



Department of Veterans Affairs

Financial Policy

Volume XV

Payroll

Chapter 2A

Payments

Approved:

Jon J. Rychalski
Assistant Secretary for Management
and Chief Financial Officer

0201 Overview	2
0202 Revisions	2
0203 Definitions.....	2
0204 Roles and Responsibilities.....	4
0205 Policies.....	5
020501 Payment Process.....	5
020502 Salary Payments.....	7
0206 Authorities and References.....	16
0207 Rescissions	18
0208 Questions.....	18

0201 Overview

This chapter establishes the Department of Veterans Affairs (VA) financial policies regarding payroll payments.

The key point covered in this chapter is establishing that VA will pay employees correctly authorized amounts in accordance with Federal laws, regulations, applicable policy, and agreements. The chapter also addresses methods and types of payments and pay restrictions.

Detailed payroll procedures will be maintained at the VA intranet accessible SharePoint site, <https://vaww.portal.fsc.va.gov/FPS/SitePages/Home.aspx>.

0202 Revisions

Section	Revision	Office	Reason for Change	Effective Date
Various	Reformatted to new policy format and completed five-year review	OFP (047G)	Reorganized chapter layout	March 2019
Various	Consolidated prior chapters addressing Payments, Allowances, Awards and Incentives; removed procedures and appendices	OFP (047G)	Consolidation of several chapters in Volume XV	March 2019

0203 Definitions

Aggregate Limit – Aggregate limits establish a threshold that an employee’s pay may not exceed. Aggregate limits are further defined in 5 C.F.R. § 550.106, and VA Handbook 5007, Part VII, Pay Limitations.

Back Pay – As defined in 5 U.S.C. § 5596, relates to all or part of an employee’s pay that the employee would have received during a prior work period if an unjustified personnel action had not occurred, less amounts they earned through other employment during that period. Routine retroactive adjustments are not considered back pay.

Basic Pay – The rate of pay fixed by law or administrative action for a position, including applicable locality payment, special rate supplement, or similar payment or supplement under other legal authority, before deductions. Basic pay excludes pay

from awards, bonuses, overtime, night, Sunday, holiday, and any other additional pay. The wage grade employee basic pay rate can vary due to a shift premium.

Biweekly Limit on Premium Pay under Title 5 – An employee may not receive any premium payments that, when added to the employee’s biweekly base compensation, would exceed the biweekly premium pay limit of the employee. See 5 C.F.R. § 550.105 for additional information. This limitation is subject to exceptions for emergency or mission-critical work.

Defense Civilian Pay System (DCPS) – A payroll processing system operated by Defense Finance and Accounting Service (DFAS).

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

Fair Labor Standards Act (FLSA) – Law that establishes Federal minimum wage, overtime pay, recordkeeping, and youth employment standards. See 5 C.F.R. Part 551. In the employee master record, FLSA Code E designates Exempt (not covered) employees and FLSA Code N designates Non-Exempt employees. Non-Exempt employees are covered by FLSA overtime calculation requirement and other minimum standards for wages and overtime.

Federal Wage System (FWS) – Individuals employed as a recognized trade, craft, skill, or labor worker; FWS are also known as Prevailing Rate, wage grade, and ungraded employees. This group of employees is further defined under 5 U.S.C. § 5342(a)(2).

General Schedule (GS) – The [GS](#) pay structure applies to Federal civilian employees in professional, technical, administrative, and clerical positions. Rates can vary by geographic area. Pay rate schedules are accessible at <http://www.opm.gov/>.

Leave and Earnings Statement (LES) – A statement reporting an employee’s pay, deductions, and leave.

Locality Pay – A geographic area-based pay supplement. See 5 U.S.C. § 5304 and 5 C.F.R. Part 531 Subpart F for additional information. Locality pay is considered part of basic pay for purposes of calculating retirement and life insurance deductions, and premium pay.

Master Record – An individual employee record in HR and payroll systems containing pay rate, leave eligibility, and other data required for payroll processing. The individual employee record in DCPS is known as the Master Employee Record (MER).

Wage Grade – See Federal Wage System (FWS).

0204 Roles and Responsibilities

Under Secretaries, Assistant Secretaries, Chief Financial Officers, Fiscal Officers, Chiefs of Finance Activities, Chief Accountants, and other key officials are responsible for ensuring compliance with the policies and procedures set forth in this chapter.

The **Assistant Secretary for Human Resources and Administration** is responsible (through the Deputy Assistant Secretary for Human Resources Management) for advising Under Secretaries, Assistant Secretaries, other key officials, and field station managers and supervisors of legal and policy requirements and authorities relating to employee pay, leave, allowances, and deductions, excluding taxes.

Chiefs, Human Resources Management Service are responsible for providing appropriate levels of advice and assistance to employees, beneficiaries, supervisors, and fiscal/finance employees regarding laws, regulations, and policy covering HR issues, including interpretation of rules relating to hours of duty, pay, leave, and authorization of deductions from pay. HR Officers will also ensure HR data is accurate and entered timely into automated HR systems that integrate with payroll and timekeeping systems.

DFAS is VA's designated payroll provider. DFAS processes payroll, makes all employee deductions and disbursements, generates the LES and W-2 files, charges VA appropriations and cost centers, and reports payroll related financial information to Treasury on behalf of VA.

The **Director, Financial Services Center (FSC)**, or designee specified in writing by name and position, is responsible for ensuring that payroll activity is generated and processed as needed, to include payroll support services.

Employees are responsible for prompt submission of leave requests in accordance with HR leave administration policy, reviewing their timesheet and their LES for accuracy, and for promptly notifying:

- Their supervisor and timekeeper of timesheet discrepancies regarding leave charges, telework, and extra work time, and
- HR or payroll representatives of other pay, leave, and deduction discrepancies.

Employees are responsible for informing themselves regarding tax withholding requirements, and for submitting applicable tax withholding election certificates to the servicing payroll office, or updating tax withholding elections in MyPay.

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

The **Servicing Payroll Office** trains timekeepers and supervisors on timekeeping system functions and works with timekeepers, supervisors, and other employees to resolve pay and leave discrepancies, ensures prompt adjustment processing, deduction input, and maintains accurate and secure timekeeping and payroll records.

Supervisors are responsible for accuracy of employee pay and leave status recorded in the time and attendance system. This includes but is not limited to:

- A. Ensuring that timekeepers are promptly notified of information needed to maintain accurate and complete time and leave records;
- B. Managing employee leave and overtime work and ensuring prompt completion of necessary supporting request and approval documentation;
- C. Ensuring that timekeepers have sufficient time for daily maintenance of T&A records, and for completing such records at the end of the pay period to ensure timesheets are certified by the deadline set by the servicing payroll office;
- D. Approving and certifying automated T&A records through electronic signature; approving and certifying paper T&A records as applicable; and
- E. Seeking HR entitlement guidance when unsure, and denying questionable transactions pending resolution of concerns.

Timekeepers are responsible for the preparation, maintenance, and timely submission of official T&A records and reports for each employee whose record has been assigned to their Time and Leave Unit (TL).

0205 Policies

020501 Payment Process.

- A. Data from VA's HR and timekeeping systems will interface with DCPS records multiple times each pay period as changes are saved.
- B. Payroll payments are based on pay rates established in the employee's master record, and time and attendance (T&A) records approved by designated supervisors.
- C. Regular routine payroll calculations are automated. In order to support the automated biweekly payments VA servicing payroll staff will work to ensure complete supervisor certification by the pay period deadline identified by VAFSC Payroll Field Support (PFS).

- D. Timesheet adjustments or corrections will be made as soon as practicable after discovery of errors and will be documented in the appropriate system and pay period. See details below:
1. **VA Time and Attendance System (VATAS)** - Approved adjustments to online periods flow to DCPS for automated correction of pay and leave. VA servicing payroll staff must not adjust the DCPS timecard for timesheets originally processed in VATAS, unless an exception is authorized by the VATAS Tier 1 Help Desk.
 2. **Enhanced Time and Attendance (ETA) System** (legacy automated timekeeping system) - VA servicing payroll staff will enter approved adjustments and/or corrections to timecard data, when needed, in the DCPS online timecard record.
 3. Adjustment to **offline periods** (more than 1.5 years prior) require VA payroll submission through DCPS remedy system.
- E. DFAS will issue payroll payments to current and separated employees and outside entities (e.g., OPM, taxing authorities), as authorized, in accordance with applicable Federal laws, regulations, applicable policy and agreements.
- F. VA servicing HR and payroll staff will use authorized automated systems and related procedures to ensure that:
1. Employees receive payment for the correct amount of salary and other pay entitlements, based on the authority as stated in VA Handbook 5007, Pay Administration.
 2. Payments are properly documented and charged to appropriate accounts so accounting records and other documentation accurately reflect employee payments.
- G. Transaction processing guidance is accessible through the VA intranet accessible SharePoint site, <https://vaww.portal.fsc.va.gov/FPS/SitePages/Home.aspx>.
- H. In accordance with 31 C.F.R. § 208.3, DFAS will make payroll-related disbursements (e.g., salaries, taxes, retirement contributions) using direct deposit/electronic funds transfer (DD/EFT) to the maximum extent possible. For more information on DD/EFT requirements, refer to Volume VIII, Chapter 2, Electronic Funds Transfer Requirement.
- I. VA has established the first Friday following the end of each pay period as the settlement date and pay date for DD/EFT for all regular salary payments. The official VA payday and the settlement date are generally the same; however, in the event the settlement date falls on a designated national holiday, the settlement date will move to the preceding Thursday.

- J. Payments are not made when doubt exists as to their legality.
- K. VA will comply with limitations on pay applicable to all employees in accordance with VA Handbook 5007, Part VII, Chapter 2, Aggregate Limits, and VA Handbook 5007, Part V, Chapter 2, Para. 5, Exception to the Biweekly Premium Pay Limitation for Mission-Critical and Emergency Work.
- L. VA facilities will not issue paper checks or make cash payments for employee payroll payments.
- M. VA will not use appropriated funds to pay interest and/or fees on behalf of employees or to correct agency acts, errors or omissions, unless specifically authorized by statute. Refer to 31 U.S.C. Subtitle II, The Budget Process, Chapter 13, Appropriations, Subchapter III, Limitations, Exceptions, and Penalties, for information on fee payment restriction.
- N. VA will not reimburse employees for late payment charges due to payroll-related disbursement errors, even if the payroll error was caused by:
 - 1. Erroneous payroll system or employee data, or
 - 2. Errors made by either VA employees or DFAS employees in the performance of their official duties.

020502 Types of Salary Payments.

- A. **Salary Advance.** As authorized, VA will advance salary payments to employees in accordance with requirements in:
 - 5 C.F.R. § 550, Subpart D, for employees impacted by an **evacuation** order; and
 - VA Handbook 5007, Part VI, Chapter 5, Advances in Pay for **New Employees**.

Documentation authorizing a salary advance is submitted through DCPS remedy along with employee agreement containing repayment process detail. A MER must be established in DCPS before a salary advance can be paid to a new employee.

- B. **Special Pay.** When an employee has received less than 90 percent of basic pay and allowances, VA servicing payroll staff has authorization to submit a special pay (payment outside the normal biweekly processing cycle) request through the DCPS remedy process. Necessary corrections to MER and/or timecards in DCPS must be updated prior to submission of the remedy request.
- C. **Emergency Payments.** In the event of an emergency preventing transmission of all automated facility pay data for normal salary processing, the facility Director or

designee will contact Payroll and HR Systems Service (PHRSS) through the VAFSC PSD to authorize basic pay to full-time and part-time employees for regularly scheduled hours. VA servicing payroll staff will ensure timecard data is updated in DCPS as soon as possible after the emergency ends. VA must ensure employees receive the proper adjustment for actual time worked and leave used.

D. **Continuation of Pay (COP).** The HR Office of Workers Compensation Program (OWCP) Specialist identifies days and hours of entitlement by memorandum copied to the employing service and payroll office. As authorized, VA will continue an employee's regular salary for up to 45 calendar days of wage loss following a qualifying work-related injury or illness. The memorandum must contain the employee's name, the date of injury, and a statement that the employee has elected to have pay continued. COP payments are subject to deduction for taxes and all other payroll deductions that are made from regular income. Refer to 5 U.S.C. § 8118 and to 20 C.F.R. Part 10 for additional information.

E. **Firefighter Pay.** VA will authorize payment to firefighters whose normal work schedule (all hours within tour, regardless of activity) averages at least 106 hours per biweekly pay period in accordance with 5 C.F.R. § 550, Subpart M, and VA Handbook 5007, Part VIII, Chapter 2, Firefighter Pay. These firefighters:

- will not be paid premiums for standby duty, hazardous duty, or other premium pay for work at night or on holidays,
- will receive pay at the overtime rate for hours over 53 per week, and
- will receive weekend premium on the same basis as healthcare workers for service performed on a tour of duty that includes hours worked on Saturday or Sunday, except as noted below.
 - Firefighter weekend premium pay does not impact FLSA overtime calculation.
 - Fire Protection Inspectors (GS 0081-08) are not eligible for weekend premium pay.

VA employees in the 0081 occupation series averaging less than 106 work hours per pay period are entitled to premium pay on the same basis as other GS employees.

F. **Physician and Dentist Pay.** VA will authorize pay to physicians and dentists consisting of three elements:

- Base Pay.
- Market Pay.
- Performance Pay.

Refer to VA Handbook 5007, Part IX, Pay for VHA Physicians and Dentists, for additional information on pay entitlement.

- G. **Physician--Part-time on an Adjustable Work Schedule.** Adjustable work schedule guidance is found in VA Handbook 5011, Part II, Appendix I, Instructions for Completing and Monitoring Memoranda of Service Level Expectations (MSLE). Payroll will reconcile pay and leave differences between the agreement and actual hours of work and leave upon termination of each MSLE not to exceed a period of one year. Refer to VAFSC PSD for links to the reconciliation spreadsheet and instruction. See VHA Alert 2011-004 and VHA Directive 1035 for additional information.
- H. **Reemployed Annuitant Salary Offset.** VA will deduct the proportionate amount of a retirement annuity from the salary of a retired Federal civilian employee. Servicing HR staff will enter the initial annuity amount in HR Smart. Payroll will submit the annual annuity update notice to DFAS when provided by the affected employee. For more information on reemployed annuitants, refer to [Civil Service Retirement System \(CSRS\) and Federal Employees Retirement System \(FERS\) Handbook for Personnel and Payroll Offices, Chapter 100, Reemployed Annuitants](#). Information on VA authority to waive annuity offset is found in VA Handbook 5007, Part VIII, Chapter 5.
- DFAS will increase the salary offset when a cost of living increase is applied to the retirement annuity. Servicing VA payroll staff will submit a copy of the reemployed annuitant's updated OPM annuity statement to DFAS when available. HR will enter the new annuity amount in HR Smart. For more information on the annuity cost of living adjustment and how it relates to reemployed annuitants, refer to [CSRS and FERS Handbook for Personnel and Payroll Offices, Chapter 2](#), Section 2A5.1-1B.
- I. **Veterans Canteen Service (VCS) Commission Sales.** VA's payroll provider will pay VCS pieceworkers (e.g., barbers and beauticians) based on regular reporting of weekly commission sales.

J. **Premium Pay.**

1. VA will authorize **overtime** payment or equivalent time off to eligible employees for overtime work, in accordance with VA Handbook 5007, Part V, Chapter 2, and the following resources:
 - Fair Labor Standards Act ([FLSA overtime](#)) will be paid in accordance with 5 C.F.R. Part 551 Subpart E, paying overtime at the straight-time rate plus half of the average total pay per hour for the week (or, for compressed schedule employees, the average for the pay period).
 - Federal Wage System (FWS) employee overtime will be paid in accordance with [FWS Operating Manual Subchapter S8-4, Night Shift Differential and Premium Pay](#), using the applicable shift rate as the base pay rate in overtime calculation.
 - Firefighter overtime will be paid in accordance with VA Handbook 5007, Part VIII, Chapter 2, Firefighter Pay, and Appendix VIII-B. Pay for full-time regular

- firefighter unscheduled hours is limited to the straight-time rate for 53 (regularly scheduled plus unscheduled) hours per week.
- Nurse Alternate Work Schedule overtime will be paid in accordance with VA Handbook 5007, Part VIII, Chapter 9, Pay Administration Policies for Nurses on Alternate Work Schedules.
 - Administratively Uncontrollable Overtime (AUO) will be paid in accordance with VA Handbook 5007, Part V, Chapter 6, Para. 3f. An added percentage of the rate of basic pay is paid to compensate for average irregular overtime work hours and scheduled standby periods required.
 - Law Enforcement Availability Pay (LEAP) will be paid in accordance with VA Handbook 5007, Part V, Chapter 6, Para. 3g, and 5 C.F.R. §§ 550.181-186. An added percentage of the rate of basic pay is paid to compensate for an average work requirement of at least 2 hours per workday in excess of regularly scheduled full-time hours and for maintaining availability as scheduled.
 - Some employees are not eligible for additional (premium) pay or time off in lieu of overtime, including, but not limited to, physicians, dentists, optometrists, podiatrists, chiropractors, and members of the Senior Executive Service.
2. VA will authorize premiums for **Night, Holiday, Sunday, and Weekend work** in accordance with VA Handbook 5007, Part V, Chapter 6, Other Forms of Additional Pay (Sunday Pay, Night Differential, Weekend Pay), Part V Appendices A and B, and [FWS Operating Manual Subchapter S8-4](#).
 3. VA will authorize **on-call and standby** premium in accordance with VA Handbook 5007, Part V, Chapter 5, On-Call Pay and Standby Pay.
 4. VA will authorize payment of night, holiday, overtime, and on-call **premium pay to hybrid employees on the same basis as Registered Nurses**, only in accordance with approval requirement in VA Handbook 5007, Part V, Chapter 3, Premium Pay on the Same Basis as Registered Nurses for Employees Appointed under 38 U.S.C. § 7401(3) or § 7405(a) (1) (B).
 5. VA will authorize higher rates of additional pay to Nurses, Physician Assistants, Expanded Function Dental Auxiliaries, and authorized hybrid employees only in accordance with approval requirement in VA Handbook 5007, Part V, Chapter 4, Higher Rates of Additional Pay for Employees Appointed under 38 U.S.C. § 7401, § 7405(a) (1) (A) and § 7405(a) (1) (B).
 6. VA will authorize premium pay to **nurse Alternate Work Schedule (AWS)** employees in accordance with VA Handbook 5007, Part VIII, Chapter 9, Pay Administration Policies for Nurses on Alternate Work Schedules.
 7. VA will authorize **hostile fire pay**, also known as imminent danger pay, in accordance with VA Handbook 5007, Part VIII, Chapter 14.

8. **Military Leave for Law Enforcement** (5 U.S.C. § 6323(b)). Separate from the 15 days of Military Leave that accrue each fiscal year to full-time employees for Military Reserve or National Guard service, VA will authorize pay for up to 22 workdays per calendar year for the amount by which projected VA salary exceeds military pay and allowances for the same period of qualifying active duty military service. Pay is subject to HR confirmation of qualifying orders for law enforcement purpose.
9. **Military Reservist Differential Pay**. Eligible VA employees submitting claims who are (1) members of the Reserve or National Guard, and (2) called to perform active duty under a provision of law referred to in 10 U.S.C. § 101(a)(13)(B), will be paid the amount by which the civilian basic pay the employee would have earned (but for the active duty) exceeds the military pay and allowances actually received allocable to the same covered period. Reservist differential is not payable for any period in which an employee receives civilian basic pay for performing work or using paid civilian leave or other paid time off. Refer to the OPM web site, <http://www.opm.gov/reservist/ReservistDifferentialPolicyGuidance.pdf>, and to VA Handbook 5007, Part VIII, Chapter 19, Reservist Differential, for additional information.
10. **Compensatory Time Off for Travel**. Supervisors will respond to employee requests for compensatory time off for travel for time spent in a travel status away from the employee's official duty station when the travel time is not otherwise compensable as hours of work. See VA Handbook 5007, Part VIII, Chapter 15 and appendix VIII-H. No pay is issued if lost through expiration or through separation.
11. **Daylight Savings Time**. VA will observe daylight-saving time in those localities where it is in effect. Employees working on a tour when daylight-saving time goes into effect, and whose tour of duty is thereby shortened one hour, will be charged one hour of leave for the hour lost. Employees working on a tour when standard time goes into effect will be credited with the number of hours they are actually on duty ([Comptroller General Warren to the Secretary of Commerce, B-66366, 26 Comp. Gen. 921, June 12, 1947](#)).
12. **Special Pay** under Title 38. As authorized, VA will pay Special Pay under Title 38 to eligible **Nurse Executives and Pharmacist Executives** in accordance with VA Handbook 5007, Part VIII, Chapters 16 and 17, Special Pay for Nurse Executives and Special Pay for Pharmacist Executives.

K. Other Additional Pay.

1. **Allowances.**

- a. **COLA (Non-Foreign Cost of Living Allowance).** VA will pay a non-foreign COLA, as established under 5 U.S.C. § 5941, to eligible employees in certain non-foreign areas where living costs are substantially higher than those in the Washington, DC area, not to exceed 25 percent of the employee's hourly rate of basic pay. The geographic area of entitlement is defined in 5 C.F.R. Part 591, Subpart B, Appendix A.
 - b. **Education Allowance.** As authorized, VA will pay an [education allowance](#) to eligible employees to assist in meeting expenses of elementary and secondary education for children while the employee is assigned to an overseas post.
 - c. **Foreign Transfer Allowance.** As authorized, VA will pay a [foreign transfer allowance](#) to eligible employees to offset a part of the cost of transfer to an overseas post.
 - d. **Living Quarters Allowance.** As authorized, VA will pay a [living quarters allowance](#) to eligible employees if living quarters are not provided at an assigned overseas post.
 - e. **Physicians Comparability Allowance (PCA).** As authorized, VA will pay a PCA to eligible Government physicians or dentists who are paid under the GS, Senior Executive Service, or other pay system. See 5 U.S.C. § 5948, Physicians Comparability Allowance, for additional information.
 - f. **Uniform Allowance.** As authorized, VA will pay a uniform allowance to eligible VA employees in positions that require uniforms; however, the allowance will not be paid to an employee who is issued a uniform through VA resources. See [VHA Handbook 1850.04](#) for additional information and 38 U.S.C. § 903 for VA police uniform allowance regulation.
2. **Awards.** See VA Handbook 5017, Employee Recognition and Awards, for entitlement information. In accordance with HR policy, VA will:
- a. Pay **monetary** awards to employees and volunteers in recognition of achievements that benefit VA or the Federal government. Cash equivalent awards such as gift cards or gift certificates along with other monetary awards are always taxable, regardless of the value.
 - b. Recognize the value of **non-monetary** awards that exceed **de minimis value** (so small that accounting for the item as taxable income is unreasonable or impractical) as taxable earnings. Currently VA has set this de minimis value at \$100. The award approving official is responsible for determining the award's value. See [IRS Publication 15-B](#) for guidance on award valuation. For further information on awards financial policy see OFP Vol. II, Ch. 4, Awards, Ceremonies, Food or Refreshments, Gifts or Mementos.

- c. Recognize **time off** awards as addressed in VA Handbook 5017, Part III, Appendix F.

3. Differentials.

- a. **Environmental differential** is payable to a FWS employee for work performed under unusually severe working conditions or unusually severe hazards. Payment will be based on the appropriate percentage rate authorized for the described exposure under 5 C.F.R. § 532.511 and Appendix A to Subpart E of Part 532.
- b. **Hazard pay differential** under 5 U.S.C. § 5545(d) for GS employees is additional pay for the performance of hazardous duty or duty involving physical hardship. Refer to 5 C.F.R. § 550.904 for more information on authorization of Hazard Pay Differential, and to Appendix A of Subpart I of Part 550 for the schedule of authorized hazard descriptions and associated premium rates.
- c. **Foreign Post Differential.** As authorized, VA will pay [foreign post \(hardship\) differential](#) to employees working in an overseas location with extraordinarily difficult living conditions, excessive physical hardship, or notably unhealthful conditions that affect the majority of employees officially stationed or detailed at that place. The foreign post differential rates are determined and adjusted by the Department of State.
- d. **Non-Foreign Post Differential.** As authorized, and as described in 5 U.S.C. § 5941, VA will pay non-foreign post differential, at a rate not to exceed 25 percent of an employee's hourly rate of basic pay, to eligible employees while stationed at an overseas post. Post differential areas are listed in 5 C.F.R. § 591.231 (also in 5 C.F.R. Appendix B to Subpart B to Part 591). COLA and non-foreign post differential percentages may not exceed a combined rate of 25 percent of the hourly rate of basic pay.
- e. **Supervisory Differential.** As authorized, VA will pay Supervisory Differential to a supervisor in a GS position regularly responsible for direct technical and administrative supervision of the work of one or more non-GS employees if any of the subordinates would, in the absence of a supervisory differential, be paid more than the supervisor. A supervisory differential is not considered part of the supervisor's rate of basic pay for any purpose. See 5 C.F.R. § 575.405.

4. Incentives

- a. **Extended Assignment Incentive.** VA has not authorized payment of extended assignment incentives under 5 C.F.R. Part 575.

- b. **Recruitment or Relocation Incentive.** VA may authorize recruitment and/or relocation incentives as a lump sum payment or as installment payments during the service period. Servicing HR staff will enter the incentive into VA's automated system and provide servicing payroll staff with a copy of the Recruitment or Relocation Incentive service agreement. See VA Handbook 5007, Part VI, Chapter 2.
- c. **Retention Incentive.** VA may authorize a retention incentive to an employee in installments after completion of a specified period(s) of service (e.g., biweekly, quarterly, semi-annually) or in a single lump sum payment at the end of the full period of service required by the agreement. Retention incentives may not be paid as an initial lump sum at the start of a service period or in advance of completing the service period for which the incentive is being paid. Servicing HR staff will enter the incentive into VA's automated system and provide servicing payroll staff with a copy of the retention service agreement or statement of understanding. See VA Handbook 5007, Part VI, Chapter 3.
- d. **Student Loan Repayment Incentive.** VA may authorize payment of Federally insured student loans as an incentive to candidates or current employees of the agency to attract and/or retain highly qualified employees. If the servicing HR management office approves a student loan repayment, the servicing payroll staff will receive a signed copy of the service agreement and specific information (payment address, loan amount, etc.) regarding each loan to be repaid. These documents will serve as authorization to submit the repayment request through remedy. Authorizing documents will be filed in the employee's payroll folder. After receipt of the initial authorization, the payroll office should obtain certification from the approving official that funds are available prior to disbursing repayments in subsequent fiscal years. See VA Handbook 5007, Part VI, Chapter 8.
- e. **Voluntary Separation Incentive Payment (VSIP).** VA may offer a VSIP to employees under limited circumstances when authorized by OPM. For more information on the VSIP, refer to 5 C.F.R. Part 576.

L. **Back Pay and Settlement Agreements.**

- 1. **Back Pay.** DFAS will process required pay and leave adjustment transactions. VA servicing payroll staff, in coordination with DFAS activity, will submit necessary documentation and direct VA timesheet adjustment. Back pay entitlement will be charged to the employee's salary appropriation for the fiscal year to which the payment relates or to the current year when the prior year appropriation is closed. DFAS will process salary transactions as stipulated in back pay determinations and settlement agreements. Refer to back pay authority in 5 U.S.C. § 5596 and to processing instructions in 5 C.F.R. § 550.805.

2. **Settlement Agreements.** Settlement agreement payment for other than back pay will be paid as a vendorized payment through VA's accounting system.
3. **Interest.** VA will authorize interest payment under OPM guidance on back pay. Refer to 5 U.S.C. § 5596(b)(2) for back pay interest payment authority.

M. **Payment upon Separation, Termination of Entitlement, and Beginning Active Duty Military Service Deployment.**

1. **Lump Sum Annual Leave (LSAL).** VA will pay accumulated and accrued annual leave when an eligible employee separates, transfers to a position to which the accumulated annual leave cannot be transferred, or enters on active duty in the armed forces and elects to receive a lump sum payment. VA servicing payroll staff will:

- audit leave for the year prior to separation, and
- ensure corrections are processed for any discrepancies found.

Refer to VA Handbook 5007, Part IV, Chapter 3, Lump Sum Annual Leave Payments, for information on LSAL entitlement for eligible employees, and to Part VIII, Chapter 2, for firefighter LSAL information.

2. **Compensatory Time.** Unused compensatory time earned in lieu of overtime is payable at the overtime rate in effect when the hours were earned. Payment is required upon separation, transfer (including VA interstation transfer), at the start of LWOP status for military service or OWCP-covered absence (See 5 C.F.R. § 550.114(f)(2)), and, for FLSA Non-Exempt employees, upon expiration. See VA Handbook 5007, Part V, Chapter 2, for additional pay entitlement information.
3. **Credit Hours.** VA will authorize payment at the employee's regular hourly rate of basic pay at the time entitlement to pay for credit hours is effective (See VA Handbook 5011, Part II, Chapter 2, Para. 12f(2)). A full-time employee may be paid for a maximum of 24 credit hours. A part-time employee may be paid for a maximum of 25 percent of the hours in the employee's basic work requirement. Credit hours may be paid when an employee ceases to work in a unit where credit hours may be earned except as noted below.

Credit hours of physicians, dentists, chiropractors, optometrists, and podiatrists are not payable. Pending systems updates, such credit hours require manual tracking and timesheet remarks to identify hours earned and used.

4. **Deceased Employee Accounts.** VA servicing payroll staff will assist servicing HR office personnel, as needed, to submit required documentation of death and of eligible beneficiaries to VA's payroll provider.

5. **Final Pay.** The VA servicing payroll office staff will submit overdue debt information to DFAS prior to final pay processing to reduce an employee's final salary payment by appropriate deductions and collections for indebtedness to the Federal Government. "Indebtedness to the Federal Government" includes any debt owed by reason of participation in a VA benefits program.
 6. **Severance Pay.** VA servicing payroll staff, upon notice of entitlement from HR, will calculate severance pay in accordance with 5 C.F.R. § 550.707. The severance payment amount will be provided to VA HR for transmission to VA's payroll provider for payment.
- N. **Other Pay.** These pay items are not tracked or recorded in the HR master record.
1. **Child Care Subsidy Program (CCSP).** VA Central Office (VACO) will administer the Child Care Subsidy Program payments in accordance with VA Handbook 5009, Part I, VA Child Care Subsidy Program, and IRS regulation.
 2. **Home Marketing Incentive (HMI) Program.** VA may authorize a HMI to an employee who sells his or her home as part of the Department's Relocation Services Program. Once approved for the Guaranteed Home Buyout Option (GHBO) Program, employee participation in the HMI program is optional. Payment process requires payroll submission through remedy of authorizing documents. See OFP Volume XVI Chapter 8 Appendix I.
 3. **Permanent Change of Station (PCS) expense payments taxed as earnings.** See IRS Publication 521 on Moving Expenses and OFP Volume XIV Chapter 8, Relocation Packages, for additional information.
 4. **Taxable travel benefits.** See OFP Volume XIV, Chapter 2, Section 020513, EXTENDED TEMPORARY DUTY TRAVEL TAX REIMBURSEMENT ALLOWANCE, and VAFSC guidance for Long Term Taxable Travel for additional information.
 5. **Transit Benefit.** The definitions and instructions for the Transit Benefit Program are found in OFP Volume III Chapter 1, Transit Benefit Program.

0206 Authorities and References

[5 U.S.C. Chapter 45, Incentive Awards](#)

[5 U.S.C. Part III, Employees](#)

- [Chapter 53, Pay Rates and Systems](#)
- [Chapter 55, Pay Administration](#)
- [Chapter 59, Allowances](#)

- [Chapter 63, Leave](#)
- [Chapter 81, Compensation for Work Injuries](#)

[31 U.S.C. Subtitle II, Chapter 13, Appropriations, Subchapter III, Limitations, Exceptions, and Penalties](#)

[38 U.S.C. Chapter 73, Veterans Health Administration - Organization and Functions](#)

[38 U.S.C. Chapter 74, Veterans Health Administration - Personnel](#)

[38 U.S.C. § 903, Uniform Allowance \(for Police Officers\)](#)

[Department of State Standardized Regulations \(DSSR\)](#)

[5 C.F.R. Part 531, Pay under the General Schedule](#)

[5 C.F.R. Part 532, Prevailing Rate Systems \(aka Wage Grade, Federal Wage System\)](#)

[5 C.F.R. Part 550, Pay Administration \(General\)](#)

[5 C.F.R. Part 551, Pay Administration under the Fair Labor Standards Act](#)

[5 C.F.R. Part 575, Recruitment, Relocation and Retention Incentives; Supervisory Differentials; and Extended Assignment Incentives](#)

[5 C.F.R. § 576, Voluntary Separation Incentive Payments](#)

[5 C.F.R. Part 591, Allowances and Differentials](#)

[20 C.F.R. Part 10, Claims for Compensation under The Federal Employees' Compensation Act, as Amended](#)

[31 C.F.R. Part 208, Management of Federal Agency Disbursements](#)

[Treasury Financial Manual \(TFM\), Volume 1, Part 3, Payrolls, Deductions, and Withholdings](#)

[OPM, CSRS and FERS Handbook for Personnel and Payroll Offices, Chapter 100, Reemployed Annuitants](#)

[OPM Web site, Salary Tables and Related Information](#)

[VA Office of Human Resources Library \(VA intranet access only\)](#)

[Office of Financial Policy Publications Library](#)

0207 Rescissions

None.

0208 Questions

Questions concerning these financial policies should be directed to the specific POC's and formatted as follows using the group email. Do not use proper names.

VHA	VHA 10A3A Accounting Policy (Outlook)
VHA	VAFSC Nationwide Accounting (Outlook)
VBA	VAVBAWAS/CO/FINREP (Outlook)
VBA	VAVBAWAS/CO/OPERATIONS (Outlook)
NCA	NCA Financial Policy Group (Outlook)
All Others	OFP Accounting Policy (Outlook)