

VA Financial Policies and Procedures  
Payroll: Awards and Incentives

**CHAPTER 3**

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## 0301 OVERVIEW

This chapter establishes the Department of Veterans Affairs (VA) financial policies and procedures relating to the considerations of awards and incentives for VA employees, former employees, volunteers and participants of the “without compensation” program in recognition for their contributions and achievements to VA and the Federal Government. The awards and incentives included in this chapter are those awards covered under the Government Employees’ Incentive Awards Act (GEIAA) and incentives for recruitment, relocation and retention, used to help recruit and retain employees in hard-to-fill positions and voluntary separation incentive.

For guidance on the VA Awards Program, refer to VA Directive and Handbook 5017, *Employee Recognition and Awards*, and VA Office of Human Resources Management’s (OHRM) Employee Relations and Performance Management Website. These references provide guidance on VA’s Human Resources (HR) policies and procedures to follow in nominating an employee or group of employees for special recognition and in processing the proper documentation to support awards. Refer to VA Directive and Handbook 5007, *Pay Administration*, for additional guidance on qualifications for recruitment, relocation and retention incentives.

For financial guidance on awards and any accompanying ceremony, refer to VA Office of Financial Policy (OFP) Volume II, Chapter 4, *Awards, Ceremonies, Food or Refreshments, Gifts or Mementos*.

## 0302 POLICIES

030201 AWARDS. VA may recognize an employee or a group of employees through the approved use of monetary, on-the-spot, time-off, honorary or other non-monetary awards for any special contribution, act, service or achievement that benefits VA or the Federal Government in accordance with the guidelines in VA Handbook 5017. VA may also pay awards to residents; without compensation, fee basis, purchase and hire employees; volunteers; and former employees, as recognition for their achievements when authorized and approved.

A. Monetary (cash or cash equivalent) awards will be treated as taxable income (e.g., monetary award paid through payroll processing, gift card/certificate).

B. Non-monetary (non-cash) awards may be taxed; taxation is dependent upon the fair market value/purchase price. Exceptions may include ‘length of service’ (career) awards and awards considered as “de minimis,” whose fair market value or purchase price does not exceed \$100 and are not given frequently. For example, tickets for theater or sporting events may qualify as de minimis if the market value/purchase price is less than \$100 and meets the definition of de minimis. It is the responsibility of the approving official to determine the fair market value for tax purposes. Approving officials may choose to “gross up” taxable non-monetary awards in order to cover the employee’s taxes on an award.

030201.01 MONETARY AWARDS. VA may provide monetary awards that are authorized and approved in accordance with HR policy and guidance. Local payroll staff will release automated transactions received from local HR office staff for award processing. Federal and State<sup>1</sup> income taxes will be withheld from the award payment at the supplemental tax rates; local taxes will be withheld at the applicable rates as authorized by local taxing authorities. When requested, local payroll staff will calculate and provide required tax withholding amounts to be included in the total “gross up” amount of the award on VA Form 4659, *Incentive Awards Recommendation and Approval*. VA will follow HR policy and guidance in limiting award totals based on the type of award.

030201.02 NON-MONETARY AWARDS. VA may provide non-monetary awards to VA employees, former employees, volunteers and participants of the without compensation program when applicable. These awards include non-monetary awards other than time off awards.

030201.03 TIME OFF AWARDS. VA employees who are covered under a leave system may be granted Time Off Awards from 4 to 40 hours (or 1 to 5 days for VHA full-time physicians, dentists, optometrists and podiatrists) in recognition of a specific contribution. Time off awards are taxable; see Appendix B-4, Types of Awards, for detailed information. SES employees and equivalents appointed under title 5 are ineligible to receive time off awards.

030201.04 COMBINATION AWARDS. VA may process authorized combinations of awards to include monetary and honorary; time off and honorary; monetary and time off; and in extraordinary cases, monetary and a Quality Step Increase (QSI) or time off and a QSI. To ensure compliance with applicable laws and regulations, VA Directive and Handbook 5017 guidelines will be adhered to when granting combination awards.

030202 INCENTIVES. VA may recognize an employee or a group of employees through the approved use of various incentive payments that are intended to recruit, retain or relocate employees for the benefit of the Department. VA may also pay voluntary separation incentives when authorized by the Office of Personnel Management (OPM).

030202.01 RECRUITMENT AND RELOCATION INCENTIVE. VA may pay recruitment and/or relocation incentives as a lump sum payment at the beginning and/or end of the service period and/or as installment payments during the agreed upon service period. Local HR staff will enter the incentive into VA's automated system and provide local payroll staff with a copy of the Recruitment or Relocation Incentive service agreement.

030202.02 RETENTION INCENTIVE. VA may pay a retention incentive to an employee in installments after completion of a specified period(s) of service

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<sup>1</sup> The common flat rate percentage for State taxes will be used, where applicable.

(e.g., biweekly, quarterly, semi-annually) or in a single lump sum payment at the end of the full period of service required by the agreement. Retention incentives may not be paid as an initial lump sum at the start of a service period or in advance of completing the service period for which the incentive is being paid. Local HR staff will enter the incentive into VA's automated system and provide local payroll staff with a copy of the retention service agreement. However, a service agreement is not required for biweekly payments.

**030202.03 HOME MARKETING INCENTIVE PROGRAM.** VA may pay a Home Marketing Incentive (HMI) award to an employee who sells his or her home as part of the Department's Relocation Services Program. Employees must first be approved to use the Guaranteed Home Buyout Option (GHBO) Program; once approved, it is the employee's option of whether to participate in the HMI award program.

**030202.04 STUDENT LOAN REPAYMENT INCENTIVE.** VA may pay Federally insured student loans as an incentive for candidates or current employees of the agency to attract and/or retain highly qualified employees. If the local HR management office approves a student loan repayment, the local payroll staff will receive a signed copy of the service agreement and specific information (payment address, loan amount, etc.) regarding each loan to be repaid. These documents will serve as authorization to make the repayment and will be filed in the employee's payroll folder. After receipt of the initial authorization, the payroll office should obtain certification from the approving official that funds are available prior to disbursing repayments in subsequent fiscal years.

**030202.05 SUPERVISORY DIFFERENTIAL INCENTIVE.** VA may pay Supervisory Differential to a supervisor who is in a GS position and is regularly responsible for providing direct technical and administrative supervision of the work of one or more non-GS employees if any of the subordinates would, in the absence of a supervisory differential, be paid more than the supervisor. A supervisory differential is not considered part of the supervisor's rate of basic pay for any purpose.

**030202.06 VOLUNTARY SEPARATION INCENTIVE PAYMENTS.** When authorized by OPM, VA may pay a voluntary separation incentive payment to employees who are in surplus positions or have skills that are no longer needed in the workforce and volunteer to separate by resignation, optional retirement or by voluntary early retirement. The authority under 5 U.S.C. Chapter 35, Subchapter II, also known as buyout authority, allows agencies that are downsizing or restructuring to offer employees lump-sum payments up to \$25,000 as an incentive to voluntarily separate only when authorized by OPM.

**030202.07 EXTENDED ASSIGNMENT INCENTIVE.** VA has not authorized payment of extended assignment incentives under 5 C.F.R. 575.

030203 AUTHORIZATION AND APPROVAL OF AWARDS.

030203.01 AUTHORIZATION. VA Directive and Handbook 5017, *Employee Recognition and Awards*, and VA Office of Human Resources Management's (OHRM) Employee Relations and Performance Management Website provide specific guidance on the authorizations, limitations and any restrictions applicable to awards. Refer to Appendix A, Authorization of Awards, for general guidance as published in the directive and handbook.

A. A monetary award will be an amount determined appropriate by the Secretary, but may not be more than \$10,000. However, if the Secretary determines that exceptional performance by an employee justifies such an award, the Secretary may request approval from OPM for a monetary award equal to an amount exceeding \$10,000, up to \$25,000.

B. The amount of any group award will generally not exceed the amount (up to \$10,000 per employee) that could be authorized if the contribution had been made by one individual. Special approval will be obtained, along with any reason for an exception, for any amount that exceeds the individual employee limitation.

030203.02 APPROVAL. VA will approve awards in accordance with provisions described in VA Handbook 5017, *Employee Recognition and Awards*. Awards recommended will be agreed to by an appropriate official in the employing organization. VA Administrations will use the guidance on approval authority contained in the handbook.

A. All awards will be approved at a higher management level than the recommending level. However, key officials, including the Secretary and Deputy Secretary, may act as both the recommending and approving official on all awards within their delegated approval authority.

B. Under Secretaries, Assistant Secretaries and other Central Office organization heads may approve special contribution, superior performance and productivity/gain sharing awards up to and including \$7,500 for individual employees under their jurisdiction, awards of up to and including \$10,000 for individuals as suggestion awards, and special group contribution awards of up to \$25,000 provided no member of the group receives more than \$7,500. This authority may be re-delegated.

C. The Secretary may approve individual monetary awards up to \$10,000 and may approve group awards in excess of \$10,000 providing no one group member receives more than \$10,000.

D. VA will obtain approval from OPM, as applicable, for any monetary award of \$10,000 to \$25,000 to an individual employee for superior accomplishment (e.g., suggestion, invention). When the anticipated award amount is expected to be more than \$25,000 to

an individual employee, OPM will review the recommendation and submit it (if approved) to the President for final approval.

**030204 RECORDS AND REPORTS.**

030204.01 VA will document, file and report on awards in accordance with OPM and VA requirements.

030204.02 VA will submit its distribution of SES performance awards, the total amount of awards and the aggregate payroll or average rate of basic pay to OPM no later than 14 days after the date the performance awards are approved.

030204.03 VA will prepare an annual Departmental report on Recruitment/Relocation and Retention Incentives given during the previous fiscal year, based on facility reports submitted by field stations.

030204.04 VA will retain documentation, as prescribed by the General Services Administration's General Records Schedule 1.

**0303 AUTHORITY AND REFERENCES**

[030301 5 U.S.C. Chapter 35, Subchapter II - Voluntary Separation Incentive Payments](#)

[030302 5 U.S.C. Chapter 43, Performance Appraisal](#)

[030303 5 U.S.C. Chapter 45, Subchapter I - Awards for Superior Accomplishments](#)

[030304 5 U.S.C. 4505a, Performance-Based Cash Awards](#)

[030305 5 U.S.C. 4509, Prohibition of Cash Award to Executive Schedule officers](#)

[030306 5 U.S.C. 5307, Limitation on Certain Payments](#)

[030307 5 U.S.C. 5382, Establishment of Rates of Pay for the Senior Executive Service](#)

[030308 5 U.S.C. 5384, Performance Awards in the Senior Executive Service](#)

[030309 5 U.S.C. 5753, Recruitment and Relocation Bonuses](#)

[030310 5 U.S.C. 5754, Retention Bonuses](#)

[030311 5 U.S.C. 5756, Home Marketing Incentive Payment](#)

[030312 38 U.S.C. Chapter 73, Veterans Health Administration - Organization and Functions](#)

030313 38 U.S.C. Chapter 74, Veterans Health Administration - Personnel

030314 5 C.F.R. 451, Subpart A, Agency Awards

030315 5 C.F.R. Part 530, Subpart B, Aggregate Limitation on Pay

030316 5 C.F.R. 534.405, Performance Awards

030317 5 C.F.R. 575, Recruitment, Relocation and Retention Incentives; Supervisory Differentials; and Extended Assignment Incentives

030318 5 C.F.R. 576, Voluntary Separation Incentive Payments

030319 38 C.F.R. 1.650-1.666, Inventions by Employees of the Department of Veterans Affairs

030320 VA Directive and Handbook 5017, Employee Recognition and Awards

030321 VA Handbook 5007, Part VI, Recruitment, Relocation and Retention Incentives

030322 VA Office of Financial Policy (OFP), Volume II, Chapter 4, Awards, Ceremonies, Food or Refreshments, Gifts or Mementos

030323 VA OGC Advisory Opinion, VAOPGCADV 6-99, Applicability of the Employee Recognition and Awards Program to Residents and to Fee Basis, Without Compensation and Purchase and Hire Employees (April 5, 1999)

030324 VA Office of Human Resources Management's Employee Relations and Performance Management Website

#### **0304 ROLES AND RESPONSIBILITIES**

030401 The Secretary or Deputy Secretary will ensure that effective and efficient financial policies and systems for payroll administration are established.

030402 The Assistant Secretary for Management/Chief Financial Officer (CFO) oversees all financial management activities relating to the Department's programs and operations, as required by the Chief Financial Officers Act of 1990 and 38 U.S.C. 309. Responsibilities include the direction, management and provision of policy guidance and oversight of VA's financial management personnel, activities and operations. The CFO establishes financial policy, systems and operating procedures for all VA financial entities and provides guidance on all aspects of financial management.

030403 The Assistant Secretary for Human Resources and Administration will (through the Deputy Assistant Secretary for Human Resources Management) advise Under Secretaries, Assistant Secretaries, Other Key Officials, and field station managers and

supervisors of legal and policy requirements and authorities relating to employee pay, leave, allowances, and deductions, excluding taxes.

030404 Under Secretaries, Assistant Secretaries, and Other Key Officials (through Chief Financial Officers) will provide and/or arrange for training for Fiscal/Finance Office staff and timekeepers in policy and procedures relating to automated and manual systems for employee pay, leave, allowances, and deductions.

030405 Chief Financial Officers in VA Administrations will ensure that appropriate levels of training and advisory services are provided to ensure VA policy and procedures relating to payroll administration are carried out as effectively and efficiently as possible.

030406 The Employees Accounts Section is commonly referred to as Local Payroll. A brief summary of responsibilities for this section includes: ensuring facility training and support is provided to timekeepers and supervisors for time and attendance (T&A) reporting, ensuring biweekly T&A data and daily master record update transactions are transmitted timely, and ensuring employees receive appropriate pay and leave entitlements. Specific responsibilities for the Employee Accounts Section are extensive and are specifically outlined in Volume XV, Chapter 1: *Payroll: Overview*.

030407 The Director, Austin Information Technology Center (AITC), or designee specified in writing by name and position, will ensure transmission of VA timecard data to VA's payroll provider, creation of payroll reports, and storage of payroll data/reports. Required accounting/payroll processing documents (e.g. for retirement corrections) will be prepared, as needed, in accordance with applicable laws, regulations, and VA or Treasury Department policy.

030408 The Director, Financial Services Center (FSC), or designee specified in writing by name and position, will ensure that payroll activity is generated and processed as needed, to include Tier 1 payroll support services. Accounting/payroll processing documents will be prepared, as needed, in accordance with applicable laws, regulations, and VA or Treasury Department policy.

030409 The Defense Finance and Accounting Service (DFAS), one of four e-Payroll service providers, is VA's designated payroll service provider. DFAS processes payroll and makes all employee deductions and disbursements, generates leave and earnings statement file and W-2s (Wage and Tax Statement), charges VA appropriations and cost centers and reports all payroll-related financial information to the Treasury on the behalf of VA.

030410 Facility Directors will ensure appropriate local controls, policies, and procedures are established and followed to ensure compliance with all laws, regulations, and policy covering payroll and related human resources issues.



030411 Chiefs, Human Resources Management Service will provide appropriate levels of advice and assistance to employees, beneficiaries, supervisors, and other key officials regarding laws, regulations, and policy covering human resources issues, including interpretation of rules relating to hours of duty, pay, leave, and authorization of deductions from pay. They will also ensure human resources data is accurately and timely entered into automated human resources systems which integrate with payroll systems.

030412 Facility Agent Cashiers will follow established VA policy and procedures for payroll-related collections not made through payroll deduction. Facility Agent Cashiers will receive and distribute employee salary checks as directed by payroll, and will follow established VA policy and procedures for returning any unclaimed salary checks.

030413 Service/Division Chiefs will designate an adequate number of unit timekeepers and alternates by memorandum to the Fiscal/Finance Officer indicating names (position is not sufficient for this purpose), status (timekeeper or alternate or removal from timekeeper function), and effective date.

030414 Supervisors and other leave-approving officials, as authorized in VA Directive 5011, section 3 f, and VA Handbook 5011, Part III, Leave, Chapter 1, section 2b, are accountable for the work time and absence of employees for whom they are responsible, including leave approval and certification of attendance through appropriate time and attendance collection procedures or automated systems.

030415 Timekeepers will prepare and maintain time and attendance reports for each affected employee whose record has been assigned to their jurisdiction. Timekeepers remain under the administrative supervision of the supervisor of their own organizational element while performing the "additional duties" relating to preparation and maintenance of time and attendance reports. However, timekeepers are under the technical supervision of the Employee Accounts Section with regard to time and attendance reporting requirements affecting employee leave and pay entitlements. Additional responsibilities for timekeepers are specifically outlined in the Payroll Policy Volume XV, Chapter 1, *Payroll: Overview*.

### **0305 PROCEDURES**

030501 General Processing for Monetary Awards and Incentives. VA local HR staff will enter approved incentive and award transactions in HR's automated processing system. Upon receipt of the HR transaction, local payroll staff will release the transaction to VA's payroll provider for processing. VA's payroll provider will include the award/incentive in the employee's salary payment.

030502 Additional/Special Processing. VA local payroll staff will follow the processing information outlined in the following appendices for additional guidance for monetary awards/incentives which do not automatically process and/or for awards and/or incentives which require additional action to complete payment processing.

## A. Appendix B: Awards

- Appendix B-1: Types of Awards
- Appendix B-2: Monetary Awards Processing
- Appendix B-3: Non-Monetary Awards Processing
- Appendix B-4: Time-Off Awards

## B. Appendix C: Incentives

- Appendix C-1: Types of Incentives
- Appendix C-2: Calculating Recruitment/Relocation and Retention Incentives
- Appendix C-3: Calculating Debt for Breached (Recruitment/Relocation Incentive) Agreements
- Appendix C-4: Incentive Payment Illustrations
- Appendix C-5: Home Marketing Incentive
- Appendix C-6: Student Loan Repayment Incentive
- Appendix C-7: Supervisory Differential
- Appendix C-8: Voluntary Separation Incentive Payment (VSIP)

## 0306 DEFINITIONS

030601 Award. A generic reference to the entire range of rewards available to recognize an employee under VA's Employee Recognition and Awards Program including monetary, non-monetary, honorary and time off awards. (Unless otherwise noted, those Title 38 employees covered under part V of VA Handbook 5017, *Employee Recognition and Awards*, are also covered under VA's Employee Recognition and Awards Program.)

030602 Award Program. Specific procedures and requirements established by an agency or a component of an agency for granting awards under proper authority.

030603 De Minimis. Concept of value which considers both the value of the item and the frequency with which it is provided is so small as to make accounting for it unreasonable or impractical. An essential element is that it is considered occasional or unusual in frequency. It must not be disguised as a form of compensation. (IRS Chief Counsel Advice 200108042, Dec 20, 2000, ruled that items with a value exceeding \$100 would not be considered de minimis, even in unusual circumstances.) For additional information refer to section 030201B of this chapter and the IRS' website at: <http://www.irs.gov/govt/fslg/article/0,,id=184791,00.html>.

030604 Employee. For purposes of the VA Employee Recognition and Awards Program, an employee means an individual who meets the definition as identified in VA Handbook 5017, *Employee Recognition and Awards*, Part I, General Provisions, paragraph 2b. For additional guidance, refer to VA OGC Advisory Opinion,

VAOPGCADV 6-99, *Applicability of the Employee Recognition and Awards Program to Residents and to Fee Basis, Without Compensation and Purchase and Hire Employees (April 5, 1999)*. Per VA Handbook 5017, *Employee Recognition and Awards*, the employee must be: (1) engaged in the performance of a Federal function under authority of law or an Executive act; (2) subject to the supervision of an individual named by paragraph 2b (1) in the handbook while engaged in the performance of the duties of a position; and (3) performing at a successful level. Performance requirements for Special Advancements and Awards for Exemplary Job Performance and Exemplary Job Achievement for Title 38 employees are contained in VA Handbook 5017 Part V, Title 38 Special Advancements and Cash Awards.

030605 Executive Schedule. The Executive Schedule, which is divided into five pay levels, is the basic pay schedule for positions other than SES positions and positions in the Federal Bureau of Investigation and Drug Enforcement Agency Senior Executive Service under 5 U.S.C. Chapter 53, Subchapter II.

030606 Fair Market Value (FMV). For this policy and tax purposes, FMV is the value or amount of a fringe benefit (non-monetary award) an employee would have to pay a third party in an arm's-length transaction to buy or lease the benefit. All of the facts and circumstances are considered to determine the amount.

030607 Guaranteed Home Buyout Option (GHBO). If an employee finds a qualified buyer for his or her home and is authorized to participate in the GHBO, the Relocation Services Contractor will complete the sale and pay the commission and closing costs on the home. The closing with the buyer must be successfully completed. If the employee is unable to find a qualified buyer for the home, the Relocation Services Contractor will make the employee an offer based on appraisals. The employee has 60 days after notification of the appraised value offer to accept or decline the offer.

030608 Honor Award. Formal, non-monetary recognition for significant one-time or career achievements (for example, a Secretary or Organizational Honor Award, Length of Service Award, Retirement Certificate or Career Award).

030609 Incentive Award. A monetary, nonmonetary or honor award to recognize the contribution, special act or service of an employee.

030610 Intangible Benefits. Intangible benefits measure the value of a suggestion or contribution when its worth cannot be calculated in dollars and considers such factors as value or significance of the contribution and extent of application and impact.

030611 Length of Service Award. A non-monetary award of a tangible nature, personalized and given in a "meaningful presentation" in recognition of a worker's length of service. This award must not be disguised as compensation. Under these conditions, *de minimis* and *length-of-service* awards are excluded from income. For further explanation of *length-of-service awards*, refer to VA Handbook 5451, Part D.

030612 Monetary Award. A monetary award is considered to be an award for a specified dollar amount or an award which has a cash equivalent value, e.g., gift certificates, gift cards. All monetary awards are subject to Federal, State and local taxes as stated in section *030201.01 Monetary Awards*.

030613 Necessary Expenses. Expenses that are neither expressly authorized nor prohibited, but may be permissible only if reasonably necessary or incident to the proper execution of an authorized purpose or function of VA. The necessary expense doctrine does not require that a given expenditure be “necessary” in the strict sense that the expenditure would be the only way to accomplish a given goal, rather that the expenditure will contribute to accomplishing the purposes of the appropriation charged. In this regard, an agency should consider the benefit to the agency expected from an expenditure of funds for a necessary expense.

030614 Non-Monetary Awards. Examples include plaques, medals, certificates, desk items such as pens and clothing items (e.g., T-shirts).

030615 On-the-Spot Award. Immediate recognition of one-time, short-term efforts that do not meet the minimum requirements for a special contribution award. On-the-Spot Awards may be monetary or nonmonetary or both.

030616 Personnel and Accounting Integrated Data (PAID). Mainframe application that supports and integrates personnel actions. PAID also provides reports and a centralized general ledger and cost accounting system for personal services.

030617 Presidential Rank Awards. There are two types of awards to recognize and reward SES career appointees who have demonstrated exceptional performance over an extended period of time. The *Distinguished Executive* rank, which the President confers for “sustained extraordinary accomplishment” to no more than 1 percent of the career SES Governmentwide, includes a lump-sum payment of 35 percent of base pay, a distinctive gold pin and a framed certificate signed by the President. The *Meritorious Executive* rank, which the President gives for “sustained accomplishment” to no more than 5 percent of the career SES Governmentwide, includes a lump-sum payment of 20 percent of base pay, a distinctive silver pin and a framed certificate signed by the President.

030618 Recruitment/Relocation Incentives. Incentives that are offered to hire or relocate certain individuals for positions that would not be possible to fill without the incentive. These incentives are not considered basic pay and are not creditable for retirement, overtime or other purposes. They may be used in combination with certain other allowances and authorities (e.g., travel reimbursement, waivers of annuity offsets for retirees) to fill positions with high quality candidates. They are not, however, to be given as substitutes for payment of moving expenses.

030619 Recruitment Service Agreement. A written agreement between an agency and an employee under which the employee agrees to a specified period of employment of

not less than 6 months or more than 4 years with the agency in return for payment of a recruitment incentive.

030620 Relocation Service Agreement. A written agreement between an agency and an employee under which the employee agrees to a specified period of employment of not more than 4 years with the agency at the new duty station to which relocated in return for payment of a relocation incentive.

030621 Retention Incentive. Incentives that are offered to retain certain individuals whose retention is essential because of unusually high or unique qualifications or a special VA need.

030622 Retention Service Agreement. A written agreement between an agency and an employee under which the employee agrees to a specified period of employment with the agency in return for payment of a retention incentive.

030623 Senior Executive Service (SES). The SES is a corps of approximately 6700 men and women who administer public programs at the top levels of the Federal Government. Positions are primarily managerial and supervisory. SES pay is linked to individual performance. SES members are not eligible for locality pay and some positions include additional recruitment incentives.

030624 Superior Performance Awards. A one-time monetary award that may be granted to an employee based on his or her rating of record. These awards only apply to VA employees covered under VA's Title 5 Performance Appraisal Program (see VA Handbook 5017, Part III, Recognizing Individual and Group Contributions, paragraph 2).

030625 Tangible Benefits. Tangible benefits are specific monetary savings that can be calculated. When used as the basis for determining a monetary award, tangible benefits are calculated based on an estimate of savings for the first full year. When there are significant nonrecurring costs involved in implementation, the amount of the award may be based on an *average* of the estimated net benefits over a period of up to 5 years.

030626 Time Off Award. An excused absence granted to an employee without charge to leave or loss of pay. Time off may be used alone or in combination with other forms of special contribution awards.

030627 Title 5 Positions. Positions include General Schedule (GS) positions paid under 5 U.S.C. 5332, including full-time and part-time "hybrid" positions such as pharmacist and occupational therapist; senior-level and scientific and professional positions paid under 5 U.S.C. 5376; Senior Executive Service positions paid under 5 U.S.C. 5383; law enforcement officer positions as defined by 5 U.S.C. 8331(20) or 8401(17) whether or not under the GS; Executive Schedule positions established under 5 U.S.C., chapter 53, subchapter II; Federal Wage System positions; positions for which pay is fixed by law at a rate equal to an Executive Schedule rate; or certain positions

filled by Presidential appointment, Board of Veterans' Appeals, under 38 U.S.C. chapter 71 and members of the Board of Contract Appeals.

030628 Title 38 Assignments. Refers to assignments where service is provided under 38 U.S.C. 7401(1) or as required by the Under Secretary for Health and also for service provided under 38 U.S.C. 7405(a) (1) (A), 7405(a) (1) (B) and 7306 on appointment of at least a minimum of one year.

### **0307 RESCISSIONS**

030701 MP-6, Part V, Supplement 2.3, Chapter 3, Paragraph 3.05, Incentive Awards and 3.15, SES Performance Awards

030702 OF Bulletin 08GA2.03, Recruitment and Relocation Incentives

030703 OF Bulletin 08GA2.04, Retention Incentives

030704 OF Bulletin 07GA2.04, Reporting/Cancelling Repayment of Student Loans

030705 OF Bulletin 03GA2.03, Interim Instructions for Repayment of Student Loans

030706 OF Bulletin 03GC3.03, Extension of the Home Marketing Incentive Award Pilot Program

030707 OF Bulletin 02GA2.04, Recording Procedures for Non-Monetary Awards

030708 OF Bulletin 00GA2.04 Voluntary Separation Incentive Payments (VSIP)

030709 OF Bulletin 00GA2.05, Award Payments for Residents, Without Compensation, Fee Basis and Purchase and Hire Employees

030710 OF Bulletin 95G3.11, Manual Adjustments – Retention Allowances

030711 OF Bulletin 94G3.01, Instruction for Recording Time Off as an Award on VA Form 5631

### **0308 QUESTIONS**

Questions concerning these financial policies and procedures should be directed as follows:

VHA  
VBA  
All Others

VHA Payroll Helpline (Outlook)  
VAVBAWAS/CO/OPERATIONS (Outlook)  
Payroll Policy (Outlook)

## APPENDIX A: AUTHORIZATION OF AWARDS

Refer to VA Directive and Handbook 5017, *Employee Recognition and Awards*, and VA Office of Human Resources Management's (OHRM) Employee Relations and Performance Management Website for guidance on the authorization and application of awards: <http://vaww1.va.gov/ohrm/EmployeeRelations/ERhome.htm>.

A. AUTHORIZATION. VA is authorized, in accordance with 5 U.S.C. Chapter 45, to recognize employees, either individually or as a group, with monetary, non-monetary awards or in a combination. VA may pay a monetary or non-monetary award, as well as grant time-off, to an employee or group of employees for honorary recognition. Title 5 U.S.C. Chapter 53 authorizes VA to recognize career appointees in the SES with performance-based awards that are based on recommendations of Performance Review Boards established by VA under 5 U.S.C. 4314.

VA may also grant a combination (monetary and non-monetary) of awards, to include: a monetary and an honorary award; a time off and an honorary award; a monetary and a time off award; and in extraordinary cases, a monetary and a Quality Step Increase (QSI) or a time off and a QSI.

1. VA may pay a monetary award, including necessary expenses, to honor an employee(s) whose contribution either resulted in overall improvement in Government operations or achieved benefits for the public good, as authorized by 5 U.S.C. 4503.
2. VA may pay a recruitment/relocation incentive in accordance with 5 U.S.C. 5753 when the Department is not able to attract a new employee(s) with the types of skills and qualifications required for specific position(s).
3. VA may pay a retention incentive in accordance with 5 U.S.C. 5754 when such a payment enables the Department to retain an employee(s) with unique or unusually high qualifications or when VA has a special need that the employee(s) will fulfill.
4. VA may grant an award to a former employee(s) for contributions made or performed while employed by VA, regardless of his or her separation from VA or death, in accordance with 5 U.S.C. 4505.

B. LIMITATIONS AND RESTRICTIONS OF AWARDS. VA is limited in how much an employee can receive during a given calendar year through the combined amount of basic pay, allowance, differential, bonus award or other monetary payment.

1. The amount of combined basic pay, allowance, bonus award or other monetary payment that an employee can receive during the calendar year is limited to the salary of Executive Level 1, except for Title 38 physicians and dentists where the calendar year limitation is the salary of the President of the United States. If the above limitation

is a concern when recommending recognition for an employee, consult with the respective finance activity for assistance in determining the projected total compensation for that individual through the end of the calendar year.

2. VA will not grant a monetary award to an Executive Schedule officer if such officer serves in either an Executive Schedule position under subchapter II of chapter 53 or in a position for which the compensation is set in statute by reference to a section or level under subchapter II of chapter 53; and the officer was appointed to such position by the President by and with the advice and consent of the Senate (5 U.S.C. 4509).

3. VA will not grant a monetary award during a Presidential Election year from June 1 prior to the actual election date and ending January 20 following the actual election, to an individual in an SES position<sup>2</sup> who is not a career appointee as defined in 5 U.S.C. 3132(a) (4) or to an individual in an excepted service position of a confidential or policy-determining nature (Schedule C appointee).

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<sup>2</sup> Refer to 5 U.S.C. 3132(a) (2) for a definition of a Senior Executive Service position.



**APPENDIX B: AWARDS**

- [APPENDIX B-1: TYPES OF AWARDS](#)
- [APPENDIX B-2: MONETARY AWARDS – PROCESSING](#)
- [APPENDIX B-3: NON-MONETARY AWARDS – PROCESSING](#)
- [APPENDIX B-4: TIME OFF AWARDS - PROCESSING](#)

## APPENDIX B-1: TYPES OF AWARDS

### A. SPECIAL CONTRIBUTION AWARDS.

1. VA may recognize an individual employee, a group of employees or a team effort for a special contribution, act, service or achievement that benefits VA/Federal Government. VA may use monetary, on-the-spot, time-off, honorary, or non-monetary awards as a means of recognition.
2. A one-time monetary payment may be granted to an individual employee as an award for sustained superior performance, the dollar amount of which is determined by the performance rating attained.

### B. HONORARY AND ORGANIZATIONAL AWARDS.

1. VA may pay honorary awards (generally less than \$50.00) to recognize a wide range of one-time or career achievements. These awards relate to employee recognition such as career service awards (for attained length of service in the Federal Government) or the Secretary's Honor Awards. Refer to VA Handbook 5017, Part IV, Honor and Non-Monetary Awards, for a description of the honorary awards available to recognize VA employees.
2. VA may grant organizational awards for achieving specifically-defined organizational initiatives, such as improved customer service, innovative practices, elimination of unnecessary work processes or procedures, etc. Organizational awards supplement awards granted by the Secretary. Refer to VA Handbook 5017, Part IV, Appendix A, Honor Awards Guide, for a listing of some of these awards, along with the criteria.

### C. RATING-BASED PERFORMANCE AWARDS.

1. Quality Step Increase (QSI) VA may grant a QSI to an employee as a rating-based performance award for performance excellence. Performance excellence is defined as an outstanding rating of record during the last appraisal cycle.
  - VA will increase the employee's organizational budget for any QSI since it impacts basic pay. For restrictions and other criteria on QSIs, refer to VA Handbook 5017, Part III, Recognizing Individual and Group Contributions.
  - The employee's supervisor will submit the QSI recommendation using VA Form 4659, *Incentive Awards Recommendation and Approval*, accompanied by the employee's most recent performance appraisal together with a narrative statement describing exceptional performance.

- VA Form 4652, *Request for Personnel Action*, will be provided to ensure timely processing. If the QSI were to coincide with a regular Within Grade Increase (WGI), the latter would take precedence for processing purposes.

2. Productivity or Gain Sharing Awards. VA may pay productivity or gain sharing awards on a regular recurring basis in recognition of an employee or group of employees whose productivity, quality and/or effectiveness surpassed predetermined standards.

- Productivity or gain sharing programs will be subject to the same award criteria that apply to other awards. Productivity or gain sharing awards, if monetary in nature, may be offered or combined with other forms of employee recognition.
- The results of productivity or gain sharing programs will be monitored and evaluated periodically to ensure that the results achieved, and awards driven by them, are consistent with the intent of the programs.

3. Inspector General Cost Savings Award. A monetary award for cost savings may be paid by the VA Inspector General (IG) to any employee whose disclosure of fraud, waste or mismanagement to the Inspector General of VA or to such other designated VA employee, has contributed to cost savings for the agency. The amount of any such award may not exceed the lesser of \$10,000 or an amount equal to 1 percent of VA's cost savings which the IG or other VA employee determines to be the total savings attributable to the employee's disclosure.

4. Senior Executive Service (SES). VA may pay performance awards to SES career appointees, in addition to basic pay under 5 U.S.C. 5382 or any award paid under 5 U.S.C. 4507, based on recommendations from VA's Performance Review Boards (PRB) established under 5 U.S.C. 4313. VA requires that each SES member have an executive performance plan or contract in place for the appraisal year that reflects measures that balance organization results with customer satisfaction, employee perspectives and other appropriate measures. The final decision for the approval of the actual award and amount thereof rests solely with the Secretary of VA<sup>3</sup>. SES awards include Presidential Rank Awards.

a. VA will ensure that the actual award payment of the career appointee's rate of basic pay is at least 5 percent, but not more than 20 percent. VA may pay performance awards that, in the aggregate in any fiscal year, do not exceed the greater of:

- An amount equal to 10 percent of the aggregate amount of basic pay paid to VA career appointees during the preceding fiscal year; or

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<sup>3</sup> In accordance with the Inspector General Act of 1978, recommendations from the Office of Inspector General's PRB are sent directly to the VA Inspector General for final decision without review by the Veterans Affairs PRB or approval by the Secretary.

- An amount equal to 20 percent of the average of the annual rates of basic pay paid to VA career appointees during the preceding fiscal year.

(1) VA will pay performance awards in a lump sum except in those instances when it is not possible to pay the full amount because of the applicable aggregate limitation on pay during a calendar year. In that case, any amount in excess of the aggregate limitation will be paid at the beginning of the following calendar year (see 5 C.F.R. Part 530, subpart B). VA will charge the full performance award against its bonus pool under 5 C.F.R. 534.405(b) for the fiscal year in which the initial payment was made.

(2) VA will deduct Federal, State and local income taxes and FICA or Medicare amounts, as applicable from the SES performance award. Payments will not be subject to retirement, health benefits or life insurance deductions and they are not included in the "high-three" average pay computation for retirement benefits or in basic pay for thrift savings plan computations.

b. VA may grant monetary, honorary or informal recognition awards to SES members, individually or as a member of a group, to recognize a suggestion, an invention, superior accomplishment, productivity gain or other personal effort that contributes to the efficiency, economy or other improvement of Government operations or achieves a significant reduction in paperwork. VA may also recognize a special act or service in the public interest in connection with official employment. These various awards may not be paid in lieu of a performance award.

**D. SPECIAL ADVANCEMENTS FOR ACHIEVEMENT (SAA) AND SPECIAL ADVANCEMENTS FOR PERFORMANCE (SAP) AWARDS.** For more details on special advancements, including a list of personnel authorized to approve them, refer to VA Handbook 5017, Part V, Title 38 Special Advancements and Cash Awards.

1. SAA. Through approved personnel actions, such as a QSI or a promotion, VA may increase the pay of certain full-time, part-time and intermittent employees<sup>4</sup> who are appointed under Title 38 U.S.C. Chapter 74, as described in VA Handbook 5017, *Employee Recognition and Awards*, Paragraph 4, with an SAA Award on the basis of **professional achievement above that expected** for the grade level or assignment providing they have demonstrated a high level of performance and potential for assumption of greater responsibility.

- VA will not advance individuals at the top step of their grade but may recognize them with a Special Contribution Award, provided they have demonstrated a high level of performance and potential for assumption of greater responsibility and by meeting the criteria for professional achievement.

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<sup>4</sup> For a list of these employees, refer to VA Handbook 5017, Part V, Paragraph 4 (a)-(e), Criteria for Special Advancement for Achievement.

- Local facilities are encouraged to develop criteria [in accordance with VA Handbook 5017, *Employee Recognition and Awards*] to ensure consistent application of SAA.

2. SAP. VA may increase the pay of certain full-time, part-time and intermittent employees<sup>5</sup> appointed under Title 38 U.S.C. Chapter 74 with a SAP Award on the basis of **sustained high level of performance and professional competence over and above that normally expected** of employees in the particular grade and profession or who have made noted contributions in some phase of their profession. The number of step increases that may be granted at any one time is described in VA Handbook 5017, Paragraph 6.

- Supervisors and managers will be considered for an SAP only at the end of the rating cycle.
- Individuals at the top step of their grade will not be advanced, but may be recognized with a Special Contribution Award.

#### **E. AWARDS FOR FULL-TIME, PART-TIME, AND INTERMITTENT REGISTERED NURSES AND NURSE ANESTHETISTS.**

VA may grant monetary awards, in addition to special advancements, to full-time, part-time and intermittent registered nurses and nurse anesthetists, for exemplary job performance and exemplary job achievement. Specialty certifications may form the basis for such monetary awards up to \$2,000 to certain registered nurses and nurse anesthetists depending upon when they became certified.

#### **F. AWARDS FOR CERTAIN APPOINTED TITLE 38 EMPLOYEES.**

VA may pay awards to residents, without compensation, fee basis and purchase and hire employees, when authorized and approved and will account for these awards in Budget Object Code 1133.

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<sup>5</sup> For a list of these employees, refer to VA Handbook 5017, Part V, Paragraph 6 (b)-(f), Criteria for Special Advancement for Performance.

## APPENDIX B-2: MONETARY AWARDS – PROCESSING

### A. Gross-Up Calculations

When VA pays the employee's share of taxes on an award, the amount of taxes paid are additional wages to the employee and are subject to all payroll taxes. [Figure B-1: Award Gross Up Calculation Workbook](#), below can be used to determine the gross amount of the award including taxes. Included in the workbook is a fillable worksheet along with two examples that are also displayed in [Figure B-3: Gross-Up Transaction Examples](#).

**Figure B-1: Award Gross Up Calculation Workbook**



Award Gross Up  
Calculation.xlsx

### B. Payment to Award Recipients Never Paid Through the Defense Civilian Pay System

Payment to award recipients never paid VA salary through the Defense Civilian Pay System (DCPS) requires submission of a completed [VA Form 5638<sup>6</sup>](#), *Pay Adjustment and Draft Payment Code Sheet*, and information in the Hire-Fire Spreadsheet attached below through remedy title, "[Workaround](#)". Payment to ex-employees never paid through DCPS also requires a copy of the separation SF50. Refer to [Figure B-2: Hire-Fire Workbook](#), shown below and the examples displayed in [Figure B-4: Hire-Fire Example](#).

**Figure B-2: Hire-Fire Workbook**



Hire-Fire  
Spreadsheet 060112.

### C. Deductions Remedy for Gift Card Transaction<sup>7</sup>

Gift cards and gift certificates issued as awards are cash-equivalent payments, and cannot be paid through electronic funds transfer (EFT). Issuance in any amount must

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<sup>6</sup> Website link is only available within VA.

<sup>7</sup> [Treasury regulation](#) provides requirement for regular employee salary payments issued after January 2, 1999, [including awards](#), to be issued by Electronic Funds Transfer (EFT) except where valid [waivers](#) are approved. Gift card payment by VA to employees is no longer permitted. If a gift card or gift certificate is issued despite the prohibition, it must be recorded as VA salary.

be recorded as income subject to payroll taxes. Gift Card transactions must NOT be sent by Human Resources as a Master Record Update transaction as this would generate a Standard Form 50 and duplicate payment. The title for the remedy ticket should be labeled “Deduction”, with subtitle or subcategory “Gift Card”.

Gift cards or gift certificates issued by VA to employees must be recorded as income for tax purposes. VA local payroll will send data via remedy ticket including:

- IPAC information, and
- the following amounts:
  - award gross
  - award net
  - subject to OASDI and OASDI tax,
  - subject to Medicare tax and Medicare tax,
  - subject to Federal tax and Federal tax,
  - subject to state tax and state tax, and
  - subject to local tax and local tax.

Use the tax rates as established in DCPS for VA award payments. Current process will withhold the supplemental rate for federal tax, a flat 4% State tax (if applicable), and appropriate percentages for OASDI/Medicare when applicable.<sup>8</sup> Withholding of the OASDI/Medicare deductions is based on the employee’s retirement code, and whether the maximum OASDI has been withheld previously for the same tax year. If the employee is paying taxes into 2 States, state tax will be split at 2% for each State.

Example:	Gross:	\$73.00 (amount subject to Fed and Social Sec Tax)
	Fed Tax	\$18.25
	Medicare	\$ 1.06
	OASDI	\$ 3.07
	Net	\$50.62 Net (gift card amount) is sent to VA by IPAC.

In the example above no state or local tax is charged, and VA Form 4659 authorizes employee pay for the gross award amount including employee tax expense. \$50.00 is the actual gift card amount. Processing limitation requires a whole dollar gross award amount which must produce a net award amount of at least the actual cash value or purchase price of the gift card or gift certificate.

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<sup>8</sup> See tax rate information in [OFP Volume XV, Chapter 4](#), Appendix A, Annual Federal Tax Updates.







*Figure B-4: Hire-Fire Example*

**REMEDY INFO for AWARDS**

This is a manual process for DFAS Payroll. DFAS will hire the individual, pay the award, and then separate the individual. The following must be provided by VA via Remedy. The Memo and Regulations that justify the individual to be hired into DCPS to receive the award; a spreadsheet with the following information.

**WorkAround #1 - To Record and/or Pay Awards to Volunteers, WOC and Non-Employees**

Employee Name	<b>Last, First, MI</b>
Employee ID	<b>Full SSN</b>
Employee Address	
Employee Type	<b>R</b>
Date of Birth	<b>MM/DD/YYYY</b>
Accession NOAC	<b>198</b>
Accession Effective Date	<b>First Day of Current Pay Period</b>
Activity/Organization	<b>Station/Cost Center</b>
GLO (Based on Activity/Organization)	<b>Station/Duty Station</b>
New Hire Indicator	<b>0</b>
Graded/Ungraded Indicator	<b>G</b>
Grade/Step	<b>00 / N</b>
Per Annum Salary/WG Hourly	
Pay Plan	<b>EG</b>
Pay Basis	<b>WC for WOC; GS for Volunteers and Non-Employees</b>
Duty Basis	<b>0</b>
Type of Appointment	<b>5</b>
Normal/Biweekly Hours	<b>0</b>
Work Schedule	<b>I</b>
Leave Group	<b>0</b>
Retirement Code	<b>2</b>
TSP Status	<b>I</b>
GSA Tax Code based on Duty Station	
Federal & State Tax Withholding Info	<b>S/0</b>
Grossed Up Award Amount	
DD/EFT Info	<b>Routing number &amp; account number</b>
Separation NOAC	<b>357</b>
Separation Effective Date	<b>Must Match Accession Effective Date</b>
Separation Code for No Lump Sum	<b>8</b>

## **APPENDIX B-3: NON-MONETARY AWARDS – PROCESSING**

### **Pending Development**

This appendix will include explanations and processing steps for the following:

- Gross Up
- Hire/Fire system procedures
- Separation
- Modified R Transaction

**APPENDIX B-4: TIME OFF AWARDS**

**Pending Development**

## APPENDIX C: INCENTIVES

- [APPENDIX C-1: TYPES OF INCENTIVES](#)
- [APPENDIX C-2: CALCULATING RECRUITMENT, RELOCATION AND RETENTION INCENTIVES](#)
- [APPENDIX C-3: CALCULATING DEBT FOR BREACHED AGREEMENT](#)
- [APPENDIX C-4: INCENTIVE PAYMENT ILLUSTRATIONS](#)
- [APPENDIX C-5: HOME MARKETING AWARD JUSTIFICATION](#)
- [APPENDIX C-6: STUDENT LOAN REPAYMENT INCENTIVE](#)
- [APPENDIX C-7: SUPERVISORY DIFFERENTIAL](#)
- [APPENDIX C-8: VOLUNTARY SEPARATION INCENTIVE PAYMENT \(VSIP\)](#)

## **APPENDIX C-1: TYPES OF INCENTIVES**

### **A. RECRUITMENT AND RELOCATION INCENTIVES**

Recruitment and relocation incentives may be used to appoint high quality employees in positions that may be difficult to fill without such incentives. These incentives are authorized under 5 U.S.C. 5753, extended to title 38 employees under the authority of 38 U.S.C. 7410 and are governed by regulations at 5 CFR part 575, subparts A and B and the provisions of this chapter.

Incentives of up to 25 percent of an employee's annual rate of basic pay multiplied by the number of years in a service agreement (4-year maximum) may be authorized under the procedures contained in VA Handbook 5007, *Pay Administration*. Total incentive payments may not exceed 100 percent of an employee's annual rate of basic pay.

Approving officials must review and approve each recruitment or relocation incentive in writing before the employee enters on duty. Approvals may not be made on a retroactive basis.

### **B. RETENTION INCENTIVES**

Retention incentives may be used to retain employees with high or unique qualifications in positions that may be difficult to fill or whose services are essential to a special VA need and are likely to leave Federal service without an incentive. These incentives are authorized under 5 U.S.C. 5754, extended to title 38 employees under the authority of 38 U.S.C. 7410 and are governed by regulations at 5 CFR part 575, subpart C and the provisions of this chapter. [For retention incentives based on the closure or relocation of the employee's office, facility or organization, refer to Part VI, Appendix Q, Retention Incentive Due to the Closure or Relocation of Employing Office, Facility or Organization.]

Individual retention incentives of up to 25 percent of an employee's rate of basic pay in an installment or service period may be authorized under the procedures contained in VA Handbook 5007, *Pay Administration*. Group retention incentives of up to 10 percent of an employee's rate of basic pay in an installment or service period may be authorized under the procedures contained in this chapter.

Approving officials must review and approve each retention incentive in writing. Incentives will be effective the beginning of the first pay period after the appropriate official approves the request. Approvals may not be made on a retroactive basis.

### **C. HOME MARKETING INCENTIVE**

VA may pay a Home Marketing Incentive (HMI) Award to an employee who sells his or her home as part of the Department's Relocation Services Program. Employees must

first be approved to use the Guaranteed Home Buyout Option (GHBO) Program; once approved, it is the employee's option of whether to participate or not to participate in the HMI Award Program.

#### **D. STUDENT LOAN REPAYMENT INCENTIVE**

VA may pay for repayment of all or part of any outstanding Federally insured student loan or loans previously taken out by (a) a highly qualified candidate to whom an offer of employment has been made or (b) a current highly qualified employee, when necessary to recruit and retain these personnel. Student loan repayments may be authorized for individual employees who occupy General Schedule (GS) positions paid under 5 U.S.C. 5332, including "hybrid" positions identified under 38 U.S.C. 7401(3); senior-level or scientific or professional positions paid under 5 U.S.C. 5376; Veterans Canteen Service positions; Senior Executive Service positions paid under 5 U.S.C. 5383; Federal Wage System positions; law enforcement officer positions as defined by 5 U.S.C. 8331(20) or 8401(17), whether or not under the GS; Executive Schedule positions established under 5 U.S.C., chapter 53, subchapter II; or positions for which pay is fixed by law at a rate equal to an Executive Schedule rate.

A recipient of a student loan repayment must sign a written service agreement that requires the employee to complete, at a minimum, a 3-year period of employment with VA regardless of the amount of loan repayment authorized. A student loan repayment may only be authorized as a recruitment or retention incentive for a candidate or employee on an annual or biweekly basis. The maximum **annual** gross amount (i.e., before taxes) payable in a calendar year that may be authorized is \$10,000. The total **lifetime** gross amount of student loan repayments that may be authorized on behalf of an employee is \$60,000. The approving official must assure that sound justification supports each authorization.

#### **E. SUPERVISORY DIFFERENTIAL**

VA may pay supervisory differential to first level supervisory employees occupying General Schedule (GS) positions paid under U.S.C. 5332. A supervisory differential may be paid to a GS supervisor who is regularly responsible for providing direct technical and administrative supervision of the work of one or more non-GS employees if any of the subordinates would, in the absence of a supervisory differential, be paid more than the supervisor. GS employees competitively promoted or reassigned on a temporary basis to supervisory positions with higher paid subordinates for more than 120 days are eligible for a supervisory differential.

A supervisory differential is not considered part of the supervisor's rate of basic pay for any purpose. Therefore, a differential under this authority is not an equivalent increase because it does not change the rate of basic pay. For this same reason, the reduction or termination of a differential is not an adverse action; it is not used to calculate promotions; nor is it used for retirement calculation purposes.

The differential is to be paid for hours during which the supervisor receives basic pay, exclusive of overtime hours. For full-time supervisors, the differential will be paid for not more than 80 hours per pay period; for part-time employees, the differential will be paid only for non-overtime hours in a pay status. The decision to pay a supervisory differential is discretionary; therefore, no differential may be paid until approved by the appropriate management official. In no instance may a differential be paid retroactively.

#### **F. VOLUNTARY SEPARATION INCENTIVE PAYMENT (VSIP)**

The Voluntary Separation Incentive Payment Authority, also known as buyout authority, allows agencies that are downsizing or restructuring to offer employees lump-sum payments up to \$25,000 as an incentive to voluntarily separate. When authorized by the Office of Personnel Management (OPM), an agency may offer VSIP to employees who are in surplus positions or have skills that are no longer needed in the workforce who volunteer to separate by resignation, optional retirement, or voluntary early retirement, if approved. By allowing employees to volunteer to leave the Government, agencies can minimize or avoid costly and disruptive reductions in force (RIFs).

#### **G. EXTENDED ASSIGNMENT INCENTIVE**

The Extended Assignment Incentives under 5 C.F.R. 575, subpart E, contains OPM regulations implementing 5 U.S.C. 5757, which authorizes the payment of extended assignment incentives. Subject to the requirements of this subpart, an agency may pay an extended assignment incentive to eligible Federal employees assigned to positions located in a territory or possession of the United States, the Commonwealth of Puerto Rico or the Commonwealth of the Northern Mariana Islands who agree to complete a specified additional period of employment with the agency in that location. VA has not authorized payment of extended assignment incentives.



## APPENDIX C-2: CALCULATING RECRUITMENT, RELOCATION AND RETENTION INCENTIVES

### A. SALARY ADJUSTMENTS FOR RECRUITMENT/RELOCATION INCENTIVES.

1. To calculate the per annum salary for hourly rate employees, multiply the employee's hourly rate in effect at the beginning of the service period by 2087.
2. To calculate the total incentive amount, multiply the per annum salary by the number of years in the Recruitment/Relocation/Retention Service Agreement (RSA) and multiply that amount by the approved percentage.
3. To calculate the biweekly incentive amount, divide the total incentive amount by the number of biweekly pay periods in the RSA.

### B. BREACHED RECRUITMENT/RELOCATION INCENTIVES.

1. To calculate the biweekly incentive amount, divide the total authorized incentive amount by the total number of pay periods in the service obligation.
2. To calculate the amount the employee must repay, multiply the resulting amount in paragraph B1 by the number of pay periods remaining in the service obligation.
3. To calculate the amount attributable to service the employee completed under the RSA, subtract the resulting amount in paragraph B2 from the total incentive amount authorized.
4. Compare the resulting amount in paragraph B3 to the total of the incentive payments already paid to the employee under the RSA. The employee will repay to VA any amount received in excess of the amount determined in paragraph B3. If the employee received payments totaling less than the resulting amount in paragraph B3, the employee is owed the difference.

### C. SALARY ADJUSTMENTS FOR RETENTION INCENTIVES

1. Biweekly retention incentive payments. To calculate the hourly or daily pay rate for retention incentives, divide the employee's per annum (PA) salary by the appropriate divisor: 2087 for Title 5 employees, 2080 for Title 38 employees, and 364 days for full-time physicians and dentists.

#### Examples:

Title 5 – PA \$41,890 ÷ 2087 = \$20.07 hourly

Title 38 – PA \$65,878 ÷ 2080 = \$31.67 hourly

Full-time physicians/dentists – PA \$115,000 ÷ 364 = \$315.93 daily

Full-time physicians/dentists – Market pay \$45,000 ÷ 364 = \$123.63 daily

a. To calculate the biweekly rate of basic pay for equal biweekly retention incentive authorized for the full percentage rate, multiply the hourly or daily rate by the hours or days of basic pay in the pay period.

Example:  $\$20.07 \times 80 = \$1,605.60$

b. To calculate the biweekly retention incentive amount, multiply the biweekly rate of basic pay by the retention incentive percentage.

Example:  $\$1,605.60 \times 8 \text{ percent} = \$128.45$

2. Installment retention incentive payments. To calculate retention incentive installment payments authorized for the full percentage rate, multiply the biweekly rate of basic pay earned during the installment period by the retention incentive percentage.

Examples:

$\$1,605.60 \times 8 \text{ pay periods} = \$12,844.80$  (basic pay earned)

$\$12,844.80 \times 8 \text{ percent} = \$1,027.58$

a. To calculate retention incentive installment payments authorized at less than the full percentage rate, multiply the biweekly rate of basic pay earned during the installment period by the applicable retention incentive percentage to be paid, as specified in the RSA. The accrued portion of the retention incentive, which is not paid as an installment payment during the service period, will be paid as part of a final installment payment after completion of the full service period under the terms of the RSA.

Example:  $\$12,844.80 \times 5 \text{ percent} = \$642.24$

b. Accrued portion to be paid at end of service agreement.

Example:  $\$12,844.80 \times 3 \text{ percent} = \$385.34$

**APPENDIX C-3: CALCULATING DEBT FOR BREACHED AGREEMENT**

**BREACHED RECRUITMENT/RELOCATION SERVICE AGREEMENT (RSA) –  
EMPLOYEE DEBT**

A. If the initial lump-sum payment is more than the amount attributable to the completed period of service, the employee owes VA the difference unless a request for waiver is approved. When an RSA is breached or terminated, the employee may file a request for waiver which will be submitted to the official or representative who authorized the incentive. When an erroneous payment of recruitment and/or relocation incentive occurs (which is not a result of a breach of contract), the employee may file a request for waiver which will be directed to the Committee on Waivers and Compromise (COWC). Refer to VA Handbook 5007, Part VI, Recruitment and Retention Incentives, Chapter 2, section 13 and to Volume XII, Chapter 4, *Employee Debts*, for additional information.

Example:

A Title 38 employee enters on duty October 2, 2010 and signs a 3-year recruitment incentive for 78 biweekly pay periods effective October 2, 2010, through October 11, 2013. The incentive will be paid as an initial payment of \$25,000.00 in the first year, semi-annual payments in the second year and a final payment in the third year. The employee completes 32 biweekly pay periods, with termination of the RSA in the second year, effective March 31, 2012.

Per annum salary:	\$ 65,000.00
Approved incentive:	\$ 48,750.00
Biweekly amount:	\$ 625.00

[Approved Incentive = \$65,000 x .25 x 3 years]

1 <sup>st</sup> installment period	\$25,000 initial payment (pay periods (PPs) 10-20 through 11-19)
2 <sup>nd</sup> installment period	Semi-annual (PPs 11-20 through 12-06)
3 <sup>rd</sup> installment period	PPs 12-07 through 12-19
4 <sup>th</sup> installment period	Final payment (PPs 12-20 through 13-19)

Calculations:

Total approved incentive divided by biweekly PPs	\$ 48,750.00 ÷ 78
Repayment (\$625 biweekly X 46 remaining PPs)	<u>\$-28,750.00</u>
Amount attributable to completed service	\$ 20,000.00
Initial lump sum	<u>\$-25,000.00</u>
Salary overpayment/employee debt	\$ 5,000.00

B. If the initial lump-sum payment is less than the amount attributable to the completed period of service, the employee is entitled to the difference. The initial lump-sum payment was \$5,000.00 in the first year.

Calculations:

Total approved incentive divided by biweekly PPs	\$ 48,750.00 ÷ 78
Repayment (\$625.00 biweekly X 46 remaining PPs)	<u>\$-28,750.00</u>
Amount attributable to completed service	\$ 20,000.00
Initial lump sum	<u>\$ -5,000.00</u>
Salary overpayment	\$ 15,000.00

## APPENDIX C-4: INCENTIVE PAYMENT ILLUSTRATIONS

### A. RECRUITMENT/RELOCATION INCENTIVE

A Title 5 employee enters on duty October 2, 2010 and signs a 3-year relocation incentive for 78 biweekly pay periods effective October 2, 2010, through October 11, 2013. The incentive will be paid as an initial payment of \$9,625.00 in the first year, semi-annual payments in the second year and a final payment in the third year. The employee completes the service obligation for 78 biweekly pay periods at the end of the third year, effective October 11, 2013.

Per annum salary:	\$ 38,500.00
Approved incentive:	\$ 28,875.00
Biweekly amount:	\$ 370.19

[Approved incentive = \$38,500 x .25 x 3 years]

1 <sup>st</sup> installment period	Initial payment Pay periods (PPs) 10-20 through 11-19)
2 <sup>nd</sup> installment period	Semi-annual (PPs 11-20 through 12-06)
3 <sup>rd</sup> installment period	(PPs 12-07 through 12-19)
4 <sup>th</sup> installment period	Final payment (PPs 12-20 through 13-19)

#### Calculations:

Approved incentive	\$28,875.00
1 <sup>st</sup> installment (\$370.19 X 26 PPs)	\$ 9,625.00
2 <sup>nd</sup> installment (\$370.19 X 13 PPs)	\$ 4,812.47
3 <sup>rd</sup> installment (\$370.19 X 13 PPs)	\$ 4,812.47
4 <sup>th</sup> installment (\$370.19 X 26 PPs)	<u>\$ 9,624.94</u>
Adjustment	\$ 0.12
Total incentive	\$28,875.00

### B. RETENTION INCENTIVE

A Title 5 employee enters on duty October 2, 2010 and signs a 2-year individual retention incentive, payable at 15 percent of the employee's actual rate of basic pay. The retention agreement is for 52 biweekly pay periods, effective October 16, 2010, through October 13, 2012. The incentive will be paid in installments every six pay periods for the first year and as a final lump-sum payment in the second year. The employee completes the service obligation for 52 biweekly pay periods at the end of the second year, effective October 13, 2012.

<u>Per Annum Salary</u>	<u>Effective Date</u>	<u>Base Pay Amount due per PP</u>
\$46,255	10/01/10	\$1,772.80
\$47,689	01/08/11	\$1,828.00
\$48,500	05/28/11	\$1,859.20
\$52,300	01/07/12	\$2,004.80

Approved incentive amount = 15 percent of actual rate of basic pay

<u>Installments</u>	<u>Pay Periods</u>	<u>Actual Rate of Basic Pay</u>
1 <sup>st</sup> installment	(10-21 through 10-26)	\$ 10,636.80 X 15% = \$ 1,595.52
2 <sup>nd</sup> installment	(11-01 through 11-06)	\$ 10,968.00 X 15% = \$ 1,645.20
3 <sup>rd</sup> installment	(11-07 through 11-12)	\$ 11,030.40 X 15% = \$ 1,654.56
4 <sup>th</sup> installment	(11-13 through 11-18)	\$ 11,155.20 X 15% = \$ 1,673.28
5 <sup>th</sup> installment	(11-19 through 11-20)	\$ 3,718.40 X 15% = \$ 557.76
6 <sup>th</sup> installment	(11-21 through 12-20)	\$ 51,251.20 X 15% = \$ 7,687.68

### C. RETENTION INCENTIVE CHANGE – RETROACTIVE PAY ADJUSTMENT

A Title 5 employee enters on duty October 2, 2010 and signs a 2-year individual retention incentive payable at 15 percent of the employee's actual rate of basic pay. The retention agreement is for 52 biweekly pay periods, effective October 16, 2010, through October 13, 2012. The incentive will be paid in installments every six pay periods for the first year and a final lump-sum payment in the second year. The employee completes the service obligation for 52 biweekly pay periods at the end of the second year, effective October 13, 2012.

The employee completes the obligated period of service. During coding, HR discovers an error in the retention incentive percentage and submits a change retroactive to October 5, 2010. The employee had elected to be paid 13 percent (less than the full percentage) instead of 20 percent (full percentage) for installments and the accrued unpaid portion of the retention incentive as a final lump-sum payment upon completion of the full service period required by the RSA.

<u>Per annum salary</u>	<u>Effective</u>
\$46,255	10/02/10
\$47,689	01/08/11
\$48,500	05/28/11
\$52,300	01/07/12

Approved incentive amount = 20 percent

<u>Installments</u>	<u>Pay Periods</u>	<u>Actual Rate of Basic Pay</u>
1 <sup>st</sup> installment	(10-21 through 10-26)	\$ 10,636.80 X 13% = \$ 1,382.78
2 <sup>nd</sup> installment	(11-01 through 11-06)	\$ 10,968.00 X 13% = \$ 1,425.84
3 <sup>rd</sup> installment	(11-07 through 11-12)	\$ 11,030.40 X 13% = \$ 1,433.95
4 <sup>th</sup> installment	(11-13 through 11-18)	\$ 11,155.20 X 13% = \$ 1,450.18
5 <sup>th</sup> installment	(11-19 through 11-20)	\$ 3,718.40 X 13% = \$ 483.39
6 <sup>th</sup> installment	(11-21 through 12-20)	\$ 51,251.20 X 20% = \$ 10,250.24
6 <sup>th</sup> installment	Unpaid portion (10-21 through 11-20)	<u>\$ 3,325.62</u>
		\$ 13,575.86
<u>Payroll adjustments</u>		
1 <sup>st</sup> installment	(10-21 through 10-26)	\$ 10,636.80 X 15% = \$ -1,595.52
1 <sup>st</sup> installment	(10-21 through 10-26)	\$ 10,636.80 X 13% = <u>\$ 1,382.78</u>
		\$ -212.74
2 <sup>nd</sup> installment	(11-01 through 11-06)	\$ 10,968.00 X 15% = \$ -1,645.20
2 <sup>nd</sup> installment	(11-01 through 11-06)	\$ 10,968.00 X 13% = <u>\$ 1,425.84</u>
		\$ -219.36
3 <sup>rd</sup> installment	(11-07 through 11-12)	\$ 11,030.40 X 15% = \$ -1,654.56
3 <sup>rd</sup> installment	(11-07 through 11-12)	\$ 11,030.40 X 13% = <u>\$ 1,433.95</u>
		\$ -220.61
4 <sup>th</sup> installment	(11-13 through 11-18)	\$ 11,155.20 X 15% = \$ -1,673.28
4 <sup>th</sup> installment	(11-13 through 11-18)	\$ 11,155.20 X 13% = <u>\$ 1,450.18</u>
		\$ -223.10
5 <sup>th</sup> installment	(11-19 through 11-20)	\$ 3,718.40 X 15% = \$ -557.76
5 <sup>th</sup> installment	(11-19 through 11-20)	\$ 3,718.40 X 13% = <u>\$ 483.39</u>
		\$ -74.37
6 <sup>th</sup> installment	(11-21 through 12-20)	\$ 51,251.20 X 15% = \$ -7,687.68
6 <sup>th</sup> installment	(11-21 through 12-20)	\$ 51,251.20 X 20% = <u>\$ 10,250.24</u>
		\$ 2,562.56
Unpaid portion	(10-21 through 10-26)	\$ 10,636.80 X 7% = \$ 744.58
Unpaid portion	(11-01 through 11-06)	\$ 10,968.00 X 7% = \$ 767.76
Unpaid portion	(11-07 through 11-12)	\$ 11,030.40 X 7% = \$ 772.13
Unpaid portion	(11-13 through 11-18)	\$ 11,155.20 X 7% = \$ 780.86
Unpaid portion	(11-19 through 11-20)	\$ 3,718.40 X 7% = \$ <u>260.29</u>
		\$ 3,325.62

The employee is entitled to payment of \$5,888.18 for the sixth installment and is indebted to the agency for \$950.18 for installments one through five. The total debt for retention incentive is \$950.18. In this case, the employee debt (\$950.18) is less than the retention amount due the employee (\$5,888.18). The employee is entitled to payment of \$4,938.00, less employee debt.



**APPENDIX C-5: HOME MARKETING AWARD JUSTIFICATION**

Employee Name (Last, First, Middle): \_\_\_\_\_

Employee's Position, Title, Series, Grade: \_\_\_\_\_

Unit: \_\_\_\_\_ Telephone Number: \_\_\_\_\_

**A. Award Calculation:**

1. Enter Purchase Price of Home \$ \_\_\_\_\_ multiply by .02 = \$ \_\_\_\_\_

2. Maximum Award Amount = \$ 8,000

3. **Amount of Award** (Enter the LESSER of 1. or 2. above.) = \$ \_\_\_\_\_

**B. Award Justification:**

\_\_\_\_\_ has merited an Employee Incentive Award by achieving savings for the agency by successfully marketing his/her home while enrolled in the Department of Veterans Affairs' Relocation Services Program.

Prepared by: \_\_\_\_\_

Date: \_\_\_\_\_

**C. Employee Certification:**

I certify that I wish to receive the Home Marketing Incentive Award and acknowledge the award constitutes taxable income to me. The award will be recorded as such in the VA payroll system and reported to the Internal Revenue Service on my calendar year W-2. I further understand taxes will be withheld from the award amount.

Employee Signature: \_\_\_\_\_

Date: \_\_\_\_\_

**APPENDIX C-6: STUDENT LOAN REPAYMENT INCENTIVE**

**Pending Development**

**APPENDIX C-7: SUPERVISORY DIFFERENTIAL**

**Pending Development**

## APPENDIX C-8: VOLUNTARY SEPARATION INCENTIVE PAYMENT (VSIP)

### A. DESCRIPTION.

The Voluntary Separation Incentive Payment authority, also known as buyout authority, allows agencies that are downsizing or restructuring to offer employees lump-sum payments up to \$25,000 as an incentive to voluntarily separate. When authorized by the Office of Personnel Management (OPM), an agency may offer VSIP to employees who are in surplus positions or have skills that are no longer needed in the workforce and who volunteer to separate by resignation, optional retirement, or voluntary early retirement, if approved. By allowing employees to volunteer to leave the Government, agencies can minimize or avoid costly and disruptive reductions in force (RIFs). Agencies such as the Department of Defense that have been granted agency-specific VSIP authority are not required to seek OPM approval for their use of this option.

### B. COMPUTATION OF INCENTIVE PAYMENT.

An agency computes a Voluntary Separation Incentive Payment on the basis of the lesser of:

1. An amount equal to the amount of severance pay the employee would be entitled to receive, as computed under 5 U.S.C. 5595(c), without adjustment for any previous payment made; or
2. An amount determined by the agency head, not to exceed \$25,000.

The amount that the employee actually receives is less than the amount determined using the above computations because of the deduction of taxes, including Federal, state, social security and Medicare, as appropriate.

### C. DISCRETIONARY AUTHORITY.

As with any incentive, when approved by OPM, this authority is used at the discretion of the agency. Each agency must develop a VSIP plan to describe why the program is needed, how it will be implemented and which positions will be eligible.

### D. REPAYMENT REQUIREMENT.

An employee who receives a VSIP and later accepts employment for compensation with the Government of the United States within 5 years of the date of the separation on which the VSIP is based, including work under a personal services contract or other direct contract, must repay the entire amount of the VSIP to the agency that paid it – before the individual's first day of reemployment.

If the proposed employment is with an agency other than the Government Accountability Office, the United States Postal Service or the Postal Rate Commission, the Director of the Office of Personnel Management may, at the request of the head of the agency, waive the repayment if:

1. The proposed reemployment is with an executive branch agency;
2. The individual involved possesses unique abilities and is the only qualified applicant available for the position; or
3. In case of emergency involving a direct threat to life or property, the individual:
  - a. Has skills directly related to resolving the emergency; and
  - b. Will serve on a temporary basis only as long as the individual's services are made necessary by the emergency.