



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

MAY 15 2013

PERSONNEL AND  
READINESS

MEMORANDUM FOR: SEE DISTRIBUTION

SUBJECT: Living Quarters Allowance Audit Conclusion and Results

- Reference: (a) USD (P&R) Memorandum, "Erroneous Payment of Living Quarters Allowance to Certain Employees," January 3, 2013  
(b) USD (P&R) Memorandum, "Extension for Completion of Erroneous Payment of Living Quarters Allowance Audit," April 4, 2013  
(c) Point Paper, "Clarification of Eligibility for One-Year Extension of Living Quarters Allowance," April 9, 2013  
(d) DoD Instruction 1400.25, Volume 1250, "DoD Civilian Personnel Management System: Overseas Allowances and Differentials," February 23, 2012  
(e) Department of State Standardized Regulations, Section 031 and Chapter 100

The purpose of this memorandum is to summarize the findings of the recent audits required by reference (a), in which I directed the Military Departments, Defense Agencies, and Department of Defense (DoD) Field Activities to audit the pay accounts of all employees hired overseas to determine the number of such individuals who may have been granted Living Quarters Allowance (LQA) erroneously. I also authorized those employees who erroneously received LQA, based upon a specific misinterpretation of the terms of the Department of State Standardized Regulations (DSSR), to continue receiving LQA for up to 1 year. The audits were originally scheduled to be completed by April 3, 2013. However, I extended the deadline to April 18, 2013, by reference (b); clarification of the audit guidance was provided in reference (c).

The audit results show that a total of 659 current DoD civilian employees were erroneously paid LQA after having been hired overseas. Of these 659 employees, 444 were granted LQA erroneously due to misinterpretation of the DSSR and were provided a 1 year LQA authorization via reference (a). The remaining 215 employees were determined to be ineligible for LQA for reasons other than misinterpretation of the DSSR as specified in reference (a). Of the remaining 215, 133 former non-appropriated fund (NAF) employees were appropriately receiving LQA for their NAF position but were determined to be ineligible for LQA once they moved to an appropriated fund position based on a provision in DoD Instruction 1400.25, Volume 1250, Enclosure 3, paragraph 2.(h) (reference (d)), which provided that NAF employees could retain appropriately granted LQA only in circumstances where that employee had received LQA for "at least one year." For the 133 former NAF employees who were appropriately receiving LQA while in their NAF position and subsequently retained that LQA erroneously due to misapplication of the 1 year requirement in the DoD Instruction, I hereby waive application of DoD Instruction 1400.25, Volume 1250, Enclosure 3, paragraph 2.(h) (reference (d)) for a period not to exceed 1 year from the date this memorandum is signed or the date employees are notified of their ineligibility to receive LQA, whichever is later. As these former NAF employees are considered Federal Employees for purposes of LQA eligibility under the DSSR, no waiver of section 031.12b of the DSSR is required.

Further, I find, based on the information contained in the LQA audit, that each of the remaining 82 employees identified as having erroneously received LQA received such LQA under unusual circumstances or failure to follow procedures in DoD Instruction 1400.25, Volume 1250, Enclosure 2, paragraph 2.c.(1)(c). Therefore, for these individuals, I waive the requirements of section 031.12b of the DSSR or DoD Instruction 1400.25, Volume 1250, effective for 1 year from the date this memorandum is signed or the date employees are notified of their ineligibility to receive LQA, whichever is later.

Notwithstanding that the two new groups of employees received LQA inappropriately through no fault of their own, the Department must initiate collection on all debts due to the United States promptly and in accordance with applicable laws and regulations. Notification and collection of any erroneous payment must comply with the Department of Defense Financial Management Regulation (FMR) 7000.14-R, Volume 8, Chapter 8. Although the Department is unable to provide a blanket waiver of indebtedness for past inappropriate LQA payments received by affected employees, it is in the Department's best interest to support individual requests in these unique circumstances. Affected employees may seek a waiver of indebtedness through established procedures in accordance with section 0805 of Volume 8 of DoD FMR 7000.14-R. However, support for a waiver request is contingent on an employee being unaware of the fact that the employee was 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.

My point of contact for this action 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](mailto:seth.shulman@cpms.osd.mil) or (571) 372-1617.

  
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