

FAQS - Living Quarters Allowance (LQA) Audit – Employees Recruited Outside the United States (“Local Hires”) (Revised 03 May 2013)

**Q1** – Why was an audit of LQA files being conducted?

A1 - In a number of recent decisions, OPM provided an interpretation of the rules governing the determination of eligibility for LQA that were applied by many Department of Defense agencies, to include Army. On 03 January 2013, the DoD took this discovery and directed all LQA determinations of active recipients, who were locally hired in the overseas area, be reviewed and corrected, as appropriate.

The difference in the interpretation concerns primarily former military members who have separated in the overseas area and accepted intervening employment, such as employments with NAF in the Morale, Welfare, and Recreation sector, AAFES, or private contractor companies, no matter how short of a duration, before being appointed to a Federal civilian position (GS) position. Employees having such employment histories are not eligible for LQA. In addition, employees who arrived in the overseas area as a contractor employee and have had several subsequent employments with other contractor firms before becoming Federal civilian employees are also not eligible for LQA.

**Q2** – When and by whom will employees be notified if they are found to have been collecting LQA erroneously?

A2 – Headquarters, Department of Army (HQDA), AG1, tasked the Civilian Human Resources Agency (CHRA) to complete the audit per DoD direction. Thus, CHRA notified any employees identified as having erroneously received LQA of that fact through their employing commands; affected DoD employees worldwide were notified on 01 May 2013.

**Q3** – Will employees who are notified that they have been collecting LQA erroneously have to repay any debt resulting from this error?

A3 - The DoD must collect all indebtedness due to the United States promptly and in accordance with applicable laws and regulations. Employees adversely affected by the LQA audit may seek a waiver of indebtedness through established procedures in accordance with Section 0805 of DoD 1400.14-R, Financial Management Regulation, Volume 8, Chapter 8, last updated September 2012.

**Q4** – Will DoD grant a waiver for all adversely affected employees?

A4 – DoD not able to provide a blanket waiver for all adversely affected employees. However, DoD has determined that it is in the best interest 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 he/she was not entitled to the payment of LOA, and there is no evidence of misrepresentation, fraud, or deception by the employee to acquire the allowance.

**Q5** – When and by whom will affected employees be notified of the amount of the debt and the process to request a waiver of indebtedness?

A5 – CHRA will notify the Defense Finance and Accounting Service (DFAS) of the employees identified as having erroneously received LOA after completion of the audit. DFAS will subsequently send notifications to affected employees once they have completed an audit of the pay records and calculated the amount of the debt. The DFAS notifications will include specific instructions on the process to request a waiver of indebtedness. Do not ignore the debt notification from DFAS.

**Q6-** Can I request that my debt is held in abeyance?

A6 - The DFAS will not hold any debt in abeyance. The employee will be required to pay the debt, even if contesting the debt or requesting a debt waiver. Therefore, DO NOT ignore the debt notifications from DFAS; once, received, recommend that employees submit a hardship request to reduce the re-payment amount to the minimum of \$25; otherwise, DFAS will recoup 15% of employees' disposable income.

**Q7-** What if I don't pay my debt?

A7- APF-DFAS reports to commercial credit bureaus when an account becomes delinquent. Accounts with no payments within 30 days of the initial debt notice are considered delinquent for payment purposes. DFAS will report a delinquent account to the credit bureau if they do not receive a payment within 62 days of the date of the initial debt notification letter. DFAS will attempt to notify employees using their last known mailing address. **IMPORTANT** – Ensure affected employees' mailing address is updated in MYBIZ.

All delinquent accounts are reported as a "collection account" on the consumer credit report. The debt will remain as a collection account while on the credit bureau report; however, any subsequent payment activity is reported to the credit bureaus on a monthly basis. If you believe the information reported by the credit bureau is incorrect, contact the credit bureau.

**Q8** – Will the LQA of affected employees be immediately stopped?

**A8** –DoD 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. Consequently, DoD has waived the provisions of DSSR section 031.12b due to unusual circumstances in these particular cases, and authorized LQA, for up to 1 year, for employees who have had either one or more non-federal employments prior to becoming a Federal civilian employee.

**Q9** – When will the 1 year period of LQA commence for eligible employees?

**A9** – The 1 year authorization for payment of LQA will commence following the date the notification took place, that is on 02 May 2013. This 1-year grant of LQA authorized by the DoD will NOT be counted as a debt.

**Q10** – Once notified, who should affected employees contact to discuss their specific situations and options?

**A10** - Employees may discuss their specific situations and options with their immediate supervisor, other designated command point-of-contact, or servicing Civilian Personnel Advisory Center (CPAC) HR Specialist/ NAF Human Resource Office.