



UNDER SECRETARY OF DEFENSE
4000 DEFENSE PENTAGON
WASHINGTON, D.C. 20301-4000

FEB 25 2014

MEMORANDUM FOR: SEE DISTRIBUTION

SUBJECT: Issues Associated With Erroneous Payment of Living Quarters Allowance (LQA) to Certain Employees

Reference: (a) USD (P&R) Memorandum, "Erroneous Payment of Living Quarters Allowance to Certain Employees," January 3, 2013
(b) USD (P&R) Memorandum, "Living Quarters Allowance Audit Conclusions and Results," May 15, 2013

This memorandum addresses questions and concerns regarding treatment of other allowances associated with the LQA audit findings, to include debts that may have occurred as a result of the erroneous payment of LQA. Further, it clarifies that the 1-year eligibility for LQA also extends to these other associated allowances. For example, when Post Differential (PD) is tied to the LQA eligibility, then the 1-year eligibility for LQA also applies to PD.

There are six associated allowances linked to LQA eligibility:

- (1) Temporary Quarters Subsistence Allowance (TQSA)
- (2) Post Hardship Differential
- (3) Educational Travel
- (4) Foreign Transfer Allowance (except wardrobe portion)
- (5) Home Service Transfer Allowance (except wardrobe portion)
- (6) Separate Maintenance Allowance

References (a) and (b) intended that the 1-year LQA eligibility would also make the employee eligible for these six associated allowances, as applicable, if the allowances were originally paid based on the erroneous grant of LQA. Thus, affected employees may continue to receive their associated allowances during the 1-year eligibility period.

In accordance with reference (a), Military Departments, Defense Agencies, and Field Activities were directed to complete an audit of all locally hired overseas employees who were granted LQA. The audits were conducted only for employees who were receiving LQA as of the date of reference (a), which resulted in the identification of 659 employees who had received erroneous LQA payments. These audits did not cover the erroneous associated allowances that may have been received, although some affected employees are likely to also have received erroneous payments of the associated allowances due to the erroneous determination of LQA eligibility. I have determined that because the cost of conducting audits of associated allowances and establishing any associated debts would likely exceed the amount that would be collected, no audits of associated allowances will be conducted. Further, no action will be taken to pursue collection of these associated allowance debts in the future.

My point of contact is Mr. Seth Shulman, Chief, Compensation Division, Civilian Personnel Policy/Defense Civilian Personnel Advisory Service. He may be reached at seth.shulman@cpms.osd.mil or (571) 372-1617.


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