.

b. The civilian payroll office shall withhold tax from the wages of federal employees whose regular place of federal employment is within a city or county if they are subject to tax. If the employee resides in a different state than that in which the city or county is located, he or she is exempt from mandatory withholding.

c. The federal employee's regular place of employment usually is the employee's official duty station that is shown on the SF 50. If an employee actually performs service at a location other than the official duty station, that alternate location will be considered the regular place of employment.

d. Services performed outside a city or county. Many local ordinances tax only wages for services performed within the city or county; in most cases, this applies only to nonresident employees. An employee eligible to exclude part of his or her annual income under such provisions must submit a withholding certificate that specifies the amount or percentage. The civilian payroll office shall then reduce withholding accordingly. If the employee does not file a certificate, the civilian payroll office shall withhold tax based on his or her total compensation.

Note: Civilian payroll offices shall not make an adjustment in withholding if the employee performs less than 25 percent of his or her services outside the city or county.

040702. Voluntary Withholding of City or Local Tax

A. Nonresident Employees. An employee who does not reside in the state in which the city or county (place of employment) is located is exempt from mandatory withholding; however, if there is an agreement between the city or county taxing authority and the Secretary of the Treasury, the civilian payroll office may withhold tax with the employee's consent. The employee must submit a withholding certificate.

B. Allotment for Voluntary Deduction. Employees have the option of making voluntary allotments for the payroll deduction of taxes of their city or county of residence if they are

employed outside that location. The fact that taxes are withheld for the city or county of employment does not affect the employee's voluntary allotment.

1. An employee may make a voluntary allotment for withholding even though the city or county does not have a withholding agreement.

2. The civilian payroll office shall set the allotment amount on the city or county withholding method or deduct a whole dollar amount set by the employee. The employee must submit a proper withholding certificate.

C. Accounting for Voluntary Withholding. The civilian payroll office shall account for voluntary tax deductions as prescribed for mandatory withholdings.

D. Amount of Withholding

1. The civilian payroll office shall withhold tax based on:

a. The proper city or county tax withholding rate set in the city or county instructions;

b. The prescribed percentage or formula method; or

c. Computation of a set amount to be deducted from the employee's pay each pay period.

2. The civilian payroll office shall deduct an amount, at a minimum, nearly equal to the tax required by the city or county.

040703. Withholding Certificates

★ A. Employees must submit withholding certificates; they must provide the CSR with all the information needed to properly deduct city or county income taxes. If an employee does not furnish a certificate, the civilian payroll office shall withhold tax at the highest level that applies to that employee's annual wages; however, the civilian payroll office shall not withhold any tax from wages of an out-of-state employee until they submit a form consenting to withholding.

★ B. Employing activities may use a withholding or exemption certificate furnished by a city or county if it contains all required information. If the form does not contain all needed information, employing activities may use FMS Form 7311 (Employee Withholding Certificate for Local Taxes).

★ C. The CSR may furnish copies of the employees' withholding forms to the city or county on request; however, only information properly releasable under the Privacy Act (reference (e)) shall be released.

040704. Accounting for City and County Mandatory and Voluntary Withholdings

A. The civilian payroll office shall record amounts withheld each pay period in the employee's pay records when a special payment occurs; otherwise, the system will automatically update an employee's record.

B. Deposits. The civilian payroll office shall make a one-line entry on the DD Form 592 as follows:

1. Enter "Withheld City (or County) Income Tax" below state or territorial tax and the total amount withheld each pay period.

2. Credit the withheld tax to deposit fund account--X6275 for city and county tax.

C. Correcting Errors. Civilian payroll offices shall apply the same instructions applicable to the withholding of state taxes. Refer to subparagraph 040601.A.11.c. for procedures.

D. Paying Out Withheld Taxes. Civilian payroll offices shall apply instructions for state tax.

E. Annual Form W-2 Reporting. Refer to subparagraph 090207.C. for procedures.

040705. Recordkeeping

A. Civilian payroll offices shall keep all records of city or county income tax deductions. Records should include the:

1. EIN assigned by the city or county;

2. Amounts and dates of all wages subject to city or county tax withholding;

3. Names, addresses, and SSN of employees;

4. Dates and amounts of city or county tax paid; and

5. Copies of all returns filed.

B. The employing activity shall file withholding authorization certificates for city tax deductions in a file for each employee until superseded or canceled.

0408 FEDERAL EMPLOYEES HEALTH BENEFITS (FEHB)

040801. General

A. Statutory Authority. The FEHB Program, authorized by P.L. 86-382 (reference (e)) and 5 U.S.C. Chapter 89 (reference (b)) as amended, provides for health insurance to protect civilian employees against the cost of hospital and doctor care in case of sickness or accident. The employee and the employer share the cost of the insurance. The OPM specifies the amount that the employer contributes towards the cost of each type of enrollment. The employee pays the remainder of the cost through withholdings from his or her salary. The employee's participation in the program is voluntary.

★ B. Enrollment, Change of Enrollment, and Cancellation. The SF 2809 is completed by the employee to enroll, elect not to enroll, change enrollment, or cancel enrollment of FEHB coverage. An employee may elect to cancel FEHB coverage at any time. The HRO reviews SFs 2809 and, if they are properly completed, forwards two copies to the civilian payroll office for processing. The SF 2810 (Notice of Change in Health Benefits Enrollment) is used for the following situations: employment terminated; conclusion of 365 days in LWOP or other non-pay status; return to military duty for more than 30 days; transfer in from another agency or payroll office; reinstatement (correction of erroneous action); or change in name of enrollee.

C. Effective Dates. Unless otherwise noted, enrollments and changes to enrollments shall become effective the first day of the pay period that begins after receipt of an SF 2809 in an HRO. An employee shall be in a pay status at least part of the pay period proceeding the effective date of enrollment or change. If an employee was not in a pay status during this preceding pay period, an enrollment becomes effective on the first day of the pay period after the return to pay status. Effective dates of "open season" enrollments and changes in enrollment are set by the OPM. Report any discrepancies in establishing effective dates to the HRO.

★ D. Contact with Carriers. The civilian payroll office is the point of contact with the insurance carriers concerning names and numbers of enrollees under a carrier's health benefits plan. The carrier's copies of SFs 2809 and SFs 2810 should be sent to the appropriate carrier (with an SF 2811) on a daily or weekly basis, depending on the volume in the civilian payroll office. Under no circumstances should SFs 2809 and SFs 2810 be accumulated for longer than 1 week, nor should they be delayed to coincide with applicable payroll deductions. Before the carrier's copies of SFs 2809 or SFs 2810 are transmitted, the civilian payroll office should verify that the payroll action required by the form can be taken, e.g., that the employee was in a pay status sometime during the pay period preceding the effective date, if the pay status requirement is applicable to the action being taken.

★ E. Communication. Civilian payroll offices shall maintain appropriate communication with the HROs or the CSRs to ensure prompt action in processing and solving any problems. Answers to carriers about personnel actions shall be verified with the HRO or the CSR before a reply is made to the carrier.

040802. Deductions and Contributions

A. Enrollment Codes. A three-digit enrollment code is designated by the OPM to identify health benefit plans. The first two digits identify the plan and the third digit identifies the options, such as high or standard option and self-only or self and family option.

B. Employee Deductions

1. Withholding. Deductions for full-time employees shall be made each pay period except as discussed in subparagraphs 040802.B.3. and 040802.B.4. The amount to be withheld is determined by the rate applicable to the plan, option, and coverage selected. The benefits, biweekly deduction, and other major features of each participating plan are described in the brochure for that plan. Refer to the Federal Employees Health Benefits Handbook for Personnel and Payroll Offices (reference (y)) for a description of the types of plans offered. The formula provided in the Federal Employees Health Benefits Handbook for Personnel and Payroll Offices (reference (y)) is used to compute employee and employer biweekly deductions and contributions for employees, such as teachers, who are paid an annual pay in less than 26 pay periods. Deductions are started only at the beginning of a pay period. Effective dates of termination of enrollment or coverage are outlined in the Federal Employees Health Benefits Handbook for Personnel and Payroll Offices, subchapter S9 (reference (y)).

2. Partial Premiums. Partial premiums are not authorized except for employees who transfer to another government agency, employees who retire and are eligible to continue FEHB or die and there apparently is a survivor eligible to continue the enrollment, or employees whose enrollment is terminated or reinstated because of entry into, or return from, military service. Refer to subparagraph 040802.B.8. for the proration of deductions. Otherwise, the full withholding shall be made for each pay period even if an employee is in a pay status for only a part of the period.

3. Insufficient Salary for Withholding. If an employee's salary is not enough to cover the full withholding, nothing is withheld. The requirements are the same as during a nonpay status. If no FEHB premium is withheld from the employee, the government contribution is forwarded to the OPM immediately. If the government contribution has been forwarded to the OPM on the SF 2812, and an adjustment is required in a subsequent pay period because of late receipt of the FEHB cancellation, appropriate changes must be made to the DD Form 592 and the SF 2812.

4. Withholding While in Nonpay Status

a. If an employee is in a nonpay status for the entire pay period, the employee's portion of the FEHB premium still must be paid in order to maintain coverage. Payment can be made by check, money order, or payroll deduction from subsequent earnings. Any FEHB premiums collected during a period of leave without pay (LWOP) pending disability retirement or OWCP should be refunded if the disability retirement or OWCP is approved. The amounts due will be collected from the disability retirement or OWCP.

b. The payroll system shall be programmed to produce a listing of enrolled employees with no deductions for FEHB. One copy of the listing should be retained and one copy should be sent to the HRO. The HRO prepares the notices to each employee in accordance with instructions in the Federal Employees Health Benefits Handbook for Personnel and Payroll Offices, paragraph S20-2b and in Exhibit 20 (reference (y)). If an employee does not respond, it is presumed that coverage is to be continued. The employee should be advised of any withholding from pay, if possible, before the withholding occurs, and the employee should be given an opportunity to set a reasonable installment rate to liquidate the indebtedness. Any amount due accumulated over four pay periods or less immediately preceding the current pay period, can be collected without an employee's consent. The civilian payroll office should note payments received or payroll deductions withheld. Payments should be recorded in the OPM deposit fund for FEHB premiums. If the employee separates, the amount an employee owes should be offset against any entitlements due. If pay is not sufficient to cover the debt, the OPM Form 1522 (Request for Offset for Past Due Health Benefits Premiums from Monies Payable Under the Civil Service Retirement System) should be used to offset against CSRS/FERS. There is no minimum amount subject to offset. Payments shall be withheld when the annuity begins. If the employee has made any payments, they should be refunded.

c. The date of last withholding and amount due should be shown in the "Remarks," on the SF 1150 when an employee transfers and owes for FEHB premiums. Amounts due from employees transferring to or from another civilian payroll office can be collected and reported to the OPM by the gaining civilian payroll office.

d. An employee who is restored to duty retroactively after an erroneous suspension or removal may have his or her enrollment retroactively reinstated, or may enroll in the plan and option of the his or her choice, the same as a new employee. If the employee elects to have the enrollment retroactively reinstated, payroll deductions for the period of suspension or removal must be made from the retroactive pay adjustment. Government contributions are also required as though the suspension or removal had not occurred.

e. An employee may elect, within 60 days, to continue health insurance benefit coverage for the entire period while in an authorized LWOP status to serve as a full-time officer or employee of a labor organization. If this election is made, the employee pays his or her share of the premiums, through the civilian payroll office, with the employing activity making the government contributions (Federal Employees Health Benefits Handbook for Personnel and Payroll Offices, subchapter S8) (reference (y)).

f. An employee granted LWOP while temporarily assigned to a state or local government or to an institution of higher education may continue the coverage for the duration of the assignment. The employee shall pay his or her share of the premiums, through the civilian payroll office, with the employing activity making the government contributions.

g. An employee transferred to an international organization with the consent of his or her agency may continue health benefit coverage for the duration of the transfer.

The employee pays his or her share of the premiums, through the civilian payroll office, with the employing activity making the government contributions.

5. Withholding From Lump-Sum Leave (LSL) Payment. No health benefits deductions are made from the LSL payment. This does not apply to collections for indebtedness.

6. Cancellation of Coverage. An employee's cancellation of enrollment is effected by forwarding an SF 2809 to the HRO. The effective date of cancellation of enrollment is the last day of the pay period in which the cancellation is received by the HRO. See 5 C.F.R. 890.304(d) (reference (l)).

7. Deductions Withheld Upon Transfer. An employee's enrollment and coverage continues without change when the employee transfers from one civilian payroll office to another without a break in service of more than 3 days. Prorate withholdings and contributions in accordance with subparagraph 040802.B.8.

★ 8. Daily Proration Rule. In accordance with the OPM Payroll Office Letter P-96-05 (reference (aj)), the "four-day rule" has been abolished and replaced with the FEHB daily proration rule. The civilian payroll office (gaining and losing) is responsible for FEHB withholdings and contributions for the actual time the employee is paid by the office. To ensure consistency, all civilian payroll offices shall compute the daily FEHB withholdings and contributions rate separately as follows:

Biweekly withholdings rate multiplied by 26 and divided by 364 equals daily withholdings rate.

The denominator of 364 always is used, even during a leap year. When an employee transfers or retires at a time other than the beginning of a pay period, the following rules apply.

★ a. Active Employees. Daily FEHB withholdings and contributions rate will be obtained by applying the daily proration rule.

★ b. Retiring Employees. When an employee retires, the FEHB withholdings and contributions will depend on the employee's annuity date.

★ (1) If the annuity commencement date is after the end of the final pay period, withholdings and contributions will be made for the entire final pay period.

★ (2) If the annuity commencement date is before the end of the pay period, make withholdings and contributions through the day before the commencing date of annuity using the daily proration rule.

9. Mass Transfers. When a group of 25 or more employees enrolled in the same plan are to be transferred on the same day from one civilian payroll office to another, separate

transfer-out and transfer-in forms need not be prepared. A list may be prepared and attached to one SF 2810 documenting the mass transfer-out. The gaining civilian payroll office should use copies of the same list attached to the SF 2810 to process the mass transfer-in.

★ 10. Withholding Upon Retirement or Death. If an employee retires and is eligible to continue enrollment as an annuitant, or dies and there is a survivor eligible to continue enrollment, as determined by the HRO, the losing civilian payroll office makes withholdings and contributions, according to subparagraph 040802.B.8. If there is no eligible survivor or the annuitant is not eligible to continue enrollment, a full deduction is withheld. The OPM makes withholdings beginning with the effective date of the annuity.

★ 11. Withholding Upon Termination for Military Service or Reinstatement. If an employee's enrollment is terminated or reinstated because of entry into, or return from, military service, prorate withholdings and contributions according to subparagraph 040802.B.8. The effective date of the action to be used as a basis in prorating is the date of entrance into, or return to duty from, the Military Service.

★ 12. Retroactive Changes in Enrollment. Employing offices have authority to make a change to self-only retroactive to the first day of the pay period after the one in which there were no family members eligible for coverage under the employee's family enrollment. Such a retroactive change, with a corresponding adjustment in health benefits withholdings and contributions, may be made only if the employee requests it and only if the employing office is satisfied that the last family member lost eligibility under the family enrollment. If an employee retroactively changes from family to self only, adjustments should be processed in accordance with paragraph 040807.

C. Employer Contributions

1. The government's contribution shall be paid every pay period during which an employee's enrollment continues, whether the employee is in a pay or nonpay status. The government's contribution should be submitted as soon as it becomes due, that is, with the other deductions and contributions forwarded on the SF 2812, for the same pay period in which the coverage continued (Federal Employees Health Benefits Handbook for Personnel and Payroll Offices, subchapter S20) (reference (y)).

2. See the OPM Schedule of Subscription Charges for contribution rates for full-time employees. Charge the total to the same appropriation from which the salaries of the employees are paid.

D. Withholdings and Contributions for Part-Time Employees. Public Law 95-437 (Federal Employees Part-Time Career Employment Act of 1978) (reference (e)) provides that part-time employees subject to the act may elect coverage under FEHB. The law requires that certain part-time employees, however, will pay not only the regular deduction for health benefit coverage but also a portion of the government's contribution. The HRO determines if the employee is exempt from the provisions of this law regarding proration of the government's contribution. If

the employee is not exempt, the amount of the government's contribution is based on the proration of the number of hours the part-time employee is scheduled to work, as indicated on the SF 50, compared to the number of hours worked by full-time employees. See 5 U.S.C. 8906(b)(3) (reference (b)). The following example is provided:

1. A part-time employee is scheduled to work 50 hours per pay period.

2. Hours worked by a full-time employee are 80 hours per pay period.

3. The total health benefit premium per pay period is $51.55 of which $24.03 is the employee's share and $27.52 is the government's share.

4. Divide the hours a part-time employee is scheduled to work (50) by the hours a full-time employee is scheduled to work (80) to determine a factor (.6250).

5. Multiply the government's contribution ($27.52) by the factor (.6250) to determine the government's contribution for the part-time employee ($17.20).

6. Subtract the government's contribution for the part-time employee ($17.20) from the total health benefit cost ($51.55). The difference is the pay period deduction for the part-time employee.

E. Temporary Employees. Public Law 100-654 (Federal Employees Health Benefits Amendments Act of 1988) (reference (e)) provides FEHB coverage for certain temporary employees. Generally, for a temporary employee to be eligible for coverage, the employee must have completed 1 year of current continuous employment, excluding any break in service of 5 days or less. The HROs determine the eligibility of temporary employees for FEHB coverage. Once enrolled, the law requires that temporary employees with FEHB coverage pay both the employee and government share of the health benefits premium. The HRO shall include the following statement in "Remarks" on the SF 2809: "Temporary employee eligible under 5 U.S.C. 8906a must pay the full premium amount with no government contribution." Civilian payroll offices shall report the total premium withheld from the pay of the enrollee to OPM using an SF 2812. Since the full premium is deducted from the pay of the enrollee, it will be reported in the "withholdings" field on the "Health Benefits" line of the SF 2812. This amount also will be included in the amounts classified by enrollment code on the SF 2812 (5 U.S.C. 8906a) (reference (b)).

F. Temporary Continuation of FEHB Coverage

1. Public Law 100-654 (reference (e)) also provides temporary continuation of FEHB coverage to eligible individuals. These individuals are former employees, former spouses, and children of current or former employees or of annuitants. The HRO determines the eligibility of these individuals for such continued coverage. The Direct Premium Remittance System (operated by the National Finance Center (NFC) in New Orleans, LA), provides insurance services for enrollees participating in the FEHB under P.L. 100-654 (reference (e)) and P.L. 98-615 (reference (e)). It is a centralized billing, collection, and reporting system operated by

the NFC. Participation in the NFC system eliminates the necessity for civilian payroll offices to process transactions related to FEHB premiums for these enrollees. The NFC also reports data to OPM related to the SF 2812, SF 2812-A, and the OPM Form 1523 (Supplemental Semiannual Headcount Report). See 5 U.S.C. 8905a (reference (b)).

2. Section 4438 of P.L. 102-484 (reference (e)) and 5 U.S.C. 8905a(d) (reference (b)) allow eligible DoD employees separated by reduction in force (RIF) to continue their health benefits coverage at the rates paid by current federal employees. The Department pays the government share and the 2 percent administrative charge. This provision applies to separations on or after October 23, 1992, through September 30, 1997, or through January 31, 1998, if specific RIF separation notice was given by September 30, 1997.

040803. Payroll Processing

A. Registration to Enroll

1. Upon receipt of the SF 2809 signifying enrollment:

★ a. Verify that the effective date of enrollment meets the requirement that the employee was in a pay status before the beginning of the current pay period. Also make sure that the effective date of enrollment or change of enrollment is the first day of a pay period and cancellation of an enrollment is the last day of the pay period. If there is any variance from the above, return both copies of the SF 2809 to the HRO or the CSR with appropriate notation.

b. Enter the civilian Payroll Office Number under part F, item 4, of the form.

2. Distribute the SF 2809 as follows:

a. Send the copy of the SF 2809 to each carrier concerned. If it is known that the employee will not be in a pay status during the pay period before the normal effective date, keep the SF 2809 until the employee returns to a pay status and the effective date of enrollment can be determined.

b. Separation before enrollment becomes effective. If an employee who has filed an SF 2809 retires, dies, or otherwise is separated (except by transfer) before the effective date of enrollment, his or her registration is void. Under such circumstances, note in "Remarks" on the SF 2809, "Employee separated (date), (reason)." If the carrier's copy was already transmitted, print "VOID" across the face of the original SF 2809 and mail it to the carrier. When the SF 2809 was not sent to the carrier or the registration was not to enroll, destroy all copies of the SF 2809. In all instances, note the action on the pay record.

c. Change in enrollment. Changes in enrollment may be processed on either an SF 2809 or an SF 2810. Process the SF 2809 as in 040803.A.2.a. and b. Upon receipt of an SF 2810, make the necessary adjustments in the payroll system and complete the SF 2811

(Transmittal and Summary Report to Carrier) report number, and the payroll action boxes of the form. Distribution instructions are printed on the back of the payroll copy of the SF 2810.

B. To terminate enrollment, send a copy of the SF 2809 to the carrier concerned.

040804. File. The SFs 2811, along with the supporting SFs 2809/2810, are filed in a single file. Destroy the copy of the SF 2811 originally retained and file the copy returned by each carrier. Carriers use the "Remarks" section of the returned copy of the SF 2811 to report any discrepancies. Clear all such discrepancies before filing the SF 2811. If an enrolled employee cancels coverage, file the SF 2809 in the employee's file. If an employee transfers or is separated, file the SF 2809 (and SF 2810, if applicable) in a separate file. For disposition, file the SF 2809 (and SF 2810) for retired and deceased employees in a separate file and destroy 6 months after the date of separation.

040805. Entries on the Payroll Voucher. Employee deductions and employer contributions shall be reported separately on the DD Form 592, Part I, Payroll Summary. Civilian payroll offices reporting to the OPM using a hard-copy SF 2812 shall cite the OPM deposit fund account 24X8135.8 for the deductions and contributions on Part I. Civilian payroll offices reporting to the OPM via RITS shall report deductions and contributions on Part I, but shall not cite the OPM deposit fund account. Employer contributions shall be charged to the appropriation(s) from which the employee's salary is paid and shall be reported on Part II, Accounting Classification.

040806. Pay Period Transmission of Deductions and Contributions to the OPM. The deductions and contributions for health benefits are reported to the OPM each pay period using the procedures described in paragraph 090203.

040807. Adjustment of Errors

A. Underdeduction. An overpayment as a result of the underdeduction of FEHB premiums is exempt from due process for up to four pay periods immediately preceding the current pay period (5 C.F.R. 550.1104(c)) (reference (l)). FEHB premium underdeductions of more than four pay periods, for any amount, are subject to due process. See paragraph 080302. for procedures.

B. Overdeduction. If more than the correct FEHB premium is deducted, refund the overdeduction to the employee and adjust the employer contribution during the next pay period.

040808. Panamanian Program

A. Non-U.S. citizens employed in Panama by the U.S. Government may elect to be covered under this program. Biweekly, withhold one percent from the employee's salary; the Panama Canal Commission's contribution is an amount equal to the maximum biweekly government contribution for the Federal Employee's Health Benefits Act (reference (e)).

B. Withholdings and contributions are collected into a deposit fund and disbursed from this fund to the payee on the agreed dates.

040809. Disability Insurance for Uniformed Services University of the Health Sciences (USUHS)

A. Full-time faculty and staff members of the USUHS, School of Medicine, not eligible for coverage under the CSRS/FERS program, are covered under a Disability Insurance Program. The employer and employee share the cost of the coverage equally. Monthly premium rates are based on the average of salary and age for the entire group covered.

B. Deductions shall be made from the employee's pay and collected into a deposit fund. Disbursements from the deposit fund are made monthly to Teachers Insurance and Annuity Association/College Retirement Equities Fund, 730 Third Avenue, New York, NY 10017.

0409 FEDERAL EMPLOYEES GROUP LIFE INSURANCE

040901. General

★ A. The Federal Employees Group Life Insurance (FEGLI) Act of 1954 (reference (e)) (5 U.S.C. Chapter 87) (reference (b)), as amended, and P.L. 105-311, the Federal Employees Life Insurance Improvement Act, as enacted on October 30, 1998, provides life insurance coverage for federal employees and their families. Under this program an employee may elect basic insurance in which the government shares the cost.

B. Three types of optional insurance for which the employee pays the entire cost are also available. Refer to paragraph 040904 for a description of each type of optional insurance. The Federal Employees Group Life Insurance Handbook for Personnel and Payroll Offices (reference (z)) provides details on life insurance coverage for federal employees.

040902. Basic Insurance

A. An employee can have basic life insurance and accidental death and dismemberment insurance each in the following amounts:

1. If annual pay is $8,000 or less, the employee is insured for $10,000.

★ 2. If annual pay is more than $8,000, the employee is insured for an amount equal to the sum of the annual salary, rounded to the next highest thousand, plus $2,000.

B. The annual pay on which an employee's basic insurance deduction is based is the annual pay as fixed by applicable law or regulation. Included in this basic pay are:

1. Night shift differential pay for FWS employees.

2. Environmental differential pay for FWS employees.

3. Tropical differential pay for government employees in the Republic of Panama.

★ 4. Annual premium pay percentage for standby time not affected by P.L. 105-277, the Firefighter Overtime pay Reform Act of 1998 (reference (e)).

5. Annual premium pay percentage for irregular, unscheduled overtime for law enforcement officers. See 5 C.F.R. 870.302(c) (reference (l)).

★ 6. Availability pay for criminal investigators. See 5 U.S.C. 5545a(h)(2) (reference (b)).

C. The annual pay of a part-time employee is the basic salary applicable to his or her tour of duty in a calendar year. For example, an employee who has a salary rate of $8,000 a year and is employed half time would have an annual salary of $4,000 for insurance purposes. See subparagraph 070301.C.3. for additional information. Also see 5 C.F.R. 870.302(c) (reference (l)).

D. Multiple rates -- regular schedule. For life insurance purposes, the annual pay of employees who are regularly scheduled to work at different pay rates such as day and night rates, two positions at different rates for each, etc., is the weighted average of the rates at which the employees are paid, projected to an annual basis. For example, the annual pay of an employee who is paid $3.87 per hour on a day shift and $4.08 per hour on a night shift and who regularly is scheduled to work 8 months on day shift and four months on night shift is $3.87 multiplied by 1,391 hours plus $4.08 multiplied by 696 hours, or $8,223; the weighted hourly average then is $3.94, which when multiplied by 2,087 hours produces the same result. A regular schedule may exist even though the schedule varies within a year or even within a pay period.

E. Multiple rates -- no regular schedule. For life insurance purposes, the annual pay of employees who work at different pay rates, but not on a regular schedule, is the annual rate which they were receiving at the end of the pay period, or in the event of death or dismemberment, the annual rate they were receiving at the time of the death or accident.

040903. Withholding Schedule for Basic Coverage. Both the employee and the government share the cost for basic insurance. The government contributes one third of the total cost for basic insurance. See Table 4-4 for the effective rates.

040904. Optional Insurance

A. An employee who has not waived basic FEGLI coverage can purchase additional optional life insurance plans. The employee pays the entire cost. Credit amounts deducted for optional insurance coverage to the same deposit fund account as regular FEGLI. The premium rate for optional coverage is increased the first day of the pay period beginning on or after

that in which the employee's birthday occurs for the next age group. An employee may elect optional life insurance coverage provided:

1. The employee is enrolled for basic insurance coverage;

2. The employee has filed an SF 2817 (Life Insurance Election) to elect the optional insurance or OPM Form RI 76-27 (FEGLI '99 Open Enrollment Period Election Form). The OPM Form RI 76-27 must be used for open season enrollments exclusively;

3. An uncanceled declination of optional insurance is not on file.

A covered employee may elect to stop or reduce optional insurance coverage at any time, although the opportunity to elect or increase multiples is strictly limited. If an employee cancels basic insurance, all optional insurance is automatically canceled.

B. Types of Optional Life Insurance

★ 1. Option A - Standard Optional Insurance. The amount of standard optional life insurance available to all employees is $10,000.

★ 2. Option B - Additional Optional Life Insurance. An employee may elect Option B - Additional in an amount equal to one, two, three, four or five times the annual basic pay (after rounding to the next $1,000).

★ 3. Option C - Family Optional Insurance. An employee may elect Option C - Family to cover "eligible family members": $5,000 for a spouse and $2,500 for each dependent child. The withholdings do not vary based on the family size. P.L. 105-311 extends family coverage to allow for employees to elect additional coverage in multiples of up to five times the current amounts.

040905. Enrollment Status Codes. An employee's life insurance enrollment status is indicated on the SF 50 by use of the codes in Table 4-5.

040906. Premium Withholding

A. When to Withhold Premiums. Deductions will be made from an employee's salary when the employee is in a pay status for all or part of a pay period. If the salary is insufficient to permit all payroll deductions, the order of precedence shown in paragraph 040201. shall be used. For new employees, deductions shall begin with the pay period in which coverage begins as follows:

1. Basic insurance. Coverage is effective on the first day in pay and duty status.

2. Optional insurance (all types). Coverage is effective the first day in a pay and duty status on or after the date the election (SF 2817) is received in the HRO.

3. When an employee waives basic insurance, cancels any or all optional insurance, or reduces the number of multiples under additional optional, coverage and deductions stop or are reduced effective the last day of the pay period in which an SF 2817 is properly filed. See 5 C.F.R. 870.204(a) (reference (l)).

B. Retroactive Adjustments. Retroactive adjustment shall not be made to recover deficiencies in deductions for prior periods because of LWOP. Effective after October 20, 1972, if an employee is retroactively restored to duty with pay after an erroneous suspension or removal, there will be no life insurance withholding made from the retroactive pay adjustment for the period of suspension or separation. However, if death or dismemberment occurred during the period of suspension or separation, insurance proceeds shall be paid and premiums withheld from the back pay. When an employee receives a retroactive within-grade increase (one that was delayed beyond its proper effective date through administrative error or oversight) and results in an increase in life insurance premiums, the insurance deductions retroactively shall be applied.

C. Withholding During Nonpay Status

1. If an employee is in a nonpay status for an entire pay period, no withholdings for that pay period are made from future salary payments. An employee keeps insurance coverage without cost while in a nonpay status for up to 12 continuous months from the last date of pay.

2. Employees granted LWOP while assigned to a state or local government or to an institute of higher learning may continue insurance for the period of LWOP. The employee's share of the premiums is paid to the civilian payroll office and that office pays the government contribution. Employees transferred to international organizations and employees on approved LWOP to serve as full time officers or employees of an international organization may continue coverage for the period in LWOP status. Employees shall pay or arrange to have paid on their behalf, to the civilian payroll office on a current basis, the employee withholding and the government contributions to cover the premium cost for the entire period of LWOP. Premiums for any pay period are considered currently paid if received before, during, or within one month after the end of the pay period. Advance payments may be accepted at regular intervals in multiples of the amount due each pay period. Any excess advance payments resulting from death, retirement, etc., are refunded. The beginning date of premiums payable by the employee is the first day of the pay period following the one for which withholdings of the premiums were made. The ending date is the last day of the pay period before the employee returns to a pay status.

D. Withholding While Employee is Receiving Office of Workers' Compensation Program (OWCP) Payments

1. An employee keeps basic life insurance (not accidental death and dismemberment) without cost if:

a. On the day basic insurance would otherwise end, he or she is receiving benefits under the FECA because of disease or injury and is held by the Department of Labor to be unable to return to duty; and

b. The employee does not convert to an individual policy.

2. An employee may keep optional life insurance (not accidental death and dismemberment) while receiving compensation from OWCP if eligible to continue basic insurance and if, in addition, optional insurance has been in force for not less than:

a. The full period or periods of service during which optional insurance was available to the employee; or

b. The 5 years of service immediately preceding the date the employee becomes entitled to compensation. Withheld from compensation is the full cost of optional insurance for any period before the first of the month following the employee's 65th birthday during which an insured employee or former employee receives compensation.

3. An employee who qualifies for compensation benefits remains insured as an employee until such coverage ends because of separation or completion of 12 months in a nonpay status. When coverage as an employee stops for either of these reasons, the employee may convert the insurance to an individual policy, but the HRO should inform the employee of the right to have the life insurance continued while receiving compensation and unable to return to duty.

4. The OWCP collects for all life insurance including basic. The OWCP shall make no optional insurance withholding if the employee receives compensation for less than 29 days.

E. Withholding During Nonpay Status, Employee Accepts Temporary Employment in Another Position. If an insured employee, entitled to free insurance for up to 12 months while in a nonpay status, accepts a temporary (or other) appointment to another position in which he or she normally would be excluded from insurance coverage, insurance (basic or basic and optional) continues in the temporary position. The amount of basic insurance is based on the greater of the two salary rates. The $10,000 minimum applies. Withholdings shall be made from pay in the temporary position. The HRO is responsible for determining if the employee is insured in the first position and to indicate appropriate withholdings. Upon termination of the temporary appointment, the insurance coverage reverts to the employee's coverage under the first nonexcluded position. If on termination of the temporary position the employee has been separated from the first position, the employee's insurance ends subject to the 31-day temporary extension of coverage. If, on termination, the employee still is on LWOP from the first position, the coverage under the first position continues until the employee is separated or the end of the 12 month nonpay status. If the employee served four consecutive months in the temporary position, a new 12-month nonpay period of free insurance begins.

F. Withholding From Lump-Sum Annual Leave Payments. No insurance premium is withheld from the lump-sum payment.

G. Withholding From Employees Paid an Annual Salary on a School Year Basis. A full annual insurance premium deduction for educators is required. Compute the biweekly deduction for those employees not paid each pay period of the year (26 or 27 times) as follows:

1. Multiply the biweekly deduction rate based on the salary bracket by 26.

2. Divide this total by the number of pay periods in the school year.

3. Round the total in subparagraph 040906.G.2. to the nearest cent. This is the biweekly insurance deduction.

★ H. Withholding From Employees Whose Pay Is Insufficient to Cover the Cost of the Premiums. This provision of P.L. 105-311 became effective on the first pay period beginning on or after October 30, 1998. It allows for an employee to arrange to make direct payments to the employing office for periods when an employee's pay is insufficient to cover the cost of the premiums. A determination of insufficient pay can be made when it is expected that an employee's pay, after all other applicable deductions, is insufficient to cover the cost of the premiums for a period of six months or more.

040907. Entries on the Payroll Voucher. Employee deductions and employer contributions shall be reported separately on the DD Form 592, Part I, Payroll Summary. Civilian payroll offices reporting to the OPM via hard-copy SF 2812 shall cite the OPM deposit fund account 24X8135.8 for the deductions and contributions on Part I. Civilian payroll offices reporting to OPM via RITS shall report deductions and contributions on Part I, but shall not cite the OPM deposit fund account. Employer contributions shall be charged to the appropriation(s) from which the employee's salary is paid and shall be reported on Part II, Accounting Classification.

040908. Adjusting Errors

A. Current Employees

1. Overdeduction. When amounts have been erroneously withheld from the salary of an employee, refund the erroneous withholding the next pay period. This automatically corrects the excess government contribution involved.

2. Underdeduction of FEGLI premiums of four pay periods or less immediately preceding the current pay period, are exempt from due process (5 C.F.R. 550.1104(c) (reference (l)). Underdeductions of FEGLI premiums after four pay periods, for any amount, are subject to due process. See paragraph 080302. for procedures. Government contributions shall be adjusted when payment is received from the employee.

B. Separated Employees

1. When an adjustment in withholdings is necessary for a separated employee, process it in the final salary payment to the employee or, if deceased, to the employee's beneficiary or estate.

2. If a valid claim for refund of deductions is received from a separated employee, process it on a regular payroll on which FEGLI deductions are more than the refund amount.

C. Adjustment to Proper Appropriation. Be sure to adjust the correct appropriation when there is a change in fiscal years between the processing of the erroneous payroll and the processing of the payroll on which the adjustment is made. Credit the government contribution for a prior year appropriation on DD Form 592 under "Other" (itemize) and explain.

040909. Pay Period Transmission of Deductions and Contributions. Deductions and contributions for life insurance shall be reported to the OPM each pay period using the procedures described in paragraph 090203.

★ 040910. Waiver of Insurance. When notification of waiver is received from an insured employee, discontinue withholdings beginning with the next pay period. When the waiver is canceled, the withholding applies for the full pay period in which the waiver is revoked.

040911. Canceling Optional Insurance. The employee may cancel optional life insurance at any time without waiving basic life insurance; however, if the employee cancels basic life insurance, all optional insurance is automatically canceled.

040912. Continued Protection for 31 Days. When basic or optional insurance, or both, terminates except by waiver or declination, the employee continues to have life insurance protection (not accidental death or dismemberment) for 31 days. Thereafter, this 31-day temporary extension is automatic. There is no extension of protection when insurance stops by waiver or declination. See 5 C.F.R. 870.501, 871.501, 872.501, and 873.501 (reference (l)).

040913. Office of Federal Employees' Group Life Insurance (OFEGLI) Requests for Pre-Payment Verification. Civilian payroll offices shall cooperate with the OFEGLI when it requests pre-payment verification. The OFEGLI is required to obtain verification before making payment to beneficiaries of enrollees with $200,000 or more of FEGLI coverage. When seeking pre-payment verification, the OFEGLI will ask for the insured's current salary, annual salary (if different), and details on enrollment in optional insurance, if applicable.

★ 040914. FEGLI Daily Proration Rule. In accordance with the OPM Payroll Office Letter P-96-05 (reference (aj)), the "four-day rule" has been abolished and replaced with the FEGLI daily proration rule. The civilian payroll office (gaining and losing) is responsible for FEGLI withholdings and contributions for the actual time the employee is paid by the office. When an

employee transfers or retires at a time other than the beginning of a pay period, the following rules apply.

★ A. Active Employees. A daily rate shall be computed using the FEGLI daily proration rule - biweekly withholdings and contribution rates multiplied by 26 and divided by 364. The daily rate is then multiplied by the coverage/days on the payroll, see the formulas below for determining the amount of withholdings and contributions:

★ 1. Basic and Option B - daily rate multiplied by coverage/1000 multiplied by days on payroll.

★ 2. Option A and Option C - daily rate multiplied by days on payroll.

★ B. Retiring Employees. Life Insurance withholdings and contributions depend on the employee's age at the time of retirement.

★ 1. If the employee will be less than 65 years old on the commencing date of the annuity, the employing agency shall make basic life insurance withholdings and contributions and optional life insurance withholdings based on the commencing date of annuity.

★ a. If the annuity commencement date is after the end of the pay period, the civilian payroll office shall make full withholdings and contributions for the entire pay period.

★ b. If the annuity commencement date is before the end of the pay period, the civilian payroll office shall make withholdings and contributions through the day before the annuity commencement date, using the daily proration rule.

★ 2. If the employee will be age 65 or older on the commencing date of the annuity, the civilian payroll office shall ascertain the post-65 basic life insurance coverage the employee had chosen. Civilian payroll offices shall refer to the SF 2818 (Continuation of Basic Life Insurance Coverage) to determine the retiree's post-retirement life insurance election, so the correct life insurance withholdings and contributions for the retiring employee's last pay period will be processed.

★ a. If the employee elects the basic life insurance with the 75 percent reduction, the civilian payroll office shall make withholdings and contributions through the end of the pay period in which the employee separates for retirement.

★ b. If the employee elects basic life insurance with the 50 percent reduction or with no reduction, the civilian payroll office shall make withholdings and contributions based on the commencing date of annuity. If the annuity commencement date is after the end of the pay period, the civilian payroll office shall make withholdings and contributions through the end of the pay period. If the annuity commencement date is before the end of the pay period, the civilian

payroll office shall make withholdings and contributions through the day before the commencing date of annuity, using the daily proration rule.

★ c. For optional insurance, the civilian payroll office shall make the withholdings and contributions through the end of the pay period in which the employee separates for retirement.

★ 040915. Revised Rule for Movement to New Age Band. OPM Payroll Office Letter P-99-07 (reference (aj)), identified three new age bands for optional coverage. The "60 and over" has been replaced with "60-64," "65-69," and "70 and over." The new withholding rates are effective on the first day of the first pay period beginning on or after April 24, 1999. For an employee who reaches age 35, 40, 45, 50, 55, 60, 65 or 70, the new withholding rate will take effect on the first day of the first pay period following his/her actual birthday.

0410 NATIONAL GUARD ASSOCIATION OF UNITED STATES (NGAUS) INSURANCE TRUST PROGRAM

041001. Participation. National Guard technicians may participate in this program as authorized by an agreement between the Secretary of Defense and the state or territory (5 U.S.C. 5518) (reference (b)). Biweekly deduction rates depend on the coverage selected and the age group of the employee. Deductions will be applied to the following accounts:

A. --X6875 - Withheld Employee Contributions, State or Territorial Disability Benefits.

B. --X6875 - Withheld Employee Contributions, State or Territorial Death Benefits. The funds collected are disbursed to the proper payee on agreed dates.

041002. Termination. When an employee converts from a Title 32 to a Title 5 appointment, the NGAUS insurance must be terminated since the employee would no longer be eligible for the disability portion of the plan.

0411 COLLECTION OF DEBTS DUE THE UNITED STATES

041101. Authority. The Department shall collect indebtedness due the United States promptly in accordance with the law and applicable regulations. Title 5, United States Code, section 5514 (reference (b)), and Volume 5 of this Regulation authorizes collection of indebtedness from those civilian employees who are indebted to the U.S. Government. Generally, the amount deducted may not exceed 15 percent of the employee's disposable pay unless written the employee provides consent for a greater percentage to be deducted. Refer to chapter 8 for further procedures on indebtedness.

0412 GARNISHMENTS

041201. Child Support and Alimony

A. Authority. Title 42, United States Code, section 659, (reference (ae)) provides consent by the U. S. Government for garnishment and similar proceedings for enforcement of child support and alimony obligations against civilian employees. Court-ordered garnishment under this section shall be deducted from the employee's pay. See 5 C.F.R. Part 581 (reference (l)) for guidance.

B. Pay Subject to Garnishment. All moneys due active civilian employees, the entitlement to which is based upon remuneration for employment, are subject to court-order garnishment or attachment. The term "remuneration for employment" means all compensation paid or payable for personal services performed by an individual, whether such compensation is denominated as wages, salary, commission, bonus, pay, or otherwise, and includes, but is not limited to, those items set forth in 5 C.F.R. 581.103 (reference (l)). Moneys paid as reimbursement, normally defined by law or regulations as allowances, awards paid for making suggestions, and injury compensation payments are not deemed to be "remuneration for employment" and, therefore, are not subject to garnishment. Deductions not subject to garnishment are as follows:

1. CSRS/FERS,

2. Social Security and/or Medicare,

3. TSP contributions,

4. Federal income taxes (not including additional withholdings unless the employee presents evidence of a tax obligation which supports the additional withholding),

5. FEHB,

6. FEGLI (basic only),

7. Indebtedness due the U.S. Government except where the employee's debt is for child support and the amount owed the United States results from an income tax lien or levy,

8. State income tax and city/local employment tax, and

9. Other deductions required by law or regulations to be withheld.

C. Maximum Percentage of Disposable Weekly Pay Subject to Garnishment. The term "disposable pay" means the amount of any pay that is due or payable to an employee as "remuneration for employment" minus the deductions listed in subparagraph 041201.B. The following maximum percentages apply (5 C.F.R. 581.402) (reference (l)):

1. If an employee is supporting a spouse or a dependent child (other than the spouse or child whose support is required by the garnishment order), 50 percent of that employee's disposable weekly pay is subject to garnishment.

2. If an employee is not supporting a spouse or dependent child (other than those named in garnishment order) 60 percent of that employee's disposable weekly pay is subject to garnishment.

3. An additional 5 percent of disposable weekly pay is subject to garnishment in each case if the outstanding arrearages are over 12 weeks old.

4. If the applicable law of the state from which the legal process was issued exempts a lesser percentage of the employee's disposable weekly pay, that percentage of earnings will be subject to garnishment.

D. Procedures

★ 1. All court orders for child support and alimony shall be sent to the DFAS-Cleveland Center legal review office (DFAS-CL/L) for processing. For employees serviced by DCPS, DFAS-CL/L will review and input the garnishment deduction information.

2. One-time Payment. If the garnishment involves a one-time payment, the amount due shall be processed on the next regular payroll.

3. More Than One Payment. If the garnishment order involves more than one payment, the DFAS-CL/L shall establish an involuntary deduction for the amount(s) shown in such order. Payment shall be made to the party named in the legal process.

4. Deduction Termination. Cancellations are automatic on the date of separation from the Department, upon death of the employee, or upon notification to the civilian payroll office that the legal process is terminated. The employee may not voluntarily stop deductions.

5. Payroll Procedure. Deductions shall be taken in accordance with the order of precedence in paragraph 040201.

6. Recording Deductions. The DFAS-CL/L shall establish deduction data within the employee's payroll record. The total amount of all garnishments processed for the current pay period shall be indicated on the DD Form 592. All remittance records shall be forwarded to the servicing disbursing officer.

★ 041202. Commercial Debts

A. Authority. Effective February 3, 1994, 5 U.S.C. 5520a (reference (b)) authorized the garnishment of federal civilian employees' wages for commercial debts. Authorization from the legal review organization is required prior to the garnishment becoming effective. Final regulations are found at 5 C.F.R. part 582 (reference (l)).

B. Pay Subject to Garnishment. A maximum of 25 percent of an employee's disposable pay may be used to satisfy garnishments for commercial debts. The term disposable pay means the amount of any pay due or payable to an employee as remuneration for employment, minus the deductions listed in subparagraph 041201.B. If the total deduction for child support and alimony equal or exceeds 25 percent of an employee's disposable pay, a deduction for commercial debt will not be processed. Further, limitations on the amount to be garnished are found in 5 C.F.R. 582.402 (reference (l)). There is no maximum amount for garnishment for state or local tax obligations, or bankruptcy.

C. Procedures

1. All orders for commercial debts shall be sent to the DFAS-Cleveland Center legal review office (DFAS-CL/L) for processing except for those categories found in Appendix A to Part 582 of 5 C.F.R. published at 59 Federal Register 14544-14545, March 29, 1994 (reference (ak)).

2. For employees serviced by DCPS, DFAS-CL/L will review and input the garnishment deduction information.

3. Deductions may be withheld as a fixed biweekly amount or as a percentage amount, but not both, provided it does not exceed the amount discussed in subparagraph 041202.B.

4. Current procedures shall be used for disbursement of the commercial garnishment. The return check process shall also follow existing procedures. The requirements of the court order regarding disbursement of funds will be followed.

5. Administrative Fee

★ a. An administrative fee of $75.00 shall be collected from the amount of the garnishment due to the creditor. The administrative fee will be collected in full before any payments are remitted to the creditor. An administrative fee may be assessed for each case if more than one commercial debt exists.

b. The administrative fee is not subject to the 25 percent rule. If an employee is in a nonpay status, the court order shall be returned by DFAS-CL/L with no action taken and the administrative fee shall not be charged.

c. If a court amends a garnishment order, an additional administrative fee may be charged.

6. As with all other garnishments, deductions for commercial debts shall be handled on a first in, first out basis. The civilian payroll office shall make these deductions each pay period as directed. Deductions shall be taken in accordance with the order of precedence in paragraph 040201. Care must be taken to process these garnishments as quickly as possible to ensure payment occurs before termination of the garnishment.

7. The total amount deducted for garnishments during the payroll cycle shall be reflected on a separate line on the DD Form 592.

8. A commercial debt may be received with a termination date. Payroll deductions shall be discontinued at the end of the pay period in which the termination date falls. If the termination date does not fall on the last day of the pay period, no proration of deduction shall be required. If the account is in escrow, the total amount withheld shall be disbursed based on the termination date.

0413 BANKRUPTCY

041301. General. Title 11, United States Code, section 1325, (reference (af)) permits an indebted individual who has a regular income to file a Wage Earner's Plan designed to liquidate all or part of a creditor's claim. When a plan has been approved, the court may order the Department to pay all or part of those wages to a trustee for the debtor. The law waives the U.S. Government's sovereign immunity for purposes of compliance with payroll deduction orders issued by the U.S. bankruptcy courts. Accordingly, the civilian payroll office shall honor these orders. Questions regarding a particular case should be referred to the DFAS Office of General Counsel. See paragraph 080703. for additional information. As a general matter, placing payments ordered by the bankruptcy court in the order of precedence in paragraph 040201. shall conform with the bankruptcy court's requirements. There are two exceptions:

A. If a bankruptcy court orders that a certain amount of net pay shall be paid an employee regardless of deductions, then:

1. The amount of the net pay shall be deducted from gross pay first. Remaining deductions shall then be withheld in accordance with paragraphs 040201. and 040202.

2. Deductions based on gross pay (for example, Social Security/Medicare deductions which are calculated by multiplying applicable portions of the gross pay by a required percentage) shall be computed on applicable portions of the full gross pay, that is, gross pay before subtracting court-ordered net pay.

B. In individual cases, the bankruptcy court may mandate that a sum be deducted each pay period or monthly under a different order of precedence or without providing an order of precedence. In those situations when a different order of precedence is mandated, the court's order shall be followed. If there is a question of conflict or nonpayment, the civilian payroll offices shall contact the designated trustee by telephone.

0414 ALLOTMENTS

★ 041401. Voluntary Deductions. An allotment or an assignment of pay, or a modification thereof, shall be requested in writing by the person from whose pay the deduction will be made or through automated computer programs that allow an employee to process allotments using a personal identification code. This request shall show the authority under which the allotment or assignment is permitted, the amount to be deducted, the period of time over which the deduction is to be made, and the name and address of the allottee or assignee. Employees shall request voluntary allotments from their pay consistent with the allotments authorized in paragraph 041402. See 5 C.F.R. 550.301-550.381 (reference (l)).

041402. Authorized Allotments. Allotments may be made in accordance with the eligibility criteria specified in paragraph 041404 for the following purposes:

A. Support of relatives or dependents of the allotter.

B. Savings.

1. Unrestricted as to allottee. Two such allotments at any one time may be authorized an employee whose place of employment is within the continental United States. Employees stationed outside the continental United States may make as many allotments as they want. The eligibility criteria are specified in subparagraph 041404.A.

★ 2. Allotted to a financial organization for credit to a savings or checking account of the allotter as authorized by I-TFM 3-9000 (reference (ai)). Any employee whose place of employment is within the continental United States, may authorize allotments to any U.S. bank, savings bank, savings and loan association or similar institution, or federal or state chartered credit union. Allotments must be in fixed whole dollar amounts, minimum $1, to be deducted in each successive pay period and must not exceed two such allotments per employee at any one time. Moneys thus credited to the allotter's account (savings or checking) may be used for any purpose in accordance with the desires and direction of the allotter as long as that purpose does not circumvent any statute, Executive Order or other applicable regulation. A completed SF 1199A including the endorsement of the financial institution, an FMS Form 2231, or a DD Form 2762 serves as the request and authority for the allotment.

C. Payment of commercial insurance premiums on the life of the allotter.

D. Payment of U.S. Government Life Insurance or National Service Life Insurance premiums.

E. Voluntary liquidation of indebtedness to the U.S. Government, including voluntary payment of back taxes.

F. Repayment of loans obtained for the purchase of a home or automobile.

G. Payment of certain state and District of Columbia income taxes when an employee has a legal obligation to pay, but the agency has no legal obligation to withhold, as authorized by 5 C.F.R. 550.351 (reference (l)).

H. Payment of certain city and/or local taxes when an employee has a legal obligation to pay, but the agency has no legal obligation to withhold, as authorized by 5 C.F.R. 550.351 (reference (l)).

★ I. Payment of labor organization dues as authorized by 5 U.S.C. 7115 (reference (b)) and DoD 1400.25-M, subchapter 711 (reference (u)).

1. Allotment Authorization. Any eligible employee has the right to make a voluntary allotment for the payment of dues to not more than one eligible labor organization. An SF 1187 (Request and Authorization for Voluntary Allotment of Compensation for Payment of Labor Organization Dues) shall be used to request and authorize an allotment of pay. Such allotments shall become effective the first pay period beginning after receipt of the properly executed SF 1187.

2. Amount of Employee's Deductions. Unless the negotiated agreement specifies otherwise, the procedure for setting and changing dues rates shall be as follows. When the amount of an employee's dues is stated on an SF 1187 in terms of an annual amount (covering a period of 12 months), the figure shall be divided by 26. When an amount is stated in terms of a monthly amount, the figure shall be multiplied by 12 and the result divided by 26. This amount shall remain unchanged until the appropriate official in the labor organization certifies that the amount of the regular dues has changed. Upon input, the civilian payroll office shall begin to withhold the certified amount of the dues on the first complete pay period for which the deductions are made or a later date if requested by the labor organization. When an employee is in a nonpay status for an entire pay period, withholding shall not be made to cover that pay period from future earnings nor shall the employee deposit the amount that would have been withheld if the employee had been in a pay status during that period. If an employee is in a nonpay status for only a part of such pay period, and the salary is not sufficient to cover the full deduction, none shall be made.

3. Termination of Allotments

a. An employee may submit a request to revoke the allotment for the payment of union dues at any time; however, such revocation shall be effective only at the beginning of the first pay period which begins on or after the 1-year anniversary of the effective date of the employee's initial allotment of union dues. Thereafter, revocation of an allotment shall be effective at 1-year intervals. (Previously, dues could be revoked at 6-month intervals. Negotiated agreements providing for 6-month revocation periods can be continued and may still exist. In such situations, revocation shall occur at the beginning of the first pay period after the termination dates of the 6-month intervals which commonly are March 1 and September 1.)

b. Dues withholding procedures are negotiable to the extent they are consistent with applicable law and regulation. This includes bargaining on yearly intervals for revoking dues and the date from which the 1-year interval is measured. Activities are responsible for certifying the effective date of dues revocations.

c. An employee shall use an SF 1188 (Revocation of Voluntary Authorization for Allotment of Compensation for Payment of Labor Organization Dues) to voluntarily revoke an allotment. However, a written request for revocation of an allotment that is otherwise in order and signed by the employee shall be accepted and acted upon, even though it is not submitted on a SF 1188. Unless the collective bargaining agreement provides otherwise, the employing activity is responsible for furnishing the SF 1188 to employees upon request.

d. Allotments of all union members are terminated automatically when the union loses its eligibility for exclusive recognition. Termination shall be effective at the beginning of the first pay period after notification is received concerning the loss of recognition.

e. An allotment is terminated when an employee is suspended or expelled from union membership. Termination of dues shall be effective at the beginning of the first pay period after written notification is received that an employee was suspended or expelled from membership.

f. An allotment is terminated when an employee no longer is a member of the exclusive bargaining unit, e.g., an employee separates from the employing activity or is promoted to a supervisory position. Termination of dues shall be effective with the final pay check or at the beginning of the first pay period after notification that an employee left the exclusive bargaining unit, as appropriate.

g. Dues allotments may continue for a reasonable time where a question arises as to whether an exclusive bargaining unit remains appropriate or needs to be clarified, or whether an employee left the bargaining unit. The need to clarify a unit, or determine its appropriateness, could arise where a transfer of function or reorganization impacts the unit and could require the gaining organization to continue dues withholding. Termination of dues would be effective at the beginning of the first pay period after notification is received concerning the resolution of the representational question.

J. Charitable contributions to a CFC as authorized by DoD Directive 5035.1 (reference (al)) and DoD Instruction 5035.5 (reference (am)). See 5 C.F.R. 550-341-550.342 (reference (l)).

1. An employee may initiate a CFC allotment only when employed in an area in which a CFC exists that has been authorized by the OPM. Generally, employees serving under an appointment of 1 year or less may not make an allotment. Such an employee may make an allotment when an official of the employing agency decides that the employee will be employed long enough to justify it. This includes part-time and intermittent employees who are regularly employed.

★ 2. Employees or CFC agents shall submit completed authorization forms for the CFC allotment to the CSR by the date established by the CSR each year; however, if forms are received after that date, they should be accepted and processed.

3. An allotment shall be voluntary, based on the employee's written authorization. Authorization forms in standard format shall be printed by the CFC campaign organizations at each location and shall be distributed to employees along with other campaign materials at the time charitable contributions are solicited.

4. Allotments must be 1-year term allotments. They shall start with the first full pay period starting in January and end with the last pay period starting in December. An employee not on duty for 1 full year can submit an allotment if he or she has enough service time remaining to make it practical. Three months or more is a reasonable period for an allotment.

5. Employees shall make a single allotment of an equal amount to be deducted each pay period during the year. The minimum amount is $1 biweekly or $2 if paid on a monthly basis. Amounts deducted for teachers paid for less than 1 year shall be accelerated for the term of employment. No change of amounts can be authorized during the term of the allotment; however, an employee voluntarily may discontinue the allotment (in writing) at any time. If the allotment is canceled, it cannot be reinstated.

6. If an employee transfers within the Department during the 1-year term of the allotment, the allotment continues unless the transfer is to or from an OCONUS area.

K. Purchase of savings bonds. Employees can have the maximum number of savings bond allotments that the payroll and/or bond accounting system can accommodate.

1. An employee shall authorize an allotment for the purchase of U.S. Series EE Savings Bonds on SBD 2104 (Authorization for Purchase and Request for Change United States Series EE Savings Bonds). An SBD 2104 may be obtained from the nearest HRO. The SBD 2104 shall remain in effect until canceled or changed in writing. Requests for savings bonds allotments that are otherwise complete but lack the payee's SSN shall not be processed.

2. Payroll Deductions. U.S. Series EE Savings Bonds with a minimum face value of $100 may be purchased through payroll deduction. The minimum payroll deduction for these bonds is $5 per pay period. Amounts greater than $5 per pay period may be established if that amount divides evenly into the total purchase price of the bond(s). If the earnings for a given pay period do not cover the authorized bond deduction, do not take the deduction for that pay period.

3. Bond Dating. A bond is dated as of the first day of the month in which at least one-half of the purchase price is accumulated, regardless of the number of payroll deductions required to complete the full purchase price for issuance of the bond. This provision

permits the purchase of larger denomination of bonds without loss of interest. The full purchase price must be deducted before the bond is issued.

4. Authorization and Discontinuance

a. Employee completes and submits SBD 2104 to:

(1) Authorize payroll deduction,

(2) Change deduction, bond denomination, bond ownership or address, or:

(3) Stop deduction.

b. A separate authorization (SBD 2104) is required for each allotment.

5. Employee Transfers

★ a. Individual transfers. For employees transferred within the same DoD Component or from another federal agency, the CSR shall require that the employee file a new SBD 2104 to continue bond deductions. Retroactive bond deductions are not authorized.

b. Mass transfers. Refer to subparagraph 060303.C.4 for procedures involving mass transfers.

★ L. Payment of dues to a professional or other association. An employee may have only one allotment at a time to an association. Dues for these organizations are allowed under 5 C.F.R. 550.311/550.331 (reference (l)) and DoD 1400.25-M, subchapter 251 (reference (u)).

M. Voluntary allotment for alimony and/or child support. The pay regulations of the OPM in 5 C.F.R. 550.371 (reference (l)) provide for the use of voluntary allotments to effect payment for child support and/or alimony. Garnishment orders issued for alimony and/or child support obligations shall continue to be enforced as involuntary deductions as discussed in section 0412, above. Requests for voluntary allotment for alimony and/or child support shall be verified against legal agreements or court orders to ensure proper registration. A written request from the employee to the civilian payroll office shall be used to substantiate the allotment. The request shall contain the name and address of the designated allottee, the amount of the allotment, and the signature of the prospective allotter. The allotment may be in dollars and cents. The employee shall agree that any dispute regarding the voluntary allotment is a matter between the allotter and the allottee.

★ N. An allotment to a political action committee was approved by the DoD Deputy Comptroller's memorandum of May 26, 1994 (reference (f)).

041403. Allotments Not Authorized. The following allotments are not authorized:

A. Collection of debts to private creditors and nongovernmental agencies;

B. Contributions to charities, except as authorized in subparagraph 041402.J.;

C. Payment of insurance premiums, except as authorized in subparagraphs 041402.C. and 041402.D.; and

D. Payment of dues to civic, fraternal or other organizations, except as authorized in this paragraph.

041404. Eligibility Rules. Eligibility for the making of an allotment is dependent on such factors as residence of employee, place of employment and type of allotment desired. The specified rules listed below are summarized in Table 4-6. The table must be used in conjunction with the specific rules listed below.

A. An employee may make an allotment of pay as provided in subparagraphs 041402.A., 041402.B.1., and 041402.C. through F., and 041402.K. through M. when the employee is:

1. Assigned to an OCONUS post of duty;

2. Working on an assignment away from their regular post of duty when the assignment is expected to continue for 3 months or more; or

3. Serving as an officer or member of a crew of a vessel under the control of the U.S. Government.

B. An employee whose place of employment is within the continental United States (CONUS) may authorize an allotment of pay as provided in subparagraphs 041402.B.2., 041402.E., and 041402.K. through M.

C. An employee working outside his or her state of residence who has a legal obligation to pay income taxes to the state or the District of Columbia, but the agency has no legal obligation to withhold those taxes, may make an allotment of pay for the purpose specified in subparagraph 041402.G.

D. An employee who has a legal obligation to pay city and/or local taxes, but the agency has no legal obligation to withhold those taxes, may make an allotment of pay for the purpose specified in subparagraph 041402.H.

★ E. An employee who meets the eligibility requirements prescribed in DoD 1400.25-M, subchapter 711 (reference (u)) as a labor organization member may make an allotment of pay for the purpose of payment of labor organization dues as specified in subparagraph 041402.I.

F. An employee who meets the eligibility requirements prescribed in DoD Directive 5035.1 (reference (al)) may make an allotment of pay for charitable contributions to CFC as specified in subparagraph 041402.J.

041405. Emergency Allotments. Allotments may be authorized to become effective during an emergency evacuation. Such allotments will not become effective until an evacuation order has been issued. See 5 C.F.R. 550.401-550.407 (reference (l)).

041406. Allotments for Foreign Nationals. Foreign nationals employed by the Department and working outside their own country on assignments of 3 or more months duration may be permitted to make allotments for any of the purposes authorized in paragraph 041402., providing all other provisions of section 0414 are observed.

1. Foreign nationals employed by DoD Components to work in their own countries or in the Canal Zone may be permitted to make allotments for the purposes shown in subparagraphs 041402.I. and J. and to pay premiums on group health benefits and group life insurance subject to the provisions of any agreement between the U.S. Government and the foreign national's country of citizenship.

2. Foreign nationals may be permitted to make other allotments from pay when such allotments are based on local customs and practices or are pursuant to treaties or country-to-country agreements.

041407. Allotment Limitations

A. A power of attorney will not be accepted to establish, change, or discontinue an allotment.

B. Allotment payments shall be made in accordance with the schedule established by the Department provided such allotment checks are not issued until the related earnings have accrued. This shall be stipulated as a requirement for the allotment.

C. Except as provided by subparagraphs 041402.B., K., and M., a DoD employee shall not have more than one allotment payable to the same allottee at the same time.

D. Allotments will not exceed the pay due the allotter.

041408. Discontinuance of Allotments. Allotments shall be discontinued under the following conditions--

A. Upon receipt of:

1. Notice of retirement or separation of the allotter.

2. Notice that the allotter has been placed in an extended LWOP status.

3. Written notice from the allotter to cancel the allotment, unless this right is otherwise restricted by law or established labor agreement.

4. Notice of death of the allotter. Payment will not be made after notice of the allotter's death, even though deductions were made from the allotter's pay and not paid to the allottee.

5. Notice of death of allottee. Upon notice of the death of any person to whom an allotment is payable, the civilian payroll office shall stop the allotment and notify the allotter. All nonnegotiated allotment checks must be returned to the disbursing officer for cancellation. After these checks are canceled, the civilian payroll office shall refund the money to the allotter.

6. Notice that the whereabouts of the allottee is unknown.

★ 7. FMS Form 2231 or DD Form 2762 with the "cancel" block marked.

8. SF 1199A with $0.00 in the allotment amount block.

B. When the conditions under which an allotment was permitted no longer exist.

C. When the allotter transfers to an installation serviced by a different civilian payroll office, except for:

1. An allotment for CFC contribution, or

2. A labor organization dues authorization (when the employee remains within the same bargaining unit).

041409. Allotments - Savings

A. Procedures

1. Allotment Changes or Cancellations

★ a. Changes. A change in the amount of the allotment, financial organization, or savings account to be credited requires a new SF 1199A, FMS Form 2231, or DD Form 2762 to be executed in accordance with instructions on the form. Insert the new allotment amount, not the amount of the change, in the amount block.

b. Cancellations. Refer to paragraph 041408 for conditions under which an allotment is stopped.

2. Payroll Procedures

★ a. Effective Date. Deductions for allotments will be made the first pay period beginning after receipt of the properly executed SF 1199A, FMS Form 2231, or DD Form 2762.

b. Allotment Deductions. Deductions for allotments shall be made each pay period and shall be taken in accordance with the order of precedence outlined in section 0402. If the net pay, after applying all payroll deductions otherwise required, is less than the allotment amount when only one allotment is authorized, the allotment shall be nullified for that pay period. If the net pay is less than the aggregate amount when two such allotments are authorized, both shall be nullified for that pay period.

c. Routing Number. A nine-digit number shall identify each financial institution. Rand McNally and Company, agent for the American Banker's Association, assigns the routing number. This number is the identification information which Automated Clearing House (ACH) distributes payments to financial institutions. An ACH is a facility that performs inter-bank clearing of paperless entries for participating financial institutions.

B. OCONUS Allotment Procedures

1. An employee shall meet one of the requirements below before they can make an OCONUS allotment. The employee must be:

a. Assigned to an OCONUS post of duty;

b. Working on an assignment away from his or her their regular post of duty that is expected to continue for 3 months or more; or

c. Serving as an officer or member of a vessel under the control of the U.S. Government.

2. Only allotments in whole dollar amounts (or equivalent in value) shall be permitted. Refer to paragraph 041404 for authorized allotments for OCONUS employees.

041410. Withholding

A. Full deductions shall be effected each pay period if the salary is enough to cover the deduction, even if an employee is in a pay status for only part of a pay period. No deductions shall be made if the salary amount is insufficient to cover the deduction.

B. Retroactive deductions shall not be made for a period in which the employee's net pay was not enough to withhold the allotment. Adjustments shall not be made in future pay periods for amounts the civilian payroll office failed to deduct in the current pay period,

unless requested by the employee in writing. The civilian payroll office shall make adjustments for overdeductions.

0415 THRIFT SAVINGS PLAN

★ 041501. General. The Thrift Savings Plan (TSP) is a retirement savings and investment plan for federal employees. The Congress established the plan as part of the Federal Employees' Retirement System Act of 1986 (P. L. 99-335) (reference (e)) and (5 U.S.C. 8431-8440d) (reference (b)). The plan offers both FERS and CSRS employees tax deferral advantages similar to those on an individual retirement account (IRA). The Federal Retirement Thrift Investment Board which operates the plan solely for the benefit of the participants and their beneficiaries, administers the plan. The recordkeeper for the plan is the NFC in New Orleans, Louisiana. The NFC issues TSP Bulletins providing necessary guidance relating to TSP operations. All Bulletins are to be retained pending NFC's disposition instructions. See 5 U.S.C. 8331(3) (reference (b)) and TSP Bulletin 96-33 (reference (an)) for the definition of basic pay for determining TSP contributions. TSP deductions for reemployed annuitants are based on the gross salary, not the net amount after subtraction of the offset. Temporary Appointment Pending Establishment of a Register (TAPER), Term, and indefinite appointees may participate in TSP. Employees on temporary (not to exceed 1 year) or intermittent appointments are not generally covered by FERS or CSRS and are not eligible to participate in TSP (TSP Bulletin 87-22) (reference (an)).

041502. Participation Rules. Both FERS and CSRS employees are eligible to join the TSP plan.

A. FERS employees may contribute up to 10 percent of their basic pay per pay period to the plan.

B. FERS employees receive agency matching contributions up to 5 percent of their basic pay contributed each pay period. The matching is dollar for dollar on the first 3 percent contributed and fifty cents on the dollar for the next 2 percent.

C. FERS employees receive agency automatic contribution of one percent of basic pay whether or not they contribute to their TSP accounts.

D. CSRS employees may contribute up to 5 percent of basic pay per pay period. CSRS employees, however, do not receive any agency matching or automatic contributions.

E. All contributions must be made through payroll deductions. Lump-sum contributions are not permitted. See Table 4-8 for the annual elective deferral amounts.

F. Employees may contribute either a whole percentage of pay or a whole dollar amount.

041503. When to Begin TSP Deductions. Elections made during an open season become effective no earlier than the first full pay period beginning in the last month of that open

season. Initial enrollment or a change to an enrollment can only occur during the TSP open season. The choice to stop contributing to TSP is permitted at any time, however, and is effective at the end of the pay period in which that election is accepted by the HRO.

041504. Enrollment

★ A. Employees obtain the Form TSP-1 (TSP Election Form) from the HRO. If available, employees may also enroll by accessing an interactive voice response (IVR) system or WEB site to make the appropriate TSP election.

B. FERS and CSRS employees can allocate contributions among three investment plan funds.

1. G Fund which consists of investment in U.S. Government securities.

2. F Fund which is invested in guaranteed private-sector investment contracts, certificates of deposit and other securities that offer a specified interest rate.

3. C Fund which is invested in an index of common stocks.

★ C. A copy of the Form TSP-1 is forwarded to the civilian payroll office from the HRO. For those civilian payroll offices using the personnel-pay interface, the data to establish the TSP contributions in the master record will flow electronically to the civilian payroll office. However, all offices must work closely with the HRO to ensure accurate data is established for the employee in accordance with the information provided on the Form TSP-1. For employees who enroll by accessing an IVR system or WEB site, the automated election is processed electronically using the personnel-pay interface and no hard copy of the TSP-1 is forwarded to the civilian payroll office.

041505. Biweekly Processing and Accounting Procedures

A. A no-check-issue procedure is used to transfer to the NFC the amount collected from employee TSP deductions, as well as the agency contributions. Under this procedure, the disbursing office does not use a check as the means of payment to the NFC. Funds are transferred to the NFC using the DoD accounting procedure and the TSP Journal Voucher (Form TSP-2 or certified automated listing).

B. Credit the amounts due the NFC to the following accounts:

--F3886.6010, Employing Agency Automatic Contributions to FERS Thrift Savings Plan. (Includes the automatic 1 percent of salary contribution by the employing agency on behalf of all FERS employees.)

--F3886.6020, Employing Agency Contribution to Thrift Savings Plan G.

--F3886.6030, Employing Agency Contribution to Thrift Savings Plan F.

--F3886.6040, Employing Agency Contribution to Thrift Savings Plan C.

--F3886.6060, Employee Contribution to Thrift Savings Plan G.

--F3886.6070, Employee Contribution to Thrift Savings Plan F.

--F3886.6080, Employee Contribution to Thrift Savings Plan C.

★ C. Prepare Form TSP-2 in accordance with the TSP voucher/summary type output product that is produced from the automated system or use a certified automated listing. After certification, the journal voucher (or certified listing) is forwarded to the NFC together with the TSP file produced for that pay period. The NFC requests receipt of the journal voucher (or certified listing) and file no later than 2 workdays prior to the actual payroll payment date. If the Acknowledgment of Processing Letters issued by the NFC do not arrive within 10 work days for CONUS civilian payroll offices or within 15 workdays at overseas locations after the TSP file has been transmitted to the NFC, contact the recordkeeper to determine if a processing letter was issued or what type of problem exists concerning the processing cycle in question.

★ D. A TSP file processing log shall be maintained to monitor TSP file transmissions to the NFC. The log, at a minimum, must include report number, pay date, pay period number, date of certification, date transmitted, date processed by the NFC and amounts processed. The contribution amounts contained on the original journal voucher (or certified listing) shall be compared with the processed TSP contributions per the Acknowledgment of Processing Letters, the Payroll Recapitulation Report (rejected items), and the TSP contributions per the Statement of Transactions to ensure that the amounts processed by the Recordkeeper agree or can be reconciled with amounts submitted by the civilian payroll office. The log need not be limited to the above items. It can include such additional data as date of initial run, recycle dates, date of the final run or other data that would be helpful in the TSP file processing cycle.

041506. Correction Procedures

A. The NFC has published regulations governing the correction of errors (TSP Bulletin 97-3) (reference (an)). Procedures for reporting payments and adjustments for previous calendar years are contained in TSP Bulletin 90-22 (reference (an)).

B. Civilian payroll offices shall process TSP adjustments within 14 days of when the rejections or deletions are received.

041507. TSP Discrepancies

★ A. TSP discrepancies are differences between amounts entered in and charges made by the Department of the Treasury to the DoD TSP clearing account based on transactions transmitted to the NFC on TSP files and adjustment record input. The differences may be caused

by changes made to the TSP file before it is sent to the NFC, where entries are not adjusted accordingly; or transactions that were rejected by the NFC but were not resubmitted, resulting in no charge to the TSP clearing account.

★ B. The civilian payroll office shall ensure that all transactions involving money amounts submitted on the TSP file or as adjustments have a corresponding entry.

0416 TSP LOAN PROGRAM

041601. General. Under 5 U.S.C. 8433(i) (reference (b)), all TSP participants currently employed are eligible to obtain a TSP loan. A maximum of two TSP loans per employee can be current.

★ 041602. Types of Loans. Loans can be made for the following purposes:

A. Residential; and

B. General purpose.

For additional information, see TSP Bulletin 96-33 (reference (an)).

041603. Loan Minimum. The minimum amount of a TSP loan is $1,000. Employees may borrow only their own contributions and earnings.

041604. Interest Rate. The interest rate shall be the posted rate for the G Fund at the time the terms of the loan are established. The rate is fixed at that level for the life of the loan, and the interest paid on the loan shall go back to the employee's own TSP account and is not tax deductible.

041605. Biweekly Processing and Accounting Procedures

A. The civilian payroll office shall receive Form TSP-22 (TSP Loan Payment Allotment Form) from the NFC after it has issued a payment to the employee. An official at the NFC must properly certify this form. The certified Form TSP-22 shall contain the TSP loan number, pertinent employee data, the repayment information and the DD/EFT routing number.

B. Loan repayment via DD/EFT. This procedure shall be used for installations having DD/EFT capabilities. TSP loan repayments shall be established as allotments in the employee's master record. Accounting procedures are the same as those currently used for disbursement of net pay and other types of allotments except the same type of checkless remittance and TSP clearing account procedures used for TSP savings deductions are to be utilized.

C. Loan repayment using other than DD/EFT procedures. Utilize the same type of checkless remittance and TSP clearing account procedures currently used for TSP savings deductions (see paragraph 041505). The TSP loan clearance account is --X3886.6090. Prepare the

TSP loan payment input and related journal vouchers in accordance with the procedures provided in TSP Bulletin 88-26 (reference (an)). Loan payment data and the journal voucher shall be express mailed to the NFC.

★0417 LOST TSP EARNINGS DUE TO AGENCY ERROR

★ 041701. Authority. Title 5 C.F.R. Part 1606 (reference (l)) implemented section 2 of P.L. 101-335 (reference (e)), which provides statutory authority for employing agencies to pay to the TSP amounts representing lost earnings resulting from agency errors. If an employee receives pay from which employee contributions should have been deducted, but as a result of agency error, all or any part of those deductions were not made, then even if the employee makes up those employee contributions, the belated employee contributions shall not be subject to lost earnings. The following are conditions that require payment of lost earnings:

★ A. Delayed or Erroneous Contributions When Employee Received Pay

★ 1. If an employee receives pay, but as a result of an agency error all or any part of the Agency Automatic Contributions (1 percent) associated with that pay are not timely received by the TSP Recordkeeper, the belated contributions shall be subject to lost earnings.

★ 2. If an employee receives pay from which his or her contributions were properly deducted but, as a result of an agency error, all or any part of the associated agency matching contributions were not timely received by the TSP Recordkeeper, then the belated contributions will be subject to lost earnings.

★ 3. If an employee receives pay from which his or her contributions were properly deducted but, as a result of an agency error all or any part of those employee contributions were not timely received by the TSP Recordkeeper, the belated contributions will be subject to lost earnings.

★ B. Agency Delay in Basic Pay. Where, as the result of an agency error, an employee does not timely receive all or any part of basic pay to which entitled, all such belated employee contributions, Agency Automatic Contributions (1 percent), and agency matching contributions shall be subject to lost earnings.

★ C. Fund Errors. An employing agency will be required to pay lost earnings on contributions that, due to an agency administrative error, are incorrectly invested.

★ D. Late Payroll Submissions. All contributions contained in a payroll submission received by the TSP Recordkeeper more than 30 days after the pay date associated with that payroll submission shall be subject to lost earnings.

★ E. Loan Allotments. Loan allotments deducted from an employee's pay but not timely received by the TSP Recordkeeper due to agency error shall be subject to lost earnings.

★ 041702. Minimum Dollar Amount. Lost earnings on loan allotments and late contributions shall be calculated by the TSP system only for those contributions and loan allotments that are $1 or more.

★ 041703. Agency Responsibility. The employing agency whose error caused a late or erroneous investment of money in the TSP is responsible for payment of any lost earnings resulting from that error. The civilian payroll office that submitted payment records or loan allotments that are subject to lost earnings is also responsible for submitting the appropriate lost earnings records relating to those submissions. The amount of lost earnings that is calculated shall be charged to the TSP clearing account of the submitting civilian payroll office. Where another employing agency caused the late or erroneous submission by the submitting civilian payroll office, the civilian payroll office that was charged for the amount of lost earnings calculated should seek reimbursement from the other civilian payroll office.

★ 041704. TSP Clearing Account. The civilian payroll office shall prepare the TSP record (51-record) and the TSP-2-E (Request to Calculate Lost Earnings: Certification of Transfer of Funds and Journal Voucher) for submission to the NFC for processing and calculation of the lost earnings. The NFC shall forward detailed reports back to the civilian payroll office. The civilian payroll office shall prepare and process an SF 1081 (Voucher and Schedule of Withdrawals and Credits) to charge the employing activity fund and credit the TSP clearing account --F3886 for the amount of lost earnings. Ensure that the SF 1081 is processed expeditiously once the detailed reports are received from the NFC in order to avoid the TSP lost earnings clearing account reflecting a negative balance at month end. The amount of lost earnings calculated by the NFC shall be charged to the civilian payroll office TSP account --F3886 as reported on the TSP-2-E.

★ 041705. For detailed information concerning the lost earnings process, refer to TSP Bulletins 90-39, 90-40, 90-41, 90-42, 91-3, 91-4, 91-34, 92-29, 95-13, and 98-21 (reference (an)). The TSP Bulletins are available on the Internet at http://www.tsp.gov.

0418 TAX LEVY FOR UNPAID FEDERAL INCOME TAX

041801. Levying Official and Levy Restrictions. IRS District Directors are authorized under 26 U.S.C. 6331 (reference (ad)) to collect delinquent federal income taxes by levy on the salary or wages of any U.S. or D.C. employee. The levy is served against the "take-home pay" of the employee and shall attach only to the salary check or cash disbursement the employee would receive on payday if it were not for the levy. Employees shall not be allowed to increase or add any voluntary allotments after a levy is received in the civilian payroll office. Changes that increase existing voluntary allotments are only authorized after the total tax liability has been paid or arrangements made with the IRS.

041802. Procedures. Form 668-W (Notice of Levy (NOL)) shall be served in person or by mail. Service by mail is limited to the United States, its territories and possessions, and ships at sea. The NOL is served on the civilian payroll office responsible for payments to the employee. All civilian payroll offices will honor the NOL whether served in person or by mail. Once an NOL is received, it shall continue in effect until the collection is complete or until the IRS releases the

levy. The IRS shall send an original and two copies of the NOL. The civilian payroll office shall sign and date all copies and enter the time of receipt on the forms.

041803. Authorization to Start Deductions. The civilian payroll office shall make deductions from the current salary of indebted employees if one of the conditions below exist:

A. The NOL is served by an employee of the IRS in person or by mail.

B. Agreement in writing has been made between an indebted employee and the IRS to liquidate the debt through regular deductions.

041804. Wages Subject to Levy

A. The NOL attaches the gross amount of the accrued wages or salary, less the following:

1. Social Security and/or Medicare deductions,

2. Retirement deductions,

3. FEHB deductions,

4. FEGLI deductions,

5. Pay attached or garnished for child support or alimony,

6. Overpayments due the U.S. Government,

7. Allowable personal exemptions, certified on Form 668-W, parts 5 and 6 subtitled "Statement of Exemptions."

B. All voluntary allotments and bond allotments are considered items of pay that may be subject to the NOL. The civilian payroll office shall not start a new voluntary allotment or bond allotment after the levy is received. Unless the IRS instructs the civilian payroll office that a deduction should not be allowed, the taxpayers payroll deductions which were in effect when the levy was received shall be allowed when determining the employee's take home pay. The civilian payroll office shall send the IRS the taxpayer's take home pay minus the allowable exceptions. This action shall be continued until the full amount of the levy has been paid to the IRS. The NOL shall contain instructions for figuring the allowable exceptions from the levy. The IRS may notify the payroll office when different procedures should be followed for specific employees.

041805. Notice to Employees

A. Parts 3, 4, and 5 of Form 668-W permit a biweekly personal exemption for the employee and a biweekly exemption for each dependent. The IRS changes the amounts each

year. See IRS Publication 1494 (reference (ao)). A copy of the current amounts is included with the NOL. The employee shall certify his or her exemptions on parts 3 and 4 of the form.

B. Upon receipt of the NOL, the civilian payroll office immediately shall advise the employee in writing. The letter must include Form 668-W, parts 2, 3, 4, and 5, as an enclosure. For a sample letter see Figure 4-2.

C. Normally, an employee is allowed 3 workdays to return parts 3 and 4 of Form 668-W after receipt. Civilian payroll offices shall establish timely follow-up procedures to ensure that Form 668-W is returned within 3 workdays after receipt of the notification letter. The return date for Form 668-W shall be determined by estimating the mail transit time and adding 3 workdays. The civilian payroll office shall request guidance from the IRS office that issued the levy if known circumstances exist (employee is on leave, TDY, etc.) that may delay return of the form. When parts 3 and 4 are not returned within the 3-day period, and no unusual circumstances exist, a dependency exemption shall not be allowed until the form is returned. The minimum personal exemption amount shall be allowed the employee for each pay period until parts 3 and 4 of Form 668-W are received in the civilian payroll office.

D. The civilian payroll office shall return the original part 1 of Form 668-W to the IRS office that ordered the collection with the check for the first deduction made under NOL. The civilian payroll office shall return part 3 to the IRS with the check for the first deduction made after the employee returns the properly completed part 3. If the employee is required by a court judgment (made before the date of the levy) to contribute to the support of minor children, that amount of salary, wages, or other income is already exempt from the levy. Therefore the employee must not list these minor children, as exemptions on parts 3, 4, and 5 of Form 668-W.

E. If the civilian employee has been reassigned to an organization serviced by another civilian payroll office, the losing civilian payroll office shall inform the cognizant IRS District Director of the employee's new address. The losing civilian payroll office shall mail the complete NOL package to the new civilian payroll office for processing.

F. If the employee has moved from overseas, transferred to another federal agency, separated or retired, the civilian payroll office will:

1. Return the NOL to the IRS District Director; and

2. Note the employee's new address, if known, on the bottom of the NOL.

G. If the civilian payroll office receiving the NOL has no record that payroll service has been furnished the employee, annotate that fact on the bottom of the NOL and return it to the cognizant IRS District Director.

041806. Evidence Received That the Tax Has Been Paid

A. If an employee produces evidence that the full amount of the tax has been paid, the civilian payroll office shall record on the NOL:

1. The date of payment;

2. The manner in which the levy was paid; and

3. The office of the IRS District Director to which payment was made.

B. Adequate evidence of payment shall be the stub of the money order or the canceled check showing payment to the IRS. If payment was made by money order, the number and location of the issuing agent shall be shown on the stub. If payment was made by check, the name and location of the bank, and endorsement by the IRS shall be shown. There are two forms issued by the IRS that are also acceptable as evidence of payment: Form 668-R (Release of Levy on Wages, Salary, and Other Income) and Form 668-G (Provisional Release of Levy on Wages, Salary, and Other Income). Either form serves as valid notice of payment or release. If no deductions were made from an employee's salary or wages, the civilian payroll office shall return all annotated copies of the NOL to the issuing IRS Center. The civilian payroll office shall not keep the NOL. If an overdeduction has been made, the civilian payroll office shall annotate the amount on the Form 668-R or 668-G and return the form to the IRS. The IRS shall then provide a refund to the employee of any excess money collected. The civilian payroll office shall inform the employee of this process and instruct them to contact the IRS office that issued the NOL if no refund is received within 60 days after the civilian payroll office has forwarded amounts from the levy to the IRS.

Lump-Sum Annual Leave Repayment

REPAYMENT OF LUMP-SUM ANNUAL LEAVE	Date
To:	From:

Under the provisions of the Lump-Sum Payment Act (December 21, 1944), the following statement is furnished for submission with your federal and state income tax returns for calendar year _____

_____
Name and Number of Employee

refunded during the calendar year _____ the sum of $_____, representing refund of Lump-Sum Annual Leave payment under the provisions of the Lump-Sum Payment Act. The Form W-2 (Wage and Tax Statement) for calendar year _____ has not been decreased by this amount.

Duty Station	Federal Employer's Identification Number
	State Identification Number
Typed Name, Title and Telephone	Signature

Copy Forwarded To:

Internal Revenue Service

State of _____

City or County of _____

Figure 4-1 (Lump-Sum Annual Leave Repayment Sample Format)

Sample Notice of Levy Letter

Dear _____,

This office has received a Notice of Levy for federal income tax against your pay for $_____. This attachment against your pay shall remain in effect until the total debt has been collected.

From receipt of this letter, you have three working days to complete the enclosed IRS Form 668-W. Return parts 3 and 4 in the enclosed self-addressed envelope; parts 2 and 5 are for your records.

If you do not return the IRS Form 668-W, within 3 working days, a personal exemption of $_____ per pay period will be your biweekly salary. The remainder of your check will be forwarded to the IRS.

If you have any questions concerning this levy, contact the IRS through the 1-800 number that appears on the attached IRS Form 668-W.

If we can be of any further assistance, please contact our office at _____ between the hours of 7:30 a.m. and 4:00 p.m. Monday through Friday.

Sincerely,

Enclosures

Figure 4-2 (Notice of Levy Sample Letter)

Deductions Withheld From Civilian Pay For CSRS and FERS Employees

	FED. TAX	SOCIAL SECURITY	MEDI CARE	STATE	CITY/ LOCAL	RET	TSP
1. Premium pay: Sunday, Holiday and Overtime;	YES	YES	YES	YES	YES	NO	NO
Standby Duty, Availability Pay, and Administratively Uncontrollable Overtime	YES	YES	YES	YES	YES	YES	YES
2. Basic Pay	YES	YES	YES	YES	YES	YES	YES
3. Differentials include Night, Hazardous, Post (nonforeign & foreign), Staffing, Supervisory	YES	YES	YES	YES	YES	NO	NO
4. Other Differentials: Shift, Environmental, and Tropical	YES	YES	YES	YES	YES	YES	YES
5. Lump-Sum Leave	YES	YES	YES	YES	YES	NO	NO
6. Severance Pay	YES	YES	YES	YES	YES	NO	NO
7. Awards	YES	YES	YES	YES	YES	NO	NO
8. Allowances include Living Quarters, Temporary Quarters Subsistence, Post, Foreign Transfer, Home Service Transfer, Separate Maintenance, Official Residence, Representation, Cuba Benefit	NO	NO	NO	NO	NO	NO	NO
9. Other Allowances:							
a. Nonforeign Cost of Living	NO**	NO	NO	*	*	NO	NO
b. Physicians Comparability							
c. Remote Site	YES	YES	YES	YES	YES	NO	NO
d. Danger Pay							
e. Retention	YES	YES	YES	*	*	NO	NO
	YES	YES	YES	YES	YES	NO	NO
	YES	YES	YES	YES	YES	NO	NO
10. Recruitment and Relocation Bonuses	YES	YES	YES	YES	YES	NO	NO
11. Separation Incentive Pay	YES	YES	YES	YES	YES	NO	NO

* Varies by state and city/local taxing authority.
** Except for Hawaii

★Table 4-1 (Deductions Withheld from Civilian Pay for CSRS and FERS Employees)

Percentage Rates of FICA Deduction and Total Maximum Tax

CALENDAR YEAR	MAXIMUM GROSS PAY	SOCIAL SECURITY PERCENT	MEDICARE PERCENT	TOTAL PERCENT	MAXIMUM TAX*
1963 – 1965	$ 4,800	3.625	.00	3.625	$ 174.00
1966	6,600	3.85	.35	4.20	277.20
1967	6,600	3.90	.50	4.40	290.40
1968	7,800	3.80	.60	4.40	343.20
1969 – 1970	7,800	4.20	.60	4.80	374.40
1971	7,800	4.60	.60	5.20	405.60
1972	9,000	4.60	.60	5.20	468.00
1973	10,800	4.85	1.00	5.85	631.80
1974	13,200	4.95	.90	5.85	772.20
1975	14,100	4.95	.90	5.85	824.85
1976	15,300	4.95	.90	5.85	895.05
1977	16,500	4.95	.90	5.85	965.25
1978	17,700	5.05	1.00	6.05	1,070.85
1979	22,900	5.08	1.05	6.13	1,403.77
1980	25,900	5.08	1.05	6.13	1,587.67
1981	29,700	5.35	1.30	6.65	1,975.05
1982	32,400	5.40	1.30	6.70	2,170.80
1983	35,700	5.40	1.30	6.70	2,391.90
1984	37,800	5.70	1.30	**7.0	**2,532.60
1985	39,600	5.70	1.35	7.05	2,791.80
1986	42,000	5.70	1.45	7.15	3,003.00
1987	43,800	5.70	1.45	7.15	3,131.70
1988	45,000	6.06	1.45	7.51	3,379.50
1989	48,000	6.06	1.45	7.51	3,604.80
1990	51,300	6.20	1.45	7.65	3,924.45
1991***	53,400				3,310.80
	125,000				1,812.50
1992	55,500				3,441.00
	130,200				1,887.90
1993	57,600				3,571.20
	135,000				1,957.50
1994	60,600				3,757.20
	****				****
1995	61,200				3,794.40
	****				****
1996	62,700				3,887.40
	****				****
1997	65,400				4,054.80
	****				****
1998	68,400				4,240.80
	****				****
1999	72,600				4,501.20
	****				****

*The maximum tax may vary based on cost of living increases. The Secretary of Health and Human Services publishes in the Federal Register, by November 1 of each year, the amount of gross pay from which deductions is to be made.
** The combined rate of Social Security/Medicare for 1984 was 7 percent. Employees were given a .3 percent credit applied to the portion.
*** Beginning in 1991, maximum gross wages were separated for Social Security and Medicare purposes. The maximum gross pay allowed for Social Security is listed first followed by the maximum for Medicare.
**** There are no maximum gross wages subject to Medicare tax and no maximum tax.

★Table 4-2 (Percentage Rates of FICA (SS/Medicare) Deduction and Total Maximum Tax)

State Abbreviations and Numeric Codes

State	Abbreviation	Code
Alabama	AL	01
Alaska	AK	02
Arizona	AZ	04
Arkansas	AR	05
California	CA	06
Colorado	CO	08
Connecticut	CT	09
Delaware	DE	10
District of Columbia	DC	11
Florida	FL	12
Georgia	GA	13
Hawaii	HI	15
Idaho	ID	16
Illinois	IL	17
Indiana	IN	18
Iowa	IA	19
Kansas	KS	20
Kentucky	KY	21
Louisiana	LA	22
Maine	ME	23
Maryland	MD	24
Massachusetts	MA	25
Michigan	MI	26
Minnesota	MN	27
Mississippi	MS	28
Missouri	MO	29
Montana	MT	30
Nebraska	NE	31
Nevada	NV	32
New Hampshire	NH	33
New Jersey	NJ	34
New Mexico	NM	35
New York	NY	36
North Carolina	NC	37
North Dakota	ND	38
Ohio	OH	39
Oklahoma	OK	40
Oregon	OR	41

Table 4-3 (State Abbreviations and Numeric Codes)

State Abbreviations and Numeric Codes (Continued)

State	Abbreviation	Code
Pennsylvania	PA	42
Rhode Island	RI	44
South Carolina	SC	45
South Dakota	SD	46
Tennessee	TN	47
Texas	TX	48
Utah	UT	49
Vermont	VT	50
Virginia	VA	51
Washington	WA	53
West Virginia	WV	54
Wisconsin	WI	55
Wyoming	WY	56

AREAS OUTSIDE THE U.S.

Possession or Territory	Code
American Samoa	60
Defense Complex Panama	61
Canton and Enderbury Islands	62
Guam	66
Johnston Atoll	67
Midway Islands	71
Puerto Rico	72
Ryuku Islands, Southern	73
Swan Islands	74
Trust Territories of Pacific Islands	75
U.S. Miscellaneous Caribbean Islands	76
U.S. Miscellaneous Pacific Islands	77
Virgin Islands	78
Wake Island	79

Table 4-3 (State Abbreviations and Numeric Codes (continued))

★Basic Life Insurance Employee Cost

Payroll Method	Withholding per $1,000 Insurance
Biweekly	$0.1550
Monthly	$0.3358

★Optional Life Insurance Employee Cost

OPTION - A (Per $10,000 coverage)		OPTION - B (Per $1,000)	
Under 35	$ .30	Under 35	$ .03
35-39	$ .40	35-39	$ .04
40-44	$ .60	40-44	$ .06
45-49	$ .90	45-49	$ .10
50-54	$1.40	50-54	$ .15
55-59	$2.70	55-59	$ .31
60-64	$6.00	60-64	$ .70
65-69	$6.00	65-69	$ .70
70 and over	$6.00	70 and over	$ .70

OPTION – C (Per Multiple of $5,000/$2,500)	
Under 35	$ .27
35-39	$ .34
40-44	$ .46
45-49	$ .60
50-54	$ .90
55-59	$1.45
60-64	$2.60
65-69	$2.60
70 and over	$2.60

Note: The withholding amounts shown for optional life insurance are based on a biweekly payroll period.

★Table 4-4 (Life Insurance Employee Cost)

Life Insurance Enrollment Status Codes

Code	Coverage
A0	Ineligible for life insurance coverage
B0	Waived all life insurance
C0	Basic life insurance only
D0	Basic life plus Standard Option
E1	Basic life plus Family Option with 1 multiple
E2	Basic life plus Family Option with 2 multiples
E3	Basic life plus Family Option with 3 multiples
E4	Basic life plus Family Option with 4 multiples
E5	Basic life plus Family Option with 5 multiples
F1	Basic life plus Standard and Family Option with 1 multiple
F2	Basic life plus Standard and Family Option with 2 multiples
F3	Basic life plus Standard and Family Option with 3 multiples
F4	Basic life plus Standard and Family Option with 4 multiples
F5	Basic life plus Standard and Family Option with 5 multiples
G0	Basic life plus Additional Option with 1 times basic pay
H0	Basic life plus Additional Option with 1 times basic pay and Standard Option
I1	Basic life plus Additional Option with 1 times basic pay and Family Option with 1 multiple
I2	Basic life plus Additional Option with 1 times basic pay and Family Option with 2 multiples
I3	Basic life plus Additional Option with 1 times basic pay and Family Option with 3 multiples
I4	Basic life plus Additional Option with 1 times basic pay and Family Option with 4 multiples
I5	Basic life plus Additional Option with 1 times basic pay and Family Option with 5 multiples

★Table 4-5 (Employees' Life Insurance Enrollment Status Codes)

Code	Coverage
J1	Basic life plus Additional Option with 1 times basic pay and Standard Option and Family Option with 1 multiple
J2	Basic life plus Additional Option with 1 times basic pay and Standard Option and Family Option with 2 multiples
J3	Basic life plus Additional Option with 1 times basic pay and Standard Option and Family Option with 3 multiples
J4	Basic life plus Additional Option with 1 times basic pay and Standard Option and Family Option with 4 multiples
J5	Basic life plus Additional Option with 1 times basic pay and Standard Option and Family Option with 5 multiples
K0	Basic life plus Additional Option with 2 times basic pay
L0	Basic life plus Additional Option with 2 times basic pay and Standard Option
M1	Basic life plus Additional Option with 2 times basic pay and Family Option with 1 multiple
M2	Basic life plus Additional Option with 2 times basic pay and Family Option with 2 multiples
M3	Basic life plus Additional Option with 2 times basic pay and Family Option with 3 multiples
M4	Basic life plus Additional Option with 2 times basic pay and Family Option with 4 multiples
M5	Basic life plus Additional Option with 2 times basic pay and Family Option with 5 multiples
N1	Basic life plus Additional Option with 2 times basic pay and Standard Option and Family Option with 1 multiple
N2	Basic life plus Additional Option with 2 times basic pay and Standard Option and Family Option with 2 multiples
N3	Basic life plus Additional Option with 2 times basic pay and Standard Option and Family Option with 3 multiples
N4	Basic life plus Additional Option with 2 times basic pay and Standard Option and Family Option with 4 multiples
N5	Basic life plus Additional Option with 2 times basic pay and Standard Option and Family Option with 5 multiples
90	Basic life plus Additional Option with 3 times basic pay
P0	Basic life plus Additional Option with 3 times basic pay and Standard Option

Table 4-5 (Employees' Life Insurance Enrollment Status Codes (continued))

Code	Coverage
Q1	Basic life plus Additional Option with 3 times basic pay and Family Option with 1 multiple
Q2	Basic life plus Additional Option with 3 times basic pay and Family Option with 2 multiples
Q3	Basic life plus Additional Option with 3 times basic pay and Family Option with 3 multiples
Q4	Basic life plus Additional Option with 3 times basic pay and Family Option with 4 multiples
Q5	Basic life plus Additional Option with 3 times basic pay and Family Option with 5 multiples
R1	Basic life plus Additional Option with 3 times basic pay and Standard Option and Family Option with 1 multiple
R2	Basic life plus Additional Option with 3 times basic pay and Standard Option and Family Option with 2 multiples
R3	Basic life plus Additional Option with 3 times basic pay and Standard Option and Family Option with 3 multiples
R4	Basic life plus Additional Option with 3 times basic pay and Standard Option and Family Option with 4 multiples
R5	Basic life plus Additional Option with 3 times basic pay and Standard Option and Family Option with 5 multiples
S0	Basic life plus Additional Option with 4 times basic pay
T0	Basic life plus Additional Option with 4 times basic pay and Standard Option
U1	Basic life plus Additional Option with 4 times basic pay and Family Option with 1 multiple
U2	Basic life plus Additional Option with 4 times basic pay and Family Option with 2 multiples
U3	Basic life plus Additional Option with 4 times basic pay and Family Option with 3 multiples
U4	Basic life plus Additional Option with 4 times basic pay and Family Option with 4 multiples
U5	Basic life plus Additional Option with 4 times basic pay and Family Option with 5 multiples

Table 4-5 (Employees' Life Insurance enrollment Status Codes (continued))

Code	Coverage
V1	Basic life plus Additional Option with 4 times basic pay and Standard Option and Family Option with 1 multiple
V2	Basic life plus Additional Option with 4 times basic pay and Standard Option and Family Option with 2 multiples
V3	Basic life plus Additional Option with 4 times basic pay and Standard Option and Family Option with 3 multiples
V4	Basic life plus Additional Option with 4 times basic pay and Standard Option and Family Option with 4 multiples
V5	Basic life plus Additional Option with 4 times basic pay and Standard Option and Family Option with 5 multiples
W0	Basic life plus Additional Option with 5 times basic pay
X0	Basic life plus Additional Option with 5 times basic pay and Standard Option
Y1	Basic life plus Additional Option with 5 times basic pay and Family Option with 1 multiple
Y2	Basic life plus Additional Option with 5 times basic pay and Family Option with 2 multiples
Y3	Basic life plus Additional Option with 5 times basic pay and Family Option with 3 multiples
Y4	Basic life plus Additional Option with 5 times basic pay and Family Option with 4 multiples
Y5	Basic life plus Additional Option with 5 times basic pay and Family Option with 5 multiples
Z1	Basic life plus Additional Option with 5 times basic pay and Standard Option and Family Option with 1 multiple
Z2	Basic life plus Additional Option with 5 times basic pay and Standard Option and Family Option with 2 multiples
Z3	Basic life plus Additional Option with 5 times basic pay and Standard Option and Family Option with 3 multiples
Z4	Basic life plus Additional Option with 5 times basic pay and Standard Option and Family Option with 4 multiples
Z5	Basic life plus Additional Option with 5 times basic pay and Standard Option and Family Option with 5 multiples

Table 4-5 (Employees' Life Insurance Enrollment Status Codes (continued))

Allotments of Pay

RULE: ALLOTMENT OF PAY MAY BE AUTHORIZED FOR THE PURPOSES INDICATED WHEN THE EMPLOYEE IS:	A	B.1	B.2	C	D	E	F	G	H	I	J	K	L	M
1. Assigned to a post of duty outside the U.S., away from regular duty post 3 months or more or on duty on a vessel under U.S. Government control.	X	X		X	X	X	X					X	X	X
2. Working within the United States.			X			X								
3. Working outside the state of residence and obligated to pay state taxes, but no obligation to withhold those taxes.								X						
4. Obligated to pay city and/or local taxes, but no obligation to withhold those taxes.									X					
5. A member of a labor/employee organization for which employer has agreed to collect dues.										X				
6. Working in an area participating in a combined federal campaign.											X			

NOTE: THE LETTER AND NUMBER IDENTIFYING EACH RULE AND ALLOTMENT PURPOSES REFERENCES THE SUBPARAGRAPH 041402. AND 041404. THAT PROVIDES A COMPLETE DESCRIPTION.

AUTHORIZED ALLOTMENTS

A.	Support of Dependents	G.	State Income Tax
B.1.	Savings	H.	City Income Tax
B.2.	Financial Institution Account	I.	Labor Organization Dues
C.	Commercial Life Insurance	J.	Combined Federal Campaign
D.	National Service and Government Life Insurance	K.	Savings Bonds
E.	Indebtedness to U.S. Government	L.	Professional and Other Association
F.	Home/Auto Loan Repayment	M.	Alimony and/or Child Support

★Table 4-6 (Allotments of Pay)

CHAPTER 5

LEAVE

0501 GENERAL REQUIREMENTS

★ 050101. Eligibility. The type, amount, and nature of leave benefits are dependent on the type and length of employment, military status, and other eligibility requirements. See DoD 1400.25-M, subchapter 630 (reference (u)), 5 U.S.C., chapter 63 (reference (b)), and 5 C.F.R., Part 630 (reference (l)).

050102. Objectives. The leave objectives to be met by payroll operations and systems are as follows. Leave records shall be properly maintained for each employee; leave shall be accurately accrued; leave taken shall be properly authorized and reported; and information on leave use and accrual shall be accurately determined and promptly reported to facilitate collection of certain leave-related debts from employees and for preparation of financial reports, including those for cost accounting purposes.

050103. Documentation. Leave records shall be maintained to show the following for each employee: rate of accrual for each type of leave; hours or days accrued and used by leave type; and hours or days advanced by leave type. Additional documentation requirements for specific types of leave are described in this chapter in the paragraphs discussing the type of leave. The mechanized leave record is created automatically from accession leave data obtained from information on the SF 50 and SF 1150. Annual and sick leave balances for employees transferring in are furnished to the civilian payroll office on the SF 1150. Prior to receipt of the SF 1150, the leave balances from the last LES issued the employee by the losing civilian payroll office may be used. Upon receipt of the SF 1150, the gaining civilian payroll office makes any necessary adjustments. See subparagraph 090202.C. for additional guidance.

050104. Accruals

A. The leave year begins with the first full pay period starting in the calendar year. For leave accruals, the civilian payroll system shall contain accurate information on the type of appointment for each employee and the leave hours or days to which the employee is entitled. Leave earned shall be accurately accrued for each type of leave using correct rates effective at the proper times. Reductions shall be made at the beginning of each leave year for accumulated leave exceeding statutory limits. Reductions shall be made in accruals for annual and sick leave when necessary to reflect extended leave without pay or absence without leave.

B. Annual and sick leave earned shall be posted to an employee's record each pay period before leave taken in that period is charged against leave balances. During a pay period in which an employee's service is interrupted by a non-leave-earning period, he or she earns leave on a pro rata basis (5 C.F.R. 630.204) (reference (l)). For example, leave shall be prorated when an employee has reemployment rights in connection with military service, both at the time of

separation and at the time of reemployment, and both separation and reemployment occur within the normal biweekly pay period; when an employee is in receipt of injury compensation, both at the beginning and at the end of the nonpay status, and the nonpay status begins and ends within the normal biweekly pay period; when an employee transfers to an agency having a different pay period; when an employee is restored after a period of unwarranted suspension or removal for which retroactive compensation is paid; and when an employee is attending school or college as a student trainee. Full-time and part-time employees who change to an intermittent work schedule during the pay period are eligible to have their leave accruals prorated. See Table 5-1 for proration of leave.

050105. Approval. To support the time and attendance record, employees shall request approval of leave. Leave used shall be documented and approved in writing by a supervisor designated to make such approvals. Documentation for leave used shall show the dates, times, and types of leave taken. Employees may not be compensated for leave taken in excess of leave accrued except for religious observances taken for which compensatory time off for religious reasons was not worked in advance and for authorized advance leave.

★ 050106. Minimum Charge. Unless an agency establishes a minimum charge of less than 1 hour, or establishes a different minimum charge through negotiations, the minimum charge for leave is 1 hour, and additional charges are in multiples thereof. It is Department policy, as stated in DoD 1400.25-M, subchapter 630 (reference (u)), that minimum charges of less than six minutes shall not be established.

050107. Interfaces. The payroll system shall be integrated or interfaced with general ledger and cost accounting systems to ensure prompt and accurate collection of health and life insurance premiums from employees on unpaid leave, when required, and court reimbursements for time served as a juror while on court leave, when required. Amounts of leave accrued and used and their related values shall be maintained to compute leave expenses and liabilities by designated general ledger and cost accounting classifications and to report externally.

050108. Conversions. See Table 5-2 for conversions when there is an insufficient amount of the type of hours requested.

0502 ANNUAL LEAVE

050201. General. Annual leave is absence with pay for personal and emergency purposes. An absence that is otherwise chargeable to sick leave may be charged to annual leave if requested by the employee and approved by the supervisor. Other than for the liquidation of advance sick leave indebtedness, the retroactive substitution of annual leave for sick leave is not authorized. A substitution of annual leave for sick leave may not be made retroactively for the purpose of avoiding a forfeiture of annual leave at the end of the leave year.

050202. Amount of Annual Leave Earned

A. Full-time and part-time employees earn annual leave. Intermittent employees (that is, employees with no scheduled tour of duty) do not earn annual leave. Employees who are appointed to positions not limited to less than 90 days are entitled to annual leave earning upon completion of the first biweekly pay period. Employees whose current employment is limited to less than 90 days are entitled to annual leave earning only after being currently employed for a continuous period of 90 days under successive appointments without a break in service. After completing the 90-day period, employees are entitled to be credited with the leave that would have accrued during those 90 days.

B. The amount of annual leave earned depends on the length of service. Full-time employees with less than 3 years of service earn 4 hours of annual leave per biweekly pay period. Full-time employees with 3 years, but less than 15 years of service, earn 6 hours per biweekly pay period. In the last full pay period of the calendar year, they earn 4 additional hours. Full-time employees with 15 or more years of service earn 8 hours per biweekly pay period. Employees must be employed for the full biweekly pay period to be entitled to accrue annual leave for that period. An employee is considered to have been employed for a full biweekly pay period if he or she is employed during the days falling within that period, exclusive of holidays and nonworkdays established by federal statute, Executive Order, or administrative order (5 U.S.C. 6302(b)) (reference (b)).

★ C. Each time the number of hours in a nonpay status, which includes all nonpay hours, in a full-time employee's leave year equals the number of base pay hours in a pay period, the civilian payroll system shall reduce his or her credits for leave by an amount equal to the amount of leave the employee earns during the pay period. When an employee's number of hours of nonpay status does not require a reduction of leave credits, the civilian payroll system shall drop those hours of nonpay status at the end of the employee's leave year. An employee in the Office of Workers Compensation Program does not accrue leave; therefore, reduction in leave credits is not required.

D. Part-time employees with regularly scheduled tours of duty earn leave for the time they are in a pay status. Part-time employees with less than 3 years of service earn 1 hour of annual leave for each 20 hours in a pay status. Part-time employees with 3 years, but less than 15 years of service, earn 1 hour of annual leave for each 13 hours in a pay status. Part-time employees with 15 or more years of service earn 1 hour of annual leave for each 10 hours in a pay status. Hours in a pay status in excess of an activity's basic working hours (normally 80 hours) in a pay period are disregarded in computing the leave earnings of a part-time employee. Part-time employees may carry over from one pay period to the next those excess hours that are not evenly divisible by 10, 13, or 20 hours, as applicable. These hours will be added to the next pay period work hours for leave accrual. See 5 C.F.R. 630.202 (b) and 630.303 (reference (l)).

E. Annual leave earned shall be posted to an employee's record each pay period before annual leave taken in that period is charged against annual leave.

050203. Uncommon Tours of Duty, Leave Accruals, and Charges to Leave

★ A. Employees who work a 24-hour shift or a 72-hour workweek, such as firefighters, accrue and use leave based on the uncommon tours of duty. The 72-hour workweek leave accrual for up to 3 years of service is 7 hours 12 minutes per biweekly pay period. For 3 to 15 years of service, the accrual is 10 hours 48 minutes per biweekly pay period and 18 hours for the last full pay period. For 15 or more years of service, the accrual is 14 hours 24 minutes per biweekly pay period. See DoD 1400.25-M, subchapter 630 (reference (u)).

★ B. Employees with up to 3 years of service who work standby tours of 56-hour workweeks, such as fire chiefs, accrue 5 hours and 36 minutes per biweekly pay period. Employees with 3 to 15 years of service accrue 8 hours and 24 minutes per biweekly pay period and 14 hours the last full pay period. Employees with 15 or more years of service accrue 11 hours and 12 minutes per biweekly pay period. See DoD 1400.25-M, subchapter 630 (reference (u)).

★ C. Employees who work uncommon tours of duty are charged leave on an hour-for-hour basis for time off. For example, an employee working a 72-hour workweek would be charged 72 hours for a week's absence. See 5 C.F.R. 630.210 (reference (l)) and DoD 1400.25-M, subchapter 630 (reference (u)).

050204. Limitations and Variances

A. The maximum carried forward from one leave year to another is usually 240 hours. See paragraph 050408 regarding unlimited annual leave carryover for civilian DoD employees who are employed at installations that are facing planned base closures. Employees stationed outside the United States, who meet the conditions for eligibility established by 5 U.S.C. 6304(b) (reference (b)) and 5 C.F.R. 630.302 (reference (l)), may carry forward a maximum of 360 hours. Employees returning from an OCONUS assignment outside the continental United States (OCONUS) may carry forward the balance of leave to their credit at the end of the pay period which includes the date the employee departs for reassignment. If an employee is placed on detail to another OCONUS assignment, the date he or she ceases to perform duty at the detailed post is considered the date the employee departs for reassignment. Annual leave in excess of 240 hours, which was accumulated under 5 U.S.C. 6304(b) (reference (b)) by an employee who becomes subject to the 240 hour maximum carry forward, remains to the credit of the employee until used. The excess annual leave is reduced at the beginning of the first full biweekly pay period occurring in a leave year, by the amount of annual leave the employee used during the preceding year that is in excess of the amount which accrued during that year. This process continues until the employee's accumulated leave does not exceed 240 hours.

★ B. The following formula is used to arrive at the maximum hour accumulation for a newly assigned standby employee who has a 30-day maximum accumulation. Multiply 240 times the number of hours in the standby workweek; then divide the result by 40. Using this formula, the maximum accumulation for an employee with a 72-hour standby workweek would be 432 hours. For an employee with a 56-hour standby workweek, the maximum accumulation would be 336 hours.

C. There is a 90-day (720-hour) maximum limitation on the amount of annual leave that an SES member may carry over from one leave year to the next. SES members with accumulated annual leave that exceeds 90 days (720 hours) are allowed to retain their excess annual leave in a personal leave ceiling as of the first day of the first applicable pay period beginning after October 13, 1994. The amount of annual leave credited to an SES member's personal leave ceiling will be based on the amount of annual leave accumulated by the employee as of the end of the pay period preceding the first applicable pay period beginning after October 13, 1994. Annual leave accrued for any pay period during only a portion of which the employee served under an appointment to the SES shall be prorated.

★ D. Executive Schedule employees generally do not accrue leave (5 U.S.C. 6301(2)(x)) (reference (b)). Any unused annual leave that remains to his or her credit immediately before an employee moves to an appointment under the Executive Schedule shall be liquidated by a lump-sum payment (5 U.S.C. 5551(b)) (reference (b)). Lump-sum annual leave payments are based on the rate of pay the employee was receiving immediately before the date became applicable to him or her (5 U.S.C. 6301(2)(x)) (reference (b)). If a career appointee is appointed at a rate of basic pay which is equal to or greater than the rate payable for Level V of the Executive Schedule, the career appointee may elect to continue under leave provisions as if the career appointee had remained in the SES position from which appointed. If the appointee elects to continue under leave provisions, the liquidation of leave by lump-sum payment would not apply. See 5 U.S.C. 3392 (reference (b)) for additional information.

E. Annual leave may be changed to sick leave, if the employee becomes ill during a period of annual leave.

★ 050205. Advance Criteria. The current leave year accrual of annual leave may be advanced if approved by the supervisor and if there is reasonable assurance the employee will be in a duty status long enough to earn the advanced leave. Doubtful cases shall be disapproved. Subsequent loss of accrual may result in an indebtedness situation. An employee separating from federal service must repay any advanced annual leave unless the separation is caused by death, disability retirement, or a disability that prevents return to duty or continued service, and which is the basis of the separation as determined by the employing office on medical evidence acceptable to it. See 5 C.F.R. 630.209 (reference (l)).

050206. Unused Annual Leave. Upon separation from federal employment, all employees are entitled to a lump-sum payment for the balance of their annual leave account. Refer to 5 U.S.C. 5551 (reference (b)) for additional information. Employees who enter on active duty in the Armed Forces are entitled to elect to have the leave remain to their credit until they return from active duty. See section 0307 for additional information on lump sum leave payments.

★ 050207. Transferred Employees. Employees who transfer to another DoD or non-DoD civilian payroll office are not required to repay unearned annual leave until they separate from federal service. For transferred employees, see subparagraph 090202.C. for the instructions for the SF 1150 to transfer annual leave balances.

0503 SICK LEAVE

050301. General. Sick leave is provided for an employee's use when sick, injured, confined by pregnancy, required to give care to a member of his or her immediate family who is afflicted with a contagious disease, or the health of others would be jeopardized by his or her presence on duty because of exposure to a contagious disease, or for medical, dental, or optical appointments. Sick leave usage information under the Family and Medical Leave Act is in section 0504 of this volume. Sick leave usage information under the Family Friendly Leave Act is in section 0505 of this volume.

050302. Amount of Sick Leave Earned

A. Full-time employees earn 4 hours of sick leave for each full biweekly pay period. Employees on uncommon tours of duty accrue 7 hours and 12 minutes of sick leave per pay period for a 72-hour workweek and 5 hours and 36 minutes of sick leave per pay period for a 56-hour workweek. Each time the number of hours in a nonpay status, which includes all nonpay hours except OWCP, in a full-time employee's leave year equals the number of base pay hours in a pay period, the civilian payroll system shall reduce his or her credits for sick leave by an amount equal to the amount of sick leave the employee earns during the pay period. Part-time employees earn 1 hour of sick leave for each 20 hours in a pay status. They may not earn more than 4 hours of sick leave for 80 hours in a pay status during any biweekly pay period. Intermittent employees do not earn sick leave.

B. Sick leave earned shall be posted to an employee's record each pay period before sick leave taken in that period is charged against the sick leave balance.

050303. Limitations and Variances

★ A. There is no limit on accrued balances of sick leave. Sick leave is recredited after a break in service to an employee, who returns to federal employment on or after December 2, 1994, unless the sick leave was forfeited upon reemployment in the federal government before December 2, 1994. See 5 C.F.R. 630.502 (reference (l)). The exception is when sick leave has been used in the computation of an annuity for an employee (5 C.F.R. 630.407) (reference (l)).

B. Executive Schedule employees generally do not accrue leave (5 U.S.C. 6301(2)(x) (reference (b)). Any unused leave that remains to his or her credit when an employee moves to an appointment under the Executive Schedule will be certified on an SF 1150 by the civilian payroll office. The SF 1150 will be sent to the human resources organization (HRO) for retention in the Official Personnel Folder (OPF), until the employee is reemployed in a leave-accruing position or separated from the Executive Schedule position. Career appointees appointed at a rate of basic pay equal to or greater than the rate payable for Level V of the Executive Schedule, may elect to continue to have leave provisions as if the career appointee remained in the SES position from which appointed.

★ 050304. Advance Criteria. In cases of serious disability or illness, employees, except those serving under a limited appointment or with a specified termination date, may be advanced up to 30 days sick leave, or equivalent for uncommon tours of duty. Example: An employee with an 80-hour biweekly tour of duty may be advanced up to 240 hours, and an employee on a 144-hour biweekly uncommon tour of duty may be advanced 432 hours. Employees should submit requests in writing for advance sick leave to the leave-approving official. Advance sick leave should not be granted if it appears likely that the employee will not return to duty long enough to earn the leave. Employees separating from federal service must repay any advanced sick leave unless the separation is caused by death, disability retirement, or a disability which prevents the employee from returning to duty or continuing in the service, and which is the basis of the separation as determined by the employing office on medical evidence acceptable to it. See 5 C.F.R. 630.209 (reference (l)).

050305. Unused Sick Leave. Employees are not paid for unused sick leave upon separation. The unused sick leave balance upon retirement or death is shown in the remarks column under "Service History" on the SF 2806/3100. See 5 C.F.R. 630.209 (reference (l)).

★ 050306. Transferred Employees. Employees who transfer to another DoD or non-DoD civilian payroll office are not required to repay unearned sick leave until they separate from federal service. For employees transferred, see subparagraph 090202.C. for the instructions for the SF 1150 to transfer sick leave balances.

★ 050307. Sick Leave for Adoption. Section 629(b) of P.L. 103-329 (reference (e)) authorizes federal employees to use sick leave for purposes related to the adoption of a child. Employees may use sick leave for appointments with adoption agencies, social workers, and attorneys; court proceedings; required travel; and any other activities necessary to allow the adoption to proceed. This entitlement is in addition to unpaid leave for the placement of a child with an employee for adoption under the Family and Medical Leave Act. Refer to 5 C.F.R. 630.401 and 630.409 (reference (l)) for additional information on sick leave usage for adoption.

★0504 FAMILY AND MEDICAL LEAVE ACT

★ 050401. General. The Family and Medical Leave (FML) Act of 1993, P.L. 103-3 (reference (e)), provides a total of up to 12 administrative workweeks of unpaid leave (LWOP) during any 12-month period to take care of specified family and medical needs for employees covered by the sick and annual leave provisions of 5 U.S.C. Chapter 63, subchapter V (reference (b)) and 5 C.F.R. Part 630, Subpart L (reference (l)), and certain other federal employees.

★ 050402. Entitlement. The employee must have completed at least 12 months of federal service. Temporary or intermittent employees are not entitled to FML. A total of up to 12 administrative workweeks of unpaid leave will be available during any 12-month period (which begins when the FML is first used and ends 12 months later). An employee may elect to substitute annual, sick, or educator leave, or leave made available to the employee under the Voluntary Leave Transfer Program or the Voluntary Leave Bank Program for the LWOP. The employee's work schedule will be the basis for computing the number of hours of FML available for the

12 administrative workweeks. For example: An 80-hour full-time employee will have 480 hours available for FML - 40 hours per week times 12 weeks.

★ 050403. Usage. The FML may be used for:

A. The birth of a son or daughter and care of the newborn; or

B. The placement of a son or daughter with the employee for adoption or foster care; or

C. The care of a spouse, son, daughter, or parent with a serious health condition; or

D. A serious health condition of the employee that makes the employee unable to perform the duties of his or her position.

★ 050404. Conditions. Under certain conditions, FML may be taken intermittently, or the employee may work under a work schedule that is reduced by the number of hours of leave taken as family and medical leave. The FML is in addition to other paid time off available to an employee.

★ 050405. Advance Notice and Medical Certification. The employee must provide notice of intent to take FML not less than 30 days before leave is to begin or as soon as is practicable. The agency may request medical certification for FML taken to care for an employee's spouse, son, daughter, or parent who has a serious health condition or for the serious health condition of the employee.

★0505 THE FAMILY FRIENDLY LEAVE ACT

★ 050501. General. Title 5 United States Code, section 6311 (reference (b)) and 5 C.F. R. Part 630, subpart D (reference (l)) allow for the use of sick leave for family care or bereavement. Employees who accrue sick leave under 5 U.S.C. 6307 (reference (b)) may use the total number of hours of sick leave normally accrued by that employee during a leave year for family care or bereavement purposes.

★ 050502. Entitlement. A full-time federal employee may use up to 104 hours (13 days) of sick leave in a leave year for family care or bereavement. The part-time employee or an employee with an uncommon tour of duty may use up to the number of hours of sick leave normally accrued by that employee during the leave year. The full-time employee may use 40 hours (5 days) of sick leave without regard to his or her current sick leave balance. A part-time employee or an employee with an uncommon tour of duty may use the average number of hours of work in the employee's scheduled tour of duty each week. An additional 64 hours (8 days) may be used if the employee maintains a balance of at least 80 hours of sick leave in his or her sick leave account. The part-time employee or an employee with an uncommon tour of duty may use an

additional amount equal to twice the average number of hours of work in the employee's scheduled tour of duty.

★0506 BONE-MARROW OR ORGAN DONOR LEAVE. Title 5 United States Code, section 6327 (reference (b)) provides up to 7 days of paid leave in a calendar year (in addition to sick or annual leave) to serve as a bone-marrow or organ donor.

★0507 NONAPPROPRIATED FUND (NAF) TRANSFER OF LEAVE UNDER EMPLOYEE BENEFIT PORTABILITY PROGRAM

★ 050701. General. In accordance with DoD 1404.1-M (reference (ap)), an employee who transfers from a NAF position to an appropriated position or the reverse without a break in service of more than three days, shall transfer all leave without limit. An employee may not be paid for any accumulated hours of leave. Leave will be administered in accordance with the rules of the gaining employment system (civil service or NAF). The employee shall be credited with the full amount of leave even in those cases where the employee may receive a higher rate of pay from the gaining employment system (civil service or NAF).

★ 050702. Provisions. Service in the losing employment system (civil service or NAF) shall be credited in determining the appropriate leave accrual rate. All provisions are applied exactly the same regardless of whether the move is voluntary or involuntary, and regardless of the direction of the move, civil service to NAF or NAF to civil service.

0508 RESTORED LEAVE

050801. General. Except as otherwise authorized by regulation, annual leave restored under 5 U.S.C. 6304(d) (reference (b)) must be scheduled and used not later than the end of the leave year ending 2 years after the date:

A. Of restoration of the annual leave forfeited because of administrative error; or

B. Fixed by the agency head, or his designated official, as the termination date of the exigency of the public business which resulted in forfeiture of the annual leave; or

C. The employee is determined to be recovered and able to return to duty if the leave was forfeited because of sickness.

050802. Approval Requirements. The following requirements must be met before forfeited annual leave can be considered for restoration:

A. Use of the annual leave must have been scheduled in writing before the start of the third biweekly pay period prior to the end of the leave year; and

B. The determination that an exigency is of major importance and, therefore, annual leave may not be used, must be made by the head of an activity no lower than a major field headquarters or major field installation.

050803. Time Limit. For an extended exigency of the public business, the time period for use of restored leave is 2 years for each calendar year, or part thereof, during which the exigency existed. This time period starts at the beginning of the leave year following the leave year in which the exigency is declared to be ended. An extended exigency is one that threatens the national security, safety or welfare; lasts more than three calendar years; affects a segment of an agency or occupational class; and precludes subsequent use of both restored and accrued annual leave within the time limit specified in 5 U.S.C. 6304(d) (reference (b)) and 5 C.F.R. 630.306 and 630.309 (reference (l)). The time limit established under 5 C.F.R. 630.306 (reference (l)), during which restored leave must be used in order to avoid forfeiture, is not changed by entry into the SES.

050804. Separate Leave Account. The payroll system shall maintain three separate restored leave accounts for each calendar year. Restored annual leave must be credited to a separate leave account identifying the date of restoration, the date of forfeiture, the amount credited for use, the amount of usage, and the unused balance. Restored annual leave is not included in, and does not increase, the maximum annual leave carryover for an employee.

050805. Time and Attendance Reports. Timekeeping instructions in paragraph 020203 specify the method to be used to identify the leave account to be charged.

050806. Forfeiture of Annual Leave. Restored annual leave, if unused at the expiration of the time limitation, is forfeited with no further right to restoration.

★ 050807. Lump-Sum Payment. Upon separation, employees entitled to lump sum payment shall be paid for their unused restored annual leave if such leave has not been forfeited. If the leave is forfeited because of an administrative error, a claim must be filed within 3 years of the discovery of the administrative error leading to the forfeiture (5 U.S.C. 6304(e)) (reference (b)). Employees entering active duty in the Armed Forces may elect to have leave remain to their credit until their return from active duty (5 U.S.C. 5552 and 6304) (reference (b)). See section 0307 for additional information on lump sum leave payments.

050808. Maximum Annual Leave Accumulation

★ A. Title 5, United States Code, section 6304(d) (reference (b)) was amended so that civilian DoD employees who are employed at installations that are facing planned base closures may carry into the next leave year more than 240 hours of annual leave. Annual leave accumulated in excess of 240 hours at closing bases under this provision shall be considered restored leave. It applies to the period beginning October 1, 1992, and ending on December 31, 1997. As of September 23, 1996, leave restored under 5 U.S.C. 6304(d)(3) (reference (b)) must be liquidated by lump sum payment when an employee transfers to another federal agency outside of the Department or to a position within the Department not located at an installation being closed or realigned.

B. The HROs shall furnish civilian payroll offices with listings by the end of each leave year that identify each employee who is eligible (including those who were eligible in prior years and those who are newly eligible) for restoration of annual leave under this provision. The list shall contain each eligible employee's full name, SSN, and employing activity. The list should be labeled "Employees eligible for annual leave restoration under Section 4434 of P.L. 102-484" (reference (e)) or an equivalent heading, and it should be signed by the personnel officer. This listing should be separate and distinct from any employee listing, form, or memorandum which is used to inform civilian payroll offices that an employee's annual leave is to be restored under provisions of 5 C.F.R. 630.306 (reference (l)).

0509 RESTORED LEAVE RESULTING FROM CORRECTION OF UNJUSTIFIED OR UNWARRANTED PERSONNEL ACTION

★ 050901. General. Annual leave that is restored to an employee as a result of the correction of an unjustified or unwarranted personnel action in excess of the maximum leave accumulation authorized by law shall be credited to a separate leave account for use by the employee (5 C.F.R. 550.805(g)) (reference (l)). This restored leave shall be referred to as reinstated leave. Annual leave in such a separate account must be scheduled and used as provided in the following subparagraphs. If leave is not used within the prescribed time frames, it shall be forfeited. Refer to 5 U.S.C. 5596(b)(1)(B) (reference (b)) for additional information.

A. Full-Time Employees. Excess annual leave of 416 hours or less must be scheduled and used by the end of the leave year ending 2 years after the date on which the leave is credited to the separate account. This period is extended by 1 year for each additional 208 hours of excess annual leave or any portion thereof. See Table 5-3.

B. Part-Time Employees. These employees shall schedule and use excess annual leave in an amount equal to or less than 20 percent of the employee's scheduled tour of duty over a period of 52 calendar weeks by the end of the leave year ending 2 years after the date on which the annual leave is credited to the separate account. This period shall be extended by 1 leave year for each additional number of hours of excess annual leave or any portion thereof, equal to 10 percent of the employee's scheduled tour of duty over a period of 52 calendar weeks. See Table 5-3.

0510 COMPENSATORY TIME USED

★ 051001. General. Compensatory time off in lieu of overtime pay derives from entitlement to pay for overtime work (i.e., work in excess of 8 hours in a day or 40 hours in a week, ordered in advance by management). At the request of an employee, the head of an agency may grant an eligible employee compensatory time off from the employee's scheduled tour of duty instead of payment for an equal amount of time spent in irregular or occasional overtime work. An agency may provide that an FLSA exempt employee whose rate of basic pay exceeds the maximum rate for GS-10 shall be compensated for irregular or occasional overtime work with an equivalent

amount of compensatory time off in lieu of payment for overtime worked. Refer to 5 U.S.C. 5543, 5544, 6122, 6123, 6127, and 6128 (reference (b)) and 5 C.F.R. 550.114 (reference (l)).

★ 051002. Usage. Compensatory time off shall be granted to an employee within a reasonable time after the overtime is worked. The limit for the use of compensatory time is the end of the 26th pay period after that in which the overtime was worked. The unused compensatory time then shall be paid at the overtime rate at which it was earned. Compensatory time earned before June 8, 1997, was placed in an "old compensatory time" account on June 7, 1998, and thereafter shall be charged only if the employee has insufficient current compensatory time to cover the compensatory time off requested. National Guard employees are not paid for unused compensatory time worked. They shall use their compensatory time by the end of the 26th pay period after it is earned or forfeit it.

051003. Separation or Transfer. When a DoD employee separates or transfers to another DoD Component or federal agency, unused compensatory time balances shall be paid at the overtime rate in effect when the compensatory time was earned. Title 32 National Guard technicians shall forfeit any unused compensatory time when they separate or transfer to another DoD Component or federal agency.

0511 COMPENSATORY TIME OFF FOR RELIGIOUS REASONS. Compensatory time off for religious observances is provided for in 5 U.S.C. 5550a (reference (b)). An employee whose personal religious beliefs require not working during certain periods of time may elect to work compensatory time for the time lost to meet those religious requirements. An employee who works compensatory time for religious reasons shall be granted equal compensatory time off from the scheduled tour of duty (5 C.F.R. 550.1002) (reference (l)). See subparagraph 030302.F. for additional information regarding compensatory time off for religious reasons.

0512 LEAVE-SHARING PROGRAMS (VOLUNTARY LEAVE TRANSFER AND VOLUNTARY LEAVE BANK)

★ 051201. General. The "Federal Employees Leave Sharing Amendments Act of 1993," P.L. 103-103 (reference (e)), made permanent the voluntary leave transfer and voluntary leave bank programs. The Act requires all agencies to operate a leave transfer program, allows all agencies to establish leave banks at any time, permits employees to participate in both programs, eliminates the requirement to count any advanced leave an employee may have when determining whether the employee qualifies to be a leave recipient, and permits leave recipients who exhaust transferred leave to use leave accrued while in a transferred leave status. The Act took effect on February 5, 1994.

051202. Voluntary Leave Transfer Program. In accordance with 5 C.F.R. 630.901 et seq. (reference (l)), federal employees may donate annual leave to other employees who need leave because of a medical emergency. Medical emergency used herein is defined as a medical condition of an employee or a family member of an employee (as defined in 5 C.F.R. 630.902) (reference (l)) that may require an employee's absence from duty for a prolonged period of time and result in a substantial loss of income to the employee because of the unavailability of paid leave.

A. Interagency leave transfer is mandatory if any of the following conditions are met:

1. If a family member of a leave recipient is employed by another agency and requests the transfer of annual leave to the leave recipient.

2. If, in the judgment of the leave recipient's employing agency, the amount of annual leave transferred from leave donors employed by the leave recipient's employing agency may not be sufficient to meet the needs of the leave recipient.

3. If, in the judgment of the leave recipient's employing agency, acceptance of leave transferred from another agency would further the purpose of the Voluntary Leave Transfer Program (5 C.F.R. 630.906(f) (reference (l)).

B. Leave donors may not contribute to an immediate supervisor. The annual leave donated must be accrued and available at the date of donation. The maximum amount of annual leave that may be donated during the leave year shall be the lesser of:

1. One-half of the amount of annual leave he or she would be entitled to accrue during the leave year in which the donation is made; or

2. The number of hours remaining in the leave year (as of the date of the transfer) for which the leave donor is scheduled to work and receive pay. These limitations may be waived according to the agency's established written criteria. The waivers shall be documented in writing.

C. The recipient only for the documented medical emergency may use the donated leave. It may not be used for any other purpose. The law provides that a leave recipient shall earn annual and sick leave while using donated leave, but only up to 40 hours of each, which are placed in separate accounts for use after the recipient exhausts all donated leave or the medical emergency ends. An employee may use any annual or sick leave accrued while in a shared leave status if the medical emergency continues after the leave recipient exhausts all transferred leave. Leave accruals for employees who use donated leave intermittently shall be prorated between the regular leave accounts and the separate leave accounts until the maximum accrual is reached or termination of the emergency. Accruals are prorated based on the number of hours of donated leave used within the pay period.

D. Upon termination of the medical emergency, the unused donated leave shall be transferred pro rata back to each donor (5 C.F.R. 630.911) (reference (l)). Each donor has an election as to how the leave is to be recredited from the following options:

1. Crediting the donated annual leave to the donor's annual leave account in the current leave year;

2. Crediting the donated annual leave to the donor's annual leave account effective as of the first day of the first leave year beginning after the date of election; or

3. Donating such leave in whole or part to another leave recipient.

E. The civilian payroll office shall process all leave balances, restore unused balances and track the identified civilian payroll office cost.

051203. Voluntary Leave Bank Program. Under the Voluntary Leave Bank Program (5 U.S.C. 6361-6373) (reference (b)) and (5 C.F.R. 630.1001 et seq.) (reference (l)), employees can make a specified contribution of annual leave to their agency's leave bank in order to become leave bank members. See 5 C.F.R. 630.1004 (g) through (i) (reference (l)) for minimum leave contributions. Should a leave bank member experience a medical emergency, he or she can apply to the leave bank board for withdrawal of annual leave from the leave bank.

051204. Participation in Both Programs. The law permits an employee to participate in both leave transfer and leave bank programs in the same agency for the same medical emergency if his or her agency has established both programs.

0513 HOLIDAY

051301. When No Work Is Performed. An employee in a pay status on either the regularly scheduled workday preceding a holiday or on the regularly scheduled workday succeeding a holiday is entitled to straight-time pay for the holiday, regardless of his status on the holiday not worked.

A. Regular full-time employees receive their regular straight-time pay, including night and shift differential, for holidays on which they are not required to work.

B. Part-time employees receive their regular pay for holidays falling on their regularly scheduled workdays. When an installation is closed for an "in lieu of" holiday that falls on a part-time employee's regularly scheduled workday and the employee is prevented from working on that day, the installation may excuse the employee from duty by an administrative order or grant the employee annual leave or LWOP for the hours scheduled to be worked on that day.

C. Intermittent employees, including experts and consultants, with no regularly scheduled tour of duty receive no compensation unless actual work is performed.

051302. When Work Is Performed. See holiday premium pay provisions in paragraph 030305.

0514 CREDIT HOURS

★ 051401. General. Credit hours are any hours within a flexible schedule established under 5 U.S.C. 6122 (reference (b)), that are in excess of an employee's basic work requirement, and that the employee elects to work to vary the length of a workweek or a workday.

★ 051402. Requirements. Only employees on flexible schedules may work credit hours. Credit hours are used within the tour of duty. Credit hours shall be earned and used in the same increments as other absences with pay. The hours are in excess of the employee's basic work requirement (8 hours in a day, 40 hours in a week, or 80 hours in the biweekly pay period). Credit hours are distinguished from overtime hours in that they are not officially ordered in advance by management. See 5 U.S.C. 6121-6126 (reference (b)).

051403. Accumulation. A full-time employee may accumulate not more than 24 credit hours to be carried forward for credit against a later pay period. The 24 credit hours carried forward must be accounted for the same as other types of absences with pay. (5 U.S.C. 6126) (reference (b)).

051404. Part-Time Employees. A part-time employee is limited to the credit hours to be carried forward on a pro rata basis. For carry-over purposes, a part-time employee may carry over credit hours from one biweekly pay period to a subsequent biweekly pay period, in an amount equal to 25 percent of the biweekly scheduled hours of work.

051405. Payment. The employee receives no additional pay for credit hours when these hours are credited to his or her account. Credit hours are considered a part of the basic work requirement (nonovertime work) in the biweekly pay period to which they are applied. An employee is entitled to his or her basic rate of pay for credit hours. Credit hours shall be paid at the employee's current hourly rate when an employee is no longer subject to a flexible work schedule program, transfers to another employing activity, or upon separation (5 U.S.C. 6126(b)) (reference (b)). For full-time employees not more than 24 accumulated credit hours can be paid. For part-time employees, credit hours that are not more than 25 percent of such employee's biweekly scheduled hours can be paid.

051406. Entitlement. An employee shall not use credit hours to increase the entitlement to overtime pay. An employee shall not be paid Sunday pay or holiday pay for credit hours. Whether an employee is entitled to night pay for credit hours on the workday in which taken depends on the rules for night pay. Credit hours shall be considered daytime hours whenever possible. For example, if an employee's schedule includes daytime and nighttime hours, credit hours may be applied only to the daytime portion of the schedule. An employee has the right to use earned credit hours, subject to the activity's authority to approve the time at which they may be used (5 U.S.C. 6123(c)) (reference (b)).

★ 051407. Biweekly Pay Period. There is no limit on the number of credit hours that may be accumulated during the biweekly pay period; however, a supervisor may limit the number of credit hours accumulated during the biweekly pay period. Any credit hours worked in a pay period that exceed the 24-hour maximum carryover must be taken during that pay period, or they will be forfeited. Credit hours must be earned before they are used. Employees may carry forward

only 24 credit hours into the succeeding pay period. Credit hours under a maxiflex schedule may be used during the pay period in which they are earned.

0515 TIME OFF AS AN INCENTIVE AWARD. Authorized by 5 U.S.C. 4502(e) (reference (b)), a time-off award may be granted in lieu of cash (5 C.F.R. 451.301-451.307) (reference (l)). A time-off award is an absence with pay. See subparagraph 031102.C for additional information.

0516 EXCUSED ABSENCE

★ 051601. General. Excused absence is an absence from duty, administratively authorized, without loss of pay and without charge to leave. Agency heads or their designees have authority to grant excused absence in limited circumstances for the benefit of the agency's mission or a government-wide recognized and sanctioned purpose. The following are some of the more common situations in which agencies generally excuse absence without charge to leave. See DoD 1400.25-M, subchapter 630 (reference (u)).

★ 051602. Blood Donation. Employees who serve as blood donors shall be excused from work without charge to leave for the time necessary to donate the blood, for recuperation following blood donation, and for necessary travel to and from the donation site (30 Comp. Gen. 521 (1951)) (reference (p)). This provision does not cover an employee who gives blood for his or her personal use or receives compensation for giving blood. See DoD 1400.25-M, subchapter 630 (reference (u)).

★ 051603. Closure of Installations or Activities. Administrative leave may be granted when employees are prevented from working due to extreme weather conditions or other severe disruptions.

★ 051604. Tardiness and Brief Absence. Comptroller General decisions limit discretion to grant excused absence to situations involving brief absences. Where absences are for other than brief periods of time, a grant of excused absence is not appropriate unless the absence is in connection with furthering a function of the Department. The absence also may be compensated for by additional work or may be charged against any compensatory time the employee may have to his or her credit or may be charged to annual leave, LWOP (with the employee's consent), or AWOL. See DoD 1400.25-M, subchapter 630 (reference (u)).

★ 051605. Registering and/or Voting. Excusal from duty is authorized for registering and/or voting in any election or referendum for a reasonable period of time. Generally, employees are excused from duty to permit them to report for work 3 hours after the polls open or to leave work 3 hours before the polls close, whichever results in the lesser amount of time off. Employees on flexible work schedules will be excused only for those hours that cannot be accommodated by their flexible schedules. See DoD 1400.25-M, subchapter 630 (reference (u)).

★ 051606. Taking Examinations. This applies only to examinations given by or taken at the request of the employing activity. Employees shall be excused, without charge to leave or loss of pay, for all examinations required for converting to career-conditional appointments or for

required noncompetitive examinations within the same employing activity. See DoD 1400.25-M, subchapter 630 (reference (u)).

★ 051607. Attending Conferences or Conventions. Employees may be excused to attend conferences or conventions when it is determined that the attendance will serve the best interest of the federal service. Such absences may be restricted to those situations in which the employee is an official representative of the organization involved or is a contributor on the agenda. Employees shall not be excused to attend conferences or conventions of political parties or partisan political groups or committees.

★ 051608. Representing Employee Organizations. Representative leave hours shall be reported by three separate categories. The categories are negotiations, grievance and appeals, and on-going labor and management committees. Absence charged as representative leave may be subject to the provisions of local negotiated agreements and/or supervisory approval. See 5 C.F.R. 551.424 (reference (l)) for additional information.

★ 051609. Official Duty Status - Funerals of Fellow Federal Law Enforcement Officers or Federal Firefighters. Excused absence from duty without loss of pay or leave may be granted for a federal firefighter or federal law enforcement officer to attend the funeral of a fellow federal firefighter or federal law enforcement officer who was killed in the line of duty. See 5 U.S.C. 6327 (reference (b)). When excused from duty, attendance at the service shall be considered official duty for the firefighter or officer for the purposes of 31 U.S.C. 1345(1) (reference (d)).

0517 COURT LEAVE

051701. General. Employees are authorized court leave with pay when summoned in connection to serve as a juror; or as a witness in a nonofficial capacity on behalf of any party in connection with any judicial proceeding to which the United States, the District of Columbia, or a state or local government is a party. See 5 U.S.C. 6322 (reference (b)).

051702. Annual Leave. If an employee is on annual leave when called for jury duty or witness service, court leave shall be substituted. No charge shall be made to annual leave for the court service.

051703. Requirements. An employee who is under proper summons from a court to serve on a jury should be granted court leave for the entire period, regardless of the number of hours per day or days per week he actually serves on the jury during the period. Jury service for which an employee is entitled to court leave does not include periods when the employee is excused or discharged by the court, either for an indefinite period, subject to call by the court or for a definite period in excess of 1 day. Therefore, an employee may be required to return to duty or be charged annual leave if excused from jury service for 1 day or even a substantial part of a day. The employee may not, however, be required to return to duty if it would cause a hardship.

051704. Intermittent Employees. Intermittent employees are not eligible for court leave (49 Comp. Gen. 287 (1969)) (reference (p)).

051705. Nonexempt Employees. Nonexempt employees shall not have their pay reduced under FLSA (reference (n)) due to court leave for jury duty or witness service during their regularly scheduled tour of duty (5 U.S.C. 6322) (reference (b)). The Comptroller General has determined that the court leave provision provides authority to pay nonexempt employees the same pay as they otherwise would receive for their regularly scheduled tour of duty in the biweekly pay period under FLSA (62 Comp. Gen. 216 (1983)) (reference (p)).

051706. Documentation. When an employee is called for court service (as a witness or juror), the court order, subpoena, or summons, if one was issued, must be presented to the supervisor as far in advance as possible.

051707. Jury Duty Service Payment. Employees who perform jury duty service on behalf of:

A. A state or local court is paid jury duty fees;

B. The United States or District of Columbia Government are not paid jury duty fees (5 U.S.C. 5537) (reference (b)).

051708. Witness Service Payment. Employees who perform witness service on behalf of:

A. A state or local government in a nonofficial capacity is paid witness fees.

B. A private party in a nonofficial capacity to which the United States, District of Columbia, or a state or local government is a party is not paid witness fees.

051709. Certificate of Attendance. The employee cannot retain fees received for jury duty and witness service performed in subparagraphs 051707.A. and 051708.A. The employee must submit fees received for jury or witness service by money order or personal check to the employing activity. A certificate of attendance from the clerk of the court must also be submitted. The certificate shows inclusive dates of jury duty or witness service and amount of fees the court paid to the employee. The certificate of attendance separately should identify fees and allowances. Fees received by the employee are collected while allowances are not collected. If the certificate of attendance does not identify allowances separately, all moneys are considered fees and shall be collected. The employee may keep reimbursements for expenses received from the court, authority, or party that caused the employee to be summoned and may keep fees that exceed the employee's compensation for the days of service. An employee serving on a jury in a state or local court who waives or refuses to accept jury fees is still liable to the U.S. Government for the fees he or she would have received.

★ 051710. Retention of Fees. Fees should not be paid for jury duty or witness service performed in subparagraphs 051707.B. and 051708.B. If fees are paid to an employee while serving in a nonofficial capacity, however, the employee cannot retain those paid fees. Such fees must be

turned in to the customer service representative (CSR) at the employing activity. An employee may keep reimbursements for expenses received from the court, authority, or party that caused the employee to be summoned.

051711. Official Capacity. Employees who perform witness service in an official capacity on behalf of the U.S. or District of Columbia Government, a state or local government, or a private party shall not be paid witness fees nor shall the time served as a witness be charged to court leave or annual leave. The time shall be recorded as official duty. If any fees are paid, they must be turned in to the employing activity.

051712. Nonofficial Capacity. Employees who testify in a nonofficial capacity on behalf of a private party to which the United States, the District of Columbia, a state, or local government is not a party are not entitled to court leave. The employee must take annual leave or LWOP. He or she is entitled to the fees and expenses related to such witness service.

051713. Holiday. When a holiday occurs during the time an employee is on jury duty or witness service, the employee can keep the jury duty or witness service fee paid for the holiday.

051714. Nonworkday. If an employee is called to jury duty on a nonworkday, the employee may keep the fees paid.

★ 051715. Submission of Fees. Moneys submitted to the payroll office from the CSR for fees collected by employees for jury duty or witness service shall be accounted for on a DD Form 1131. Under 5 U.S.C. 5515 (reference (b)), the appropriation and accounting classification that paid the employee's salary while on jury duty or witness service will be credited with these moneys.

051716. Employee Absence. See Table 5-4 for employee absences for court or court-related services.

051717. Payroll Deduction. Fees not submitted in a timely manner are subject to payroll deduction. Payroll deductions to collect the fees will be made in the next regular pay period.

0518 MILITARY LEAVE

051801. General. Public Law 96-431 (reference (e)), as codified at 5 U.S.C. 6323 (reference (b)), provides, that effective October 1, 1980, military leave shall be made available to eligible employees on a fiscal year rather than a calendar year basis; unused military leave up to 15 calendar days shall be allowed to accumulate for subsequent use; and eligible part-time employees, as defined by 5 U.S.C. 3401(2) (reference (b)), are entitled to military leave on a prorated basis. Employees with temporary appointments of 1 year or less, or intermittent work schedules are not entitled to military leave. Employees with appointments exceeding one year are entitled to military leave.

★ 051802. Reduction of Civilian Pay. Under the provisions of 5 U.S.C. 5519 (reference (b)), an employee's civilian pay is reduced by the amount (other than a travel, transportation, or per diem allowance) received by the employee for military service as a member of the Reserve or National Guard for a period for which he is granted military leave for law enforcement assistance under 5 U.S.C. 6323(b) or (c) (reference (b)). When the employee uses annual leave or compensatory time, the offset rules do not apply and the employee receives full military pay and full civilian pay. Refer to subparagraph 080512. for further information.

★ 051803. Weekend Drills. Civilian employees whose regular workweek includes Sunday, may not take military leave under 5 U.S.C. 6323(a) (reference (b)) to attend weekend drills since an employee, as a member of a Reserve Component of the Armed Forces, is entitled to military leave under 5 U.S.C. 6323(a) (reference (b)) only if on active duty. Weekend drills are considered inactive duty. See Comp. Gen. B-202564 (reference (p)).

051804. Recording Military Leave. At the beginning of each fiscal year (1 October) eligible full-time employees shall be credited with 15 calendar days of military leave. Eligible part-time employees shall be credited with leave on a prorated basis. The percentage is determined by dividing 40 into the number of hours in the employee's regularly scheduled workweek during that fiscal year. Any portion of the leave unused at the end of the fiscal year, not to exceed 15 days, shall be carried forward to the next fiscal year. New eligible employees and new members of Reserve components shall be credited with the full 15 days (prorated if employed part-time) when entering upon duty or upon joining the Reserve unit. It shall not be prorated for a partial year.

051805. Military Leave Charges. To substantiate leave charges, an employee is required to submit a copy of the orders directing him or her to active military duty and a certified verification of attendance indicating completion of training duty upon return to duty from military leave. Military leave is charged on a calendar-day basis. No charge is made to nonworkdays at the beginning and end of a period of absence on active military duty, but all intervening nonworkdays falling within the period of active military duty must be charged to military leave. If an employee has separate sets of orders or orders which cover separate periods of time, with return to civilian status between the periods covered in the orders, military leave shall not be charged for the time the employee is returned to civilian status. Military leave may be taken intermittently, a day at a time, or all at one time, regardless of the number of training sessions.

051806. Effective Date of Separation for Military Duty. Before a Reserve or National Guard member is separated from civilian employment, the member must be given the chance to use any accrued military leave. If a member takes military leave and is then separated, the date the separation is effective shall be the date the military leave expires.

051807. Pay Status Required. A maximum of 30 days of military leave can be used in any fiscal year. The military leave may be used during one or more periods of military duty during the fiscal year. Employees can take the full 15 days of military leave immediately at the beginning of a fiscal year even if up to a maximum of 30 days had been taken during the prior fiscal year and even if the military duty is continuous (70 Comp. Gen. 263 (1991)) (reference (p)).

051808. Nonexempt Employees. Nonexempt employees shall not have their pay reduced under FLSA due to military leave for training. Employees shall receive the same pay as they would otherwise receive for their regularly scheduled biweekly tour of duty.

★ 051809. Reserve or National Guard Members. Permanent or temporary indefinite (including all appointments exceeding one year) employees who as Reserve or National Guard members provide military aid to enforce the law or assistance to civil authorities in the protection or saving of life or property or the prevention of injury are also entitled to leave not to exceed 22 workdays in a calendar year. At the employee's request, the period the employee is absent to perform service may be charged to the employee's accrued annual leave or available compensatory time balance. It may not be charged to sick leave. See 5 U.S.C. 6323(b) (reference (b)). A copy of the orders and a certificate of attendance is required. Leave granted for these purposes are charged in hours. The 22 workdays are converted to 176 hours and charged on the same basis as annual and sick leave. An employee working an uncommon tour of duty shall have this additional leave entitlement adjusted on a pro rata basis (49 Comp. Gen. 233 (1969)) (reference (p)).

★ 051810. National Guard of the District of Columbia. Employees who are members of the National Guard of the District of Columbia are entitled to leave without loss in pay or leave for each day of a parade or encampment ordered or authorized under title 39, District of Columbia Code (reference (aq)). This covers each day of service, or a portion thereof, the National Guard is ordered to perform by the commanding general. See 5 U.S.C. 6323(c) (reference (b)).

★ 051811. Military Reserve Technicians. Under P.L. 104-106 (reference (e)), employees who are defined by 5 U.S.C. 8401(30) (reference (b)) as military reserve technicians are entitled to an additional 44 workdays of military leave in a calendar year. See 5 U.S.C. 6323(d) (reference (b)). This military leave is in addition to the military leave already available under 5 U.S.C. 6323(a), (b), and (c) (reference (b)). To be eligible for military leave, the military reserve technician must be on active duty without pay under section 12301(b) or 12301(d) of 10 U.S.C. (reference (ar)) (other than active duty during a war or national emergency declared by the President of Congress) for participation in noncombat operations outside the United States, its territories, and possessions. A copy of the military orders or a statement by the employee's commanding officer which shows either 10 U.S.C. 12301(b) or 12301(d) (reference (ar)) authority is required as acceptable evidence that the military duty was performed and was without military pay. The compensation of an employee granted leave under 5 U.S.C. 6323(d)(1) (reference (b)) shall not be reduced by reason of such absence. An employee shall receive the same pay he or she would have received for the regularly scheduled work. The carryover of all or a portion of the 44 workdays is not permitted. There is no charge for holidays and nonworkdays. At the employee's request, the period the employee is absent to perform service may be charged to the employee's accrued annual leave or available compensatory time. It may not be charged to sick leave. See 5 U.S.C. 6323(d)(2) (reference (b)).

0519 EDUCATORS LEAVE. See subparagraph 070201.M. for provisions on educator's leave.

0520 SHORE LEAVE

052001. General. An officer, crew member, or other employee serving aboard an oceangoing vessel on an extended voyage may be granted leave of absence under 5 U.S.C. 6305(c) (reference (b)) and 5 C.F.R. 630.701-630.704 (reference (l)) at a rate not to exceed 1 day for each 15 calendar days of absence on one or more extended voyages. An employee has an absolute right to use shore leave, subject to the right of the head of the agency to fix the time at which shore leave may be used.

052002. Extended Voyage. Shore leave accrues for service by employees on an extended voyage. An extended voyage must be at least 7 consecutive calendar days long, including voyage-preparation time on board the vessel.

052003. Employee Record. An employee earns shore leave at the rate of 1 day of shore leave for each 15 calendar days of absence on one or more extended voyages. The master of the vessel will keep a record of accrual and use of shore leave for each employee.

052004. Time and Attendance Report. Civilian payroll offices shall accept shore leave taken on the time and attendance report.

052005. Request by Employee. Shore leave may be granted during a voyage at the request of the employee. An employee must submit the request in writing; if the shore leave is denied, the denial must be in writing.

052006. Limitation. Shore leave is in addition to annual leave. It may be accumulated for future use without limitation.

052007. Minimum Charge. The minimum charge for shore leave is 1 day. Additional charges are in whole days.

052008. Lump-Sum Leave Payment. Shore leave is not included for lump-sum leave payment.

052009. Forfeiture. Shore leave is forfeited if not granted before:

A. Separation from the service; or

B. Official assignment (other than for temporary detail) to a position in which the employee does not earn shore leave. To the extent administratively practicable, the employing activity shall give an employee an opportunity to use the shore leave to his or her credit either before the reassignment, or not later than 6 months after the date of the reassignment when the employing activity is unable to grant the shore leave before the reassignment.

052010. Transfer. At the time of an employee's transfer to a position at another employing activity or agency, accumulated shore leave shall be transferred if:

A. He or she is entitled to shore leave in the new position, and

B. There is no break in service.

0521 HOME LEAVE

★ 052101. General. Employees who met the requirements of 5 U.S.C. 6304(b) (reference (b)) for the accumulation of a maximum of 45 days of annual leave earn home leave. Home leave is earned from the day of arrival in a post of duty outside the United States or on the date of entrance on duty when recruited abroad. Employees earn 5, 10, or 15 days of leave based on the criteria established in 5 C.F.R. 630.604(a) (reference (l)). Employees may be granted home leave after completion of a one-time basic service period of 24 months of continuous service abroad. The minimum charge is 1 day and multiples thereof. There is no maximum accumulation. Balances shall be retained on the SF 1150 for future use. Home leave is to be granted only during an employee's period of service abroad, or within a reasonable period after return from service abroad when it is contemplated that the employee will return to service abroad immediately or on completion of an assignment in the United States (unpub. Comp. Gen. Decision, B-147031, September 11, 1961, and February 5, 1962) (reference (p)).

052102. Indebtedness. An employee is indebted for the home leave used when he or she fails to return to service abroad after the period of home leave, or after the completion of an assignment in the United States. However, a refund for this indebtedness is not required when the employee has completed not less than six months' service in an assignment in the United States following the period of home leave; the employing activity determines that the employee's failure to return was due to compelling personal reasons of a humanitarian or compassionate nature, such as involving physical or mental health or circumstances over which the employee has no control; or the employing activity which granted the home leave determines that it is in the public interest not to return the employee to the overseas assignment. Home leave can only be used in the United States, Commonwealth of Puerto Rico, or a territory or possession of the United States. For additional information, see 5 U.S.C. 6305(a) (reference (b)) and 5 C.F.R. 630.601-630.607 (reference (l)).

052103. Transfer and Recredit of Home Leave. An employee is entitled to have the home leave account transferred or recredited when he or she moves between agencies or is reemployed without a break in service of more than 90 days. No lump-sum payment is made for home leave.

0522 FUNERAL LEAVE

052201. General. Funeral leave is granted to allow an employee to make arrangements for, or to attend, the funeral or memorial service for an immediate relative who died as a result of wounds, disease, or injury incurred while serving as a member of the Armed Forces in a combat zone. Title 5, United States Code, section 6326 (reference (b)) requires an activity to grant an employee funeral leave as is needed and requested, not to exceed 3 workdays, without loss of or reduction in pay, leave to which he or she is otherwise entitled, or credit for time or service, and without adversely affecting his or her performance or efficiency rating. The 3 days need not be

consecutive, but if not, the employee shall furnish the approving authority satisfactory reasons justifying a grant of funeral leave for nonconsecutive days. Combat zone means those areas determined by the President under the authority of 26 U.S.C. 112 (reference (ad)). An activity may grant funeral leave only from a prescribed tour of duty, including regularly scheduled overtime. Immediate relatives are the following relatives of the deceased member of the Armed Forces:

A. Spouse and his or her parents;

B. Children, including adopted children, and their spouses;

C. Parents;

D. Brothers and sisters, and their spouses;

E. Any person related by blood or affinity whose close association with the deceased was the equivalent of a family relationship. See 5 C.F.R. 630.801-630.804 (reference (l)) and 5 U.S.C. 6326 (reference (b)).

★ 052202. Official Duty Status. Refer to paragraph 051609 for information concerning the official duty status of an employee in connection with funerals of fellow federal law enforcement officers or federal firefighters under second 5 U.S.C. 6327 (reference (b)).

0523 CONTINUATION OF PAY (COP) AND OFFICE OF WORKERS' COMPENSATION PROGRAM (OWCP). For information on COP and OWCP, see section 0312. See subparagraph 050104.B. for proration of leave.

0524 FURLOUGH

052401. General

★ A. Use. A furlough action is the placement of an employee in a temporary nonduty and nonpay status on a continuous basis (for example, 10 consecutive days), or a noncontinuous basis (for example, one day a week) because of lack of work or funds or for other nondisciplinary reasons. An SF 50 must be issued for furlough. Reduction-in-Force (RIF) procedures under 5 C.F.R. 351.201 (reference (l)) must be followed to furlough an employee when the furlough will be for more than 30 consecutive days (or more than 22 workdays if done on a noncontinuous basis), if caused by one of the reasons in 5 C.F.R. 351.201 (reference (l)), and is not in accordance with preestablished conditions of employment. See 5 C.F.R. Part 752 (reference (l)) for additional information.

B. Time Limit. An employee may be furloughed for up to 1 year. The 1-year limit begins the day after the notice period ends and when the furlough begins.

C. Exclusions

★ 1. Placement in nonpay and nonduty status in accordance with preestablished conditions of employment is not a RIF action, but is covered by the requirements in 5 C.F.R. Part 340 (reference (l)).

2. A furlough for 30 days or less (or 22 workdays or less if done on a noncontinuous basis) is not a RIF action but is covered by the adverse action procedures.

0525 ABSENCE FOR MILITARY DUTY

★ 052501. General. Whether an employee is placed on a leave of absence or military separation while absent on military duty depends on the authority under which the employee enters on military duty. A member of a Reserve Component who performs active duty for training or inactive duty training covered under 38 U.S.C. 2024(d) (reference (as)) must be granted a leave of absence upon request. Similarly, an employee is entitled to a leave of absence for the period required to report for induction, enlistment, or to determine by preinduction or other examination the employee's physical fitness to enter the Armed Forces under 38 U.S.C. 2024(e) (reference (as)).

★ 052502. Provisions Under 5 U.S.C. Chapter 83. An absence to perform military duty under any other section of Title 38, United States Code, (reference (as)) ordinarily should be processed as a military separation except during a period of war or national emergency when the provisions of 5 U.S.C. 8332(g) (reference (b)) have been explicitly invoked. In this situation, all employees who enter on military duty will be granted a leave of absence unless an employee has applied for and received a lump-sum credit under 5 U.S.C. Chapter 83 (reference (b)). See 38 U.S.C. 2021 et seq. (reference (as)) and 5 C.F.R. Part 353 (reference (l)). Refer to paragraph 051805. for additional information.

0526 LEAVE WITHOUT PAY (LWOP)

★ 052601. Employee Request. LWOP is a temporary nonpay status and absence from duty granted at the employee's request. Employee requests for paid leave absence, such as annual or sick leave, when such absence converts to LWOP because of insufficient leave available, are considered to be the requests for LWOP.

052602. Authorization. Authorizing LWOP is a matter of administrative discretion. An employee cannot demand LWOP as a matter of right except as follows:

A. Disabled veterans are entitled to LWOP if required for medical treatment under Executive Order 5396, July 17, 1960, (reference (s)).

B. Reserve and National Guard members are entitled to LWOP if required to perform military training duties under 38 U.S.C. 2024(d) (reference (as)). See paragraph 052501.

C. For limited periods, employees are entitled to LWOP if receiving injury compensation under 5 U.S.C. chapter 81 (reference (b)).

052603. Leave Conversion. LWOP granted an employee may not, at a later time, be converted to annual or sick leave except in the case of administrative error, participation in the voluntary leave transfer or voluntary leave bank programs, disability retirement and employee compensation cases in which claims are disallowed or when there has been a settlement or an order of an arbitrator, administrative law judge, or federal judge in an employee dispute.

052604. Reduction of Leave Accrual. When the number of LWOP status hours in a full-time employee's leave year equals his or her biweekly tour of duty (i.e., 80, 112, 144 hours), the employee's leave accrual is reduced by an amount equal to the amount of leave (sick and annual) earned during a pay period. When reduction of accrual is required during the last pay period in the calendar year for an employee in the 6-hour leave accrual category (entitled to accrue 10 hours of leave in such period), leave accrual for that period shall be reduced only by 6 hours. When an employee has one or more breaks in service during the leave year, include all hours in a LWOP status (other than nonpay status during a fractional pay period when no leave accrues). When an employee's number of LWOP hours at the end of the leave year is less than his or her biweekly tour of duty, the LWOP hours are dropped.

0527 ABSENCE WITHOUT LEAVE (AWOL)

052701. General. An absence from duty which is not authorized or approved, or for which a leave request has been denied, is properly charged as AWOL although disciplinary action may be taken on the basis of AWOL. It does not necessarily mean that the employee has insufficient reason for requesting leave but that the employee's presence was required and the reason for requesting leave was one for which approval is not mandatory. AWOL shall be charged on the time and attendance report and leave record for the exact amount of time the employee is AWOL.

052702. Reduction of Leave Accrual. When the number of AWOL status hours in a full-time employee's leave year equals his or her biweekly tour of duty (i.e., 80, 112, 144 hours), the employee's leave accrual is reduced by an amount equal to the amount of leave (annual and sick) earned during the pay period. When reduction of accrual is required during the last pay period in the calendar year for an employee in the 6-hour leave accrual category (entitled to accrue 10 hours of leave in such period), leave accrual for that period shall be reduced only by 6 hours. When an employee has one or more breaks in service during the leave year, include all hours in a AWOL status (other than nonpay status during a fractional pay period when no leave accrues). When an employee's number of AWOL hours at the end of the leave year is less than his or her biweekly tour of duty, the AWOL hours are dropped.

0528 SUSPENSION. Suspension is the placement of an employee in a temporary nonpay and nonduty status for disciplinary reasons. An SF 50 must be issued for all suspensions. See 5 U.S.C. chapter 75 (reference (b)) and 5 C.F.R. Part 752 (reference (l)).

Leave Proration for Fractional Pay Periods

Biweekly Pay Period	Hourly Accrual Rate		
Workdays	Category 4 *	Category 6	Category 8
1	1	1	1
2	1	1	2
3	1	2	2
4	2	2	3
5	2	3	4
6	2	4	5
7	3	4	6
8	3	5	6
9	3	5	7
10	4	6	8

* This column may be applied for sick leave purposes.

Table 5-1 (Leave Proration for Fractional Pay Periods)

Leave Conversion Matrix

If the hours available to an employee are insufficient to cover the hours used or requested, the precedence for charging the excess is as follows:

TYPE OF HOURS USED OR REQUESTED	COMP TIME *	ANNUAL LEAVE WITH USE OR LOSE	ANNUAL LEAVE WITH NO USE OR LOSE	RESTORED LEAVE (OLDEST ACCOUNT FIRST)	LEAVE WITHOUT PAY	CREDIT HOURS	DONATED LEAVE FOR FAMILY	DONATED LEAVE FOR EMPLOYEE	REIN-STATED LEAVE
ANNUAL LEAVE	1			2	6	5	4		3
SICK LEAVE	2	1	5	3	8	7		6	4
COMP TIME		1	4	2	6	5			3
MILITARY LEAVE	2	1	5	3	7	6			4
RESTORED LEAVE**	2	1	4		6	5			3
TRAUMATIC INJURY (COP)					1				
MILITARY LEAVE FOR LAW ENFORCE-MENT	2	1	5	3	7	6			4
HOME LEAVE	2	1	5	3	7	6			4
SHORE LEAVE	2	1	5	3	7	6			4
EDUCATORS LEAVE***					1				
REINSTATED LEAVE	2	1	4	3	6	5			
CREDIT HOURS	2	1	5	3	6				4
PGS INCENTIVE					1				
TIME OFF AWARDS ****	2	1	5	3	7	6			4
ANY PURPOSE LEAVE					1				

If no hours are available, LWOP should be charged.

* The oldest compensatory time within the 26 pay period limitation will be charged first, then any grandfathered compensatory time in the separate compensatory time account, if available. DCPS implementation is scheduled for June 1998.

** All restored leave account balances will be used prior to converting to annual leave.

*** Educators leave converts directly to LWOP. Usable annual leave that is grandfathered is kept manually.

**** This conversion occurs if the payroll office has not received notification of the granting of the award within two pay periods after the usage.

Table 5-2 (Leave Conversion Matrix)

Time Limitations for Use of Reinstated Leave

Full-Time Employees	
Hours in excess of maximum accumulation	Time limitation for use of reinstated leave (end of leave year in progress after)
416 or less	2 years
417 – 624	3 years
625 – 832	4 years
833 – 1040	5 years
1041 – 1248	6 years

Part-Time Employees	
Hours in excess of maximum accumulation	Time limitation for use of reinstated leave (end of leave year in progress after)
If 208 or less multiply tour of duty by 20% (1040 x 20% = 208)	2 years
209 – 312 multiply tour of duty by 10% (1040 x 10% = 104)	3 years
313 – 416	4 years
417 – 520	5 years
521 – 624	6 years

Table 5-3 (Time Limitations for Use of Reinstated Leave)

Employee Absences for Court or Court-Related Services

Nature of Service	Type of Absence			Fees			Government Travel Expenses	
	Court leave	Official duty	Annual leave or LWOP	No	Yes		No	Yes*
					Retain	Turn in to agency		
I. JURY SERVICE A. U.S. or D.C. court	X			X			X	
B. State or local court	X					X	X	
II. WITNESS SERVICE A. On behalf of U.S. or D.C. Government		X		X				X
B. On behalf of state or local government: 1. Official capacity		X				X		X
2. Non-official capacity	X					X	X	
C. On behalf of a private party: 1. Official capacity		X				X		X
2. Non-official capacity: a. When party is U.S., D.C. or state or local government	X					X	X	
b. When party is not U.S., D.C. or state or local government			X		X		X	

* Offset to the extent paid by the court, authority or party that caused the employee to be summoned.

Table 5-4 (Employee Absences for Court or Court-Related Services)

CHAPTER 6

MISCELLANEOUS ACTIONS (SPECIAL ACTIONS)

0601 UNEMPLOYMENT COMPENSATION FOR FEDERAL EMPLOYEES

★ 060101. General. The Secretary of Labor administers the Unemployment Compensation for federal Employees (UCFE) Program under 5 U.S.C. chapter 85 (reference (b)), and prescribes regulations necessary to carry out its provisions. See 20 C.F.R. Part 609 (reference (x)). Each DoD Component has responsibility for managing the UCFE program within that Component. The appropriate human resources organization (HRO) at all DoD employing activities has primary responsibility for UCFE management. The civilian payroll office has the responsibility to assist the HRO by providing wage data needed to complete the Department of Labor ES Form 931 (Request for Wage and Separation Information) and any other information within its control requested by a state, the Department of Labor, other federal agencies, or other DFAS offices. State employment security agencies determine entitlement to compensation and the amount of benefits payable to unemployed federal civilian employees under the applicable state unemployment insurance law. See 20 C.F.R. 609.9 (reference (x)).

060102. Civilian Payroll Office Responsibilities

★ A. The civilian payroll office shall report accurate wages to the HRO to support an accurate state determination. Monetary information that can affect the claim, such as lump-sum annual leave payments and severance pay, also must be accurately reported.

★ B. The state agency prepares an ES Form 931 from information gathered during the claimant's interview and the employee's copy of the SF 8 (Notice to Federal Employee About Unemployment Insurance). Three copies of the ES Form 931 are mailed to the appropriate HRO, and a response must be returned within four workdays after receipt.

★ 1. The DCPS provides a biweekly interface extract to support the Injury Compensation-Unemployment Compensation (IC/UC) application developed by the DoD Civilian Personnel Management Service (CPMS). The HRO staff uses this data in completing the ES Form 931. When requested, the civilian payroll office will provide additional information to the HROs for employees recently transferred to the DCPS. If pay information cannot be provided within the time limits, the civilian payroll office must notify the HRO immediately and the procedures in 20 C.F.R. 609.21(b) (reference (x)) must be followed.

★ 2. The central point of contact for all UCFE matters is the HRO. The civilian payroll office shall refer all state queries, telephone calls, and UCFE documentation to the HRO. For example, if a state wants clarification of wage data, the query must go to the HRO for control purposes. The HRO then shall contact the civilian payroll office for any additional information.

060103. Base-Period Wages and Annual Leave Information

★ A. Base-Period Wages. State agencies determine the amount and duration of unemployment compensation entitlement from the amount of federal employment performed and gross federal wages paid (or earned) in a 52-week base-period (1-year period specified by the state law) which precedes the date of claim. States require 6 or 8 quarters of information to be reported.

1. Federal wages are defined as allowances and pay in any medium (5 U.S.C. 8501) (reference (b)). This includes all payments for leave. Do not report lump-sum payments for annual leave and severance payments as base-period wages. These items are reported separately.

2. The amounts to be reported as base-period wages are gross wages before deductions for Social Security/Medicare, CSRS or FERS, TSP, and federal, state, and local taxes. Gross wages include allowances and pay in any medium. Do not include expenses for official business, such as taxi fares, other cost, per diem, or mileage. Also, do not include payments for uniform allowances. The following shall be included in gross wages:

a. Foreign and nonforeign differentials and allowances. Exemption from federal income tax does not exclude any such item from gross wages for the purposes of unemployment compensation.

b. Back Pay. This includes wages paid during the base-period, even though earned prior to that period.

★ c. Salaries paid by the Department to reemployed annuitants. This is the amount equal to the difference between the salary of the position and the annuity received. The annuity paid by the OPM is not "federal wages" for UCFE purposes.

d. Increases in rates of compensation authorized by acts of the Congress. Such increases shall be reported as wages for the pay period in which paid. This is required even if the first payment covers a retroactive period. If the base period begins or ends during the pay period in which this payment was made, the entire payment should be allocated to the second week of the pay period.

3. Report wages the same way the records are kept. Do not attempt to add or subtract wages earned by the employee for any days before the beginning of the quarter or the remaining days between the last payroll cutoff date and the end of the quarter. For example, if the pay period ends March 28, do not add March 29 through 31 to the wages reported for the January 1-March 31 quarter. Do not report wages for periods other than, or in addition to, those periods requested. If the claimant had no base-period wages, so indicate.

B. Lump-Sum Annual Leave and Severance Pay. Report these items separately from gross wages (base-period wages).

1. If the employee received a lump-sum payment for annual leave after the beginning date of the base period, furnish the following:

a. Amount of payment; date(s) of payment; amount of annual leave (days and hours); and period of annual leave (for example, from 0700, July 8, 1999, to 1400, July 23, 1999).

★ 2. If the employee receives or is entitled to receive severance pay, report the information to the HRO via the interface supporting IC-UC. States whose laws require an offset of severance pay against unemployment benefits must be advised whether the former employee is receiving or will receive severance pay. The state agency obtains severance pay details from the employee's copy of the SF 50 and/or the ES Form 931, if appropriate.

3. If annual leave is payable, but has not been paid, report "annual leave payment due, but not paid," and provide details (period covered, amount of payment, when it will be paid) if known.

★ 060104. Employees on LWOP. Upon the HRO's receipt of an ES Form 931, the nonpay status of an employee must be reported to the state agency. The HRO shall report the employee on LWOP from the starting date, through the ending date, and any other pertinent data. If the employee is in a nonpay status for more than 30 days, the SF 50 provides the LWOP information. For LWOP of 30 days or less, the biweekly interface extract provides this information to the HRO.

A. The HRO shall indicate whether employees on LWOP are awaiting OWCP for an on-the-job injury or disability retirement.

B. If an employee is awaiting an OWCP determination, the state agency is responsible for contacting the OWCP for any necessary data it needs.

060105. Back Pay Notification

A. If an employee is entitled to back pay, the HRO shall determine if the employee applied for UCFE within the last 52 weeks. If the employee applied for or received UCFE, the HRO shall promptly notify the state agency of the date of back pay payment, amount, and period covered. The state agency may be required to redetermine benefits. The HRO shall suspense its notification for state reply. If a reply is not received in 60 days, the HRO shall send a follow up. If no answer to the follow up is received from the state in 30 days, request assistance for resolution.

B. The Department will not deduct from the back pay the amount of UCFE paid during the period covered by the back pay. UCFE must be deducted from back pay awards however, when state law requires the employer, rather than the employee, to reimburse the state for overpayments and when appropriate, the state agency has determined that an overpayment has occurred and has notified the employing agency (65 Comp. Gen. 865 (1986)) (reference (p)).

060106. Obtaining Data from the National Personnel Records Center (NPRC)

A. How Obtained. If records necessary to furnish wage data to the HRO have been sent to the NPRC, they should be obtained via the telephone or facsimile. Since this information is subject to the Privacy Act of 1974 (reference (e)), it must be handled in accordance with the provisions of that Act. The NPRC gives priority to such requests. The request must:

1. Be addressed to the NPRC, Civilian Personnel Records, 111 Winnebago Street, St. Louis, Missouri 63118-4199.

2. Clearly identify the office sending the request.

★ 3. Read "Unemployment insurance request for wages for 4 calendar quarters, enter period as shown on the ES Form 931, and statement of reasons for separation for (last name, first name, and middle initial), (name under which employed, if different), (date of birth), and SSN."

B. Prohibited Actions. The HRO or civilian payroll office shall not send the ES Form 931 to the NPRC for completion. The state agency should not be asked to obtain data from the NPRC. State agencies shall be advised when the information is being requested.

C. Record Center Reply. A written reply will be received from the NPRC. The NPRC will mail a photocopy of the individual pay record to the civilian payroll office. The civilian payroll office shall furnish wage data to the HRO on the basis of data furnished in the NPRC reply. Upon receipt of the pay record, wage data furnished the HRO shall be compared with the pay record. If an error is discovered, the HRO shall be notified and it shall in turn notify the state agency.

0602 UNEMPLOYMENT INSURANCE FOR CANADIAN EMPLOYEES

060201. The Canadian Unemployment Insurance Program

A. The U.S. Government takes part in the Canadian Unemployment Insurance Program for Canadians employed in Canada by the Department.

B. U.S. participation in this program began at the start of the first pay period after June 30, 1956.

C. The civilian payroll office shall follow the procedures in this section for unemployment insurance withholdings and contributions for covered employees.

D. Installations that employ or might employ personnel in Canada shall request the following publications from the nearest Unemployment Insurance Commission (UIC) Office:

1. 443C (Information Regarding the Bulk Payment Method of Making Contributions).

2. 651A (Workers Handbook on Unemployment Insurance).

3. 651B (Employer's Handbook on Unemployment Insurance).

If these publications are not available locally, copies may be requested from the Unemployment Insurance Commission Office, Vancouver, British Columbia, Canada.

060202. Policies Governing DoD Participation

A. Modifications. The civilian payroll office shall follow procedures in UIC 443C; however, the following requirements do not apply to the Department:

1. Standing deposit of one month's combined contribution;

2. Application to operate on a calendar year basis. DoD installations will operate on the basis of a payroll year which, for this purpose, will be a calendar year; and

3. Remittance of contributions and withholding by certified check.

B. Coverage

1. The civilian payroll office shall use UIC 651B to determine insurable employment and earnings for withholding. Exceptions are in item 2, below.

2. Contributions shall not be withheld for Canadian employees who are spouses of U.S. citizens employed by DoD Components and for U.S. civilians paid from appropriated and nonappropriated funds.

a. The Canadian employee must notify the civilian payroll office, through the HRO, of any change in marital status that affects insurability.

b. Deductions for Canadian Unemployment Insurance will stop at the end of the pay period in which notice of marriage is received.

c. Deductions shall start at the beginning of the next pay period after notice of divorce is received.

C. Refund of Deductions. If refund of deductions is required, DoD installations will refund only amounts totaling $1 or more.

D. Retroactive Payments. The Department shall not make retroactive payments of deductions to the Canadian Unemployment Insurance Commission if the employee concerned

has not given true information to the employing installation. This includes cases that have been adjudicated.

E. Audit by the Canadian Unemployment Insurance Commission. DoD records of deductions, contributions, and remittances are subject to audit. The audit requirements can be met by sending copies of records of covered personnel and insurance remittance documents to the proper District Audit Office. The civilian payroll office shall send copies of records required by Canadian authorities on request.

060203. Amount of Contributions

A. Employee's Share. Funds shall be withheld from the pay of all insurable employees at rates set in UIC 651B.

B. Employer's Share. The employer's share shall equal the amount withheld from the employees' pay on each payroll voucher. The contribution shall be charged to the fund from which the employees' salaries are paid.

060204. Disposition of Contributions

A. Payroll Collection. The employee and employer contributions shall be made as a voucher deduction on the payroll voucher. For example, the accounting classification for the DoD civilian payroll offices will be deposit fund account 97X6875, "Suspense, Department of Defense."

B. Remittance to Canadian Unemployment Insurance Commission. The civilian payroll office shall request a bulk payment permit and information on deviation from remittance procedures from the Chief Coverage Officer, Unemployment Insurance Commission, Ottawa 1, Ontario, Canada. An SF 1049 (Public Voucher for Refunds) shall be used to make the biweekly remittance to the Commission from the deposit fund account --X6875.

0603 MASS TRANSFER OF PAY ACCOUNTS

060301. A mass transfer is the movement of a number of employee accounts from one civilian payroll office to another, and the losing civilian payroll office remains operational. Refer to section 0105 for procedures concerning DoD civilian payroll operations that are being disestablished in accordance with consolidation initiatives.

★ 060302. Requests for mass transfer or transfer of payroll function must be sent, with justification, to the Director, DFAS, via the major command or claimant. The Director, or designated official, must approve all such requests in writing. These actions may also be initiated by the Director to improve efficiency and economy of the payroll operation.

060303. Losing Civilian Payroll Office Responsibilities

★ A. The losing civilian payroll office affected by the mass transfer must notify all the affected parties receiving support (refer to the following list). It is recommended that these parties be notified at least 90 days in advance of the proposed transfer but not less than 30 days prior to the date of the actual transfer. Below is a list of affected parties:

★ 1. The HROs that provide support to the employees being transferred. The HROs are responsible for notifying labor organizations and professional associations.

2. Each IRS District to which payments for tax levies are remitted for employees affected by a mass transfer.

★ 3. The DFAS-Cleveland Center for employees with court-ordered garnishments. The DFAS-CL/L will notify each court to which alimony, child support, and bankruptcy payments are remitted for employees affected by the mass transfer.

★ 4. Other federal agencies (e.g., Department of Veterans Affairs or Department of Education) and DoD functional areas (e.g., travel, hospitals, etc.) for whom debts are being collected.

5. The Defense Manpower Data Center (DMDC).

6. State and local taxing authorities if the transfer closes out the account.

★ 7. The TSP recordkeeper at NFC by the TSP-19 (Transfer of Thrift Savings Plan Information between Agencies).

8. FEHB insurance carriers.

★ 9. CSRs.

★ 10. Disbursing office for SF 1195 data.

★ 11. The Department of Labor for ongoing OWCP cases.

★ 12. The employing activity that is responsible for notifying the employees, source data automation systems, and accounting activities of the transfer.

★ 13. Employees with debts being collected and employees with outstanding debt collection letters. Employees will be notified that debts are being transferred to new civilian payroll offices and be provided with a point of contact at the gaining civilian payroll office.

★ B. The losing civilian payroll office shall prepare employee substantiating document files as stated in subparagraphs 010504.B.1. through 4. Every effort shall be made to transfer data electronically through automated processes. Hard-copy documents, original or copy as

appropriate, shall be forwarded to the gaining civilian payroll office for the following even if the data has been transferred electronically:

★ 1. Indebtedness to the U.S. Government. Copies of all documentation to support current collections including all on going DoD and non-DoD debts with the unpaid balance of the debt on the transfer date and the remittance address.

2. Form 668-W. Forward the original IRS tax levy showing the unpaid balance on the transfer date.

★ 3. Court-Ordered Bankruptcy. Forward the original court order and addendum with balance due on the current order on the transfer date. Also, furnish a copy to DFAS-CL/L if there is a pending commercial garnishment.

★ 4. SF 1190. Advances of pay received by DoD civilian employees proceeding to or arriving at a post of assignment in a foreign area are authorized an advance of up to 3 months of gross pay. Provide a copy of the SF 1190 and the unpaid balance and biweekly deduction.

5. NAF 401k Authorizations. Forward a copy of the authorization that supports employee contributions to an NAF 401k plan allowable by the Portability of Benefits for NAF Employees Act (reference (e)).

6. Form TSP-1-NAF (TSP Election Form for Retroactive Contributions - NAF Employees). Forward a copy of the TSP-1-NAF for any employee who is currently making retroactive TSP contributions allowable by the Portability of Benefits for NAF Employees Act (reference (e)).

★ 7. SF 2806. Forward all hard-copy retirement records on file.

8. Form TSP-22. Forward a copy of all Forms TSP-22 that support TSP loan information.

9. SF 1150 and SF 1150A. Prepare an SF 1150 in accordance with "The Guide to Processing Personnel Actions," subchapter 21 (reference (r)) to reflect all leave balances as of the end of the last pay period paid by the losing civilian payroll office. Prepare an SF 1150A for the transfer of donated leave. Forward the original of the SF 1150/1150A to the losing HRO to be included in the OPF and forwarded to the gaining HRO. After receipt in the gaining HRO, the SF 1150/1150A will be forwarded to the gaining civilian payroll office. File a copy in the employee's substantiating document file.

★ 10. Buy Back of Leave. Forward copies of documentation to support the buy back of leave.

11. OPM Form 1514. Forward all OPM Form 1514 information, including unpaid balance and biweekly deduction, to reestablish any unpaid balance on the day prior to transfer.

C. Complete Final Pay Period Processing. The losing civilian payroll office must complete processing for the last pay period for which it has responsibility for the employees affected by the mass transfer. Completion of these actions will allow the employee's records to contain the most current information.

1. Compute and process final salary and other payments. Prior to processing the final pay period, ensure that all time and attendance reports and all documentation from HROs have been processed.

2. Reconcile and clear/remit any deposit fund accounts for the employees affected by the mass transfer.

3. Produce SFs 2806/3100.

a. SFs 2806/3100 shall be forwarded to the OPM when the transfer is from one Component's to another Component's civilian payroll office, or from a Component's civilian payroll office to a DoD (code 97) civilian payroll office.

b. SFs 2806 shall be forwarded to the gaining civilian payroll office when the transfer is from a losing civilian payroll office within the same Component or between DoD (code 97) civilian payroll offices. SFs 3100 shall be forwarded to OPM.

★ 4. Bond balances shall be transferred and not refunded to the employees upon a transfer from one DoD civilian payroll office to another DoD civilian payroll office. Bond balances shall be refunded and not transferred when the transfer is outside the Department.

★ 5. Compensatory hours and religious compensatory hours shall be paid for all transfers from one DoD Component to another DoD Component. Credit hour balances shall be paid for all transfers from one employing activity to another employing activity.

★ 6. The losing civilian payroll office shall make any retroactive adjustments necessary for an employee previously paid by their office and send to the gaining civilian payroll office for payment/collection.

060304. Gaining Civilian Payroll Office Responsibilities. The gaining civilian payroll office shall establish employee substantiating document files with the employee's SSN and name.

★0604 DOUBTFUL OR QUESTIONABLE CLAIMS

★ 060401. General. The General Accounting Office Act of 1996, P.L. No. 104-316 (reference (e)) transferred the claims settlement functions previously performed by GAO to certain executive branch agencies. As specified in Volume 5 of this Regulation, claims are received on a continuing basis from present or former civilian employees for additional compensation for various reasons. All such claims must receive individual processing to determine administratively whether or not the employee is entitled to the amount claimed. If the claim relates to the determination of an entitlement or similar matter, which is the responsibility of the HRO, it should be negotiated and documented through the employing activity's personnel channels. If the matter remains unsettled and the employee wishes an OPM review, the civilian payroll office shall fully document the case, including the review processes, and forward the file to the DFAS-CO Directorate of Debt and Claims Management Office, Denver, Colorado.

060402. Procedures

A. Filing a Claim. Claims should be filed with the activity at which the individual was/is employed during the period for which additional compensation is claimed. The claim shall be fully documented and sent to the address identified in paragraph 060401 for all claims related to civilian pay matters which cannot be resolved at the base or major command/claimant level.

B. Processing Claims

★ 1. Approved Claims. Claims received by the civilian payroll office from the claimant may be approved and paid when there is no question of law or fact. Claims for pay under Title 5, U.S.C. (reference (b)) must be filed within 6 years of the date the right to payment accrued. Claims for overtime pay under the FLSA (reference (n)) filed on or before June 30, 1994, are also subject to the 6 year statute of limitations; those filed after that date are subject to a 2-year statute. See Comp. Gen. B-250051 and B-256938.2 (reference (p)) for additional information. Any claim received from the OPM, including those originally received by the offices identified in paragraph 060401 but forwarded to the OPM for approval, shall be acted upon in accordance with instructions in the letter transmitting the claim to the civilian payroll office. These claims shall be paid only at the direction of the OPM or the appropriate office identified in paragraph 060401. When payment is to be made by the civilian payroll office, the claim shall be paid as part of the regular payroll.

★ 2. Disapproved Claims. Claims not received through the OPM that are disapproved administratively by the civilian payroll office shall be returned to the claimant with a letter containing the basis for the disapproval. The claim shall be forwarded to OPM via the appropriate office identified in paragraph 060401 if the disapproval is appealed by the employee,

C. Documents. Generally, documents required to support a claim are:

1. A letter of transmittal prepared by the civilian payroll office, addressed to the appropriate office identified in paragraph 060401. The following shall be included:

a. The claimant's name, SSN, address and agency;

b. A statement of the pertinent facts out of which the claim arose;

c. A statement of the doubt or other reason for forwarding the claim;

d. A recommendation for the proper disposition of the claim;

e. A citation to pertinent supporting documents;

★ f. A statement that the claim has not been and will not be paid until certified in the name of the OPM;

g. A complete symbol citation to the applicable appropriation or fund.

2. A claim letter submitted by the claimant, legal representative, or other lawful claimant. The letter includes name, SSN, and address of the claimant.

3. The original and one copy of any supporting document. These documents include the following depending on the type of claim involved:

a. Any pertinent vouchers;

b. Any pertinent time and attendance reports;

c. Individual pay record;

d. Certified copy of the SF 1150;

e. Certified copies of the SF 50;

f. Transcript of service history;

g. Overtime authorizations;

h. Leave applications, doctor's statement, etc.;

i. Other required documents.

4. An unpaid voucher from the civilian payroll office, in original and the appropriate number of copies, for all cases when the amount may be due, including doubtful cases. One copy is kept on file. The appropriate federal, state, and local tax withholdings, life insurance, retirement, or Social Security and/or Medicare deductions are to be indicated in the appropriate places on the voucher. The employer's contributions to retirement, life insurance, and Social

Security and/or Medicare, etc. are also to be indicated. The complete accounting classification is to be included, whether the recommendation is for or against the claim.

5. If an attorney presents a claim for an employee, verification that he or she has authority to act for the employee, e.g., a copy of a signed fee agreement, a letter from the employee or a duly executed power of attorney.

★ 060403. Payment. Claims that have administratively been determined correct by the OPM are settled and paid by the civilian payroll office.

★ 060404. Claims Required To Be Submitted To OPM. The following classes of claims may not be paid or administratively denied, but must be forwarded to the OPM, Claims Adjudication Unit, Office of General Counsel, 1900 E Street NW, Washington, DC 20415. These claims are forwarded to OPM via the offices identified in paragraph 060401 for adjudication unless otherwise specifically provided by law.

★ A. Claims that involve doubtful questions of law or fact, except those under $25, and claims that have been the subject of an advance decision by applicable authority, in which case, a reference to the decision must appear on the voucher supporting the payment. When a claim contains items that involve doubt, and items, which the DFAS Centers can settle administratively, only the doubtful portions over $25 should be referred to OPM through DFAS-HQ for settlement.

★ B. Claims, regardless of doubt, which are required by statute, or by decision of applicable authority, to be settled by the OPM before payment is made or denied.

C. Reclaims of items previously denied in an administrative review by the DFAS Centers, unless it is determined administratively that the action taken was clearly in error and properly can be corrected by the DFAS Centers.

★ D. Claims that appear to be barred by the applicable statute of limitation at the time of receipt for administrative review by the DFAS Centers. If the statutory period of limitations will soon expire, claimants shall submit their claims directly to the Claims Division of OPM. In order to protect the interests of claimants, claims received as to which the right of payment accrued 4 years or more before the date of receipt and which cannot promptly be approved and paid in the full amount claimed shall immediately be referred to the Claims Division of the OPM. These claims shall be recorded in OPM, after which they shall be returned for payment, denial, or referral back to OPM for adjudication.

★ 060405. Advance Decisions. Requests for an advance decision from the Defense Office of Hearings and Appeals (DOHA) shall be processed as prescribed in Volume 5 of this Regulation. In addition to normal submission channels prescribed in Volume 5 of this Regulation, requests to the DOHA involving the determination of an entitlement or similar matter which is the responsibility of the HRO shall be negotiated and documented through the appropriate human resources channel.

CHAPTER 7

SPECIAL CATEGORY EMPLOYEES

0701 OVERSEAS EMPLOYEES

★ 070101. The general pay provisions for GS employees stateside also apply to GS employees overseas. The DoD 1400.25-M, subchapter 1250, "Overseas Allowances and Differentials" (reference (u)) authorizes and governs the payment of allowances and differentials to DoD civilian employees who are citizens of the United states and who are located in foreign areas. The DSSR (reference (t)) prescribes the eligibility requirements to be met by employees, the applicable rates to be paid, and the provisions to be observed in paying overseas foreign area allowances and differentials.

070102. Foreign Nationals

★ A. Authority. The legal basis for setting pay for foreign national employees is section 408 of the "Foreign Service Act of 1980" (P.L. 96-465) (reference (e)) (22 U.S.C. 3968) (reference (at)). The DoD 1400.25-M, subchapter 1231 (reference (u)), Employment of Foreign Nationals, delegates the authority to each Military Department for redelegation to Service Component Commanders to establish salaries, wages, fringe benefits, related compensation items, and other terms of employment for foreign national employees. The DoD Manual for Foreign National Compensation (DoD 1416.8-M) (reference (av)) prescribes the procedures and instructions for the development of compensation programs for foreign nationals employed by the U.S. Forces in foreign areas.

★ B. Entitlements. The CPMS Wage and Salary Division establishes wage schedules for foreign national employees based on locality wage surveys or other available data as provided by the activity labor agreement between the U.S. Government and the government of the foreign country. The basis for salary determination and deductions are contained in the employing activity's applicable inter-country agreements and personnel regulations.

070103. Panama Employees

A. General. The wages for the Panama Canal Employment System are approved by the Panama Area Personnel Board under 35 C.F.R. 251 (reference (v)).

1. Transfer of Function Pre-Treaty Employees. These are employees that transferred from the former Canal Zone Government to DoD activities in the Republic of Panama. Their leave entitlements differ from the other types of employees.

a. These employees accrue leave at the rate of 11 hours a pay period for 25 pay periods and 9 hours for the 26th pay period. If there are 27 leave periods in the leave year, no leave is accrued for the 27th pay period. Leave accrued by Panama employees is used for

all purposes. The maximum accrual for the leave year is 284 hours. The maximum annual leave ceiling (carryover) is 760 hours. When these employees voluntarily are reassigned to a DoD non-transfer of function office, they revert to the regular federal employees leave system.

b. Leave Balance upon Movement of Transfer of Function Pre-Treaty Employees. When an employee described in subparagraph 070103.A.1.a. departs for an assignment outside the Republic of Panama, that employee is entitled to carry forward the balance of leave credited at the end of the pay period including the date the employee departs for such assignment. The annual leave carry forward balance may not exceed a maximum of 760 hours unless the employee has been authorized a greater balance. See 5 C.F.R. 630.302 (reference (l)) and 5 U.S.C. 6304(c) (reference (b)). If any such balance is in excess of 240 hours and is reduced as of the end of the leave year, the reduced amount becomes the new carry forward balance.

2. Pre-Treaty Employees. These are employees hired before the Treaty of October 1, 1979.

a. Pre-Treaty non-U.S. citizens are subject to CSRS (no Medicare), FEHB and FEGLI. The FEHB plan is under the Panama Canal Area Benefits plan as officially listed by the OPM (see paragraph 040808). Not all of these employees, however, are under the FEHB. In 1982, these employees were allowed to choose to receive their health benefits from the Panama Social Security System or the FEHB.

b. When a Pre-Treaty non-U.S. citizen retires or separates, his or her retirement record is transferred to the OPM. No identifying number is shown on the SF 2806; however, it is annotated with the statement "This is a non-U.S. citizen."

3. Post-Treaty Employees. These employees, hired on or after October 1, 1979, are not covered by the Department of Labor Workers Compensation Act. They are covered by Panama Social Security for on-the-job injury.

a. Post-Treaty Panamanians are subject to Panama Social Security tax that includes their health benefit coverage. They also have Panamanian life insurance.

b. Post-Treaty third country employees are covered under the Panama Social Security System.

4. Non-U.S. Citizen DoDDS Teachers. These employees are included in section 0702.

★ B. Identification Numbers. The Panamanian Government assigns a Cedula number to each non-U.S. official resident of Panama. The Panamanian Government uses this number for similar purposes as the United States uses the SSN. The Cedula number is assigned at birth or when a foreigner becomes an official resident of Panama.

★ 1. The Cedula number consists of alphanumeric characters in several configurations. The number is used to report Panamanian income tax.

2. Each Panamanian is assigned two other numbers, i.e., the Seguro, (or Panamanian social security) and individual personal number (which is used for various reporting purposes).

a. The Seguro is currently a 7-digit number assigned by the Panama Social Security Hospital System. It is assigned to all local Panamanian and third country persons. It is used only for hospital, health care and retirement.

b. The individual personal number is a 5-or 6-digit number used by employers to pay into an employee's retirement account and health care within the Panamanian Social Security System. This number is used in place of the SSN to identify Panamanian foreign nationals in the civilian payroll systems.

C. Deductions. Panamanians are authorized to contribute to the CFC, have union dues deductions, and participate in the TSP. All Panamanians are subject to the Panama income tax and educational taxes.

D. Dual Appointments. Dual appointments for Panama are governed by the same rules as other federal employees, with the exception of the pseudo SSN. For Panamanians, a pseudo individual personal number is used in place of the pseudo SSN.

E. FLSA. The FLSA does not apply to civilian employees working in Panama regardless of citizenship.

070104. Canadian Employees

A. General. Canadian national direct-hire employees receive compensation comparable to that paid to Canadian Government employees in the same locality and performing essentially the same work with relatively the same degree of responsibility.

★ B. Authority. DoD Directive 1400.6, DoD Civilian Employees in Overseas Areas (reference (aw)), and DoD 1400.25-M, subchapter 1231, Employment of Foreign Nationals (reference (u)), contain the authority for the administration of foreign nationals, including Canadians.

C. Entitlements

1. Hours of Duty. The workday is 7 ½ hours and the workweek is 37 ½ hours.

2. Holidays. Canadian legal holidays are observed with no charge to leave. If an emergency requires work on a Canadian holiday, an additional day's pay is provided or the employee is given compensatory time off. The following are the legal Canadian holidays:

a. New Year's Day (Jan 1)

b. Good Friday (Mar-Apr)

c. Easter Monday (Mar-Apr)

d. Victoria Day (May 24)

e. Canada Day (July 1)

f. Civic Holiday (1st Mon. in Aug)

g. Labor Day (1st Mon. in Sep)

h. Thanksgiving Day (Oct-Nov)

i. Remembrance Day (Nov 11)

j. Christmas Day (Dec 25)

k. Boxing Day (Dec 26).

3. Absence and Leave. Sick leave is accrued at the rate of 4 ¼ hours each pay period except for the last pay period of the leave year. During the last pay period, 6 ¼ hours accrue. The total annual accumulation is 112 ½ hours or 15 days of sick leave.

4. Work-Related Injury or Illness. Compensation for work-related injuries or illness is covered by the FECA (reference (e)).

D. Pay. Salaries are based on rates in approved agreements between the Treasury Board of Canada and the Public Service Alliance of Canada for Canadian Civil Service Employees. The effective dates are the same as in the basic Canadian agreements. Pay is in Canadian dollars on a biweekly basis.

E. Step Increases. Step increases are made annually, until the top step is reached, upon written certification by the supervisor that an employee has demonstrated an acceptable level of competence during the waiting period. Certification is completed and forwarded to the human resources organization (HRO) for processing prior to the effective date of the step increase. Step increases are effective at the beginning of the first pay period following the effective date of the anniversary.

F. Retroactive Pay. Retroactive pay adjustments are made on the basis of agreements covering Canadian Civil Service employees. These adjustments are payable to employees separated during the retroactive period.

G. Leave Without Pay (LWOP). Aggregate periods of LWOP of more than 80 hours during the waiting period for a step increase delays the increase. Extended periods of LWOP also affect leave accruals.

H. Canada Pension Plan. Employees' contributions to the Canada Pension Plan are deducted from their salaries. The U. S. Government pays the employer's contribution.

I. Registered/Retirement Pension Plan. The U.S. Government pays an amount equivalent to the employees' contributions up to a legal maximum of annual salaries.

J. Severance Pay. Employees are paid a lump-sum amount according to the following:

1. Lay-Off. Two weeks of pay for the first complete year of continuous employment and one week of pay for each additional complete year of continuous employment with a maximum benefit of 28 weeks of pay.

2. Resignation. On resignation with 10 or more years of continuous employment, one-half week of pay for each complete year of continuous employment up to a maximum of 26 years with a maximum benefit of 13 weeks of pay.

3. Retirement. On retirement, when an employee would be entitled to an immediate annuity or to an immediate annual allowance had the employee been under the Canadian Government Public Service Superannuation Act (reference (ax)), one week of pay is paid for each complete year of continuous employment with a maximum benefit of 28 weeks of pay.

4. Death. If an employee dies, one week of pay is paid to the employee's estate for each complete year of continuous employment with a maximum benefit of 28 weeks of pay, regardless of any other benefits payable.

K. Ontario Health Insurance Plan. Employees enrolled in the Ontario health insurance plan are reimbursed an amount equivalent to the Canadian Government contributions under the plan. Claims for reimbursement, supported by receipts, are submitted annually by the end of the calendar year.

L. Unemployment Insurance. The U.S. Government contributes the amount equal to that, which would be paid by a Canadian Government employer to the Canadian fund. Employee contributions are deducted from their salary. More information on unemployment insurance for Canadian employees is in section 0602.

M. Canadian Income Tax. Employees' contributions are deducted from their salaries.

N. Occidental Life Insurance. Contributions are deducted from the salary at the employee's request.

O. Awards. Canadian National employees are eligible for all awards generally, except quality increases.

0702 DEPARTMENT OF DEFENSE EDUCATION ACTIVITY (DODEA) EMPLOYEES

070201. Teaching Position (TP) Pay Plan - Educators

A. General. Title 20, United States Code sections 901-907 (reference (ay)), as implemented by DoD Directive 1400.13 (reference (az)), governs the salaries and personnel practices applicable to educators employed by DoD Dependents Schools (DoDDS) on a school-year basis overseas. The pay and personnel practices are implemented by policies and regulations issued by the Office of Dependents Education and the DoDEA. These policies and regulations differ considerably from those applicable to other federal civilian employees paid under Title 5 United States Code or other statutes. The DoDDS educator salaries are authorized under the TP pay plan and are earned during a school-year (seasonal) work schedule and are paid on a school-year or calendar-year basis, depending upon the work schedule (i.e., 190- or 222-duty days). A TP educator does not earn annual, sick, or home leave under Title 5 United states Code. Normally, a TP educator is not scheduled to work on recess days (including holidays) during the school year, nor does a TP educator earn pay for recess days. Biweekly pay is computed differently for a TP educator. A TP educator employed by DoDDS to instruct in the Junior Reserve Officer Training Corps (JROTC) program is compensated under the provisions of 10 U.S.C. 2031(d) (reference (ar)). Pay practices and procedures unique to the TP employment system and how it affects computation are discussed in the following paragraphs.

B. School Year Calendars

1. The "school-year" for most TP educators consists of 190 scheduled working (duty) days, including normally 183 days during which classroom instruction occurs. Included in the 190 duty days is the time required before and after the dates school is in session when the services of all or a majority of the educators are required to prepare for the opening and closing of school. As long as 190 duty days are required and not less than 175 days of work occur on classroom instructional days, the work schedule may be adjusted after the school year begins with no resultant change in school-year salary. Additional compensation is not authorized for make-up days required to meet the 175 classroom instructional day minimum. Should work beyond the 190 duty days during a given school year (August 1 through July 31) be required, an educator shall be compensated at the appropriate daily rate as of the 191st working day. Should an emergency preclude completion of a full school year at one or more schools, an educator must be furloughed, separated, or the salary continued until the full school-year salary has been paid.

2. The "school year" for a school principal and assistant principal consists of 222 working (duty) days, including any time when the services of a majority of educators at the school are required. As long as the 222 duty days are required and not less than 175 days of work occur on classroom instruction days, the work schedule of the principal and assistant principal may be adjusted with no resultant loss of school year salary. Additional compensation is not authorized for make-up days required to meet the 175 classroom instructional day minimum. Should work be required beyond 222 duty days during a given school year (August 1 through July 31), the principal or assistant principal shall be paid the appropriate daily rate as of the 223rd working day. Should an emergency preclude completion of the full school year, the principal or assistant principal must be furloughed, separated, or salary continued until the full school-year salary has been paid.

3. Each year before the school year begins, each overseas DoDDS regional headquarters prepares a school-year calendar for the schools within the region. The calendars may vary among and within the regions due to local customs and holidays. The calendars identify the first and last duty days of the school year (i.e., duty days for educators and instructional days for students) and the recess days for educators and students. Recess days are days that educators are in a nonduty and nonpay status. Recess days include federal holidays and other nonduty days occurring during the school year such as Thanksgiving Day and the following Friday when educators are not required to work and are not charged leave. Each overseas DoDDS regional headquarters shall submit a copy of all applicable school calendars to the servicing DoD civilian payroll office not later than 4 weeks prior to the first duty day of the new school year. Any changes to the calendars shall be submitted as soon as possible.

C. Work Schedules. All TP pay plan educators are scheduled to work and take leave in full or half-day increments. This includes school-level administrators as well as substitute teachers. Substitutes performing certain itinerant services, however, such as extra-duty type work and tutoring in the home of sick students, may accumulate time in half-day increments and be paid accordingly.

★ D. Salary Schedules. The CPMS Wage and Salary Division issues TP pay schedules following completion of the annual survey. Such schedules are typically issued in April or May of the current school year. The TP schedules are retroactive to August 1 of the current school year (i.e., the prior calendar year). Until the salary schedules for the current school year are issued, TP educator salaries are based upon the prior school-year salary schedules. Separate salary schedules are prepared for educator, management, specialist, and administrator positions assigned to overseas school-level positions with school-year (seasonal) work schedules. Salary schedules are further differentiated by academic salary lane (i.e., Bachelor's, Bachelor's plus 15, Bachelor's plus 30, Master's, Master's plus 15, Master's plus 30, and Doctorate's degree), and step. Most TP salary schedules also contain 14 annual steps and 4 longevity steps. The following TP salary schedules exist:

★	ScheduleCategory		Duty Days
	A	Substitutes	190
	B	Junior Reserve Officers' Training Corps Instructors	190
	C	Comprehensive Schedule for Educators and Specialists	190
	D	Schedule for Social Workers	190
	E	Schedule for Guidance Counselor	190
	F	Schedule for School Psychologists	190
	M	Schedule for Management and Education Specialist Positions	190
	N	Schedule for Management and Education Specialist Positions	190
	K	School Principals	222
	L	Assistant Principals	222

Additional TP salary schedules are published for other categories of educators assigned to schools in Panama. The gross amount of the retroactive adjustment computed due to the new salary schedules is subject to applicable withholdings (e.g., retirement (CSRS & FERS); federal income tax; Social Security/Medicare; and state income tax). Biweekly deduction amounts for basic and additional optional FEGLI shall increase in many cases for TP educators who have elected those benefits. TSP contributions shall also be adjusted for participating educators who have elected to have a percentage deducted from their pay. For FERS educators who are eligible, the TSP basic one percent and matching employer contribution also must be adjusted. When applicable, foreign post allowance also may be adjusted. The HRO shall send the SF 1190 data to the civilian payroll office for each affected educator when allowance amounts change as a result of new TP salary schedules. When applicable, foreign post differential shall be adjusted because it is computed as a percentage of base pay.

E. Daily/Biweekly Pay. See paragraph 070203 regarding compensation for TP educators, principals and assistant principals.

F. Step Increases

1. Eligibility

a. Each full-time TP educator assigned to a 190-day school-year work schedule may receive a regular (annual) step increase (steps 1 through 14) provided he or she has been in a pay status at least 150 working days during his or her last previous school year as a TP educator. Substitutes are not eligible for step increases.

b. Each full-time TP educator assigned to a 190-day school-year work schedule may receive a longevity step increase (steps 15 through 18) provided he or she has been in pay status at least 150 working days during each of the previous four school years as a TP educator.

c. Each half-time TP educator assigned to a 190-day school-year work schedule may receive a regular (annual) step increase provided he or she has been in a pay status at least one-half of 150 working days during each of the previous 2 school years. A half-time

TP educator may receive a longevity step increase (steps 15 through 18) after he or she has been in a pay status at least one-half of the 150 working day minimum during each of the previous 8 school years.

d. Each full-time TP educator assigned to a 222-day school-year work schedule may receive an annual step increase (steps 1 through 10) provided he or she has been in a pay status at least 175 working days during his or her last previous school year as a TP principal or assistant principal.

★ e. Each full-time TP educator assigned to a 190-day school-year work schedule may be entitled to receive an annual step increase (or service credit towards a longevity step) for the last satisfactory year of service, plus an additional annual step (or service credit) for the first year of absence only, upon return to duty after successfully completing a program of study or employment of 1 or more years under the Administrative Reemployment Rights program.

2. Effective Date. Step increases are effective as of August 1 of each school year. A promotion or demotion does not change the effective date of a step increase. Step increases shall be effective prior to when a promotion, demotion, or other movement becomes effective.

G. Late Arrival at Post

1. A TP educator newly recruited from the CONUS is appointed with the understanding that the educator shall serve for an entire school year (i.e., the 190 or 222 duty-day school-year work schedule) or a specified part thereof. A TP educator who, through no personal fault, and as a result of transportation or processing delays after selection for appointment, arrives late at the post of assignment shall be administratively excused. This educator shall be paid as if the educator had arrived on time and actually served during the lost time.

2. A TP educator, other than as described in subparagraph 070201.G.1., who arrives late at the post of assignment after the start of the school year, shall not be paid for the working days occurring prior to the day of arrival at the assigned post unless granted paid leave by the supervisor.

H. Early Arrival at Post

1. A TP educator who arrives at the post of assignment prior to the start of the school year is not compensated for nonduty days prior to the start of the school year.

2. A TP educator who is appointed to a temporary TP educator position to perform work prior to the start of the school year shall be compensated at the educator's daily salary rate for the prior school year (this salary is not subject to retroactive adjustment) for each day of such work performed. In such an instance, the SF 50 data from the HRO notifies the civilian payroll office.

I. Late Departure from Post

1. A TP educator who is unable to depart promptly after the end of the school year for personal reasons or because of circumstances beyond his or her control, (e.g., lack of available transportation) is not entitled to basic compensation for the period between the end of the school year and the date of departure.

2. A TP educator who is appointed to a temporary TP educator position to perform work after the end of the school year shall be compensated at the educator's daily salary rate for the prior school year (this salary is not subject to retroactive adjustment) for each day of such work performed. In such an instance, the SF 50 data from the HRO notifies the civilian payroll office.

J. During Travel. While enroute during a PCS between school years, a TP educator is in a nonpay status; therefore, basic compensation is not received.

K. Work at More than One Post of Assignment. When a PCS is effected during a school year, action shall be taken to ensure that, after working the scheduled duty days during the remaining pay periods at the new post of assignment, the TP educator will have received the full school year salary to which entitled. If the total of days actually worked during the school year (to include paid leave) at both posts of assignment exceeds 190, the TP educator shall be paid at the daily rate for any days worked in excess of 190 days.

L. Substitutes. A substitute teacher shall receive the flat daily rate prescribed in the TP Salary Schedule A. The minimum increment earned and paid for substitute work is one-half day. The daily rate for a summer school substitute teacher is provided in the TP Salary Schedule for "Other Compensation," and is two-thirds of the regular substitute teacher rate established for the prior school year (this salary is not subject to retroactive adjustment). For example, the prior school-year rate for a 1993 summer school substitute teacher is published in the 1992-93 salary schedules. The minimum increment earned and paid is one-half day (one-third of the regular substitute teacher rate).

M. Leave

1. Accrual. Under 20 U.S.C. 904 (reference (ay)), a TP educator (other than an individual employed as a substitute) is entitled to cumulative leave with pay. This leave is identified as educator leave. When the educator's school year includes more than 8 months of work, the educator shall be entitled to earn 10 days of cumulative educator's leave with pay. For 8 months or less during the school year, educator's leave accrues at the rate of 1 day for each calendar month worked or part thereof. The full school year accumulation of educator's leave is credited to the educator's leave record when the school year begins (normally in August) or whenever the educator enters on duty (e.g., after the start of the school year). Should an educator be separated for any reason before the school year ends, any leave credited but not earned by the educator must be subtracted from the individual's leave balance or if already used, a debt must be established and appropriate collection action taken.

a. Part-Time Educators. A TP educator who is regularly employed on a part-time basis earns leave in an amount proportionate to the amount of time the part-time educator is regularly employed compared to full-time employment.

Example 1: A part-time TP educator was appointed to a part-time position for the full school year. The educator is scheduled to work one-half day on each duty day during the regular school year. The educator is entitled to accrue 10 half days (5 full days) of educator's leave.

Example 2: A part-time TP educator was appointed to a part-time position for the full school year. The educator is scheduled to work each Tuesday and Thursday during the regular school year. The educator is entitled to accrue two-fifths (4 days) of the 10 days of educator's leave that would be earned during full-time employment.

Example 3: A part-time TP educator was appointed to a part-time position for the last semester (one-half) of the school year. The educator is scheduled to work one-half day on each scheduled duty day during the semester. The educator is entitled to accrue one-fourth (2.5 days) of educator's leave.

b. Substitutes. Substitutes are employed in TP positions only on a temporary intermittent basis and are not entitled to earn leave.

c. Summer Recess Appointments. Leave is not earned during summer recess period appointments to TP positions, to include summer school educator positions and other temporary appointments.

2. Use

a. Minimum Charge. The minimum charge for educator's leave is one-half day, and additional charges are in multiples thereof. An occasional absence from duty of less than one-half day may be excused for adequate reasons without charge to educator's leave, at the discretion of administrative authority. Leave charges are reported to the civilian payroll office on the educator's time and attendance report.

b. Authorized Absences. A TP educator may use accrued educator's leave during the school year for:

(1) Maternity purposes;

(2) Illness of the educator;

(3) Illness, contagious disease, or death in the immediate family of the educator that requires his or her absence;

(4) Any personal emergency; and

(5) Any purpose. With the appropriate advance notice and prior approval of the supervisor, not to exceed 3 days of educator's leave, in a given school year, leave may be used for any purpose. Educator's leave used for any purpose may not normally be used during orientation week or the first or last week of the school year. An exception may be made when an educator has been accepted for an educational program and must report prior to the end of the school year.

c. Summer Recess. Accrued educator's leave may not be used during any summer recess educator appointment. An absence during a summer recess appointment is without pay.

d. Nonwork Days. Saturdays, Sundays, regularly scheduled holidays (including U.S. holidays and host-nation holidays) and other administratively authorized nonwork days are not days of leave. See 20 U.S.C. 904(b) (reference (ay)). Therefore, a TP educator who is in a nonpay status immediately preceding and following a scheduled holiday is not charged LWOP for the scheduled holiday.

3. Advance. Under unusual circumstances, 30 days of educator's leave (above the amount already credited for the current school year) may be advanced to an educator for use on any scheduled duty day within the school year. Such advance is subject to subsequent earning of educator leave, or repayment upon separation for leave advanced but not earned. The immediate supervisor may approve requests for up to 10 days of advance educator leave. Requests in excess of 10 days of advance educator leave must be submitted to the district superintendent or regional director, as appropriate. Approved requests are then submitted to the civilian payroll office by the approval official.

4. Leave Without Pay (LWOP). Up to 3 days of LWOP may be requested by a TP educator and approved by the immediate supervisor. The district superintendent or director may approve LWOP requests for TP educators in excess of 3 days but less than 30 days. The regional director may approve LWOP requests of 30 days or more.

5. Conversion

a. A TP educator is credited with sick leave to his or her credit immediately prior to the effective date of his or her conversion, transfer, promotion, or reappointment to a TP educator position. He or she must be an employee of the federal government or the District of Columbia, however, and be transferred without a break in service, from a position under a different leave system to a TP educator position. Sick leave so credited is included in the educator's balance of educator's leave.

b. Annual leave is not credited, except for educators who were initially converted from GS/GM positions to TP salary schedule K and L educator positions on October 11, 1987.

6. Transfer and Recredit

a. When a TP educator is separated from a DoDDS TP educator position and is reappointed in another DoDDS position with a break in service of no more than 3 school years, his or her educator's leave account is certified to the employing agency for credit as sick leave on the SF 1150.

b. When a TP educator is separated from an educator position and is reappointed to a position subject to another leave act without a break in service, his or her leave account is certified to the employing agency for credit in accordance with 5 C.F.R. 630.501 (reference (l)).

c. If a TP educator accepts temporary employment with the federal government in a non-TP educator position during a summer recess, the TP educator's leave account shall not be transferred to the leave account of the summer position. Any sick leave earned during the temporary summer employment shall be credited and any unused sick leave balance shall be transferred to the educator's leave account when the educator returns to duty in his or her regular TP educator position.

7. Liquidation Upon Separation

a. Any annual leave earned under a different leave system and remaining to the credit of a TP educator upon separation shall be liquidated by a lump-sum payment in accordance with 5 U.S.C. 5551 (reference (b)) and 20 U.S.C. 904(f) (reference (ay)).

b. Educator's leave earned by a TP educator or included in the educator's leave balance per subparagraph 070201.M.5.a., may not be liquidated upon separation through lump-sum payment.

8. Sabbatical Leave. Year-long education leave at half pay (sabbatical leave) may be authorized for a DoDDS educator appointed to a TP position for educational purposes, when the course of study is determined to be appropriate by the regional director. An SF 50 is not required. The approved request for training, however, should reflect that the educator will be in an LWOP status one-half of each day during the year-long period.

a. Benefits and Entitlements. Educators granted sabbatical leave at half pay shall continue to receive life insurance and health benefits coverage in the same manner as if they were in full pay status. Retirement contributions shall be deducted for only one-half year; however, the educator is entitled to a full year's credit for retirement. Educator leave is not earned, nor should it be deducted (i.e. used) from the educator's leave account during the training period. Any pay step increase that would have been authorized should be granted as if the educator had worked a full school year.

b. Pay-status Reporting. The educator's work schedule should not change. Therefore, the time and attendance report for each pay period should reflect that the educator is in a LWOP status one-half of each day.

N. Allowances and Differentials. Entitlement of a TP educator to government quarters, cost-of-living allowance, and post differential is determined in accordance with the DSSR (reference (t)), and DoD 1400.25-M, subchapter 1250 (reference (u)). A TP educator employed as a substitute is not entitled to government quarters, quarters allowance, cost-of-living allowance, post differential, or storage of household goods.

070202. Pay Status During School Year and Summer Recess

A. School Year. A TP educator's school year consists of 190 duty days. In most overseas locations, these duty days fall on days during the normal workweek (i.e., Monday through Friday). However, a TP educator does not work every Monday through Friday during the school year because of nonduty days during recess periods (i.e., Thanksgiving, winter and spring recess; federal holidays; and certain host-nation holidays). As a result, the school year (i.e., from the educator's first through last duty day) may span to 22 pay periods, with approximately 213 days, Monday through Friday, between the educator's first and last duty day of the school year. Thus, there are typically 21 full pay periods, plus 3 additional days in the 22nd pay period in a given school year.

B. Summer Recess. During the summer recess period, while school is not in session, nonadministrative TP educators ordinarily are in a nonpay status. No SF 50 is required to place educators in a nonpay status or to return them to duty status at the beginning of the following school year. Educators who are returning to duty for the following full school year are entitled to have living quarters allowance payments continued during the summer recess period, in accordance with the DSSR, chapter 100 (reference (t)), although in a nonpay status. Civilian payroll offices, however, retain such educators in a pay status during the summer recess solely to facilitate payment of living quarters allowance. The DoDDS Personnel Center will notify the servicing civilian payroll office of any change (e.g., transfer, resignation, retirement, etc.) in the status of DoDDS educators.

070203. Compensation

A. The 190-Day School Year Educators

1. Daily/Biweekly Rate. A payment method that provides for a uniform biweekly payment during the school year has been adopted for TP educators assigned to a 190-duty day schedule. This method provides for consistent biweekly pay amounts throughout the year. Otherwise, the seasonal work schedule of a TP educator, in conjunction with the recess periods, would cause varying amounts of pay to be received during each pay period of the school year. It must be recognized that a TP educator earns pay at a rate that differs from the rate used to pay out the salary. The following must be understood to compute a TP educator's pay:

a. Duty Days = 190. This is the actual number of duty days and is the standard divisor used to determine a TP educator's daily salary rate, or "190-Rate."

b. School-Year Days = Duty Days plus Monday through Friday recess days. This is the total number of days (Monday through Friday) falling within an educator's first to last duty day during the regular school year. Thus, in addition to the 190 actual duty days, the school-year days also include all nonwork recess days (Monday through Friday) during the regular school year. Recess days are those days such as federal holidays (e.g., Labor Day) and school recess days (e.g., spring recess) when educators are not scheduled to work. For most school years, the school-year days will equal 213. The school-year days is used to determine an educator's school-year rate, or "213-Rate." The school-year rate is obtained simply by dividing the school-year salary by the number of school-year days published on the regional school-year calendar for the school to which the educator is assigned. The school-year rate is the daily rate used to provide a uniform payment for each biweekly pay period. This rate is multiplied by 10 days to arrive at an educator's biweekly base pay amount.

c. Foreign Post Allowance/COLA Days = School-Year Days plus weekend days. This is the total number of calendar days elapsed during the school-year calendar period. The number of foreign post allowance/COLA days is used to determine the "COLA daily rate" used to compute the biweekly amount paid for COLA in those areas where applicable.

2. Reducing Pay for Absences Without Pay. Computing a TP educator's pay using the school-year rate (see subparagraph 070203.A.1.) provides for uniform pay amounts each pay period but is not truly accurate when periods of non-paid absence are involved. For periods of non-paid absence such as LWOP or AWOL, an educator's biweekly pay must be reduced by 1/190th of the annual salary for each scheduled duty day that the educator is in a nonduty/nonpay status (i.e., for each scheduled duty day not worked and not in a paid leave status). Because an educator typically does not work on federal holidays or recess periods (e.g., spring break), the educator's pay is not reduced when he or she is in a nonpay status before or after a federal holiday or recess day.

3. TP Educators Beginning Work After Start of School Year. When a TP educator is appointed after the school year has begun, the educator's school year salary must be adjusted based upon the number of actual duty days remaining in the school year that the educator is scheduled to work. This means that the number of remaining actual duty days must be counted. The educator's daily salary rate (190-Rate) then is multiplied by the number of scheduled duty days remaining in the school year to obtain the educator's adjusted school-year salary entitlement. To determine how the adjusted school-year salary shall be paid out in uniform installments during the remaining pay periods, the adjusted school-year salary is then divided by the number of school-year days remaining in the school year to arrive at the adjusted daily school-year rate. Use the following formula:

a. 190-Rate x duty days equals adjusted school-year salary

b. Adjusted school-year salary / school-year days equals adjusted school-year rate

c. Biweekly base pay equals adjusted school-year rate x 10 days

Example of an educator who reports for work after the beginning of the school year: An educator would receive a salary of $38,000 for working a full school year (i.e., 190 duty days). The educator would have a 190-Rate (daily salary rate) of $200.00 ($38,000/190). This salary normally would be paid out over 213 school-year days. The educator in this example begins work on October 1. Because of the educator's late start, 23 actual duty days (August through September) will not be worked. The school-year calendar indicates that 167 actual duty days remain to be worked during the school year. Thus, the adjusted salary entitlement would be $33,400 ($200.00 x 167). To determine how the adjusted $33,400 school-year salary will be paid out, the remaining school year is identified. In this example, 188 school-year days remain. The adjusted school-year salary / school-year days provide: $33,400 / 188 equals $177.66. The biweekly base pay equals the adjusted school year rate multiplied by 10: $177.66 x 10 equals $1,776.60.

4. TP Educators Separating Before the End of the School Year. When a TP educator separates (i.e., resigns, retires, or dies) before the school year ends, the educator's school year salary must be adjusted based upon the number of actual duty days that the educator worked. This means that the number of actual duty days worked must be counted. The daily salary rate (190-Rate) is then multiplied by the number of actual duty days (including any days in a paid leave status) to obtain the educator's adjusted salary entitlement. Use the following formula:

190-Rate x duty days = adjusted school-year salary

Example of an educator who separates before the end of the school year: An educator receiving a school-year salary of $38,000 would have a 190-Rate (daily salary rate) of $200.00 ($38,000/190). This salary normally would be paid out over 21 full and 1 partial pay periods. Should the educator resign after working only 120 of the scheduled 190 duty days in the school year, the adjusted salary entitlement would be $24,000 ($200.00 x 120). Any difference between the adjusted salary entitlement and the salary actually received to date must be reconciled.

B. 222-Day School Year Administrators

1. Daily/Biweekly Rate. Because of the longer 222 duty-day work year for TP educators in principal and assistant principal positions, the method used for payment is different from that used for other TP educators. Simply stated, the school-year salary is paid over 26 pay periods. This, in turn, provides for uniform biweekly payments throughout the year. Otherwise, the seasonal work schedule of a principal and assistant principal, in conjunction with the recess periods, would cause varying amounts of pay to be received during each pay period over the 222 duty day period. As TP educators, principals and assistant principals earn pay at a rate that differs from the rate used to pay out the salary. The following must be understood to compute a principal's and assistant principal's pay:

a. Duty Days equal 222. This is the actual number of duty days and is the standard divisor used to determine a TP educator's daily salary rate, or "222-Rate."

b. School-Year Days. This is 260 days per year and is the total number of days (Monday through Friday) in a calendar year, inclusive of the 222-duty days. Thus, the school-year day's figure includes days that fall within, as well as outside of the school year. The school-year days also includes all nonwork recess days (Monday through Friday) during the regular school year. Recess days are those days such as federal holidays (e.g., Labor Day) and school recess days (e.g., spring recess) when principals and assistant principals are not normally scheduled to work. The school-year days are used to determine a principal's and assistant principal's school-year rate. The school-year rate is obtained simply by dividing the school-year salary by 260. The school-year rate is the daily rate used to provide a uniform payment for each biweekly pay period. This rate is multiplied by 10 days to arrive at a principal's or assistant principal's biweekly base pay amount.

c. Foreign Post Allowance/COLA Days = 365 (366 during leap year).

2. Reducing Pay for Absences Without Pay. Computing pay for a principal or assistant principal using the school-year rate provides for uniform pay amounts each pay period but is not truly accurate when periods of nonpaid absence are involved. For periods of nonpaid absence such as LWOP or AWOL, a principal's or assistant principal's biweekly pay must be reduced by 1/222nd of the annual salary for each scheduled duty day that the principal or assistant principal is in a nonduty/nonpay status (i.e., for each scheduled duty day not worked and not in a paid leave status). It must be noted, however, that as long as 222 full duty days are worked (to include days in a paid leave status) during the August 1 through July 31 period, including not less than 175 days during which classroom instruction is in session, a principal's and assistant principal's work schedule may be adjusted after the school year begins with no resultant change in salary. Because a principal or assistant principal typically does not work on federal holidays or recess periods (e.g., spring break), the pay of a principal and assistant principal is not reduced when he or she is in a nonpay status before or after a federal holiday or recess day.

3. School Principals or Assistant Principals Beginning Work After Start of the School Year. When a principal or assistant principal is appointed after the work year has commenced, and the principal or assistant principal will not work 222 full duty days before July 31, the principal's or assistant principal's salary must be adjusted based upon the number of actual duty days scheduled for the year ending on July 31. This means that the number of remaining actual duty days must be counted. The daily salary rate for a principal or assistant principal (222-Rate) is multiplied by the number of actual duty days remaining in the year ending July 31 to obtain the adjusted school-year salary entitlement. To determine how the adjusted school-year salary shall be paid out in uniform installments, the adjusted school-year salary is then divided by the number of calendar year days, Monday through Friday, remaining in the year ending July 31 to arrive at the adjusted daily calendar-year salary rate. Use the following formula:

a. 222-Rate x duty days = adjusted school-year salary

b. Adjusted school-year salary / school-year days = adjusted school-year rate

c. Biweekly base pay = adjusted school-year rate x 10

Example for a school principal who reports for work after the beginning of the school year: A principal would receive a salary of $55,500 for working a full school year (i.e., 222 duty days). The principal has a 222-Rate (daily salary rate) of $250.00 ($55,500/222). This salary normally would be paid out in even payments over 26 pay periods. The principal in this example begins work on September 15. Because of the principal's late start, it will be possible to work only 189 actual duty days by July 31. Thus, the adjusted salary entitlement would be $47,250 ($250.00 x 189). To determine how the adjusted $47,250 school-year salary shall be paid out, the remaining calendar year days, Monday through Friday, are identified. In this example, 228 school-year days remain. The adjustment is: $47,250 / 228 = $207.24. The biweekly base pay equals the adjusted school-year rate multiplied by 10 ($207.24 x 10 = $2,072.40).

4. School Principals or Assistant Principals Separating Before End of School Year. When a principal or assistant principal separates (i.e., resigns, retires, or dies) before the year ends, the school-year salary must be adjusted based upon the number of actual duty days that the principal or assistant principal worked. This means that the number of actual duty days worked must be counted. The daily salary rate (222-Rate) is then multiplied by the number of actual duty days (including any days in a paid leave status) to obtain the principal's or assistant principal's adjusted salary entitlement. Use the following formula:

222-Rate x duty days = adjusted school-year salary

Example of a principal or assistant principal who separates before the end of the school year: A principal receiving a school-year salary of $55,500 has a 222-Rate (daily salary rate) of $250.00 ($55,500 / 222). This salary normally would be paid out over 26 pay periods. Should the educator resign after working only 120 of the scheduled 222 duty days in the school year, the adjusted salary entitlement would be $30,000 ($250.00 x 120). Any difference between the adjusted salary entitlement and the salary actually received to date must be reconciled.

C. Premium Pay, Sunday Work and Holiday Work

1. A TP educator is ineligible for overtime pay or compensatory time off.

2. A TP educator appointed to a 190-day school-year position whose regular work schedule requires work on a Sunday is entitled to basic pay, plus a premium of 25 percent of the 190-Rate (daily rate). Premium pay is not authorized for TP educators appointed to principal and assistant principal positions.

3. A TP educator whose regular work schedule requires work on any of the following holidays is entitled to basic pay, plus premium pay at a rate equal to the 190-Rate (daily rate):

a. New Year' Day, January 1 or observed day

b. Dr. Martin Luther King's Day, third Monday in January

c. Washington's Birthday, third Monday in February

d. Memorial Day, last Monday in May

e. Independence Day, July 4 or observed day

f. Labor Day, first Monday in September

g. Columbus Day, second Monday in October

h. Veteran's Day, November 11, or observed day

i. Thanksgiving Day, fourth Thursday in November

j. Christmas Day, December 25, or observed day.

D. Appointments Between School Years. A TP educator employed between school years shall be given a temporary limited appointment for the period of actual need, not to exceed the beginning of the school year. A TP educator given a temporary limited appointment is compensated at a daily rate of 1/190th (or, if a school principal or assistant principal, at 1/222nd) of the school-year salary. When an educator has served on a nontemporary appointment during the preceding school year and is expected to continue during the following school year, a temporary appointment between the 2 school years is similar to a return to duty and the appointment is exempt from the dual pay provisions of 5 U.S.C. 5533(d)(7)(b) (reference (b)). The appointment is not subject to CSRS, FERS, or FEGLI.

E. Foreign Post Allowance

1. Daily Rate. The amount of the foreign post allowance due an eligible TP educator is based upon his or her school-year salary. The full annual amount is payable over the period of the school year. The TP educator employed on a 222-duty day work schedule (i.e., school principals and assistant principals) receives a foreign post allowance on the same basis as GS employees (i.e., on a calendar-year basis). To pay foreign post allowance to a TP educator on a 190-day work schedule, however, a different daily rate is used because of the shorter school year. To determine the foreign post allowance daily rate for TP educators assigned to 190-duty day work schedule, divide the annual foreign post allowance amount shown on the SF 1190 by the total number of foreign post allowance days occurring between the educator's first and last duty day during the school year. The foreign post allowance daily rate is multiplied by 14 to compute the biweekly amount paid each full pay period of the school year.

2. Adjustment of a Foreign Post Allowance. Any adjustment in an educator's annual salary shall cause the authorized foreign post allowance to be adjusted correspondingly. For example, the current post differential authorized an educator in Okinawa is 10 percent of the educator's basic compensation. If the educator's basic compensation during the current school year is $45,000, but for reason is adjusted downward to $37,000, the adjusted post differential amount authorized for payment to the educator would be $3,700. The authorized foreign post allowance percentage would not change. It would remain consistent with the dollar amount paid the educator during that school year.

F. Extra-Duty Program. This program applies to certain personnel employed by DoDDS who are assigned extra-duty assignments. Extra-duty compensation is provided when particular extra-duty assignments are completed that are in addition to regular school duties. Such extra-duty assignments as coaching and activity sponsorship, as well as dormitory work, are included in this program.

1. Compensation for Extra-Duty Assignments

★ a. When a TP educator is selected to perform an extra-duty assignment, the he or she and the school principal sign a memorandum of understanding. The memorandum indicates the activity to be performed, the estimated number of hours to complete the activity, the hourly range the duty is to be performed within, and the amount of compensation established for that range, according to the "Other Compensation" salary schedule rates established annually by the CPMS Wage and Salary Division. The authorized hourly ranges for extra-duty activities are:

(1) 1 - 19 Hours

(2) 20 - 39 Hours

(3) 40 - 79 Hours

(4) 80 - 119 Hours

(5) 120 - 159 Hours

(6) 160 - 199 Hours

(7) 200 Hours and Over

b. When an extra-duty assignment is completed satisfactorily in fewer hours than the hourly range established, the compensation must be reduced. If the school principal determines the extra-duty assignment has been completed satisfactorily in less time than identified in the approved memorandum of understanding, the educator shall be compensated at the rate established for the appropriate lower hourly range. Should the hours worked fall short of the original range, or an educator is unable to complete the extra-duty assignment for a reason

acceptable to management, a lesser payment than the amount indicated in the approved memorandum of understanding may be paid on a pro rata basis. The formula for computing a lesser payment is the mid-point hour of the appropriate hourly range divided into the hours actually worked. The resulting quotient is then multiplied by the dollar value assigned to the regular hourly category. For the 200 and over range, the mid-point = 220.

c. Upon completion of the extra-duty assignment, the school principal shall certify that the assignment has been completed satisfactorily and that compensation is authorized. This certification must be submitted to the civilian payroll office as soon as possible, but not later than May 31, to facilitate payment by the end of the school year.

★ d. Substitute teachers who substitute as dormitory counselors shall be compensated in accordance with Schedule A rates published by the CPMS Wage and Salary Division.

e. School principals and assistant principals are eligible to receive extra-duty compensation only for additional work performed while on temporary assignment (detail) as a staff development specialist.

2. Additional Compensation for Dormitory Counselors. A TP educator assigned to a dormitory counselor or supervisory dormitory counselor position and who is assigned an irregular tour of duty (which includes work on all nights, Sundays, and holidays, as well as sleep-in time), may receive additional compensation identified as "Condition of Employment Compensation." Such an educator also may be eligible to receive "Additional Hours Compensation," for hours worked beyond the scheduled hours of work. A dormitory counselor and a supervisory dormitory counselor is scheduled to work 80 hours per pay period during the school year and is additionally required to sleep-in according to an established work schedule.

a. The Remarks section of the counselor's SF 50 shall indicate any eligibility to receive condition of employment compensation. Eligibility for condition of employment compensation also established eligibility to receive additional hours compensation.

★ b. Condition of employment compensation is established as an annual rate by the CPMS Wage and Salary Division. The rate to be used depends upon the type of work schedule established for dormitory operations and whether the individual dormitory counselor or supervisory dormitory counselor is required to work on a 5-day dormitory operations schedule or a 7-day schedule. The CPMS Wage Setting Division establishes the annual compensation payable in the "Other Compensation" salary schedule. The payable rate of additional compensation per school year is identified as either the 5-day, 40-hour rate or the 7-day 40-hour rate.

c. Additional hours compensation is paid on an "as worked" basis and is for work performed by a dormitory counselor or a supervisory dormitory counselor who is required to work in excess of 80 hours per pay period. Additional hours compensation may be paid for each full hour worked (scheduled or unscheduled) in the performance of his or her professional duties, not to exceed the annual maximum value established for a particular school year.

Additional hours compensation is paid biweekly upon completion and certification of any full hours worked. The hourly rate is computed by dividing the annual maximum amount of additional hours compensation by 190. The annual maximum amount in a 5-day dormitory schedule is determined by subtracting the 5-day, 40-hour amount of additional compensation per school year, from the 5-day, 45-hour amount of additional compensation per school year, as identified on the "Other Compensation" salary schedule. The annual maximum amount payable in a 7-day dormitory schedule is determined by subtracting the 7-day, 40-hour amount of additional compensation per school year, from the 7-day, 45-hour amount of additional compensation per school year, as identified on the "Other Compensation" salary schedule. Regardless of the number of hours required to be worked, the maximum amount of additional hours compensation paid during a given school year may not exceed the annual rate established for additional hours compensation.

G. Acceleration of FEGLI and FEHB Deductions for an Educator Assigned to a 190-Day Position. A TP educator assigned to a position with a 190-duty day work schedule, who has elected coverage under FEGLI and/or FEHB, must pay the total annual premium amount that is applicable to the school year salary that he or she is eligible to receive. This is to provide coverage during the summer recess, during which time a 190-day educator neither earns nor receives pay. The normal period of extended coverage is from the first duty day of a school year until the day prior to the first duty day of the next school year. Therefore, deductions must be accelerated to withhold more than the normal biweekly amounts paid by other federal employees. Accelerated deductions are not required for an educator assigned to a 222-duty day work schedule.

1. Calculation of Accelerated Deductions. To determine the biweekly amount to be deducted from a 190-day educator's pay for FEGLI, first find the normal (i.e., 26 pay period) biweekly amount deducted for other federal employees in the same salary bracket. For FEHB, find the biweekly withholding amount for the plan in which the employee is enrolled. After finding the normal biweekly withholding amount, multiply by 26 (to arrive at the amount to be paid for an entire calendar year) then divide by 22 (the number of full pay periods over which 190-day educators normally are paid their school year salary) to determine the amount to be deducted each pay period for an educator.

2. Coverage Upon Separation or Movement. For a 190-day educator who resigns at the close of the school year and who has elected coverage under FEGLI and/or FEHB, the actual date of separation shall be delayed sufficiently to ensure extended coverage for the period of time for which the educator has paid through the accelerated withholdings. The period of extended coverage for an educator employed for a full school year shall be through the day prior to the first scheduled duty day of the following school year. When an educator desires earlier separation, the educator's resignation must specify the earlier date for termination of coverage and acknowledge that health benefits and life insurance coverage shall continue only 31 days after the date of separation. When an educator assigned to a position with a 190-duty day work schedule is converted or appointed to a 222 or calendar year work schedule, all or an appropriate portion of any accelerated payments must be refunded should the effective date of such conversion or appointment occur during the prepayment period and withholdings relative to the new position begin. When an educator is separated before the end of the school year, the educator will be reimbursed

proportionately if the separation date is earlier than the end of the extended period of prepaid FEHB coverage.

3. Calculation of Coverage After the Beginning of the School Year. Should a 190-day educator begin work after the first scheduled duty day of the school year, reduce the total annual premium amount for FEGLI and FEHB by the proportionate amount for the coverage period remaining through the day prior to the first scheduled duty day of the next school year. Then proceed to calculate the biweekly amount using an appropriate reduction in the number of pay periods remaining.

H. Other Deductions

1. Allotments

a. Organization Dues

(1) Allotments for employee organization dues shall be effective on the second pay period in October of each school year for a 190-day TP educator. The amount of these allotments shall be the designated dues identified on each SF 1187 initiated by a unit employee or on a list provided by each local or regional unit divided by 12 full pay periods unless mutually agreed otherwise between the parties.

(2) Unit members who enter the dues-withholding agreement at a time when less than 12 full pay periods remain in the school year shall have their dues prorated over the remaining full pay periods within the dues-withholding period.

(3) Authorization using an SF 1187 for dues withholding shall continue in full force and effect if a "not-to-exceed" employee is given another excepted appointment in the bargaining unit prior to the expiration of the not-to-exceed appointment.

(4) The civilian payroll office shall prepare the remittance at the close of each pay period for which deductions are made. Remittances shall be prepared and forwarded on the same pay schedule as for unit employees after the close of each pay period. Remittance shall be sent to the appropriate address in each region. Each remittance shall be accompanied by a listing of names and amounts withheld. See subparagraph 090203.H. for guidance on preparing this report.

(5) Dues withholding authority is carried forward automatically to the next school year unless notification to stop the deduction is requested. Educators can request that deductions for organization dues be stopped only once a year either on September 1 or the anniversary date on which the employee initially authorized dues withholding, whichever is later. A revocation must be received in the civilian payroll office prior to the appropriate date as indicated above.

(6) Local or regional units must provide a list of employees who are to have dues withheld no later than 2 weeks prior to the beginning date of the pay period in which withholding is to begin for that unit. The listing must identify the bargaining unit name or number, location, address, point(s) of contact and phone number(s). Employee information required includes employee name, SSN, location assigned and amount of dues to be withheld for that school year.

b. Savings Allotments and Allotment Allowed for 190-Day TP Educators Assigned in Overseas Areas. Savings and other allotments, as authorized in chapter 4, may be deducted over the number of full pay periods in the school year.

c. Savings Bonds. Savings bonds are authorized separately without regard to the number of savings allotments. Savings bonds are continued automatically into the next school year unless canceled by the employee.

2. TSP. A TP educator may elect to have either a percentage or dollar deduction for TSP in accordance with guidelines set forth in section 0415. TSP deductions shall be taken from the annual retroactive salary adjustment given to educators each year only if the educator has specified that a percentage be withheld.

I. Compensation of TP Educators Appointed as Junior Reserve Officer Training Corps (JROTC) Instructors

1. The DoDDS employs retired military officers and non-commissioned officers as TP educators in its JROTC overseas program. The school-year salary of JROTC instructors is an amount equivalent to the active duty pay and allowances that the instructor would receive if ordered to active duty at the location of the DoDDS school to which assigned. This salary is reduced by the amount received as retired pay.

★ 2. The CPMS Wage Setting Division establishes an additional annual amount of supplemental pay. The supplemental amount is not part of a JROTC instructor's basic compensation.

3. A JROTC instructor's salary is paid on the same basis as other 190-day TP educator's pay during the school year. The additional annual amount of supplemental pay authorized is prorated over the normal 22 pay periods.

4. Because the base salary of a JROTC instructor employed by DoDDS includes an amount equivalent to basic allowance for housing for his or her military grade (including a variable housing allowance), an instructor's pay must be reduced in an equivalent amount should the instructor reside in rent-free government quarters.

J. Waiver of Erroneous Payments of Pay and Allowances. The procedures outlined in paragraph 080306 generally will be followed when processing applications for waiver of erroneous payments of pay and allowances submitted by DoDDS employees. Applications of

DoDDS employees received by the civilian payroll office shall be forwarded to the DoDEA Personnel Center for adjudication rather than the Defense Debt and Claims Management Office of the appropriate DFAS Center.

★ 070204. DoD Domestic Dependent Elementary and Secondary Schools (DDESS). Title 10 United States Code, section 2164 (reference (ar)) authorizes the Secretary of Defense to provide for the elementary or secondary education of the dependents of members of the Armed Forces and, under certain conditions, for dependents of civilian employees residing on a military installation in the United States, if a determination is made that appropriate educational programs are not available.

0703 OTHER THAN FULL-TIME CAREER EMPLOYEES

070301. Part-Time Employment. Part-time employment generally is no less than 16 and no more than 32 hours a week under a schedule consisting of an equal or varied numbers of hours per day. Employment may be between 32 and 64 hours in a biweekly pay period in the case of a flexible or compressed work schedule (5 U.S.C. 3401 (2)) (reference (b)). It does not include employment on a temporary or intermittent basis. To be considered part-time, an employee must have a regular schedule, set in advance, of at least one hour in each administrative workweek in each biweekly pay period. See P.L. 95-437 (reference (e)), 5 U.S.C. 3401-3408 (reference (b)), and 5 C.F.R. Part 340 (reference (l)).

A. Pay. Gross basic pay is computed by multiplying the employee's hourly rate of pay by the total of the hours worked and the hours of paid leave during the pay period.

1. Overtime Pay. Under 5 U.S.C. 5542 (reference (b)), overtime pay for eligible part-time employees is provided only for work over 8 hours a day or 40 hours in a week.

2. Compensatory Time Off. Under 5 U.S.C. 5542 (reference (b)), part-time employees may elect to take compensatory time off in lieu of overtime pay to which entitled. Part-time employees may elect to perform compensatory overtime work to replace time taken off for religious observances.

3. Sunday Pay. Part-time employees are not entitled to Sunday premium pay for working on Sundays.

4. Night Differential Pay. Part-time employees are entitled to night pay for work performed between 6:00 p.m. and 6:00 a.m. as part of their regularly scheduled administrative workweek.

5. Shift Differential Pay. Federal Wage System part-time employees who work a regular scheduled shift of 8 hours or less are entitled to night shift differential. However, more than half of the hours they work must be on the second or third shift. The hours for the second and third shifts are outlined in subparagraph 030303.B.

B. Leave

1. Annual Leave. To earn annual leave, part-time employees must have a regularly assigned tour of duty on at least one day of each week in the biweekly pay period. Maximum carryover at the end of the leave year is the same as for a full-time employee. Hours in a pay status include straight time and overtime hours up to a total of the basic working hours in a pay period (normally 80 hours). Leave is charged for absence during the hours the employees are scheduled to work.

a. Part-time employees with less than 3 years of service earn 1 hour of annual leave for each 20 hours in a pay status.

b. Part-time employees with at least 3 years but less than 15 years of service earn 1 hour of annual leave for each 13 hours in a pay status.

c. Part-time employees with 15 or more years of service earn 1 hour of annual leave for each 10 hours in a pay status.

2. Sick Leave. Part-time employees, for whom a regularly scheduled tour of duty has been established, earn and shall be credited with 1 hour for each 20 hours in a pay status.

3. Other Leave. Part-time employees are eligible for other leave categories, e.g., AWOL, LWOP, court leave, funeral leave, or excused absences on the same basis as full-time employees.

4. Military Leave. Each Member of a Reserve Component who is an officer or employee of the United States, (i.e., permanent, temporary indefinite, or part-time), is entitled to leave of absence from his or her duties without loss of pay, time, or efficiency rating for each day, but no more than 15 days in any fiscal year in which he or she is on active duty or training. Eligible part-time employees accrue military leave prorated on the basis of the tour of duty (5 U.S.C. 6323(a)(2)) (reference (b)). See section 0514 for guidance on recording and charging military leave.

5. Holidays. Part-time employees are not entitled to a holiday that falls outside the tour of duty. If a holiday falls on a day that a part-time employee is scheduled to work and the employee does not work, he or she is paid for the number of hours scheduled for that day. If a part-time employee works during his or her scheduled hours on a holiday, the employee is entitled to holiday premium pay only for those hours scheduled. When an installation is closed for an "in lieu of" holiday that falls on a regularly scheduled workday and the employees are prevented from working on that day, the installation may excuse part-time employees from duty by administrative order or grant annual leave or LWOP for the hours scheduled to be worked on that day. An in-lieu-of holiday is granted to replace the day designated as a holiday by federal statute or executive order when the holiday falls on a full-time employee's nonworkday. A part-time employee who

works on an "in lieu of" holiday shall be paid straight time for hours worked. A part-time employee is not otherwise entitled to an "in lieu of" holiday.

C. Deductions

1. Retirement. Part-time employees are subject to deductions on the same basis as full-time employees.

2. Health Insurance. Part-time employees are eligible to participate in the FEHB program. The cost to the employee is the total cost of health benefits (both the employee's and the employer's share) less the government's prorated share. See subparagraph 040802.D. for more information on FEHB for part-time employees.

a. Payroll deductions and employer's contributions shall be based on the particular plan for which employees enroll and the employee's established pay periods. A career part-time employee who pays a prorated government's share of health benefits is responsible for payment of premiums for periods of nonpay status at the same rate that would be withheld if he or she was in a pay status. Enrollment may continue during nonpay status for up to 365 days.

b. When a part-time employee becomes a full-time employee in the middle of a pay period, the amount to be withheld is prorated based on part-time rules.

3. Life Insurance

a. Part-time Eligibility. A part-time employee is eligible for the FEGLI program. The actual amount of insurance (which cannot be less than $10,000) for which the employee is eligible is based on the annual salary derived from his or her scheduled hours. If the employee is are in a nonpay status for an entire pay period, no withholding to cover that pay period shall be made from future pay nor shall the employees deposit the amount which would have been withheld if he or she had been in a pay status during that period. There is no government contribution for that pay period. When a part-time employee becomes a full-time employee in the middle of a pay period, the Federal Employees Group Life Insurance Handbook for Personnel and Payroll Offices (reference (z)) requires the amount to be withheld for basic life insurance to be based on the amount of insurance last in force for the employee during the pay period (that is, the full-time rate).

b. Part-time Rates. For life insurance purposes, the annual pay for a part-time employee is the basic pay applicable to his or her tour of duty in a 52-week work year. For example, an employee whose pay is $22,692 per annum, but is employed half-time, would have an annual pay for insurance purposes of $11,346. If an individual is employed on a part-time basis in more than one federal agency and is eligible for FEGLI coverage in one of the positions under the Federal Employees Group Life Insurance Handbook for Personnel and Payroll Offices, subchapter S3 (reference (z)), the agency that pays the higher of the salaries must contact the other employing office, confirm the salaries paid, and assume responsibility for withholding all of the required premiums from the salary which it pays. The agency that pays the higher salary to the

individual also must provide the government contribution for basic insurance based on the aggregate amount of basic coverage the employee has from all covered positions. This will eliminate the need for the other employing office to make partial withholdings and government contributions.

★ 070302. Intermittent Employment. This is nonfull-time employment in which employees serve under an excepted or competitive service appointment without a regularly scheduled tour of duty (See 5 C.F.R. Part 340 (reference (l)). An intermittent work schedule is appropriate for a position in which the nature of work is sporadic and unpredictable so that a tour of duty cannot be regularly scheduled in advance. Intermittent employees are paid only for hours worked. Intermittent employees are entitled to overtime.

A. Pay. Gross basic pay is computed by multiplying the employee's hourly rate of pay by the total of the hours worked during the pay period. Intermittent employees are not eligible for holiday pay. Wage board intermittent employees are eligible for night shift differential; however, General Schedule intermittent employees are not eligible for night differential unless temporarily assigned to a regular tour of duty with night work.

B. Leave. Intermittent employees do not accrue annual or sick leave. When part-time or full-time employees are changed to intermittent, unused sick leave is held in abeyance until employees return to a scheduled tour or separate and forfeit the leave after a 3-year break in service. Any unused annual leave is paid as a lump sum, except in a situation involving a continuing program under which employees are required to return to full-time or part-time employment after a period of intermittent employment (e.g., student trainee).

C. Deductions

1. Retirement. Intermittent employees are not eligible for retirement coverage except when the intermittent employment follows employment in a covered position and there has not been a break in service of more than 3 days. Intermittent employees are subject to Social Security and Medicare deductions.

2. Health Insurance. Intermittent employees are not eligible for health insurance coverage except when the intermittent employment follows employment in a covered position and there has not been a break in service of more than 3 days.

3. Life Insurance. Intermittent employees are not eligible for life insurance coverage except when the intermittent employment follows employment in a covered position and there has not been a break in service of more than 3 days and the employee is expected to return to a covered position. The annual pay for intermittent employees is the annual rate that they were receiving at the end of the pay period or in the event of death or dismemberment, the annual rate they were receiving at the time of death or accident. For example, if an intermittent employee is paid $7.65 per hour, the employee's annual rate of pay fixed by law is $15,966 (7.65 x 2,087 = $15,966). If such an employee works only 2 days or 16 hours during a particular pay period, the annual rate of pay for insurance purposes is based on actual time worked during that pay

period. In this example, $3,193 is the annual rate of pay for insurance purposes (.20 x $15,966 = $3,193/yr). However, insured employees whose annual pay is $8,000 or less are covered for the minimum $10,000 of basic insurance.

★ 070303. Seasonal Employment. Seasonal employment is defined as recurring periods of work lasting less than 12 months each year (see 5 C.F.R. Part 340 (reference (l)). Seasonal employees are placed in nonduty/nonpay status and recalled to duty in accordance with preestablished conditions of employment.

A. Pay. Gross basic pay is computed by multiplying the employee's hourly rate of pay by the total of the hours worked and the hours of paid leave during the pay period.

B. Leave. Seasonal employees earn leave during the time in pay status and during the first 80 hours in nonpay status each year.

C. Deductions. Regularly scheduled seasonal employees under career or career-conditional appointments, who are expected to work at least 6 months per year, are subject while in a pay status to deductions (e.g., retirement, health insurance and life insurance) on the same basis as full-time employees.

★ 070304. On-Call Employment. On-call employment is work on an as-needed basis during periods of heavy workload, with an expected cumulative service period of at least 6 months in pay status each year. See 5 C.F.R., part 340 (reference (l)). On-call employees work on regularly scheduled tours of duty while in a pay status, and subject to workload, are placed in a nonpay status, and are recalled to duty in accordance with preestablished conditions of employment.

A. Pay. Gross basic pay is computed by multiplying the employee's hourly rate of pay by the total of the hours worked and the hours of paid leave during the pay period.

B. Leave. On-call employees earn leave during the time in a pay status and during the first 80 hours in nonpay status each year.

C. Deductions. On-call employees under career or career-conditional appointments are subject to deductions (such as retirement, health insurance, and life insurance) on the same basis as full-time employees.

★ 070305. Piecework Employees. General authority for scheduling work and excusing absences of piecework employees is granted under 56 Comp. Gen. 393 (1977) (reference (p)) and 5 U.S.C. 6101 and 6104 (reference (b)). Piecework employees excluded from health insurance coverage are employees paid on a piecework basis except those whose work schedule provides for regular or full-time service or for part-time service with a regular tour of duty. Refer to the OPM Operating Manual, Federal Wage System (reference (q)) for information on piece rate schedules. For life insurance purposes, the annual pay for a pieceworker is the total basic earnings exclusive of premium earnings for overtime or holidays, for the previous calendar (52-week) year. Whenever the piecework rate changes, annual pay is adjusted by applying the percentage increase or decrease

in rate. If the pieceworkers had LWOP during the year, the year's earnings or adjusted earnings are divided by the number of days for which they were paid (work and leave with pay) and the average daily rate so obtained multiplied by 260 to determine annual pay. For new employees, use the first year's annual pay during the previous calendar year for pieceworkers doing similar work in their group, subject to any further adjustment of the average during the first year. Unless covered by an exception, employees paid on a piecework basis, except those whose work schedule provides for regular or full-time service, are excluded from retirement coverage by the OPM regulation. See the CSRS and FERS Handbook for Personnel and Payroll Offices (reference (i)) and 5 C.F.R. 831.201(a) (reference (l)).

0704 REEMPLOYED ANNUITANTS

070401. General

A. Employees Retired from Competitive Service

1. Regulations Governing Reemployment. Instructions governing the reemployment of employees retired from the regular competitive service under CSRS and FERS are contained in the CSRS and FERS Handbook for Personnel and Payroll Offices (reference (i)). At the time of appointment, an SF 2806/3100 is prepared for each new employee subject to the CSRS or FERS, except for a reemployed annuitant who may qualify for a supplemental annuity as defined in the CSRS and FERS Handbook for Personnel and Payroll Offices (reference (i)), when chapters 100-102 are published. In that case the SF 2806/3100, showing service history only, is prepared at the time of separation.

2. Disabled Annuitants Who Recover Before Reaching Age 60. Annuity payments shall be discontinued during their reemployment and retirement deductions shall be taken from their salary.

3. Annuitants Involuntarily Separated (for Reasons Other than Age). When an annuitant's reemployment is subject to a retirement system, the annuity payments shall be discontinued and deductions shall be taken from his or her salary. When their reemployment is not subject to the retirement system, annuity payments shall be continued, and the agency shall reduce the employee's pay by the amount of the annuity, and no retirement deductions shall be taken. See the CSRS and FERS Handbook for Personnel and Payroll Offices (reference (i)).

4. All Other Reemployed Annuitants. Annuity payments shall be continued during an annuitant's reemployment. The agency shall reduce the employee's pay by the amount of the annuity, and no retirement deductions shall be taken from his or her salary. See the CSRS and FERS Handbook for Personnel and Payroll Offices (reference (i)).

B. Former Members of Congress

1. Continued Annuity. Under P.L. 86-604 (reference (e)), the retirement annuity of former members of the Congress shall continue with no resulting increase, when

reemployed by a federal agency subsequent to December 31, 1958. Such reemployment shall be in an appointive position on an intermittent service basis with compensation, or on a full-time or substantially full-time basis without compensation (5 U.S.C. 8344(d)) (reference (b)).

2. Notice to OPM. The OPM Retirement and Insurance Programs, Annuitant Services Division, Washington, DC 20415, shall be notified immediately of the name of any former member of the Congress when employed in an appointive position on an intermittent service basis with compensation or on a full-time or substantially full-time basis without compensation.

070402. Reimbursement to the Office of Personnel Management For Annuity Paid to Retired Civil Service Employees While Reemployed

A. General. Activities employing retired Civil Service employees, whose annuities continue during reemployment, are required to reimburse the Civil Service Retirement and Disability Fund for the gross amount of the annuity paid by the OPM allocable to the period of actual employment. The payment to the OPM is shown on DD Form 592 as "Annuitants Cost to OPM."

B. Reimbursement. The gross amount of an annuity paid by the OPM to a reemployed annuitant, applicable to each pay period, shall be entered on the SF 2812. This will serve as a schedule of voucher deductions. The completed SF 2812 is forwarded to the OPM. In addition to other items, this form must show the agency's 8-digit payroll office number, the pay period from and to dates and the amount being remitted.

C. Separation of Reemployed Annuitant. Upon separation of a reemployed annuitant, the OPM shall be notified. Each notice shall contain the annuitant's name, date of birth, SSN, retirement claim number (if available), and date of separation. In the event an annuitant is eligible for a supplemental annuity, the civilian payroll office shall prepare an SF 2806/3100, listing all service subsequent to retirement. The SF 2806/3100 should be forwarded to the OPM as provided in the CSRS and FERS Handbook for Personnel and Payroll Offices, chapter 41 (reference (i)), together with the annuitant's new SF 2801 (Application for Immediate Retirement-CSRS) or SF 3107 (Application for Immediate Retirement-FERS).

070403. Prorating Annuities for Appropriate Reductions of Wage and General Schedule Salaries

A. General. Upon reemployment, the HRO provides the SF 50 data to the civilian payroll office as to the amount of annuity being received by a reemployed annuitant.

B. Employees Retired from the Competitive Service. A reemployed annuitants who retain his or her annuity shall have his or her salary reduced by a sum equal to the retirement annuity allocable to the period of actual employment. The appropriate reduction and adjusted salary shall be determined as follows:

1. An annuitant reemployed on an annual pay basis shall have his her per annum salary reduced by the amount of the annual annuity. The remainder of the salary is computed in amounts payable on a biweekly pay period basis. Payment for overtime worked is based on an annuitant's full rate of basic pay before any reduction by the amount of their annuity.

2. An annuitants reemployed on an hourly pay basis shall have his or her daily or hourly rate of pay converted to the per annum equivalent. The per annum rate reduced by the total amount of the annuity being received by the employee. The remainder shall be reconverted to a per diem or per hour rate, as appropriate.

3. The civilian payroll office adjusts the reimbursement to the OPM following increases in an annuity as provided in the CSRS and FERS Handbook for Personnel and Payroll Offices (reference (i)), and the OPM instructions issued with periodic cost-of-living adjustments.

C. Former Members of Congress. Former members of the Congress who are employed in an appointive position on an intermittent service basis and who retain their annuities shall have their salaries reduced by a sum equal to the retirement annuity allocable to the period of actual employment. The amount of annuity allocable to each pay period shall be processed as a payroll deduction rather than as a reduction in pay period earnings as is the case with reemployed competitive service annuitants. Therefore, annuities withheld shall not reduce earnings for tax and other purposes. Annuities withheld in the case of former members of the Congress shall be remitted to the OPM as prescribed in paragraph 070402.

070404. Processing. Retirement deductions are optional for CSRS reemployed annuitants, and there is no requirement for a matching government contribution. Retirement deductions are required for FERS reemployed annuitants however,, and government contributions are also required. These deductions are computed on the reemployed annuitant's basic pay before any offset due to receipt of an annuity. Deductions for Medicare (CSRS employees) or Social Security/Medicare (FERS employees) are computed on the amount remaining after subtraction of the annuity offset, in accordance with SSA guidance. Federal, state, and local taxes are computed on the amount remaining after subtraction of the annuity offset. TSP contributions are computed for a reemployed annuitant using the base salary prior to the salary offset for the annuity (TSP Bulletin 97-12) (reference (an)). Sick leave reported to the OPM cannot be recredited upon reemployment (5 C.F.R. 630.407) (reference (l)).

070405. Computation of Lump-Sum Leave Pay. Under the provisions of 5 U.S.C. 8344 (reference (b)), the lump-sum payment for unused annual leave due a reemployed annuitant upon separation, including those retired from the competitive service and former members of Congress, shall be computed on the basis of the employee's wage or salary rate fixed for his or her position or occupation without reduction for the amount of annuity received by the employee.

0705 DECEASED EMPLOYEES

★ 070501. General. See 5 U.S.C. 5581-5583 (reference (b)). An SF 1152 (Designation of Beneficiary Unpaid Compensation of Deceased Civilian Employee) and an SF 1153 (Claim for Unpaid Compensation of Deceased Civilian Employee) are forwarded by the HRO to the civilian payroll office. Deceased civilian employees include former employees who die after separation from the employing installation and before receipt of final pay and allowances. Refer to paragraph 070508. for information on the death gratuity payment authorized under P.L. 104-208 (reference (e)). Unpaid compensation includes all pay, allowances, or other amounts due at the time of death, such as:

A. Current salary (including any retroactive salary)

B. Savings bonds (if no co-owner or beneficiary was designated) and savings bond balance

C. Unclaimed or non-negotiated checks. A collection voucher is required to be prepared for non-negotiated returned checks

D. Cash awards

E. Foreign and nonforeign area differentials and allowances

F. Lump-sum annual leave payment

G. Travel reimbursement

H. Severance pay.

★ 070502. Payment. Upon notice of the death of a civilian employee, the civilian payroll office takes action to prepare an SF 1154 (Public Voucher for Unpaid Compensation Due a Deceased Civilian Employee) to permit prompt payment of the amounts due. In accordance with the OPM regulations issued pursuant to 5 U.S.C. 5581-5583 (reference (b)), in certain instances the amounts due may be paid directly as indicated on the SF 1153 from the HRO. In certain other instances outlined in subparagraph 070502.B, however, the amounts due may be made only after being authorized by the OPM on the basis of claims forwarded to the OPM.

A. Direct Payment. Direct payment is permitted to claimants legally entitled to such payments. When paying more than one beneficiary, the civilian payroll office shall apply percentages due each beneficiary as specified by the deceased. If the deceased did not specify any percentages, the civilian payroll office shall divide the total amount equally among the eligible claimants. The legal claimants are determined based on the following order of precedence:

1. The beneficiary or beneficiaries designated by the employee in writing to receive such compensation. The designation must have been filed with the employee's employing activity prior to the employee's death;

2. The widow or widower of the employee;

3. The child or children of the employee, and descendants of deceased children by representation;

4. The parents or surviving parent of the employee;

5. The duly appointed legal representative of the estate of the employee, or if none, the person or persons entitled under the laws of the domicile of the employee.

★ B. Payment After OPM Certification. Certain claims are sent to the Claims Division of the OPM for certification before payment is made. After the OPM certifies the SF 1154, it is returned to the civilian payroll office for payment. These include claims when doubt exists either as to the amount or validity of the claim or as to the person or persons properly entitled to payment.

★ C. Submission for OPM Certification. For those claims required to be settled by the OPM before payment, the civilian payroll office shall perform the following actions.

1. Write a letter of transmittal to the office identified in paragraph 060401. The following shall be included:

a. Statement regarding designation of beneficiary.

★ b. Reason why referral to the OPM is recommended. As appropriate, cite unusual circumstances surrounding the death of the employee, or eligibility of the claimant(s) to receive the unpaid compensation.

c. Amount and nature of indebtedness, if any.

d. Statement that the claim has not been and will not be paid until certified in the name of the Comptroller General.

2. Attach the following to the letter of transmittal:

★ a. Original, with the required number of copies, of the SF 1154 and subvouchers. On the SF 1154 in the block for the name of the payee, place the phrase "Payment After OPM Certification."

b. Certified copy of the leave record.

c. Copy of time and attendance report for the period covered by the voucher.

070503. Computation of Amount Due. Pay earned through the date of death and lump-sum payment for unused annual leave shall be computed and shown on a regular biweekly payroll disbursement voucher or a special payroll voucher with a charge to the applicable appropriation and other applicable accounting information. The following instructions govern deductions from unpaid salary:

A. Retirement. If the employee was covered by a retirement system, deduct the retirement contribution from unpaid salary earned through the date of death.

B. Social Security and Medicare Portions of the FICA Tax. If the employee was subject to Social Security/Medicare, deduct for Social Security/Medicare tax from unpaid salary earned before the date of death and from lump-sum payment for unused annual leave earned after December 31, 1950 (IRS Circular E) (reference (h)). Gross wages earned in the calendar year through the date of death, subject to the statutory limitation, are subject to Social Security/Medicare. Social Security/Medicare taxes will be withheld on wages paid to a beneficiary or to the estate of the deceased employee in the calendar year of death. If payment is made after the calendar year of death, such wages are exempt from Social Security/Medicare taxes.

C. Federal Income Tax. Do not deduct FITW from unpaid salary earned by an employee through the date of death (IRS Circular E) (reference (h)).

D. State Tax. Do not deduct withholding for state or (territory or District of Columbia) income tax from the unpaid salary and lump-sum leave earned by an employee through the date of death.

E. Local Tax. Do not deduct withholding for local taxes from the unpaid salary and lump-sum leave earned by an employee through the date of death.

F. FEHB. If the employee had premium withholdings for FEHB, and there is a survivor eligible to continue the enrollment, make withholdings and contributions for the periods for which pay is due. This includes the pay period during which death occurred, subject to the applicable 4-day rule provisions in subparagraphs 040802.B.8. and 040802.B.10.

G. FEGLI. If the employee was subject to FEGLI, deduct for premiums for the periods for which pay is due, including the pay period during which death occurred.

H. Savings Bonds. Do not deduct for savings bonds from unpaid wages nor issue bonds after date of death.

I. TSP. Deductions for TSP and for any TSP loans outstanding will be made.

J. Allotments. Make no deduction for the pay period in which death occurred.

K. Other Deductions. Make any additional deductions required under specific cases, such as indebtedness.

070504. Lump-Sum Payment for Accrued Leave. Do not deduct retirement, federal, state, or local income tax, health benefits, life insurance, or savings bonds from lump-sum payment.

070505. Preparation of the Withholding Tax Statement

A. Decedent Form W-2. Include gross amounts for final pay for the pay period of death and lump-sum annual leave payments as "Social Security Wages" or "Medicare Wages and Tips" only if these amounts are paid to the estate or beneficiary in the same year as the death of the employee occurs. Do not include gross amounts for final pay for the pay period of death or lump-sum annual leave payments as "Wages, Tips, Other Compensation" on the decedent's Form W-2.

B. Form 1099-MISC. Prepare an Form 1099-MISC for amounts payable to the decedent's estate or beneficiary(s). Include in "Prizes, Awards, Etc." the gross amounts for final pay for the pay period of death, lump-sum annual leave, and other moneys such as travel reimbursements received.

C. Federal Income Tax. Deceased employee's unpaid wages are not subject to federal income tax withholding in either the calendar year in which the employee died or afterwards.

070506. Transfer of Funds. The unpaid compensation is placed in deposit fund account --X6875 (Suspense) pending receipt of a claim for the compensation. If a claim has not been received within 1 year from the date the amount was placed in the deposit fund account, transfer the funds as follows:

A. Transfer to deposit fund account 20X6133 (Payment of Unclaimed Moneys) unpaid compensation that meets the following criteria: amount is $25 or more; a refund, upon claim, would be absolutely justified; there is no doubt as to legal ownership of the funds; and a named individual can be identified with the item. Subsequent payment of claims from this account shall be made by preparing an SF 1154 citing account 20X6133 and the account of the disbursing officer that supports the consolidated civilian payroll office.

B. Transfer to miscellaneous receipt account --1060 (Forfeitures of Unclaimed Money and Property) if the claim for unpaid compensation is less than $25 or amounts greater than $25 that do not meet all the provisions for account 20X6133. Subsequent payment of claims from this account shall be made by preparing an SF 1154 citing account 20X1807 (Refund of Money Erroneously Received and Recovered) and the account of the disbursing officer that supports the consolidated civilian payroll office.

070507. Processing of Agency Certification of Life Insurance Status for Employee Death Cases Within DoD. When an employee dies, the SF 2821 (Agency Certification of Insurance Status) is processed under the guidance in the Federal Employees Group Life Insurance Handbook for Personnel and Payroll Offices (reference (z)). The same official cannot make the two certifications of personnel and payroll record data on the SF 2821. To help reduce the time survivors or beneficiaries must wait on insurance benefits from the Office of Federal Employees' Group Life Insurance, the following expedited processing of SF 2821 shall be accomplished within DoD.

A. For collocated HROs and civilian payroll offices. The HRO completes and forwards the SF 2821 upon notification of death of the employee, to the servicing civilian payroll office for certification. The civilian payroll office certification shall be completed and all copies of the SF 2821 returned to the HRO within 24 hours after receipt by the civilian payroll office.

B. For HROs geographically separated from civilian payroll offices. The HRO completes and mails the SF 2821, upon notification of death of the employee, to the civilian payroll office for certification. The civilian payroll office's certification shall be completed within 24 hours after receipt by the civilian payroll office. The civilian payroll office shall express-mail all copies of the SF 2821 back to the HRO.

★ 070508. Death Gratuity Payment. P.L. 104-208 (reference (e)) authorizes payment of a death gratuity to the personal representative of an employee who dies from an injury sustained in the line of duty on or after August 2, 1990.

★ A. Documentation. The civilian payroll office must receive a letter of authorization from the HRO before payment is issued. The letter must contain the following:

1. Deceased employee name

2. Employee SSN

3. Amount of gratuity to be paid

4. Name and address of the personal representative to receive the payment

5. Name and telephone number of the responsible individual to be contacted for the appropriate fund cite to be charged for payment.

★ B. Payment. An SF 1049 shall be prepared in the amount indicated and made payable to the personal representative. Payment shall be made by the close of business the following work day after receipt of the fund cite. The death gratuity payment is not considered wages for the purpose of Social Security, Medicare, or federal, state or local tax withholding.

★ C. Reporting. Form 1099-R (Statement for Recipients of Total Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, etc.) shall be prepared by the civilian payroll office and forwarded to the personal representative with a copy of the SF 1049 and the

authorization letter from the HRO. The civilian payroll office shall retain a copy of the completed SF 1049, Form 1099-R, and the authorization letter received from the HRO.

0706 EXPERTS AND CONSULTANTS

★ 070601. General. Title 5, United States Code, Chapter 31 (reference (b)) prescribes the conditions governing employment of experts and consultants. The civilian payroll office pays experts and consultants based on the SF 50 data received from the HRO.

070602. Compensation to be Paid. Determination of the specific rate to be paid experts and consultants, including the decision to pay no compensation, is made on an individual case basis. The rate for experts and consultants is not to exceed the amount authorized by the statute under which the individual's services are obtained. Normally compensation is equivalent to salaries in the GS-13 through GS-15 range. These grades are excluded from entitlement to interim geographic adjustment and locality pay.

070603. Overtime and Limitation on Pay. Because experts and consultants generally are paid on a daily rate basis, they are not entitled to more than the daily rate prescribed in the appointment documents for each day of service regardless of the number of hours worked. The designation of a regular tour of duty in the appointment documents does not necessarily preclude receipt of compensation at the agreed daily rate for work performed outside of that tour of duty-- for example, if such an employee works 6 days a week, the 6th day is paid at the straight time rate rather than the overtime rate. Experts and consultants employed on a daily basis may be paid the rate of basic compensation for work on days outside the prescribed tour of duty, provided the compensation within any biweekly pay period does not exceed the rate of basic pay for Level V of the Executive Schedule (58 Comp. Gen. 90 (1978)) (reference (p)).

070604. Salary Increases. Unless the appointment documents prescribe that General Schedule increases under 5 U.S.C. 5305 (reference (b)) automatically apply to these individuals, and without administrative action authorizing a consequent increase under 5 U.S.C. 5307 (reference (b)), an expert or consultant is not entitled to a pay increase on the basis of an increase in the General Schedule. The SF 50 data from the HRO notifies the civilian payroll office of the proper salary increase.

070605. Holiday Pay. Unless the appointment documents expressly provide for holiday pay, an expert or consultant employed on a daily basis is not entitled to compensation for holidays on which no work was performed (Comp. Gen. Decision B-131259, January 23, 1976) (reference (p)). The SF 50 data from the HRO notifies the civilian payroll office of the proper holiday pay, by an express statement that the employee is entitled to holiday pay.

★ 070606. Offset of Uniformed Services Retired Pay. As required by 5 U.S.C. 5532 (reference (b)), certain former members of the uniformed services are subject to reduction in retired pay if employed in the federal service (including experts and consultants). The employing activity is responsible for notifying the supporting DFAS Center which determines the amount of retired pay, if any, to be withheld (5 C.F.R. 550.601-603) (reference (l)).

070607. Exception from Dual Pay Restriction. Generally, an individual is prohibited by statute from receipt of basic pay from more than one position for more than an aggregate of 40 hours of work in one calendar week. Under one exception to this restriction, an individual is entitled to pay for service on an intermittent basis from more than one consultant or expert position, provided the pay is not received for the same hours of the same day per 5 U.S.C. 5533(d)(1) (reference (b)).

070608. Annual and Sick Leave

A. An expert, consultant, or other employee who serves on an intermittent or other basis without a prearranged regular tour of duty does not earn annual and sick leave (5 U.S.C. 6301(2)(ii)) (reference (b)).

B. An expert, consultant, or other employee who serves on a regularly prescribed tour of duty, full-time or part-time, does earn annual and sick leave. The HRO should determine the regular tour of duty in advance and should annotate the appointment document specifically to show whether the employee earns leave (58 Comp. Gen. 167 (1978)) (reference (p)) and (5 C.F.R. 630) (reference (l)). The accrual rate is the same as for other full-time and part-time federal employees as discussed in 5 C.F.R. 630 (reference (l)).

070609. Retirement, Life Insurance, and Health Benefits. An expert, consultant, or other employee whose service is intermittent or temporary for 1 year or less is not covered under the retirement systems and is ineligible for life insurance and health benefits. Coverage is continued, however, if an employee currently covered by retirement, life insurance, or health benefits is appointed as an intermittent or temporary (full-time or part-time) expert or consultant without a break in service or after a separation from the service of 3 days or less. To continue life insurance coverage for an intermittent employee, there must be an expectation that the employee will return to the previous position on a full-time basis.

0707 LEGALLY INCOMPETENT EMPLOYEES

070701. General. The HRO notifies the civilian payroll office in writing when an employee is found to be legally incompetent. The HRO sends the civilian payroll office the SF 50 data that shows the employee's separation because of mental incompetence. The employee also may be on an extended leave of absence, and the HRO shall so inform the civilian payroll office. The civilian payroll office makes no payments to the employee once it has been informed that the employee is declared legally incompetent. A claim must be filed on the employee's behalf before the pay account can be settled. No specific form is required to file a claim for amounts due mentally incompetent employees or former employees. The claim must be filed in writing over the signature of the person claiming on behalf of the incompetent. If the claim is from other than a guardian or committee, the Office of General Counsel that supports the servicing payroll office should be consulted prior to making payment.

A. Guardian or Committee. The initial claim filed by the guardian or committee of the estate of a legally incompetent employee must be accompanied by a certificate of the court showing the appointment and qualification of the claimant as guardian or committee. After the first payment has been made, subsequent recurring payments may be made to the same payee without further claim as long as the appointment as guardian or committee remains in effect and the matter is otherwise free from doubt. Subsequent payment vouchers will include a citation to the voucher upon which the initial claim was paid.

B. Other than Guardian or Committee. If a guardian or committee has not been or will not be appointed, the initial claim must be supported by a sworn statement that identifies:

1. The claimant's relationship to the legally incompetent employee, if any;

2. The name and address of the person having care and custody of the legally incompetent employee;

3. A remark that any amount paid to the claimant shall be applied only to the use and benefit of the legally incompetent employee;

4. A remark that no appointment of a guardian or committee is contemplated.

070702. Claim Action. Upon receipt of a claim, consider the proposed date of separation to determine whether compensation is due currently or a payroll voucher for final settlement should be processed. To avoid invalid payments when the employee is carried on extended paid leave, the HRO will monitor the case for any changes in the employees condition, and advises the civilian payroll office immediately. File the claim in the employee's file of documents.

070703. Processing Claims. The civilian payroll office may pay claims for unpaid amounts due to legally incompetent employees unless it doubts the amount or validity of the claim or it doubts the claimant's proper entitlement to the payment.

A. Any unclaimed, undelivered, or uncashed salary checks drawn in favor of the employee are to be returned to the disbursing officer for cancellation and credit to the appropriation or fund originally charged.

B. The net amount of any returned check is to be posted to the pay record. Adjustment of the items originally deducted from the gross pay is not required if the proceeds of the check are due the employee. If the proceeds of the check are not due, prepare an SF 1098 (Schedule of Canceled or Undelivered Checks) to cancel the check and make proper adjusting entries for the deductions from gross pay.

C. Compute the amount to be paid to the claimant. Process any further payments due to the employee each pay period in the regular payroll cycle; for example, payments due when the employee is carried on sick leave.

1. Prepare a statement for all arrears of pay due. Include the net amount of any uncashed checks if the proceeds are due.

2. Enter the following on the payroll voucher (such as on a DD Form 592 under "OTHER"):

a. "Mentally Incompetent Employee." In addition, enter the name of the proper claimant and capacity in which serving, followed by the name and SSN of the mentally incompetent employee.

b. Citation of the designated deposit fund account.

c. Amount due the claimant.

3. On receipt of a properly executed claim and/or court certificate, prepare an SF 1049 to effect the disbursement of the funds from the deposit fund account designated on the payroll voucher to the claimant. The claimant's name and address appear on the voucher along with the employee's name and SSN, and the pay period. The voucher is forwarded to the disbursing officer for payment.

4. Forward a copy of the processed voucher to the claimant. A copy should also be filed in the employee's file.

5. Include in the final payment any lump-sum payment for annual leave, refund of bond balances, and any other salary amount to which the employee is entitled.

6. Record in the payroll records the official date that the employee is declared legally incompetent. Also, the name and address of the claimant shall be recorded in the payroll records.

★ 070704. Processing Doubtful Claims for OPM Certification. Doubtful claims shall be submitted to the OPM following the procedures outlined in section 0604.

★ A. Prepare the voucher for the net amount due a mentally incompetent employee per paragraph 070703. This voucher (along with the required number of copies) is sent to the OPM. After the OPM certifies the voucher, it will be returned to the submitting office for payment.

★ B. Enter "Local Payment After OPM Certification" on the face of the voucher. The OPM adds the name and legal capacity of the claimant on the voucher.

C. Certify the voucher and attach the following:

1. Claimant's legal authorization, including any certificate of the court showing appointment and qualifications of the claimant.

2. Claim from the claimant (such as letter from the guardian, administrator, etc.)

★ 3. Statement of the doubtful aspects and the reason the civilian payroll office recommends referral of the claim to the OPM.

★ 4. Certificate stating that the claim has not been and will not be paid until certified.

D. Retain a copy of the voucher and supporting documents in the employee's file.

0708 MISSING PERSONS, CAPTURED OR INTERNED

070801. General. Civilian personnel who are determined officially to be missing are entitled to continued pay and allotments from their pay under the Missing Persons Act (5 U.S.C. 5561-5568) (reference (b)) and the Terrorism Compensation Act (5 U.S.C. 5569) (reference (b)). Missing status includes persons:

A. Missing

B. Missing-in-action

C. Interned in a foreign country

D. Captured, beleaguered, or besieged by a hostile force

E. Detained in a foreign country against the employee's will.

070802. Actions by the Civilian Payroll Office

A. Upon receipt of an official determination that a civilian employee is in a missing status, return any unclaimed or uncashed checks to the disbursing area.

B. The civilian payroll office retains responsibility for the employee's pay, leave and retirement records.

C. The initiation, continuance, discontinuance, increase, decrease, suspension, or resumption of an allotment from the pay and allowances of an employee in a missing status, is

authorized when that action is in the interests of the employee, the dependents, or the United States (5 U.S.C. 5563) (reference (b)). These allotments shall comply with section 0414.

1. Allotments authorized by an employee before the missing status began normally are continued for the period of absence.

2. The missing employee's dependents may receive an allotment of the employee's pay. Dependent payments cannot exceed the employee's net pay. The needs of the dependents, the number of dependents and their relationship to the employee, however, should be considered when determining the payment amount. If possible, reserve a reasonable amount each pay period to ensure that the employee will have funds available upon return.

D. The pay and allowances of a missing employee in a captive status may be allotted to an interest bearing savings fund established by the Secretary of the Treasury (5 U.S.C. 5569) (reference (b)). Captive status means a missing status which, as determined by the President, arises because of a hostile action and is a result of the individual's relationship with the government. All or any portion of the employee's pay and allowances may be allotted to the extent that such pay and allowances are not subject to an allotment under 5 U.S.C. 5563 (reference (b)) as outlined in subparagraph 070802.C.

E. Maintain the pay account on a pay-period basis. Include normal deductions for retirement, FICA, federal and state income tax withholding, FEHB, FEGLI, and savings bond deductions in the totals for the regular payroll voucher. Schedule savings bonds for issuance when the full purchase price has been deducted on the individual pay record. Savings bonds are mailed to the person(s) in whose name(s) the bonds are registered. If not mailable, savings bonds are kept in safekeeping at the supporting DFAS Center.

F. Establish a special leave account to restore any annual leave forfeited by an employee while in a missing status after January 1, 1965.

070803. Termination of Absence. Do not separate employees while they are entitled to pay and allowances under the Missing Persons Act (5 U.S.C. 5561-5568) (reference (b)).

A. When an employee returns from a missing status, the civilian payroll office promptly vouchers the balance withheld from the employee and furnishes a resume of allotments started and paid in the employee's absence. Charge the accounting classification that was current when the pay accrued. The employee initiates any allotment discontinuances or change documents for any allotments that may have been started or changed during the absence. The civilian payroll office pays future salaries using normal payroll procedures.

B. When the employee returns from missing status, furnish a statement of the special leave account balance to the employee's HRO. The employee elects, in writing, whether payment or credit for the leave is desired. If payment is requested, make the payment at the employee's rate of pay in effect when the leave was forfeited.

C. Upon receipt of official notice of the employee's death or presumed death, take actions outlined in section 0705.

D. Charge the pay adjustment or final settlement, including local allotment payments to dependents, to the appropriated fund account that bore the employee's salary.

0709 EMPLOYEES TRANSFERRED TO INTERNATIONAL ORGANIZATIONS

070901. General. Under 5 C.F.R. 352.301-352.314 (reference (l)), an employee who transfers to an international organization (IO) may elect to keep coverage for CSRS, FEGLI, and FEHB. Refer to subparagraphs 070901.A. and 070901.B. for TSP contributions. The employee is required to deposit the amount of the employee payments for these programs with the civilian payroll office. The employee's employing activity pays employer contributions for retirement, insurance, and health benefits coverage. The HRO notifies the civilian payroll office in writing when a transferred employee wishes to keep any one or all of these benefits.

A. A CSRS and CSRS-Offset employee who transfers to an IO can continue his or her CSRS retirement coverage. (Note: the CSRS-Offset employee reverts to full CSRS coverage during the transfer to the IO.) If an employee transferred prior to October 1, 1988, he or she can contribute to the TSP. If an employee transferred on or after October 1, 1988, he or she cannot contribute to the TSP (5 U.S.C. 8347(o)) (reference (b)).

B. A FERS employee who transfers to an IO is eligible to continue his or her retirement coverage under special procedures if he or she continues Social Security coverage (the CSRS and FERS Handbook for Personnel and Payroll Offices, chapter 12) (reference (i)). Since the employee is covered by FERS, he or she can contribute to the TSP.

070902. Computation of Payments

A. Compute amounts for retirement and FEGLI on the rate of basic compensation the employee was receiving at the time of transfer. If these amounts are changed by law or regulations while an employee is serving with an IO, recompute the amounts based on notification from the HRO and notify the employee and the IO (if applicable) of the effective date and new amount.

B. Compute FEHB on the cost of the plan of the employee's choice. If the enrollment cost changes while the employee is serving with an IO, recompute the amount based on notification from the HRO and notify the employee and the IO (if applicable) of the effective date and new amount.

C. When the SF 50 data is received showing a step increase, or general pay increase, recompute the amounts due under subparagraph 070902.A.

070903. Time of Payments. The HRO advises transferred employees to make payments promptly for each pay period. Payments are considered current, however, if received within 3 months after the end of the pay period covered by the payment (5 C.F.R. 352.309(c)) (reference (l)). The civilian payroll office advises the HRO (and carrier for FEHB) of any delayed payments. Failure to deposit payments on time ends the employee's coverage.

070904. Accounting for Payments. A DD Form 1131 (Cash Collection Voucher) is used to deposit, into a deposit fund established for such purposes, amounts received either from the individual or the employing organization. An SF 1081 (Voucher and Schedule of Withdrawals and Credits) is used to transfer the employer's contribution, if required, from the appropriation which would have been charged for the employee's pay to the proper deposit fund account. Total amounts (employee payments and contributions) are included on the current SF 2812, or prepare a supplemental, to make the total payment to the OPM. The employee's SF 2806/3100 is posted with the total annual retirement costs paid by the employee. The employee's status is shown in the Remarks section. The IO keeps an SF 2806/3100 for the entire term of employment, unless the OPM asks for it.

★ 070905. Leave Account. Employees who are transferred to an IO may elect to receive payment for accumulated annual leave or have it remain to their credit until they return to federal employment. Employees may also request payment at any time before reemployment. The HRO sets the date of separation to allow employees to use all accumulated annual leave that might otherwise be forfeited. The civilian payroll office prepares and delivers an extra copy of the SF 1150 to the employee. Upon reemployment, the civilian payroll office uses a copy of the SF 1150 to recredit sick leave and annual leave, if applicable. If the employee accepts a lump-sum payment and is reemployed within 6 months after transfer to the IO, the employee must refund the amount of the lump sum (5 U.S.C. 3582, reference).

070906. Equalization Allowances. Title 5, United States Code, section 3582(b) (reference (b)) authorizes those employees transferred to an IO, upon reemployment, to be paid an equalization allowance if the IO pay and other monetary allowances are less than the employees would have received had they been detailed from their federal jobs (5 U.S.C. 3343) (reference (b)). For conditions of entitlement, see 5 C.F.R. 352.310 (reference (l)).

A. The equalization allowance applies to employment with an IO that occurs after December 29, 1969.

B. Employees transferred to an IO are entitled to be paid an amount equal to the difference between the pay, allowances, post differential, and other monetary benefits paid by the IO and the pay, allowances, post differential, and other monetary benefits that would have been paid by the federal employer had the employees been detailed to the IO under 5 U.S.C. 3343 (reference (b)). This applies to employees (1) on reemployment, or (2) on death, if it occurs while transferred to, or during the period after separation from, an IO when the employees are exercising, or could exercise, their reemployment rights, or (3) if the employees cannot exercise their reemployment rights because of a disability incurred while transferred to an IO

C. To determine the difference, the Secretary of State defines pay for the federal government as the amount paid an employee after deductions of federal, state, and local taxes (5 C.F.R. 352.310(a)(1)) (reference (l)). Pay for IOs following the Common System of Salaries and Allowances of the United Nations and Specialized Agencies is the amount paid an employee after deduction of the staff assessment. Pay for other IOs is the tax-free pay plus a pro rata amount equal to the corresponding United Nations staff assessment. In cases when pay is subject to federal, state, and local taxes, this is the pay before deduction of the taxes.

D. Allowances, post differential, and other monetary benefits are defined by the Secretary of State as follows:

1. Federal Government. The amount that would have been paid under 5 U.S.C. 5921-5925 (reference (b)), applicable provisions of chapters 100, 200, and 500 of the DSSR (reference (t)) , and implementing agency regulations had the employees been detailed to an IO under 5 U.S.C. 3343 (reference (b)).

2. IOs Following the Common System of Salaries and Allowances of the United Nations and Specialized Agencies. The amount paid under pertinent provisions of the Staff Regulations and Rules of the United Nations and Specialized Agencies.

3. Other IOs Not Under the Common System of Salaries and Allowances of the United Nations and Specialized Agencies. The amount paid under pertinent conditions of service applied by the organizations as determined to be appropriate by the releasing agency with the concurrence of the Secretary of State.

E. Travel and subsistence expenses, transportation of effects, and leave are not considered monetary benefits for equalization allowance.

F. In exceptional circumstances when a hardship or an inequity would otherwise occur, the Secretary of State, on the recommendation of the head of the agency, may specify allowances or other monetary benefits instead of, or in addition to, those specified above.

G. The payment of equalization allowance is chargeable to the appropriation current at the time of disbursement and is subject to federal and state income tax deductions.

0710 EMPLOYEES TRANSFERRED TO STATE, LOCAL, OR INDIAN TRIBAL GOVERNMENTS OR TO INSTITUTIONS OF HIGHER EDUCATION AND OTHER ELIGIBLE ORGANIZATIONS

★ 071001. General. Title 5, Code of Federal Regulations, part 334, (reference (l)) contains information regarding temporary assignment of employees between executive agencies and states, local governments, Indian Tribal Governments, institutions of higher education, and

other eligible organizations. An employee's pay and leave provisions are in the employee's assignment agreements. If procedural problems arise in complying with the assignment agreements, contact the HRO.

0711 EMPLOYEES WHOSE WHEREABOUTS ARE UNKNOWN

071101. General. In the event an employee's whereabouts is unknown and payment cannot be made to the employee, the amount should be transferred to a suspense account. If the money is still unclaimed after 1 year, transfer the amount to the deposit fund account 20X6133 (Payment of Unclaimed Moneys).

0712 AIR TRAFFIC CONTROLLERS

071201. Retirement. Air traffic controllers have a unique retirement deduction percentage for CSRS and FERS employees. These rates are published by the OPM in the CSRS and FERS Handbook for Personnel and Payroll Offices, chapters 30 and 46 (reference (i)).

071202. Leave. Leave accruals are based on guidelines published in 5 C.F.R. part 630 (reference (l)).

071203. Overtime Computation. For an employee who occupies a non-managerial position, the overtime rate of pay is an amount equal to one and one-half times the hourly rate of basic pay of the employee. The entire amount is considered premium pay. To be eligible for such pay, the duties of a non-manager's position must be critical to the immediate daily operation of the air traffic control system, directly affect aviation safety, and involve physical or mental strain or hardship.

0713 PERSONNEL ON LONG TERM FULL-TIME TRAINING

071301. General. Long term full-time training is defined as a training period of 120 consecutive workdays or more (5 U.S.C. Chapter 41) (reference (b)) (5 C.F.R. Part 410) (reference (l)). Employees on long term full-time training are authorized payment of salary.

071302. Leave. Leave is reported via the time and attendance reporting mechanism and is administered as specified for the following leave types:

A. Annual Leave. Personnel on long term full-time training shall continue to accrue annual leave. Ordinarily, an employee will be charged with annual leave during school vacation periods which fall on government workdays, unless he or she returns to the work site or has made documented arrangements with his or her DoD point of contact to be actively involved in academic work. These documented arrangements should be accomplished well in advance of the vacation periods. Annual leave charges are reported to the civilian payroll office on the employee's time and attendance report.

B. Sick Leave. Personnel on long term full-time training shall continue to accrue sick leave. Sick leave should be charged when the person is unable to attend classes due to illness. Such sick leave charges are reported to the civilian payroll office on the employee's time and attendance report.

0714 EMERGENCY MEDICAL TECHNICIAN (EMT)

071401. Tour of Duty. The EMT works a special tour of duty of 24 hours on and 48 hours off. Schedules and changes to tours of duty for an EMT working irregular tours must be on file in the employing activity/timekeeper site. Eating and sleeping time also must be documented. The hourly rate is multiplied by 40 hours, and the base pay and premium pay is based on this weekly rate regardless of the hours in the scheduled tour of duty for that week.

071402. Eating and Sleeping. Adequate sleeping facilities must be provided for employees in order to exclude sleep time in calculating pay entitlements. If an employee cannot get an aggregate of 5 hours of sleep because of employing activity-initiated interruption, the entire sleep period is considered actual work time. For all 24-hour shifts, the two-thirds rule shall apply. This means that unless actual eating and sleeping time of less than 8 hours is documented on the employee's time and attendance report, 8 hours shall be deducted from scheduled hours to determine actual hours worked. When an employee takes 24 hours of leave, 8 hours of eating and sleeping time for that employee are deducted from actual hours of work under FLSA. Eating and sleeping time for days of partial leave must be documented on the time and attendance report so that actual hours of work are shown. Eating and sleeping time scheduled during leave periods shall be added to total eating and sleeping time so that total hours of actual work and total hours of eating and sleeping time will be shown. If an employee works an additional 24-hour overtime shift, 8 hours of eating and sleeping time are deducted unless otherwise documented as worked. If the overtime shift is less than 24 hours, no eating and sleeping time is deducted.

★ 071403. Overtime Computation. If leave is taken during a workweek, leave hours are included as actual hours worked under FLSA. Actual hours, however, shall not include scheduled eating and sleeping time for a 24-hour shift or documented eating and sleeping time for partial days of leave. Overtime computations are based on 40 hours per week instead of 80 hours per biweekly pay period.

★ 071404. Leave Accrual. Employees on uncommon tours of duty who repeating on a cycle of more than one biweekly pay period (e.g., a three biweekly pay period cycle) accrue leave based on the average hours in the biweekly tour. An EMT on a tour of duty of 96 hours for one biweekly pay period, and 120 hours for each of the following two biweekly pay periods, works an average tour of 112 hours per pay period, accrues leave based on a 112-hour tour of duty. See DoD 1400.25-M, subchapter 630 (reference (u)).

071405. Premium Pay. The amount of the premium pay for the irregular tour of duty shall be determined by the HRO and reported on the SF 50. An EMT employed as intermittent is not entitled to premium pay on an annual basis, nor is he or she entitled to paid leave. An EMT is paid under regular overtime rules.

★ 071406. Refer to 5 C.F.R. Part 551 (reference (l)) for additional guidance on pay administration for EMTs under the FSLA (reference (n)).

0715 JUDGES

071501. Administrative Law Judges

A. Authority. Under 5 U.S.C. 3105 (reference (b)), the Department appoints administrative law judges as necessary for proceedings required to be conducted in accordance with 5 U.S.C. 556 and 557 (reference (b)). Administrative law judges are assigned to cases in rotation so far as practicable. These employees may not perform duties inconsistent with their duties and responsibilities as administrative law judges.

B. Pay for Administrative Law Judges. Title 5, United States Code, section 5372 (reference (b)) established the administrative law judge pay system. The minimum rate for administrative law judge positions is set at 65 percent of Level IV of the Executive Schedule and the maximum rate is set at 100 percent of Level IV of the Executive Schedule. The administrative law judge positions are (lowest to highest) AL-3, Rate A; AL-3, Rate B; AL-3, Rate C; AL-3, Rate D; AL-3, Rate E; AL-3, Rate F; AL-2; and AL-1.

★ 071502. U.S. Court of Military Appeals Judges. The U.S. Court of Military Appeals is established under Article I of the United States Constitution, and 10 U.S.C. 941 through 946 (reference (ar)). The President of the United States, with the advice and consent of the United States Senate, appoints the judges of the court for a term of 15 years. The court consists of five judges. The court is located within the Department of Defense for administrative purposes. The judges are employees as defined under 5 C.F.R. Part 213 (reference (l)). They are not considered administrative law judges. The salaries of the judges are equal to that of the judges of the United States Courts of Appeals (that is, General Schedule Salary Table, Schedule 7, Judicial Salaries). The maximum annual salary is that of Level I of the Executive Schedule.

A. Entitlements. The judges are entitled to regular base pay only. They are excluded from the leave provisions of 5 U.S.C. 6301(2) (reference (b)). As federal judges under 5 U.S.C. 5541(2)(i) (reference (b)), they also are excluded from the provisions of premium pay under 5 U.S.C. Chapter 55, Subchapter V (reference (b)).

B. Deductions

1. Judges under CSRS are required to contribute 8 percent for retirement. Judges under FERS have the same deduction rate as other FERS employees. See the CSRS and FERS Handbook for Personnel and Payroll Offices, chapter 30 (reference (i)).

2. The FEGLI for the judges is based on Level II of the Executive Schedule.

3. The judges are subject to the Social Security/Medicare maximum salary limitations.

4. Judges, upon becoming eligible for retirement, may, under the provisions of 10 U.S.C. 945(i) (reference (ar)), elect to retire either under CSRS or FERS (if they otherwise meet the conditions of those systems) or to receive a retirement annuity under 10 U.S.C. Article 145 (reference (ar)).

★ C. Special Retirement and Survivor Benefits for Judges of the United States Court of Military Appeals. Under Article 145, 10 U.S.C. 941 through 946 (reference (ar)), judges upon becoming eligible may elect to receive a retirement annuity from the Defense Military Retirement Fund. The DFAS-Denver Center serves as the "payroll office" for employees receiving these benefits. It carries out activities such as:

★ 1. Maintain individual retirement records of individuals who elect annuity benefits under 10 U.S.C. 945 (reference (ar)).

★ 2. Issue annuity payments from moneys in the Defense Military Retirement Fund, including the collection of applicable federal and state income taxes, and collections of debts owed the U.S. Government.

★ 3. Arrange with the OPM for transfer of moneys, including interest payments authorized under 10 U.S.C. 945(a))3)(C) (reference (ar)), from the Civil Service Retirement Fund to the Defense Military Retirement Fund.

★ 4. Withhold, as appropriate, contributions from annuity for payment of federal health and life insurance premiums, make correct agency contributions, and transmit these moneys to the Civil Service Retirement Fund.

★ 5. Readjust annuity payment when events change retiree or survivor entitlements.

★ 6. Account for retirement moneys received from the OPM and disbursed to benefit recipients, insurance carriers, and federal and state tax entities.

★ 7. Cease annuity payment if employee receiving annuity elects judiciary retirement benefits under 10 U.S.C. 945(g) (reference (ar)).

★ D. Judges of the United States Court of Appeals for the Armed Forces. Judges in receipt of annuity under 10 U.S.C. 945 (reference (ar)) are responsible for advising Washington Headquarters Service (WHS) of dual compensation circumstances under 10 U.S.C. 945(f) (reference (ar)) and elections of judicial retirement benefits under 10 U.S.C. 945(g) (reference (ar)).

0716 AUXILIARY CHAPLAINS

071601. General. Civilian clergy may be assigned to perform essential religious services of the chapel program that are beyond the staffing capabilities of the Armed Forces chaplains. These auxiliary chaplains normally perform their services on military installations, except for emergency ministrations. To serve as auxiliary chaplains, civilian clergy must be ordained or accredited by a faith group recognized by the Armed Forces Chaplain Board. They must meet those additional qualifications required by the Armed Forces.

071602. Appointing and Paying Auxiliary Chaplains

A. Auxiliary chaplains may be appointed by the HRO on a "when actually employed" basis. They are paid on a fee basis from the employing activity's appropriated funds for civilian personnel (such as Operation and Maintenance funds). The HRO may appoint these chaplains under the authority of 5 C.F.R. Part 213 (reference (l)).

B. Additionally, the installation contracting office may obtain auxiliary chaplain services under non-personal services contracts. Auxiliary chaplains placed on a non-personal services contract are not paid through the civilian payroll system. They are paid through the commercial vendor process.

C. Work Schedules. Auxiliary chaplains employed on a "when actually employed" basis have no work schedule. They are paid for religious services performed.

D. Absence and Leave. There is no entitlement for leave.

★ E. Entitlements. The pay scale for auxiliary chaplains is determined by the employing activity's HRO. Because chaplains are excluded from the definition of a GS employee in 5 U.S.C. 5102 (reference (b)), they are also excluded from the entitlement to interim geographic adjustments. Social Security, Medicare, federal and state income tax withholdings are made in accordance with the tax documents filed by the chaplain. Social Security, Medicare, federal and state income tax withholdings do not apply to chaplains under non-personal service contracts.

★0717 SERVICE SECRETARIES

★ 071701. Secretaries of the Military Departments (Army, Navy, and Air Force) are paid 24 pay periods a year on a semi-monthly basis on the 1st and the 15th of the month.

★ 071702. Time and attendance is not reported. Accrual and usage of annual and sick leave is not authorized. Service Secretaries are not eligible for premium pay.

★ 071703. Deductions for FEHB and FEGLI must be calculated on a semi-monthly basis. Federal, state and local taxes are calculated on a semi-monthly basis. Deductions are made for Social Security, Medicare, retirement, and TSP.

CHAPTER 8

UNDERPAYMENTS AND INDEBTEDNESS

0801 UNDERPAYMENTS

080101. Salary underpayments to civilian employees or former employees resulting from errors (such as in computing the federal withholding tax, retirement deductions, Social Security/Medicare tax, rate of pay, or in reporting time and attendance) may be corrected by increasing or decreasing the pay factors affected on the first payroll prepared after the error is discovered. Salary payments to civilian employees shall be made in accordance with the time and attendance reported and certified by the employee's supervisor. Time and attendance reported which is less than an employee's normal work schedule shall be presumed to reflect accurately the hours of work and nonwork. Employees or former employees who believe they have not been credited with pay due them may follow the claims procedures prescribed in section 0604.

080102. Special Payments. Salary underpayments to civilian employees may be corrected by making special payments to employees, that is, payments to employees other than through normal payroll processing.

A. The primary guideline for making a special payment (for an underpayment) is that the employee must have received less than 90 percent of his or her regular biweekly pay and allowances. Special payments shall be made for the following reasons:

1. Beneficiary payments, upon request.

2. Employees who erroneously are omitted from the payroll.

★ 3. Employees who are paid for less than 90 percent of their regular biweekly pay and allowances, when a special payment is requested by the commanding officer/director of the employing activity or his or her designee.

4. Employees who are placed in an LWOP status for payroll processing, and subsequently substitute advanced leave, annual or sick, and/or donated leave upon certification. The commanding officer/director, after reviewing each case for hardship, may request a special payment for employees provided the 90 percent guideline has been met.

B. Requests for partial payment of salary before the regular payday shall not be honored.

C. Special payments for overtime worked but not reported and, therefore, not paid in the corresponding pay period shall not be allowed.

D. Employees shall receive payment depending upon the normal distribution of their net pay. An EFT submission shall be sent to the employee's financial institution or a Treasury check shall be express mailed to the employee at his or her address of record. Payment shall be released by the close of business on the workday following receipt, by the civilian payroll office, of documentation required to substantiate payment. Payments to beneficiaries shall be made via Treasury check and mailed to the address of record. The following documentation is required to substantiate payment:

1. Beneficiaries may request a special payment by sending a letter, to the civilian payroll office, stating that payment is needed to defray expenses. The special payment shall be issued providing the civilian payroll office has received all the documentation to support the claim from the human resources organization (HRO). The civilian payroll office forwards a payment voucher and beneficiary's request to the disbursing office for payment.

2. For an individual erroneously omitted from the payroll, an SF 50 verifies the individual's employment and the supervisor's request, and certifies number of hours the employee worked together with source documents to support deductions, is needed to support payment.

3. For an employee paid for less than 90 percent of his or her regular biweekly pay and allowances, a copy of the time and attendance report or corrected time and attendance report and a request by the commanding officer/director are required to support payments.

4. For an employee placed in a LWOP status, who meet the primary 90 percent guideline, time and attendance certifier will provide corrected time and attendance reports and the commanding officer's request to the civilian payroll office to support the payment request.

E. The DoD civilian payroll offices shall use DD Form 592 as the voucher for requesting special payments.

★ F. Computation of Special Payments. Special payments shall be computed using the "gross-to-net" method. Gross-to-net payments represent the regular biweekly pay and allowances normally due the employee less any required deductions and withholdings. Deductions and withholdings may be for retirement (CSRS and FERS), Social Security and Medicare, federal tax, health benefits premiums, group life insurance premiums (basic and optional), state tax, city or local tax, TSP, or TSP loan repayment, indebtedness, military service credit deposits, and garnishments. Deductions and withholding amounts and the applicable appropriations shall be annotated on the payment voucher for direct disbursement. The following procedures are applicable for gross-to-net special payment processing:

1. No pay received. The employee shall be paid gross entitlements less applicable deductions and withholdings listed in subparagraph 080102.F. Exclude deductions for voluntary allotments and savings bonds. The employee is responsible for any existing voluntary

allotments. All deductions and withholdings shall resume the following pay cycle, including voluntary allotments and savings bonds.

2. Less than 90 percent of regular biweekly pay and allowances received. The employee is entitled to the difference between what was paid and what should have been paid. The civilian payroll office shall deduct additional amounts for applicable items listed in subparagraph 080102.F., unless previous payroll processing has satisfied the deductions. The employee shall be responsible for any existing voluntary allotments that were not deducted during previous processing. All deductions and withholdings shall resume the following pay cycle.

3. Final special payment. An employees who received his or her final pay as a special payment should be paid gross entitlements less all required deductions and withholdings of items listed in subparagraph 080102.F. Additionally, the employee may receive a payment for accrued savings bond balances for which bonds have not been issued. The employee is responsible for voluntary allotments. The employee's final pay is subject to withholdings to liquidate any unsatisfied government indebtedness.

G. Processing of special payments made after the last regular pay period of the pay year, but before the end of the calendar year.

★ 1. Federal, state, and local taxes, Social Security and/or Medicare withheld from special payments made after the last regular pay date, but before the end of the calendar year, shall be forwarded to the applicable offices as soon as possible after the end of the year. (Note: When computing or making deductions for Social Security, the civilian payroll office shall ensure the employee has not reached maximum withholdings for the year.) In completing the supplemental DD Form 592 for any canceled checks or special payments, the civilian payroll office shall include all deductions and contributions for Social Security and/or Medicare, federal, state, and local taxes. If the Forms W-2 (Wage and Tax Statement) have not been printed, the civilian payroll office shall process updates to ensure special payments or canceled checks are included in the history totals for subsequent Form W-2 printing. If Forms W-2 have been printed, the civilian payroll office shall issue Forms W-2c (Corrected Wage and Tax Statement) in accordance with IRS Circular E (reference (h)) and Form 941c.

2. Process an SF 1081 (Voucher and Schedule of Withdrawals and Credits) to correct an employee's CSRS or FERS retirement deductions withheld from a special payment. Input the SF 1081 during the next pay cycle to correct both the prior year-to-date and cumulative retirement deductions and the current year opening balance.

3. Special payments for TSP participants are subject to TSP deductions provided the employee has not reached the maximum deduction or contribution level established by law. TSP deductions withheld from special payments after the last regular pay date in the pay year, but before the end of the calendar year, shall be combined with the next pay cycle for reporting and submission to the NFC.

H. Since a special payment is an off-line process and employees do not receive a regular LES, the civilian payroll office shall provide information to the employee of the effects of the special payment.

I. Taxation of Retroactive Payments

1. Time and Attendance. All time and attendance retroactive transactions shall be taxed using the rate associated with the current Form W-4. Combine the retroactive wages with the wages from the last pay period prior to the current to determine the basis to recompute tax withholdings. Recompute the taxes and determine the retroactive tax withholdings by subtracting the taxes withheld during the last pay period from the recomputed taxes.

2. Retroactive Wage Increases. Retroactive wage increases shall be considered as supplemental wages and taxed at the flat 28 percent rate if taxes were withheld from regular wages during the last preceding payroll period in which wages were paid within the same calendar year. If taxes were not withheld from those regular wages, the rate associated with the current Form W-4 should be used.

3. Supplemental Payments (Awards, Lump-Sum Leave, Separation Pay Incentives). Supplemental payments shall be taxed at the flat withholding rate of 28 percent if taxes were withheld from regular wages during the last preceding payroll period in which wages were paid within the same calendar year. If taxes were not withheld from wages, the rate associated with the current Form W-4 rate should be used.

0802 INDEBTEDNESS

080201. General

★ A. The Department shall collect indebtedness due the United States promptly in accordance with the Debt Collection Improvement Act of 1996, section 31001 of P.L. 104-134 (reference (e)), the Debt Collection Act of 1982, P.L. 97-365, as amended (reference (e)), the Federal Claims Collection Standards, 4 C.F.R. Parts 101-105 (reference (ba)), 5 C.F.R. Parts 179 and 550 (Subpart K) (reference (l)), and DFAS Regulation Number 005 (reference (w)). Volume 5 of this Regulation also should be consulted regarding indebtedness and debt collection. There are four ways to collect debts owed to the United States by civilian employees:

1. The employee consents to pay or permits withholding from pay;

2. The government collects involuntarily from the employee's current salary or pay where authorized by statute;

3. The government collects involuntarily by offset from any other amounts payable to the employee by the government when authorized by statute; or

4. The government files suit in court against the employee and prevails.

B. When specific statutory authority exists for the collection of a particular debt, the provisions of that statute and its implementing regulations must be used in determining the applicable collection procedures (64 Comp. Gen. 142 (1984)) (reference (p)). When a more specific statute that authorizes collection in a particular case does not exist, use the collection authority (either 5 U.S.C. 5514 (reference (b)) for offset from current pay or 31 U.S.C. 3716 (reference (d)) for offset from other amounts due, as appropriate) to collect debts to the United States.

1. Title 5, United States Code, section 5514 (reference (b)) authorizes collection from those civilian employees who are indebted to the United States. Generally, the amount deducted may not exceed 15 percent of disposable pay (as defined in subparagraph 080307.B.2.) unless the employee gives written consent that a greater percentage may be deducted. The employee must be given an opportunity for a hearing, in addition to other due process requirements, before offset is initiated. See section 0803 for processing collections under this statute.

2. Title 31, United States code, section 3716 (reference (d)) authorizes collection of debts from final pay and lump sum leave payments of civilian employees. This statute is, in effect, a catchall provision that applies only when there is no other offset statute available. There is no limit on the maximum rate of collection under this statute, and all money payable to a person by the government is subject to offset. See paragraph 080309 for procedures used in processing collections under this statute.

C. Under 4 C.F.R. 102.3(b)(5) (reference (ba)), salary or administrative amounts payable to employees shall be offset involuntarily before initiation of, or at any time during, due process procedures if failure to take the offset would substantially prejudice the civilian payroll office's ability to collect the debt; time before payment must be made does not reasonably permit completion of the procedures; and such prior offset is promptly followed by due process procedures.

D. When an employee owes more than one debt to the United States, deductions currently being made normally shall continue until the debt is paid. However, the civilian payroll office shall change the priority of the deductions when necessary to ensure maximum amounts are collected before any statute of limitations expires. Debts owed by employees to more than one DoD Component or another federal agency shall be collected in the following priority sequence:

1. Debt to the employee's employing agency or department.

2. Debt to other DoD Components

3. Debt to other federal agencies

080202. Overpayments of Pay and Allowances

★ A. Overpayments to employees result from such causes as errors in computing federal withholding tax, CSRS or FERS deductions, or Social Security and/or Medicare deductions, improper rates of pay, errors in reporting time worked, and erroneously accrued annual leave. These may be discovered both inside and outside the civilian payroll office. The head of each DoD civilian payroll activity has the overall responsibility for ensuring that all overpayments are recovered expeditiously from the recipients or that other appropriate disposition, such as waiver of the indebtedness, is accomplished. He or she also is shall ensure that employees are afforded all legal rights relative to the indebtedness arising from overpayments. These responsibilities may be delegated to another appropriate official within the financial community.

B. The following debts are not authorized as payroll deductions:

1. Collection of debts to private creditors, except as authorized by P.L. 103-94, "Hatch Act Reform Amendments of 1993" (reference (e)).

2. Contributions to charities, except as authorized in subparagraph 041402.J.

3. Payment of insurance premiums, except as authorized in subparagraphs 041402.C. and D., international agreements, or arrangements with foreign governments.

4. Payment of dues to civic, fraternal, or other organizations, except as authorized in subparagraph 041402.I.

5. Collection of state and local/city tax indebtedness.

6. Collection of debts owed to NAF instrumentalities.

0803 RECOVERY OF OVERPAYMENTS OF PAY AND ALLOWANCES FROM CURRENT DOD EMPLOYEES

080301. General. The authority to collect overpayments of pay and allowances resulting from civilian payroll operations by salary offset is 5 U.S.C. 5514 (reference (b)). The civilian payroll office:

A. Computes the amount of the overpayment

B. Notifies the HRO immediately if corrective personnel action is required. Continued payments of erroneous pay and allowances shall not be authorized

C. Provides the employee due process before collecting an overpayment of pay and allowances paid by the civilian payroll office

D. Corrects the employee's records when appropriate.

080302. Debts for Health Benefits or Life Insurance Coverage

A. If an employee elects coverage or changes coverage in a federal benefits program (e.g., the FEHB or FEGLI program), and the amount to be collected accumulated over four pay periods or less, under 5 C.F.R. 550.1104(c) (reference (l)) all deductions pertaining to the period of coverage may be made without the necessity of affording the employee full due process (written notification, opportunity for a hearing, etc.) under 5 U.S.C. 5514 (reference (b)). In such cases, the civilian payroll office notifies the employee either in advance or concurrent with the actual collection that, (1) because of the employee's election, future salary shall be reduced to cover the period between the effective date of the election and the first regular withholding, and (2) the employee may dispute the amount of the retroactive collection by notifying the civilian payroll office for resolution of the dispute. An appropriate notice on the LES may meet the requirement for notification.

B. The Federal Employees Health Benefits Handbook for Personnel and Payroll Offices (reference (y)) states that a reasonable installment rate to liquidate the debt should not be set above 25 percent of the employee's net pay unless the employee requests a higher rate, or the expected period of continued employment is such that a higher rate is needed to complete recovery in the time available. If processing delays exceed four pay periods, full due process procedures prescribed under 5 U.S.C. 5514 (reference (b)) shall be extended to the employee as outlined in section 0803. The Federal Employees Health Benefits Handbook for Personnel and Payroll Offices (reference (y)) contains the procedures pertaining to debts arising from the payment of health benefit premiums for periods of nonpay status or when salary is insufficient to cover the required premiums.

080303. Notification

A. Under the provisions of 5 C.F.R. 550.1104 (reference (l)), the civilian payroll office, or another official responsible for collection of the debt, shall issue an appropriate written demand for voluntary lump-sum payment. The demand letter shall be issued as soon as possible following the discovery of the overpayment, and shall request that the payment be made within 30 days from the date of the letter. Debts not paid by the date specified in the demand letter are delinquent unless other satisfactory payment arrangements have been made by that date, or if at any time later, the employee fails to satisfy obligations under a repayment agreement. Only one written demand is required. The civilian payroll office or the official responsible for collection of the debt must be able to demonstrate that the employee has received the demand letter. Therefore, if hand delivery and execution of a receipt is not practical, a certified or registered notice with return receipt requested should be used. Care must be exercised to ensure that the letter either is mailed or hand delivered on the same day it is dated. When employees are given time limits to reply to civilian payroll office correspondence, 15 additional days will be allowed if the correspondence must go through non-U.S. mail systems. See Figure 8-1 for a copy of the demand letter and Figure 8-2 for a sample voluntary repayment agreement. The letter must contain the following information

1. A complete statement of facts showing the origin and amount of the debt and the basis on which the determination of indebtedness was made:

2. A request that the debt be repaid by check or money order within 30 days of notification.

3. The intention to collect the debt by means of payroll deductions if payment is not received within 30 days.

4. The amount, frequency, proposed beginning date, and duration of the deductions.

5. An explanation of policy concerning interest, penalties, and administrative costs, including a statement that such assessments must be made unless excused per the Federal Claims Collection Standards.

6. The right of the employee and his or her representative to inspect and copy government records relating to the debt or to request a copy of such records within 10 days from receipt of this letter.

7. The opportunity for the employee to establish a schedule for the voluntary repayment of the debt or to enter into a written agreement to establish a schedule for repayment of the debt in lieu of offset.

8. A statement that, if the employee has any question regarding the indebtedness, he or she may ask for and receive an explanation from the civilian payroll office. Also, a statement advising that, if the employee wishes to contest the indebtedness (request a reconsideration), he or she may do so by submitting a written statement to that effect within 15 calendar days of the date of the notification. This right of reconsideration is separate from, and may be used in addition to, the right to request a hearing discussed in paragraph 080305.

9. A statement identifying the employee's opportunity for a hearing on the determination concerning the existence, or the amount, of the debt; or when a repayment schedule is established other than by written agreement, a hearing concerning the terms of the repayment schedule. The statement also shall advise that a request for a hearing on either the existence of the debt, the amount of the debt, or the repayment schedule must be made in writing within 30 days of the receipt of the notice of indebtedness or within 45 days after the receipt of the records relating to the debt, if such records are requested by the employee.

10. Notice, if a hearing is given, of the employee's right to receive a written decision from the official holding the hearing within 60 days after the filing of the petition unless the employee requests, and the hearing official grants, a delay in the proceedings.

11. A statement that the timely filing of a petition for a hearing shall stay the beginning of collection proceedings, and that interest and penalty charges shall not accrue during the period from the timely filing of a petition for a hearing until issuance of the hearing official's decision.

12. A statement that any knowingly false or frivolous statements, representations, or evidence may subject the employee to:

a. Disciplinary procedures appropriate under 5 U.S.C. chapter 75 (reference (b)); 5 C.F.R. 752 (reference (l)), or any other applicable statutes or regulations;

b. Penalties under the False Claims Act, 31 U.S.C. 3729-3733 (reference (d)), or any other applicable statutory authority; or

c. Criminal penalties under 18 U.S.C. 286, 287, 1001, and 1002 (reference (bb)) or any other applicable statutory authority.

13. A statement that the employee may request a waiver of the overpayment of pay in accordance with 5 U.S.C. 5584 (reference (b)) (see paragraph 080306.).

14. A statement that amounts paid or deducted for the debt, which are later waived or found not to be owed to the U.S. Government, shall be refunded promptly to the employee upon his or her request.

15. The specific address to which all correspondence shall be directed regarding the debt.

B. The civilian payroll office is encouraged to notify an employee informally by telephone of an overpayment of $100 or less. If an employee agrees with repayment of the overpayment, the civilian payroll office forwards a voluntary repayment agreement (see Figure 8-2) for the employee to complete and return. After receiving the signed voluntary repayment agreement, the civilian payroll office shall begin collecting the indebtedness as indicated on the agreement. If requested by the employee, and agreed to by the civilian payroll office, the remittance can be deferred for up to two pay periods with the agreement adjusted to reflect that deferral. If, for any reason, the civilian payroll office does not receive payment or a signed voluntary repayment agreement, the civilian payroll office prepares the formal written notification prescribed by subparagraph 080303.A.

080304. Inquiries and Reconsiderations

A. The civilian payroll office must respond courteously and factually to any questions raised by the employee as a result of his or her receipt of the demand letter. Copies of relevant documents requested by the employee must be furnished. The civilian payroll office must be prepared to respond not only to inquiries regarding pay and leave entitlements, but also to inquiries regarding the nature of the employee's rights and how to exercise these rights. Although

the submission by the employee of a written statement contesting the debt does not abrogate the employee's right to a hearing, all reasonable efforts shall be made to satisfy an employee's doubts regarding the amount or validity of the debt within the civilian payroll office's own resources, thus precluding the need for a hearing in most instances. If the employee requests reconsideration of the debt, the request shall be made within 15 days of receipt of the demand letter.

B. If the employee does submit a written statement contesting the debt, the civilian payroll office shall respond, in writing, stating its conclusion in a clear manner. Such determinations are to be delivered to the employee within 15 days of receipt of the employee's letter. If additional time is needed to investigate the issue, the employee shall be advised of the delay in an interim response. This response shall also provide an estimate of when a final determination can be expected. If the civilian payroll office concurs with the employee's position, the letter shall so inform the employee.

C. If the civilian payroll office's determination reaffirms the employee's indebtedness, then the written response again shall advise his or her of the employee's right either to petition for a hearing or to request a waiver. The time period for requesting a hearing (normally 30 days from notification) shall be extended by the time elapsed between the employee's written request for reconsideration and the civilian payroll office's response. For example, if the employee seeks reconsideration of the debt on the 12th day following receipt of the notification and the civilian payroll office reaffirmed the indebtedness 8 days later, the letter reaffirming the debt shall advise that a hearing request must be received within 18 days following the reaffirmation.

080305. Hearings. Hearings are a due process requirement of 5 U.S.C. 5514 (reference (b)) which must be afforded employees before their current salary can be involuntarily offset to collect an indebtedness to the U.S. Government. One exception relates to collections for debts for health benefits or life insurance coverage as discussed in paragraph 080302. Employees may petition for a hearing to contest the following items: (1) the existence of the debt; (2) the debt amount; and (3) the amount of an involuntary offset schedule. If an employee wants a hearing concerning the existence or amount of the debt or the proposed offset schedule, he or she must file a petition with the civilian payroll office not later than 30 days from the date that he or she received the notification of the intent to collect by salary offset or within 45 days after receipt of records, if such records were requested by the employee. The employee's petition or statement shall identify and explain with reasonable specificity and brevity the facts and evidence that he or she believes support his or her position.

A. General

★ 1. All hearings are arranged and conducted in accordance with 4 C.F.R. 102.3(c) (reference (ba)) and Volume 5 of this Regulation. Hearings for debts owed to any DoD Component by a DoD employees should be held by eligible DoD Components according to Volume 5, Table 30-1 of this Regulation. The Defense Debt and Claims Management Office of the DFAS-Denver Center shall process all requests for hearings. There are two basic types of hearings--oral hearings and administrative hearings (written submissions). If an employee petitions for a hearing after the receipt of a demand letter, the civilian payroll office must determine whether the

employee is entitled to an oral hearing or an administrative hearing (comprised of written submissions). Unless specifically waived by the employee, an oral hearing must be provided when:

a. An applicable statute authorizes or requires the agency to consider waiver of the indebtedness involved, the employee requests waiver of the indebtedness and the waiver determination is based on an issue of credibility or veracity; or

b. The employee requests reconsideration of the debt and the civilian payroll office decides that the question of the indebtedness cannot be resolved solely on review of the documentary evidence.

2. An oral hearing is not required if the particular indebtedness is of the type that rarely involves issues of credibility or veracity, and the civilian payroll office, with the concurrence of the DFAS Office of General Counsel, has determined that a review of the written record is generally adequate in such cases. An employee who has petitioned for a hearing, but under the above criteria is not entitled to an oral hearing, shall be provided an administrative hearing. The determinations of the hearing regarding the existence or amount of the debt or the terms of the offset schedule shall be made based on written submissions by the employee and the civilian payroll office. The timely filing of a petition for a hearing will stay the beginning of collection procedures until after the results of the hearing have been rendered except as identified in subparagraph 080201.C.

B. Oral Hearings

1. Since civilian payroll overpayments seldom present issues of credibility or veracity, the need for oral hearings under the guidelines contained in subparagraph 080305.A.1. will be extremely rare. When a civilian payroll office has received a petition for an oral hearing and it is of the opinion, with the concurrence of the DFAS Office of General Counsel, that an oral hearing is required under the criteria specified in subparagraph 080305.A.1, an official hearing should be arranged in accordance with the guidance outlined in Volume 5, Chapter 30 of this Regulation. Once the identity of the hearing official is determined, the civilian payroll office shall be instructed to make specific arrangements with that official, to include the identification of a fund cite for travel expenses if necessary.

2. In the case of oral hearings, the civilian payroll office is responsible for informing the employee that, in addition to the requirements contained in subparagraph 080305.C. for administrative hearings, the employee also must state in the petition the identity of the witnesses that will be called to testify on the employee's behalf and their anticipated testimony. The civilian payroll office advises the employee also to provide a copy of the records the employee intends to introduce at the hearing if they differ from the ones provided by the civilian payroll office. The civilian payroll office also advises the employee of the requirement for naming any person that he or she wishes to be represented by at the hearing.

3. The civilian payroll office is responsible for notifying the employee of the time, date, and location of the hearing. To the extent feasible, a location convenient for the

employee shall be selected. The employee will be responsible for paying his or her own travel expenses. Civilian payroll office personnel will represent the government at the oral hearing, and will maintain a summary record of the hearing. In addition, the civilian payroll office must advise both the hearing official and the employee of any witnesses it plans to call and a summary of its anticipated testimony. No later than 15 days prior to the hearing, the civilian payroll office also will provide the employee and the hearing officer a copy of the records in the agency's possession relating to the debt, .

4. If an employee has been granted an oral hearing, he or she may waive that right in favor of a written submission. Such an election must be made in writing and must be received by the civilian payroll office at least 3 working days before the original hearing date. If the employee fails to file a petition for a hearing before the deadline date, fails to file the required submissions, or fails to appear at a scheduled hearing, the right to a hearing is forfeited. The employee may petition the hearing official for a determination that the employee had good cause for the failure to comply with the established deadline date. If the employee fails to appear at the hearing, then he or she may petition the hearing official for a determination that the employee had good cause for failure to appear at the hearing. In either instance, the hearing official may then find that the employee has not waived the right, and may direct that a hearing be scheduled or rescheduled.

C. Administrative Hearings. An employee shall be advised to send his or her petition for a hearing directly to the civilian payroll office. A single document shall serve both as the petition for a hearing and the employee's complete, documented position as to why the he or she disagrees with the civilian payroll office regarding the existence of the debt or the amount of the debt. The precise contents of the petition are described in Figure 8-1 of attachment 1. There is no standardized format for these petitions. The civilian payroll office shall review all petitions. Petitions regarding erroneous overpayment shall include the information (in detail) as described by the checklist in Figure 8-3. If the civilian payroll office concurs with the employee's position, it will notify the employee in writing of its concurrence. If, after considering the statement and supporting documentation, the civilian payroll office reaffirms its previously stated position, it will prepare a letter indicating the reasons for its position. The letter, which will include the employee's petition as an enclosure, shall be submitted to the location identified in Volume 5, Table 30-1 of this Regulation. A copy of the submission shall be sent to the employee.

D. Determination

1. Within 60 days after the filing of the petition, the hearing official shall render a written decision on the merits of the hearing that discusses the basic facts offered and the hearing official's findings and conclusions. Both the civilian payroll office and the employee shall receive a copy of the determination. If the determination upholds the position of the civilian payroll office, that office shall recommence collection action after sending the employee a letter which states the following (see Figure 8-4 for a sample of the required letter):

a. A brief statement of the hearing official's decision:

b. A request that the employee repay the debt in full within 15 calendar days following the date of the letter, authorize a voluntary one-time offset to repay the debt, or arrange an installment liquidation schedule with the civilian payroll office.

c. A statement that, unless the employee informs the civilian payroll office of his or her decision regarding the above options by the deadline indicated, a salary offset shall begin with the pay period in which the deadline expires. The letter shall be specific as to the payday on which the offset shall occur.

d. The amount of the offset and its estimated duration. This shall be equal to the amount of the debt, or 15 percent of the employee's disposable pay, whichever is less.

e. A statement regarding the assessment of interest, administrative expenses, and penalties.

f. A reminder of the employee's right to request waiver of the overpayment.

2. If the hearing official's determination upholds the employee's position as to the existence of the debt, the civilian payroll office shall inform the employee that the debt no longer isconsidered valid under 5 U.S.C. 5514 (reference (b)). The hearing official's decision is final as to the issue of involuntary offset, but not final as to the issue of whether the debt is owed. If the hearing official reduces the amount of the debt, the civilian payroll office shall issue a letter to inform the employee, and begin collection action for the new amount.

E. Hearings versus Reconsiderations. An employee who disputes the existence or amount of a debt has a right to request reconsideration and/or a hearing. Since hearings are a more formal and costly means of resolving these disputes, every effort shall be made to use the reconsideration right as an alternative to a hearing. The employee, however, has a statutory right to a hearing and must be granted this right whether or not the employee has attempted and failed to seek reconsideration of the debt. See paragraph 080304 for a discussion on reconsiderations.

080306. Waivers of Erroneous Payments of Pay and Allowances

★ A. General. Authority is provided by 5 U.S.C. 5584 (reference (b)) and 4 C.F.R. Parts 91 and 92 (reference (ba)) for the waiver of claims of the United States against a civilian employee arising out of an erroneous payment of pay or allowances made after June 30, 1960. The Comptroller General of the United States issued implementing standards authorizing the head of an executive agency to waive such claims in an amount aggregating not more than $1500. The Under Secretary of Defense (Comptroller) has delegated this waiver authority to the Director, DFAS by memorandum dated January 29, 1992 (reference (k)). The DFAS Director redelegated this authority to the Director of the DFAS-Denver Center. The exercise of this authority shall be coordinated with the affected DoD Component, where appropriate. See DFAS Regulation Number 005 (reference (w)). The Defense Debt and Claims Management Office at the DFAS-Denver Center is exercising waiver authority within the Department except for the waiver authority that has

been delegated to the Director of DoDEA for DoDEA employees by DoD Directive 1342.20 (reference (bc)).

1. Under 4 C.F.R. 91.5 (reference (ba)), a waiver may be granted only when the collection would be against equity and good conscience and not in the best interests of the United States. Generally, these criteria will be met by a finding that the erroneous payment occurred through administrative error and there is no indication of fraud, misrepresentation, fault, or lack of good faith by the employee or any other person having an interest in obtaining a waiver of the claim.

2. Generally, a waiver is precluded when an employee or other person who has an interest in obtaining a waiver receives a significant unexplained increase in pay or allowances, or otherwise knows, or reasonably should know, that an erroneous payment has occurred, and fails to make inquiries or bring the matter to the attention of appropriate officials. A waiver under this standard depends upon the facts existing in each particular case. The Comptroller General, however, has long held that a waiver shall not be granted if it appears the employee had records (such as LESs) which, if reviewed, would have indicated an overpayment, and the employee failed to review such documents for accuracy or otherwise failed to take corrective action. Such failure on the part of the employee renders the employee partially at fault. See Comp. Gen. B-253969, November 1, 1993 (reference (p)) and Comp. Gen. B-226465, March 23, 1988, (reference (p)).

3. Economic or financial considerations play no role in the determination of a waiver request.

★ 4. The Defense Office of Hearings and Appeals (DOHA) or the DFAS-Denver Center must receive application for waiver within 3 years from the date the erroneous payment was discovered. Date of discovery, for the purposes of starting the 3-year period, is the date that an appropriate official first determines that an erroneous payment has been made.

★ 5. The application for waiver shall be considered as the application for refund, and (if the claim is subsequently waived), the agency shall refund the amount collected to the employee. However, no refund shall be paid where the employee cannot reasonably be located within 2 years after the effective date of the waiver. See 4 C.F.R. 92.6 (reference (ba)).

★ B. Manner of Submission. Indebted employees shall be notified of overpayments of pay and allowances by the civilian payroll office. A copy of the waiver request instructions shall be included in the debt notification letter the civilian payroll office sends to the employee. The submission of waiver requests must be limited to cases in which all doubt regarding the validity or amount of a debt has been resolved. If an employee decides to apply for a waiver, he or she shall prepare an application for waiver of erroneous payments and send it to the civilian payroll office. The civilian payroll office shall provide additional information in the form of a written report containing a chronological summary of the facts and circumstances (4 C.F.R. 92.3) (reference (ba)), attach copies of pertinent records, and forward the complete package to the

Defense Debt and Claims Management Office of the DFAS-Denver Center, Attn: DFAS-DE/FYCT, 6760 East Irvington Place, Denver, CO 80279-7300.

C. Suspension of Collection. Collection of a debt should not routinely be suspended pending waiver determination per 4 C.F.R. 104.2(c)(2) (reference (ba)). The civilian payroll office shall determine in each case (per Comp. Gen. Decision B-185466, August 19, 1976) (reference (p)) whether suspension of collection would be appropriate based on the following criteria:

1. Waiver will probably be granted

2. Erroneous payment can be recovered if waiver is not granted

3. Collection of the debt would cause undue hardship.

D. Final Action

★ 1. After the waiver approval authority adjudicates the waiver, he or she will notify the civilian payroll office that submitted the waiver package. This notification authorizes refund of any amount collected and subsequently waived. The civilian payroll office is responsible for processing refunds. The application for waiver shall be construed as an application for a refund. The civilian payroll office must immediately refund any amount collected to the employee.

2. The civilian payroll office immediately shall initiate further collection action when informed of a waiver denial and collection action has been suspended.

★ 3. When waiver is denied, the notification of that decision to the claimant shall state the basis for that decision and that, upon request, the agency or department will forward an appeal to DOHA pursuant to 4 C.F.R. 92.2 (reference (ba)).

E. Action by the Designated Waiver Authority

1. General. The designated waiver authorities will:

a. Receive and review each request for waiver or application for refund and the associated reports for claims;

b. Make a determination as to whether claims aggregating not more than $1500 will be waived or whether a claim in any amount will be denied; and

c. Notify the involved civilian payroll office of the determination.

★The DFAS-DE/FYCT also will notify the claimant of the determination.

★ 2. Referral Of Claims. The designated waiver authorities shall refer the following types of claims to the DOHA for decision:

a. Requests for waiver and requests for waiver and refund that indicate favorable consideration, together with an appropriate reports of circumstances, if the claims of the United States is in an amount aggregating more than $1500;

b. All doubtful cases;

★ c. Claims, together with the reports of circumstances and recommendations, from civilian payroll offices for referral to the DOHA for litigation;

★ d. Appeals to waiver denials.

★ 080307. Collections Under 5 U.S.C. 5514. The Debt Collection Improvement Act of 1996 (P.L. 104-134 section 31001 (reference (e))), amended 5 U.S.C. 5514 (reference (b)). The procedures in this paragraph can apply at any stage of the debt collection process. The employee may elect to repay the debt after receiving the initial demand letter, after receiving a further explanation of the debt from the civilian payroll office, after a determination by a hearing official, or after a decision on a request for waiver of the overpayment. Repayment of the debt, subject to refund, can also be accomplished while any of the above actions are pending.

★ A. Collecting Overpayments Through Routine Pay Adjustments

★ 1. As of April 26, 1996, of the Debt Collection Improvement Act of 1996, section 31001 (reference (e)), amended 5 U.S.C. 5514 (reference (b)), relieving payroll offices from the requirement to give the full panoply of due process for the overpayment of pay and allowances due to routine intra-agency pay adjustments that have occurred within the four pay periods preceding the adjustment for any adjustments that amounts to $50 or less or that are attributable to:

★ a. Clerical errors

★ b. Administrative errors

★ c. Delays in processing pay documents.

★ 2. The actual overpayment must have occurred after April 26, 1996, and the following streamlined due process procedures shall be implemented upon receipt retroactive to that date, if full due process had not already been extended to the employee.

★ 3. The provisions of 5 U.S.C. 5514(a)(1) (reference (b)) concerning the limitation of the amount that may be collected are still applicable to those adjustments no longer requiring full due process. Specifically, the amount deducted may not exceed 15 percent of disposable pay, unless you have the written consent of the individual. If the adjustment exceeds

15 percent of disposable pay, the initial adjustment may be for the full 15 percent and the remaining adjustment may be made during the next pay period(s).

★ 4. Intra-agency adjustments are defined as collection actions taken that result from overpayments caused by the DoD Components that are attributable to clerical or administrative errors or delays in processing pay documents that have occurred within the four pay periods preceding the adjustment. If a DoD employee's account is moved from one payroll office to another payroll office within the Department, the employee's new payroll office has authority to collect an overpayment made by the former payroll office using these procedures.

★ 5. Routine adjustments include but are not limited to overpayments due to corrected or late time and attendance data, SFs 50, and SFs 1190. Adjustments for health benefits and life insurance premiums made within four pay periods are already covered by 5 C.F.R. 550.1104(C) (reference (l)).

★ 6. Any adjustment of $50 or less can be made under streamlined due process procedures. This pertains to any type of adjustment regardless of when the overpayment occurred. This includes adjustments of health benefits and life insurance premiums.

★ 7. The individual must be provided written notification by the payday for the pay period in which the adjustment is processed, or as soon thereafter as practical.

B. Voluntary Repayment

1. Cash Repayment. The term "cash repayment" encompasses payments by personal check, money order, or other negotiable instrument. The collection will be recorded on a DD Form 1131. The accounting data shall include the appropriation or fund that funded the overpayment.

2. Payroll Deductions

a. One-Time Deduction. If an employee voluntarily wants to have the indebtedness repaid, the civilian payroll office shall arrange for he or she to sign a completed agreement as shown in Figure 8-2. The civilian payroll office shall retain the original signed agreement. If requested by the employee, and agreed to by the civilian payroll office, the remittance can be deferred for up to two pay periods and the agreement changed to reflect that adjustment. Also, a one-time deduction can be combined with a cash payment as a means of liquidating an indebtedness. For example, a cash payment of $200 and a one-time deduction of $300 can liquidate a $500 indebtedness. If the one-time deduction does not fully liquidate the deficit, the agreement accordingly should be adjusted.

b. Installment Deductions

(1) Employees may spread their repayments over more than 1 pay period for other than minor indebtedness amounts. Although employees are permitted to make a

series of cash payments at regularly established intervals; the preferred method of liquidation is by deductions each payday in the same amount until the indebtedness is liquidated. Any amount remaining unpaid at the time of separation or retirement will be collected from final payments of any nature, such as final salary payments, lump-sum leave, and bonuses. The employee consents to installment liquidation by signing an agreement such as illustrated in Figure 8-4. The civilian payroll office shall retain the original signed agreement.

(2) In determining a suitable repayment schedule, the civilian payroll office is permitted a certain degree of discretion. While the primary concern of the civilian payroll office always must be to ensure that the U.S. Government recovers the debt within the shortest practical period of time, this consideration must be influenced to some degree by the financial impact on the employee. The employee should not be required to suffer undue deprivation by having to repay the debt. On the other hand, some degree of sacrifice should be expected, and the employee's obligation to repay the debt should be given equal status to other financial obligations that the employee may have incurred. Generally, the debt should be at least 5 percent of the employee's disposable pay (defined in subparagraph 080307.B.2.) in order to qualify for installment liquidation. Installment payments will be at least $25 per pay period and will be sufficient to liquidate the debt within 3 years.

C. Involuntary Repayment

1. General. Recovery of an indebtedness by involuntary salary offset is reserved for those instances in which the employee has failed either to make a cash remittance, authorize a voluntary one-time payroll deduction, or enter into an agreement with the civilian payroll office for installment deductions. Before executing an involuntary repayment, the civilian payroll office must ensure that the employee has been given a written statement required by paragraph 080303; and that the employee either failed to exercise the rights enumerated in the written statement or, having exercised one or more of those rights, was still determined to be indebted, and neither made a cash remittance nor authorized voluntary withholdings from his or her pay. The civilian payroll office shall ensure that such involuntary offsets, when warranted by the above circumstances, are initiated in time to be reflected in the pay for the pay period designated in the demand letter. When practical, the employee shall be notified on the LES that the offset action has been taken.

2. Disposable Pay. All involuntary offsets under 5 C.F.R. 550.1103 (reference (l)) and 5 U.S.C. 5514 (reference (b)) are limited to a maximum of 15 percent of the employee's disposable pay. Involuntary offsets shall normally be established at this maximum rate. Disposable pay is defined as that part of current pay remaining after the deduction from earnings of any amount required by law to be withheld. See 5 C.F.R. 581.105 (reference (l)). Disposable pay is computed by making the following deductions:

a. Amounts withheld for federal, state, or local income tax purposes, if the withholding of the amounts is authorized or required by law and if the amounts withheld are not greater than would be the case if the individual claimed all dependents as defined in the federal, state, and local tax codes, to which entitled. For computing disposable pay, no additional federal

tax amounts shall be deducted unless the employee presents evidence of a tax obligation supporting the additional deduction;

b. Amounts withheld for Social Security and Medicare taxes;

c. Amounts deducted as health insurance premiums;

d. Amounts deducted as normal retirement contributions (CSRS, FERS, and NAF retirement) including TSP contributions. Amounts voluntarily contributed toward additional civil service annuity benefits are not included as normal retirement contributions; and

e. Amounts deducted as health insurance and normal life insurance premiums from salary. This includes amounts deducted for basic FEGLI; however, all optional FEGLI premiums are not considered normal life insurance premiums.

3. Amounts Not Deductible When Determining Disposable Pay. The following amounts are not deductible when determining disposable pay:

a. Existing debts being collected for a DoD Component or other federal agency including late payment charges.

b. Court-ordered garnishments.

c. Court judgments.

d. Bankruptcy payments that are court-ordered under chapter 13 of the Revised Bankruptcy Act (reference (e)).

e. Voluntary allotments for child support.

f. Union dues deductions.

g. Charity deductions.

h. Savings bonds deductions.

i. IRS federal tax levies.

j. Savings allotments.

k. TSP loans.

l. Military Service Deposits.

4. Extreme Financial Hardship. An employee who does not contest the existence or amount of the debt may assert that the maximum allowable rate of involuntary offset (15 percent of disposable pay) imposes extreme financial hardship. Such an assertion can also be raised when the employee has petitioned for a hearing under the provisions of paragraph 080305, and the hearing official has affirmed the existence or amount of the debt. In either case, the civilian payroll office shall attempt to establish a satisfactory voluntary repayment schedule in accordance with subparagraph 080307.A.2.b.(2). Alternatively, although the employee may decline to sign a voluntary consent to offset, the two parties may agree to a reasonable rate of involuntary offset that is less than the maximum rate specified by this subparagraph. Occasionally, the employee and the civilian payroll office may be unable to agree on whether an involuntary offset produces extreme personal hardship. In making such a determination, the civilian payroll office shall use the following standards.

a. An offset produces an extreme financial hardship for an employee if the offset prevents the employee from meeting the costs necessarily incurred for essential subsistence expenses of the employee and the employee's spouse and dependents. These essential subsistence expenses include costs incurred for food, housing, necessary public utilities, clothing, transportation, and medical care.

b. In determining whether the offset would prevent the employee from meeting the essential subsistence expenses described above, the civilian payroll office shall consider the following:

(1) The income from all sources of the employee, the employee's spouse, and dependents;

(2) The extent to which the assets of the employee and the employee's spouse and dependents are available to meet the offset and the essential subsistence expenses;

(3) Whether these essential subsistence expenses have been minimized to the greatest extent possible;

(4) The extent to which the employee or the employee's spouse can borrow money to meet the offset and other essential expenses; and

(5) The extent to which the employee and the employee's spouse and dependents have other exceptional expenses that should be taken into account and whether these expenses have been minimized.

5. Employee Documentation. After applying the above set of criteria, the civilian payroll office shall explain the rationale for its decision to the employee. If the employee still contends that the rate of offset advocated by the civilian payroll office would produce an extreme financial hardship, the employee shall be instructed to provide the following items:

a. A petition for a hearing (see paragraph 080305). The employee must file the petition no later than 30 days from the date the demand letter is received that contains the intent to collect by salary offset. If the employee requests copies of the records relating to the debt, then the employee has within 45 days after receipt of such records to file the petition for a hearing;

b. A proposed alternative offset schedule with supporting documents showing why the civilian payroll office's schedule would produce an extreme financial hardship for the employee. The supporting documents shall include specific details concerning income and expenses of the employee, the employee's spouse, and dependents for 1 year preceding the initial demand letter; and projected income and expenses during the repayment period proposed by the civilian payroll office;

c. A copy of the records the employee intends to introduce at a hearing; and

d. In the case of oral hearings, a list of witnesses the employee intends to call and a summary of their anticipated testimony.

6. Civilian Payroll Office Response to Documentation. Upon receipt of the documentation in subparagraphs 080307.B.4. or 080307.B.5, the civilian payroll office may elect to accept the alternative amount proposed by the employee. If so, it shall inform the employee of that acceptance within 15 days from the date of receipt, and shall begin offset at the new reduced rate immediately. Otherwise, the civilian payroll office shall follow the provisions of paragraph 080305 whether to determining the type of hearing to be conducted and the submission of the required material. This submission must be accomplished no later than 15 days following receipt of the employee's petition and must contain the following information in addition to the materials submitted by the employee:

a. A statement setting forth the reasons why the civilian payroll office's proposed offset schedule does not produce an extreme financial hardship; and

b. In the case of oral hearings, a list of witnesses that the civilian payroll office intends to call at the hearing, and a summary of their anticipated testimony. The employee must also be furnished a copy of the above information. Pending the results of the hearing, the civilian payroll office shall begin offset at the rate stated in the employee's petition. The determination by the hearing official should be self-explanatory. If the employee's proposed rate is accepted, then the offset already in place shall be reduced.

080308. Interest, Penalties, and Administrative Costs

A. General. The preferred method of liquidating debts owed by employees or former employees is by cash remittance for the full amount of the debt prior to the due date expressed in the demand letter. Any debt or portion of a debt that remains unpaid by that date is subject to the assessment of interest and administrative expenses under 31 U.S.C. 3717 (reference

(d)), 4 C.F.R. 102.13 (reference (ba)), and 5 C.F.R. 550.1104(n) (reference (l)). Debts or the portion of debts that remain outstanding for more than 90 days following the due date are subject to penalties. The following subparagraphs discuss the computation of interest, penalties, and administrative costs, as well as circumstances under which such costs can be or should be waived. All collections for late payment charges (i.e., interest, penalties, and administrative costs) are deposited to the appropriate miscellaneous receipt account as follows:

1. Interest--3210 (General Fund Proprietary Receipts, Defense Military, Not Otherwise Classified)

2. Penalties--1099 (Fines, Penalties, and Forfeitures Not Otherwise Classified)

3. Administrative Costs--1099 (Fines, Penalties, and Forfeitures Not Otherwise Classified)

B. Interest. Under 31 U.S.C. 3717 (reference (d)), interest is accrued or assessed. The intent of interest is to stimulate prompt payment of debts and to recover the cost of the U.S. Treasury borrowing necessitated by unpaid debts. Any debt or portion of a debt that remains unpaid by the due date specified in the demand letter is subject to interest charges. Interest accrues from the date of the mailing or hand delivery of the demand letter that must contain a specific notice of the requirements concerning interest, penalties, and administrative costs, but automatically will be waived if paid within 30 days from the date of the letter. It is not necessary, therefore, to compute interest of less than 30 days. The rate of interest assessed will be the rate of the current value of funds to the U.S. Treasury. This rate is known as the "Treasury Tax and Loan Rate," and is prescribed and published by the Secretary of the Treasury annually or quarterly per 31 U.S.C. 3717 (reference (d)). This rate will be announced by the DFAS to all civilian payroll offices each time that the rate changes. Changes in the rate have no effect on those debts that began accruing interest under a previously existing rate. The rate of interest, as initially assessed, shall remain fixed for the duration of the indebtedness unless the repayment agreement is modified or nullified, in which case the rate in effect at the time of a new agreement will govern the remaining lifetime of the debt. For example, an initial demand letter issued in the month of September will state the interest rate in effect at that time, despite the knowledge that a new rate may be in effect when the debt becomes delinquent in October. The rate in effect in September shall then continue to be used for the lifetime of the debt. The amount of interest will be calculated by using the formula I = DNF. The I represents the amount of interest; D represents the principal amount of the debt; N represents the number of days in the computation period; and F represents the interest rate per day (365- or 366-day year). Interest should not be charged on interest, penalties, or administrative costs (4 C.F.R. 102.13(c)) (reference (ba)).

C. Administrative Costs. These costs relate only to delinquent debts as defined in 4 C.F.R. 101.2(b) (reference (ba)). They are assessed in order to cover expenses incurred in the recovery of these delinquent debts. A debt is delinquent if it has not been paid by the due date specified in the demand letter unless other satisfactory payment arrangements have been made by that date. A debt is delinquent any time thereafter an employee fails to satisfy obligations under a

payment agreement. The civilian payroll office, as the activity responsible for the collection of debts, either shall accumulate actual costs or conduct cost analyses that establish an average of additional costs incurred against delinquent debts. Such analyses shall be based on an aggregate of other DoD civilian payroll offices. Expenses shall be limited to personnel costs and specifically identifiable overhead items. The crucial factor is that the civilian payroll office must be able to justify its figures based on costs associated only with delinquent debts and apportioned over the number of delinquent debts. The recoupment of administrative expenses takes precedence over the collection of interest.

D. Penalties. A penalty of 6 percent a year shall be assessed on any debt or portion of a debt that is delinquent for more than 90 days under 31 U.S.C. 3717(c)(2) (reference (d)) and 4 C.F.R. 102.13(e) (reference (ba)). The charge need not be calculated until the 91st day of delinquency, but shall accrue from the date of delinquency. Thus, the initial penalty shall be for a 3-month period from the due date until 3 months after the due date. A debt is delinquent and subject to penalties if it has not been paid by the due date specified in the demand letter unless other satisfactory payment arrangements have been made by that date. A debt is delinquent any time thereafter an employee fails to satisfy obligations under a payment agreement.

E. Responsibility for Calculation. In the case of overpayments of pay, the civilian payroll office shall have the responsibility for computing interest, penalties, and administrative costs. The civilian payroll office always shall calculate administrative costs that arise from its own operation. The primary responsibility in connection with other forms of indebtedness rests with the activity or organization that has initial responsibility for the recovery of the debt. When transferring a debt to the civilian payroll office for salary offset purposes, that activity or organization shall inform the civilian payroll office of the following:

1. The principal amount of the debt
2. The interest accrued as of the date of referral
3. The administrative costs incurred as of the date of referral
4. The penalty assessed as of the date of referral
5. The interest rate applicable to the debt
6. The date of delinquency.

The transferring activity or organization also shall state its opinion as to whether further interest, penalties, and administrative costs should be waived.

F. Decisions Not to Accrue or Assess Interest, Penalties, and Administrative Costs

1. The official who has initial responsibility for the collection of a debt also has the responsibility for determining whether interest, penalties, and administrative costs are to be accrued or assessed. The debt collection official must use personal judgment in advancing the interests of the government, while giving proper consideration to the financial interests of the employee. Decisions not to accrue or assess late payment charges (i.e., interest, penalties, and/or administrative costs) are made on a case-by-case basis according to the following criteria:

a. When a debt is subject to waiver statutes and collection action is suspended pending outcome of the waiver, these charges shall not accrue or be assessed while the waiver request is being considered and finalized.

(1) Charges accrued before receipt of a waiver request shall not be assessed if the civilian payroll office receives the request within 30 days of mailing of the debt notice to the employee. The 30-day period is extended to 45 days if the debt notice goes through non-U.S. mail systems or is sent to an APO/FPO address.

(2) These charges shall not accrue or be assessed on any part of a debt principal balance that is waived.

(3) Charges shall again begin to accrue on any portion of the debt principal not waived from the date the employee is formally notified of the final waiver determination.

b. When an employee entitled to a hearing, petitions for a hearing, these charges shall not accrue from the date the petition is received until the employee formally is notified of the hearing decision. Charges that accrued before the petition for a hearing is received shall be assessed on that portion of the debt principal upheld by the decision of the hearing official.

c. When an employee is entitled to--and has petitioned for--a hearing, these charges shall not accrue or be assessed while a debt is being reconsidered.

d. When the debt of the employee arose under the tariff laws of the United States, the Social Security Act, or the Internal Revenue Code of 1954, these charges shall not accrue or be assessed.

e. When the civilian payroll office is requested to collect a debt for another DoD creditor organization or federal agency, these charges shall not accrue or be assessed by the civilian payroll office that accomplishes the collection for the other creditor organization or agency. Note that the creditor organization or agency requesting collection assistance has authority to accrue and assess applicable late payment charges and these charges should be included in the total amount identified for collection.

f. When an applicable statute or regulation prohibits application of these charges to the debt involved, no such charges shall not accrue or be assessed.

g. When these charges would not be in the best interest of the government, would cause extreme hardship, or if facts and circumstances indicate that charges accrued would not be collected per subparagraph 080308.G., no charges shall be assessed.

2. Blanket decisions not to accrue or assess late payment charges are not authorized. Documentation shall support every decision not to accrue or assess these charges. If there is documentation in the employee's debt file or associated with the debt transaction that clearly supports and explains the reason(s) for the decision not to accrue or assess these charges, no further documentation is required. An exception is the requirement in subparagraph 080308.F.1.g., above.

G. Decisions Not to Collect Interest, Penalty, and Administrative Costs. Once accrued and assessed, these charges normally shall be collected. A decision not to collect these charges, however, can be made on a case-by-case basis by the official who has the initial responsibility for the collection of the debt. The decision not to collect shall be documented and retained in the official debt file. Blanket decisions not to collect interest, penalty, or administrative charges are not authorized. The following are examples of when the civilian payroll office normally would decide not to collect these charges:

1. The amount of the debt principal is below the dollar limit imposed by regulation for write off.

2. The debt is paid within 30 days of notification. Interest shall not be collected on a debt or on any part of a debt paid within 30 days after the date interest began to accrue. The 30-day period can be extended for an additional 30 days on a case-by-case basis.

3. Collection of these charges would be against equity and good conscience or not in the best interest of the government; and

a. These charges accrued and were assessed on a debt principal balance that was incurred through no fault or lack of good faith on the part of the employee; or

b. Financial inability of the employee to pay the accrued and assessed charges within a reasonable period of time; or

c. The underlying debt principal balance has been waived by the appropriate authority or other administrative review process such as hearing or reconsideration has determined that it is not valid; or

d. Reasonable doubt exists concerning the government's ability to prove that charges are owed because of the issues involved or a bona fide dispute as to facts; or

e. The amount of charges that could be collected is less than the cost of collection; or

f. Reasonable efforts to locate the employee have been unsuccessful.

g. When these charges would not be in the best interest of the government, would cause extreme hardship, or if facts and circumstances indicate that charges accrued would not be collected per subparagraph 080308.G., no charges shall be assessed.

2. Blanket decisions not to accrue or assess late payment charges are not authorized. Documentation shall support every decision not to accrue or assess these charges. If there is documentation in the employee's debt file or associated with the debt transaction that clearly supports and explains the reason(s) for the decision not to accrue or assess these charges, no further documentation is required. An exception is the requirement in subparagraph 080308.F.1.g., above.

G. Decisions Not to Collect Interest, Penalty, and Administrative Costs. Once accrued and assessed, these charges normally shall be collected. A decision not to collect these charges, however, can be made on a case-by-case basis by the official who has the initial responsibility for the collection of the debt. The decision not to collect shall be documented and retained in the official debt file. Blanket decisions not to collect interest, penalty, or administrative charges are not authorized. The following are examples of when the civilian payroll office normally would decide not to collect these charges:

1. The amount of the debt principal is below the dollar limit imposed by regulation for write off.

2. The debt is paid within 30 days of notification. Interest shall not be collected on a debt or on any part of a debt paid within 30 days after the date interest began to accrue. The 30-day period can be extended for an additional 30 days on a case-by-case basis.

3. Collection of these charges would be against equity and good conscience or not in the best interest of the government; and

a. These charges accrued and were assessed on a debt principal balance that was incurred through no fault or lack of good faith on the part of the employee; or

b. Financial inability of the employee to pay the accrued and assessed charges within a reasonable period of time; or

c. The underlying debt principal balance has been waived by the appropriate authority or other administrative review process such as hearing or reconsideration has determined that it is not valid; or

d. Reasonable doubt exists concerning the government's ability to prove that charges are owed because of the issues involved or a bona fide dispute as to facts; or

e. The amount of charges that could be collected is less than the cost of collection; or

f. Reasonable efforts to locate the employee have been unsuccessful.

★ 080309. Collections From Final Salary and Lump-Sum Payments Under 31 U.S.C. 3716 (reference (d)), when an employee separates by resignation, retirement, death, or termination of appointment, final pay, including lump-sum leave, shall be applied in full or in part to the extent necessary to recover an indebtedness. Unpaid compensation due to deceased employees also shall be applied to the liquidation of any indebtedness. If a debt balance for a deceased employee remains after offsetting final pay, do not pursue collection from the employee's beneficiary. Forward the debt case to the Defense Debt and Claims Management Office of the DFAS-Denver Center. Other payments due from any source, such as amounts claimed for travel and transportation can also be applied. See 5 U.S.C. 5514(a)(1) (reference (b)), 4 C.F.R. 102.4 (reference (ba)), and 5 U.S.C. 5705 (reference (b)).

A. When an employee separates by resignation, retirement, death, or termination of appointment before collection of a debt is completed and collections against current salary are being made, either voluntarily or involuntarily under 5 U.S.C. 5514 (reference (b)), the 15 percent limitation on disposable pay does not apply (64 Comp. Gen. 907 (1985)) (reference (p)). Instead, apply final salary, including the amount payable for lump-sum leave, to the extent necessary to liquidate the debt.

B. When an employee separates by resignation, retirement, death, or termination of appointment, and there are no preceding collections being made from current salary under the authority of 5 U.S.C. 5514 (reference (b)), collection of the debt is treated as an administrative offset under 31 U.S.C. 3716 (reference (d)). All money payable to the employee may be applied to collect the debt. In these cases, employees must be provided written notification advising them of the following:

1. The fact that all final pay shall be applied to the unliquidated debt balance.

2. The reason for the debt and the debt amount.

3. An opportunity to inspect and copy the agency's records relating to the debt.

4. The rights available to the employee, such as reconsideration or waiver, and the time period (usually 30 calendar days) and the method for requesting these actions. The civilian payroll office is not required to provide the employee an opportunity for a hearing or administrative review as explained in paragraph 080305.

5. An opportunity to repay the full amount of the debt or enter into a written repayment agreement in lieu of offset from final pay.

C. Collection of an indebtedness from an employee's severance pay is permissible under 31 U.S.C. 3716 (reference (d)). Since this statute has no limit on the maximum rate of collection, all money due and payable to the employee by the government is subject to offset.

Since severance pay represents wages credited to the employee's account even if offset under 31 U.S.C. 3716 (reference (d)), compute the deductions to be taken from severance pay before offset. Tax statements should be prepared in accordance with the rules set out in Revenue Ruling 79-311, 1979-2 Cumulative Bulletin 25 (reference (d)). It is the net amount that is available for administrative offset under 31 U.S.C. 3716 (reference (d)). In addition, under 5 C.F.R. 581.103 (reference (l)), severance pay is subject to court-ordered garnishments (for alimony, child support, and commercial debts).

D. Offset under 31 U.S.C. 3716 (reference (d)) may not be used to collect debts for state and local governments or debts arising from payments made under the Social Security Act (reference (ad)), the Internal Revenue Code (reference (ad)), or the tariff laws of the United States. See 31 U.S.C. 3716(c)(2) (reference (d)).

080310. Refunds. When, at any point in the debt collection process, the debt is waived or successfully reconsidered or otherwise found not to be due the United States (unless expressly prohibited by statute or regulation), a prompt refund shall be made of all amounts collected prior to that determination. A refund shall also be made if directed by an administrative or judicial order. Amounts of valid debts collected improperly shall be refunded if requested by the employee. For example, if collections exceeding 15 percent of disposable pay were made due to an error in the computation of disposable pay, the employee may request and receive a refund of the difference between the amounts collected and the amounts that were properly withheld. Refunds shall not be made under any other circumstances. Refunds shall not bear interest, but interest already collected may be refunded along with the principal amount.

0804 RECOVERY OF OVERPAYMENTS OF PAY AND ALLOWANCES FROM TRANSFERRED OR FORMER DOD EMPLOYEES

080401. General. The instructions contained in this paragraph apply regardless of the point in the debt collection cycle when separation occurs. For example, the employee may separate while installment liquidations are taking place, while a waiver request is being considered, while a petition for a hearing is pending, or while the written demand letter is being prepared. If, due to subsequent events, the indebtedness is nullified, a refund shall be made for amounts withheld from both current and final pay. These refunds shall be made without requiring a claim from the former employee. Unfinished actions shall be terminated in the case of hearings regarding the amounts of involuntary offsets. All other actions shall continue.

080402. Transfer Within the Department that Results in a Change of Civilian Payroll Office

A. In accordance with 5 C.F.R. 550.1108 (reference (l)), the losing civilian payroll office shall advise the gaining civilian payroll office by letter of the following information:

1. The identity of the indebted employee,

2. The amount of the debt, including assessments of interest, penalties, and administrative expenses, when appropriate,

3. The accounting classification for credit,

4. The nature of the debt, and the original due date (generally 30 days from the initial demand letter),

5. Copies of all correspondence sent to, or received from, the employee, including waiver requests, hearing petitions, decisions on waiver requests, and determinations of hearing officials,

6. The original of any voluntary pay offset authorizations. If none exists, a statement of the biweekly percentage of involuntary offsets must be included,

7. The date the right to collect the debt first occurred. Generally this is the date the overpayment occurred. However, if offset has already begun, the date of the last offset shall be given;

8. A statement regarding the status of any unfinished actions which may be pending. When such action is completed, the gaining civilian payroll office will be advised immediately,

9. A request that the offset be accomplished or continued.

10. A copy of DD Form 2481 (Request for Recovery of Debt Due the United States by Salary Offset) properly completed and certified.

B. Upon receipt of the above information, the gaining civilian payroll office shall assume full responsibility for collection of the debt pending receipt of previously unfinished actions as indicated in subparagraph 080402.A.8. Any agreements reached regarding periodic installment repayments or the decision not to accrue or assess interest, penalties, and administrative expenses (see paragraph 080308) shall be binding on the gaining civilian payroll office. If the debt is subject to interest, the gaining civilian payroll office shall make the necessary computations. Installment deductions already begun shall continue uninterrupted.

★ 080403. Transfer to Another Government Agency. When an employee transfers to another federal agency outside the Department, forward the debt case to the Defense Debt and Claims Management Office, DFAS-Denver Center, for collection.

080404. Recovery from Retirement Funds

A. Action by the Civilian Payroll Office

1. General. If the amounts withheld from the sources described in

paragraph 080309. still are inadequate to satisfy the indebtedness, the civilian payroll office shall apply to the OPM for moneys that are due and payable to the separated employee from the Civil Service Retirement and Disability Fund or FERS basic benefits. The procedures in this subparagraph apply only when the former employee has been provided the due process rights enumerated in section 0803. See 5 C.F.R. 831.1801-831.1808 (reference (l)) and 5 C.F.R. 845.401-845.408 (reference (l)).

2. Scope. The procedures contained in this subparagraph apply to all debts that the civilian payroll office was collecting on behalf of the Department with the exception of debts resulting from an individual's failure to pay health benefit premiums while he or she was in a nonpay status or while his or her salary was not sufficient to cover the cost of premiums. These procedures are covered in 5 C.F.R. 845.405(b)(4)(i) (reference (l)).

3. Notice to the Employee. Immediately prior to sending a debt claim to the OPM, the civilian payroll office shall notify the employee in writing that the claim is being sent for offset against the Civil Service Retirement and Disability Fund or FERS basic benefits. The letter shall state the amount of the debt at separation, the amount recouped from final pay and other sources, and the balance due. The letter also shall inform the employee that if he or she makes full payment of the unrecouped portion, the claim shall be dropped. Subparagraph 080307.A.2.b. contains general guidance regarding the acceptability of repayment offers. Only in the rarest of cases should the installment period exceed 3 years. It is preferable, but not essential, that an agreement be reached prior to submission of the claim. In the absence of an agreement, a decision shall be made based on the facts available, and the decision communicated on the claim. See 5 C.F.R. 845.401-845.408 (reference (l)).

4. Submission of Claims to the OPM. Claims shall be submitted to the OPM in accordance with 5 C.F.R. 845.405(b)(5) (reference (l)).

a. Complete Claims. Claims shall be made on an SF 2805 (Request for Recovery of Debt Due the United States) which will be prepared in duplicate. Submission will be made to the Office of Personnel Management, Retirement and Insurance Group, Employee Service and Records Center, Boyers, PA 16017. Attach a copy of the employee notification (prepared in accordance with subparagraph 080404.A.3.) and two copies of the following signed certification to the SF 2805:

(1) A statement that the debt is owed to the United States;

(2) The amount and reason for the debt and whether additional interest accrues. Refer to paragraph 080308. Note that for those debts that are subject to interest beyond that already calculated, the civilian payroll office must advise the OPM of the dollar value of the additional accrual;

(3) The date the government's right to collect the debt first accrued;

(4) A statement that the civilian payroll office has complied with the applicable statutes, regulations, and the OPM procedures;

(5) A promise that if a competent administrative or judicial authority issues an order directing the OPM to pay the employee an amount previously paid to the Department (regardless of the reasons behind the order), the Department shall reimburse the OPM or pay the employee directly within 15 days of the date of the order;

(6) A listing by date of actions taken pursuant to section 0803. Copies of the correspondence are not required.

The OPM is aware that civilian payroll offices will not be able to obtain the employee's consent to the collection in every case; therefore, such claims from civilian payroll offices shall be honored upon receipt of the civilian payroll office's certification. Every attempt to obtain the employee's consent should be made, however, when the process has resulted in a compromised amount (an amount less than the total debt) or, in the case of an annuitant, a specific monthly installment is agreed upon.

b. Incomplete Claims. Occasionally, a separation may occur before due process procedures or the actions in paragraph 080309 have been completed. In other instances, the civilian payroll office may be required to submit the indebted employee's SF 2806/3100 before the proper amount of offset from the employee's monthly annuity has been determined. In such cases, it must notify the OPM in order to prevent payment to the employee. This is particularly important when the employee is entitled to a refund of his or her contributions. Notification shall be effected by a remark in Column 8 of the SF 2806/3100. The SF 2806/3100 shall be accompanied by a statement that the debt is owed to the United States, the date the debt first occurred, and the basis for and amount of the debt.

★ 5. Transfer of Debt Case. Once the SF 2805 has been sent to the OPM, the debt shall be transferred to the Defense Debt and Claims Management Office, DFAS-Denver Center, in accordance with paragraph 080405.

B. Action by the OPM

1. Refunds

a. Complete Claims. If a refund already has been paid, the civilian payroll office submitting the SF 2805 shall be advised that no moneys are available for application against the indebtedness. If the employee's application has been received, but not yet processed at the time a complete claim is received, the OPM shall honor the claim and make remittance to the civilian payroll office. If the employee has not applied for a refund, the civilian payroll office shall be advised that its claim will be retained pending a future application. If the application is received more than 1 year following the date of the SF 2805, the civilian payroll office shall be contacted to verify that the debt is still current. If the debt has been transferred per paragraph 080405, the civilian payroll office shall refer such inquiries to the gaining office. If the civilian payroll office

has not yet transferred the debt, but has still not made full collection, it must contact the employee to provide him or her the opportunity to establish whether his or her changed financial circumstances would make the offset unjust. A decision whether to pursue the offset or to attempt collection by other means shall be made based on the employee's response. As a general rule, the offset shall be pursued unless the success of alternative collection action is relatively certain.

b. Incomplete Claims. If the employee has filed an application for a refund, the civilian payroll office shall be notified. It will be given 120 days from the date of notification to furnish a complete claim. This deadline may be extended by an additional 60 days if the civilian payroll office so requests. Failure to meet the deadline or extended deadline, if applicable, shall result in payment to the employee from the employee's retirement funds.

2. Annuities

a. Complete Claims. When possible, the OPM will make a one-time offset against the retiree's annuity payment in accordance with 5 C.F.R. 845.407 (reference (l)). Installment deductions are required, however, if liquidation of the debt would require offset of more than 50 percent of the retiree's net monthly annuity. All installment deductions should ensure liquidation within 3 years. For debts that are subject to continuing interest payments (see paragraph 080308), the OPM must be advised of the new amount of the debt at least 90 days prior to the final payment. Whether the debt is repaid by one-time offset or by installment deductions, the OPM will begin the process for the next available annuity payment following its receipt of the completed claim. If the monthly annuity payment has not yet been established, offset will begin with the first regular annuity payment. Offsets shall not be made against advance annuity payments. As in the case of refunds, offsets are dependent on the receipt by the OPM of an application by the retiree. SFs 2805 received in advance of applications shall be retained pending receipt of the applications. If any application is received more than 1 year following receipt of the SF 2805, the OPM will contact the civilian payroll office in order to determine the current status of the debt. If the civilian payroll office has transferred the debt in accordance with paragraph 080405, the inquiry will be referred to the gaining office for response. If the debt has not been transferred, see subparagraph 080404.B.1.a. for the requirement to determine whether the retiree's changed financial conditions would make the offset unjust.

b. Incomplete Claims. Unlike the situation that prevails in the case of refunds, the OPM processing of annuity applications shall not be affected by receipt of an incomplete claim from the civilian payroll office. When such a claim is received, the civilian payroll office will be advised to complete the procedures necessary to file a completed claim.

080405. Post Separation Recovery Actions

★ A. Debts of personnel who are not current DoD employees shall be transferred to the Defense Debt and Claims Management Office, DFAS-Denver Center, in accordance with established procedures. All transfers shall include the following:

1. The employee's full name and SSN

2. The employee's last known mailing address

3. The date of the employee's separation/retirement

4. The amount of the debt including principal, interest, penalties, and administrative costs

5. Copies of all correspondence related to the case

6. The accounting classification for credit, including amounts for interest, penalties, and administrative expenses when applicable

7. The date the debt was originally due, as stated in the demand letter.

★ B. For out-of-service debts collected by the Defense Debt and Claims Management Office, DFAS-Denver Center, pertinent data shall be provided to the civilian payroll office to affect the necessary changes (i.e., SF 2812, SF 2806/3100, Form W-2, Form 941, etc.).

0805 RECOVERY OF OTHER DOD DEBTS

080501. General. The civilian payroll office is responsible for providing the required debt notification to the employee before collecting an overpayment of pay and allowances paid by the civilian payroll office under 5 C.F.R. 550.1108 (reference (l)). Other creditor organizations (such as employing agencies) and functional areas outside civilian pay also must certify completion of due process requirements to the civilian payroll office when requesting involuntary salary offset to collect a debt that originated outside the civilian payroll office. In general, the civilian payroll office shall not question the merits of debts originating outside the payroll office.

080502. Collections of Unearned Advance Per Diem and Mileage Allowance and Unearned Temporary Quarters Subsistence Expense

A. Under 5 U.S.C. 5705 (reference (b)), a federal employee who is entitled to per diem or mileage allowances may receive a travel advance. Any amounts of the travel advance that are not used for allowable expenses are required to be collected. The travel functional area gives the employee an immediate opportunity to pay the amount due. If immediate payment is not made, offset may be made against all accrued pay, retirement credit, or any other amounts due the employee, without limitation, as long as the offset does not cause extreme financial hardship. For purposes of this paragraph, the guidance on extreme financial hardship, as discussed in Volume 5, paragraph 300208 of this Regulation, generally applies. The civilian payroll office is notified in writing of these debts. A copy of the employee's signed repayment agreement is sent to the civilian payroll office, when applicable.

B. The debt shall be collected in one lump-sum or in installments in accordance with the employee's signed voluntary repayment agreement or written instructions provided by the travel functional area or the employing activity.

080503. Overpayment of Travel Allowances. Salary offset is authorized subject to the limitations of up to 15 percent of disposable pay (see subparagraph 080307.B.2.) for debts owed for an overpayment of travel allowances. An official must certify to the civilian payroll office on DD Form 2481 that due process has been performed under 5 U.S.C. 5514 (reference (b)) or other applicable regulation.

★ 080504. Excess Costs Due to Shipment of Personal Property. A debt for excess cost is created when an employee's shipment of personal property exceeds the authorized weight allowance. If an employee has excess cost, a DD Form 2481 is received by the employee's civilian payroll office to make collection under 5 U.S.C. 5724(a)(2) (reference (b)). The collection of such excess costs from an employee's pay record is considered a voluntary offset, since the employee signs DD Form 1299 (Application for Shipment and/or Storage of Personal Property) before the actual shipment of the property, agreeing to repay excess costs caused by the personal property shipment.

A. Upon receipt of the DD Form 2481, the civilian payroll office notifies the employee of the indebtedness. The employee has 30 days to submit a reconsideration letter, make a cash payment, or make arrangements for a voluntary repayment plan through payroll deduction.

B. An employee may submit a reconsideration letter when he or she believes the excess cost charges are incorrect. The employee forwards such letter to his or her employing activity's transportation management representative.

C. After the adjudication of the reconsideration letter, the civilian payroll office is notified to begin collection of any balance due. While there is no limitation on the amount that can be withheld under such a voluntary offset, the civilian payroll office shall determine a repayment schedule that protects both the government's and the employee's financial interests.

080505. Collection of Employee Training Expenses. When an employee fails to fulfill a training agreement and he or she voluntarily does not repay the employing activity, collection of training expenses from the employee's pay account is authorized under 5 U.S.C. 4108 (reference (b)). In accordance with 5 C.F.R. 410.509 (reference (l)), the employing activity must give the employee the opportunity to request a reconsideration of the amount to be recovered or to appeal for a waiver of the activity's right to recover.

A. Documents required to support this type of collection are:

1. A copy of DD Form 1556 (Request, Authorization, Agreement, Certification of Training and Reimbursement) showing the employee's signed consent to the terms of the training agreement.

2. A copy of at least one demand letter to the employee by the training office that pursued voluntary repayment of the training costs.

B. The civilian payroll office forwards a copy of the document identified in subparagraph 080505.A. to the employee with written notification advising the employee of the payroll deduction amount and the pay period deduction will start.

★ 080506. Collection For Reports of Survey (also known as Government Property Lost or Damaged) Debts. Report of survey channels, as prescribed in the cognizant DoD Component regulations, must be exhausted before involuntary salary offset under 5 U.S.C. 5514 (reference (b)) is invoked. Collection by the payroll office will be initiated upon receipt of the DD Form 2481. Collections received from employees are credited to the receipt account established for recoveries of government property lost or damaged. If the property is either stock or industrial funds, however, the collections are credited to that appropriate fund.

080507. Unofficial Telephone Use. When directed by the telephone officer and subject to the telephone officer's certification on DD Form 2481 that due process has been performed under 5 U.S.C. 5514 (reference (b)) or other applicable regulation, the civilian payroll office will effect salary offset from employees who have incurred liability for unofficial use of government telephones. Offsets are subject to the limitations of up to 15 percent of disposable pay (see subparagraph 080307.B.2.).

080508. Hospital Bills. Salary offset is authorized subject to the limitations of up to 15 percent of disposable pay (see subparagraph 080307.B.2.) for debts owed to DoD Component hospitals. An official designated by the hospital must certify to the civilian payroll office on a DD Form 2481 that due process has been performed under 5 U.S.C. 5514 (reference (b)) or other applicable regulation.

080509. Commissary Stores. Subject to the limitations of up to 15 percent of disposable pay (see subparagraph 080307.B.2.) and under a certification of due process on a DD Form 2481 by an appropriate official of the commissary store, salary offset will be initiated in the case of employees who are indebted to the Defense Commissary Agency for reasons such as having issued dishonored personal checks.

080510. Court Fees. Under certain circumstances, employees refund fees received from a court for service as a juror or a witness (see section 0513). Table 5-4 provides guidance on absences of employees and retention of fees in connection with court leave. Fees can be collected by cash refund or by payroll deduction. See Comp. Gen. B-179161, August 29, 1973 (reference (p)) and Comp. Gen. B-219496, January 22, 1986 (reference (p)). Under 5 U.S.C. 5515 (reference (b)), collected fees are to be refunded to the appropriation or fund from which the employee is paid.

080511. Double Negotiation of U.S. Treasury Checks. The negotiation of an original check that has been replaced by a recertified check is considered to be an illegal, incorrect, or improper payment for purposes of pecuniary liability. The disbursing officer that issues the duplicate payment is responsible for collection of such payments from a payee. The disbursing

officer shall give the payee an opportunity to dispute whether the payee actually endorsed both instruments and that the payee consents to a full one-time salary offset. Upon receiving the signed statement from the disbursing officer, together with evidence that negotiation of both instruments has occurred, the civilian payroll office will inform the employee that the amount of the indebtedness will be deducted in full from the next salary payment. The disbursing officer shall provide direction as to how the proceeds are to be applied. If, for any reason, the disbursing officer cannot produce a written consent from the employee, the civilian payroll office must treat the case as an overpayment, and initiate the written demand letter required by paragraph 080303. If the employee does not authorize voluntary deductions, involuntary deductions will be made under 5 U.S.C. 5514 (reference (b)) provisions at the maximum rate of 15 percent of disposable pay after the required due process procedures have been fulfilled. Interest shall be assessed per paragraph 080308.

080512. Military Pay of Reserve or National Guard Members For Duty To Aid Law Enforcement

A. Under the provisions of 5 U.S.C. 5519 and 6323(b) and (c) (reference (b)), an employee's civilian pay is reduced by the gross military pay and allowances (other than travel, transportation, or per diem allowance) received by the employee for military service as a member of the Reserve or National Guard for which the employee is entitled to leave under 5 U.S.C. 6323(c) (reference (b)) for duty to provide military aid to enforce the law for the purpose of providing assistance to civil authorities in the protection of life or property or the prevention of injury, and for parades or encampments under Title 39, District of Columbia Code (reference (aq)). This applies whether payment for military service was paid from federal or state funds. Deduct for income tax withholding, Social Security and/or Medicare, or retirement based on the resulting balance. Do not reduce the civilian pay by the military pay received for service on nonworkdays.

B. The civilian payroll office shall accomplish the reduction of an employee's civilian pay as described in subparagraph 080512.A., above, by cash collection or by payroll deduction. The civilian payroll office is encouraged to notify the employee informally by telephone of the requirement of 5 U.S.C. 5519 (reference (b)).

C. Credit the collection to the appropriation from which the employee's civilian pay was paid.

D. Specific information as to the military pay entitlement of the employee should be obtained from the military organization concerned if the employee is unable to produce specific and documented information from which the civilian pay reduction may be determined.

★ 080513. Collection of Dishonored Personal Checks. Collection of dishonored personal checks shall be made in accordance with Chapter 4 of Volume 5 of this Regulation.

0806 SALARY OFFSET REQUESTS FROM NON-DOD FEDERAL AGENCIES

080601. General

★ A. When non-DoD federal agencies (except IRS and U.S. Courts (see sections 0417 and 0807)) identify DoD employees as having outstanding debts, those agencies shall address their salary offset requests to the Secretary of Defense designee, i.e., the DFAS-Cleveland Center, 1240 East 9th Street, Cleveland, OH 44199. These requests shall certify that due process rights have been afforded to the indebted employees by the non-DoD federal creditor agency. After these requests for salary offset are approved by the DFAS-Cleveland Center and the payroll office of the employee is located, the DFAS-Cleveland Center shall forward the approved request to the civilian payroll office that maintains the employee's pay account.

B. Some creditor agencies may elect to inform the employee of the anticipated amount of the offset prior to certification of due process. Civilian payroll offices shall be cooperate with creditor agencies that inquire as to the amount of an employee's disposable pay.

C. Although most debts collected through this program have incurred interest, administrative expenses, or penalties, calculations of the debt amount shall be performed only by the creditor agencies. Therefore, the creditor agency may adjust the originally certified debt amount to include interest that has accrued since the initial certification. In this event, the creditor agency shall recertify the debt amount using the same procedure as the original debt certification.

★ D. The Department may not honor a request to collect a debt by salary offset that first accrued more than 10 years prior to the request, except as set forth in the Federal Claims Collection Standards, 4 C.F.R. Parts 101-105 (reference (ba)).

★ E. Requests from non-DoD federal creditor agencies that are sent to the civilian payroll office directly, i.e., without going through DFAS-CL and DMDC, shall be returned without action. The civilian payroll office shall inform the non-DoD federal agency of the correct procedures as outlined in this section.

★ F. The debt collections will begin the next officially established pay period.

G. The National Security Agency (NSA) shall work with the DMDC to accomplish matches for NSA, Defense Intelligence Agency, and Central Imagery Office personnel. These matches shall be conducted at the NSA Headquarters.

★ 080602. Processing Actions. Upon receipt of the salary offset request from the DFAS-CL, the civilian payroll office:

A. Computes 15 percent of the employee's disposable pay or a lesser percentage dictated by the creditor agency. See subparagraph 080307.B.2.

★ B. Notifies the employee in writing of the amount of the salary offset and the pay period when salary offset will start.

C. Processes the payroll deduction in accordance with payroll system user instructions.

D. Receives from the employee and forwards to the creditor agency proof that the debt is paid in full, discharged under bankruptcy, or voluntary payments are current under a negotiated repayment schedule. The civilian payroll office also advises the employee to resolve the debt issue directly with the creditor agency so that DFAS-CL is officially notified that the debt has been canceled. If the employee produces compelling documents (e.g., canceled checks, receipts, or letters from the creditor agency) which indicate the debt is no longer valid, offset should be suspended pending reverification or official termination by the creditor agency.

E. Forwards payment each pay period to the creditor agency along with a report of each collection made. See subparagraph 090203.G.1. for guidance on preparing this report.

★ F. Sends a biweekly report of collections on delinquent debts for non-DoD federal agencies to the DFAS-CL. See subparagraph 090203.G.2. for guidance on preparing this report.

G. Ensures that the total amount collected is reflected on the civilian payroll voucher as salary offsets for the creditor agency.

080603. Transferred Employees

A. When an employee transfers to another DoD payroll office before collection of the debt is completed, the losing civilian payroll office:

1. Forwards a copy of the original debt notification document to the gaining civilian payroll office;

2. Certifies the amount collected prior to the employee's transfer on the original debt notification document and the remaining unliquidated amount of the debt. One copy of the certification letter must be furnished to the employee, another to the creditor agency; and

★ 3. Notifies the DFAS-CL of the date the employee transferred, the amount collected prior to the transfer, and the new payroll office name (if known).

B. The gaining DoD civilian payroll office continues salary offset upon receipt of the documentation forwarded by the losing DoD civilian payroll office. The amount of the salary offset should be recomputed in accordance with subparagraph 080601.C.

C. When an employee transfers to a non-DoD agency before collection of the debt is completed, the losing civilian payroll office shall follow the guidance in paragraph 080604.

★ 080604. Separated Employees. When an employee separates before collection of the debt is completed, final pay, including lump-sum leave and awards shall be applied in full or in part

to the extent necessary to recover the debt. The losing civilian payroll office shall notify the creditor agency and DFAS-CL of the date the employee separated, the amount collected prior to the separation date, and the new employing agency (if known).

0807 RECOVERY OF COURT-ORDERED INDEBTEDNESS

080701. Judgment Offsets. When a court of the United States, in an action or suit brought against a federal employee by the United States, determines that the employee is indebted to the United States and enters a judgment against the employee, section 124 of P.L. 97-276 (reference (e)) published as a note to 5 U.S.C. 5514 (reference (b)), allows collection of the debt by deduction from the employee's current pay account. The employee's consent is not required. Any federal agency requesting salary offset under Section 124 of P.L. 97-276 (reference (e)) shall send a letter requisitioning offset to the civilian payroll office with an attested copy attached of the judgment entered against the employee. If there is concern as to the validity or interpretation of the judgment, the DFAS General Counsel shall review the judgment. After the validity or interpretation of the judgment is confirmed, the civilian payroll office:

A. Computes the amount collected each pay period using the percentage specified in the offset request. The maximum amount deducted for a pay period may not exceed 25 percent of the employee's disposable pay unless a greater percentage is necessary to recover the amount owed within the time of the anticipated employment. See subparagraph 080307.B.2. for computing disposable pay. Deductions may be made from basic pay, or in the case of an individual not entitled to basic pay, other authorized pay.

B. Collects the total unpaid balance as specified in the offset request. This amount may include accumulated interest and administrative charges. The agency requesting offset should notify the civilian payroll office approximately 90 days before completion of the judgment offset with the final judgment amount which include the balance of accrued interest charges.

C. Forwards a copy of the offset request to the employee with written notification advising the employee of the deduction amount and pay period the deduction will start.

D. Applies final pay (salary and lump sum leave) to any unliquidated debt balance as provided by 31 U.S.C. 3716 (reference (d)) if the employee retires, resigns, dies, or if employment otherwise ends.

E. Forwards payment each pay period to the agency requesting salary offset.

080702. Garnishments

A. Authority. Title 42, United States Code, section 659 (reference (ae)) provides consent by the United States to garnishment and similar proceedings for enforcement of child support and alimony obligations against civilian employees. P.L. 103-94 (reference (e)) authorizes the garnishment of civilian employees' pay for commercial debts.

B. Procedures

1. For garnishments for child support and alimony, the commanding officer or his or her designated representative shall notify the employee of the garnishment or attachment order and its effect on his or her pay and shall forward the court order to the civilian payroll office after the order is determined to be valid by qualified legal counsel. If the activity is served with more than one garnishment order with respect to the same pay due or payable to any employee, then such pay shall be available to satisfy the court order on a first-come, first-served basis. See section 0412 for processing garnishment collections.

2. All federal employees with an outstanding debt are subject to garnishment for commercial debts. A court order from a state court is required prior to the garnishment becoming effective. See section 0412 for procedures for processing garnishment collections.

080703. Debtors Involved In Bankruptcy Proceedings

A. Wage Earner's Plan Cases. Except in cases of court-ordered child support and/or alimony as provided by 42 U.S.C. 659 (reference (ae)), civilian employees (wage earners) cannot be deprived of their pay by any civil process of attachment or levy. Federal employees may, however, file for bankruptcy under the provisions of 11 U.S.C., Chapter 13 (reference (af)) (the so-called "wage earner's plan").

1. Under Chapter 13, an employee must submit a plan to the bankruptcy court that provides, among other things, that all or such portion of future income as is necessary to pay priority claims under the plan, must be submitted to the control of the bankruptcy trustee. Once the bankruptcy court confirms a plan, it may order any employer to pay all or part of an employee's future income to the trustee named in the order. A separate check is authorized to meet the terms of the order. Sometimes, the wage earner's name appears as payee on the check with the address of the trustee (11 U.S.C. 1322 and 1325) (reference (af)). Normally, however, the check is made payable to the trustee.

2. In cases when doubt exists as to the validity or the interpretation (including the determination of amounts to be paid to a trustee) of the court order, the DFAS Deputy General Counsel reviews the wage earner's plan court order before processing.

3. Process the collection in accordance with the instructions in the court order.

B. Bankruptcy Proceedings. The civilian payroll office notifies the Office of the DFAS General Counsel immediately upon becoming aware that a civilian employee owing money to a DoD Component, is initiating bankruptcy proceedings. The notification must be prompt to ensure that a claim is filed within statutory time limitations.

0808 CORRECTIONS

080801. Corrections due to errors and cancellation of paychecks are outlined in Table 8-1.

080802. Corrections for Underpayment of Earnings. For active or separated employees, there is no distinction between payment for a current or prior calendar year. The adjusting payment is reported as wages at the time it is made. No correction on Form 941 is required. Form W-2 for the current year shall show corrections for underpayments as outlined in Table 8-1.

A. For active employees, the civilian payroll office shall:

1. Process the payment in the next regular biweekly pay cycle

2. Report the gross wages subject to Social Security/Medicare taxes withheld as current quarterly earnings on Form 941

3. Include the earnings and Social Security/Medicare taxes withheld on the Form W-2 for the current year.

B. For separated employees, the civilian payroll office shall:

1. Reestablish the employee on the payroll and process the payment in the current biweekly pay cycle

2. Follow the procedures in subparagraph 080802.A

3. Prepare Form W-2c if a Form W-2 was issued.

080803. Corrections for Overpayment of Earnings in the Current Year

A. For active employees, the civilian payroll office shall:

1. Instruct the employee to refund the overpayment in accordance with due process procedures.

2. Record the amount as a reversal in the base pay, gross pay, net pay or other pay as applicable, after receipt of the refund or returned check from the employee, the civilian payroll office.

B. For separated employees, the civilian payroll office shall follow debt collection procedures as outlined in Volume 5 of this Regulation.

1. Reestablish the employee on the payroll and process the reversals in the current biweekly pay cycle.

2. Prepare a Form W-2c if a Form W-2 was issued.

080804. Corrections for Overpayment of Earnings for a Prior Year. If the overpayment occurred in a previous calendar year, no correction of earnings for federal, state, or local withholding taxes shall be made for the current calendar year.

A. For active employees, the civilian payroll office shall:

1. Request a written statement from the employee that a claim for tax refund or credit has not been made for the amount of the overdeduction.

2. If the year of repayment is still within the 3-year statute of limitations for Social Security and/or Medicare tax refunds, prepare a Form W-2c in accordance with IRS Circular E (reference (h)) for the prior year to reduce the gross wages subject to Social Security/Medicare and Social Security and/or Medicare taxes withheld. Send copies to the employee and copy A to the SSA. A separate Form W-3 (Transmittal of Wage and Tax Statements) must be sent with the corrected Form W-2 to the SSA, upon completion of the correction procedures. If the repayment is beyond the 3-year statute of limitations, no corrections will be made to prior year Forms W-2 and Forms 941.

3. Attach the employer's copy of the Form W-2c to the retained Form W-2 previously issued for the prior year.

4. Prepare a Form 941c (Statement to Correct Information Previously Reported on the Employer's Federal Tax Return) to adjust the gross wages subject to Social Security/Medicare and the Social Security/Medicare taxes.

5. Attach the Form 941c to the current quarterly Form 941 and enter the amount of the adjustment on line 9 of Form 941. Retain copies of the two forms in the civilian payroll office.

6. Prepare a statement for the employee after collection of the amount due from the employee (see Figure 8-5 for a sample format). The amount entered on the statement shall be the total of the reverse deductions plus the amount the employee repaid. The employee shall receive any federal, state, city, and local income tax adjustment when he or she files a tax return.

B. For separated employees, the civilian payroll office shall:

1. Follow procedures outlined in subparagraphs 080804.A.1. through 6.

2. Keep a copy of the Form W-2c and Form 941c in the current year quarterly tax folder. (This is used to balance the annual federal tax deposits.)

C. The civilian payroll office manually shall note the amount of the correction and the date of the collection on the employee's prior year individual pay record.

D. If an employee was overpaid in previous calendar years, collections against the overpayment may cover more than two calendar years. The civilian payroll office shall give the employee a statement that contains the following:

1. A description of the circumstances
2. The amount of the overpayment
3. The amount collected during the year
4. The year or years to which the payment was applied.

Sample Demand Letter

FROM: (1)

TO: (2)

SUBJECT: Overpayment of Pay and/or Allowances

This is to inform you that you have been overpaid as the result of _____(3)_____. Unfortunately, this overpayment causes you to be indebted to the United States in the gross amount of $____(4)____, and as a result, we are required by law and regulations to initiate collection action.

Please send a personal check or money order payable to _____(5)_____ in the amount of $_____(6)_____ along with a copy of this letter to _____(7)_____ within 30 days. If you are financially unable to pay the full amount, you and the civilian payroll office may establish a written agreement for repayment of the debt by installment deductions from your pay. Please advise the civilian payroll office within 30 days if you wish to request this method of repayment.

If you do not repay the debt in full or establish a repayment schedule within 30 days, we are required to collect the debt involuntarily from your pay, beginning on _____(8)_____. The maximum amount deductible under these circumstances is 15 percent of your disposable pay each pay period until the debt is repaid in full. Our estimates of your disposable pay, based on current payroll information, is $_____(9)_____. Therefore, the maximum deductions would be $_____(10)_____ and repayment of the principal amount of the debt would take approximately _____(11)_____ pay periods.

If you repay this debt in the same year that the overpayment occurred, you may repay the debt in the net amount, and we accordingly will adjust your taxable wages and taxes withheld. If you do not repay your debt in full in the same year as the overpayment occurred, you are also will be required to pay all income taxes applicable to the unpaid debt balance. You will receive a statement that you may file with your tax return indicating you repaid an overpayment that occurred in a prior tax year.

We encourage that you promptly pay this debt since interest, computed at the Treasury tax and loan rate, will be assessed from the date of this letter on any part of the debt not paid within 30 days of the date of this letter. Also, an administrative charge to cover the cost of processing a delinquent debt will be assessed on any part of the debt not paid within 30 days. In addition, a penalty charge of 6 percent per annum will be assessed on any portion of the debt that is delinquent for more than 90 days.

★Figure 8-1 (Demand Letter for Overpayment of Pay and/or Allowances)

You have the right to inspect and copy all records relating to this debt within 10 days from receipt of this letter. If you personally cannot do so, you may request that the civilian payroll office provide you a copy of any of these records. This request must also be made within 10 days from receipt of this letter

If you have any questions about the nature of the debt, please contact the civilian payroll office for an explanation. If, after hearing the civilian payroll office's explanation, you still believe that you do not owe the debt or that you owe an amount other than what is shown above, you may submit a written statement of your position to the civilian payroll office. This right has no relationship to your ability or willingness to repay the debt, but only to determining whether the debt is a valid one. If you elect to exercise this right, you must do so within 15 calendar days from the date of this letter.

You also have a right to a hearing as to the amount or the validity of the debt, or if the involuntary deductions discussed above would cause an extreme hardship. Hearings are conducted by an official, designated by the Defense Finance and Accounting Service, who is not under the control of the creditor agency. If you wish to request a hearing, you must do so within 30 days from the receipt of this letter. Attachment 1 contains guidance regarding requests for hearings.

If you acknowledge the validity of the debt, but believe that you should not be required to repay this debt, you may submit a written request for waiver of the indebtedness. Attachment 2 contains guidance regarding waiver requests. Requesting a waiver is not normally an alternative to making arrangements to repay the debt (plus any accrued interest, administrative costs, and penalties). Therefore, even if you elect to submit a waiver request, you still should either repay the debt or arrange with the civilian payroll office for installment payments. Any decision to suspend collection action during the period of consideration of the waiver is made on a case-by-case basis.

If we can be of further assistance, please contact _____(12)_____.

Sincerely,

(Signature Element)

Attachments:
As stated

Figure 8-1 (Demand Letter for Overpayment of Pay and/or Allowances (continued))

Explanation of Blank Spaces on Sample Demand Letter

(1) The title or office symbol/code of the civilian payroll office.

(2) The full name of the employee.

(3) A brief but comprehensive explanation of how the overpayment occurred (e.g., overaccrued annual leave, premature step increase, or overtime paid but not worked). Always include the pay periods for which the overpayments occurred and the dollar amount for each pay period. If the computation is complex, it may be included as an attachment to the letter. In some cases, a three-column table may be helpful. The three columns reflect amount entitled, amount paid, and the differences (the amount of the indebtedness).

(4) The gross dollar amount of the debt.

(5) The office to which the check or money order is to be made payable.

(6) The net dollar amount of the debt.

(7) The mailing address of the disbursing office.

(8) The date the involuntary deduction from pay begins.

(9) The estimated amount of disposable pay.

(10) Fifteen percent of (9).

(11) Divide (4) by the amount determined in (10) and round to the next highest number.

Note: For debts in which (10) is greater that (4), this entire sentence and the one preceding it can be deleted from the letter.

(12) Identify the name, phone number and office symbol/code of the point-of-contact in the civilian payroll office who can answer questions regarding this debt.

Figure 8-1 (Demand Letter for Overpayment of Pay and/or Allowances (continued))

Guidance Pertaining to Hearings

An employee is entitled to an opportunity for a hearing on the determination of the civilian payroll office concerning the existence or amount of the debt, or the terms of the repayment schedule if it is established other than by written agreement. The employee must make any such challenge within 30 days of the receipt of the notice of indebtedness or within 45 days after receipt of the records relating to the debt, if the employee requests such records. If a hearing is given, the employee also must be given the opportunity to receive a written decision from the official holding the hearing at the earliest practical date, but not later than 60 days after the filing of a petition. Normally, a hearing will consist of written submissions by both the employee and the civilian payroll office. Therefore, an employee who wishes a hearing shall make his or her wishes known by filing a petition with the same official who issued the written demand for payment. The petition shall state that the employee is seeking a hearing under the provisions of 5 U.S.C. 5514 and, if the employee is contesting the determination of the debt or its amount, the petition will contain the following items:

1. The reason the employee believes that the civilian payroll office's determination of the debt is erroneous. The statement shall include all facts on which the employee bases his/her belief and any arguments supporting the belief.

2. Written submission from any persons that can substantiate the employee's contentions.

3. A copy of any records the employee believes can substantiate his/her contentions.

If the employee is contesting the offset schedule, the petition shall contain the following items:

1. A proposed alternative offset schedule with supporting documents showing why the civilian payroll office's schedule would produce an extreme financial hardship for the employee. The supporting documents should include specific details concerning income and expenses of the employee, his/her spouse, and dependents for 1 year preceding the demand letter, and projected income and expenses during the repayment period proposed by the civilian payroll office.

2. Written submissions from any persons that can substantiate the employee's contentions.

3. A copy of any records the employee believes can substantiate his/her contentions.

★Figure 8-1 (Attachment 1 of the Demand Letter for Overpayment of Pay)

The timely filing of a petition for hearing shall stay the beginning of collection proceedings until the results of the hearing have been rendered.

Employees are advised that any knowingly false or frivolous statements, representations or evidence may subject the employee to:

1. Disciplinary procedures appropriate under 5 U.S.C. Chapter 75; 5 C.F.R. 752, or any other applicable statutes or regulations;

2. Penalties under the False Claims Act, 31 U.S.C. 3729-3731, or any other applicable statutory authority; or

3. Criminal penalties under 18 U.S.C. 286, 287, 1001, and 1002, or any other applicable statutory authority.

The timely filing of a request for a hearing will stay the beginning of collection proceedings. Interest and penalty fees shall not accrue during the period from the filing of a petition for hearing until the date of a hearing official's determinations.

Figure 8-1 (Attachment 1 of the Demand Letter for Overpayment of Pay (continued))

Guidance Pertaining to Waivers

In order to receive favorable waiver consideration, the determination must be made that collection action would be against equity and good conscience and not in the best interests of the United States. Generally, these criteria will be met by finding that the erroneous payment occurred through administrative error and that there is no indication of fraud, misrepresentation, fault or lack of good faith on the part of the employee. Any significant unexplained increase in an employee's pay and/or allowances, which would require a reasonable person to make inquiry concerning the correctness of his or her pay, ordinarily would preclude a waiver, whether or not the employee fails to bring the matter to the attention of appropriate officials. Waiver of overpayments under this standard depends on the facts existing in each particular case. However, the Comptroller General of the United States has held that a waiver will not be granted if it appears the employee had records (such as Leave and Earnings Statements) which, if reviewed, would have indicated an overpayment, and the employee failed to review such documents for accuracy or otherwise failed to take corrective action. Economic or financial considerations play no role in the determination of a waiver request.

An employee who wishes to request a waiver must submit an application for waiver of erroneous payment to the civilian payroll office that made the erroneous payment. If the civilian payroll office has been disestablished, the application is to be sent to the successor civilian payroll office. The application must contain or cover the following information or points:

1. The employee's name and address,

2. The reason for requesting the waiver,

3. A clear, concise, certified statement that the employee was or was not aware of being erroneously paid,

4. A statement detailing the employee's efforts to question the correctness of the payment,

5. The date and manner in which the employee became aware of the overpayment(s),

6. A statement relative to the availability of wage/salary tables or schedules, if applicable and

7. The employee's request for refund of any collection of the debt.

★Figure 8-1 (Attachment 2 of the Demand Letter for Overpayment of Pay (continued))

Sample Voluntary Repayment Agreement

To Whom It May Concern:

I _____, SSN _____ agree to repay my indebtedness of $_____ by the following method(s).

$_____ One-time payroll deduction in the pay period ending _____.

$_____ Payroll deduction in the amount of $ _____per pay period beginning with the pay period ending _____ until the debt principal and interest at the current Treasury rate is paid in full.

$_____ Cash payment by personal check (must be received within 5 workdays).

$_____ Net amount due (current calendar year).

In the event that should I retire or resign before collection of the debt is completed, all final pay (salary, lump-sum payments, and awards) shall be applied to the unliquidated debt balance without additional notification.

_____
Signature

_____
Date

_____
Daytime Phone Number

★Figure 8-2 (Sample Voluntary Repayment Agreement)

I. Items Required From the Employee

A. The petition for the hearing:

1. Name

2. SSN

3. Date

4. Reason(s) for requesting the hearing, e.g.,

   a. Contesting the validity of the debt

   b. Contesting the amount of the debt

   c. Contesting the terms of the offset

5. Reason(s) for contesting the debt

   a. When contesting validity and/or amount of the debt, the employee shall

(1) Provide a statement why he or she believes the civilian payroll office's determination of the validity and/or the amount of the debt is erroneous. Also provide a complete description of the facts, evidence, and a summary of testimony of any witnesses which support the employee's belief.

(2) Copies of any pertinent records that the employee wishes to have considered at the hearing if they differ from those records previously provided by the civilian payroll office.

b. When contesting the terms of the offset schedule proposed by the civilian payroll office, the employee shall

(1) Propose an alternate schedule, i.e., how much can be repaid each pay period.

(2) Enclose an affidavit of financial status.

(3) Provide copies of any records he/she wishes to be considered at the hearing if they differ from the records previously provided by the civilian payroll office.

6. Employee's signature

Figure 8-3 (Checklist for a Hearing on Overpayment of Civilian Pay and/or Allowances)

II. Items Required From the Civilian Payroll Office:

A. Full name and SSN of the employee.

B. Exact date the error was discovered.

C. Exact date and manner (due process notification) in which the employee was advised of the debt.

D. Aggregate (total) amount of the debt.

E. Computation of the amount of the debt including/excluding interest-to-date, and administrative fees, if applicable.

F. Detailed circumstances that led up to, and under which, the erroneous payment(s) was made.

G. Statement(s) corroborating and/or refuting the statement(s) made by the employee.

H. Copies of Leave and Earnings Statements for 3 pay periods prior to the error and the first 3 pay periods beginning with the first overpayment.

I. Copies of all other documents pertaining to the case.

J. Annual leave cases require special documentation. They should include the following documents:

1. Copy of the erroneous SF 50 data.

2. Copy of the corrected SF 50 data.

3. The balance brought forward (and the date) from the last year in which the correct leave accrual was used.

4. Employee's leave record.

5. The hourly rate of pay and changes.

6. A copy of the SF 2806/3100.

Figure 8-3 (Checklist for Hearing on Overpayment of Civilian Pay and/or Allowances (continued))

Sample Post-Hearing Demand Letter

FROM: (1)

TO: (2)

SUBJECT: Indebtedness to the United States as a Result of an Overpayment of Pay and/or Allowances

Reference: (a) __(3)__
(b) __(4)__
(c) __(5)__

Reference (a) advised of your indebtedness to the United States in the amount of $__(6)__ as a result of an overpayment of pay and/or allowances. By reference (b), you submitted a petition for a hearing based on the __(7)__ of the debt. Reference (c) is the hearing official's determination of your indebtedness in the amount of $__(8)__.

In order to liquidate the debt in full, you are requested to prepare a personal check or money order payable to __(9)__, and send this instrument to the civilian payroll office at __(10)__ no later than 15 days from the date of this letter. Regulations also permit the indebtedness to be liquidated by deductions from your current pay. If you prefer this method of repayment, please inform the civilian payroll office of your preference and it will arrange for a one-time voluntary payroll deduction. Depending on the amount of the debt in relation to your pay and your other expenses, it may be possible for you and the civilian payroll office to establish a written agreement for repayment of the debt by periodic installment deductions from your pay.

Reference (a) explained that delinquent debts were subject to the assessment of interest, penalties, and administrative expenses, and stated the policy relative to the excusal of these assessments. Under this policy, these assessments have not yet been made. They may continue to be excused if you now repay the debt in full or are able to reach an agreement with the civilian payroll office regarding installment liquidation of the debt.

If you do not repay the debt, consent to a one-time payroll deduction, or establish a repayment schedule, this office intends to collect the debt involuntarily from your pay beginning on __(11)__. You must contact the civilian payroll office by that date in order to avoid this offset. This deduction would begin with the payday on __(12)__. Reference (a) advised as to the estimated amount and duration of the payroll deduction. If this deduction from your pay would, in your opinion, cause you to experience extreme financial hardship, then you are urged to contact the civilian payroll office to arrange a more lenient schedule.

Figure 8-4 (Sample Post-Hearing Demand Letter for Overpayment of Pay and/or Allowances)

Reference (a) also explained your right to a waiver of the overpayment. You may still exercise that right. In view of the time that has already elapsed, however, you either must repay the debt or make arrangements for payroll deductions concurrent with the submission and processing of your waiver request. In the event that your request is granted, all amounts deducted shall be refunded.

Our point-of-contact in this matter is __(13)__.

(Signature Element)

EXPLANATION OF BLANK SPACES ON SAMPLE POST-HEARING DEMAND LETTER

(1) The title or office symbol/code of the civilian payroll office.

(2) The full name of the employee.

(3) The initial demand letter.

(4) The employee's petition for a hearing.

(5) The hearing official's determination.

(6) The amount of the debt in the initial demand letter.

(7) Either "existence", "amount" or "the terms of the proposed offset schedule", as appropriate.

(8) The amount of the debt as determined by the hearing official. If the hearing official affirmed the civilian payroll office's contention, the amount will be the same as blank (6).

(9) The office to which the check or money order is to be made payable.

(10) Identify the mailing address of the civilian payroll office.

(11) The date the involuntary deduction from pay begins.

(12) The payday for the pay period indicated in blank (11).

(13) Include the name, phone number and office symbol/code of the point-of-contact in the civilian payroll office who can answer questions regarding this debt.

Figure 8-4 (Sample Post-Hearing Demand Letter for Overpayment of Pay and Allowances (continued)

Sample Prior Year Salary Overpayment

REFUND OF PRIOR YEAR SALARY OVERPAYMENT	Date
To:	From:

_____
Name and Social Security Number of Employee

refunded during the calendar year _____ the sum of $_____, representing salary overpayment from taxable year _____. The Form W-2 (Wage and Tax Statement) for calendar year _____ has not been decreased by this amount.

Duty Station	Federal Employer's Identification Number
	State Identification Number
Typed Name, Title and Telephone	Signature

Copy Forwarded To:

Internal Revenue Service

State of _____

City or County of _____

Figure 8-5 (Prior Year Salary Overpayment Sample Format)

Current and Prior Year Pay Correction Table

Corrections Required If Applicable	Current Year				Prior Year			
	Underpay		Overpay		Underpay		Overpay**	
	A	I	A	I	A	I	A	I
Gross	No	No	Yes	Yes	No	No	Yes	Yes
Base	No	No	Yes	Yes	No	No	Yes	Yes
Other Pay	No	No	Yes	Yes	No	No	Yes	Yes
Retirement	No	No	Yes	Yes	No	No	Yes	Yes
★TSP	No	No	Yes	Yes	No	No	Yes	Yes
Social Security/ Medicare	No	No	Yes	Yes	No	No	Yes	Yes
Federal Tax	No	No	Yes	Yes	No	No	No	No
FEHB	No	No	Yes	Yes	No	No	Yes	Yes
FEGLI	No	No	Yes	Yes	No	No	Yes	Yes
State Tax	No	No	Yes	Yes	No	No	No	No
City/Local Tax	No	No	Yes	Yes	No	No	No	No
Union	No	No	Yes	Yes	No	No	No	No
Charity	No	No	Yes	Yes	No	No	No	No
Other Deductions	No	No	Yes	Yes	No	No	Yes	Yes
Form W-2	No	Yes*	No	Yes*	No	Yes*	Yes*	Yes*
Form 941	No	No	Yes	Yes	No	No	Yes	Yes
Corrections Processed on Next Biweekly Pay Cycle	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

A - Active Employee; I - Inactive Employee

Yes - Requires a correction

* Prepare a corrected Form W-2 only if a Form W-2 was issued.

** For a prior year overpayment, the employee must repay the net amount plus deductions for federal, state, city or local tax, union, charity, allotments, bonds, indebtedness owed the United States and any other deductions for which the employee received value but which cannot be collected.

Table 8-1 (Current and Prior Year Pay Correction Table)

INTERNET DOCUMENT INFORMATION FORM

A . Report Title:Department of Defense Financial Management Regulation Volume 8 Chapter 8 Underpayments and Indebtedness

Downloaded From the Internet 13 September 2000

C. Report's Point of Contact: (Name, Organization, Address, Office Symbol, & Ph # Office of The Comptroller of The Defense Pentagon 20301

D. Currently Applicable Classification Level: Unclassified

E. Distribution Statement A: Approved for Public Release

F. The foregoing information was compiled and provided by:
DTIC-OCA, Initials:__JC_ ____**Preparation Date**: 2000/09/13

The foregoing information should exactly correspond to the Title, Report Number, and the Date on the accompanying report document. If there are mismatches, or other questions, contact the above OCA Representative for resolution.

CHAPTER 9

RECORDS, FILES AND REPORTS

0901 RECORDS AND FILES

090101. Payroll Documentation

A. A voucher shall be prepared for each disbursement or group of disbursements. A duly authorized certifying officer shall certify each voucher before payment. No employee shall certify his or her own disbursements.

★ 1. Deductions for CSRS and FERS, life insurance, and health benefit programs with employer contributions are routinely paid to the OPM each pay period. The SF 2812 shall be used to report these deductions. A consolidated SF 2812 shall be submitted biweekly to the OPM by RITS.

2. Federal income, Social Security, and Medicare taxes withheld shall be paid to the IRS as provided by the TFM (reference (ai)) and Circular E (reference (h)). State or city/local income taxes withheld shall be paid to the appropriate taxing authority in accordance with the TFM (reference (ai)).

3. Deductions and employer contributions for the TSP and TSP loan repayments shall be paid to the Department of Agriculture NFC.

4. Other amounts withheld shall be paid in accordance with regulations or instructions furnished by the employee.

B. Payments to those for whom deductions are authorized to be paid shall be reconciled on a cyclical basis, at least annually, with the amounts withheld plus the related employer contributions, if any, as shown by the pay or other records. This procedure is necessary to determine whether the correct amounts are being reported to those authorized to receive deductions and contributions that are deducted from the employee's pay.

1. The amounts reported on the annual Form W-2 furnished each individual shall agree with the total amounts withheld during the year as shown by the civilian payroll office records.

2. As an integral part of the DoD financial accounting systems, a related control account and an SF 2806/3100 for each civilian employee for whom retirement deductions are made shall be kept in accordance with the OPM requirements.

3. A master employee record shall be kept for each employee for whom savings bond deductions are made, showing the deductions, purchases or refunds, and unapplied balances.

4. Each DoD civilian payroll office shall keep, for each calendar year, a record of the total amounts withheld from employees' salaries and the total amount of the employer's contributions for group life insurance. These records shall be kept in a ledger or other appropriate form or shall be represented by file copies of vouchers from which such information has been reported to the OPM.

★ 5. A record of the employee deductions and the employer's contributions for health benefits shall be kept by each enrollment code number. The enrollees included in this record shall be reconciled within the payroll office, quarterly or more often if necessary, with the enrollees reported to each carrier. The civilian payroll office shall reconcile the employees enrolled, by code, to the carriers' records based on the SFs 2809 and SFs 2810 sent in support of the SFs 2811. This joint reconciliation between the civilian payroll office and the carriers shall be accomplished quarterly or, if necessary, more often.

6. The payroll records shall provide a clear audit trail from the gross pay calculation to the net pay received by the employee by pay period and by year-to-date totals.

7. A record shall be kept for each employee for whom TSP deductions and agency contributions to TSP are made.

★ 090102. Payroll Records Required for Retroactive Computations Involving Former Civilian Payroll Offices

★ A. When retroactive payroll computations are required that involves one or more former civilian payroll offices, the consolidated civilian payroll office has overall responsibility for the adjustment process. If it is determined that a former payroll office is involved, the consolidated civilian payroll office shall be responsible for contacting each former payroll office to obtain the necessary information.

★ B. Provided below are procedures to be followed if the consolidated civilian payroll office is unable to obtain documentation necessary to perform the retroactive calculation.

★ 1. Request documents from the National Personnel Records Center (NPRC) for records that should have been archived. When copies of the SF 135 are unavailable at either the former or consolidated offices, the consolidated civilian payroll office shall complete a NARA Optional Form 11 (Reference Request - Federal Records Centers) with all available information. Include in the description and remarks section, the employee's name, SSN, known places of employment, names and payroll office numbers of applicable civilian payroll offices, and year(s) for which the records are requested. Forward the form to NPRC, Civilian Personnel Records, 111 Winnebago Street, St. Louis, Missouri 63118-4199.

★ 2. Contact the Appropriate Human Resources Organization. If the NPRC cannot locate the records, the civilian payroll office shall prepare a memorandum to the appropriate HRO requesting copies of the SFs 50 or other related pay and/or leave information. Since there may have been consolidations of both civilian payroll and the appropriate HRO prior to the DCPS consolidations, it is imperative that both offices work together to obtain information that will assist in the determination of pay and leave adjustments for the employee.

★ 3. Contact the Employee. If the civilian payroll office is unable to locate documentation from the NPRC or the appropriate HRO, the employee may be contacted for documentation. If the employee has copies of the SFs 50 and/or the LESs, the civilian payroll office can accept this information for use in the reconstruction of the pay and/or leave records.

★ 4. Contact OPM. If the transmittal letters to the OPM and/or copies of the retirement records cannot be located, the civilian payroll office shall submit a written request to the OPM to obtain copies of these records. The information on the retirement records can also be used for reconstruction of pay information for adjustments.

0902 REPORTS

090201. General. DoD civilian payroll systems must support the various legal and regulatory requirements by generating reports at regular intervals, on an as-needed basis or by producing reports to meet special requirements. They also shall support management by generating reports that provide the necessary information to ensure the system's integrity. Under the provisions of Title 6 of the GAO Policy and Procedures Manual for Guidance of Federal Agencies (reference (bd)), reports shall be:

A. Prepared accurately and promptly and distributed to the appropriate recipients to ensure receipt when the information will be of maximum benefit.

B. Based on, supported by, and periodically validated against appropriate detailed information in the payroll system.

C. Sent in a timely manner to officials who authorized, or were responsible for, processed payroll transactions and shall be reviewed by those officials for completeness and accuracy. However, producers of these reports shall be responsible for correcting errors due to inaccurate reading or entering of data. Discrepancies in reporting, transmitting, or depositing funds shall be resolved promptly.

D. Discussed periodically with users and modified or eliminated as appropriate to meet user needs.

E. Retained and disposed of in accordance with the General Records Schedule 2, (reference (g)), with sensitive data as defined by 5 U.S.C. 552a (reference (b)) handled in accordance with the provisions of the Privacy Act (reference (e)).

090202. As-Required Reports

A. City/Local Income and Employment Tax Reports. These reports shall be submitted to cities/localities that have reached an agreement with the Secretary of the Treasury and to cities/localities where voluntary deductions have been made from employees. The reports are sent to the city/local taxing authorities based on the frequency prescribed by each municipality.

B. State Income Tax Reports. These reports are required by states that have reached an agreement with the Secretary of the Treasury. The reports are sent to the state taxing authorities based on the frequency prescribed by each state.

C. Report on Transfer of Employee

★ 1. When an employee transfers within the Department to another civilian payroll office or to another federal agency, the losing civilian payroll office prepares an SF 1150 at the time of separation. All blocks on the SF 1150 pertinent to the employee must be completed accurately (see Table 9-1). This form shall be used to report transferred leave balances and other pertinent information for the employee. This information is included under the Remarks section of the form. This includes, but is not limited to, information on the employee's year-to-date wages for Social Security and/or Medicare tax purposes, year-to-date TSP deductions, last deduction for FEHB and FEGLI, date through which the insurance deductions were made, and overseas or territorial differential data. Mechanized SFs 1150 shall include the information contained in the printed standard form.

★ a. After the losing civilian payroll office completes the SF 1150, shall be is forwarded to the losing HRO. The losing HRO includes it in the employee's Official Personnel Folder (OPF) and forwards to the gaining HRO. After the SF 1150 is received by the gaining HRO, it is forwarded to the gaining civilian payroll office.

★ b. To expedite the forwarding of the SF 1150 within the Department, the losing civilian payroll office shall forward a copy to the gaining civilian payroll office, if known, at the time the original SF 1150 is forwarded to the losing HRO. Upon receipt of the original SF 1150, the gaining civilian payroll office must verify that the SF 1150 data has not previously been recorded in the payroll system. The losing civilian payroll office retains a duplicate copy of the SF 1150 for audit purposes.

c. For leave adjustments over 3 years old, the current civilian payroll office is responsible instead of the losing civilian payroll office.

2. Delayed Receipt of SF 1150. If the OPF containing the SF 1150 is delayed in reaching the appropriate gaining HRO, and the employee is taking leave, the gaining civilian payroll office is responsible for determining the employee's leave balance. If necessary, the leave balance shall be requested by message or facsimile. This information is subject to the Privacy Act (reference (e)) and must be handled in accordance with the provisions of that Act. Also, the

gaining civilian payroll office is authorized to use the leave balance shown on the employee's last LES, subject to verification upon receipt of the SF 1150.

3. SF 1150A (addendum to SF 1150). This form records the transfer of leave for leave recipients covered by the voluntary leave transfer program. It shall be used when a current leave recipient transfers to another civilian payroll office or federal agency without a break in service. It will be attached to the SF 1150.

D. Request for Wage and Separation Information. The civilian payroll office shall report wage data to the appropriate HRO in accordance with section 0601. A file copy of all data furnished to the appropriate HRO is maintained for 2 years in accordance with the General Records Schedule 2 (reference (g)) and then destroyed.

E. SF 2806/3100. In accordance with section 0403, the civilian payroll office will prepare and maintain the SF 2806/3100.

★ F . Form W-2c and Form W-3.

1. Prepare a Form W-2c (Corrected Wage and Tax Statement) in accordance with IRS Circular E (reference (h)) to correct prior year wages and tax withholdings as applicable. Send copies to the employee and copy A to the SSA. A separate Form W-3 (Transmittal of Wage and Tax Statements) must be sent with the corrected Form W-2c to the SSA, upon completion of the correction procedures.

2. Retain the employer's copy of the Form W-2c in the payroll office.

3. Prepare a Form 941c (Statement to Correct Information Previously Reported on the Employer's Federal Tax Return) to adjust the gross wages subject to Social Security and/or Medicare and the Social Security and/or Medicare taxes.

4. Attach the Form 941c to the current quarterly Form 941 and enter the amount of the adjustment on the Form 941. Retain copies of the two forms in the civilian payroll office.

5. Keep a copy of the Form W-2c and Form 941c in the current year quarterly tax folder. (This is used to balance the annual federal tax deposits.)

090203. Biweekly reports

A. LES. An LES showing gross pay, deductions, and net pay for the current pay period and cumulative totals for the current year, along with leave balances at the end of the pay period and year-to-date, should be mailed to the employee's nonwork address every pay period.

B. SF 2812 and SF 2812A. The amount collected for employee retirement (CSRS and FERS), FEHB, and FEGLI deductions, military service deposits, reemployment offset,

and the agency's contributions for retirement (CSRS and FERS), FEHB, and FEGLI are transferred to the OPM. Under procedures prescribed by the OPM, the civilian payroll office uses a no-check-issue procedure as the means of payment to the OPM. Funds are transferred to the OPM using the SF 2812. The SF 2812A reports the total employee deductions and agency contributions for health benefits by health benefits plan enrollment code for the pay period.

C. Retirement Insurance Transfer System (RITS)

1. RITS is a subsystem for the On-Line Payment and Collection (OPAC) System developed by the OPM and the Department of the Treasury to report civilian retirement and insurance contributions. The automated RITS interface with the payroll system replaces the manual submission to the OPM of the SF 2812/2812A.

2. To process the RITS transactions, the civilian payroll office shall provide the disbursing office with the payroll system generated hard copy of the DD Form 592 (Payroll for Personal Services - Certification and Summary), the SF 2812/2812A and, if applicable, any disbursement vouchers for cash payments.

a. Cash payments received from employees for military deposits, health benefits payments, etc. are considered current transactions. The funds are collected and disbursed from the deposit fund account 97X6875 (Suspense). The total of the DD Form 592 and cash disbursement voucher should equal the total of the SF 2812. Cash collections for health benefit indebtedness received from pay accounts not carried forward from former payroll offices must be reported to the OPM separately on a supplemental SF 2812 using the Off-Line Bulk Data Transfer RITS software.

b. The disbursing office shall ensure the voucher amounts agree and the vouchers contain proper certifying signatures before authorizing the transmission of the file to the OPM. The delay between the payroll system file creation and transmission is a necessary step in the process to establish adequate internal controls for the disbursement of government funds. If the file is transmitted before the payment date, the OPM shall warehouse the data until the settlement date.

c. The OPAC transaction is a direct payment to the OPM. Report the transaction on the SF 1219 (Statement of Accountability) by increasing line 2.8 and line 4.1. The civilian payroll office no longer charges account 24X8135 to offset the SF 2812 payment.

d. The disbursing office generally can confirm the transactions on 1 to 2 workdays following the OPAC payment date by accessing the OPAC system and selecting number 6 - Print Bills charged to the payroll office Agency Locator Code. The system provides prompts to enter data that identifies the report to print. Cite the confirmed OPAC document reference number on the original vouchers to show payment via OPAC.

3. RITS provides the capability to report on a regular biweekly basis, as well as to report adjustments in a supplemental off cycle mode. Reporting during the regular

biweekly cycle is the preferred method and automated capabilities of the payroll system must be fully utilized in order to do so. Use of a supplemental reporting cycle should be limited to the greatest extent possible.

4. Consolidated civilian payroll offices using RITS may have the occasion to report adjustments applicable to former payroll offices as well as adjustments applicable to the consolidated office. The following procedures for these situations have been developed:

a. Adjustments for accounts that have not been transferred to the consolidated civilian payroll office. These accounts were inactive on former payroll office records and did not convert to the consolidated office. Responsibility for these adjustments has been affixed with the consolidated payroll operation as a part of the DFAS civilian payroll concept of operations. These adjustments could involve correction of a retirement plan or cash collection for military deposits or health benefit indebtedness.

(1) Retirement Plan Correction. These adjustments shall be reported to the OPM via a hard copy SF 2812 citing the Payroll Office Number that originally reported the deductions and contributions. Corrected retirement records and registers citing the former payroll office also shall be prepared and forwarded to the OPM. Copies of the SF 2812, registers, and records shall be forwarded to the departmental reporter for the former payroll office so that cumulative balances may be adjusted.

(2) Cash Collections for Military Deposits. Cash collections for military deposits must be reported via a hard copy SF 2812 citing the Payroll Office Number that originally reported the deductions. Corrected retirement records and registers citing the former payroll office must be prepared and forwarded to the OPM. Copies of the SF 2812, registers, and records must also be forwarded to the departmental reporter for the former payroll office so that cumulative balances may be adjusted.

(3) Cash Collections for Health Benefit Indebtedness. Cash collections for health benefit indebtedness should be reported via the RITS as a supplemental SF 2812/2812A from the consolidated payroll office using the consolidated Payroll Office Number.

b. Adjustments for accounts which have been transferred to the consolidated civilian payroll office. These accounts were active on former civilian payroll office records and converted to the consolidated office. Adjustments may be for accounts that have become inactive since consolidation or for those still in an active status. Responsibility for these adjustments has been affixed with the consolidated payroll operation as a part of the DFAS payroll concept of operations. Records for both the former and consolidated payroll offices may have to be corrected, depending on the effective date of the correction involved.

(1) Retirement Plan Correction. The adjustment may involve both hard copy reporting via the SF 2812 and reporting via RITS. Adjustments that are effective prior to the transfer to the consolidated office shall be reported to the OPM via the SF 2812 citing the former civilian Payroll Office Number. Corrected retirement records and registers for that portion

applicable to the former payroll office must be prepared and forwarded to the OPM. A copy of the SF 2812, registers, and records also shall be forwarded to the departmental reporter for the former civilian payroll office so that cumulative balances may be adjusted. That portion of the adjustment applicable to the consolidated payroll office shall be corrected through the payroll system and reported via the RITS regular biweekly cycle. Adjustments for accounts that have become inactive since consolidation shall be corrected through the payroll system by reactivating the account.

(2) Cash Collections for Military Deposits. Cash collections for military deposits shall be reported via RITS during the regular reporting cycle. Collections for accounts that have become inactive since consolidation must be corrected through the payroll system by reactivating the account. Correction through the payroll system is necessary in order to maintain the proper sequencing of system assigned register numbers.

(3) Cash Collections for Health Benefit Indebtedness. Cash collections for health benefit indebtedness shall be reported via RITS during the regular biweekly reporting cycle.

D. Form TSP-2 (Certification of Transfer of Funds and Journal Voucher). A no-check-issue procedure is used to transfer the amount collected for employee's TSP deductions as well as the agency contributions to the NFC. Funds are transferred to NFC using the Form TSP-2.

E. DD Form 592. This is a payroll voucher used for certification of the accuracy of the payment. It also provides accounting data in connection with civilian payroll. Clear text appropriation data is in Part II of the DD Form 592 to permit departmental reporting to the Components. This data is in addition to the unique job order data.

F. Civilian Employment Expense Reports. In support of DoD Instruction 7720.22 (reference (be)), the civilian payroll office shall gather information on the costs of civilian employment. This financial and statistical information serves as the basis for budget and apportionment estimates and is used for reporting such estimates to the OMB and the Office of the Secretary of Defense. This information also is used for monitoring budget activities at departmental levels. The civilian payroll office either provides this cost information biweekly as feeder data (if a consolidated civilian payroll office) or prepares an expense report on the costs of civilian employment to the Components monthly (if a non-consolidated civilian payroll office).

G. Reports of Salary Offsets for Non-DoD Federal Agencies

1. Report of Collections. The civilian payroll office shall forward a biweekly report to each creditor agency of the collections made for the pay period. This report shall include, at a minimum, the non-DoD agency to which the collections apply, the civilian payroll office name and address, the employee's name, the amount collected for each employee, the time frame for which the collection applies, and the total amount of collections remitted to the non-DoD agency.

2. Report of Employees with Salary Offset. The civilian payroll office forwards a biweekly report of employees with salary offsets for non-DoD federal agencies to the DFAS Center that originally forwarded the salary offset request to the civilian payroll office. This report shall include, at a minimum, the employee's name, SSN, creditor agency, amount of the last biweekly collection amount, pay date of the last collection, and the debt balance amount. In the case of employees with more than one debt to a non-DoD federal agency, the above information shall be provided for each debt.

★ H. Reporting Union Dues to Labor Organizations or Associations of Management Officials or Supervisors. For each pay period, the civilian payroll office shall prepare a listing for each recipient of withheld dues. At a minimum, the listing shall include the name and address of the civilian payroll office, the labor organization or association for which the listing pertains, employees' names and amount of dues deducted for each, total amount collected, and system generated remarks that explain the lack of deductions.

★ I. Combined Federal Campaign Report. The payroll office shall provide a remittance report to each CFC organization to include:

1. The employing agency, e.g., Army, Navy, Air Force,

2. The number of employees with a deduction by employing agency,

3. The total pay period amount deducted, and

4. The pay period date of the CFC data.

A summary report by CFC organization indicating the total number of employees with deductions, the amount deducted for all employing agencies, and the payroll office will retain the pay period date. See 5 C.F.R. 950.901 (reference (l)).

★ J. Voluntary Separation Incentive (VSI) Agency Contributions Report

1. Section 1106 of the National Defense Authorization Act for Fiscal Year 1998, P.L. 105-85 (reference (e)), mandates that agencies make certain contributions to the Civil Service Retirement and Disability Fund (CSRDF) due to VSI payments. The Department is required to remit to the OPM for deposit into the CSRDF an amount equal to 15 percent of the final basic pay for all employee who separate on or after October 1, 1997, and receive a VSI payment authorized by 5 U.S.C. 5597 (reference (b)).

2. The reports for the accounting activities and departmental reporters provide information to record obligations and make payment to the OPM.

090204. Monthly Reports

A. Monthly Report of Federal Civilian Employment, Interagency Report Control Number (IRCN) 1032-OPM-MO. This report is required by the OPM and shall be prepared by each office maintaining operating budget/allotment ledgers. It reports obligations for wages and salaries earned by, and lump-sum leave payments made to, civilian employees and wages and salaries of foreign national, direct-hire personnel. This report has been cleared in accordance with the Federal Information Resources Management Regulation (FIRMR) 201-9.202-2 (reference (bf)), and assigned IRCN 1032-OPM-MO.

B. Manpower and Funding Report. See subparagraph 090203.F.

★ C. Full-Time Equivalent or Work Year Reporting. The civilian payroll office shall provide feeder data to DMDC for reporting to the OMB.

090205. Quarterly Reports

A. Continuation of Pay for Disabling, Job Related Traumatic Injuries Sustained by Federal Employees, IRCN 0063 DOL-QU. The Department of Labor requires a quarterly report on COP. The requirement was established by 20 C.F.R. 10.206 (reference (x)) and applies to all civilian payroll offices including National Guard units. This report has been cleared in accordance with FIRMR 201-9.202-2 (reference (bf)), and assigned IRCN 0063 DOL-QU.

B. Employment Statistics Program, IRCN 0184 DOL-XX. Upon request, the civilian payroll office furnishes feeder data to the appropriate HRO on total wages paid to civilian employees for specific calendar quarters. The appropriate HRO shall prepare and submit the final report. This report has been cleared in accordance with FIRMR 201-9.202-2 (reference (bf)), and assigned IRCN 0184 DOL-XX.

C. Employer's Quarterly Federal Tax Return, Form 941. Each civilian payroll office shall report tax payment information to the IRS on Form 941. The report shall be completed and filed by the due date established by the IRS. This is normally the end of the month following the close of the quarter. If all the taxes for the quarter are deposited when due, file the Form 941 by the 10th day of the second month following the close of the quarter. The tax payment information required under Schedule B (Record of Federal Tax Deposits) shall come from the payment records. The total amount of tax payments during a quarter shall agree with the total taxes due, with no further payment required to be made with the Form 941. The Form 941 can be obtained from the nearest IRS office.

1. Civilian payroll offices with the capability shall utilize FEDTAX to report Form 941 data to the IRS. FEDTAX is a Department of the Treasury-developed software application that utilizes the Government On-Line Accounting Link System to eliminate hard copy reporting of Form 941 quarterly and issuing U.S. Treasury checks to the IRS.

2. The civilian payroll office forwards the IRS disbursement vouchers (i.e., the SF 1049) to the disbursing office at an agreed- upon time preceding the payment date for transmitting the voucher data through FEDTAX to the IRS.

3. The disbursing office returns the Form 941 printout to the civilian payroll office the day following each IRS disbursement. This printout reflects the cumulative totals for the quarter.

4. The civilian payroll office corrects any discrepancies as needed.

★ D. Health Benefits Reconciliation Report. Each payroll office shall send the quarterly report of enrollees to all health plans, listing enrollees' names and total amount (withholdings and contributions). The quarterly report shall include enrollment data for all health plans for the payroll paid during the 1st through the 15th of March, June, September and December. If there are two payrolls paid during that period, the civilian payroll office shall report only enrollment data for the last payroll paid. The data in this report first shall be sorted by FEHB enrollment code and then SSN. The report shall provide a subtotal for each enrollment code and a grand total for each plan.

★ E. Transportation Fringe Benefits. Public Law 102-486 (reference (e)) requires employers to report the value of fringe benefits as taxable income for amounts that exceed the established IRS threshold. See paragraph 031502. for additional information. The parking fringe benefit valuation shall be reported by the employing activity directly to the servicing civilian payroll office on a quarterly basis to ensure proper reporting on the Form W-2 of income and collection of taxable wages. The monthly value of the fringe benefit and the reportable taxable benefit shall be included in the report.

★ F. Civilian Direct Deposit Participation Report. When directed, the civilian payroll office shall furnish data to the appropriate functional organization on civilian employees participating in DD/EFT. This feeder-type information is used by DoD managers to report to the Department of the Treasury Financial Management Service payment volumes and the percentage of payments made by EFT. The DoD report is due to the Department of the Treasury within 25 days following the end of each quarter.

090206. Semiannual Reports

A. U.S. Savings Bonds Payroll Savings Report, IRCN 0215-TD-SA-T

1. In accordance with Volume 5 of this Regulation, the consolidated civilian payroll offices shall provide feeder-type data on bond participation statistics to the recipients in subparagraph 090206.A.2. This report has been cleared in accordance with FIRMR 201-9.202-2 (reference (bf)), and assigned IRCN 0215-TD-SA-T. This data shall be submitted twice yearly on or before the 25th day following the end of each semiannual calendar period (March 31 or September 30). The report shall include the following:

a. Pay period ending date;

b. The reporting payroll office;

c. Summarized data by Component by Geographic Location Code;

d. A column with the total number of employees;

e. A column with the number of employees enrolled in the payroll savings plan;

f. A column with the percentage participation; and

g. A column with the total dollar amount withheld from employees for the pay period.

2. The civilian payroll offices shall submit the report to the following:

★ a. For Department of Army activities:

U.S. Army Finance Command
Attn: SFFM-FC-OD
8899 East 56th Street
Indianapolis, IN 46249-3060

★ b. For Department of Navy activities:

Administrator
Navy Savings Bond Program
Bureau of Naval Personnel
(PERS 662J)
2 Navy Annex
Washington, DC 20370-6620

★ c. For Department of Air Force activities:

HQ AFPC/DPSTS5
550 C Street West, Suite 35
Randolph AFB, TX 78150-4737

★ B. Report of Withholdings and Contributions for Retirement, Group Life Insurance, and Employees Health Benefits, IRCN 1064 OPM-AN. The OPM has requirements for a semiannual head count required for the last pay period paid during the 1st through the 15th of March and September, in conjunction with the quarterly reporting of enrollment in all health benefits plans (see 090205.D.). The OPM Payroll Office Letter contains line-by-line instructions for completing the head count together with illustrative examples of data the OPM requires. The OPM Form 1523 must be attached to and submitted with the SF 2812 and SF 2812A covering the same period. This report has been cleared in accordance with FIRMR 201-9.202-2 (reference (bf)) and assigned IRCN 1064 OPM-AN.

090207. Annual Reports

A. Report of Work-Years and Personnel Cost, IRCN 0197-OPM-AN. This report provides information required by the OMB requires to estimate the cost of proposed federal pay increases, evaluate the financial effects of proposed legislation on civilian personnel compensation and benefits, and prepare analysis of pay and personnel benefits of federal employees. The consolidated civilian payroll office provides feeder-type data on the leave data for part C of this report. This report has been cleared in accordance with FIRMR 201-9.202-2 (reference (bf)), and assigned IRCN 1097 OPM-AN.

B. Report of Personnel and Payroll Outlays by Operating Locations, Report Control Symbol (RCS): DD-DA&M(A) 1600. The civilian payroll office provides system-generated, feeder-type information in accordance with DoD Instruction 7710.3 (reference (bg)). This report contains statistical information on civilian employment and DoD payroll outlays by location.

C. Wage and Tax Statements

1. Wage and Tax Statements to SSA. Form W-2 is used to report taxable income to the SSA and the IRS. The civilian payroll office shall issue a Form W-2 to employees no later than January 31 of the year following the applicable tax (calendar) year. This also applies to employees who died or separated during the year. Individuals may request the form at an earlier date by making their request in writing to the civilian payroll office. In such instances, the form is to be issued within 30 calendar days of receipt of the request or of the final payment, whichever is later. The DoD civilian payroll offices are required to use the DFAS approved standardized Form W-2 each year.

2. Wage and Tax Statements to States

a. The civilian payroll office provides this information to states that have Treasury-state withholding agreements.

b. The civilian payroll office provides annual information returns on Form W-2. (Other forms prescribed by states shall not be used).

c. Reports to states for wages earned and taxes withheld shall be submitted as required by the reporting requirements for each state. Reports shall include:

(1) Employees employed in the state and subject to tax (whether or not tax is withheld); and

(2) Employees who have established voluntary allotments for that state's income tax.

d. The civilian payroll office includes in the returns only the information on Forms W-2 employee's name, address, SSN, wages and taxes withheld, if any.

e. The civilian payroll office shall submit Forms W-2 or magnetic tape to report to states. If the state taxing authorities have agreed to accept magnetic tape, the civilian payroll office shall submit the information on a separate tape file. The civilian payroll office shall file all returns in accordance with instructions issued by the state taxing authorities. The civilian payroll office must request approval from state agencies before reporting by magnetic tape. Civilian payroll offices can get a list of state agency contacts from the regional SSA office or from SSA, P.O. Box 2137, Baltimore, Maryland 21203.

f. The civilian payroll office may have to report information to more than one taxing authority for the same employee. If so, it shall supply a copy of Form W-2 to the proper taxing authorities on request. Those authorities will decide if the employee is liable for any tax.

g. A state requirement to file information returns monthly does not affect existing arrangements to submit Forms W-2 only once a year.

3. Wage and Tax Statements to Cities or Other Localities

a. The civilian payroll office provides this information to cities/localities that have Treasury-city/locality withholding agreements and to cities/localities where voluntary deductions have been made.

b. The civilian payroll office provides annual returns on Form W-2. (Other forms prescribed by cities/localities shall not be used). Reports shall include:

(1) Employees employed in the city/locality and subject to tax (whether or not tax is withheld); and

(2) Employees who have established voluntary allotments for that city/locality's income tax.

c. The civilian payroll office includes in the returns only the information on Forms W-2: employee name, address, SSN, wages and taxes withheld, if any.

d. The civilian payroll office shall submit Forms W-2 or magnetic tape to report to cities/localities. If the city or locality taxing authorities have agreed to accept magnetic tape, the civilian payroll office shall submit the information on a separate tape file. The civilian payroll office shall file all returns in accordance with instructions issued by the city and locality taxing authorities. The civilian payroll office must request approval from city or local agencies before reporting by magnetic tape.

e. A city or locality requirement to file information returns monthly does not affect existing arrangements to submit Forms W-2 only once a year.

4. Wage and Tax Statements to Employees

a. The civilian payroll office must give annual Forms W-2 to:

(1) Employees subject to mandatory withholding;

(2) Employees subject to the tax, but not the withholding, because they do not reside in the state in which the city or locality is located--this includes those who did not elect voluntary withholding--and

(3) Employees subject to the tax, but not the withholding, because their regular place of duty is outside the city or locality, if they have elected voluntary withholding.

b. The civilian payroll office shall mail annual wage and tax information returns to each employee's nonwork address by January 31 of the next year. The Form W-2 shall include:

(1) Employee's name, SSN, and address.

(2) Wages subject to Social Security/Medicare, federal, state, city or local withholding.

(3) Social Security and/or Medicare, federal, state, or local tax withheld, if any.

(4) Name of state, city or county.

(5) City or county assigned EIN.

★ c. The civilian payroll office shall mail corrections to the annual wage and tax information returns to an employee's nonwork address as soon as an error is discovered. Refer to subparagraph 090202.F. for information on the Form W-2c and Form W-3.

D. SF 2811 (Transmittal and Summary Report to Carrier - Federal Employees Health Benefits Program)

★ 1. The SF 2811 transmits SFs 2809/2810 to the FEHB carriers. In cases where the appropriate HRO forwards the FEHB enrollment changes directly to the carriers, the SF 2811 is not required. Instead, the OPM has approved the use of a special transmittal sheet that provides the following data elements: the employing agency name and address; the number of SFs 2809/2810 transmitted; and a contact person and telephone number for questions concerning the transmittal.

2. The civilian payroll office prepares an original and two copies of the SF 2811 to cover the transmittal of SFs 2809/2810 that are accumulated for no more than 1 week. Transmittal of these forms should not be delayed to coincide with applicable payroll deductions. The SF 2811 is prepared as follows:

a. Carrier's Name, Address, and Code. Indicate the carrier's name, address and code from the OPM Payroll Office Letters issued annually that transmit FEHB information. The carrier code is the first two digits of the enrollment code.

b. Payroll Office Number.

c. Report Number. The SF 2811 "report number" begins with a two-digit number designating the calendar year and runs in numerical sequence starting with number 1. Thus, 98-1 would be the number of the first SF 2811 sent on or after January 1, 1998. The second SF 2811 in that year would be 98-2. Begin a new series of numbered transmittals starting with the number 1 with the first transmittal in the calendar year. Use a separate numbering series for each carrier.

d. Date of Report. Indicate the transmission date of the SF 2811.

e. Part A, Transmittal. Record in the spaces provided the number of SFs 2809/2810 being transmitted.

★ f. Part B, Summary Report of Number of Enrollees:

(1) Sorting. To facilitate preparation of the report and assist the carrier, sort SFs 2809/2810 and attach to the SF 2811 in the order in which the count is recorded. For example, for new enrollees, sort the SFs 2809 according to the last digit of the enrollment code number. These SFs 2809 would be the first group of attachments. For changes of enrollment code, sort SFs 2809 the same way and make these the second group of attachments. SFs 2810, showing a change in the name of the enrollee (part F) only, are the last attachment, and are not included in the count under "add" or "deduct" entries explained below.

(2) Add:

(a) New Enrollees (SF 2809). Include employees enrolling for the first time and employees changing from one carrier's plan to another.

(b) Changes in Code (SF 2809). Include employees changing enrollment code number within the same plan (when parts B and C of the SF 2809 show the same carrier). The entry on this line should correspond with the code number in part B of the SF 2809.

(c) Transfers in (SF 2810). Include transfers into the payroll office from other payroll offices (part D of the SF 2810).

(d) Other (See Remarks). Report other additions to enrollments not shown on the preceding lines. Examples: reinstatements (part G of the SF 2810); void actions; and corrections in count requested by carrier. Support line entries with a brief explanation under Remarks.

(3) Deduct:

(a) Cancellations (SF 2809). Include voluntary cancellations only (part D, item 2 of the SF 2809).

(b) Changes in Code (SF 2809). Include employees changing enrollment code number with the same plan (when parts B and C of the SF 2809 show the same carrier). The entry on this line should correspond with the code number in part C of the SF 2809. NOTE: The adds and deducts for changes in code must agree in the total column.

(c) Changes in Plan (SF 2809). Include when parts B and C of the SF 2809 are completed to change enrollment from one plan to another.

(d) Terminations (SF 2810). Include when part B of the SF 2810 is completed.

(e) Transfers Out (SF 2810). Used for transfers to another civilian payroll office (part C of the SF 2810).

(f) Other (See Remarks). Report other deductions in enrollments not shown on the five preceding lines. Example: Suspensions (part F of the SF 2810); void actions; and deduct corrections in count requested by carriers. Support line entries with brief explanation under Remarks.

g. Part C, Certification. Show the civilian payroll office name and address as registered with the OPM. The civilian payroll office supervisor, or other designated individual, signs the form in the appropriate space.

3. Before sending the SF 2811, the civilian payroll office places the report number in the lower right-hand corner of the carrier's and civilian payroll office's copies of each attached SF 2809/2810.

4. The SF 2811 is distributed as follows:

a. The original and first copies are sent by first class mail to the carrier, supported by the carrier's copies of the SFs 2809/2810.

b. The second copy, supported by the civilian payroll office copy of the SF 2809/2810, is kept in the civilian payroll office files pending the return of the first copy by the carrier.

RECORD OF LEAVE DATA

1. Name (Last, First, Middle)	2. Social Security Number	3. (For agency use)
4. Date and Nature of Separation	5. A. Subject to 5 U.S.C. 6304 (B) (45 day leave ceiling) ☐ Yes ☐ No B. Last Date Subject to 5 U.S.C. 6304 (B)	C. Annual Leave Balance as of That Date (Hours)

6. Total Service for Leave (as of Date of Separation) ☐ More than 15 Years ☐ Less Than 15 Years (show) Years Months Days

SUMMARY OF ANNUAL AND SICK LEAVE

7. Carryover Balance From Prior Leave Year Ending	MO.	DAY	YEAR	HOURS Annual	Sick	Restored
8. Current Leave Year Accrual Through Pay Period Ending (If 90 day restriction applicable, explain in remarks)						
9. Total						
10. Reduction In Credits, If Any (current year)						
11. Total Leave Taken, Current Year Through Date of Separation						
12. Balance						
13. Total Hours Paid In Lump Sum (Includes hours for holidays)						
14. Salary Rate(s) Per Hour:						

15.		MO.	DAY	YEAR	HOURS
Lump Sum Leave Dates (If part-time tour, explain in Remarks)	From				
	Thru				
a. Restored	From				
	Thru				
b. Annual Leave Above Ceiling	From				
	Thru				
c. Annual Leave Within Ceiling	From				
	Thru				

ABSENCE WITHOUT PAY

16. During Leave Year In Which Separated	Hours

17. A. Date of Last Equivalent Increase	MO.	DAY	YEAR

B. Total AWOP Hours Since Last Equivalent Increase (except during military service and while in receipt of OWCP payments)	Hours

SUMMARY OF HOME LEAVE

18. Basic Service Period of Months of Continuous Service Abroad:	Date Started / Date Completed	MO.	DAY	YEAR

19. Current 12 Months Accrual Period Began on	MO.	DAY	YEAR

Hours Absent Without Pay Since That Date →

20. Current Balance (or accrual) as of	MO.	DAY	YEAR

Number of Days →

21. Twelve Months Accrual Date as of Date of Separation
Number of Days →

22. Dates Leave Used Prior 24 Months	FROM MO.	FROM DAY	FROM YEAR	TO MO.	TO DAY	TO YEAR

MILITARY LEAVE 23. During Current Calendar Year	FROM MO.	FROM DAY	FROM YEAR	TO MO.	TO DAY	TO YEAR
A. Regular-Active Duty of Training						
B. Special-Civil Disturbance						

24. Remarks (Include shore leave information, if applicable);

Last deduction for: FEHB _____ Amt
Code _____
Standard FEGLI _____ Amt
Option A FEGLI _____ Amt
Option B FEGLI _____ Amt
Option C FEGLI _____ Amt

FICA WGS YTD:
FICA TX YTD:
BASE PAY YTD:

Deducted Through

25. Certified Correct By: (Signature)	26. Title, Agency, Address, Telephone Number	27. Date

1150-113

STANDARD FORM 1150 (REV. 12-77)
Civil Service Commission

Table 9-1 (Instructions for Completing the SF 1150)

ITEM	ENTRY
1	Enter name and middle initial of the employee exactly as used on the pay records.
2	Enter employee's SSN.
3	Either leave this blank or enter the data required by the respective payroll system being used, such as the payroll control number.
4	Enter date and nature of separation as shown on the SF 50 effecting separation or transfer.
5	Enter employee's status for leave purposes. Show in the proper block whether the employee is subject to overseas maximum annual leave accumulation. Show ending date of pay period when this stopped, and annual leave balance.
6	Check the appropriate block to show employee's total creditable service for leave purposes as of the date of separation or transfer. Show years, months, and days, if less than 15 years.
7	Enter ending date of prior leave year and balances of annual, sick and restored leave brought forward to current leave year.
8	Enter date through which leave was credited and amount of annual and sick leave earned and credited since the beginning of the current year.
9	Enter sum of the prior balances and current accruals.
10	Enter reduction in annual and sick leave credits caused by absences in a nonpay status. If none, enter "0".
11	Enter number of hours of annual and sick leave taken during the current year through date of separation or transfer as shown in item 4.
12	Enter figures derived by subtracting the total reduction in credits and leave taken from the total figures in item 9. Add "*" in sick leave balance column and explain in item 24 when sick leave balance is reported to the OPM on SF 2806 for use as a credit in computing annuity.
13	Enter total hours representing lump-sum payment. This includes annual leave, excess annual leave (any amount over employee's ceiling--normally 240 hours), and restored annual leave.

Table 9-1 (Instructions for Completing the SF 1150)

14 Enter salary rate at which lump sum payment was computed. If more than one salary rate was involved, state the number of hours computed at each rate. Also see item 13.

15 Enter inclusive dates and the number of hours included in the lump-sum annual leave period.

16 Enter number of hours of absence in a nonpay status during the leave year in which separated.

17 Enter beginning date of waiting period for next step increase, and total number of hours of LWOP, furlough, suspension, and AWOL since the waiting period began.

18 Enter date of arrival abroad for home leave purposes and date of completion of basic service period.

19 Enter date the current 12-month home leave accrual period began and number of hours in a nonpay status during the current period.

20 Enter date through which home leave was credited and current balance of days of leave earned.

21 Enter rate of accrual for each 12 months of service abroad.

22 Enter dates on which home leave was used during prior 24 months.

23 Enter inclusive dates of regular or special military leave taken during the current calendar year.

24 Enter amount of employee deductions for FEHB and FEGLI. Show date through which last deduction was made. Include FEHB carrier code and enter last day in a pay status. Miscellaneous data:

a. If nonforeign differential, nonforeign allowance, or foreign differential were paid as a part of the lump-sum payment for leave, identify the rate(s) and kind of payment by number of hours and calendar dates.

b. Show total number of days worked by an intermittent employee as of date of separation.

c. For 700-hour employee, enter "700-Hour Employee," hours worked, and separation date.

Table 9-1 (Instructions for Completing the SF 1150 (continued))

d. If employee retired and sick leave was reported to the OPM for use as a credit in computing annuity, enter "Sick leave used in computation of annuity and is not available for recredit."

e. Enter unused military leave.

★ f. Enter the beginning and ending dates of an employee's 12-month period under FML. Also, enter the total number of hours of LWOP and paid time off under FML for the 12-month period.

g. If an employee transfers restored annual leave, indicate the balance of restored leave and the year it will be forfeited. For example:

Restored leave	Forfeit at end of leave year
24	1998
16	1999

h. If an employee receives a lump sum payment that includes restored leave, project the lump-sum leave period in the following sequence: (1) Restored annual leave projected to expire at the end of the current leave year; (2) Excess annual leave; (3) Restored annual leave projected to expire in other than the current leave year; (4) Regular annual leave. Example: Employee separates May 16, 1992, with an annual (regular) leave balance of 368 hours, has a ceiling of 304 hours, and has a restored annual leave balance of 40 hours; 24 hours must be used by January 10, 1991, and 16 hours by January 9, 1992. The information is recorded in block 24 as follows:

LUMP-SUM LEAVE DATA

TYPE OF ANNUAL LEAVE	TOTAL HOURS PAID	FROM YR MO DA	TO YR MO DA	FORFEIT AT END OF LEAVE YEAR
Restored	24	91 05 18	91 05 20	1991
Excess	64	91 05 21	91 06 01	1991
Restored	16	91 06 02	91 06 03	1992
Regular	304	91 06 04	91 07 27	

Table 9-1 (Instructions for Completing the SF 1150 (Continued))

i. Show the amount of the employee's year-to-date wages for Social Security and/or Medicare tax and the as-of date.

j. Show the amount of the employee's year-to-date TSP deductions and the as of date.

k. Show any other pertinent information on the employee (see subparagraph 090202.C.1.).

25 Enter the signature of the certifying official.

26 Enter the title of the certifying official, address and telephone number to which inquiries regarding the form should be directed.

27 Enter the date the SF 1150 was prepared.

Table 9-1 (Instructions for Completing the SF 1150 (Continued))

INTERNET DOCUMENT INFORMATION FORM

A . Report Title:Department of Defense Financial Management Regulation Volume 8 Civilian Pay Policy Procedures

Downloaded From the Internet 19 September 2000

C. Report's Point of Contact: (Name, Organization, Address, Office Symbol, & Ph # Under Secretary of Defense Office of The Comptroller Pentagon 20301

D. Currently Applicable Classification Level: Unclassified

E. Distribution Statement A: Approved for Public Release

F. The foregoing information was compiled and provided by: DTIC-OCA, Initials:__JC_ ____**Preparation Date**: 2000/09/19

The foregoing information should exactly correspond to the Title, Report Number, and the Date on the accompanying report document. If there are mismatches, or other questions, contact the above OCA Representative for resolution.