



OFFICE OF THE UNDER SECRETARY OF DEFENSE

4000 DEFENSE PENTAGON
WASHINGTON, D.C. 20301-4000

JAN 3 2013

PERSONNEL AND
READINESS

MEMORANDUM FOR: SEE DISTRIBUTION

SUBJECT: Erroneous Payment of Living Quarters Allowance to Certain Employees

The purpose of this memorandum is to address concerns regarding the possible erroneous payment of living quarters allowance (LQA). This concern was raised by the U.S. European Command (EUCOM) for employees in their area of responsibility (AOR), though this situation may not be unique to them.

In accordance with section 031.12b of the Department of State Standardized Regulations (DSSR), employees hired overseas after working for more than one employer are not eligible to receive LQA, and any LQA paid to these employees under these conditions are subject to repayment to the government since any such payments were erroneous. EUCOM has stated that as many as 2,000 employees may have been erroneously receiving LQA payments since their date of hire due to the fact that the DSSR language was interpreted incorrectly.

In order to identify employees hired locally overseas who may have received LQA payments erroneously, I am directing the Military Departments, Defense Agencies, and Field Activities to complete an audit of the pay accounts of all locally hired overseas employees in the EUCOM AOR who are currently receiving LQA. This audit must be completed within 90 days. You must notify any employee identified as having erroneously received LQA of that fact, and that you are notifying the Defense Finance and Accounting Service of the erroneous payment, no later than 5 business days after completion of the audit. As noted above, because the possibility of similar erroneous LQA payments may not be unique to the EUCOM AOR, you are also directed to conduct similar audits using the same timeframes in any overseas location at which there may be similarly situated employees. In determining whether an employee erroneously received LQA in questionable cases, Components should consult with their appropriate legal office.

The Department of Defense must collect all indebtedness due to the United States promptly and in accordance with applicable laws and regulations. Notification and collection of any erroneous payment must comply with Department of Defense (DoD) 7000.14-R, Financial Management Regulation, volume 8, chapter 8. If a final determination is adverse to the employee, the affected employee may seek a waiver of indebtedness through established procedures in accordance with section 0805 of DoD 1400.14-R. Though the Department is not able to provide a blanket waiver for all affected employees, my office has determined that it is in the best interests of the Department to support any such employee's request for a waiver of indebtedness in these unique circumstances, provided the employee was not aware of the fact that they were not entitled to the payment of LQA, and there is no evidence of misrepresentation, fraud, or deception by the employee to acquire LQA in the first place.

The Department is concerned about the immediate financial impact that loss of LQA would have on morale and retention, and has considered that employees who have been receiving LQA have made life choices based upon their continued receipt of it. Therefore, in

accordance with the provisions of section 031.12c of the DSSR, I have waived the provisions of section 031.12b of the DSSR due to the unusual circumstances in these particular cases, and authorized LQA, for up to 1 year, for the affected group of current DoD civilian employees in the EUCOM AOR. This authorization applies only to employees who, before being recruited from outside of the United States by DoD, had been in substantially continuous employment by more than 1 employer. In addition, these employees must meet all other LQA eligibility criteria contained in DSSR 031.12b. This 1 year authorization for payment of LQA will commence on the date affected employees are notified they were found to be ineligible for LQA due solely to their substantial continuous employment by more than 1 employer. Employees in receipt of LQA will be ineligible for this 1 year LQA authorization if evidence of misrepresentation, fraud or deception by the employee to acquire LQA is discovered.

I also authorize LQA, for up to 1 year, for the affected group of current DoD civilian employees in other overseas locations where audit results identify employees who are ineligible for LQA under the same unusual circumstances as in the EUCOM AOR. This authorization applies under the same conditions as I have granted for the EUCOM AOR. Once you have completed these audits, you are directed to notify me of the results, in writing.

If you require any additional information, my point of contact for this action is Mr. Seth Shulman, Director of Compensation, Defense Civilian Personnel Advisory Service, and he can be reached at seth.shulman@cpms.osd.mil or (571) 372-1617.


Jessica L. Wright
Acting Principal Deputy

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