



DEPARTMENT OF WAR
FINANCIAL MANAGEMENT REGULATION
VOLUME 8: "CIVILIAN PAY POLICY"
UNDER SECRETARY OF WAR
(COMPTROLLER)

September 2026

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VOLUME 8**CIVILIAN PAY POLICY****1.0 GENERAL****1.1 Purpose**

Volume 8 establishes the financial management policy governing the pay of Department of War civilian employees, including time and attendance; pay administration and computation; mandatory and voluntary deductions and allotments; leave and other absences; special category employees; and the collection of pay-related debts. It states the binding policy only; procedures, implementation guidance, definitions, and data tables reside in the companion documents identified below.

1.2 Authoritative Guidance

Please refer to the authoritative guidance document on the FMR webpage.

1.3 Definitions

Please refer to the Glossary of terms document on the FMR webpage.

1.4 Procedures

Please refer to the procedures document listed throughout this volume.

2.0 INTRODUCTION AND OVERALL REQUIREMENTS**2.1 General**

2.1.1. This section prescribes the principles, objectives, and requirements for DoW employee pay operations and systems. It applies to payments the Defense Civilian Pay System (DCPS) makes to employees paid from appropriated, revolving, or trust funds. The Under Secretary of War (Comptroller)/Chief Financial Officer has determined that DCPS is DoW's only approved standard payroll system. These requirements apply to computing payments, leave, and deductions and to maintaining records for permanent, temporary, full-time, part-time, irregular, and special category employees.

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2.2 Overall Requirements

2.2.1. Overview

2.2.1.1. The Defense Finance and Accounting Service (DFAS) **must maintain** system requirements in compliance with all applicable laws and regulations **and with** guidance issued by OPM, the Department of the Treasury, the Department of State, the Department of Labor, and taxing authorities (federal, state, **and** local).

2.2.1.1.1. Any approved unique payroll system must be integrated or interfaced with other applicable systems, such as DCPS, general ledger systems, or installation-level general accounting systems.

2.2.1.1.2. The Director, DFAS must approve continued operation of any such unique payroll system.

2.2.1.2. DoW payroll operations and systems must meet the following objectives: **Make timely and accurate payments to employees entitled to be paid, in compliance with appropriate statutes and regulations, with consideration being given to all authorized deductions from gross pay; Account for and disposition of all authorized deductions from gross pay; Control, retention, and disposition of all payroll related documents; Prepare adequate and reliable payroll records to support managerial responsibilities; Plan, prepare, execute, and review the budget; Prepare required internal and external reporting; Support 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; Control all phases of processing pay, leave, entitlements, and allowances; Interface the payroll function with general ledger, cost accounting, and personnel functions, with provisions for reconciling common data elements in DCPS and these interrelated systems; Provide capability to query current, historical, and/or archived data; Provide audit trails to permit the tracing of transactions through DCPS; Comply with accounting system development criteria specified in Volume 1; Comply with internal control requirements, including data security and prevention of data disclosure, as specified in Volume 1; and Comply with DoW direction to standardize data elements to promote cross-functionality and integration efforts.**

2.2.2. Funds Control

2.2.2.1. Funds used to pay DoW employees are appropriated by Congress and apportioned to the Department by the Office of Management and Budget. At least monthly, **the payroll obligation** estimate must be made. As payments are made, estimates must be adjusted to reflect actual payment data.

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2.2.2.2. DCPS must be integrated or interfaced with, and **must** support, the accounting systems. DCPS must consist of detailed accounts and records kept as a subsidiary to, or support for, controlling or summary accounts in the general ledger of the accounting systems. DCPS must produce **the** obligation and accrual data **the** accounting systems **need**.

2.2.3. The Director, DFAS is responsible for the overall planning and general direction of the pay, leave, and allowance functions **and the related** system requirements. This responsibility **requires establishing and implementing** adequate written procedures, **adequately training** all personnel in their functions, and **installing** sufficient internal controls and management oversight to ensure compliance with DCPS objectives. See DoW Directive 5118.05. The Director, DFAS must also ensure that DCPS meets legal criteria and the following requirements.

2.2.3.1. Payroll procedures must be: **clearly written and be in accordance with applicable laws, regulations, and legal decisions; amended to reflect changes in applicable laws, regulations, and legal decisions; as uniform as possible throughout DoW; aistributed to payroll staff and be available to individual employees as needed to ensure efficient and effective operations; and 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.**

2.2.3.2. Personnel engaged in pay, leave, and allowance activities must: **be adequately trained and kept informed about the requirements of laws, regulations, and legal decisions; be adequately supervised to help prevent any unauthorized, fraudulent, or other irregular act; perform operations effectively, efficiently, and economically in accordance with laws, regulations, and legal decisions; review the operations, including internal controls, on an ongoing basis to ensure such performance; and identify and resolve inconsistencies in information submitted, processed, and reported during the various payroll cycles.**

2.2.3.3. DCPS must be integrated or interfaced with: **Personnel systems to obtain current information on which to process pay entitlements, leave, and allowances. Timely information is needed to minimize the possibility of fraud, waste, and mismanagement and maximize the accuracy of employee payments; the general ledger systems to provide information to prepare various financial statements; cost accounting systems to distribute and charge payroll labor cost data to appropriations, jobs, projects, programs, and departments. This also helps in properly evaluating operations and management; and to support budget formulation and execution; and other financial management systems to meet reporting and management objectives.**

2.2.3.4. The interfaces in subparagraph 2.3.3 must be used to assist in timely reconciliation of data elements and discrepancies noted between systems.

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

2.2.3.6. Continuity of Operations Plans and associated procedures **must** be established and maintained to **back up** data properly in the event of power failure, equipment malfunction, terrorist threat, natural **disaster**, or other **hazard**.

2.2.3.7. **Persons not engaged in payroll operations must conduct** external audits and internal examinations of those operations to determine whether **they** are efficient, effective, **and** economical and **comply** with laws, regulations, and legal decisions.

2.2.3.8. Payroll must be computed biweekly unless the law requires a different timeframe. Special payments are prohibited except as addressed in **Section 9.1.2**. Advances of pay are covered in **Section 4.8**. All employees **must** be informed of the designated payday, **and** pay should be made available on **that** payday. The payday lag between the close of the pay period and payday must not exceed 12 calendar days. When a payday falls on a holiday or an "in lieu of" holiday, the payday **must** be the first preceding business day.

2.3 Electronic Funds Transfer (EFT) for Federal Civilian Salary Payments

2.3.1. General

2.3.1.1. The Director, DFAS, with the Office of the Deputy Chief Financial Officer, must: **publish EFT payment policy and implementation procedures for payment of all DoW civilian personnel; coordinate the presentation of issues and proposed exceptions in DoW's mandatory EFT policy to Treasury for approval; prepare appropriate reports for submission to Treasury; provide quarterly reports that reflect the level of EFT participation to DoW and non-DoW agencies serviced by DFAS (hereinafter referred to as "serviced agencies"); and furnish a report of employees paid by DFAS, who do not participate in EFT, to employing agencies at the end of each quarter.**

2.3.1.2. DoW Component Personnel Directors must:

2.3.1.2.1. Directors or Commanders of all DoW Activities must:

2.3.1.2.1.1. Provide information for reporting purposes to DFAS sites when requested, including NAF personnel.

2.3.2. Financial institution charges from erroneous information the individual or the financial institution **provided** to the civilian payroll office (PRO) are not **a government** liability and **must** not be reimbursed. Reimbursement is authorized and limited to overdraft, minimum balance, or average balance charges the financial institution **levies** because of **a government**

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administrative or mechanical error that causes pay to be deposited late or in an incorrect manner or amount, [per](#) 10 U.S.C. § 1594.

2.3.3. Each quarter, PROs [must](#) provide EFT participation and non-participation reports to the serviced agencies [to manage](#) EFT participation (see [Section 10](#), subparagraph 3.4.6).

2.3.4. Payments Other Than EFT

2.3.4.1. The disbursing officer [must mail](#) checks to the non-work address the employee [provided](#). On an exception basis, checks may be delivered to designated agents in the employing offices for delivery to employees at work locations.

2.3.4.2. When delivery of paychecks to individuals by designated agents is authorized, persons designated to deliver paychecks must not preparing, approving, or certifying vouchers and personnel action documents; maintaining the payroll; [or handling](#) time and attendance (T&A) records and leave records. Each employee must be known [to](#), or identified by, the person who delivers the employee's paycheck. Checks not delivered within the time the disbursing officer [specifies](#) must be returned to the disbursing or issuing officer. All checks must be kept in a safe or locked fireproof cabinet pending distribution to the employee or return to the disbursing or issuing officer (see Volume 5).

2.3.4.3. If, under extraordinary circumstances, payments must be made in cash, employees must properly identify themselves and must acknowledge payment by signing a receipt form when [they receive payment](#). Requiring receipts [before](#) actual cash payments [is](#) prohibited. Only persons authorized to perform disbursing functions, and who are not part of the pay computation process, [may make these payments](#) (see Volume 5).

2.4 Establishment and Control of Employees' Pay Records

2.4.1. Use of the SSN for Identification

2.4.1.1. [DFAS must use](#) the SSN to identify all employees [it pays](#).

2.4.1.2. Civilians concurrently employed in more than one position must use the same identifier (SSN or ITIN) across every position. Person identifier data [must](#) support the capability to correct and update a person's identity information, [per](#) DoWI 1444.02, Volume 1.

2.4.2. Individual Employee Pay Records

2.4.2.1. Each employee must have an individual pay record maintained as part of the master pay record. Except [for](#) multiple appointments, only one pay record [may](#) be active at any time for each authorized position. If more than one pay record is maintained, the rationale

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must be thoroughly documented and an audit trail maintained. Sufficient information on active pay records must be retained or accessible at the servicing PRO to [support](#) manual input, payment, [and](#) performance of other required administrative functions.

2.4.2.2. The pay record must contain all transaction information related to payments and deductions, with an audit trail to the authorizing source document, [subject to](#) paragraph 4.5. The pay record must contain information on rates of pay pertaining to [the categories listed in this paragraph](#).

2.4.2.3. The pay records must be supported by T&A, leave records, and personnel records. T&A records contain all hours for a pay period based on the effective work schedule. All hours worked (regular and premium) and leave taken (paid and unpaid) are used [to compute](#) pay. Leave records include annual, sick, and any other leave earned, taken, lost, forfeited, restored, or advanced, including appropriate unused leave balances. The pay record must contain other information, such as year-to-date and quarter-to-date totals, as necessary, [to compute](#) pay and [prepare](#) reports.

2.4.2.4. Year-to-date information must be maintained for the current and prior pay years. Pay records must be [dispositioned per](#) the National Archives and Records Administration (NARA), General Records Schedule (GRS) 2.4: Employee Compensation and Benefits Records.

2.4.3. Payroll Substantiating Document File

2.4.3.1. [Under](#) a centralized civilian payroll function, separate document files are required and maintained for each employee. The servicing PRO must maintain documents applicable to PRO functions and responsibilities. The Customer Service Representative (CSR)/employing activity must maintain documents applicable to CSR responsibilities.

2.4.3.2. All source documents that substantiate the employee's entitlement to compensation, leave, benefits, and authorizations, or [that](#) support deductions, whether maintained in hardcopy or electronic format, must be safeguarded from improper [or](#) unauthorized access or use. [Payroll-related](#) documents, whether maintained by the PRO or the CSR, must be [dispositioned per](#) NARA, GRS 2.4. Each agency may establish a specific document retention policy; however, the policy must not impose a lesser retention requirement than NARA requirements.

2.4.3.3. All source documents must be readily available for research. Active and inactive files must be [dispositioned per](#) NARA, GRS 2.4 for current employees and NARA, GRS 2.5 [for](#) separated employees.

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2.4.4. Retention sites **must** control source documents to ensure timely processing of payroll documents, auditing, and **reconciliation of** individual pay accounts. Local document control procedures may be used as long as appropriate control and access are maintained.

2.4.5. Personnel Actions

2.4.5.1. DCPS is integrated or interfaced with the personnel system the employee's agency **uses**. DCPS must use the information the personnel system **authorizes** as the basis for pay, leave entitlements, and some deduction calculations.

2.4.5.2. **The servicing HRO must maintain** source documentation for actions originating with the Human Resources Office (HRO). Where the systems do not permit interface of the actions, the servicing HRO must provide the servicing PRO a hardcopy or electronic copy of the document, which the servicing PRO **also must maintain**.

2.4.6. Appropriate controls must be established for all payroll functions.

2.4.6.1. The controls must ensure the timely, correct, complete, accurate, and properly authorized processing of payroll documents, **including the items in paragraphs 2.4.6.1.1 through 2.4.6.1.5**.

2.4.6.1.1. An authorized official must approve, in writing or through electronic signature (made by entering designated codes into an automated system under safeguards **that** prevent unauthorized use), corrections and other adjustments to data in official records, as **set out in paragraphs 2.6.1.1.1 through 2.6.1.1.3**.

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

2.4.6.1.1.2. Manual corrections to documents made after the documents have been approved or certified must be made in a way that does not obliterate the original entries. A designated authorizing official **must approve the corrections**.

2.4.6.1.1.3. Automated system changes to data must be made **so** that an audit trail is maintained to show, or reference, documents **showing** the original and new data and the authorization for the change. Such changes may be made only based on properly approved documents authorizing the changes.

2.4.6.1.2. Separation of duties **applies** to the PRO and system development personnel. To minimize opportunities for unauthorized, fraudulent, or otherwise irregular acts, the payroll duties **listed in this paragraph** must be separated **so** that no one person performs all phases of a transaction without the possibility of intervention or review by **another** person.

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2.4.6.1.3. Access to the items listed in this paragraph must be restricted to authorized personnel.

2.4.6.1.4. Employees must not maintain or service their own payroll or personnel records. This internal control must be incorporated into the security system software that governs access to DCPS records. Employees may provide authorizing source documentation to the servicing CSR or input data using an electronic self-service application. The employee transactions maintained by the CSR or input by the employee through such an application are listed in this paragraph.

2.4.6.1.5. To detect inappropriate data at the earliest time and to the extent practical, data entered into DCPS must be subjected to computerized edits at the time of entry.

2.4.7. PROs must ensure that payroll data is complete and accurate. DCPS and the HRO must each reconcile employee records to ensure that shared data matches.

2.4.7.1. Reconciliation of common data (for example, work schedule, salary, and date of birth) between the human resources system and DCPS must be accomplished at least every 4 months. The servicing HRO reviews the reconciliation and annotates any mismatches. The servicing HRO resolves mismatches where possible and provides supporting documentation to the servicing PRO to resolve payroll record errors. The servicing PRO must ensure thorough reviews of and necessary corrections to the DCPS database. The servicing PRO must complete the payroll portion of the reconciliation within 10 workdays after receiving the annotated reconciliation documentation from the servicing HRO. The servicing PRO must maintain historic records to ensure timely compliance with this reconciliation requirement.

2.4.7.2. Based on the predetermined schedule, DCPS must generate and transmit reconciliation files to the appropriate personnel system host. The DCPS manager establishes and publishes the schedule in conjunction with the personnel system manager.

3.0 TIME AND ATTENDANCE (T&A)

3.1 Responsibilities of Employing Agency, Approving Officials, and Timekeepers

3.1.1. Approving Official Responsibilities

3.1.1.1. When approving T&A, all supervisors, other equivalent officials, or higher-level managers must certify, to the best of their knowledge, that work schedules are accurately recorded. The supervisor should be aware of an employee's work schedule, leave taken, and any absence from duty and must review and approve the T&A to ensure its accuracy. Supervisors must ensure that exceptions to the employee's normal tour of duty are recorded in a timely and accurate manner.

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3.1.1.2. The supervisor may assign responsibility for observing daily attendance or accurately recording T&A data to a timekeeper or, in limited circumstances, to the individual employee. The supervisor **remains** ultimately responsible for the timely and accurate reporting of the T&A **per** applicable policies, regulations, instructions, and bargaining agreements. The supervisor must inform the timekeeper when an employee is on leave or has worked any type of premium work. The supervisor may assign an alternate timekeeper to maintain T&A during the absence of the primary timekeeper.

3.2 T&A Requirements

3.2.1. The period shown on the T&A must correspond to the length of a pay period. For example, if payment is made for a two-week period, then the T&A must cover a two-week period.

3.2.2. Work Schedules and Alternate Work Schedules (AWS)

3.2.2.1. The work schedule defines the basic work requirement as the number of hours, excluding overtime, an employee **must** work or account for by charging leave. Generally, a full-time employee's basic work requirement is 80 hours per pay period. Attendance and absence must be consistent with the **individual's** employment status. The **agency must maintain** an approved work schedule for each employee showing planned arrival and departure for each day. When an employee's work schedule differs from the agency-wide schedule or reflects an AWS, the supervisor, or the official most knowledgeable of the employee's schedule, **must approve it before** the period **it** takes effect. If not approved in advance, the **supervisor must approve it** as soon after the start of the pay period as possible.

3.2.2.2. Material variances or deviations, as determined by the flexible work schedule, must be approved by the supervisor before the change occurs, or promptly after if not feasible **beforehand**. Supervisors must verify that the dates and the material variances or deviations have been recorded in the T&A.

3.2.3. Temporary Assignment (TDY)

3.2.3.1. For an employee on TDY, the hours worked and hours of leave must be recorded on the T&A. All time actually spent away from the permanent duty station during the basic workweek must be recorded at the employee's permanent duty station as time worked or leave taken. The travel order must support entries on the T&A for regular time.

3.3 T&A Recording

3.3.1. Scheduled starting and ending times of the day for each employee or **group** of employees must be established and recorded. The day an employee's shift begins is designated as

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the day of work for night and [shift-differential](#) purposes. These requirements are modified for employees working a flexible or compressed work schedule under the AWS plans.

3.3.2. T&A approvals [must give](#) management assurance that supervisors or other authorized officials know they are accountable for [approving](#) an employee's work time and absences. Employees [must](#) either initial or sign for indicated absences or submit an approved application for leave. A supervisor may require a medical certificate or other evidence of illness when granting sick leave. The employing activity [must retain](#) such certification.

3.3.3. All leave types are charged to the employee by days, hours, or fractions of hours. Timecards must clearly indicate whether annual leave taken is charged against the employee's current leave account or a separate account established for restored leave. The employee's regular leave account [is](#) charged unless the annual leave taken is identified as charged to the restored leave account.

3.3.4. Recording Daylight Savings Time

3.3.4.1. Civilian employees working a tour of duty when Daylight Savings Time [begins](#) are credited with the actual number of hours worked. The hour lost is charged to annual leave, compensatory time used, credit hours used, or leave without pay, as the employee [requests](#). Employees may also be allowed to work [one](#) hour beyond the end of their shift.

3.3.4.2. Civilian employees working a tour of duty when standard time [begins](#) are credited with the actual number of hours worked. Time worked in excess of 8 hours, or the regular tour of duty hours, must be paid as overtime, compensatory time earned, or recorded as credit hours.

3.4 T&A Certification

3.4.1. All T&A and supporting documents must be reviewed and approved by the supervisor or designated alternate certifier. The supervisor or designated alternate certifier must [understand the responsibility](#) for ensuring [report](#) accuracy and must have knowledge of the time worked and absence of [the](#) employees for whom approval is given.

3.4.2. Certification, Controls and Approval of T&A

3.4.2.1. The certification of T&A constitutes authorization for the expenditure of Government funds. Each employee's T&A must be certified correct [at the end of the pay period](#) by the employee's supervisor, acting supervisor, other equivalent official, or a higher-level manager authorized to act as an alternate certifier. Certification ordinarily must not be made earlier than the last workday of a pay period. [When an early cutoff is unavoidable](#), such as when a legal holiday falls on a Friday or Monday, additional controls must be [in place, operating, and](#)

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demonstrated in the system design. If the certifier lacks personal knowledge of employees' presence and absence, the certifier must have a reasonable basis for relying on internal controls to ensure accuracy and legal compliance, which must include periodic testing of those controls. Certification of T&A documents must be based on knowledge from personal observation, work output, or timekeeper verification; checking data against other independent sources such as validating starting and ending times of work, using sign-in and sign-out sheets or time clock entries; reliance on other internal controls; or a combination of controls.

3.4.2.2. When an early cutoff is used, additional controls must ensure that any change in certified attendance or absence occurring after the cutoff date is identified and reported before pay computation, or reported for the next pay computation. The employee may initial the corrected entries or submit OPM Form 71, Request for Leave or Approved Absence, or a locally approved electronic leave request, as appropriate.

3.4.3. Approval

3.4.3.1. Approvals must be made individually for each employee, and a signature must accompany each T&A.

3.4.3.2. A single supervisory or designated alternate certifier signature may approve the information recorded for all employees listed on a multiple-employee T&A report only when three prerequisites are met:

3.4.3.2.1. The data elements required by the agency must appear on the report for each employee listed on the report;

3.4.3.2.2. Supporting documents required for the information on the report must be reviewed by the supervisor or designated alternate certifier; and

3.4.3.2.3. The supervisor or designated alternate must initial or sign each page of the report and either sign the last page or enter an approval code into an automated system.

3.4.3.3. When a paperless T&A system is used and T&A data is contained in an electronic file displayed on a terminal, the supervisor may enter a single automated code to approve the information in the file. Before approving the T&A, the supervisor, or designated alternate certifier, must review supporting documents and computerized files. The system must generate a record of any change made to a file when approved by someone other than the original approving official and send it to the original approving official or other designated person.

3.4.4. Certification of the T&A must not be delayed to obtain the employee's initials or signature for requested leave when the employee is unavailable. The employee must submit a

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request for leave (OPM Form 71, when required) upon return to duty to confirm the requested leave.

3.4.5. Maintenance and Approval of T&A by Employee

3.4.5.1. Employees may maintain their own official T&A **only in the following situations:**

3.4.5.1.1. The employee is the timekeeper;

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

3.4.5.1.3. An employee is working alone at a remote site;

3.4.5.1.4. Employees are based at the same location as their supervisors and timekeepers but are frequently away during working hours; or

3.4.5.1.5. **When** the employing organization determines that individual timekeeping by all employees is warranted, **it** must maintain documentation demonstrating that the T&A reporting system has sufficient capacity and internal controls to ensure timely and accurate recording of T&A by these individual employees.

3.4.5.2. Employees are generally prohibited from approving their own T&A. Exceptions apply only when it is not feasible for **an** employee's **T&A** to **be** approved by a supervisor. In such **cases**, the Component head, or designee, must grant official **written** authorization for the employee to approve his or her own T&A. An employee may be authorized to approve his or her own T&A under the following circumstances: **the employee works alone at a remote site for long periods; the employee is based at, but frequently away from, the location of their supervisor and timekeeper during working hours; or the employee is the head of an organization within an agency that has no supervisor on site.**

3.4.5.3. To provide reasonable assurance that employees are working when scheduled, supervisors must take reasonable measures (such as occasional telephone calls during scheduled work times, or **assessing** the reasonableness of output for the time spent) to determine the accuracy of T&A data submitted by individuals who maintain their own T&A. The supervisor is responsible for the accuracy of **that** data.

3.5 T&A Reporting

3.5.1. T&A data must be transmitted to the payroll system, as required, using positive (100 percent) reporting or exception reporting. Under positive reporting, all T&A data is reported

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to the payroll system for each employee. Under exception reporting, only exceptions to the employee's scheduled tour of duty are reported. When reporting to the payroll system by [source-data](#) automation, positive reporting [is](#) required for each employee.

3.5.2. Regardless of the reporting method, controls must ensure that all required T&A data, including [current-period](#) corrections and [prior-period](#) adjustments, [is](#) properly reviewed and approved by the supervisor and reported in a timely and accurate manner.

3.5.3. If any required T&A data is missing for an employee, the PRO [generates](#) a charge against the employee's annual leave balance. If the annual leave balance is [insufficient](#) to support the employee's regularly scheduled tour of duty, [the PRO must charge](#) any remainder to another leave category to fulfill the scheduled tour. [The PRO must correct](#) the employee's pay and leave record upon submission of the certified T&A data.

3.6 Adjustments or Corrections

3.6.1. Adjustments or corrections required because of changes after T&A information was approved [must](#) be processed promptly and be traceable to the pay period [to](#) which the correction applies. Electronic corrections for [current-period](#) corrections and [prior-period](#) adjustments must be made [per](#) the PRO's established procedural guidance. T&A corrections for pay periods no longer available electronically require a hard copy of the certified T&A for each pay period, certified by the supervisor and forwarded to the PRO, [which processes](#) the manual correction. An authorizing official [must](#) approve all changes.

3.7 Record Retention

3.7.1. Management may require employees and timekeepers, if any, to attest [to](#) or verify T&A information. T&A information that supports financial or cost reporting should be auditable. Employing activities must establish a uniform practice [for](#) the locations at which T&A reports and related supporting documentation are maintained. T&A reports, together with approved [leave](#) applications, overtime approvals, military orders, [jury-duty](#) certification, or other supporting documents, may be retained by the timekeeper [or](#) supervisor or sent to a designated storage location.

3.7.2. Sufficient internal controls must be established to prevent unauthorized changes to completed T&A, regardless of where they are retained.

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4.0 PAY ADMINISTRATION

4.1 General Provisions on Pay

4.1.1. Pay and Payroll Data

4.1.1.1. Payroll computations must be based on statutorily authorized entitlements [per](#) Title 5 U.S.C., Title 5 C.F.R., and other statutory or regulatory requirements stated herein. Payment of any entitlement must be supported by one or more of the following source documents, as appropriate: [Standard Form \(SF\) 50, Notification of Personnel Action and/or other similar personnel documents; certified copies of travel orders; T & A reports, including any necessary supporting documents such as sign-in and sign-out registers or OPM Form 71, Request for Leave or Approved Absence; and authorizations or approvals of overtime and compensatory time worked.](#)

4.1.1.2. If the servicing Human Resources Office (HRO) electronically transmits pay entitlement data from source documents to the servicing PRO, the servicing HRO must send the source documents back to the PRO [on](#) request. The servicing HRO must ensure the integrity and accuracy of the pay computation data, establish effective controls, and ensure all data transmits successfully. The servicing HRO must retain source documents, with transmittal and control data, for audit purposes [per](#) the National Archives General Records Schedule 2.4.

4.1.1.3. The PROs must ensure an employee's compensation is consistent with their grade, position classification, other entitlements, and employment location. For example, an agency may not pay any foreign area allowances, regardless of authorizing documents, to an employee assigned to stateside duties; the servicing PRO must request the servicing HRO clarify or correct the documents.

4.1.1.4. The servicing PRO must ensure pay computations are based on the completed time and attendance records maintained for each employee. The servicing [PRO](#) must complete computations as soon as possible after the close of the pay period.

4.1.1.5. The servicing PRO, the servicing HRO, and the CSR must communicate to ensure all appropriate entitlement information is considered for each pay computation and that computations are supported by the appropriate documentation. At least every 4 months, personnel and pay data must be reconciled and discrepancies corrected. The functional area that entered the incorrect data has primary responsibility for reconciling discrepancies in common data. For additional information, see [Section 2](#).

4.1.2. The servicing HRO must notify the servicing PRO of employee pay changes. The servicing PRO must inform each employee in writing of gross pay changes, total pay, allowances,

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deductions, and net pay. The information may be included on the employee's Leave and Earnings Statement (LES).

4.2 Premium Pay

4.2.1. Each employing activity is responsible for controlling overtime. Supervisors must ensure funds targeted for their employing activity will cover overtime worked. **Overtime** approval or disapproval must be consistent with direction from the Deputy Secretary of War. The employee is **paid** only approved overtime as certified on the employee's time and attendance report. Normally, employees must request approval to work overtime in writing **before** performing the work (5 U.S.C. § 5542).

4.2.1.1. **An employee must receive advance written approval for compensatory time worked, made per Section 3. Compensatory time off is an alternative form of payment for overtime work. For applying pay cap limitations or liquidating compensatory time, the dollar value of the compensatory time equals the overtime pay the employee would otherwise have received for the same number of overtime hours. Pay limitations apply as follows: Biweekly Premium Pay Cap. If invoking the biweekly cap, an employee cannot receive credit for compensatory time worked if the basic rate of pay equals or exceeds the maximum rate for grade GS-15, step 10, or Level V of the Executive Schedule. An employee whose basic rate is less than the maximum rate of GS-15, step 10, or Level V of the Executive Schedule, may earn compensatory time. However, it may only be credited to the extent that the monetary value of the compensatory time does not cause the total rate of pay to exceed the maximum earnings limitations under 5 CFR 550.106(c). Annual Premium Pay Cap. If invoking an annual premium pay cap, an employee may only receive credit for compensatory time to the extent that the monetary value of the compensatory time does not cause the total rate of pay to exceed the maximum earnings limitations. See 5 CFR 550.106(c). FLSA Considerations. The granting of compensatory time off in lieu of overtime pay under 5 U.S.C. § 5542 must not violate the overtime pay requirements of FLSA. For instructions on compensatory time off for nonexempt employees, refer to 5 CFR 551.531. For FLSA exempt employees, refer to 5 CFR 550.114.**

4.2.1.2. When an FLSA exempt or nonexempt employee separates, dies, or transfers to another DoW Component, or moves to a non-DoW agency, the losing Component must pay for any unused compensatory time balances at the overtime rate in effect when the employee earned the compensatory time. Title 32 National Guard technicians are not paid for unused compensatory time. See DoWI 1400.25-V550, 5 C.F.R. 550.114, and 5 C.F.R. 551.531.

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4.3 Foreign and Non-Foreign Allowances and Differentials

4.3.1. Foreign Area Allowances and Differentials

4.3.1.1. Within DoW, only three of the five FTA elements are authorized for payment: the miscellaneous expense portion, the lease penalty expense portion, and the subsistence expense portion. DoW does not authorize payment of the wardrobe expense portion or the pet shipment and required quarantine portion. The FTA standard is governed by DSSR Chapter 200, section 240 and DoWI 1400.25-V1250.

4.3.1.2. Within DoW, only three of the five HSTA elements are authorized for payment: the miscellaneous expense portion, the lease penalty expense portion, and the subsistence expense portion. DoW does not authorize payment of the wardrobe expense portion or the pet shipment and required quarantine portion. The HSTA standard, including the required 12-month service-agreement certification, is governed by DSSR Chapter 200, section 250 and DoWI 1400.25-V1250.

4.3.1.3. DoW does not authorize payment of the education allowance. DoW does authorize reimbursement of transportation costs for dormitory-student family members of eligible employees between the overseas duty station and the DoW Education Activity (DoWEA) approved school. The education-allowance standard is governed by DSSR Chapter 200, section 270, 5 U.S.C. 5924, and DoWI 1400.25-V1250.

4.3.1.4. Before a representation allowance is payable, the employee's position must first be designated as eligible by the Deputy Under Secretary of War for Civilian Personnel Policy. A voucher of expenses incurred is the basis for payment. The representation-allowance standard and allowable items are governed by DSSR Chapter 300 and DoWI 1400.25-V1250.

4.4 Other Pay, Differentials, and Allowances

4.4.1. Supervisory Differential

4.4.1.1. Authority to approve supervisory differentials under 5 U.S.C. § 5755 and 5 CFR 575, subpart D is delegated through the DoW Component and its chain of command to the official who exercises personnel-appointing authority (normally the head of an installation or activity). Only the Secretary or Deputy Secretary of War may approve a supervisory differential for an individual appointed to a Schedule C position, as defined by 5 CFR Part 213. The agency may authorize a supervisory differential for a GS employee who supervises one or more non-GS employees when a subordinate would be paid more than the supervisor absent the differential. The DoWI 1400.25-V575 contains additional guidance.

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4.4.2. Defense agency employees required by law or regulation to wear uniforms during official duties may be reimbursed a uniform allowance at the rates posted in the DoWI 1400.25-V591. The agency's authorized management official must approve payment of a uniform allowance. Uniform allowances are not considered wages.

4.4.3. Government-Provided Home-to-Work Transportation

4.4.3.1. DoW employing activities must not report on a calendar-year basis. They must report for the 12-month period from November 1 through October 31. The value of benefits received in November and December is considered paid in the next year, as authorized by IRS Publication 15-B.

4.4.4. Under 10 U.S.C. §§ 1596 and 1596a, the Secretary of War may pay FLPP to eligible DoW employees performing intelligence or non-intelligence duties that require foreign language proficiency. FLPP is not basic pay for any purpose and does not count toward retirement, TSP, FEGLI, or any other basic-pay-related benefit, and is not pay for lump-sum leave payments under 5 U.S.C. §§ 5551 or 5552. FLPP is a discretionary, continuing payment for the aggregate limitation on pay. FLPP must not be paid if the employee is in LWOP or other unpaid status for more than 10 consecutive workdays, or in an extended paid absence for more than 30 consecutive workdays.

4.4.4.1. Under 10 U.S.C. § 1596, the Secretary of War determines the annual rate of intelligence FLPP. FLPP may be paid in addition to pay under 10 U.S.C. § 1602. See the DoWI 1400.25-V2016. The Secretary of War may pay special pay to a DoW employee who: has been certified as being proficient in a foreign language identified by the Secretary of War as being a language in which proficiency by civilian personnel of the DoW is important for the effective collection, production, or dissemination of foreign intelligence information; and is serving in a position, or is subject to assignment to a position, in which proficiency in that language facilitates performance of officially assigned intelligence or intelligence-related duties.

4.4.4.2. Under 10 U.S.C. § 1596a, the Secretary of War may prescribe special pay for a DoW employee, but the pay may not exceed 5 percent of the employee's pay. This special pay is in addition to any other pay or allowances to which the employee is entitled. See the DoWI 1400.25-V2016. The Secretary of War may pay this special pay to a DoW employee who: has been certified by the Secretary of War to be proficient in a foreign language identified by the Secretary of War as being a language in which proficiency by civilian personnel of the DoW is necessary because of national security interests, is assigned duties requiring proficiency in that foreign language, and is not receiving special pay under 5 U.S.C. § 1596.

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4.5 Recruitment, Relocation, and Retention Incentives

4.5.1. Recruitment Incentive

4.5.1.1. The incentive **must** be included with regular salary payments and separately identified on the LES.

4.5.1.2. A demotion or separation for cause, or a **rating** less than "Fully Successful" or equivalent, terminates the service agreement. An employee who fails to complete the **service** period for these reasons, or otherwise fails to fulfill the agreement, must repay any portion of the incentive attributable to uncompleted service. The servicing PRO prorates the authorized recruitment incentive across the service period to determine the amount attributable to completed and uncompleted service, **and** must recover the amount owed **per** the debt collection regulations (see Volume 16). The servicing HRO must notify the servicing PRO of the recruitment incentive **repayment or debt** via SF 50 data.

4.5.1.3. The servicing HRO must document each recruitment incentive **using** information derived from an SF 50.

4.5.2. Relocation Incentive

4.5.2.1. The incentive **must** be included with regular salary payments and separately identified on the LES.

4.5.2.2. If the employee is demoted for cause, separates for cause, or receives a less than "Fully Successful" or equivalent rating, the service agreement **terminates**. An employee who fails to complete the **service** period for these reasons, or otherwise fails to fulfill the agreement, must reimburse DoW for all benefits received under the agreement in excess of the amount attributable to completed service. The servicing PRO must prorate the full authorized relocation incentive across the service period to determine the **amounts** attributable to completed and uncompleted service. The servicing PRO must recover the amount owed **per** agency debt collection regulations (see Volume 16). The servicing HRO must notify the servicing PRO of the repayment/debt via SF 50 data.

4.5.2.3. The servicing HRO must document each relocation incentive via an SF 50.

4.5.3. Retention Incentive

4.5.3.1. The incentive **must** be included with regular salary payments and separately identified on the LES.

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4.5.3.2. If an employee is demoted for cause, separates for cause, or receives a less than "Fully Successful" or equivalent rating, the service agreement **terminates**. An employee who fails to complete the **service** period for these reasons, or otherwise fails to fulfill the agreement, must reimburse DoW for all benefits received under the agreement in excess of the amount attributable to completed service. The employee **may** retain any retention incentive payments attributable to completed service and is entitled to any portion owed by the agency for completed service. The amount owed must be recovered **per** agency debt collection regulations (see Volume 16). The servicing HRO must notify the servicing PRO of the repayment/debt via SF 50 data.

4.5.3.3. The servicing HRO **must document** each retention incentive via an SF 50.

4.5.4. DoW Student Loan Repayment Program

4.5.4.1. The servicing PRO **must remit** the student loan repayment directly to the lender under the terms, limitations, and conditions of the written service agreement. The **payment** is **made** in **a lump sum, periodically**, or in biweekly installments, and is in addition to basic pay or any other compensation payable to the employee.

4.5.4.2. DoW is not responsible for any late fees or penalties assessed by loan holders before, during, or **after** the student loan repayment agreement.

4.5.4.3. The servicing HRO **must document** each **student loan repayment action** via an SF 50 **and** must transmit the SF 50 and a copy of the service agreement to the servicing PRO to begin payments.

4.6 Lump-Sum Leave Payments

4.6.1. Computation of Lump-Sum Payment

4.6.1.1. DFAS **must pay** lump-sum leave at the end of the pay period in which it receives the separation transaction; **the payment** may or may not be **combined** with regular pay depending on **receipt timing**. DFAS **must identify** the **payment** separately **and apply** flat 25 percent federal withholding, except when the exemptions claimed on Form W-4 exceed the regular pay, in **which case DFAS must combine** the lump-sum leave **with** the regular pay and **compute** taxes as a single payment. Lump-sum annual leave payments are not subject to FEHB, FERS, FEGLI, or TSP **deductions and** are subject to offset for debts owed to the United States (5 CFR 550.1205).

4.6.2. **DoW must make a lump-sum** payment of restored annual leave under 5 U.S.C. § 6304(d)(3) to any DoW employee moving to a non-DoW federal agency or to **a DoW** position not located at an installation being closed or realigned, **as required by** 5 U.S.C. § 5551. The servicing HRO must notify the servicing PRO via SF 50 data when the employee is no longer authorized

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restored leave under this authority. The lump-sum calculation **uses** the rate of pay at the time of separation or transfer to the non-BRAC installation.

4.7 Severance

4.7.1. Payments

4.7.1.1. **The servicing PRO must pay** authorized severance payments based on the information processed on an SF 50. Severance payments are subject to withholding for income and OASDI/Medicare taxes (5 CFR 550.709(b)).

4.7.2. Severance pay is taxable in the year the employee receives **it**, is included on the employee's Form W-2, and **is subject to** government and state **withholding**. If an employee dies, the servicing PRO must report any severance pay paid to beneficiaries on Form 1099-MISC.

4.7.3. If an agency reemploys a former employee in federal service, severance pay is discontinued effective on the date of reemployment. The losing agency must report the total amounts paid to the gaining activity or agency, **which** uses **that** information to **track the lifetime severance cap of one year's** pay at the rate received immediately before separation (5 U.S.C. § 5595(c)).

4.8 Advanced Pay

4.8.1. Foreign Post Assignment

4.8.1.1. The disbursing officer (or the officer's overseas agent) **supporting** the servicing PRO **for** the overseas area **must pay foreign-post pay advances**; outside the continental U.S., a disbursing officer who is a deputy to the continental U.S. office **may pay**. Payment may be included in the next regular biweekly pay or made **as** a single lump-sum. An employee may request an advance 3 weeks before the estimated departure date or up to 2 months after arrival, **and must submit** the request on the SF 1190, **which** serves as the request, authorization, and voucher document.

4.8.1.2. The HRO responsible for the employee must verify eligibility for an advance by confirming the travel orders and the pay grade and step at the foreign post. If the HRO does not **confirm** the foreign pay grade or step, the servicing PRO may use the **employee's** current gross pay at the time of the advance. The HRO **must counsel** each **eligible** employee **on the** authorized purposes of the advance, repayment requirements, anticipated expenses at the foreign assignment, and application procedures.

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4.8.2. Collection of Advance Payments

4.8.2.1. Repayment is collected by payroll deduction over a maximum of 26 pay periods. Deductions must begin the first pay period after receipt of the advance or [after](#) arrival at the foreign post, whichever is later. The losing agency must forward a copy of the SF 1190 to the gaining PRO for collection.

4.8.2.2. [The servicing PRO may accept](#) partial or lump-sum repayments in addition to payroll deductions.

4.8.2.3. When an employee separates or transfers, the outstanding [advance](#) balance is due in full. Advances are recoverable from the employee or the employee's estate by deduction from accrued pay, retirement credit, other amounts due from the Government, or other methods provided by 5 U.S.C. § 5514 [and](#) 31 U.S.C. § 3716.

4.8.2.4. The Defense Debt and Claims Management Office, DFAS Indianapolis Center, may waive the Government's right of recovery of an erroneous pay advance [per](#) DoWI 1340.23 and 5 U.S.C. § 5584.

4.8.3. Other Requirements or Conditions for Advances

4.8.3.1. An employee is authorized only one outstanding advance at a time, regardless of [how often assigned](#) to a foreign area. An employee [who](#) becomes eligible for a second advance must liquidate the first advance before [requesting](#) the first payment of the second.

4.8.3.2. More than one member of a household may be eligible for an advance.

4.8.3.3. Allotments and assignments of advances are not authorized.

4.8.3.4. Advances are paid to employees of another federal agency on a reimbursable basis [only if](#) an agreement [exists](#) between [that](#) agency and DFAS to make similar payments to DoW employees.

4.8.3.5. [The servicing office may require the employee to submit](#) statements and documents establishing the need for, and use of, an advance.

4.8.3.6. Management must develop controls to ensure only authorized employees obtain an advance and that complete accountability procedures exist for the disbursement and collection of pay advances. Accounting records must include current, accurate, and complete records of obligations, receivables, and collections.

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4.8.4. Agencies may authorize an additional advance payment when circumstances warrant and the employee has not received the maximum possible advance for the employee's pay grade. Exceptional circumstances include a substantial understatement of the maximum advance authorized, inadequate or inappropriate counseling on the purpose of the advance, and unforeseeable events significantly increasing the employee's cash-outlay needs at the foreign assignment location.

4.8.5. The head of an agency may provide for advance payment of basic pay to a newly appointed employee (5 CFR 550.203). DoW delegates this authority to officials who exercise personnel-appointing authority (normally the head of an installation or activity), through and subject to the DoW Component heads, to be used on a case-by-case basis (DoWI 1400.25-V550).

4.9 Awards

4.9.1. General Title 5 U.S.C., Chapter 45

4.9.1.1. A time-off award cannot be transferred between DoW Components or outside DoW. Managers and supervisors should ensure the employee can use the award before leaving the granting Component. DoW Components may establish procedures to accommodate the transfer of time-off awards within their respective Components. A time-off award cannot be converted to a cash award, and unused awards are lost when an employee separates or transfers to another agency or component (5 CFR 451.104(f)).

4.9.1.2. The servicing HRO must process awards on an SF 50 and issue them to the servicing PRO as authorization for payment of cash awards or granting of time-off awards. Awards are paid in the same manner as the employee's net pay and are not distributed to the worksite.

4.9.1.3. Time-off awards must be posted to the employee's record and reduced when the time off is taken or forfeited. Use of a time-off award reported before notification of the award must be reflected as a negative balance in the civilian payroll system. If the servicing HRO does not post a time-off award to the employee's record within two pay periods of a negative balance appearing in the civilian payroll system, the use is treated as a time-and-attendance error.

4.9.2. Payment of Awards

4.9.2.1. Cash award payments are subject to federal, state, and local income tax withholding. The civilian payroll system automatically applies the IRS supplemental-wage federal withholding rate (set by the IRS; see IRS Publication 15) to these special earnings. The servicing PRO must compute applicable state, local, and OASDI/Medicare withholding from the employee's

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current master record, **and must** not withhold state and local taxes for employees assigned to overseas duty locations unless the employee **requests it**.

4.9.2.2. To **pay an award to a** separated **employee**, the agency must reestablish the employee on the payroll using the last known master account record **information** for applicable deductions and mailing address.

4.9.2.3. Cash award payments must be included on **the** employee's LES **and** Form W-2.

5.0 MANDATORY DEDUCTIONS

5.1 Mandatory Deductions

5.1.1. Mandatory payroll deductions withheld from a DoW employee's pay must include **sufficient information to establish the deduction, adequate documentation and certification, payment to the appropriate recipient for the correct amount, and a provision of law or court order supporting the deduction**.

5.1.2. DFAS must retain deduction authorizations in the PRO or at a designated storage site **per** National Archives General Records Schedule 2.

5.2 Order of Precedence

5.2.1. Available Pay

5.2.1.1. If the **next** deduction in the order of precedence is a mandatory deduction, the PRO **must** use the remaining available pay to make a partial deduction, **and** the employee's net pay is **then** zero.

5.2.1.2. If the **next** deduction in the order of precedence is a voluntary deduction, the PRO **must** not make **that** deduction or any **later deduction**, **and must pay** the employee's remaining available pay as net pay.

5.3 Retirement Deductions

5.3.1. Civil Service Retirement System (CSRS), CSRS-Offset, and Federal Employees Retirement System (FERS) Administration and Recordkeeping

5.3.1.1. When the PRO receives notification of an employee's death, the PRO must send the IRR to OPM within 5 days of the date final pay is computed. OPM must receive the deceased employee's records and associated applications within 30 days from the date of death.

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5.3.1.2. IRRs not maintained in a mechanized manner must be stored in a lockable metal file cabinet or a secured facility with [access](#) limited to employees whose official duties require [it](#). Manually maintained IRRs must be [posted manually](#), [then](#) stored electronically and kept separately from the record itself, [per](#) OPM requirements.

5.3.1.3. Manual records [must](#) be disposed of by shredding.

5.3.1.4. More than one IRR may be submitted with an SF 2807/3103. [The PRO must not delay](#) transmitting completed retirement records while [preparing](#) other IRRs for forwarding to OPM.

5.3.1.5. When possible, correct any errors detected on the IRR before submission to OPM. If an error is detected after the IRR is sent to OPM, prepare an SF 2806-1 (CSRS) or SF 3101 (FERS), Notice of Correction of Individual Retirement Record.

5.3.1.5.1. If [a retirement](#) over-deduction occurs from a current [employee's pay](#), the PRO must 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.

5.3.1.5.2. If [a retirement](#) under-deduction occurs, or deductions were not made for a period when an employee was covered by CSRS or FERS, [the](#) employee must be afforded due process rights before being indebted for the erroneous pay (see Volume 16). If deductions were made for a non-appropriated fund (NAF) retirement plan when CSRS or FERS [deductions were required](#), the PRO must adjust the NAF retirement and Social Security deductions and contributions in the next pay period, [offsetting](#) these amounts against [what](#) should have [gone to](#) CSRS or FERS to determine the net amount [to withhold](#) from the employee's [current-period](#) pay.

5.3.1.5.3. When excess retirement amounts have been deducted from a former employee's pay and the IRR SF 2806 (CSRS) or SF 3100 (FERS) has not yet been forwarded to OPM, the PRO must correct the amount in the current calendar year and correct the accumulated deductions posted on the SF 2806/3100 [before](#) forwarding to OPM.

5.3.1.5.4. If [a retirement](#) over-deduction is found after the SF 2806/3100 was sent to OPM, the PRO must prepare and submit the SF 2806-1/3101 to OPM.

5.3.1.5.5. If an over-deduction from a former employee's pay results in excess employer [retirement](#) contributions, the PRO must deduct the excess from the next pay period's submission of the Retirement and Insurance Transfer System (RITS) file.

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5.3.1.5.6. When an insufficient **retirement** amount has been deducted from a former employee's pay and the SF 2806/3100 has not yet been submitted to OPM, the PRO must note the deficiency on the SF 2806/3100. If the SF 2806/3100 has been submitted, **the PRO must prepare** another SF 2806/3100 annotated "Supplemental" in the upper left margin.

5.3.1.5.7. When an under-deduction from a former employee's pay results in insufficient employer retirement contributions, the **PRO must** normally **include the shortfall** in the RITS file for the next pay period.

5.3.1.5.8. When excess retirement amounts have been deducted from a transferred employee's pay and the SF 2806/3100 has not been forwarded to OPM, the PRO must correct the amount in the current calendar year and correct the total accumulative deductions posted on the SF 2806/3100 **before** forwarding.

5.3.1.5.9. If **a retirement** over-deduction is found after the SF 2806 was forwarded to another PRO within **DoW**, the **PRO must prepare and submit** an SF 2806-1 to the gaining PRO.

5.3.1.5.10. When an over-deduction from a transferred employee's pay results in excess employer retirement contributions, the PRO must deduct the excess employer contributions from the RITS file for the next pay period.

5.3.1.5.11. When an insufficient retirement amount has been deducted from a former employee's pay and the SF 2806 has not yet been forwarded to another PRO within the same component, the losing PRO must note the under-deductions on the SF 2806. The losing PRO must prepare and forward a supplemental SF 2806 to the gaining PRO if the SF 2806 was previously submitted.

5.3.1.5.12. The PRO must correct the "Service History" portion of the SF 2806 if the error is detected before the record is sent to another PRO within the same component. If the error is detected after the record is submitted, the losing PRO must prepare and submit an SF 2806-1 to the gaining PRO.

5.3.1.5.13. The PRO must report CSRS or FERS deductions withheld from a retroactive salary payment for a separated employee by preparing a supplemental SF 2806/3100 and forwarding it to OPM **on** an SF 2807/3103.

5.3.1.5.14. For a current employee, the PRO must include CSRS or FERS deductions withheld from a retroactive salary payment in the **current-year** salary deduction on the SF 2806/3100 maintained for the employee.

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5.3.1.5.15. A losing PRO must report CSRS or FERS deductions withheld from a retroactive salary payment for an employee transferred to another PRO within the same component by preparing a supplemental SF 2806/3100. The losing PRO must send the SF 2806 to the gaining PRO [on](#) an SF 2807. The losing PRO must send the SF 3100 to OPM [on](#) an SF 3103.

5.3.1.6. Employee deductions and employer contributions for CSRS or FERS must be reported separately to OPM each pay period. PROs reporting to OPM via the RITS must report deductions and contributions per the procedures in [Section 10](#). Employer contributions must be charged to the appropriation(s) from which the employee's salary is paid.

5.3.2. DoW Employees Covered by Retirement Systems for Non-Appropriated Fund Instrumentalities (NAFI)

5.3.2.1. Employees who elect to retain coverage under a NAF retirement system [must](#) have their SF 50 annotated as "5-Other" for the retirement code. The SF 50 [must](#) state that the employee has elected to retain coverage under a NAF retirement system.

5.3.2.2. Employee retirement deductions, employer contributions, employee contributions to applicable 401(k) plans, and loan repayments [must](#) be made biweekly and submitted to the appropriate NAF employee benefit system. FICA contributions must be withheld and reported [per current](#) U.S. Department of the [Treasury](#) guidance.

5.3.3. Uniformed Services University of the Health Sciences (USU) Faculty Retirement

5.3.3.1. A total of 15 percent of the employee's total salary [must](#) be contributed to the employee's selected retirement plan (TIAA/CREF or Fidelity Investments): USU [contributes](#) 10 percent and the employee [contributes](#) a mandatory 5 percent through payroll deduction.

5.3.3.2. Part-time employees, visiting foreign employees [holding](#) H-1 and J-1 visas, faculty whose titles [carry](#) the prefix "Visiting," Visiting Scientists, and Postdoctoral Fellows are not eligible to participate in TIAA/CREF or Fidelity Investments upon employment with USU.

5.4 Federal Insurance Contributions Act (FICA) Tax

5.4.1. Authority

5.4.1.1. If an employee transfers between DoW Components, the gaining PRO must count Social Security and/or Medicare taxes already deducted by the losing PRO [so as](#) not to exceed the maximum Social Security and/or Medicare tax liability due for that payroll year. [On a transfer](#), the PRO must include Social Security and/or Medicare year-to-date wages and taxes on the SF 1150, Record of Leave Data.

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5.5 Federal Income Tax Withholding (FITW)

5.5.1. General

5.5.1.1. An EIN, assigned by the appropriate IRS District Director, identifies the tax accounts of employers. Only one EIN per Payroll Office (PRO) is authorized to report all federal and Social Security and/or Medicare taxes. The PRO must collect federal and Social Security and/or Medicare taxes from employee wages and report all taxes using IRS Form 941, Employer's Quarterly Federal Tax Return. For withholding and reporting guidance, consult the current Circular E.

5.5.2. If an employee submits a new W-4, the PRO must change the withholding effective the next pay period. Retroactive adjustments are not permitted, even if the employee claims the W-4 on file is erroneous and submits a corrected one.

5.5.3. As forms become superseded or obsolete, the PRO must move them from the active file to an inactive file. The PRO need not send IRS forms such as the 941 or W-4 to the IRS District Director, but must, on request, show that the information is on file as a supporting record.

5.5.4. Tax Payments - Payment of Withheld Tax

5.5.4.1. The PRO that makes the tax collection must prepare and issue the W-2 to the employee.

5.5.4.2. The disbursing office must disburse all withheld taxes based on the information the PRO provides and the payroll frequency. It remits federal income, Social Security and/or Medicare taxes withheld from wages, plus the employer's Social Security and/or Medicare contributions, through EFTPS.

5.6 State Income Tax Withholding (SITW)

5.6.1. Withholding Authority

5.6.1.1. DoW requires employees to complete a withholding certificate as the basis to properly withhold state taxes. The certificate must specify whether the employee is subject to the tax, the employee's residence and regular place of employment, and any exemptions and allowances. The certificate remains in effect until the employee submits a new one. If an employee does not furnish a withholding certificate for a designated state, the PRO must withhold the maximum amount applicable to the employee's annual compensation.

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5.6.1.2. The state, city, or county income or employment tax withheld from the compensation of an employee or member of the Armed Forces must, at a minimum, approximate the tax required to be withheld. The PRO may accomplish withholding by one of the following methods: applicable tax withholding rate(s) specified in the state, city, or county instructions; any other percentage or formula method; or a calculated, fixed amount deducted each pay period from the compensation of the employee.

5.6.1.3. Reciprocal agreements between states may modify state withholding requirements; they generally relieve nonresident employees of tax liability to the state of employment and relieve the employer of the duty to withhold. Agencies must conform to the withholding provisions of applicable Treasury-state and reciprocal agreements. If an employee is subject to withholding in more than one state, the PRO must use separate deduction codes to identify the tax remittance for each state.

5.6.1.3.1. Reciprocal agreements between states may affect automatic withholding by duty station. In all disputed cases, the PRO must withhold tax and advise the employee to negotiate the tax liability directly with the proper taxing authority.

5.6.1.4. When a state provides for discretionary allotment withholding, the PRO must withhold state taxes only for employees who have a legal obligation to pay and who elect such withholding. This applies whether or not Treasury has a withholding agreement with the state.

5.6.1.4.1. Employees must request the allotment on a proper withholding certificate.

5.6.1.4.2. Employee tenure does not affect the allotment.

5.6.1.5. Employees located in foreign areas must determine the need for state and local taxes. Before submitting a request, the PRO must advise the employee to:

5.6.1.5.1. Obtain assistance from the employing activity legal staff available to him or her; or

5.6.1.5.2. Contact the appropriate state or local income tax office about the applicability of withholding taxes while on an overseas assignment, preferably before departure from the continental United States (CONUS). If the employee determines a withholding liability applies, the PRO must honor the request.

5.6.1.6. The PRO must comply with the agreement, regulations, and instructions of the state concerned.

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5.6.1.6.1. The PRO **must** base the allotment amount on either **the amount (in whole dollars) set by an employee; or the withholding certificate filed by an employee and the state withholding tables or formulas.**

5.6.1.6.2. The PRO **must** pay withheld state income taxes to each state concerned as that state **prescribes.**

5.6.1.7. Employees are subject to mandatory withholding under Treasury-state withholding agreements, **but** an employee may claim exemption under certain conditions. The PRO **must require the use of state-furnished tax exemption certificates, if available; and give the employee's name, SSN, and basis for the claimed exemption to the designated taxing state official.**

5.6.2. The PRO **must** send **W-2** copies to states that have negotiated agreements with the Secretary of the Treasury **for** employees subject to mandatory state withholding or who may elect withholding under state law (see TFM, Volume 1, Part 6, Chapter 5000).

5.6.2.1. The PRO **must** record the amounts withheld each pay period on **the** employee's pay record when a special payment occurs; otherwise, the system automatically **updates the** records.

5.6.2.2. The PRO **must compute the total of withheld state taxes and deposit it per Treasury's Federal Account Symbols and Titles (FAST) Book II, crediting the appropriate deposit account regardless of the employee's employing activity.**

5.6.2.3. The PRO **must** correct a clerical error **from** a prior pay period **in** the current calendar year if the employee is still on the payroll. **For an** under-deduction, the PRO must follow due process to collect the taxes paid on **the employee's** behalf; **for an** over-deduction, the PRO must refund the **over-deducted** amount on the next regular payroll cycle. The PRO **must** not make any adjustment if **the employee is no longer on the payroll or the error was in a prior calendar year.**

5.6.2.4. The PRO **must** comply with the state's current tax law **on** payment **frequency** (biweekly, monthly, or quarterly) **and must** not make payments more often than **the** state **requires.**

5.6.2.5. The disbursing officer **must** issue payment based on an approved voucher prepared by the PRO, **and** the PRO must prepare the required tax payment documents.

5.6.2.6. The PRO **must** balance the amounts reported on each state **W-2** with year-to-date control totals for state taxes withheld and state taxable wages. These amounts must balance before the W-2s are distributed to employees and forwarded to the states.

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5.6.2.7. Collection of a state or local government **tax levy** is authorized by 5 CFR Part 582. The DFAS Cleveland center is **the** designated agent to accept legal process for DoW civilian employees for state or local tax levies. Send all state income tax liens to: DFAS Garnishment Law Directorate, P.O. Box 998002, Cleveland, OH 44199-8002.

5.6.2.8. DoW Components **must** advise employees that information returns will be sent to **the** state and other taxing authorities of the employee's place of employment (and, in some cases, place of residence) **when those** authorities **request** the information. **Components may release** only information properly releasable under the Privacy Act of 1974 (5 U.S.C. § 552a) or the applicable notice of routine use.

5.6.2.9. The **PRO** must retain the following records of state tax deductions: **the EIN assigned by the state; the amounts and dates of all payments and wages subject to state tax withholding; employees' names, addresses, and SSNs; and the dates and amounts of tax deposits made.**

5.6.2.10. The **HRO must** retain the **employee's state withholding allowance certificate, kept until superseded or canceled, and the dates of employment.**

5.7 City and Local Income Tax Withholding

5.7.1. Withholding of city, county, or employment tax from federal employees subject to tax whose regular place of federal employment is within **a** city or county **that** has a proper agreement with the Secretary of the Treasury is authorized by 5 U.S.C. § 5520; withholding is also required if the employee is a resident of the city or county. Each DoW employee must complete a city or local **tax withholding certificate** as **the** basis for proper withholding, **and** an out-of-state employee's consent to **withholding** is required when applicable.

5.7.1.1. The **PRO** must apply **the** policies and procedures prescribed for each state **when determining** the employee wages subject to mandatory city and county withholding.

5.7.1.1.1. The PRO must withhold tax from **the** wages of federal employees who reside in cities or counties that have entered into withholding agreements.

5.7.1.1.2. The PRO must withhold tax from the wages of federal employees whose regular place of federal employment is within a city or county where they are subject to tax. Employees **who** reside in a state other than the state in which the city or county is located are exempt from mandatory withholding.

5.7.1.1.3. **Where** local ordinances tax only wages for services performed within the city or county (in most cases only **for** non-resident employees), **an employee** eligible to exclude part of annual income must submit a withholding certificate **specifying** the amount or

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percentage, and the PRO must reduce withholding accordingly. If the employee does not file a certificate, the PRO must withhold tax based on the employee's total compensation. The PRO must not adjust withholding if the employee performs less than 25 percent of services outside the city or county.

5.7.1.2. Employees must submit withholding certificates and provide all information needed to deduct city or county income taxes. If an employee does not provide a certificate, the PRO must withhold tax at the highest level that applies to the employee's annual wages. The PRO must not withhold any tax from the wages of out-of-state employees until they present a form consenting to withholding.

5.7.1.3. Employing activities may use a withholding or exemption certificate furnished by a city or county only if it contains all required information. If the form is incomplete, employing activities may use Treasury's Fiscal Service (FS) Form 7311, Employee Withholding Certificate for Local Taxes (see TFM, Volume 1, Part 6, Chapter 5000).

5.7.1.4. An employee who does not reside in the state where the city or county (place of employment) is located is exempt from mandatory withholding; the PRO may withhold tax with the employee's consent, and the employee must submit a withholding certificate.

5.7.1.5. Employees may make discretionary allotments for the payroll deduction of taxes of their city or county of residence when employed outside that location. Withholding taxes for the city or county of employment does not affect the employee's discretionary allotment.

5.7.1.5.1. An employee may make a discretionary allotment for withholding even if the city or county does not have a withholding agreement.

5.7.1.5.2. The PRO must set the allotment amount by the city or county withholding method or deduct a whole-dollar amount set by the employee, and the employee must submit a proper withholding certificate.

5.7.1.6. The PRO must account for discretionary tax deductions as prescribed for mandatory withholdings.

5.7.1.7. The PRO must withhold tax by one of these methods: the city or county tax withholding rate set in the city or county instructions; the prescribed percentage or formula method; or a set amount computed and deducted from the employee's pay each pay period.

5.7.1.8. The PRO must deduct, at a minimum, an amount nearly equal to the tax required by the city or county.

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5.7.2. The PRO must record amounts withheld each pay period in the employee's pay record when a special payment occurs; otherwise, the system automatically updates the record.

5.7.2.1. The PRO must compute the withheld city or county income tax (below state or territorial tax) and the total amount withheld each pay period, and credit the withheld tax to the appropriate deposit fund account for city and county tax.

5.7.2.2. The PRO must apply the same instructions used for the withholding of state taxes when correcting city or county tax errors.

5.7.2.3. The PRO must apply the same instructions used for paying out withheld state tax when paying out withheld city or county tax.

5.7.3. Recordkeeping

5.7.3.1. The PRO must keep all records of city or county income tax deductions, including the EIN assigned by the city or county; the amounts and dates of all wages subject to city or county tax withholding; employees' names, addresses, and SSNs; the dates and amounts of city or county tax paid; and copies of all returns filed.

5.7.3.2. The employing activity must retain city tax withholding authorization certificates for each employee until superseded or canceled. When a DoW employee's gross pay is not sufficient to permit all required deductions, deductions must be withheld in the order of precedence: (1) defined benefit retirement deductions (CSRS, FERS, CSRS-Offset, Title 32 National Guard, NAFI employee retirement contributions); (2) OASDI (Social Security, under FICA); (3) Medicare tax (under FICA); (4) federal income tax; (5) health insurance premiums; (6) basic group life insurance premiums (FEGLI, state life insurance); (7) state income tax; (8) local income tax; (9) collection of debts owed to the United States (continuous levy under the Federal Payment Levy Program, salary offsets); (10) court-ordered collection/debt (child support, alimony, bankruptcy, commercial garnishments); (11) optional benefits (see Section 12); (12) other voluntary deductions and allotments; and (13) IRS paper levies. The taxability of each compensation type and the annual FICA rates and maximum taxable earnings are set each calendar year by the Social Security Administration.

6.0 LEAVE AND OTHER ABSENCES

6.1 General Requirements and Responsibilities

6.1.1. PROs and payroll systems areas must meet the following objectives: maintaining leave records and balances for each employee as provided in paragraph 6.1.3, Recording accrued and accumulated leave. Accrued leave is leave earned by an employee during the current leave year that is unused at any given time in that year. Accumulated leave means unused leave

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remaining to the credit of an employee at the beginning of the leave year, reporting all leave taken, and reporting accurate data on leave use and accruals in order to simplify the collection of leave-related debts and preparation of financial reports.

6.1.2. A leave record must be maintained for each employee to show: rate of accrual for each type of leave, hours or days accrued, and type of leave used, hours or days of leave advanced by leave type, and leave balances.

6.1.3. Rate of Leave Accrual

6.1.3.1. To ensure proper accrual rates, the civilian payroll system must contain accurate information on each employee's type of appointment and the types of leave hours or days to which the employee is entitled. The system must accurately record leave earned for each type of leave using the correct rates effective for the proper times.

6.1.3.2. Annual and sick leave earned for each pay period must be posted to the employee's leave record. The leave record must also reflect all leave used during the same pay period.

6.1.4. To support the time and attendance record, employees must request approval of leave. The supervisor or other designated official should approve leave before it is taken. If leave cannot be approved in advance due to an unusual or emergency situation, the supervisor should review it for approval or disapproval as soon as possible after it is taken. See GAO-03-352G, Maintaining Effective Control over Employee Time and Attendance Reporting. Supervisors designated to approve leave must document leave used in writing, showing the dates, times, and types of leave taken.

6.1.5. Heads of DoW Components and their designees may establish minimum charges for leave per DoWI 1400.25-V630. The minimum charge for leave is 1 hour unless an agency determines a need for a minimum charge of less than 1 hour or establishes a different minimum charge through negotiations. In any case, the agency may not charge for leave in increments of less than 6 minutes. See 5 CFR 630.206.

6.2 Annual Leave

6.2.1. General Annual

6.2.1.1. To ensure proper documentation of leave, any annual leave earned must be posted to the employee's record in a pay period before charging the leave taken during the same pay period.

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6.2.2. Restoring Forfeited Annual Leave

6.2.2.1. If restoration is based on exigency of the public business, DoW must delegate the responsibility for determining that a need is important enough to prevent use of annual leave subject to forfeiture to the lowest practical level. Those who approve exigencies must establish termination dates for the exigencies. See 5 CFR 630.305, 5 CFR 630.306(a)(2), and DoWI 1400.25-V630.

6.2.2.2. The payroll system must maintain separate restored leave accounts for each calendar year. The servicing Human Resources Office (HRO) must identify the reason for restoration and the category of leave restored and provide that information to the CSR in writing. DoW must credit restored annual leave to a separate leave account that identifies 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. See 5 U.S.C. § 6304(d)(2).

6.3 Administrative Leave (Excused Absence)

6.3.1. Employees serving as blood donors may be excused from work without charge to leave for the time necessary to donate blood, for recuperation after donation, and for necessary travel to and from the donation site. This provision does not cover an employee who gives blood for personal use or receives compensation for giving blood.

6.3.2. If an employee is unavoidably or necessarily absent for less than one hour, or tardy, the agency may, for adequate reason, excuse the employee without charge to leave.

6.3.3. An employee may be granted excused absence to take an examination (for example, the certified public accountant examination) in their functional area if securing the certification or license would enhance the employee's professional stature and benefit the DoW. This provision does not cover time spent preparing for such examinations.

6.3.4. 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 situations in which the employee is an official representative of the organization involved or is a contributor on the agenda. Employees may not be excused to attend conferences or conventions of political parties or partisan political groups or committees.

6.3.5. Representative leave hours must be reported using 4 separate categories: term negotiations, mid-term negotiations, dispute resolution, and general labor-management relations. Absence charged as representative leave may be subject to local negotiated agreements or supervisory approval.

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6.3.6. Employees authorized a PCS move within DoW may be granted excused absence before departing the old duty station and [after arriving](#) at the new duty station to accomplish personal tasks resulting from the move ([for example](#), to [open or](#) close personal bank accounts or to obtain driver's licenses or car tags). Employees coming to the DoW from other federal agencies may also be granted excused absence after [being](#) placed on the DoW employment roll. This provision does not cover time involved in complying with PCS requirements such as obtaining passports and vaccinations, [meeting](#) government housing authority requirements, or being present for packing and receiving household goods. Accomplishing tasks conditional to the PCS is considered official duty.

6.3.7. Employees under notice of separation or change to lower grade for any reason except personal cause may be granted excused absence for job searches and interviews. Employees competing for positions within DoW may also be granted excused absence for merit placement interviews.

6.3.8. Excused absence may be granted to permit an employee to attend the initial counseling session ([for example](#), drug, alcohol, [or](#) financial) resulting from a referral under the Employee Assistance Program. This provision does not include the official duty status an employee is in during the initial referral to the Employee Assistance Program.

6.3.9. Excused absence may be granted to employees participating in [management-sponsored](#) volunteer projects ([for example](#), education mentorship or tutoring programs). This provision does not apply to time spent on volunteer activities not sponsored by management. Volunteer activity not sponsored by management may be promoted through established leave programs and the flexibility offered through alternative work schedules.

6.3.10. Excused absence may be granted to employees to assist in emergency situations declared by, or requested from, authorized officials. This provision does not cover employees who respond to emergencies in National Guard or Reserve status.

6.3.11. Excused absence may be granted to an employee to undergo medical examinations required by appropriate military authorities for enlistment or induction into the Military Services. This provision does not cover travel time outside the commuting area or situations in which the employee receives military compensation, can use military leave, or undergoes additional tests, examinations, or treatments for conditions discovered or suspected as a result of the examinations.

6.3.12. Invited Medal of Honor holders may be granted excused absence to attend or participate in events such as the inauguration of the President of the United States, Congressional Medal of Honor Society conventions, and services on Memorial Day or Veterans Day.

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6.4 Court Leave and Jury Duty

6.4.1. When an employee is called for court service as a witness or juror, the **employee must present the** court order, subpoena, or summons, if one was issued, to the supervisor as far in advance as possible.

6.4.2. Certificate of Attendance and Collection of Fees Paid

6.4.2.1. Unless otherwise allowable under this section, an employee in a pay status may not retain fees received for jury duty or witness services. The employee must submit any fees received to their employing activity **by** money order or personal check.

6.4.2.2. **The employee must also submit** a certificate of attendance from the clerk of the court to the employing activity. The certificate **must** show the dates of jury duty or witness service and **the** amount of fees the court paid, separately **identifying** fees and other allowances or expenses. If the certificate does not identify allowances separately, all monies received are **treated as** fees for jury duty or witness **service** and must be collected.

6.4.3. If fees are paid incorrectly to an employee serving in a nonofficial capacity, the employee may not retain the fees. The **employee must turn the** fees **in to** the CSR at the employing activity.

6.4.4. Monies submitted to the CSR for jury duty or witness service **fees** must be accounted for on a DoW (DD) Form 1131, Cash Collection Voucher. The servicing PRO must credit **these monies to** the appropriation and accounting classification that paid the employee's salary **during** the jury duty or witness **service**. See 5 U.S.C. § 5515.

6.4.5. Fees not submitted in a timely manner are subject to payroll deduction. **The** payroll **deduction** to collect the fees **must** be made in the next regular pay period. See 5 U.S.C. § 5515.

6.5 Shore Leave

6.5.1. The time and attendance report must reflect shore leave taken.

6.6 Military Leave

6.6.1. Military Leave

6.6.1.1. If a civilian employee changes their tour of duty from part-time to full-time in the middle of the FY, the servicing PRO must determine the number of days of military leave the employee **used** during that FY. **For an employee who increases the hours in their workweek**, the days of used leave are subtracted from the days authorized under the current tour of duty.

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6.6.2. To substantiate all types of military leave charges, the employee **must** submit a copy of their military orders or **other** documentation directing them to report to active military duty. **On** return to civilian status from military leave, the employee **must** submit a certified verification of attendance. If an employee has separate sets of orders, or orders **covering** separate periods with a return to civilian status between **them**, military leave must not be charged for the time the employee is **in** civilian status.

6.7 Furlough

6.7.1. Shutdown Furlough

6.7.1.1. Public Law 116-92 **authorizes** employees to receive retroactive pay in a shutdown furlough. If a furlough occurs **mid-pay-period** and an employee receives a partial paycheck, the servicing PRO must **apply deductions using** the order of precedence **in Section 5, Table 4-1**. Furloughed employees receive pay for any hours worked **before** the lapse in appropriations.

7.0 MISCELLANEOUS ACTIONS (SPECIAL ACTIONS)

7.1 Unemployment Compensation for Federal Employees (UCFE)

7.1.1. Employing Activity Responsibilities

7.1.1.1. The PRO must provide exact wage data through the HRO to the SESA **so** the SESA **can** determine the former employee's weekly and maximum unemployment benefit amounts. The PRO must accurately report all monetary information affecting the claim, such as lump sum annual leave payments, severance pay, annuity pay, or incentive pay.

7.1.1.2. **The servicing HRO is** the central point of contact for all UCFE matters. The **PROs must refer** all inquiries **they receive** (such as state queries, telephone calls, and requests for UCFE documentation) to the servicing HRO. The servicing HRO must contact the PRO for any additional information.

7.1.2. On receipt of the ETA 931, the HRO must report the **employee's** non-pay status to the SESA, **including** the LWOP starting **and** ending **dates** and any other pertinent data. **For** non-pay status **of** more than 30 days, the SF 50 provides the LWOP information; for LWOP of 30 days or less, the biweekly interface extract provides **it** to the HRO. The HRO must indicate whether **an employee** on LWOP **is** awaiting an on-the-job injury approval or disability retirement from the Office of Workers' Compensation Programs (OWCP). If an employee is awaiting an OWCP determination, the SESA is responsible for contacting the OWCP for any data it needs.

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7.2 Claims from Employees for Additional Compensation

7.2.1. Claims Submission

7.2.1.1. The PRO may approve and pay claims received from the claimant when there is no question of law or fact.

7.2.1.2. The PRO must act on any claim it receives from OPM, including claims originally received by the DCMO and forwarded to OPM for final review, per the instructions in the letter or order transmitting the claim. The PRO must pay any resulting amount as part of the regular payroll.

7.2.1.3. Claims not received through OPM that the PRO denies administratively must be returned to the claimant with a letter explaining in detail why the claim was disapproved. If the employee appeals, the PRO must forward the claim to OPM via the DCMO with a transmittal letter the PRO prepares.

7.3 Back Pay Under 5 U.S.C. § 5596 (The Back Pay Act)

7.3.1. General

7.3.1.1. The HRO must determine an employee's entitlement to back pay and document the determination in the Remarks section of the SF 50.

7.3.1.2. If a settlement agreement or order uses an undefined term of art like "back pay" without defining it, DFAS will apply the regulatory or statutory definition and process the back pay under the Back Pay Act unless the agreement or order expresses a contrary intent.

7.3.2. Correcting an Unjustified or Unwarranted Personnel Action

7.3.2.1. When an employee has been separated, DoW must complete corrective action on the date DoW reasonably sets for the employee's return to duty and must notify the employee of the return date in writing. Until that date, the erroneous action remains in effect. If the employee fails to report on the date set, DoW may charge annual leave, LWOP, or absence without leave from the date set for return until the employee returns to work. An employee who resigns instead of returning to duty is still entitled to back pay up to the date the employee is considered separated from federal service, since there is no requirement that the employee return to duty.

7.3.3. Deductions of Erroneous Payments From Back Pay

7.3.3.1. The PRO must transfer the recovered annuity amount to the retirement system.

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7.3.3.2. 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, refunds of retirement contributions, severance pay, then any lump sum payment for accrued annual leave.

7.3.4. Back Pay and Offsetting UCFE

7.3.4.1. If a reinstated employee is entitled to back pay, the HRO must determine whether the employee applied for unemployment compensation via the UCFE program within the last 52 weeks. If the employee applied for or received unemployment compensation, the HRO must promptly notify the SESA of the back pay payment date, the amount, and the period covered.

7.3.4.2. DoW will not deduct unemployment compensation paid during the back pay period from the back pay award unless state law requires the employer (rather than the employee) to reimburse the state for overpayments. A state agency may also determine an overpayment occurred and notify the federal government as the employing agency. See 65 Comp Gen 865 (1986) and DoWI 1400.25-V850.

7.3.5. Tax Withholding and Reporting in Back Pay Matters

7.3.5.1. A settlement or order may require an employing agency to issue a lump sum payment to the employee in lieu of back pay or as an award of damages. To ensure proper tax reporting and withholding, employing agencies must identify the nature of each lump sum payment as wages or non-wages. The PRO must review the nature of the payment before processing and must contact the agency if the identity or apportionment of the payment is in question.

7.3.5.1.1. If a settlement or order requires an employing agency to pay a lump sum and the payment is not clearly identified as damages or attorney fees, the payment is generally considered wages for tax purposes. A lump sum representing wages must be submitted to the PRO as an individual award to ensure proper processing. Federal and state taxes, OASDI, and Medicare taxes are withheld from wage payments, which are reported on IRS Form W-2, Wage and Tax Statement.

7.3.5.1.2. DFAS Vendor Pay (or other appropriate vendor pay office) processes lump sum payments of damages, which are reported on IRS Form 1099-MISC, Miscellaneous Income, with no taxes withheld.

7.3.5.2. Treasury operates the Judgment Fund under 31 U.S.C. § 1304, and back pay awards may be paid from it. Treasury regulations require the agency that submits the payment request to issue the tax reporting. For employees paid by DFAS, DFAS will issue the tax reporting

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on behalf of the employing agency even when the award of back pay or damages is made from the Judgment Fund. See 31 CFR 256.51.

7.4 Continuation of Pay (COP) (Injury Compensation)

7.4.1. Buy Back of Leave

7.4.1.1. The PRO must recover any gross amount paid for leave used during a period retroactively covered by OWCP compensation. Certain deductions are recoverable by payroll adjustment. The amount recovered from the employee or OWCP depends on whether payment for leave is paid in the current or prior year.

7.4.1.2. The amount collected for leave payments made in the current calendar year is the net pay plus deductions for the following bonds, savings allotments, alimony/child support, rent, indebtedness to the United States, and other deductions the employee received value but not otherwise collected.

7.4.1.3. Current deductions reversed in the payroll system (if applicable and if the moneys are recovered) are: CSRS or FERS; OASDI and/or Medicare; Federal, state, and local taxes; FEHB (if the OWCP payment is for more than 28 days); FEGLI (basic and optional); TSP; union dues; charitable contributions; and military service credit deposits and civilian service credit deposits.

7.4.1.4. The PRO must adjust earnings-to-date in the payroll system for items other than the reversed deductions. Amounts collected from the employee or OWCP must be identified as a cash refund on a voucher for disbursement or collection.

7.4.1.5. The amount collected for leave payments made during a prior year is the gross amount less CSRS/FERS, OASDI or Medicare, TSP, FEHB (if the OWCP payment is for more than 28 days), and FEGLI (basic and optional). The PRO must post the credit to CSRS/FERS as a separate credit line item on the SF 2806, Individual Retirement Record CSRS, or the SF 3100, Individual Retirement Record FERS, fiscal side, indicating the year of the adjustment with an explanation in the "Remarks" column. Adjustments are unauthorized for federal, state, and local income taxes.

7.4.1.6. When an employee separates or at the end of the payroll year, the PRO must prepare a W-2, as appropriate, but may not include any tax adjustments for a prior year. The PRO must prepare a certified statement to accompany the current year's W-2 stating that a prior-year refund was paid in the amount of \$XX.XX, but that the gross wages shown on the current year W-2 were not reduced by the amount of the refund.

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7.4.1.7. If circumstances permit, the employee may repay the amount due (after recovery of the amount repaid by OWCP) through partial payroll deductions. The PRO **must** not reverse deductions under subparagraph 7.4.1.3 until the full amount is paid.

7.4.1.8. Credit the full amount of leave used during the buyback period to the employee's leave account. The PRO **must** not recredit leave bought back until the total amount is repaid.

7.5 Emergency Evacuation Payments

7.5.1. Purpose

7.5.1.1. The DD 2461, Authorization for Emergency Evacuation Advance and Allotment Payments for DoW Civilian Employees, authorizes and records emergency payments to employees and dependents. The PRO is responsible for maintaining this record of payments on the employee's permanent pay account. In appropriate cases, information on this form may be disclosed to other federal agencies (SSA, IRS, and OPM), to state and local **taxing or welfare** authorities, and to certain private organizations for crediting payments to the employee's account. The PRO **must** receive DD 2461 before making payment of amounts due the evacuated civilian employees or family members.

7.5.1.2. Compute **the** employee's payments at the rate they are entitled to immediately before the order of **evacuation or departure**. Adult family members or designated representatives may receive payments **as** allotments. The PRO **must** make all advance payments (and any necessary adjustments) **per the** DoW component's procedures.

7.5.2. Transmission of Data to Safe-Haven Post

7.5.2.1. After authorities issue an evacuation order, the PRO **must** immediately forward all significant payroll data from the evacuated installation to the safe-haven post.

7.5.2.2. The physical conditions and circumstances at the evacuation installation determine the method and timing for transmitting data. Safeguarding and preserving payroll, leave, and travel records **is a** primary concern because the records **are still needed** after the conditions **that** gave rise to the emergency evacuation **are** resolved. Take all necessary steps to safeguard and preserve the records at the safe-haven post.

7.5.3. To the extent possible and practicable, the PRO **must** pay employees and dependents remaining at the evacuated installation **per** the normal fiscal procedures of that installation. A special advance payroll may be prepared **per** normal payroll procedures and charged against the appropriate funds available to the evacuated installation for authorized advance payments.

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7.5.4. Actions After Evacuation

7.5.4.1. The PRO with jurisdiction over the employee's account **must** review the account for necessary adjustments at the earliest possible date after the evacuation is terminated (or earlier if circumstances apply), after the employee returns to **the** duty station, or when the employee is officially reassigned. See 5 CFR 550.408.

7.5.4.2. The PRO **must** adjust the employee's pay based on the rates of pay, allowances, or differentials, if any, to which **the employee** would otherwise be entitled. Adjustments **must** reflect any advance payments the employee received. If the employee is indebted for any part of the advance payment(s) made to **the employee**, dependent(s), or designated representative, the PRO with jurisdiction over the account must recover the debt unless there is an approved waiver. See 5 CFR 550.408.

8.0 DEPARTMENT OF WAR EDUCATION ACTIVITY (DOWEA) EMPLOYEES

8.1 TP Pay Plan

Educators, administrators, and ISS employees **who hold a Teaching Position (TP)** as defined in 20 U.S.C. § 901 are governed by the policies and regulations the DoWEA **prescribes**. Educators (teachers, social workers, guidance counselors, school psychologists, and nurses) earn a school year salary based on 190 duty days and typically receive compensation over 22 or 26 pay periods **per the employee's** written election. Administrators (school principals and assistant principals) **and ISS employees** earn a school year salary based on 222 duty days, paid over 26 pay periods. **These** employees do not earn annual, sick, or home leave under Title 5 U.S.C., but are entitled to educator's leave under 20 U.S.C. § 904.

8.1.1. School Year Duty Days

8.1.1.1. The school year for educators consists of 190 duty days and includes no less than 175 days of classroom instruction. The 190 duty days include the days required before and after the first and last day of school when educators must prepare for the opening and closing of school. The school year calendar may be adjusted after the school year begins with no change in school year salary, as long as 190 duty days are required and no less than 175 days of classroom instruction are provided. If the school year extends beyond 190 duty days, the educator receives compensation at the appropriate daily rate as of the 191st working day. **If** an emergency **precludes** completion of a full school year at one or more schools, the educators must be furloughed, separated, or salary continued until the full school year salary has been paid out.

8.1.1.2. The school year for administrators consists of 222 duty days and includes no less than 175 days of classroom instruction. The 222 duty days **also include** any time services

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are required for a majority of educators at the school. The school year calendar may adjust after the school year begins with no change in school year salary, as long as the required 222 duty days for principals and assistant principals and no less than 175 days of classroom instruction remain. If the school year extends beyond 222 duty days during a given school year, the administrator receives compensation at the appropriate daily rate as of the 223rd working day. If an emergency precludes completion of a full school year at one or more schools, the administrators must be furloughed, separated, or salary continued until the full school year salary has been paid out.

8.1.1.3. The school year for an ISS employee consists of 222 duty days, the same schedule as administrators. ISS employees coordinate their 222-day schedule with their supervisors at the start of the school year.

8.1.1.4. Overseas school year calendars DoWEA issues may vary due to local customs and holidays. The calendars identify the first and last duty days of the school year, instructional days, and exception days for educators and students. DoWEA must provide a copy of school calendars to the servicing PRO and to the DFAS Information and Technology (I&T) Office no later than 4 weeks before the first duty day of the new school year. Submit calendars and updates by email to the PRO (dfas.indianapolis-in.jfv.mbx.dodea@mail.mil) and DFAS I&T (dfas.indianapolis-in.ztb.list.cin-dcps-dodea@mail.mil) as soon as possible.

8.1.2. The Defense Civilian Personnel Advisory Service (DCPAS) Wage and Salary Division (WSD) establishes the rates of basic compensation for teachers and TP employees in the DoW. DCPAS WSD issues Pay Plan salary schedules in April or May of the current school year, effective retroactive to August 1 of the current school year (the prior calendar year). Use the prior school year salary schedules until the WSD issues salary schedules for the current school year. Separate salary schedules are issued for educator, management, specialist, and administrator overseas school year positions, further differentiated by step and academic salary lane.

8.1.3. Step increases for educators, administrators, and ISS employees are similar to step increases for General Schedule (GS) employees. Steps 1 through 14 are regular step increases and steps 15 through 18 are longevity steps. Substitute teachers are not eligible for step increases.

8.1.3.1. A full-time educator assigned to a 190-day position may receive a regular step increase (steps 1 through 14) if they have been in a pay status at least 150 duty days during their last previous school year as an educator.

8.1.3.2. A full-time educator assigned to a 190-day position may receive a longevity step increase (steps 15 through 18) if they have been in a pay status at least 150 duty days during each of the previous 4 school years as an educator.

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8.1.3.3. A half-time educator assigned to a 190-day position may receive a regular step increase (steps 1 through 14) **if** they have been in a pay status at least one-half of 150 duty days during each of the previous 2 school years. A half-time educator may receive a longevity step increase (steps 15 through 18) after **being** in a pay status at least one-half of the 150 working day minimum during each of the previous 8 school years.

8.1.3.4. A full-time administrator assigned to a 222-day position may receive a step increase (steps 1 through 10) **if** they have been in a pay status at least 175 duty days during their last previous school year as an administrator.

8.1.3.5. A full-time ISS employee assigned to a 222-day position may receive a regular step increase (steps 1 through 14) **if** they have been in a pay status at least 175 duty days during their last previous school year as an educator.

8.1.3.6. A full-time ISS employee assigned to a 222-day position may receive a longevity step increase (steps 15 through 18) **if** they have been in a pay status at least 175 duty days during each of the previous 4 school years as an educator.

8.1.3.7. A half-time ISS employee assigned to a 222-day position may receive a regular step increase (steps 1 through 14) **if** they have been in a pay status at least one-half of 175 duty days during each of the previous 2 school years. A half-time educator may receive a longevity step increase (steps 15 through 18) after **being** in a pay status at least one-half of the 175 working day minimum during each of the previous 8 school years.

8.1.3.8. A full-time educator assigned to a 190-day position may receive an annual step increase (or service credit **toward** 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 one or more years under the Administrative Reemployment Rights Program.

8.1.3.9. Step increases take effect August 1 of each school year following completion of the school year. The step increase is not payable until the educator returns to duty for the subsequent year. When moving to a higher or lower salary schedule, there is no change to the effective date of step increases.

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8.1.4. Arrival at Post

8.1.4.1. Newly recruited educators from the Continental United States are appointed with the understanding that they will serve for an entire school year or a specified partial month. When an educator arrives late to the post of assignment through no personal fault ([for example](#), transportation or processing delays), the educator [is](#) administratively excused and paid as though the educator arrived on time and served during the lost time. DoWEA dates the offer letter 14 days [before](#) the reporting date. Educators [not so](#) described who arrive late at the post of assignment after the start of the school year do not receive compensation for the duty days [before](#) the day of arrival unless granted paid leave by a supervisor.

8.1.4.2. Educators who arrive at their post of assignment [before](#) the start of the school year normally are not entitled to compensation until the start of the school year. Educators who are required to report at their post of assignment and perform work [before](#) the start of the school year receive compensation at the daily salary rate from the prior school year salary schedule for each day worked. This salary is not subject to retroactive adjustment.

8.1.5. Educators who are unable to depart promptly after the end of the school year for personal reasons or because of circumstances beyond their control ([for example](#), lack of available transportation) are not entitled to compensation for the period between the end of the school year and the date of departure. Educators who are required to perform work after the end of the school year are paid at the daily rate [of](#) their salary for each day worked.

8.1.6. While enroute during a permanent change of station (PCS) between school years, an educator is in a non-pay status and [receives](#) appropriate per diem payments [per](#) the DoW Joint Travel Regulations (JTR). While enroute during a PCS between school years, a principal or assistant principal otherwise in a non-pay, non-duty status remains in a non-pay status and receives appropriate per diem payments [per](#) the DoW JTR.

8.1.7. Work at More Than One Post of Assignment

8.1.7.1. When educators PCS during the school year, [the servicing office must](#) ensure that, after working the scheduled duty days during the remaining pay periods at the new post of assignment, the educator receives the full school year salary as entitled. If the total number of days actually worked during the school year ([including](#) paid leave at the former and new duty stations) [exceeds](#) 190 days, the educator receives compensation at the daily rate for any days worked in excess of 190 days.

8.1.7.2. When administrators or ISS employees PCS during the school year, [the servicing office must](#) ensure that, after working the scheduled duty days during the remaining pay periods at the new post of assignment, the administrator or ISS employee receives the full school

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year salary as entitled. If the total number of days actually worked during the school year (including paid leave at the former and new duty stations) exceeds 222 days, the employee receives compensation at the daily rate for any days worked in excess of 222 days.

8.1.8. Substitute Teachers

8.1.8.1. A substitute teacher receives the flat daily rate prescribed under Salary Schedule A. The minimum increment paid for substitute work is one-half day.

8.1.8.2. The Salary Schedule for "Other Compensation" provides the daily rate for a summer school substitute teacher, which is two-thirds of the regular school year substitute teacher rate established for the prior school year. This salary is not subject to retroactive adjustment. The prior school year rate for a 2025 summer school substitute teacher, for example, is published in the 2024-2025 salary schedules. The minimum increment earned and paid is one-half day, the equivalent of one-third of the regular substitute teacher rate. Substitute teachers who teach an academic enrichment K-8 program during the summer recess period receive a stipend as authorized by the memorandum of understanding (MOU).

8.1.9. Educators, administrators, and ISS employees may be entitled to certain allowances and differentials, such as government quarters, living quarters allowance (LQA), temporary quarters subsistence allowance (TQSA), separate maintenance allowance (SMA), post allowance, post differential, or storage of household goods. An educator employed as a substitute is not entitled to government quarters, quarters allowance, post allowance, post differential, or storage of household goods.

8.2 Leave

8.2.1. Accrual of Leave

8.2.1.1. Under 20 U.S.C. § 904, educators (excluding substitute teachers) are entitled to cumulative leave with pay, also referred to as educator leave. If the school year consists of less than 8 months, the leave accrues at the rate of 1 day for each calendar month worked or partial month. If the school year includes more than 8 months, an employee who serves the entire school year is entitled to 10 days of cumulative educator leave with pay for the school year. The full school year accrual is credited to the employee's leave record when the school year begins (normally in August) or whenever the employee enters on duty under DS Regulation 5630.4, DoDDS Absence and Leave.

8.2.1.2. Administrators and ISS employees may earn 13 days of cumulative educator leave with pay under 20 U.S.C. § 904 and DS Regulation 5301.4. The credit reflects on the employee's leave record each year on August 1.

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8.2.1.3. If an educator, administrator, or ISS employee separates for any reason before the school year ends, any leave credited but not earned **is** subtracted from the leave balance. If already used, **the servicing office must establish** a debt and **take** appropriate collection action.

8.2.1.4. Educators and ISS employees regularly employed on a part-time basis earn leave in an amount proportionate to the leave earned **by a full-time employee**. Part-time ISS employees, such as those in a job-sharing arrangement, earn 6.5 days per year (or one-half day (4 hours) per pay period if less than 8 months remain in the school year).

8.2.1.5. Substitute teachers employed on a temporary intermittent basis are not entitled to earn leave.

8.2.1.6. Educators and administrators who perform activities during the summer recess period do not earn leave.

8.2.2. Leave Usage

8.2.2.1. The minimum charge for educator leave is one-half day, and additional charges are in multiples **of one-half day**. An administrative authority may use discretion **to** excuse an occasional absence from duty of less than one-half day for adequate reasons without charge to educator leave. Report leave charges to the PRO and record **them** on the employee's timecard.

8.2.2.2. An educator, administrator, or ISS employee may use accrued educator leave during the school year with appropriate advance notice and prior **supervisor** approval, an educator, administrator, or ISS employee may use up to 3 days of leave in a given school year for any purpose. Educator leave used for any purpose normally may not be used during orientation week or the first or last week of the school year. An exception may be made when an employee is accepted for an educational program and must report **before** the end of the school year.

8.2.2.3. Using accrued educator leave during any summer recess period is not permissible. An absence during a summer recess period is without pay.

8.2.2.4. Except for unique tours of duty established by the host nation (**for example**, Bahrain), Saturdays, Sundays, regularly scheduled holidays (including U.S. and host nation holidays), and other administratively authorized non-workdays are not normally days of leave, **per** 20 U.S.C. § 904(b). Leave Without Pay (LWOP) is **therefore** not charged to an educator, administrator, or ISS employee who is in a non-pay status immediately preceding or following a scheduled holiday.

8.2.3. Under unusual circumstances, an educator, administrator, or ISS employee may receive up to 30 days of advanced educator leave (above the amount already credited for the current school year) for use on any scheduled duty day within the school year. Such an advance is subject

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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. Submit requests for more than 10 days to the Director for Student Excellence or District Superintendent, as appropriate. Submit approved requests to the PRO upon receipt from the approving official.

8.2.4. An educator's or ISS employee's immediate supervisor may approve an LWOP request of up to 3 days. The Director for Student Excellence or District Superintendent may approve LWOP requests over 3 days but less than 30 days. The Director for Student Excellence may approve LWOP requests of 30 days or more. For administrators, the District Superintendent must approve LWOP requests over 3 days but less than 30 days, and the Director for Student Excellence or their delegate must approve LWOP requests over 30 days.

8.2.5. Conversion of Leave

8.2.5.1. A federal or District of Columbia employee who transfers without a break in service from a different leave system to an educator, ISS employee, or administrator position receives credit for sick leave held immediately before the effective date of the conversion, transfer, promotion, or reappointment. Sick leave so credited is included in the employee's balance of educator leave.

8.2.5.2. No annual leave is credited to an educator, ISS employee, or administrator's balance of educator leave when the employee transfers without a break in service from a different leave system. The employee receives a lump-sum payment for accrued annual leave from the previous employer. Administrators who converted from GS or General Merit positions to Salary Schedules K and L on October 11, 1987, received annual leave credit during the initial conversion.

8.2.6. Transfer and Recredit of Educator's Leave

8.2.6.1. When an educator, administrator, or ISS employee is separated and reappointed to another educator, administrator, or ISS employee position without a break in service of more than 3 years, the employee's educator leave must be certified to the employing agency for credit as sick leave on the SF 1150, Record of Leave Data.

8.2.6.2. If an educator, administrator, or ISS employee accepts temporary federal employment in a non-educator position during a recess period, the educator-leave account must not be transferred to the summer position's leave account. Sick leave earned during the temporary summer employment must be credited, and any unused sick-leave balance must be transferred to the educator-leave account when the employee returns to duty in their regular educator or administrator position.

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8.2.7. Liquidation of Leave Upon Separation

8.2.7.1. Any annual leave earned under a different leave system and remaining to the credit of an educator, administrator, or ISS employee on separation must be liquidated by a lump-sum payment per 5 U.S.C. § 5551 and 20 U.S.C. § 904(f).

8.2.7.2. Lump-sum payment to liquidate educator leave on separation is prohibited. Educator leave that may not be liquidated includes leave earned by an educator, administrator, or ISS employee, and the leave balance under subparagraph 8.2.5.1.

8.2.8. Sabbatical Leave

8.2.8.1. The Director for Student Excellence may authorize yearlong educator leave at half-pay (sabbatical leave) for an educator, administrator, or ISS employee for educational purposes when the Director determines the course of study is appropriate. An SF 50 is not required. The approved training request must reflect that the employee will be in an LWOP status for one-half of each day during the yearlong period.

8.2.8.2. Educators and administrators granted sabbatical leave at half-pay must continue to receive life insurance and health benefits coverage as if in full pay status. Retirement contributions are deducted for only one-half year, but the employee is entitled to a full year of retirement credit. Educator leave is neither earned nor deducted from the employee's leave account during the training period. Any pay step increase that would have been authorized must be processed as if the employee had worked a full school year.

8.3 Pay Status During School Year and Summer Recess

8.3.1. An educator's school year consists of 190 duty days. In most overseas locations these duty days fall on the normal workweek (Monday through Friday). An educator does not work every Monday through Friday during the school year because of exception days (for example, winter and spring recess, federal holidays, and certain host-nation holidays). As a result, the school year may include 22 pay periods spanning about 213 Monday-through-Friday days between the educator's first and last duty day, typically 21 full pay periods plus 3 additional days in the 22nd pay period.

8.3.2. During summer recess, while school is not in session, educators are ordinarily in a non-pay status. Educators returning to duty for the following full school year are entitled to continued LQA payments during summer recess while in non-pay status (see DSSR Chapter 100, Quarters Allowances, and Chapter 700, DoW Teachers). The servicing HRO must notify the servicing PRO of any change in an educator's status, such as transfer, resignation, or retirement.

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8.4 Compensation

8.4.1. Educators With a 190-Day School Year

8.4.1.1. For an educator on non-paid absence, such as LWOP or absence without leave (AWOL), biweekly pay is reduced by 1/190th of the school year salary for each scheduled duty day in a non-paid status. Because educators are not paid for federal holidays or recess periods, biweekly pay is not reduced when the educator is in a non-paid status before or after an exception day.

8.4.2. Administrators With a 222-Day School Year

8.4.2.1. In addition to basic pay, administrators assigned to foreign areas where the cost of goods and services is substantially higher are entitled to a post allowance (see 20 U.S.C. § 906). To compute the foreign post allowance, divide the total annual amount payable by 365 calendar days (366 days in a leap year).

8.4.2.2. For an administrator on non-paid absence, such as LWOP or AWOL, biweekly pay is reduced by 1/222nd of the school year salary for each scheduled duty day in a non-paid status. Because administrators are not paid for exception days, biweekly pay is not reduced when the administrator is in a non-paid status before or after a federal holiday or recess day.

8.4.3. ISS Employees With a 222-Day School Year

8.4.3.1. ISS employees build their own calendar, scheduling 222 duty days within the 260-to-262-day school year. The remaining 38 or 39 days are considered non-workdays for this regulation. The ISS employee sets the schedule, then obtains supervisor approval. An ISS employee who schedules work on a federal holiday does not receive holiday pay and still has the same number of non-workdays (38 or 39). However, an employee who schedules work on a holiday or Sunday when normal school operations are in session is entitled to the appropriate premium pay. For example, if school is in session on Sundays by local custom and the employee's approved schedule includes Sunday, the employee is entitled to Sunday premium pay; if Sunday is not normally a workday for school staff, the employee is not. Calculate biweekly pay as follows: Duty Days and "Daily Rate" or "222 Rate" for ISS Employees. The number of duty days in the school year to ISS employees is 222. The ISS employee's daily rate, or "222-Rate," is the school year salary divided by 222 days. School Year Days and "School Year Rate" or "260 Rate" for ISS Employees. The school year days for ISS employees will total between 260 and 262 days, depending on the calendar year. Thus, the days during the school year include days that fall within and outside of the school year for educators. The school year days for ISS employees include 222 duty days and exception days that occur on Monday through Friday during the regular school

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year. Exception days include federal holidays (e.g., Labor Day) and school recess days (e.g., spring recess) when ISS employees are not normally scheduled to work. However, due to the schedule flexibility, ISS employees may elect to work on a federal holiday (but will not receive holiday pay) and schedule non-workdays on days that other educators generally work. Use the number of school year days to determine an ISS employee's school year rate, or "260-Rate." The school year rate is the daily rate used to provide uniform payment for each biweekly pay period. Multiply the school year rate by 10 days to determine the ISS employee's biweekly basic pay amount. Formula for ISS Employee's Biweekly Pay. ISS employees typically receive compensation over 26 pay periods. Use the following to calculate the biweekly pay: School Year Salary ÷ (260, 261, or 262 School Year Days) = School Year Rate, and School Year Rate × 10 Days = Biweekly Pay.

8.4.3.2. In addition to basic pay, ISS employees are entitled to a post allowance under 20 U.S.C. § 906. To compute the foreign post allowance, divide the total annual amount payable by 365 calendar days (366 days in a leap year).

8.4.3.3. For ISS employees on non-paid absence (for example, LWOP or AWOL), biweekly pay reduces by 1/222nd of the school year salary for each scheduled duty day the ISS employee is in non-paid status. Because ISS employees are not compensated for scheduled non-workdays, no reduction of biweekly pay is needed when the ISS employee is in non-paid status before or after an exception day.

8.4.3.4. When an ISS employee separates (resigns, retires, or dies) before the end of a school year, the school year salary must be adjusted to the number of actual duty days worked, including any days in paid leave status, by multiplying the 222-Rate daily rate by duty days worked. Any difference between the adjusted school year salary and the salary already paid must be reconciled.

8.4.4. Premium Pay, Sunday Work, and Holiday Work

8.4.4.1. Educators and administrators are not eligible for overtime pay or compensatory time off.

8.4.4.2. Educators appointed to a 190-day position whose regular tour of duty requires Sunday work are entitled to basic pay plus a premium of 25 percent of the daily rate (190-Rate). Administrators on a 222-day position whose regular tour of duty requires Sunday work (where part of the 190-duty-day school year or within summer school session) are entitled to basic pay plus a premium of 25 percent of the regular daily rate (222-Rate). An ISS educator who works on a Sunday when normal school operations are in session is entitled to the appropriate premium pay.

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8.4.4.3. Educators appointed to a 190-day position whose regular tour of duty requires work on a federal holiday are entitled to basic pay plus premium pay equal to the daily rate. Administrators on a 222-day position whose regular tour of duty requires work on a federal holiday (where part of the 190-duty-day school year or within summer school session) are entitled to basic pay plus premium pay equal to the daily rate. An ISS employee who schedules work on a federal holiday usually does not receive holiday pay; but an ISS employee who works on a federal holiday when normal school operations are in session is entitled to the appropriate premium pay.

8.4.5. Employment During the Summer Recess Period

8.4.5.1. Educators are in non-pay/non-duty status during the summer recess period but may receive pay for certain duties performed then. An educator who participates in a non-summer, school-related activity (for example, agency-sponsored and approved training, early return, and late departure) during summer recess is compensated at a daily rate of 1/190th of the prior school year salary. An educator who participates in a summer school-related activity (for example, teaching) usually receives two-thirds of the daily rate of the prior school year salary, though exceptions are possible and the notification for teaching summer school may state a different amount. The minimum increment earned and paid for summer recess activities is one-half day. Educators who work an academic enrichment K-8 program during summer recess receive a stipend as authorized by the MOU. This period of employment is exempt from dual-pay provisions per 5 U.S.C. 5533(d)(7)(D) and is not subject to CSRS, FERS, FEGLI, or TSP deductions (see DoWEA AI 5303.1).

8.4.5.2. An administrator or ISS employee who participates in a non-summer, school-related activity (for example, agency-sponsored and approved training) during summer recess in excess of the 222-day work year is compensated at a daily rate of 1/222nd of the prior school year salary. An administrator or ISS employee who participates in a summer school-related activity receives two-thirds of the daily rate of the prior school year salary. The minimum increment earned and paid for summer recess activities is one-half day. This period of employment is exempt from dual-pay provisions per 5 U.S.C. 5533(d)(7)(D) and is not subject to CSRS, FERS, FEGLI, or TSP deductions (see DoWEA AI 5303.1).

8.4.6. Post Allowance

8.4.6.1. Under 20 U.S.C. 906, full-time educators, administrators, and ISS employees assigned to a foreign area where the cost of goods and services is substantially higher are eligible, in addition to basic pay, to receive a post allowance. The amount is a flat rate based on the employee's basic salary, family size, and post assignment, and appears on the SF 1190, Foreign Allowances Application, Grant and Report. If an employee's annual salary is adjusted, the post allowance may also be adjusted, in which case the daily rate must be recomputed.

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8.4.7. Extra Duty Program for Educators

8.4.7.1. The extra duty program applies to certain DoWEA employees under the pay plan who are assigned extra duty assignments, such as coaching or activity sponsorship, in addition to regular school duties (see DoWEA AI 1417.01, Extra Duty Assignments). Educators receive extra duty compensation **only** for assignments conducted and completed outside the educator's duty day. When a selected educator performs an extra duty assignment, the educator and school principal **must** sign an MOU **identifying** the assignment and **stating the** duties, hourly range, amount of compensation, and a **prohibition on** performing duties during regular duty hours. Administrators are not eligible for extra duty assignments; any extra duties an administrator **performs are voluntary**. Compensatory time and holiday pay are not authorized forms of extra duty compensation.

8.4.7.2. The DCPAS WSD publishes the compensation rate for completing an extra duty assignment as part of the yearly DoWEA salary schedules (Schedule for Other Compensation). Before receiving extra duty compensation, the educator must complete the activity and perform the minimum number of established hours for **it**. The administrator **must certify** satisfactory completion and **authorize** compensation, **and must forward** a memorandum to the PRO as soon as possible, no later than May 31, to **enable** payment by the end of the school year.

8.4.7.3. The Director of DoWEA determines an appropriate hourly range for **completing** each type of authorized extra duty activity. The DCPAS WSD **establishes the hourly ranges** for extra duty compensation.

8.4.7.4. If the administrator determines **an** extra duty assignment **was** completed satisfactorily in less time than the approved MOU **identified**, compensation must be reduced and the educator **must** be **paid** at the rate established for the appropriate lower hourly range. When the hours worked fall short of the original range, or completion is less than acceptable to the administrator, **the educator is paid less** than the approved MOU **amount** on a pro rata basis.

8.4.7.5. Substitute teachers **are paid** for completing an extra duty assignment at the rate published by the DCPAS WSD.

8.4.8. Accelerated Deductions

8.4.8.1. FEGLI and FEHB **premium deductions for** an educator **on** a 190-day work schedule accelerate **so that** the total annual premiums **are deducted over** 22 pay periods rather than 26 **pay periods**. **This lets** the employee maintain coverage and pay no additional premiums during the summer recess non-pay status. The coverage period **usually** runs from the first duty day of the

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school year until the day **before** the first duty day of the next school year. Accelerated premium deductions are not required for an administrator or ISS employee **on** a 222-day work schedule.

8.4.8.2. If an educator resigns at the close of the school year and has elected FEGLI and/or FEHB **coverage**, the actual separation date **is delayed so** the employee **keeps coverage** throughout the period covered by accelerated premium deductions; coverage for an educator employed a full school year continues until the day **before** the first duty day of the next school year. If the educator separates **before** the end of the school year, the resignation **must** specify an earlier **coverage-termination** date **and the employee must acknowledge that** coverage **continues** only 31 days after separation. An educator who separates **early is** reimbursed proportionately if the separation date **precedes** the end of the prepaid FEHB coverage **period**. If an educator converts to or is appointed to a 222-day or **calendar-year** schedule, accelerated premium deductions may need **to be** refunded **where** the conversion **takes effect** during the prepaid coverage period and withholding **in** the new position **causes** duplicate premium payments.

8.4.8.3. Educators enrolled in the FSAFEDS Program and paid over 22 pay periods may elect to accelerate these allotments. The Federal LTC Program does not offer accelerated payments to educators paid over 22 pay periods. For periods of non-pay status, the educator receives a "Bill for Uncollected Payroll Premium."

8.4.9. Other Deductions

8.4.9.1. Allotments of pay for labor organization dues **take effect** the second pay period in October of each school year for an educator who is a bargaining unit member. The allotment **is** the dues amount the employee **identifies** on the SF 1187, Request for Payroll Deductions for Labor Organization Dues, or the amount on a list issued by each local or regional bargaining unit, divided by 12 full pay periods unless all parties **agree otherwise**.

8.4.9.2. Educators who enter the dues withholding agreement when **fewer** than 12 full pay periods remain in the school year have their dues allotments prorated over the remaining full pay periods within the dues withholding period.

8.4.9.3. An SF 1187 authorization for dues withholding remains in effect when a Not to Exceed (NTE) employee converts to an excepted service position in the bargaining unit **before** the NTE appointment **expires**.

8.4.9.4. After each pay period, the PRO **must** prepare and **electronically** forward the remittance to the designated labor organization, **accompanied by** a report **listing the** names and amounts withheld.

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8.4.9.5. An educator's dues withholding authorization carries forward automatically to the next school year unless the employee notifies the PRO to stop the deduction. To cancel labor organization dues deductions, an educator must submit an SF 1188, Cancellation of Payroll Deductions for Labor Organization Dues, to the PRO no later than September 1. Proper completion and timely submission of the SF 1188 is the employee's responsibility. An SF 1188 received after September 1 processes for the next school year.

8.4.9.6. No later than 2 weeks before withholding is to begin, the local or area units of the labor organization must forward a list of employees who have requested dues withholding. The list must identify the bargaining unit name or number, location, address, points of contact, and phone numbers, and must include each employee's name, Social Security Number, location assigned, and amount of dues to withhold for that school year.

8.4.9.7. Savings and other allotments authorized in Section 12 deduct over the number of full pay periods in the school year.

8.4.9.8. An educator, administrator, or ISS employee may elect a percentage or a dollar TSP deduction per the guidelines in Section 12. If the employee elects percentage withholding, TSP deductions are also taken from the annual retroactive salary adjustment each year.

8.4.10. DoWEA employs retired military officers and noncommissioned officers as educators in its overseas JROTC program. The school year salary of JROTC instructors is set using the comprehensive Schedule for Educators and Specialist (Schedule C).

8.4.11. DoWEA employees may apply for a waiver of erroneous payments of pay and allowances by following the procedures in Section 9. The PRO must forward DoWEA employee applications to the DoWEA Human Resources Division, Classification and Compensation Section, for adjudication rather than to the Debt and Claims Management Office at DFAS.

9.0 UNDERPAYMENTS, COLLECTION OF NONDOW DEBTS, GARNISHMENTS, BANKRUPTCY ACTION, AND TAX LEVIES

9.1 Underpayments

9.1.1. General

9.1.1.1. All salary payments must be paid per the time and attendance reported and certified by the employee's supervisor. Reported time and attendance that is less than an employee's normal work schedule is presumed to accurately reflect the employee's hours of work and non-work. Any time and attendance errors must be corrected and certified to adjust underpayments.

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9.1.2. Special Payments

9.1.2.1. An employing activity must submit a request to the PRO for a special payment. The PRO must request copies of substantiating and supporting documentation to process the special payment. The PRO makes the final determination on whether a special payment is appropriate and will process a special payment only under the following circumstances:

9.1.2.1.1. A special payment may be issued to correct a salary underpayment when an employee has received less than 90 percent of their regular biweekly pay and allowances. The request must be made by the commanding officer/director and must include a certified (or corrected) time and attendance report. PRO Directors may waive the 90 percent rule when extenuating circumstances exist.

9.1.2.1.2. A special payment may be issued to pay an employee erroneously omitted from the payroll. Before [processing](#), the PRO must verify [the](#) individual's employment using the SF 50, Notification of Personnel Action. The request must be made by the commanding officer/director and must include a certified and corrected time and attendance report and any necessary source documents to support deductions.

9.1.2.1.3. A special payment may be issued to an employee placed in LWOP status for payroll processing when LWOP is approved for conversion to advanced annual, sick, [or](#) donated leave. The commanding officer/director may request [the](#) special payment after determining a financial hardship exists and that the employee has received less than 90 percent of their regular biweekly pay and allowances. The request must include a certified and corrected time and attendance report.

9.1.2.1.4. A special payment may be issued to a beneficiary entitled to receive a deceased employee's unpaid compensation under 5 U.S.C. § 5582. The PRO may issue the special payment only after the employing activity's human resources office submits sufficient documentation to support the payment. For [computation and](#) more on deceased employee unpaid compensation, see [Section 11](#).

9.1.2.2. [A](#) special payment requested for the following reasons will not be processed:

9.1.2.2.1. The PRO will not honor a request for partial payment of salary before the regular pay date.

9.1.2.2.2. The PRO will not process a request for special payments for overtime or other premium pay earned but not reported, and therefore not paid in the corresponding

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pay period. However, authorization for a special payment for other reasons will include payment of any unpaid premium pay for the corresponding pay period.

9.1.2.3. The PRO must compute special payments to current and former employees using the "gross-to-net" method. Gross-to-net payments represent the regular biweekly pay and allowances normally due the employee (plus unpaid premium pay for the corresponding pay period, if applicable) less required deductions and withholdings withheld from the employee's biweekly pay. Gross-to-net special payment computations [apply](#) as follows:

9.1.2.3.1. If the employee received less than 90 percent of their biweekly pay, the employee is entitled to the difference between what was paid and what should have been paid. The PRO will deduct additional amounts for applicable items unless previous payroll processing has satisfied those deductions. The employee is responsible for existing voluntary allotments not deducted during the previous processing. All deductions and withholdings must resume the following pay cycle, including voluntary allotments.

9.1.2.3.2. If the employee received no biweekly pay, the gross entitlements, less applicable deductions and withholdings, are payable to the employee. The PRO must exclude deductions for voluntary allotments. The employee is responsible for existing voluntary allotments. All deductions and withholdings must resume on the following pay cycle, including voluntary allotments.

9.1.2.3.3. An employee's final pay may be issued as a special payment. The gross entitlements, less required deductions and withholdings [are](#) payable to the employee. The employee is responsible for voluntary allotments. Under 5 U.S.C. § 5514, when an employee separates by resignation, retirement, death, or termination of appointment, the employee's final pay (including lump-sum leave payments) will be applied to the extent necessary to liquidate any previously established debt. See Volume 16.

9.1.2.4. Employees will receive special payment disbursements in the same manner as their net pay, by electronic funds transfer (EFT). If the employee has a waiver of the EFT requirement for payroll disbursements, the PRO will send a U.S. Treasury check via express mail to the employee's address of record. Payments are normally issued within 3 business days [after](#) the [PRO receives](#) the special payment request and required supporting documentation.

9.1.2.5. For special payments made after the last regular pay period of the tax year but [before](#) the end of the calendar year, the PRO must withhold federal, state, and local taxes and Social Security/Medicare from the special payments. When computing or [deducting](#) Social Security, the PRO must ensure the employee has not reached maximum withholdings for the year. The PRO must forward the withholdings to the applicable offices as soon as possible. The PRO

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will include all deductions and contributions for Social Security/Medicare and federal, state, and local taxes for canceled checks or special payments.

9.1.2.6. The PRO will process updates to ensure special payments or canceled checks are included in the history totals. After the final pay period of the tax year, if the PRO identifies incorrect reporting on the W-2, the PRO will issue the W-2c and the IRS Form 941-X, Adjusted Employer's Quarterly Federal Tax Return or Claim for Refund, per IRS Publication 15, (Circular E), Employer's Tax Guide.

9.1.2.7. Special payments for TSP participants are subject to TSP deductions provided the employee has not reached the maximum contribution level established by law. TSP deductions withheld from special payments after the last regular pay period in the tax year, but before the end of the calendar year, will be combined with the next pay cycle for reporting and submission to the Federal Retirement Thrift Investment Board.

9.2 Collection of Non-DoW Debts by Salary Offset; Judgments Against Employees for Debts Owed to the Federal Government

9.2.1. Non-DoW Federal Creditor Agencies

9.2.1.1. When non-DoW federal creditor agencies (except the IRS or U.S. Courts) identify DoW employees with outstanding debts, those agencies must address their salary offset requests to the Secretary of War designee for such collection, DFAS Cleveland (CL): DFAS-AHADC/CL, 1240 East 9th Street, Cleveland, OH 44199-8002. A request for offset must include certification that due process rights have been afforded to the indebted employee by the non-DoW creditor agency. Debts established in the payroll system for non-DoW employees serviced by DFAS who later become DoW employees must be transferred systematically to the employing DoW agency for continued collection.

9.2.2. Government Travel Charge Card (GTCC) Contractor

9.2.2.1. The travel charge card contractor must forward delinquent debts to the DFAS-CL Salary Offset Project Office.

9.2.2.2. Undisputed 120-day-old delinquent accounts referred for salary offset must contain the full balance of the account, regardless of whether some individual charges relate to an official travel document. In addition to the delinquent charges, the amount referred for salary offset must include any late fees assessed and costs of collection.

9.2.2.3. The file must include the travel charge card contractor's financial institution and account routing information to facilitate electronic transmission of delinquent amounts collected.

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9.2.2.4. Any delinquent debt the travel charge card contractor has already forwarded to a private collection agency must not be included in the salary offset process. Likewise, a travel charge card contractor must not refer any delinquent debt already submitted to DFAS for collection by salary offset to a private collection agency.

9.2.2.5. The Salary Offset Project Office must process the request for initiation of travel charge card delinquent debt salary offset in the same manner as federal salary offset requests from other federal agencies.

9.2.2.6. The Salary Offset Project Office must manage the debt balance during the salary offset process. If changes to the debt balance occur, the travel charge card contractor must immediately advise the Salary Offset Project Office of those changes.

9.2.2.7. The PROs must provide reports listing the collection transactions to the Salary Offset Project Office for each collection file to monitor amounts collected and remaining debt balances due.

9.2.3. Under 31 U.S.C. § 3716(h) and 31 CFR 285.6, a state may enter into a reciprocal agreement with the Department of Treasury to collect unpaid state debt by offset of federal non-tax payments. DFAS does not offset non-tax state debts from federal employee salaries.

9.2.4. When a U.S. Court determines that a federal employee is indebted to the United States and enters a judgment against the employee, PL 97-276, section 124 (published as a note to 5 U.S.C. § 5514) 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 this authority must send a request for offset to the PRO with a copy of the judgment. The PRO may request DFAS Office of General Counsel (OGC) to review the judgment if questions arise. After [confirming](#) the validity or interpretation of the judgment, the PRO will:

9.2.4.1. Compute the amount to be 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 anticipated employment. Deductions may be made from basic pay, special pay, incentive pay, or, [for](#) an individual not entitled to basic pay, other authorized pay.

9.2.4.2. Collect 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 PRO approximately 90 days before completion of the judgment offset with the final judgment amount, which includes the balance of accrued interest charges.

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9.2.4.3. Forward a copy of the offset request to the employee with written notification of the deduction amount and the pay period the deduction will start.

9.2.4.4. Apply final pay (salary and lump-sum leave) to any unliquidated debt balance if the employee retires, resigns, dies, or if employment otherwise ends.

9.2.4.5. Forward payment each pay period to the agency requesting salary offset.

9.3 Child Support, Alimony and Commercial Garnishments

9.3.1. DFAS serves as the paying agency for DoW and for non-DoW federal agencies. In this capacity, DFAS-OGC, Garnishment Law Directorate, is the designated agent for service of the legal garnishment process for agencies paid by DFAS. Submit court orders, related documents, and forms for child support, alimony, and commercial garnishments to the Garnishment Law Directorate by mail, fax, or online through the askDFAS module: DFAS Office of General Counsel, Attn: Garnishment Law Directorate, PO Box 998002, Cleveland, OH 44199-8002. Upon review of the court order, DFAS will process the garnishment deduction in the payroll system. Cancellation of the order is automatic on the date of separation from DoW, upon death of the employee, or upon court notification that the garnishment is terminated. The employee cannot voluntarily stop court-ordered deductions.

9.3.2. Commercial Garnishments

9.3.2.1. Under 15 U.S.C. § 1673(a)(1), involuntary withholding for collection of a commercial debt is limited to a maximum of 25 percent of the employee's disposable earnings; state law prevails when it provides a maximum collection percentage less than 25 percent. If the employee already has a child support or alimony withholding order in effect, and the total deduction for child support and alimony equals or exceeds 25 percent of the employee's disposable pay, the PRO will not process any commercial debt deduction. Further limitations on the amount to be garnished are in 5 CFR 582.402. There is no limit on the percentage for garnishment for federal, state, or local tax obligations, or for bankruptcy court orders.

9.3.3. Involuntary state tax levies will be processed similar to commercial garnishments and are submitted to the Garnishment Law Directorate to begin legal review. The PRO can establish voluntary state tax levies as allotments.

9.4 Bankruptcies

9.4.1. This section applies to DoW employees who have filed a bankruptcy petition under 11 U.S.C., Chapter 7 or Chapter 13. The law waives the U.S. Government's sovereign immunity for compliance with payroll deduction orders issued by the bankruptcy courts (11 U.S.C. § 106); collections will be processed per the court order. DFAS serves as the paying agency for DoW and

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non-DoW federal agencies, and DFAS-OGC, Garnishment Law Directorate, is the designated agent for service of personal bankruptcy cases for agencies paid by DFAS. Submit bankruptcy notices and Chapter 13 withholding orders to the Garnishment Law Directorate by mail, fax, or online using the askDFAS module: DFAS Office of General Counsel, Attn: Garnishment Law Directorate, PO Box 998002, Cleveland, OH 44199-8002.

9.4.1.1. Upon notice or actual knowledge of the filing of a bankruptcy petition, when the employee has listed the United States as a creditor, the PRO files a proof of claim with the bankruptcy court for all Chapter 13 filings and, if requested by the bankruptcy trustee, for Chapter 7 cases.

9.4.2. Chapter 13 Bankruptcies (The Plan)

9.4.2.1. Once the bankruptcy court confirms a Plan, it usually orders the employer to pay a specific amount of an employee's income to the trustee named in the order. Payment to the trustee will be made per the employee's normal pay cycle. Bankruptcy law authorizes withholding up to 100 percent of the employee's disposable earnings, as directed by the court-ordered wage order.

9.4.2.2. If the United States is both the employer and creditor when the individual files bankruptcy under Chapter 13, the government's priority under 31 U.S.C. § 3713 may be asserted absent a judicial determination to the contrary. The appropriate PRO must timely file Official Form 410, Proof of Claim, with the bankruptcy court.

9.5 Tax Levy for Unpaid Federal Income Tax

9.5.1. Authority

9.5.1.1. After the PRO receives a levy, the PRO must not allow employees to increase or add any voluntary allotments. Changes that increase existing voluntary allotments are authorized only after the total tax liability is paid or arrangements are made with the IRS.

9.5.2. When the IRS serves Form 668-W, Notice of Levy on Wages, Salary, and Other Income, the PRO will take immediate action to implement the levy. Once the PRO processes the levy, it continues in effect until the collection is complete or the IRS releases the levy.

9.5.2.1. The PRO must follow the instructions on the 668-W and provide notice to the employee that a levy has been received.

9.5.2.2. The levy attaches to the employee's take home pay minus the allowable exceptions. Unless the IRS instructs otherwise, the employee's payroll deductions in effect when the levy was received will be allowed when determining take home pay. However, a voluntary

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allotment may be disallowed if the deduction is so large it defeats the levy. The IRS may notify the PRO when different procedures [apply to](#) specific employees. To determine take home pay, the levy attaches to the gross amount of the employee's accrued wages or salary, less the following deductions: [Social Security/Medicare; retirement; FEHB; FEGLI; garnishments for child support or alimony; overpayments due the U.S. Government; and allowable personal exemptions on the 668-W.](#)

9.5.2.3. After the PRO makes the first deduction for the levy against the employee's pay, the PRO must follow the instructions on the 668-W and return Part 3 of the form to the IRS.

9.5.2.4. If the employee has been reassigned to an organization serviced by another PRO, the losing PRO must inform the IRS District Director of the employee's new address. The losing PRO must mail the complete levy package to the new PRO for processing.

9.5.2.5. If the employee has moved from overseas, transferred to another federal agency, separated, or retired, the PRO will return the levy to the IRS District Director and provide the employee's new address on the 668-W.

9.5.2.6. If the PRO receiving the levy has no record that payroll service has been furnished for the employee, the PRO must annotate that fact on the bottom of the levy and return the levy to the IRS District Director.

9.5.3. An employee may arrange with the IRS to liquidate a delinquent federal income tax debt through voluntary biweekly payroll deductions. The IRS Form 2159, Payroll Deduction Agreement, must be submitted to the PRO to initiate the deduction process.

9.6 Pay Corrections and Tax Reporting

9.6.1. A payment made to correct an underpayment of earnings ("corrective payment") is reported as wages in the year the corrective payment is issued, even if the underpayment occurred in a prior calendar year. The PRO must process the corrective payment in the current pay cycle [and report it](#) as gross wages subject to Social Security/Medicare taxes on the employee's current year W-2. Social Security/Medicare tax [must](#) be withheld from the corrective payment. The gross wages must be reported as current quarterly earnings on the IRS Form 941, Employer's Quarterly Federal Tax Return. For separated employees, the PRO may be required to prepare the IRS Form W-2c, Corrected Wage and Tax Statement, if a W-2 was previously issued.

9.6.2. Tax Reporting

9.6.2.1. For active employees, the PRO must follow [the](#) debt collection procedures in Volume 16 to establish a debt for the overpaid earnings. If the employee repays the debt, in whole or in part, in the same year the overpayment occurs, the PRO [must](#) record the repaid amount

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as a reversal in base pay, gross pay, net pay, or other pay as applicable. This action is required to recover income tax withholding and Social Security and Medicare taxes for the repaid wages and to correct the yearly gross income.

9.6.2.2. The PRO must follow the same procedures for active employees in subparagraph 9.6.2.1 but must reestablish the employee on the payroll before processing the required reversals. If a W-2 was previously issued to the separated employee, the PRO must prepare a W-2c.

9.6.2.3. If an active employee repays an overpayment of earnings paid in a prior year, Social Security/Medicare wages and taxes may need to be corrected. If the year of repayment is still within the 3-year statute of limitations for Social Security or Medicare tax refunds, the PRO must prepare a W-2c and W-3c for the prior year to reduce the gross wages subject to Social Security/Medicare (box 3). Wages reflected in box 1 of the W-2c must not be corrected. No adjustments are made for income tax withholding or additional Medicare tax withholding. Per Circular E, the PRO will prepare the 941-X to correct errors on the 941 and retain copies of the corrected forms. If the repayment is beyond the 3-year statute of limitations, the PRO will not make corrections to the prior year W-2 and the 941.

9.6.2.4. The PRO must prepare a tax certificate for the employee representing the repaid wages in the year of repayment. The amount entered on the certificate is the total of the reverse deductions plus the amount the employee repaid. The employee may be entitled to a deduction (or a credit, in some cases) for the repaid wages on the employee's income tax return for the year of repayment. For additional information, see 26 U.S.C. § 1341 and IRS Publication 525, Taxable and Nontaxable Income.

9.6.2.5. For separated employees, the PRO will follow the procedures for active employees but will retain copies of the W-2c and the 941-X to balance annual federal tax deposits.

10.0 RECORDS, FILES, AND REPORTS

10.1 Records and Files

10.1.1. Payroll Documentation

10.1.1.1. Deductions for CSRS and FERS, life insurance, and health benefit programs with employer contributions are paid to OPM each pay period. The PRO must submit a consolidated SF 2812-A to OPM biweekly through the Retirement and Insurance Transfer System (RITS) to report these deductions. For RITS, see subparagraph 3.3.3.

10.1.1.2. The PRO must reconcile payments to deduction recipients on a cyclical basis, at least annually, with the amounts withheld plus any related employer contributions shown

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by the pay or other records, to [confirm](#) correct amounts are reported to those authorized to receive the deductions and contributions. Payroll records must provide a clear audit trail from the gross pay calculation to the [employee's](#) net pay, by pay period and year-to-date.

10.1.1.2.1. Each DoW PRO must keep a record, [for each calendar year](#), of the total amounts withheld from employees' salaries and the total [employer](#) contributions for FEGLI. [The PRO must keep](#) these records in a ledger or other appropriate form, or [as](#) file copies of the vouchers used to report the information to OPM.

10.1.1.2.2. [The PRO must keep](#) a record of employee deductions and [employer](#) contributions for health benefits by each enrollment code number. The PRO and the health benefit carrier must submit the enrollee data in this record to the National Finance [Center](#) FEHB Centralized Electronic Enrollment Reconciliation Clearinghouse (CLER) system quarterly. The HRO and the PRO must review any error codes identified in CLER and resolve the discrepancies by comparing the coverage reported by the PRO, the coverage reported by the carriers, the SF 2809, and the SF 2810 sent in support of the coverage.

10.1.1.2.3. The [HRO](#) must maintain a record of traditional [and](#) Roth TSP deductions and agency contributions for each employee.

10.1.2. Retroactive Computations Involving Former PROs

10.1.2.1. When retroactive payroll computations involve one or more former PROs, the consolidated PRO [holds](#) overall responsibility for the adjustment process. If a former PRO is involved, the consolidated PRO [must contact](#) each former PRO to obtain the necessary information.

10.1.2.2. [If the consolidated PRO cannot obtain the](#) documentation [needed](#) to perform the retroactive calculation, [it](#) may take one or more of the following steps: [Request Archived Documents From the National Personnel Records Center \(NPRC\)](#). When copies of the SF 135, Records Transmittal and Receipt, are unavailable at the employee's former office, the current PRO must complete a National Archives and Records Administration (NARA) Optional Form 11, Reference Request - Federal Records Centers, with all available information. The employee's name, Social Security number (SSN), known places of employment, names and PRO numbers of applicable PROs, and year(s) for which the records are requested must be included in the description and remarks section of the form. [Contact the appropriate HRO](#). If the NPRC cannot locate the records, the PRO must prepare a memorandum to the appropriate HRO requesting copies of the SF 50, Notification of Personnel Action, or other related pay and/or leave information. Since there may have been consolidations of both the PRO and the appropriate HRO prior to the Defense Civilian Pay System (DCPS) consolidations, it is imperative that both offices work together to obtain information that will assist in the determination of pay and leave

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adjustments for the employee. Contact the Employee. If the PRO cannot locate documentation from the NPRC or the appropriate HRO, the PRO must contact the employee for the necessary documentation. If the employee has copies of the SF 50 and/or the Leave and Earnings Statement (LES), the PRO may accept this information and use it to reconstruct the pay and/or leave records. Contact OPM. If the transmittal letters to OPM and/or copies of the retirement records cannot be located, the PRO may submit a request to OPM in writing to procure the necessary copies of the records. The PRO may use the information on the retirement records for reconstruction of pay information for adjustments.

10.2 Reports

10.2.1. DoW civilian payroll systems must **generate** reports at regular intervals, **as needed**, **or** to meet special requirements. The PRO must support management by generating reports that provide the information **needed** to ensure the system's integrity. Individuals who create reports **must correct** errors **caused by** inaccurate reading or **entry** of data. Discrepancies in reporting, transmitting, or depositing funds must be resolved promptly. **Per** GAO-03-352G, Maintaining Effective Control Over Employee Time and Attendance Reporting, reports must be: **prepared** accurately, promptly, and distributed to the appropriate recipients to ensure receipt when the information will be of maximum benefit; based on, supported by, and periodically validated against appropriate detailed information in the payroll system; sent in a timely manner to officials who authorized, or were responsible for, processing payroll transactions, and reviewed by those officials for completeness and accuracy; discussed periodically with users and modified or eliminated as appropriate to meet user needs; and retained and disposed of in accordance with NARA General Records Schedule 2.0, Human Resources, which includes: NARA General Records Schedule 2.4, Employee Compensation and Benefits Records, and NARA General Records Schedule 2.5, Employee Separation Records, with sensitive data handled in accordance with the provisions of the Privacy Act. See 5 CFR Part 2606.

10.2.2. As-Required Reports

10.2.2.1. The losing PRO must prepare an SF 1150 at the time of the employee's separation if the employee transfers within DoW to another PRO or to another federal agency. All blocks on the SF 1150 must reflect accurate data. **Besides** transferred leave data, the **form's** Remarks section **reports other employee information, including** year-to-date wages for Social Security **and** Medicare tax purposes, year-to-date TSP deductions, **the** last deduction for FEHB and FEGLI, **the** date through which insurance deductions were made, and overseas or territorial differential data.

10.2.2.2. DFAS is responsible for:

10.2.2.2.1. **DFAS must retain** the employer's copy of the W-2c in the PRO.

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10.2.2.2.2. DFAS must attach IRS Form 941-X, Adjusted Employer's Quarterly Federal Tax Return or Claim for Refund, to the current quarterly IRS Form 941, Employer's Quarterly Federal Tax Return, and enter the adjustment amount on the 941. The PRO must maintain copies of both forms.

10.2.2.2.3. DFAS must retain a copy of the W-2c and the Form 941-X in the current-year quarterly tax folder to balance annual federal tax deposits.

10.2.3. Biweekly Reports

10.2.3.1. The LES must show gross pay, deductions, net pay, and employer contributions for the current pay period and cumulative totals for the current year. The LES must reflect accrued and used leave balances for the pay period and year-to-date. The LES must be made available electronically through the DFAS myPay web application, or mailed to the employee's non-work address, every pay period.

10.2.3.2. To process RITS transactions, the PRO must provide the disbursing office with the payroll system-generated hardcopy of the payroll for personal services certification and summary, the SF 2812-A, and any disbursement vouchers for cash payments.

10.2.3.2.1. Cash payments received from employees, such as military deposits and health benefits payments, are current transactions, collected and disbursed from a holding account. The total of the payroll for personal services certification and summary plus cash disbursement vouchers must equal the total on the SF 2812-A. Cash collections for health benefit indebtedness from pay accounts not carried forward from former PROs must be reported to OPM separately on a supplemental SF 2812-A.

10.2.3.2.2. The disbursing office must ensure voucher amounts agree and the vouchers contain proper certifying signatures before authorizing transmission of the file to OPM. The delay between creating the system file and transmission is a necessary internal control for disbursing government funds. If the file is transmitted before the payment date, OPM must warehouse the data until the settlement date.

10.2.3.3. RITS can report on a regular biweekly basis and report adjustments in a supplemental off-cycle mode. Regular biweekly reporting is the preferred method, and the PRO must fully use the payroll system's automated capabilities to do so. Use of a supplemental reporting cycle must be limited to the greatest extent possible.

10.2.3.4. Adjustments for accounts not transferred to the consolidated PRO are accounts that were inactive on former PRO records and did not convert to the consolidated office. Responsibility for these adjustments now rests with the consolidated payroll operation under

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DFAS PRO operations. These adjustments may involve correcting a retirement plan, cash collection for military deposits, or health benefit indebtedness.

10.2.3.4.1. The PRO must report these retirement-plan correction adjustments to OPM on a **hardcopy** SF 2812-A citing the PRO number that originally reported the deductions and contributions. The PRO must prepare and forward to OPM corrected retirement records and registers citing the former PRO. The PRO must forward copies of the SF 2812-A, registers, and records to the departmental reporter for the former PRO so cumulative balances can be adjusted.

10.2.3.4.2. The PRO must report cash collections for military deposits on a **hardcopy** SF 2812-A citing the PRO number that originally reported the deductions and contributions. The PRO must prepare and forward to OPM corrected retirement records and registers citing the former PRO. The PRO must forward copies of the registers, records, and SF 2812-A to the departmental reporter for the former PRO so cumulative balances can be adjusted.

10.2.3.4.3. The consolidated PRO must report cash collections for health benefit indebtedness via RITS as a supplemental SF 2812-A using the consolidated PRO number.

10.2.3.5. Adjustments for accounts transferred to the consolidated PRO are accounts that were active on former PRO records and converted to the consolidated office. These adjustments may be for accounts that have become inactive since consolidation or that are still active. As part of the consolidated payroll operation, the DFAS PRO is responsible for these adjustments. Records for both the former and consolidated PROs may need correction, depending on the effective date of the correction.

10.2.3.5.1. The adjustment may involve both **hardcopy** reporting via the SF 2812-A and reporting via RITS. The PRO must report adjustments effective before the transfer to the consolidated office to OPM via the SF 2812-A, citing the former PRO number, and must prepare and forward to OPM corrected retirement records and registers for the portion applicable to the former PRO. The PRO must forward a copy of the SF 2812-A, registers, and records to the departmental reporter for the former PRO so cumulative balances can be adjusted. The PRO must correct the portion applicable to the consolidated PRO through the payroll system and report it via the RITS regular biweekly cycle. The PRO must correct adjustments for accounts that have become inactive since consolidation through the payroll system by reactivating the account.

10.2.3.5.2. The PRO must report cash collections for military deposits via RITS during the regular reporting cycle. The PRO must correct collections for accounts that have become inactive since consolidation through the payroll system by reactivating the account. Correction through the payroll system is necessary to maintain the proper sequencing of system-assigned register numbers.

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10.2.3.5.3. The PRO must report cash collections for health benefit indebtedness via RITS during the regular biweekly reporting cycle.

10.2.3.6. The PRO must forward a biweekly report to each creditor agency of the collections made for the pay period. This report must include, at a minimum, the non-DoW agency to which the collections apply, the PRO name and address, the employee's name, the amount collected for each employee, the period the collection applies to, and the total collections remitted to the non-DoW agency.

10.2.3.7. The PRO must forward a biweekly report of employees with salary offsets for non-DoW federal agencies to the DFAS site that originally forwarded the salary offset request to the PRO. This report must include, at a minimum, the employee's name, SSN, creditor agency, amount of the last biweekly collection, pay date of the last collection, and the debt balance. For employees with more than one debt to a non-DoW federal agency, the PRO must provide this information for each debt.

10.2.3.8. Each pay period, the PRO must prepare a listing for each recipient of withheld union dues. At a minimum, the listing must include the PRO's name and address, the labor organization or association the listing pertains to, employee names and the dues deducted for each, the total amount collected, and system-generated remarks that explain any lack of deductions.

10.2.3.9. The PRO must provide a transmittal report to the Central Campaign Administrator to include: The employing agency, e.g., Army, Navy, Air Force; the employee names and deduction amounts per individual employee; the pay period number; and the pay period date of the CFC data. See 5 CFR 950.801.

10.2.4. Quarterly Reports

10.2.4.1. Upon request, the PRO must furnish feeder data to the appropriate HRO on total wages paid to civilian employees for specific calendar quarters. The HRO must prepare and submit the final report.

10.2.4.2. The employing activity must report the parking fringe benefit valuation directly to the servicing PRO quarterly to ensure proper reporting of income and collection of taxable wages on the W-2.

10.2.4.3. The report must include the monthly value of the transportation fringe benefits and the reportable taxable benefit.

10.2.4.4. When directed, the PRO must furnish data to the appropriate functional organization on civilian employees participating in Direct Deposit/Electronic Funds Transfer

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(EFT). DoW managers [use this feeder information](#) to report payment volumes and the percentage of payments made by EFT to the Bureau of the Fiscal [Service](#) within 25 days after the end of each quarter.

10.2.4.5. [For](#) SF 113-G, Monthly Report of Full-Time Equivalent/Work-Year Civilian Employment, the PRO must provide feeder data to the Defense Manpower Data Center for reporting to OMB.

10.2.5. Semiannual Reports

10.2.5.1. [For the](#) Report of Work Years and Personnel Cost, [the consolidated PRO must provide feeder-type data on the leave data for part C. OMB uses](#) this report to estimate the cost of proposed federal pay increases, evaluate the financial effects of proposed legislation on civilian compensation and benefits, and [analyze federal employee](#) pay and personnel benefits.

10.2.6. Annual Reports

10.2.6.1. The PRO must issue a W-2 to each employee no later than January 31st of the year following the applicable tax (calendar) year, [including](#) employees who died or separated during the year. [If an individual requests](#) the form earlier in writing, the PRO [must issue it](#) within 30 calendar days [after](#) receipt of the request or [after](#) the final payment, whichever is later. DoW PROs [must](#) use the [DFAS-approved](#) standardized W-2 each year.

10.2.6.2. Each DoW Component with Defense Civilian Intelligence Personnel System (DCIPS) positions must submit [an annual](#) report on its foreign language pay program to the Under Secretary of War for Intelligence through the Director, Human Capital Management Office, [per](#) DoW Instruction (DoWI) 1400.25-V2016. [Each annual report](#) must:

10.2.6.2.1. Include a copy of the Component's current foreign language pay policy or guidance, and copies of any related documents or communications issued on foreign language pay since the previous report.

10.2.6.2.2. Identify the total number of language-coded authorizations and official tasking that requests language and proficiency in support of mission requirements.

10.2.6.2.3. Identify the total number of DCIPS employees receiving foreign language pay and whether they are assigned to designated foreign language positions. Include a breakout of the number of DCIPS employees receiving foreign language pay by each language.

10.2.6.2.4. Identify the total amount of foreign language payments made in the past calendar year and a breakout of the amounts by language.

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10.2.6.2.5. Identify, for Interagency Language Roundtable Level 3 proficiency and above (combined), the percentage of recipients paid, by language.

10.2.6.2.6. Discuss the current state of recruitment and fill of foreign language positions, including overages, trends, shortfalls, recommendations on foreign language pay policy, payment trends (by language and amount) from the previous year, and a brief statement on the effectiveness of incentive pay in recruitment.

11.0 SPECIAL CATEGORY EMPLOYEES

11.1 Overseas Employees

11.1.1. Canadian Employees

11.1.1.1. Canadian legal holidays are observed with no charge to leave. If an emergency requires work on a Canadian holiday, the employee must be paid premium pay at 1.5 times the regular rate of pay, plus either holiday pay equal to regular wages earned in the four weeks before the holiday divided by 20, or compensatory time off (subject to local labor laws per DoWI 1400.25-V1231). The legal Canadian holidays are listed in the FMM.

11.1.1.2. Canadian employees accrue sick leave at 4.25 hours each pay period, except 6.25 hours in the last pay period of the leave year. Total annual accumulation is 112.5 hours (15 days).

11.1.1.3. For Canadian employees, the workday is 7.5 hours and the workweek is 37.5 hours.

11.1.1.4. Canadian employees receive step increases until they reach the top step. A step increase requires the supervisor's written certification that the employee demonstrated an acceptable level of competence during the waiting period. The certification must be forwarded to the Human Resources Office before the effective date. Step increases are effective at the start of the first pay period after the anniversary date.

11.1.1.5. Retroactive pay adjustments for Canadian employees are based on the agreements covering Canadian Civil Service employees and are payable to employees separated during the retroactive period.

11.1.1.6. For Canadian employees, aggregate LWOP of more than 80 hours during the step-increase waiting period delays the increase. Extended LWOP also affects leave accruals.

11.1.1.7. Canadian national employees are eligible for all awards except quality step increases.

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11.1.1.8. **Employee** Canada Pension Plan contributions are deducted from **Canadian employees'** salaries, **and** the U.S. Government pays the employer's contribution.

11.1.1.9. **For Canadian employees**, the U.S. Government pays an amount **equal** to the employee's contributions **to the Registered/Retirement Pension Plan**, up to **the** legal maximum of annual **salary set under applicable Canadian law**.

11.1.1.10. **Canadian** employees are paid a lump-sum **severance** amount **per** the **schedule that follows**.

11.1.1.10.1. Lay-off: two weeks of pay for the first complete year of continuous employment and **one** week for each **additional** complete year, **to** a maximum of 28 weeks.

11.1.1.10.2. Resignation: an employee **who** resigns with 10 or more years of continuous employment **is** paid one-half week of pay for each complete year, up to a maximum of 26 years, **to** a maximum of 13 weeks.

11.1.1.10.3. Retirement: an employee entitled **on retirement** to an immediate annuity (or an immediate annual allowance had the employee been under the Canadian Government Public Service Superannuation Act) is paid **one** week of pay for each complete year of continuous employment, **to** a maximum of 28 weeks.

11.1.1.10.4. Death: the employee's estate **is** paid **one** week of pay for each complete year of continuous employment, **to** a maximum of 28 weeks.

11.1.1.11. **Canadian** employees enrolled in the Ontario Health Insurance Plan are reimbursed an amount **equal** to the Canadian government contributions under the plan. **Reimbursement** claims **must be** supported by receipts **and** submitted annually by the end of the calendar year.

11.1.1.12. The U.S. Government participates in the Canadian Employment Insurance Program for Canadians employed in Canada by the DoW. DoW **installations employing** personnel in Canada **must** follow Canada Revenue Agency **guidance**. The U.S. Government contributes an amount equal to that paid by a Canadian government employer, **and** the employee's contributions are deducted from salary.

11.1.1.12.1. The PRO must use the Canada Revenue Agency T4001 Employer's Guide - Payroll Deductions and Remittances to determine insurable employment and earnings for withholding.

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11.1.1.12.1.1. Funds must be withheld from the pay of all insurable [Canadian](#) employees at the rate set in the Canada Revenue Agency T4001 Employer's Guide.

11.1.1.12.1.2. The employer's share must equal 1.4 times the amount withheld from the employee's pay on each payroll voucher. The contribution is charged to the fund from which [the](#) employees' salaries are paid.

11.1.1.12.2. The DoW [must](#) not make retroactive payments of deductions to the Canada Revenue Agency if the employee has not given correct information to the employing installation. This includes [adjudicated](#) cases.

11.1.1.12.3. DoW records of deductions, contributions, and remittances are subject to audit by Canadian authorities. The [PRO must send copies of records required by Canadian authorities on request](#); audit requirements may be met by sending copies of [covered-personnel](#) records and insurance remittance documents to the proper Canada Revenue Agency district office.

11.1.1.13. Canadian employees' income tax contributions are deducted from their biweekly salary.

11.1.1.14. Accidental life insurance is a voluntary contribution deducted from the [Canadian](#) employee's biweekly salary at the employee's request.

11.2 Reemployed Annuitants

11.2.1. Purpose

11.2.1.1. The Secretary of War [has](#) authority [under 5 U.S.C. § 9902](#) to reemploy annuitants without a reduction in pay or annuity, [as implemented in DoWI 1400.25-V300](#). [A reemployed annuitant hired](#) by DoW on or after November 25, 2003, may receive full annuity and salary upon appointment, [with no](#) salary offset [for the](#) annuity [and no](#) further retirement deductions. Exception: [a discontinued service retirement \(DSR\) annuitant whose annuity is](#) based on involuntary separation for reasons other than misconduct or delinquency, hired by DoW [on or](#) after November 25, 2003, may [instead](#) elect retirement contributions and earn further retirement credit [rather than receive](#) full salary plus annuity. See CSRS/FERS Handbook, Chapter 44.

11.3 Deceased Employees

11.3.1. Payment

11.3.1.1. [When](#) payment is to be made to the duly appointed legal representative of the estate or [to](#) a person entitled under the law of the [deceased's](#) domicile, the servicing PRO

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may require the [claimant](#) to submit evidence of entitlement under state law. [Such evidence](#) includes, but is not limited to, funeral expense receipts, [a](#) small estate affidavit, trust documents, court orders granting summary administration, letters of administration, and, where necessary, the deceased person's will.

11.3.1.2. If the beneficiary's actions caused the death of the employee, the [servicing PRO must not pay the](#) employee's unpaid compensation to that person unless [the PRO receives and determines that](#) evidence clearly [absolves](#) the beneficiary of any felonious intent.

11.3.2. Computation

11.3.2.1. Allotment deductions for the pay period in which death occurred are not withheld.

11.3.3. The PRO does not deduct retirement, federal, state, or local income tax, health benefits, or life insurance from the lump-sum [accrued-leave](#) payment.

11.3.4. Death Gratuity Payments for Federal Employees

11.3.4.1. The gratuity payment is not wages for Social Security, Medicare, or federal, state, or local tax withholding. [The Defense Finance and Accounting Service \(DFAS\) must prepare](#) an IRS Form 1099-R, Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, [and](#) Insurance Contracts, and [forward it](#) to the personal representative.

11.3.4.2. Under 5 U.S.C. § 9904, DoW civilian employees assigned to certain activities outside the United States determined to be hazardous to life or health or that involve specialized security requirements may be eligible for benefits comparable to those [the Secretary of State provides Foreign Service members](#) under 22 U.S.C. § 3973. [Per](#) 22 U.S.C. § 3973, a death gratuity is paid when an employee dies [from](#) injuries received in the performance of duties. The [gratuity](#) amount [equals](#) Level II of the Executive Schedule under 5 U.S.C. § 5313 at the time of [the](#) employee's death. This gratuity must be [paid](#) as follows, regardless of other [designated](#) beneficiaries: [First, to the widow or widower, as defined under 5 U.S.C. § 8101\(6\) and \(11\); or Second, to the child, or children as defined under 5 U.S.C. § 8101\(9\), in equal shares, if there is no widow or widower; or Third, to dependent parent, or dependent parents, defined under 5 U.S.C. § 8101\(7\), in equal shares, if there is no widow, widower, or child. If there are no survivors as indicated in subparagraph 5.9.2, the death gratuity must not be paid.](#)

11.4 Legally Incapacitated Employees

11.4.1. [The servicing HRO initiates](#) an SF 50 action showing the employee's separation [for](#) mental incapacity, [and](#) may place the employee on extended leave of absence by an SF 50 action. Once the servicing PRO [is](#) notified that the employee is declared legally incapacitated, [no](#)

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payments are made to the employee. A claim must be filed on the employee's behalf before the pay account can be settled. No specific form is required to claim amounts due mentally incapacitated or former employees, but the claim must be filed in writing over the signature of the person claiming on the employee's behalf. If the claimant is not a guardian or committee, the servicing PRO must consult its Office of General Counsel before making payment.

11.4.1.1. The initial claim filed by the guardian or committee of the estate of a legally incapacitated employee must include a court certificate showing the claimant's appointment and qualification as guardian or committee. After the first payment, subsequent recurring payments may be made to the same payee without further claim as long as the appointment remains in effect and the matter is otherwise free from doubt. Each subsequent payment voucher must cite the voucher on which the initial claim was paid.

11.4.1.2. If a guardian or committee has not been and will not be appointed, the initial claim must be supported by a sworn statement that includes the following information: the claimant's relationship to the legally incapacitated employee, if any; the name and address of the person having care and custody of the legally incapacitated employee; a remark that any amount paid to the claimant must be applied only to the use and benefit of the legally incapacitated employee; and a remark that no appointment of a guardian or committee is contemplated.

11.4.2. Claims for unpaid amounts owed to legally incapacitated employees may be paid once the claim and the claimant's entitlement have been verified.

11.5 Missing Persons, Captured or Interned

11.5.1. An employee in a missing status is entitled to receive or have credited to their account, for the period in that status, the same pay and allowances to which the employee was entitled at the start of that period or becomes entitled to after (5 U.S.C. § 5562). The servicing PRO retains responsibility for the employee's pay, leave, and retirement records.

11.5.2. Termination

11.5.2.1. If the employee returns from missing status, a statement of the special leave account balance must be furnished to the HRO. The employee must elect in writing to receive either a payment or a credit for the leave. If the employee requests payment, the payment is made using the employee's rate of pay in effect at the time the leave was forfeited.

11.5.2.2. If the employee returns from missing status, the agency must charge the pay adjustment or final settlement, including local allotment payments to dependents, to the employee's appropriated fund account.

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11.6 Temporary and Term Employment

11.6.1. Purpose

11.6.1.1. Temporary and term appointments fill positions when there is **no** continuing need for the job. Employees **in** either category are not entitled to competitive status **or** reinstatement eligibility based on this service. Within DoW, temporary and term appointments may last longer than the time restrictions of 5 CFR Part 316 and may allow such employees consideration for permanent employment.

11.6.2. Temporary Employment

11.6.2.1. **Per** DoW policy, a component may make a temporary appointment to:

11.6.2.1.1. Noncompetitively fill a short-term position based on a critical hiring need not expected to last more than 1 year. A critical hiring need means the need to fill the position(s) to meet mission requirements brought about by circumstances such as extraordinary workload or unusual or unanticipated events creating the need to fill the position(s). Such appointment may be extended up to 6 additional months but **must** not exceed a total of 18 months and does not convey noncompetitive conversion to any other appointment. See Deputy Secretary of War Memorandum, "Noncompetitive Temporary and Term Appointments to Meet Critical Hiring Needs in the Department of Defense," dated July 14, 2017; and

11.6.2.1.2. Temporarily fill a position for less than 1 year and extend such appointment in increments of up to 1 **year, not to exceed** a total of 3 years. See the OUSD (P&R) Memorandum "Modification of Temporary and Term Appointments Within the Department of Defense," dated June 12, 2017 as modified by Deputy Secretary of War Memorandum "Extensions of Term Appointments in the Competitive Service in the DoW," dated August 10, 2018 and 5 CFR 316.401.

11.6.3. Term Employment

11.6.3.1. **Per** DoW policy, a component may make a term appointment to:

11.6.3.1.1. Noncompetitively fill a short-term position based on a critical hiring need expected to last more than 1 year. Critical hiring need means the need to fill the position(s) to meet mission requirements brought about by circumstances such as extraordinary workload or unusual or unanticipated events creating the need to fill the position(s). Such appointment **must** not exceed a total of 18 months and does not convey noncompetitive conversion to any other appointment. See Deputy Secretary of War Memorandum, "Noncompetitive Temporary and Term Appointments to Meet Critical Hiring Needs in the Department of Defense," dated July 14, 2017;

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11.6.3.1.2. Fill a position initially for more than 1 year, but not more than 6 years. Components may extend term appointments beyond 6 years and up to 8 years in increments of up to 1 year according to policy. Under certain conditions prescribed in policy, an employee in a term position may be noncompetitively converted to a career or career-conditional appointment. See the OUSD (P&R) Memorandum "Modification of Temporary and Term Appointments Within the Department of Defense," dated June 12, 2017 as modified by Deputy Secretary of War Memorandum "Extensions of Term Appointments in the Competitive Service in the DoW," dated August 10, 2018; and

11.6.3.1.3. Per the direct-hire authority, initially appoint a current post-secondary student for a period expected to last more than 1 year and not to exceed the time limits stated in 5 CFR 316.301, to include any future legislative or regulatory modification to those limits. Within 120 days of successful completion of their academic program, the student may be noncompetitively converted into a career or career-conditional appointment. See the OUSD (P&R) Memorandum "Modification of Direct-Hire Authority for the Department of Defense for Post-Secondary Students and Recent Graduates," dated January 15, 2019.

11.7 Air Traffic Controllers (ATC)

11.7.1. Differential pay is authorized for certain DoW employees. The Secretary of War has authorized 5 percent ATC premium pay under 5 U.S.C. § 5546a(a)(1). Payment of the premium is mandatory for DoW ATCs in the GS-2152 occupational series who occupy a position no lower than GS-9 at air traffic control centers, terminal or flight service stations. The HRO provides this information to the servicing PRO via an SF 50.

11.8 Personnel on Long-Term, Full-Time Training

11.8.1. Leave

11.8.1.1. Personnel on long-term, full-time training continue to accrue annual leave. Ordinarily, an employee is charged annual leave during school vacation periods that fall on government workdays unless the employee returns to the work site or has made documented arrangements with their DoW point of contact to be actively involved in academic work. These documented arrangements should be made well in advance of the vacation periods. Annual leave charges are reported on the employee's time and attendance report. See OPM Training and Development Policy.

11.9 Emergency Medical Technician (EMT)

11.9.1. EMTs and paramedics work various schedules including the basic 40-hour workweek, compressed work schedules, and uncommon tours of duty. An uncommon tour of duty means an established tour of duty that exceeds 80 hours of work in a biweekly pay period. See

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5 CFR 630.201. Schedules and changes to tours of duty for an EMT or paramedic working uncommon tours must be on file in the employing activity/timekeeper site. Sleep and meal time **must** also be documented. The EMT's hourly rate is multiplied by 40 hours, and base pay and premium pay **are** based on this weekly rate regardless of the hours in the scheduled tour of duty for that week.

11.9.2. The HRO determines the amount of premium pay for the irregular tour of duty and reports it on the SF 50. An EMT employed as an intermittent employee is not entitled to premium pay on an annual basis or to paid leave. An EMT is paid under regular overtime rules. Refer to 5 CFR Part 551 for additional guidance on pay administration for EMTs under FLSA.

11.10 Firefighters

11.10.1. Trade-of-Time

11.10.1.1. Both firefighters in a trade-of-time arrangement must be **supervised by** the same fire chief and must be capable of performing the core duties that could be required during traded hours. If one firefighter **under** an arrangement is at a lower grade than the other, the fire chief may withhold approval **when** the affected unit would not have the skills among those assigned to an affected shift to accomplish its mission.

11.10.1.2. Firefighters may trade only hours within the firefighter's regular tour of duty established for leave-charging purposes. Trading time is not restricted to the same pay period.

11.10.1.3. Firefighters may agree to substitute either entire shifts or a portion of a shift.

11.10.1.4. All trading time agreements must be in writing and signed by both firefighters and the fire chief before a trade can occur. **The** agreements must contain the elements required by OPM's Memorandum, Firefighter Trading Time Policy.

11.10.1.5. Proposed trade-of-time arrangements are not entitlements. Reasons for disapproval may include, but are not limited to:

11.10.1.5.1. The proposed arrangement would result in either **firefighter** having a balance of committed but **not-yet-executed** substitution **hours**, under one or more pending-completion qualified trade-of-time arrangements, in excess of 144 hours.

11.10.1.5.2. A proposed substitution would occur more than 1 year after the date the qualified trade-of-time arrangement **was approved**.

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11.10.1.5.3. Either firefighter owes a debt of hours to the agency, as described in subparagraph 16.11.3.5.

11.10.1.5.4. The arrangement involves trading hours for which pay is computed using a different methodology. The pay of both firefighters must be determined using the same methodology.

11.10.1.6. If a substituting firefighter fails to work during the agreed-upon substitution period, the excused firefighter is entitled to credit for hours and pay as if the substitution had been made. The substituting firefighter becomes indebted to the agency and must later perform work outside the firefighter's tour of duty to satisfy the debt of hours, as assigned by an authorized agency official.

11.10.1.6.1. Debt-repayment hours are not credited as hours of work in determining the firefighter's pay entitlements in the pay period in which they are performed.

11.10.1.6.2. A substituting firefighter who, without authorization, fails to report when scheduled to substitute under a qualified trade-of-time arrangement is considered AWOL and subject to appropriate discipline, unless the DoW component retroactively approves the absence after reviewing the circumstances.

11.10.1.6.3. A firefighter who owes a debt of hours and, without authorization, fails to report when scheduled to perform work to satisfy that debt is considered AWOL and subject to appropriate discipline, unless the DoW component retroactively approves the absence after reviewing the circumstances.

11.10.1.7. A firefighter with a debt of hours may not enter into a new trade-of-time arrangement until the debt is eliminated.

11.10.1.8. A firefighter owing a debt of hours may be allowed to reduce or eliminate the debt by agreeing to adjustments in the firefighter's balances of annual leave, compensatory time off (for overtime work, travel, or religious observances), or paid time-off awards, if allowed by DoW component policies.

11.10.1.8.1. If a firefighter owes a debt of hours when separating from Federal service, transferring to a different agency, or moving to a position in the same agency in which the employee is no longer an eligible firefighter, the debt must be recovered to the extent possible by offsetting any balances of annual leave, compensatory time off (for overtime work, travel, or religious observances), or paid-time-off awards.

11.10.1.8.2. Any remaining hours debt must be converted to a monetary debt owed to the agency. The monetary debt is determined from the firefighter's pay entitlements

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at separation and the hourly value of the hours using the same method used to compute the cash value of annual leave [hours](#), except that no increase based on [post-separation pay-rate](#) increases [applies](#) (the increases that would otherwise [apply](#) in the lump-sum [annual-leave](#) payment based on projection of the [lump-sum](#) leave period). See 5 CFR 550.1204.

11.10.1.9. Credit for hours and associated pay for an excused firefighter must be determined as if the excused firefighter performed the work performed by the substituting firefighter; a substituting firefighter may not receive credit for hours and associated pay based on periods of substitution. Hours worked by a substituting firefighter under a qualified trade-of-time arrangement must be disregarded when determining that firefighter's eligibility for overtime pay or calculating such pay under 29 U.S.C. [ch.](#) 8 (Fair Labor Standards Act) and 5 U.S.C. 5542(h)(1)(A). Instead, the excused firefighter must be credited with hours worked by the substituting firefighter in determining the excused firefighter's overtime pay entitlements.

11.10.1.10. Hours worked by a substituting firefighter under a qualified trade-of-time arrangement [are](#) included in creditable service for leave accrual, retirement, and other purposes for the excused firefighter, not the substituting one.

11.10.1.11. A firefighter injured while substituting for another firefighter under a qualified trade-of-time arrangement [is not, by reason of that substitution, affected in](#) the substituting firefighter's possible entitlement to workers' compensation benefits.

11.10.1.12. A substituting firefighter is considered to be in the performance of duty during a period of substitution for workers' compensation purposes, except that any payments ([such as](#) continuation of pay) for the remainder of the affected biweekly pay period must be based on pay to which the substituting firefighter is entitled, without regard to pay for hours worked on behalf of an excused firefighter.

11.10.1.13. Excused firefighters are not considered to be in the performance of duty during the period when a substituting firefighter is working on their behalf.

11.10.1.14. If a firefighter had been scheduled, before the work injury, to work as a substituting firefighter during a future period when the firefighter is receiving continuation of pay or wage-loss compensation, the firefighter's leave status [is](#) considered to satisfy the firefighter's [work-hours](#) obligation, but only if the other firefighter under the affected qualified trade-of-time arrangement had already completed their part of the trade.

11.10.1.15. If neither firefighter had completed their respective parts of the trade before the work injury leading to workers' compensation benefits, the trade-of-time arrangement [is](#) automatically cancelled.

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11.10.1.16. DoW components must keep records of a qualified trade-of-time arrangement, including uncompleted arrangements, for 4 years after the last substituted work performed under the arrangement.

11.10.1.17. DoW components must keep current records [showing](#) pending-completion qualified trade-of-time arrangements for each firefighter, including the current balance of hours committed but not yet executed for substitution, as required to apply the rule in subparagraph 16.11.3.4.1.

11.11 Judges

11.11.1. Judges

11.11.1.1. Upon becoming eligible for retirement, judges may elect to receive a retirement annuity from the DoW Military Retirement Fund (MRF) [in lieu of](#) an annuity under CSRS or FERS; survivor and [former-spouse](#) annuities may also be elected. [See 10 U.S.C. 945](#). The DFAS Indianapolis site serves as the [payment-records office](#) for retiree and survivor entitlements [and](#) must perform functions such as:

11.11.1.1.1. [DFAS must maintain](#) individual retirement records of individuals who elect annuity benefits under 10 U.S.C. 945.

11.11.1.1.2. [DFAS must issue](#) annuity payments from moneys in the DoW MRF, including [collecting](#) applicable federal and state income taxes and debts owed the U.S. Government.

11.11.1.1.3. [DFAS must arrange](#) with OPM for transfer of moneys, including interest payments authorized under 10 U.S.C. 945(a)(3)(A), from the Civil Service Retirement and Disability Fund (CSRDF) to the DoW MRF.

11.11.1.1.4. [DFAS must withhold](#), as appropriate, contributions from the annuity for FEHB [and](#) FEGLI, [make](#) correct agency contributions, and [transmit](#) these moneys to the CSRDF.

11.11.1.1.5. [DFAS must readjust](#) the annuity payment when events change the retiree or survivor entitlements.

11.11.1.1.6. [DFAS must account](#) for retirement moneys received from OPM and [disburse them](#) to benefit recipients, insurance carriers, and federal and state tax entities.

11.11.1.1.7. [DFAS must cease](#) annuity payment if the employee elects judiciary retirement benefits under 10 U.S.C. 945(g).

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11.11.1.2. Judges **receiving** an annuity under 10 U.S.C. 945 **must notify** WHS of their election of judicial retirement benefits under 10 U.S.C. 945(g).

11.12 Auxiliary Chaplains and West Point Military Academy Chaplains

11.12.1. Civilian clergy may be assigned to perform essential religious services of the chapel program beyond the staffing capabilities of commissioned officer Armed Forces chaplains. Auxiliary chaplains normally perform their services on military installations. To serve as auxiliary chaplains, civilian clergy must be ordained or accredited by a faith group recognized by the Armed Forces Chaplains Board **and** must meet any additional qualifications required by the Armed Forces.

11.12.2. Appointing and Paying Auxiliary Chaplains

11.12.2.1. Auxiliary chaplains may be appointed by the HRO on an intermittent 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 auxiliary chaplains under the excepted service authority in 5 CFR 213.3101.

11.12.2.2. Auxiliary chaplains employed on an intermittent basis have no work schedule. They are paid for religious services performed.

11.12.2.3. **Auxiliary chaplains have** no entitlement **to** leave.

11.12.2.4. **The employing activity's HRO determines** the pay scale for auxiliary chaplains. Social Security, Medicare, **and** federal and state income tax withholdings are made **per** the tax documents the chaplain **files**. **These** withholdings do not apply to chaplains under non-personal service contracts.

11.12.3. Under 10 U.S.C. § 7437, the President may appoint a chaplain to serve at the United States Military Academy at West Point. The civilian chaplain is entitled to a monthly housing allowance **equal to** the basic allowance for housing (BAH) allowed a lieutenant colonel and to fuel and light for quarters. Because utility costs are already factored into the BAH rate, no separate allowance for fuel and light **is** paid. The chaplain's salary is taxable and subject to income, Social Security, and Medicare **tax withholding**. The BAH is not subject to **income tax** withholding under 26 U.S.C. § 107, which excludes from a minister's gross income the value of rental allowances **received** for a home. Social Security and Medicare taxes must be withheld from the BAH.

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11.13 Service Secretaries

11.13.1. Time and attendance is not reported for Service Secretaries. Accrual or [use](#) of annual and sick leave is not authorized. Military Department Secretaries are not eligible for premium pay.

11.14 LEOS

11.14.1. Premium Pay

11.14.1.1. [The HRO determines](#) the rate of annual premium pay for standby duty and [sends it](#) via SF 50 to the servicing PRO. (See [Section 5](#), Table 4-1 for [the](#) deductions withheld.) Standby duty pay is generally not used for federal law enforcement employees; for more information, refer to [Section 4](#). Standby duty pay under 5 CFR 550.141 may not be paid to an LEO receiving availability pay. See 5 CFR 550.163.

11.15 Military Sealift Command (MSC)

The pay of officers and [crew](#) members of vessels must be fixed and adjusted from [time to time](#) as nearly as is consistent with the public interest [per](#) prevailing rates and practices in the maritime industry. See 5 U.S.C. § 5348. Hours of work and premium pay for MSC civil service mariners are covered by Department of the Navy Civilian Marine Personnel Instruction 610, Hours of Work and Premium Pay, approved by the Department of the Navy's Office of Civilian Human Resources. Base wage and premium pay scales for MSC civil service mariners are approved by the DoW Wage Setting Authority in coordination with OPM.

11.16 De Facto Employees

11.16.1. Payment of De Facto Employees

11.16.1.1. Payment of de facto employees for services rendered to the government [depends](#) on the facts of each individual's situation. The employing agency must make a determination identifying the employee as a de facto employee who acted in good faith and must convey that determination to DFAS. The employing agency must submit a payroll processing request to initiate payment of a de facto employee. [An agency](#) de facto determination [invalidates](#) any debt established for wages paid.

11.17 Highly Qualified Experts (HQUES) and Highly Qualified Experts-Senior Mentors (HQUES-SMS)

11.17.1. Employees hired as HQEs [are](#) given "Excepted Not-to-Exceed" appointments (up to 5 years) under an Experts Other pay plan. The HQE or HQE-SM must sign a written service agreement.

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11.17.2. HQEs and HQE-SMs are not eligible to receive performance awards.

11.18 Research Positions in the Scientific and Technology Reinvention Laboratories (STRL)

The 2023 NDAA (PL 117-263) authorized the Secretary of War to carry out a program to fix the rate of basic pay, not to exceed 150 percent of Level 1 of the Executive Schedule, for certain research and technology positions in the DoW STRL. These positions are term and temporary appointments **not to exceed** 5 years. See 10 U.S.C. § 4094 and 87 FR 40200.

12.0 ALLOTMENTS AND VOLUNTARY DEDUCTIONS

12.1 Allotments

12.1.1. Mandatory Allotments

12.1.1.1. An employee may file an SF 1188, Cancellation of Payroll Deductions for Labor Organization Dues, to cancel an allotment. However, any written request signed by the employee that contains sufficient information may be acceptable. Unless the collective bargaining agreement states otherwise, the employing activity **must furnish** the SF 1188 to employees upon request.

12.1.1.2. **If an** employee is suspended or expelled from membership in the labor organization, termination of dues **is** effective the first pay period after the Defense Finance and Accounting Service (DFAS) receives written notification from the labor organization that **the** employee was suspended or expelled.

12.1.1.3. The agency must automatically terminate **a** labor organization dues **allotment** when the employee ceases to be a member of the bargaining unit. The employee **need not** submit a cancellation form or take any other action to terminate the allotment. If the agency does not terminate the allotment in a timely manner, the PRO must refund any erroneously deducted dues, without interest, to the employee. The agency has a claim against the labor organization for the overpayment amount.

12.1.1.4. If the salary is sufficient to cover the deduction, the PRO **must** deduct the full allotment amount each pay period even if **the** employee is in a pay status for only part of a pay period. **The PRO must make** no **deduction** if the salary is insufficient to cover the full allotment deduction.

12.1.1.5. **The PRO must not make** retroactive deductions for a period during which the employee's net pay was insufficient to cover the allotment, **and must** not make adjustments **in** future pay periods for amounts it failed to deduct during a current pay period.

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12.1.1.6. Eligible employees enrolled in a high deductible health plan (HDHP) may establish a [Health Savings Account](#) (HSA) with a trustee or custodian and request allotments to fund it. The allotment continues until the employee revokes or modifies the election, and an employee may modify an HSA allotment at any time to effect a prospective change. Employees are responsible for ensuring their enrollment and contributions [comply](#) with IRS rules and [stay](#) within annual limits [set under 26 U.S.C. 223](#). Payroll providers are not responsible for verifying employee eligibility or [confirming that](#) employee contributions are within annual limits.

12.1.2. Discretionary Allotments

12.1.2.1. An employee may elect to contribute voluntarily to the [Military Welfare Societies](#) (MWSs) as an authorized charitable campaign. The MWSs include the Army Emergency Relief Society, the Navy-Marine Relief Society, and the Air Force Aid Society. [Except for the Combined Federal Campaign](#) (CFC), MWSs [must not solicit](#) Federal civilian employees.

12.2 Federal Employees Health Benefits (FEHB)

12.2.1. FEHB Premium Contributions

12.2.1.1. The PRO [must](#) not deduct the regular biweekly [FEHB premium](#) withholding from an employee's [lump-sum leave](#) (LSL) payment. The PRO may collect from the LSL payment any previously established debt [resulting from](#) the employee's underpayment or failure to pay premiums.

12.2.1.2. [When](#) an employee transfers from one PRO to another without a break in service of more than 3 days, [health plan enrollment and coverage continue without change](#). Each PRO is responsible for FEHB premium withholdings and contributions [for](#) the time the employee [occupied](#) a position it serviced. [If the employee transfers to a different PRO other than on the first day of the pay period](#), the PRO [must](#) prorate the withholdings and contributions using the Daily Proration Rule (see [paragraph 3.2.7](#)).

12.2.1.3. If an employee retires and is eligible to continue enrollment as an annuitant, the PRO's responsibility for FEHB premium withholdings and contributions is based on the [annuity start](#) date. If the annuity starts after the end of the final pay period, the PRO makes withholdings and contributions for the entire final pay period. If the annuity starts before the end of the final pay period, the PRO makes withholdings and contributions through the day before the [annuity start](#) date using the Daily Proration Rule. OPM [makes](#) withholdings beginning with the [annuity](#) effective date.

12.2.1.4. If an employee dies and there is no survivor annuity, or the employee maintained [self-only](#) enrollment, the PRO must make full FEHB premium withholdings and

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contributions for the pay period in which the employee dies. If a survivor annuitant is eligible to continue enrollment, the PRO **must** prorate the calculation using the Daily Proration Rule and the employee's date of death.

12.2.1.5. An employee restored to duty retroactively after an erroneous suspension or removal may elect to have enrollment retroactively reinstated or may enroll in the plan and option of choice as a new employee. If the employee elects **retroactive reinstatement**, the PRO must take **premium** deductions for the suspension or removal **period** from the retroactive pay adjustment (back pay award) and **must make** the government premium contributions as though the suspension or removal had not occurred.

12.2.1.6. If enrollment is terminated or reinstated because of an employee's entry into or return from military service, the **PRO must apply the** Daily Proration Rule. The effective date of the action is the date the employee entered or returned from military service.

12.2.1.7. **During LWOP or insufficient** pay, **the** employee **remains** responsible for **paying** the employee's share of the FEHB premium unless the employee terminates enrollment. The PRO **must** not withhold the employee's share for a pay period when **the** employee is on LWOP or has **pay** insufficient to cover the full premium. The PRO must continue to forward the full FEHB premium (government contribution and **employee** share) to OPM each pay period, must advance salary to cover the employee's share, and the employee **incurs** a debt for the advance.

12.2.1.8. The payroll system must be capable of identifying all employees on LWOP or **with pay** insufficient to cover premiums. **The PRO must provide** written notice **to the employee** as soon as **it** becomes aware that premium payments cannot be withheld from the employee's salary. **The PRO must provide the notice per** the FEHB Handbook and 5 CFR 890.502(b), sent by first-class mail or delivered in person; if mailed, the notice is considered received 5 days after **its** date. The notice must advise the employee of the following: **Options for continuing or terminating enrollment; effect of termination; if the employee decides to continue coverage, the employee must agree to pay the premium directly, incur a debt, or pre-pay premiums; if the employee elects to incur a debt or fails to pay the entire amount due, the employee thereby agrees to repay the debt in full and allow the debt to be collected by salary offset. The notice should indicate that if the debt cannot be collected by salary offset, it will be recovered from a LSL payment, income tax refunds, retirement payments, or any other source available for the recovery of a debt due the government; and if the employee does not complete the election indicating whether the employee chooses to continue or terminate enrollment and return the notice within 31 days after receipt (45 days if the employee lives overseas), enrollment will automatically terminate.**

12.2.1.9. If the employee elects to continue coverage, the employee may pay premiums directly to the employing agency while on leave (pay-as-you-go), incur a debt for unpaid premiums while on leave (catch-up), or pre-pay premiums before **going** on LWOP. The PRO must

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notify the employee of the available choices (using the notice in paragraph 3.2.6.3) and must provide the employee a method to make direct premium payments. An employee who elects to incur a debt must repay it in full or be subject to debt collection. Pre-paid premiums may be deducted from pay or paid out-of-pocket; out-of-pocket payments are after-tax monies.

12.2.1.10. If the employee does not sign and return the written notice within 31 days of receipt (45 days for overseas employees), the PRO must terminate the enrollment on the SF 2810. The effective date of termination is retroactive to the end of the last pay period in which premiums were withheld from pay.

12.2.1.11. If the employee does not continue to make premium payments during LWOP, the PRO must recover the employee's share of the FEHB premium from the annuity or workers' compensation benefits payment. If the employee's share was paid during LWOP and withholding is also taken from the annuity or workers' compensation benefits for the same period, the PRO must refund the duplicate amounts to the employee. If the disability retirement annuity does not begin on the day after the last day of pay, the PRO must not refund premium payments until it receives an OPM notice that the disability retirement application is approved.

12.2.1.12. A temporary employee enrolled in FEHB must pay both the employee share and the government share of premiums during LWOP. If the employee accepts a temporary position with another employing office, the enrollment must transfer from the original office to the new office. If the employee is still in LWOP when the temporary position at the new office ends, the enrollment must transfer back to the original office. The original office must determine the remaining time the employee may continue FEHB coverage under LWOP and must terminate the enrollment if the original temporary position has expired. Both offices must coordinate so that withholdings and contributions are made timely.

12.2.1.13. The Daily Proration Rule is the formula used to calculate partial employee withholdings and government contributions for FEHB premiums. Unless otherwise provided, the PRO must make the full withholding and contributions for each pay period even if the employee is in pay status for only part of the period. The PRO uses the Daily Proration Rule to compute partial withholdings and contributions under the following circumstances: The employee transfers to a position serviced by a different PRO other than at the beginning of a pay period; The employee retires other than at the end of a pay period and is eligible to continue FEHB enrollment; The employee dies, and there is a survivor annuitant eligible to continue FEHB enrollment; or The employee terminates or reinstates enrollment because of entry into or return from military service.

12.2.1.14. Each PRO (gaining and losing) is responsible for FEHB withholdings and contributions for the actual time the employee occupied a position the PRO serviced. The PRO must compute daily FEHB premium withholding and contribution rates as follows.

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12.2.1.15. The PRO **must record** payments received or payroll deductions withheld in **the** OPM deposit fund for FEHB withholdings. If the employee separates, the **PRO must offset the** amount owed against any entitlements due. If the employee retires and final pay **does** not cover the debt, the **PRO must use** OPM Form 1522 to offset against a CSRS or FERS annuity **and annotate** the SF 2806 (CSRS) or SF 3100 (FERS) that the separating employee **was** indebted. There is no minimum amount subject to offset. The **PRO must refund** any duplicate payments that are later offset.

12.2.1.16. **When an employee with a debt for unpaid FEHB premiums transfers** to a different PRO, **the PRO must show** the date of last withholding and amount due on the SF 1150, Record of Leave Data. The gaining PRO **must collect amounts due, pay them** to the former employing office, and **report them** to OPM.

12.2.2. Retroactive Changes and Adjustment of Errors

12.2.2.1. If an employee retroactively changes from self and family to self only, the PRO must make corrective adjustments to refund premiums back to the beginning date of the **coverage** change the employing agency **provided**. The Barring Act (statute of limitations) under 31 U.S.C. 3702(b)(1) does not apply to these changes.

12.2.2.2. If the PRO overdeducts the FEHB premium owed by the employee, the PRO must refund the overdeduction to the employee and adjust the government contribution **in** a subsequent pay period.

12.2.3. Temporary Continuation of Coverage (TCC)

12.2.3.1. Once the HRO establishes TCC eligibility, the HRO **must** forward the election form to the National Finance Center (NFC), which administers the TCC program for DoW. The NFC **notifies** eligible individuals, **provides benefit** information, **processes** enrollment changes and cancellations, **collects** premiums, and **sends** them to OPM.

12.3 Allotments for Federal Flexible Spending Account Program (FSAFEDS)

12.3.1. Allotments for FSAs

12.3.1.1. Allotments withheld from the employee's pay **must be** forwarded to BENEFEEDS on the same date payroll is paid.

12.3.1.2. Upon the employee's return to pay status, the PRO **must** restart the allotment. FSAFEDS **recalculates** future allotment amounts based on the number of pay dates remaining in the benefit period **so** the employee reaches **the** annual election amount.

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12.4 Federal Employees Group Life Insurance (FEGLI)

12.4.1. FEGLI Premium Withholdings and Contributions

12.4.1.1. During each pay period in which an insured employee is in pay status for any part of the period, the PRO must withhold the employee's share of the FEGLI premium from biweekly pay. Premium withholding is subject to the following requirements.

12.4.1.1.1. If the employee dies or separates during a pay period, the PRO bases the withholding on the amount of insurance in force on the date of death or separation.

12.4.1.1.2. If the employee's BIA changes during the pay period, the PRO bases the withholding amount on the BIA last in force during the pay period.

12.4.1.1.3. If the employee works less than 52 weeks per year, the PRO must convert the biweekly rate to an annual rate, then [prorate](#) the annual rate over the number of pay periods in the year to determine the withholding amount.

12.4.1.1.4. The PRO must report [FEGLI](#) withholdings and contributions to OPM each pay period as described in [Section 10](#). See 5 CFR 870, subpart D.

12.4.1.2. Withholdings [must](#) be made from an employee's salary when the employee is in pay status for any part of a pay period. If salary is insufficient to permit all payroll deductions, the PRO must use the order of precedence for deductions in [Section 5](#). After all other required deductions are made, if pay is not enough to cover the full life insurance premiums, the amount withheld must first [apply](#) to Basic insurance, [then](#) any [remaining](#) pay must [apply](#) to Optional insurance (first Option B, then Option A, then Option C). See 5 CFR 870.404(f).

12.4.1.3. [The HRO must review and determine](#) insufficient pay when an employee's pay, after all other applicable deductions, is [expected to be](#) insufficient to cover the premiums for 6 months or more, [and](#) must notify the employee. The employee may reduce or cancel other deductions or reduce FEGLI coverage to increase [available](#) pay, [or](#) may elect to make direct payments to the employing office for periods [of insufficient](#) pay. If the employee does not make direct payments, adjust, or cancel coverage, the HRO will terminate coverage as follows:

12.4.1.3.1. The HRO [must](#) terminate all coverage if pay is not sufficient for any premium withholding.

12.4.1.3.2. If the employee has pay available to cover part of the premiums, the HRO [must](#) administratively terminate as much coverage as necessary to allow premium withholdings in the following order: [Multiples of Option C, Option A, Multiples of Option B, then Basic insurance](#).

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12.4.1.4. If the HRO terminated coverage administratively, the HRO **must** automatically reinstate FEGLI coverage when the employee's pay becomes sufficient to cover the withholdings. If an employee paid premiums directly, the employing office must start withholding premiums as soon as the pay becomes sufficient.

12.4.1.5. Except **as** described at subparagraph 6.10.1, **the PRO makes** no FEGLI premium withholdings from back pay awarded to an employee determined to be erroneously suspended or terminated.

12.4.1.6. No insurance premium is withheld from the LSL payment when the employee separates from Federal service. If the employee has an established debt being collected **for** underpayment of premiums, the agency may collect the debt from the LSL payment.

12.4.2. PROs must cooperate with the OFEGLI when it requests pre-payment verification. The OFEGLI **must** obtain verification before **paying** beneficiaries of enrollees with \$200,000 or more of FEGLI coverage, **and** will request the insured's current salary, annual salary (if different), and Optional insurance **enrollment details**, if applicable.

12.4.3. Retroactive Changes and Adjustment of Errors

12.4.3.1. If an employee receives a retroactive pay increase delayed beyond **its** effective date due to administrative error or oversight, and the increase **raises** life insurance premiums, **the PRO must apply** the increased premium **deductions** retroactively.

12.4.3.2. When the PRO erroneously overwithholds premiums from **an employee's** salary, the PRO must refund the erroneous withholding to the employee the next pay period. This automatically corrects the excess government contribution.

12.4.3.3. When less than the proper amount of FEGLI premiums **is** withheld from **an employee's** salary, the underdeduction **is** an overpayment of regular pay that must be collected as a debt (see Volume 16); **collection may be exempt from due-process requirements under 5 CFR 550.1104(c)**. The agency must submit the uncollected amount due, including government contributions, to OPM within 60 calendar days after the agency discovers the underdeduction, regardless of whether collection from the employee has been made. Government contributions must be adjusted when payment is received from the employee.

12.4.3.4. When the PRO **must adjust** withholdings for a separated employee, **it withholds** the adjustment from the final salary payment to the employee (or, if deceased, to the employee's beneficiary or estate).

12.5 Disability Insurance for Employees of the Uniformed Services University of the Health Sciences (USUHS)

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Full-time civilian faculty appointed to an Administratively Determined (AD) position of the USUHS School of Medicine receive mandatory long-term disability insurance [coverage](#). To participate, the employee must be covered under the Teachers Insurance and Annuity Association College Retirement Equities Fund (TIAA-CREF) or the Fidelity Investments program. The employer and employee each [contribute](#) 50 percent of the premium. USUHS AD employees covered under FERS or CSRS are not eligible for the plan.

12.6 National Guard Association of United States (NGAUS) Insurance Trust (IT) Program

Army and Air National Guard Technicians (Title 32 Technicians) may choose to participate in the [NGAUS Insurance Trust](#) (NGAUS-IT), which provides disability and life insurance through its underwriter, ReliaStar Life Insurance Company. [Participating](#) Technicians [agree on the](#) NGAUS-IT enrollment [form](#) to have premiums deducted from their biweekly pay. [ReliaStar confirms](#) enrollment [approval and notifies the](#) CSRs of [deduction](#) start dates, [amounts](#), and any revisions due to age or salary changes; CSRs enter the deduction information into the DCPS. The [PRO](#) deducts premiums for the entire pay period regardless of the day of termination, and proration is not required.

12.7 Thrift Savings Plan (TSP)

12.7.1. Correction of Late Contributions

12.7.1.1. The PRO must submit late contributions to TSP as soon as the error is discovered [and](#) must show the "as of" date for the contributions. [TSP calculates](#) breakage for both employee and agency contributions [per](#) 5 C.F.R. 1605.15.

12.7.2. Correction of Employing Agency Errors

12.7.2.1. The PRO [must](#) issue written notification to the employee [acknowledging](#) that an [agency](#) error caused a smaller amount of employee contributions than should have been made. The [notification](#) must advise the employee that [they](#) may, but [are](#) not required to, elect a schedule to make up the deficient contributions through future payroll deductions. [The](#) employee has 30 days from [receipt of](#) the notification to set up a [makeup](#) schedule.

12.7.3. Corrections Following

12.7.3.1. The employee [receives](#) the tax benefit in the year the contributions are made. The PRO must annotate retroactive employee contributions by year on the IRS Form W-2, Wage and Tax Statement.

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12.7.4. Contributions Missed

12.7.4.1. The PRO must deduct **USERRA makeup** employee contributions from future pay. Employees must meet **the** conditions in 5 C.F.R. 1620.40. The allowable **makeup** amount **is** offset by **amounts** the employee contributed to TSP while performing military service, **and** total contributions **must** not exceed the IRS limit in effect **for** the year the contribution would have been made.

12.8 Post-56 Military Deposit

12.8.1. General

12.8.1.1. **An** employee may make a Post-56 Military Deposit in **installments** or a **lump sum**. **Installments** must be in whole dollar amounts **of** not less than \$25 per pay period, except the last payment, **which** may be any amount to complete repayment. Unpaid balances **accrue** interest **at** the rate **OPM sets through BALs**. The employee must submit payments other than payroll deductions directly to pay.gov or **to** DFAS-Cleveland, ATTN: J3DCBB/559, 1240 East 9th Street, Cleveland, OH 44199. Payment must be a negotiable instrument payable to "Disbursing Officer." Mailed payments must **reach** the disbursing officer by the close of business on the last regular business day before the interest accrual date; the date of receipt by the disbursing officer, **not the postmark, is** the date of payment. The PRO computes interest on the unpaid balance on the employee's interest accrual date.