



Report to the Subcommittee on  
Readiness, Committee on Armed  
Services, House of Representatives

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June 2015

# DEFENSE CIVILIAN COMPENSATION

DOD and OPM Could  
Improve the  
Consistency of DOD's  
Eligibility  
Determinations for  
Living Quarters  
Allowances

# GAO Highlights

Highlights of [GAO-15-511](#), a report to the Subcommittee on Readiness, Committee on Armed Services, House of Representatives

## Why GAO Did This Study

DOD provides LQA as an incentive to recruit eligible individuals for civilian employee assignments overseas. In 2014 DOD spent almost \$504 million on LQA for about 16,500 civilian employees to help defray overseas living expenses, such as rent and utilities. GAO was asked to review DOD's implementation of LQA policies for overseas employees. This report evaluates the extent to which (1) DOD has clarified its LQA eligibility requirements and is monitoring its components' LQA eligibility determinations; and (2) DOD, State, and OPM have helped ensure consistency in the interpretation of LQA eligibility requirements.

GAO reviewed the DSSR, DOD's LQA Instruction, and OPM compensation claim decisions. GAO interviewed DOD, State, and OPM officials responsible for overseeing, implementing, or interpreting LQA eligibility requirements, including a nongeneralizable sample of 15 DOD local human resource offices in the U.S. European Command and U.S. Pacific Command areas of responsibility selected based on the number of employees determined to have been erroneously paid LQA in DOD's 2013 LQA audit.

## What GAO Recommends

GAO recommends DOD monitor components' reviews of LQA eligibility determinations and discuss concerns about DSSR LQA eligibility requirements with State. GAO also recommends that OPM develop timeframes for the timely web posting of its decisions. DOD and OPM concurred with GAO's recommendations.

View [GAO-15-511](#). For more information, contact Johana Ayers at (202) 512-5741 or [ayersj@gao.gov](mailto:ayersj@gao.gov).

June 2015

## DEFENSE CIVILIAN COMPENSATION

### DOD and OPM Could Improve the Consistency of DOD's Eligibility Determinations for Living Quarters Allowances

## What GAO Found

The Department of Defense (DOD) and its components have taken steps to clarify living quarters allowance (LQA) eligibility requirements for civilian employees overseas, but DOD has not monitored its components' LQA eligibility determinations. DOD and its components are to make LQA eligibility determinations in accordance with Department of State (State) Standardized Regulations (DSSR) as well as department-wide and component-level guidance. However, after conducting an audit in 2013, DOD determined that 680 of its civilian employees had erroneously received LQA. Most erroneous LQA payments were attributed to misinterpretations of eligibility requirements. This determination was based in part on a 2011 interpretation of a DSSR eligibility requirement for LQA by the Office of Personnel Management (OPM), which settles federal employee compensation claims. After the audit, DOD issued a memorandum and point paper to implement OPM's interpretation and clarify LQA eligibility requirements. DOD is also updating its LQA Instruction, DOD Instruction 1400.25, Volume 1250, to incorporate OPM's 2011 interpretation. Some DOD components also issued clarifying guidance and adopted new procedures for making LQA eligibility determinations. For example, U.S. Air Forces in Europe developed a flow chart to help human resource specialists determine whether overseas job applicants are eligible for LQA. DOD's LQA Instruction directs DOD components to conduct periodic quality assurance reviews of LQA eligibility and payments, but according to DOD and component officials, they have not consistently done so. Further, the Deputy Assistant Secretary of Defense for Civilian Personnel Policy is responsible for monitoring the implementation and effectiveness of DOD's LQA Instruction and administers this responsibility through the Defense Civilian Personnel Advisory Service. However, this office has not monitored its components' reviews of LQA eligibility determinations. Without such monitoring, DOD cannot ensure that LQA eligibility determinations are being made in accordance with applicable regulations and policies.

Agencies have missed opportunities to ensure consistent interpretation of LQA eligibility requirements.

- DOD components have raised concerns that some DSSR LQA eligibility requirements are ambiguous or outdated, but DOD has not discussed these concerns with State to determine whether the DSSR should be revised. State officials told GAO that they have collaborated with DOD and other agencies on eligibility issues for other allowances in the past and would be open to future discussions. Without communicating its concerns to State, DOD cannot ensure that State has the information it needs to make any adjustments to the DSSR, if appropriate.
- Until recently, OPM had not made its compensation claim decisions widely available to federal agencies, including DOD, and the public because of limited funding. OPM is implementing a new web application for posting compensation claim decisions to its website, but has not established timeframes to routinely post individual decisions. In the absence of doing so, OPM cannot ensure that agencies will have timely access to the most up-to-date information on LQA eligibility issues.

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**Abbreviations**

DCPAS	Defense Civilian Personnel Advisory Service
DOD	Department of Defense
DSSR	Department of State Standardized Regulations
EUCOM	U.S. European Command
LQA	Living Quarters Allowance
OPM	Office of Personnel Management
PACOM	U.S. Pacific Command
State	Department of State

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June 16, 2015

The Honorable Robert J. Wittman  
Chairman  
The Honorable Madeleine Z. Bordallo  
Ranking Member  
Subcommittee on Readiness  
Committee on Armed Services  
House of Representatives

The Department of Defense (DOD) provides a living quarters allowance (LQA) as an incentive to recruit eligible individuals for DOD civilian employee assignments overseas. This allowance helps defray expenses, such as rent and utilities, associated with living overseas.<sup>1</sup> In fiscal year 2013, DOD paid about 16,880 civilian employees assigned overseas just over \$521 million for LQA. However, after conducting a worldwide audit in 2013, DOD determined, based in part on a 2011 Office of Personnel Management (OPM) compensation claim decision,<sup>2</sup> that 680 of those civilian employees had erroneously received a total of about \$104.5 million for LQA in part because of misinterpretations of eligibility requirements for this allowance.<sup>3</sup>

DOD is to make LQA eligibility determinations in accordance with Department of State (State) Standardized Regulations (DSSR) as well as department-wide and component-level guidance.<sup>4</sup> The DSSR governs

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<sup>1</sup>Other federal agencies that employ U.S. civilians overseas—such as the Departments of State, Homeland Security, and Health and Human Services—also provide LQA.

<sup>2</sup>Section 3702 of Title 31 U.S. Code grants OPM the authority to settle certain administrative claims against the U.S. government involving federal civilian employees' compensation and leave, including LQA.

<sup>3</sup>The formal announcement of the audit identified 659 employees who were determined to have been erroneously paid LQA. After the formal announcement of the audit results, an additional 21 employees were determined to have been erroneously paid LQA, bringing the total to 680.

<sup>4</sup>Section 5923 of Title 5 U.S. Code authorizes LQA for federal employees assigned overseas when housing is not provided directly by the U.S. government. The statute authorizes the President to promulgate regulations governing LQA, and the President delegated his authority to the Secretary of State. See 5 U.S.C. § 5922(c) and Executive Order 10903, 26 Fed. Reg. 217 (Jan. 9, 1961).

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allowances and differentials available to federal civilian employees assigned overseas,<sup>5</sup> including cost-of-living allowances, quarters allowances,<sup>6</sup> and pay differentials provided as incentives to those employees who work in dangerous areas.<sup>7</sup> Within DOD, the Deputy Assistant Secretary of Defense for Civilian Personnel Policy, under the authority, direction, and control of the Under Secretary of Defense for Personnel and Readiness, is to develop, revise, and monitor the implementation of overseas allowance and differential policies and procedures. The Deputy Assistant Secretary of Defense for Civilian Personnel Policy has delegated this responsibility to the Defense Civilian Personnel Advisory Service (DCPAS), a component of the Defense Human Resources Activity. In addition to the DSSR, DOD components are to determine LQA eligibility according to DOD Instruction 1400.25, Volume 1250, *DOD Civilian Personnel Management System: Overseas Allowances and Differentials* (hereinafter cited as DOD's LQA Instruction).<sup>8</sup>

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<sup>5</sup>DOD civilian employees may receive all of the allowances and differentials in the DSSR except the wardrobe portions of the foreign transfer allowance and home service transfer allowance; the difficult-to-staff incentive differential; and the education allowance (except that the educational travel allowance may be authorized).

<sup>6</sup>A quarters allowance is intended to reimburse an employee for substantially all costs for either temporary or permanent residence quarters whenever government-owned or government-rented quarters are not provided to the employee without charge. Quarters allowances include the LQA, temporary quarters subsistence allowance, and extraordinary quarters allowance.

<sup>7</sup>An employee must include in gross income for federal income tax purposes pay differentials received as financial incentives for employment overseas. Pay differentials are given for employment under adverse conditions, such as severe climate. Certain allowances, such as cost-of-living and quarters allowances, are not included in gross income for federal income tax purposes, since they are reimbursements for expenses an employee has previously incurred. The DSSR authorizes the following 17 different types of allowances and differentials: advance of pay, danger pay allowance, difficult-to-staff incentive differential, education allowance, educational travel, evacuation-related payments, extraordinary quarters allowance, foreign transfer allowance, foreign travel per-diem allowance, home service transfer allowance, living quarters allowance, post allowance, post hardship differential, official residence expense allowance, representation allowance, separate maintenance allowance, and temporary quarters subsistence allowance.

<sup>8</sup>DOD Instruction 1400.25, Volume 1250, *DOD Civilian Personnel Management System: Overseas Allowances and Differentials* (Feb. 23, 2012). This instruction also covers post allowances, education allowances, and separate maintenance allowances as well as reimbursement for education travel.

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You requested that we assess DOD's implementation of LQA-related policies for DOD civilian employees assigned overseas. In this report, we evaluated the extent to which (1) DOD has clarified its LQA eligibility requirements and is monitoring its components' LQA eligibility determinations; and (2) DOD, State, and OPM have helped ensure consistency in the interpretation of LQA eligibility requirements.

To conduct this review, we present information in this report on DOD's 2013 LQA audit. We used Defense Finance and Accounting Service's payroll data for fiscal years 2011 through 2014 to identify the number of employees who received LQA, the total dollar amount of LQA spent, and the debt incurred by the employees determined by DOD's 2013 LQA audit to have been erroneously paid LQA. To assess the reliability of these data, we interviewed Defense Finance and Accounting Service's knowledgeable officials and performed electronic testing to identify obvious problems with completeness or accuracy. We found these data to be sufficiently reliable for the purposes of our report.

To evaluate the extent to which DOD has clarified its LQA eligibility requirements and is monitoring its components' LQA eligibility determinations, we reviewed the DSSR, DOD's current LQA Instruction and a related September 2013 policy advisory,<sup>9</sup> and OPM compensation claim decisions related to LQA. We interviewed officials from State's Office of Allowances and OPM's Merit System Accountability and Compliance division on OPM's interpretation of key LQA eligibility requirements. We also reviewed DOD's draft LQA Instruction and interviewed officials about their plans for overseeing LQA eligibility determinations. We interviewed officials from DCPAS, DOD components with employees who were determined to have been erroneously paid LQA, and selected DOD agencies and a field activity with regard to DCPAS's oversight of LQA eligibility determinations. We also interviewed officials from the Army, Navy, Air Force, and Marine Corps who are involved in creating and implementing LQA guidance for the military services as well as providing support to the overseas officials who make LQA eligibility determinations to identify potential challenges with implementation of and recommendations for improving DOD's current LQA Instruction and the DSSR. Additionally, we interviewed officials at

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<sup>9</sup>Office of the Assistant Secretary of Defense for Readiness and Force Management, *Request for Policy Advisory on Application of the Definition of United States Hire Within Department of Defense Instruction 1400.25, Volume 1250* (Sept. 19, 2013).

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U.S. European Command (EUCOM) and U.S. Pacific Command (PACOM) to obtain their views on the 2013 LQA audit and LQA eligibility determinations. Finally, we interviewed officials involved in making LQA eligibility determinations from the Army, Navy, and Air Force service component commands in the EUCOM and PACOM areas of responsibility, as well as officials from 15 of the 33 local human resource offices that report to those service component commands, to identify potential challenges in determining LQA eligibility at the operational level. We selected a nongeneralizable sample of 15 of the 33 offices from service component commands in both the EUCOM and PACOM areas of responsibility, as well as offices from each of the military departments' service component commands. While the results of these interviews are not representative of all offices, they provide valuable insights.

To evaluate the extent to which DOD, State, and OPM have helped ensure consistency in the interpretation of LQA eligibility requirements, we assessed DOD's process for communicating with State about the DSSR. We also interviewed officials from State's Office of Allowances with regard to the extent to which they communicated with DCPAS on issues related to LQA eligibility requirements and the process for updating the DSSR. To analyze how DOD has reviewed OPM compensation claim decisions to inform its LQA eligibility determinations, we examined DOD's process for receiving and disseminating OPM compensation claim decisions. We analyzed the ways in which DCPAS, DOD components, and the local DOD human resource offices we interviewed receive, share, and incorporate OPM compensation claim decisions into LQA eligibility determinations. We also interviewed officials from OPM's Merit System Accountability and Compliance division to assess the process for adjudicating and disseminating OPM compensation claim decisions. We assessed the agencies' interaction against the *Standards for Internal Control in the Federal Government*.<sup>10</sup> We also interviewed officials from DCPAS, DOD components, and the local human resource offices to determine how DOD has communicated with State and received and disseminated OPM compensation claim decisions with implementation instructions during and since the 2013 LQA audit. We provide additional information about our scope and methodology in appendix I.

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<sup>10</sup>GAO, *Standards for Internal Control in the Federal Government*, [GAO/AIMD-00-21.3.1](#) (Washington, D.C.: Nov. 1999).



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We conducted this performance audit from July 2014 to June 2015 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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## Background

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### Intent of and Eligibility Requirements for LQA

Congress passed the Overseas Differentials and Allowances Act of 1960 (hereinafter referred to as the Act) to (1) provide a means for more effectively compensating government employees for the extra costs and hardships associated with overseas assignments; (2) provide for the uniform treatment of government employees stationed overseas; (3) establish the basis for more efficient and equitable administration of the laws compensating government employees who are assigned overseas; and (4) facilitate government recruitment and retention of the best qualified employees for civilian employment overseas.<sup>11</sup> The Act authorized the granting of LQA whenever government-owned or government-leased housing is not provided free of cost to an employee assigned overseas. LQA is intended to reimburse employees for the costs incurred for rent, heat, light, fuel, gas, electricity, and water.

LQA is generally intended as a recruitment incentive to encourage individuals who are recruited by federal agencies in the United States—hereinafter referred to as “U.S. hires”—to live and work overseas for a limited period of time. However, under certain circumstances the DSSR also permits federal agencies to provide LQA to employees recruited and hired overseas. Specifically, the DSSR allows LQA to be granted to employees hired overseas provided that the following eligibility requirements are met:

- the employee’s actual place of residence overseas where LQA is to be granted can be fairly attributable to employment by the federal agency that is hiring him or her;

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<sup>11</sup>See Pub. L. No. 86-707, 74 Stat. 792 (1960) (codified at 5 U.S.C. §§ 5921-24).

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- prior to appointment by the federal agency, the employee was recruited in the United States or a U.S. territory by the U.S. government, including by the military; by a U.S. firm, organization, or interest; by an international organization in which the U.S. government participates; or by a foreign government;<sup>12</sup>
  - the employee must have been in “substantially continuous employment by such employer”; and
  - the employee must have been authorized by such employer to receive paid transportation back to the United States or U.S. territory after the conclusion of his or her overseas employment.<sup>13</sup>

According to DSSR § 013, the head of a federal agency may issue further implementing regulations within the scope of the DSSR. According to OPM compensation claim decisions, agency implementing guidance may impose additional requirements, but may not be applied unless the employee has first met the basic DSSR eligibility criteria.<sup>14</sup> Also, agency implementing regulations such as DOD’s LQA Instruction may impose additional requirements to further restrict LQA eligibility but may not exceed the scope of the DSSR.<sup>15</sup>

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## State, OPM, and DOD Roles and Responsibilities for LQA

State, OPM, and DOD have varying roles and responsibilities related to LQA for civilian employees assigned overseas, as shown in figure 1.

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<sup>12</sup>Department of State Standardized Regulation § 031.12 states that “prior to appointment, the employee was recruited in the United States, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, the former Canal Zone, or a possession of the United States.”

<sup>13</sup>If the employee was initially hired by a government agency, he or she may also be eligible to receive LQA as an overseas hire if, as a condition of employment by the government agency, the employee was required by that agency to move to another area besides the United States, in cases specifically authorized by the head of agency.

<sup>14</sup>OPM File Number 11-0037 (July 11, 2012).

<sup>15</sup>OPM File Number 13-0040 (May 8, 2014).

**Figure 1: Department of State (State), Office of Personnel Management (OPM), and Department of Defense (DOD) Roles and Responsibilities for Living Quarters Allowance (LQA)**



Source: GAO analysis of DOD, State, and OPM data. | GAO-15-511

**State.** State is authorized by the President to prescribe regulations governing the payment of allowances and differentials, including LQA. In 1961, the Secretary of State promulgated the DSSR to, among other things, define requirements for LQA eligibility. State's Office of Allowances develops and coordinates policies, regulations, standards, and procedures to administer the government-wide allowances and benefits program abroad under the DSSR. According to State officials in this office, the content of the LQA-related sections of the DSSR has not been substantively updated since the 1960s.

According to officials in State's Office of Allowances, another federal agency can request that State consider revising the DSSR. Upon such a request, State officials review the request and, if reasonable, send it to other federal agencies for comment. If there are no substantive objections from the other federal agencies, legal counsel conducts a review of the proposed amendment. Barring any legal objections, State updates the relevant section of the DSSR on its website and in a biweekly cable distributed to all U.S. and overseas areas where federal employees are assigned.

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**OPM.** Generally, OPM has been responsible for adjudicating federal employees' compensation and leave claims since 1996.<sup>16</sup> Since that time, OPM has issued more than 150 decisions relating to DOD employees' eligibility to receive LQA. When a federal employee disagrees with a decision made by his or her employing federal agency regarding pay, leave, or other compensation—including LQA—the employee has the right to protest that decision. Once an employee has exhausted the options for appeal within the federal agency, he or she can choose to file a compensation claim with OPM. OPM reviews the facts of the case, including the laws and regulations the federal agency used to make the initial determination, and then issues a decision. If the employee disagrees with the OPM decision, he or she has the option to file a claim in an appropriate U.S. court.<sup>17</sup> Federal agencies may not appeal an OPM decision. Alternatively, an employee can bypass the OPM administrative process and proceed directly to file a claim in the appropriate U.S. court.<sup>18</sup>

In a September 2008 compensation claim decision, OPM addressed the DSSR requirement that—for eligibility to receive LQA—an employee hired overseas must have been initially recruited in the United States or a U.S. territory by the U.S. government, a private U.S. organization, an international organization in which the U.S. government participates, or a foreign government.<sup>19</sup> Specifically, OPM opined that an employee hired overseas must have maintained “substantially continuous employment by such employer,” which was limited to a single qualifying employer. Under this “single employer interpretation” the employee must (1) have had only

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<sup>16</sup>Section 7121(a)(1) of Title 5 U.S. Code directs that except as provided elsewhere in the statute, the grievance procedures in a negotiated collective bargaining agreement shall be the exclusive administrative remedy for resolving matters that fall within the coverage of the collective bargaining agreement. Therefore, OPM cannot assert jurisdiction over the administrative compensation and leave claims of federal employees who are or were subject to a negotiated grievance procedure under a collective bargaining agreement between the employee's agency and labor union for any time during the claim period, unless the matter is or was specifically excluded from the collective bargaining agreement's negotiated grievance procedure. See 5 CFR 178. 101(b).

<sup>17</sup>The employee can also file a claim directly with an appropriate U.S. court, such as the U.S. Court of Federal Claims. The employee may appeal a decision of the U.S. Court of Federal Claims to the U.S. Court of Appeals for the Federal Circuit and the U.S. Supreme Court.

<sup>18</sup>5 CFR § 178.107.

<sup>19</sup>OPM File Number 08-0009 (Sept. 18, 2008).

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a single previous employer and (2) not have had a break in that employment prior to accepting the new position with the federal agency. OPM reiterated this interpretation in subsequent compensation claim decisions in 2011.<sup>20</sup>

Between 2012 and 2014, OPM also interpreted the DSSR's definition of a U.S. hire in several compensation claim decisions. Specifically, OPM stated that whether an employee should be considered as having been recruited in the United States or recruited overseas depends on the physical location of the employee when recruited (the geographic place of physical residency at the time of recruitment), not on the existence of a legal residence at some place other than where the employee is located at that time.<sup>21</sup> That is, OPM clarified that the DSSR language requiring that a U.S. hire be "recruited in" the United States clearly connotes physical presence in the United States at the time of recruitment. That requirement, according to OPM, does not allow for a more expansive interpretation, such as the maintenance of a legal residence in the United States.<sup>22</sup>

**DOD.** The Deputy Assistant Secretary of Defense for Civilian Personnel Policy—under the authority, direction, and control of the Under Secretary of Defense for Personnel and Readiness—develops, revises, and advises on the implementation of overseas allowance and differential policies and procedures, including those for LQA. Additionally, according to DOD Instruction 1400.25, Volume 100, *DOD Civilian Personnel Management System: General Provisions*, the Deputy Under Secretary of Defense for Civilian Personnel Policy shall also monitor the implementation and effectiveness of DOD's LQA Instruction and revise it as appropriate. This responsibility is now carried out by the Deputy Assistant Secretary of Defense for Civilian Personnel Policy, who administers this responsibility through the Defense Civilian Personnel Advisory Service (DCPAS), a component of the Defense Human Resources Activity. DCPAS is responsible for developing and delivering civilian personnel policies and human resource solutions, including policy for overseas allowances and differentials.

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<sup>20</sup>See, for example, OPM File Numbers 11-0005 (July 1, 2011) and 11-0012 (Sept. 15, 2011).

<sup>21</sup>OPM File Number 12-0019 (Oct. 9, 2012).

<sup>22</sup>OPM File Numbers 13-0022 (Feb. 25, 2014) and 13-0040 (May 8, 2014).

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DOD's LQA Instruction was last revised in February 2012. According to DCPAS officials, the primary reason for the revision was to extend eligibility for overseas allowances and differentials to same-sex domestic partners of civilian employees and their children, to comply with a 2010 Presidential Memorandum.<sup>23</sup> The secondary reason for the revision, according to DCPAS officials, was to add a requirement that the heads of DOD components conduct ongoing quality assurance reviews to verify that foreign allowance and differential payments are consistent with applicable statutory and regulatory provisions. The addition of this requirement was partly in response to a DOD Inspector General's report in August 2010 that found that the Office of the Deputy Assistant Secretary of Defense for Civilian Personnel Policy did not provide uniform guidance to the human resource offices of DOD components with regard to their authorizing overseas allowances and differentials accurately and consistently.<sup>24</sup> The 2012 revision to the LQA Instruction also assigned responsibility to the Deputy Assistant Secretary of Defense for Civilian Personnel Policy for developing, revising, and monitoring the implementation of overseas allowance and differential policies and procedures.

According to DOD's LQA Instruction, overseas allowances and differentials, including LQA, are neither automatic salary supplements nor entitlements that are automatically granted to all employees who meet eligibility requirements. The LQA Instruction states that allowances and differentials are specifically intended to be recruitment incentives for U.S. citizens who are civilian employees living in the United States to accept federal employment overseas, and that ordinarily, if a person is already living overseas, that inducement is unnecessary. DOD's LQA Instruction defines a "U.S. hire" as a person who physically resided permanently in the United States from the time he or she applied for employment until and including the date he or she accepted a formal offer of employment.<sup>25</sup> DOD's LQA Instruction permits LQA and other allowances in certain

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<sup>23</sup>Presidential memorandum, *Extension of Benefits to Same-Sex Domestic Partners of Federal Employees* (June 2, 2010).

<sup>24</sup>DOD Inspector General, Report No. D-2010-075: *Foreign Allowances and Differentials Paid to DOD Civilian Employees Supporting Overseas Contingency Operations* (Aug. 17, 2010).

<sup>25</sup>This definition also applies to individuals residing in the Commonwealth of the Northern Mariana Islands, Puerto Rico, or any other U.S. territory or possession.

circumstances to be granted to employees hired overseas when those employees meet eligibility requirements.

DOD components are responsible for making LQA eligibility determinations for individual job applicants or employees, and for ensuring that employees are paid LQA properly, in accordance with DOD's LQA Instruction and the DSSR. For example, each military service has multiple human resource offices within the geographic combatant commands' areas of responsibility that hire and work with employees regarding personnel issues.<sup>26</sup> The level of local human resource office that determines LQA eligibility varies by military service and their respective human resource offices. For example, officials from the Army's local human resource offices propose initial LQA eligibility determinations to the Army's Civilian Human Resources Agency's regional office, which makes the final eligibility determinations. In contrast, Navy officials stated that Navy local human resource offices in the EUCOM area of responsibility have full responsibility to make LQA eligibility determinations, although the local offices can contact the Navy Installation Command's regional human resource office in Europe if there are questions associated with a particular LQA eligibility determination. The defense agencies and field activities have a much smaller overseas presence than the military services and generally centralize LQA eligibility determinations at the headquarters level. Table 1 shows the number of DOD employees who received LQA during fiscal years 2011 through 2014, as well as the total amount of LQA payments.

**Table 1: Department of Defense (DOD) Payments for Living Quarters Allowance (LQA), Fiscal Years 2011 through 2014**

<b>Fiscal year</b>	<b>Number of employees paid LQA</b>	<b>Total dollar amount of LQA paid</b>
2011	17,035	\$511,540,815
2012	17,121	\$523,695,797
2013	16,878	\$521,064,443
2014	16,682	\$503,811,956

Source: GAO analysis of DOD data. | GAO-15-511.

<sup>26</sup>DOD has six geographic combatant commands responsible for missions in specific areas of the world: U.S. Africa Command, U.S. Central Command, U.S. European Command, U.S. Northern Command, U.S. Pacific Command, and U.S. Southern Command.

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## DOD's 2013 Audit of Employees Who Were Hired Overseas and Receiving LQA

Prior to the 2008 and 2011 OPM compensation claim decisions that discuss the single employer interpretation, many DOD components interpreted the LQA Instruction and the DSSR as authorizing LQA for employees hired overseas in situations of continuous employment with multiple employers, rather than a single employer. In May 2011, U.S. Army in Europe, in response to the 2011 OPM decision, concluded that its LQA eligibility determinations had been inconsistent with OPM's single employer interpretation of the DSSR. In May 2012, EUCOM requested authorization from the Under Secretary of Defense for Personnel and Readiness to continue LQA for not longer than 12 months for employees working for DOD components in the EUCOM area of responsibility who were currently receiving the allowance, but who did not meet OPM's single employer interpretation.

EUCOM's request prompted the Acting Principal Deputy Under Secretary of Defense for Personnel and Readiness to issue a memorandum on January 3, 2013, directing all DOD components to conduct an audit of all "locally hired overseas employees" (that is, employees hired overseas) currently receiving LQA.<sup>27</sup> The audit results showed that 680 DOD civilian employees were considered to have been "erroneously paid LQA after having been hired overseas," including 444 who were identified in the audit as being ineligible for LQA because of inconsistency with the single employer interpretation.<sup>28</sup> See appendix II for more information on the results of DOD's 2013 audit.

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<sup>27</sup>Office of the Under Secretary of Defense for Personnel and Readiness memorandum, *Erroneous Payment of Living Quarters Allowance to Certain Employees* (Jan. 3, 2013).

<sup>28</sup>The formal announcement of the audit identified 659 employees who were determined to have been erroneously paid LQA. After the formal announcement of the audit results, an additional 21 employees were determined to have been erroneously paid LQA, bringing the total of employees to 680. Of the 659 employees identified in the audit, 215 were determined to be ineligible for LQA for reasons apart from not meeting the single employer interpretation. Specifically, 133 former nonappropriated fund employees were appropriately receiving LQA for their non-appropriated fund positions but were determined to be ineligible for LQA once they moved to appropriated fund positions. The remaining 82 employees were identified as having erroneously received LQA under unusual circumstances or failure to follow procedures in DOD's LQA Instruction.



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## DOD Has Taken Steps to Clarify Requirements for LQA Eligibility, but Is Not Monitoring LQA Eligibility Determinations Made by Its Components

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### DOD and Its Components Have Taken Some Steps to Clarify LQA Eligibility Requirements

DOD, through its components and DCPAS, has taken some steps to clarify LQA eligibility requirements, particularly as they relate to the single employer interpretation and the definition of a U.S. hire. For example, DCPAS is drafting an update to DOD's LQA Instruction that will address the single employer interpretation. Also, the Office of the Under Secretary of Defense for Personnel and Readiness has issued a memorandum and DCPAS has issued a point paper and fielded questions from DOD components about individual employees to clarify LQA eligibility requirements. In addition, in September 2013, the Deputy Assistant Secretary of Defense for Civilian Personnel Policy issued a policy advisory to clarify the definition of a U.S. hire. However, the policy advisory's definition of a U.S. hire appears to conflict with OPM's interpretation of the DSSR. DCPAS is currently consulting with DOD components to decide whether to continue using the policy advisory's definition, which could prompt it to discuss possible revisions to the DSSR with State, or to invalidate that definition.

*Single Employer Interpretation.* The January 2013 memorandum that initiated the 2013 LQA audit stated that employees hired overseas after working for more than one employer are not eligible to receive LQA. DCPAS also disseminated a point paper to DOD components in April 2013 that acknowledged the components had been incorrectly interpreting the DSSR and further reinforced the single employer interpretation as the correct interpretation. In the point paper, DCPAS also provided examples of employee categories that did not meet the

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single employer interpretation and thus were not eligible for LQA.<sup>29</sup> For example, the point paper clarified the status of military members who separated from service in a location outside the United States, were employed in a federal civilian position and properly provided LQA, left for employment with a contractor(s), and subsequently returned to a federal civilian position with DOD. The point paper stated that it does not matter that such employees properly received LQA during their initial civilian employment. Based upon the clarified definition of “substantially continuous employment by such employer,” these employees had intervening employment and were not eligible for LQA upon appointment to the subsequent period of federal civilian employment with DOD. In addition, DCPAS officials have periodically assisted officials from DOD components’ headquarters if they have questions regarding LQA policies. In particular, officials from two military departments told us that DCPAS officials will answer questions about LQA eligibility determinations for individual employees and will respond to inquiries about interpretations of DOD’s LQA Instruction.

DCPAS is drafting an update to DOD’s LQA Instruction that will address the single employer interpretation. The LQA Instruction was last revised in February 2012, prior to the 2013 LQA audit, and therefore does not reflect, among other things, the single employer interpretation. Specifically, DOD’s LQA Instruction currently does not state that, to be eligible for LQA, an employee must have remained with the same employer that recruited him or her from the United States, and must have had no intervening employment, prior to his or her DOD civilian position. Officials from several DOD components told us that it would be helpful to have an updated LQA Instruction that reflects the single employer interpretation to minimize potential misinterpretations. According to DCPAS officials and a February 2015 draft LQA Instruction we reviewed, DOD’s updated LQA Instruction will address the single employer interpretation and other LQA eligibility requirements, such as former military members’ eligibility to receive LQA immediately after separating from the military. However, the draft LQA Instruction we reviewed also includes a proposal to eliminate LQA for DOD civilian employees hired overseas unless a Service Secretary or equivalent grants an exception. If DOD adopts this proposal, the number of instances where DOD would

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<sup>29</sup>DCPAS, *Point Paper: Erroneous Payment of Living Quarters Allowance to Certain Employees* (Apr. 9, 2013).

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apply the single employer interpretation to determine LQA eligibility would likely be significantly reduced.

DCPAS officials told us that, at the direction of the Deputy Assistant Secretary of Defense for Civilian Personnel Policy, they began a review of DOD's LQA Instruction in fall 2013. As part of this review, DCPAS officials solicited informal comments and recommendations from DOD components on the draft LQA Instruction. DCPAS officials stated that they sent the draft LQA Instruction to DOD components for initial informal comments in early 2014. These officials explained that they then transitioned their focus to a larger effort reviewing all DOD guidance related to overseas civilian employees, and the update to the LQA Instruction was incorporated into this effort. According to the officials, DOD's draft LQA Instruction was sent in February 2015 to DOD components for additional informal comments. DCPAS officials stated that they expect DOD's updated LQA Instruction to be finalized and released in late 2015. Officials from military service component commands in the EUCOM area of responsibility told us that they are waiting for DCPAS to release the updated LQA Instruction before they issue their own updated LQA guidance.

In addition, DOD components have taken steps to clarify LQA eligibility requirements, including issuing memorandums and adopting new procedures for making LQA eligibility determinations. Prior to the 2013 LQA audit, U.S. Army in Europe and U.S. Air Forces in Europe modified their interpretation of LQA eligibility requirements to be consistent with the single employer interpretation. For example, U.S. Army in Europe issued a memorandum in January 2012 stating that six months earlier it had begun applying the single employer interpretation when making LQA eligibility determinations, and that the single employer interpretation was consistent with the DSSR.<sup>30</sup> Also, U.S. Air Forces in Europe revised its guidance in October 2012 to emphasize that "substantially continuous employment by such employer" is restricted to the single employer that initially recruited the employee from the United States.<sup>31</sup>

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<sup>30</sup>U.S. Army in Europe memorandum, *Living Quarters Allowance Eligibility under Department of State Standardized Regulations Section 031.12b, Former Contractor Employees Appointed As Army Civilians* (Jan. 17, 2012).

<sup>31</sup>U.S. Air Forces in Europe Instruction 36-705: *Benefits and Allowances for U.S. Employees in USAFE* (Oct. 29, 2012).

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After the 2013 LQA audit, some DOD components adopted new procedures for making LQA eligibility determinations with the intent of ensuring that civilian employees hired overseas met the single employer interpretation. For example, prior to the 2013 LQA audit, LQA eligibility determinations for Army overseas civilian employees to receive LQA were made at the local overseas human resource office level. After the audit, the Army's Civilian Human Resources Agency established the following multitier review for making LQA eligibility determinations in each of its overseas regions:

- First, a human resource specialist at the local human resource office reviews an LQA questionnaire filled out by the job applicant to ensure that the applicant meets LQA eligibility criteria found in both the DSSR and DOD's current LQA Instruction.
- Second, the human resource specialist's supervisor conducts another review. If both of the local officials agree with regard to the job applicant's eligibility for LQA, the applicant's LQA questionnaire is forwarded to the overseas regional office.
- Third, an LQA subject matter expert at the regional office conducts an additional review.
- Fourth, a senior-level LQA subject matter expert at the regional office conducts a final review before sending the final determination of the job applicant's eligibility to receive LQA back to the local human resource office.

Army officials explained that if at any point there is disagreement among the officials regarding the eligibility assessment, the officials will discuss the job applicant's LQA questionnaire to reach consensus. Similarly, U.S. Air Forces in Europe developed a flow chart to help local human resource specialists determine whether overseas job applicants are eligible for LQA. For example, the flow chart seeks to determine whether an applicant is a contractor or a separated military member, and whether he or she was recruited in the United States.

*Definition of a U.S. Hire.* In an August 2013 memorandum, the Army Civilian Human Resources Agency requested that Department of the Army headquarters provide clarification on the definition of a U.S. hire

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found in DOD's LQA Instruction.<sup>32</sup> In the memorandum, the Army Civilian Human Resources Agency explained that the Department of the Army had been interpreting DOD's LQA Instruction to mean that a physical presence overseas during time of recruitment (that is, from the time of application to a job offer), for any reason, disqualified a job applicant from meeting the definition of a U.S. hire. The Army Civilian Human Resources Agency memorandum stated that this interpretation of a U.S. hire did not appear to be logical, and cited a recent case as an example.<sup>33</sup>

After receiving the Army Civilian Human Resources Agency's request for clarification, in September 2013 the Deputy Assistant Secretary of Defense for Civilian Personnel Policy sent a policy advisory to the Department of the Army with guidance on how to define a U.S. hire.<sup>34</sup> The policy advisory stated that an individual may still be considered a U.S. hire even though he or she may have left the United States for a short period of time, and it provided examples of such scenarios. Specifically, it clarified that a job applicant should be considered to physically reside in the United States and considered a U.S. hire if he or she takes a vacation outside the United States, travels outside the United States on a temporary duty assignment, or is deployed overseas as a reservist or National Guard member during the time of recruitment. In addition, the policy advisory stated that reservists and National Guard members deployed overseas benefit from the provisions afforded by the Uniformed Service Employment and Reemployment Rights Act when determinations

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<sup>32</sup>DOD's LQA Instruction currently defines U.S. hire as "a person who physically resided permanently in the United States or the Commonwealth of the Northern Mariana Islands from the time he or she applied for employment until and including the date he or she accepted a formal offer of employment." Department of the Army, Civilian Human Resources Agency, *Request Policy Advisory on Application of the Definition of U.S. Hire within the Department of Defense Instruction (DODI) Number 1400.25 V 1250* (Aug. 16, 2013).

<sup>33</sup>Specifically, an applicant who had been hired to work for a contractor and whose job duties included multiple deployments to Afghanistan had applied for an Army civilian position in EUCOM while in Afghanistan. The individual was interviewed for, offered, and accepted the EUCOM position. Based on the Army's interpretation of U.S. hire, the job applicant was ineligible to receive LQA since the applicant submitted a resume from Afghanistan. However, the individual's permanent residence was in the United States, and the permanent residence was not changed to Afghanistan during the individual's deployment.

<sup>34</sup>Office of the Assistant Secretary of Defense for Readiness and Force Management, *Request for Policy Advisory on Application of the Definition of United States Hire within Department of Defense Instruction 1400.25, Volume 1250* (Sept. 19, 2013).

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are made as to whether they are recruited from the United States, and they should be allowed employment benefits that would accrue as if a deployment had not occurred.<sup>35</sup> Regarding the issue of U.S. hire, the policy advisory stated that it was DCPAS's intent for personnel physically residing in the United States before being deployed overseas to be considered for LQA eligibility as if they were not deployed.

The definition of a U.S. hire in DOD's September 2013 policy advisory appears to conflict with OPM's interpretation of the DSSR in compensation claim decisions since at least 2012.<sup>36</sup> For example, in a May 2014 OPM compensation claim decision, OPM further clarified that an employee must be physically residing in the United States during recruitment to be considered a U.S. hire. Specifically, OPM stated that the DSSR does not exempt particular categories of employees, such as military reservists mobilized overseas, from the DSSR's requirements for a U.S. hire. Thus, federal agencies cannot exempt categories of employees in their implementing regulations, since that would exceed the scope of the DSSR.<sup>37</sup>

We found that DOD officials from military department headquarters, military service component commands, and local human resource offices varied both in having seen the September 2013 policy advisory and in how they applied it to LQA eligibility determinations. First, many of the officials with whom we spoke had seen the policy advisory, while those who had not seen it included the Marine Corps headquarters civilian personnel policy office, one Air Force component command, and several local human resource offices from at least three military services. DCPAS officials told us that they provided the policy advisory to the Department of the Army, but did not disseminate it to the other military departments. Second, officials who had seen the policy advisory were inconsistent in how they interpreted it when determining LQA eligibility. Officials from the Army's Northeast European Civilian Human Resources Agency regional office and U.S. Army Pacific Command told us they regard the policy advisory as mandatory and therefore took it under consideration when making eligibility determinations. In contrast, officials from U.S. Air Forces

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<sup>35</sup>The Uniformed Services Employment and Reemployment Rights Act of 1994 codified at 38 U.S.C. §§ 4301-4335.

<sup>36</sup>OPM File Number 11-0037 (July 11, 2012).

<sup>37</sup>OPM File Number 13-0040 (May 8, 2014).

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in Europe told us they had seen and implemented the policy advisory, but later advised their local human resource offices to disregard it when they discovered OPM compensation claim decisions that they felt conflicted with the policy advisory's definition of a U.S. hire. The September 2013 policy advisory not being disseminated department-wide and the absence of a consistent interpretation of how to apply the policy advisory may have led to inconsistencies in how DOD components determined whether those applying for a civilian position overseas were "U.S. hires" and thus eligible for LQA.

When asked about the apparent conflict between OPM's interpretation of a U.S. hire and DOD's September 2013 policy advisory, DCPAS officials told us that they did not initially believe the policy advisory conflicted with the definition of a U.S. hire in the DSSR or with OPM's interpretation. However, officials told us that they have since recognized such a conflict may exist. As a result, DCPAS is currently soliciting DOD components' views on the definition of a U.S. hire. DCPAS officials stated that if DOD components support the definition in DOD's policy advisory, then DCPAS will determine with senior DOD officials whether to discuss the matter with State and request a revision to the DSSR that reflects the definition in DOD's policy advisory. (This issue is discussed in greater detail later in the report.) They explained that if the components or senior officials do not support the definition in DOD's policy advisory, then the definition in the updated LQA Instruction will invalidate the policy advisory's interpretation and no further action would be necessary. As of April 2015, DCPAS had not yet decided which definition will be included in DOD's updated LQA Instruction. According to DCPAS officials, they discussed the definition of a U.S. hire with OPM in April 2015, at which time OPM officials agreed that DCPAS should discuss with State revising the DSSR if DOD continues to use its September 2013 policy advisory. OPM officials explained to us that they informed DCPAS officials at that meeting that OPM would continue to apply its interpretation of U.S. hire until or unless State revised the DSSR.

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## DOD Has Not Monitored DOD Components' LQA Eligibility Determinations

DOD has not monitored DOD components' LQA eligibility determinations for civilian employees overseas to help ensure the consistent application of DOD's LQA Instruction across the department. According to DOD Instruction 1400.25, Volume 100, DOD *Civilian Personnel Management System: General Provisions*, the Deputy Under Secretary of Defense for

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Civilian Personnel Policy is responsible for monitoring the implementation and effectiveness of DOD's civilian personnel management, including DOD's LQA Instruction.<sup>38</sup> This requirement was the basis for a 2010 recommendation from the DOD Office of the Inspector General that the Deputy Under Secretary of Defense for Civilian Personnel Policy conduct periodic quality assurance reviews.<sup>39</sup> In implementing the Office of the Inspector General's recommendation, DCPAS charged the heads of DOD components with conducting periodic quality assurance reviews. However, DCPAS officials told us that they have not monitored the LQA eligibility determinations of DOD components, indicating that it is the responsibility of the components to do so.

DOD's LQA Instruction includes a requirement that the heads of DOD components conduct ongoing quality assurance reviews to verify that overseas allowance and differential payments are proper and consistent with applicable statutory and regulatory provisions.<sup>40</sup> However, according to DCPAS officials, the heads of DOD components have not consistently conducted these reviews due to the 2013 LQA audit. DCPAS officials explained that they became aware of issues with LQA eligibility determinations in the EUCOM area of responsibility approximately in May 2012, shortly after the February 2012 LQA Instruction with the new requirement for ongoing quality assurance reviews was issued. DCPAS officials chose not to have DOD components begin conducting the periodic quality assurance reviews because they anticipated that the components would soon be involved in what became the 2013 LQA audit.

The draft LQA Instruction we reviewed, dated February 2015, includes a proposal for the heads of DOD components to annually conduct an audit

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<sup>38</sup>This responsibility is now carried out by the Deputy Assistant Secretary of Defense for Civilian Personnel Policy.

<sup>39</sup>DOD Inspector General, Report No. D-2010-075: *Foreign Allowances and Differentials Paid to DOD Civilian Employees Supporting Overseas Contingency Operations* (Aug. 17, 2010). The Deputy Assistant Secretary of Defense for Civilian Personnel Policy is now responsible for overseas allowances and differentials within DOD.

<sup>40</sup>DCPAS officials told us that they added this requirement in response to one of the recommendations in the DOD Inspector General's report, although it differs from the actual recommendation for the Deputy Under Secretary of Defense for Civilian Personnel Policy to conduct the review of DOD components. DOD Inspector General, Report No D-2010-075, *Foreign Allowances and Differentials Paid to DOD Civilian Employees Supporting Overseas Contingency Operations* (Aug. 17, 2010).



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of employees who receive overseas allowances and differentials, and then send a report with the audit results to the Deputy Assistant Secretary of Defense for Civilian Personnel Policy by March of each year. However, there is no specific requirement in the draft LQA Instruction to monitor the reviews of DOD components to ensure they are accurately and consistently authorizing LQA as well as other overseas allowances and differentials. *Standards for Internal Control in the Federal Government* state that internal control monitoring should assess the quality of performance over time and ensure that the findings of audits and other reviews are promptly resolved. Specifically, managers are to (1) promptly evaluate findings from audits and other reviews, (2) determine proper actions in response to findings and recommendations from audits and reviews, and (3) complete, within established time frames, all actions that correct or otherwise resolve the matters brought to management's attention.<sup>41</sup> Without monitoring DOD components' reviews, DCPAS cannot ensure that DOD components are making LQA eligibility determinations and payments in accordance with applicable statutory and regulatory provisions.

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## Agencies Have Missed Opportunities to Help Ensure Consistent Determinations of LQA Eligibility Requirements

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### DOD Has Not Discussed with State Its Concerns about DSSR LQA Eligibility Requirements

DOD, through DCPAS, has not discussed its concerns related to the DSSR with State's Office of Allowances to determine whether LQA eligibility requirements should be revised, notwithstanding DOD components' concerns that some of those requirements are ambiguous or outdated. Of particular concern are the DSSR requirements related to

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<sup>41</sup>[GAO/AIMD-00-21.3.1.](#)

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“substantially continuous employment by such employer” and the definition of a U.S. hire, as discussed earlier.

- Officials from one military service component command, as well as regional and local human resource offices in the EUCOM and PACOM areas of responsibility, told us that the DSSR requirement for “substantially continuous employment by such employer” remains unclear, even after the 2013 LQA audit. In particular, the DSSR has not been modified to explicitly reflect OPM’s single employer interpretation. Officials we spoke with at the service component command and local human resource office levels stated that even if DOD’s LQA Instruction was updated to include the single employer interpretation, as previously discussed, it would still be helpful to revise the DSSR to clarify the phrase “substantially continuous employment by such employer,” since local human resource specialists routinely use both the LQA Instruction and the DSSR to make LQA eligibility determinations.
- Officials from the military department headquarters, military service component commands, and regional and local human resource offices in the EUCOM and PACOM areas of responsibility informed us that the DSSR’s U.S. hire definition should be updated to reflect modern travel and Internet access realities, temporary duty assignments, and the overseas deployment of reservists and National Guard members. DCPAS’s definition of a U.S. hire in its September 2013 policy advisory to the Army attempts to update the definition within DOD, as previously discussed, but it may also expand the DSSR’s LQA eligibility requirements, thereby exceeding DOD’s authority according to OPM’s interpretation of the DSSR.

State officials told us that, although there is no requirement for State to proactively review the DSSR and assess the need for revisions, there have been occasions when State collaborated with other federal agencies—including DOD—on eligibility issues for overseas allowances. According to State officials, they have done so when other federal agencies have initiated the collaboration. For example, in 2014, DCPAS officials requested that State’s Office of Allowances consider revising a provision within the DSSR relating to the separate maintenance

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allowance.<sup>42</sup> Previously, if the overseas employee was a former military member whose family had access to military commissary and exchange facilities, the separate maintenance allowance provided was reduced by 10 percent. DCPAS officials communicated to State that former military members and their families appeared to be unfairly penalized by this requirement. In response to DCPAS's request, State reviewed the proposed revision and sent it to other federal agencies for comment. Neither the other federal agencies nor State's legal counsel had any substantive objections to the proposed amendment, so the DSSR was updated in January 2015. DCPAS officials told us they requested that State revise this provision of the DSSR because it was negatively affecting a specific class of DOD employees.

State officials also told us that they initiated an internal review of the DSSR in early 2015. The review encompasses offices within State—such as the Office of Overseas Schools—and is intended to provide State's Office of Allowances with suggestions for revisions or updates to sections of the DSSR that those offices routinely use. Once the Office of Allowances receives all internal suggestions, officials told us that they intend to compile a list of proposed changes to the DSSR and share them with other agencies, including DOD, for comment. The officials told us that when they send this list to other agencies, they plan to ask whether the agencies have any other suggestions for revising the DSSR. State officials indicated that they expect this review to be completed by the end of 2015.

Notwithstanding the example cited above, and the concerns about LQA eligibility raised by the DOD component officials with whom we spoke, DCPAS officials stated that they have not yet discussed with State their concerns related to the DSSR, particularly with regard to OPM's single employer interpretation and the definition of a U.S. hire. According to DCPAS officials, they did not feel the need to collaborate with State to discuss modifications to the requirement for "substantially continuous employment by such employer" in the DSSR because they believe that updating DOD's LQA Instruction would be sufficient to resolve any ambiguity. However, DOD component officials we interviewed who determined LQA eligibility told us that updating DOD's LQA Instruction

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<sup>42</sup>Separate maintenance allowances help overseas employees meet additional expenses associated with having family members who live in the United States rather than being co-located with the employee overseas.

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and revising the DSSR is needed to help ensure consistent eligibility determinations as both documents are considered in making such determinations. DCPAS officials also stated that they have not discussed with State their concerns with the DSSR's definition of a U.S. hire or requested a potential revision of the DSSR definition because, as previously discussed, they have not yet made a decision about whether the definition in the September 2013 policy advisory will be included in DOD's updated LQA Instruction.

While federal agencies are not required to collaborate with State about questions related to LQA eligibility requirements, the *Standards for Internal Control in the Federal Government* state that, in addition to internal communications, management should ensure that there are adequate means of communicating with, and obtaining information from, external stakeholders who may have a significant effect on the federal agency achieving its goals.<sup>43</sup> Additionally, in prior work, we have reported on leading practices for interagency collaboration. One of these practices is to establish compatible policies, procedures, and other means to operate across federal agency boundaries. Frequent communication among collaborating agencies is another means to facilitate working across agency boundaries.<sup>44</sup> In the absence of DOD initiating a discussion with State about concerns related to DSSR LQA eligibility requirements for U.S. and overseas hires and whether they should be revised, State may not have the information it needs to determine whether the DSSR should be revised with regard to the "substantially continuous employment by such employer" and definition of a U.S. hire provisions.

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## OPM Has Not Posted Its Compensation Claim Decisions in a Timely Fashion

Until recently, past OPM compensation claim decisions have not been widely available to federal agencies, including DOD, and the public. OPM officials told us that compensation claim decisions usually have been provided only to the claimant involved in the specific OPM compensation claim and to the office within a federal agency that issued the final agency-level decision. OPM officials added that, under some circumstances, they send compensation claim decisions to other offices

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<sup>43</sup>GAO/AIMD-00-21.3.1.

<sup>44</sup>GAO, *Results-Oriented Government: Practices That Can Enhance and Sustain Collaboration Among Federal Agencies*, GAO-06-15 (Washington, D.C.: Oct. 21, 2005).

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higher in the employee's chain of command. To make compensation claim decisions more widely available, OPM maintains a public website on which it can post compensation claim decisions. This website is the primary means by which federal agencies could learn of compensation claim decisions involving another federal agency that could have implications for LQA eligibility determinations. However, until recently OPM did not post its compensation claim decisions on its website for the years 2003 through 2012. This is because, according to OPM officials, they lacked the funds needed during that 10-year period to comply with the statutory requirement that federal agencies make their electronic and information technology accessible to individuals with disabilities.<sup>45</sup> OPM compensation claim decisions could not be posted unless they were compliant. These officials stated that they did not have the resources available to make the postings accessible to individuals with disabilities because funding for other OPM programs was prioritized ahead of funding for the updates necessary to comply with this requirement during that time. OPM officials stated that those compensation claim decisions are now compliant with the statutory requirement and are being posted. According to the officials, in June 2013 and August 2014, respectively, OPM posted all its compensation claim decisions from 2003 through 2012 and some decisions for 2013 and 2014.

OPM officials told us that they are implementing a new web application for posting compensation claim decisions to the OPM website in a more timely manner. This web application—estimated to be fully functional by June 2015—will facilitate making compensation claim decisions accessible to individuals with disabilities when posted on OPM's website. However, OPM officials acknowledge that they still have a backlog of decisions that have not been posted online because the web application was not operational when those decisions were made. We found that as of early May 2015, no new compensation claim decisions had appeared on OPM's website since June 2014, during which time OPM officials told us they had adjudicated 20 claims, over half of which were related to LQA.

In addition, OPM officials told us they have not yet developed timeframes for individual compensation claim decisions to be reviewed and then posted online after these decisions have been made. For example, these

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<sup>45</sup>See 29 U.S.C. § 794d.

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officials have not determined how long it should reasonably be expected to take between the time when OPM sends a decision to the claimant and to the office that issued the final agency-level decision, and the time when the decision can be posted on its public website. Although there will be some expected lag time, since OPM must first notify the parties involved in the compensation claim before the compensation claim decision can be made publicly available, OPM has not determined how to ensure that the time it takes to post decisions is of a reasonable length. *Standards for Internal Control in the Federal Government* state that agencies must identify, capture, and distribute pertinent information in a form and in a timeframe for their employees to perform their duties efficiently. Managers should also ensure an adequate means of communicating with and obtaining information from external stakeholders who may have a significant effect on achieving their federal agency's goals.<sup>46</sup> Until OPM develops and implements timeframes for posting individual LQA-related compensation claim decisions online in a timely manner, it cannot ensure that agencies, including DOD, have access to the most up-to-date information to provide accurate guidance on issues relating to LQA eligibility determinations to their employees.

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**DOD Has Plans to Better Disseminate and Issue Guidance for OPM Compensation Claim Decisions That May Affect LQA Eligibility Determinations**

While DCPAS has not generally disseminated OPM compensation claim decisions that may affect LQA eligibility determinations and guidance for how to apply those decisions, DCPAS officials told us they recently assigned an official responsibility for doing so. As previously discussed, earlier this year OPM made compensation claim decisions from 2003 through 2012 and some decisions from 2013 through 2014 available on its website. OPM officials stated that they expect agencies—including DOD—to distribute OPM compensation claim decisions internally if they wish to do so. DCPAS officials agreed that their office should remain informed of OPM compensation claim decisions. According to OPM officials, while compensation claim decisions are binding at the individual case level, it is up to agencies to determine the extent to which the decisions necessitate broader policy changes. OPM officials also told us that it makes sense for agencies to reevaluate their policies if necessary in order to prevent future compensation claims and legal liabilities.

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<sup>46</sup>[GAO/AIMD-00-21.3.1.](#)

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We found that military service component commands and local and regional human resource offices in the EUCOM and PACOM areas of responsibility varied in how they viewed and applied OPM compensation claim decisions when making LQA eligibility determinations, even when they are in possession of the decisions. For example, some officials in the Navy stated that they do not consider it mandatory to incorporate OPM compensation claim decisions into their broader personnel policies, while other Navy officials stated their understanding was that DOD components were obliged to comply with all OPM compensation claim decisions relating to LQA eligibility. Similarly, some Air Force officials stated that they considered OPM decisions related to LQA eligibility to be binding, but recognized that other Air Force officials considered them discretionary.

DCPAS told us the recently assigned official will review OPM compensation claim decisions and determine the implications for DOD's implementation of LQA eligibility determinations. This official will then disseminate those decisions that affect LQA eligibility determinations to DOD components, providing views on each decision's implications and guidance for how components should use the decisions when making LQA eligibility determinations. This may help to reduce the confusion that exists among DOD components about how OPM compensation claim decisions should be applied when making LQA eligibility determinations.

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## Conclusions

Since DOD's 2013 audit determined that 680 of its civilian employees assigned overseas had erroneously received LQA because of misinterpretations of eligibility requirements, DCPAS and DOD components have taken steps to clarify the eligibility requirements outlined in DOD's LQA Instruction. The steps include DCPAS drafting an update to the instruction that reflects OPM's single employer interpretation and coordinating with the components about their views on the definition of a U.S. hire. However, the Deputy Assistant Secretary of Defense for Civilian Personnel Policy or DCPAS, as delegated, have not carried out their responsibility for monitoring the implementation and effectiveness of DOD's LQA Instruction, including monitoring reviews of LQA eligibility determinations conducted by DOD components. Without fulfilling this responsibility, DOD cannot ensure the consistent application of LQA eligibility requirements throughout the department, and is at risk for future erroneous payments of this allowance to its civilian employees overseas.

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Additionally, agencies have missed opportunities to ensure consistency in LQA eligibility determinations. First, in light of State's willingness to discuss revisions to the DSSR if requested and State's ongoing DSSR review, DOD has an opportunity to work with State to ensure that State has the information it needs to determine whether the DSSR needs to be revised. Doing so would help reduce the risk of future misinterpretation of terms related to LQA eligibility requirements, including "substantially continuous employment by such employer" and "U.S. hire," thereby avoiding situations similar to that which led to the 2013 LQA audit. Second, OPM has made some progress that has resulted in the posting of compensation claim decisions from the past 10 years on its website, but more recent decisions have not yet been posted. Further, while OPM is about to launch a new web application to post compensation claim decisions, it has not yet established timeframes for posting its backlog of decisions and any future decisions to ensure that the website remains up to date. Unless OPM establishes timeframes for posting compensation claim decisions to its website, the number of unposted decisions could grow, leading to continued delays in agencies' ability to access the most recent decisions that may affect their LQA eligibility determinations.

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## Recommendations for Executive Action

To ensure that DCPAS and DOD components are determining LQA eligibility consistently with DOD's LQA Instruction, the DSSR, and OPM compensation claim decisions, we recommend that the Secretary of Defense direct the Under Secretary of Defense for Personnel and Readiness to take the following two actions:

- require the Deputy Assistant Secretary of Defense for Civilian Personnel Policy or DCPAS, as delegated, to monitor reviews of LQA eligibility determinations conducted by DOD components; and
- discuss with State its concerns related to the DSSR to determine whether LQA eligibility requirements should be revised and then, as appropriate based on those discussions, request that State make any revisions deemed necessary, particularly with regard to the requirement for "substantially continuous employment by such employer" and the definition of a U.S. hire.

To ensure that agencies have access to recent OPM compensation claim decisions online, including those related to LQA, we recommend that the Director of OPM develop timeframes for posting its compensation claim decisions on OPM's public website.



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## Agency Comments

We provided a draft of this report to DOD, OPM, and State for review and comment. In written comments, which are summarized below and reprinted in appendix III, DOD concurred with the two recommendations directed to it. In its written comments, which are summarized below and reprinted in appendix IV, OPM concurred with the recommendation directed to it. State did not provide comments on the draft.

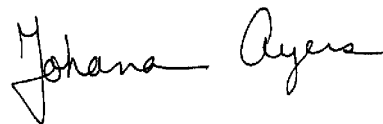
In its written comments, DOD noted that it is in the process of revising DOD Instruction 1400.25, Volume 1250, which provides guidance for overseas allowances and benefits for civilian employees. Further, DOD indicated that it welcomes State's review of the DSSR and the opportunity to work with State on any proposed changes, including any changes DOD initiates.

In its written comments, OPM noted that, in May 2015, it used its new web application to successfully post 13 LQA-related claim decisions. OPM expects to complete testing of the new web application in June 2015 and post the current backlog within two months after testing is complete. Thereafter, OPM expects to post completed cases monthly. OPM also provided technical comments, which we have incorporated into the report, as appropriate.

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We are sending copies of this report to the appropriate congressional committees, the Secretary of Defense, the Secretary of State, the Director of OPM, and the Under Secretary of Defense for Personnel and Readiness. In addition, this report is available at no charge on the GAO website at <http://www.gao.gov>.

If you or your staff have any questions regarding this report, please contact me at (202) 512-5741 or [ayersj@gao.gov](mailto:ayersj@gao.gov). Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made major contributions to this report are listed in appendix V.



Johana Ayers  
Director  
Defense Capabilities and Management

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# Appendix I: Scope and Methodology

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To conduct this review, we used the Defense Finance and Accounting Service's payroll data for fiscal years 2011 through 2014 to assess the number of employees who received a living quarters allowance (LQA), the total dollar amount spent for LQA, and the debt incurred for the employees determined by the Department of Defense's (DOD) 2013 LQA audit to have been erroneously paid LQA. To assess the reliability of these data, we interviewed Defense Finance and Accounting Service's knowledgeable officials about these data and performed electronic testing to identify obvious problems with completeness or accuracy. We found these data to be sufficiently reliable for the purposes of our report. See the Background section and appendix II of this report for additional information.

To evaluate the extent to which DOD has clarified its LQA eligibility requirements and is monitoring its components' LQA eligibility determinations, we reviewed DOD Instruction 1400.25, Volume 1250, *DOD Civilian Personnel Management System: Overseas Allowances and Differentials* and a related September 2013 policy advisory.<sup>1</sup> We also reviewed the Department of State (State) Standardized Regulations (DSSR) and selected Office of Personnel Management (OPM) compensation claim decisions to determine if DOD had incorporated into DOD's current LQA Instruction OPM's interpretation of the DSSR's requirement for federal overseas civilian employees to be in "substantially continuous employment by such employer" prior to their current job. We interviewed officials from State's Office of Allowances and OPM's Merit System Accountability and Compliance division on OPM's interpretation of key LQA eligibility requirements. In addition, we assessed a DOD policy advisory on the definition of a U.S. hire to determine if it was consistent with DOD's current LQA Instruction and the DSSR. We also interviewed Defense Civilian Personnel Advisory Service (DCPAS) officials to assess their oversight of DOD components' LQA eligibility determinations, including plans to conduct periodic audits. We also determined the status of DCPAS officials' efforts to update DOD's current LQA Instruction. We interviewed officials from the Army, Navy, Air Force, and Marine Corps who are involved in creating implementing LQA guidance for the military services and providing support to the overseas officials who make LQA eligibility determinations to identify potential

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<sup>1</sup>Office of the Assistant Secretary of Defense for Readiness and Force Management, *Request for Policy Advisory on Application of the Definition of United States Hire Within Department of Defense Instruction 1400.25, Volume 1250* (Sept. 19, 2013).

challenges with implementing DOD's current LQA Instruction and recommendations for improving the instruction and the DSSR. We also interviewed similar officials from the DOD office, the DOD field activity, and one DOD agency that were identified in the 2013 LQA audit: the Office of the Under Secretary of Defense for Intelligence, the Defense Logistics Agency, and the Department of Defense Education Activity. We interviewed officials at U.S. European Command (EUCOM) and U.S. Pacific Command (PACOM) to identify potential effects that the 2013 LQA audit had on those commands' missions and readiness.

We also interviewed officials involved in determining LQA eligibility from the Army, Navy, and Air Force service component commands in the EUCOM and PACOM areas of responsibility, as well as 15 of the 33 local human resource offices that report to those service component commands to identify potential challenges in applying LQA eligibility requirements at the operational level. To select the local human resource offices we conducted interviews with, we selected a nongeneralizable sample of 15 of the 33 offices from service component commands in both the EUCOM and PACOM areas of responsibility, as well as offices from each of the military departments' service component commands. In developing our selection criteria, we chose local human resource offices with the most employees determined to have been erroneously paid by the 2013 LQA audit. We also chose a set of local human resource offices with relatively few such employees, which allowed us to identify any variation in how eligibility determinations were made between them and the other local human resource offices with the most employees determined to have been erroneously paid. Specifically, we interviewed officials from nine human resource offices in the EUCOM area of responsibility and six human resource offices in the PACOM area of responsibility, which included seven Army human resource offices, five Air Force offices, and three Navy offices. While the results of these interviews are not representative of all offices, they provide valuable insights.

To evaluate the extent to which DOD, State, and OPM have helped ensure consistency in the interpretation of LQA eligibility requirements, we interviewed officials from DCPAS, DOD components, and the local human resource offices to determine the extent to which DOD has communicated with State and received and disseminated OPM compensation claim decisions with implementation instructions during and since the 2013 LQA audit. We evaluated DCPAS's process for collaborating with State regarding the DSSR's definition of a U.S. hire and "substantially continuous employment by such employer." We also

interviewed officials from State's Office of Allowances on the extent to which they communicated with DCPAS on issues related to LQA eligibility requirements and the process for updating the DSSR. We assessed DOD's collaboration with State against *Standards for Internal Control in the Federal Government*.<sup>2</sup> To evaluate DOD's process for receiving and disseminating OPM compensation claim decisions related to LQA eligibility requirements, we evaluated the extent to which DCPAS, DOD components, and the local human resource offices we interviewed receive, share, and incorporate OPM compensation claim decisions into LQA eligibility determinations. We also interviewed officials from OPM's Merit System Accountability and Compliance division to assess the process for adjudicating OPM compensation claim decisions and procedures for disseminating those decisions to agencies and publicly on OPM's website.

We conducted this performance audit from July 2014 to June 2015 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our objectives.

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<sup>2</sup>*Standards for Internal Control in the Federal Government*, [GAO/AIMD-00-21.3.1](#) (Washington, D.C.: Nov. 1999).

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# Appendix II: Results from the Department of Defense's 2013 Audit of Living Quarters Allowances

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In response to the January 3, 2013, memorandum from the Acting Principal Deputy Under Secretary of Defense for Personnel and Readiness, all Department of Defense (DOD) components conducted an audit of all “locally hired overseas employees” (that is, employees hired overseas) currently receiving a living quarters allowance (LQA).<sup>1</sup> On May 15, 2013, the Acting Under Secretary of Defense for Personnel and Readiness issued a memorandum announcing the LQA audit conclusion and results.<sup>2</sup> The audit results showed that 680 DOD civilian employees were considered to have been “erroneously paid LQA after having been hired overseas,” 444 of whom were identified in the audit as being ineligible for LQA because of inconsistency with the single employer interpretation.<sup>3</sup>

Table 2 shows the DOD components to which the 680 employees were assigned, as identified in DOD's 2013 audit as erroneously receiving LQA.

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<sup>1</sup>Office of the Under Secretary of Defense for Personnel and Readiness memorandum, *Erroneous Payment of Living Quarters Allowance to Certain Employees* (Jan. 3, 2013).

<sup>2</sup>Office of the Under Secretary of Defense for Personnel and Readiness memorandum, *Living Quarters Allowance Audit Conclusion and Results* (May 13, 2013).

<sup>3</sup>The formal announcement of the audit identified 659 employees who were determined to have been erroneously paid LQA. After the formal announcement of the audit results, an additional 21 employees were determined to have been erroneously paid LQA, bringing the total of employees to 680. Of the 659 employees identified in the audit, 215 were determined to be ineligible for LQA for reasons apart from not meeting the single employer interpretation. Specifically, 133 former nonappropriated fund employees were appropriately receiving LQA for their nonappropriated fund positions but were determined to be ineligible for LQA once they moved to appropriated fund positions. The remaining 82 employees were identified as having erroneously received LQA under unusual circumstances or failure to follow procedures in DOD's LQA Instruction.

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**Appendix II: Results from the Department of  
Defense's 2013 Audit of Living Quarters  
Allowances**

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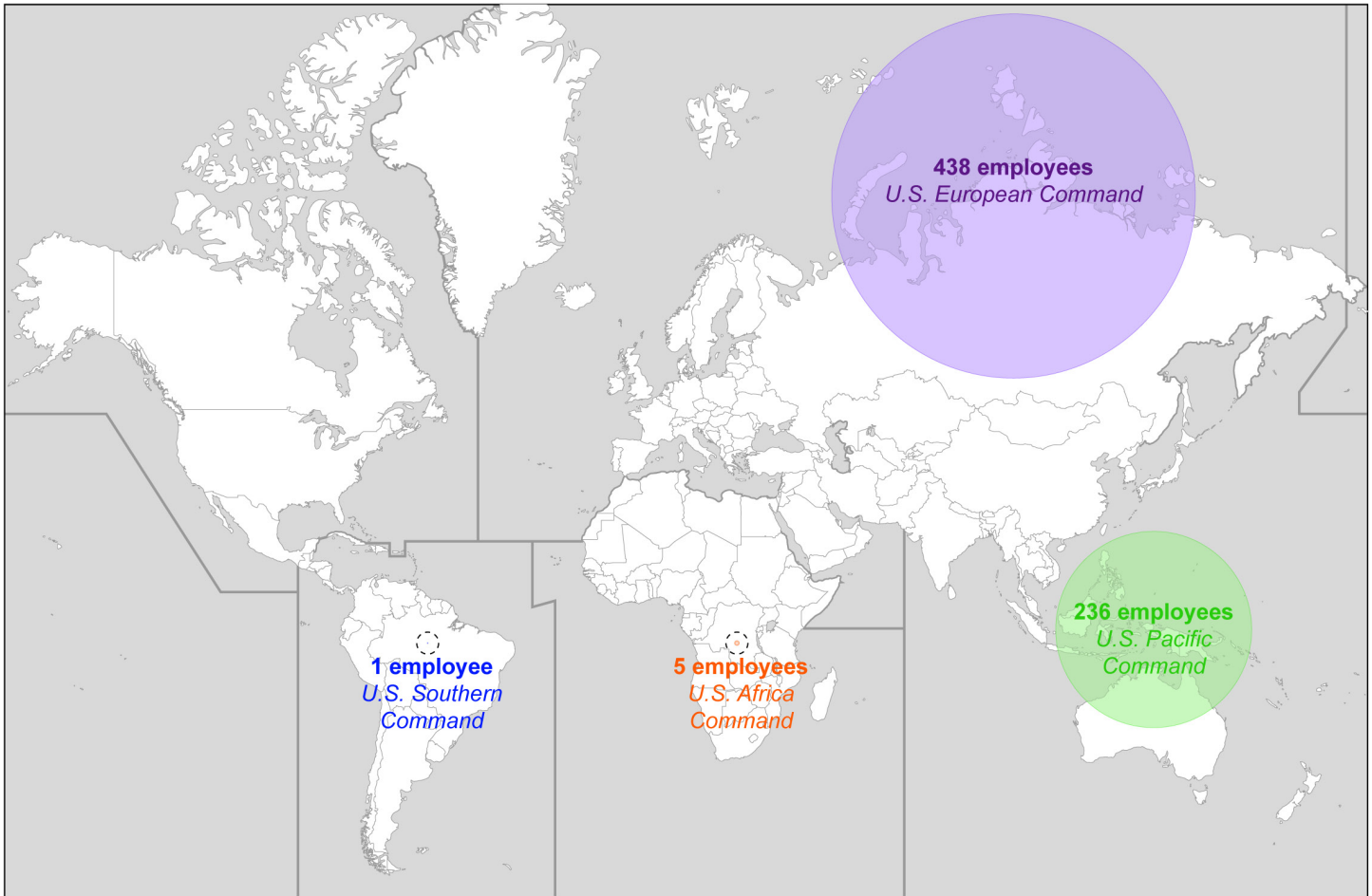
**Table 2: Employees Identified in the Department of Defense's (DOD) 2013 Audit of Living Quarters Allowance, by DOD Component**

<b>DOD component</b>	<b>Number of employees</b>
Department of the Army	462
Department of the Air Force	83
Defense Intelligence Agency	69
Department of the Navy, including the Marine Corps	39
Defense Logistics Agency	18
Defense Information Systems Agency	7
Department of Defense Education Activity	1
Missile Defense Agency	1
<b>Total</b>	<b>680</b>

Source: DOD. | GAO-15-511.

Figure 2 shows the command locations of the overseas assignments of the 680 employees, as identified in DOD's 2013 audit of LQA.

Figure 2: Employees Identified in the Department of Defense's (DOD) 2013 Audit of Living Quarters Allowance, by Geographic Combatant Command



Source: GAO analysis of DOD data. | GAO-15-511

Employees identified by the 2013 LQA audit as erroneously receiving LQA were determined to owe a debt to the United States for the full amount of LQA payments they had been erroneously granted. DOD is required to initiate collection on all debts due the United States promptly

and in accordance with applicable laws and regulations.<sup>4</sup> Because of the unique circumstances involved with these debts, however, the Office of the Under Secretary of Defense for Personnel and Readiness decided that it was in the best interest of the department to support requests for debt waivers, so long as each employee making a request was unaware that he or she had not been entitled to LQA and there was no evidence of misrepresentation, fraud, or deception to initially acquire LQA. The Defense Finance and Accounting Service received and sent 592 debt waiver applications to the Defense Office of Hearing and Appeals for review, and all of these applications were approved. As shown in table 3, the total amount of debt incurred was about \$104.5 million.<sup>5</sup>

**Table 3: Initial Debt Incurred by Employees Identified in the Department of Defense's (DOD) 2013 Audit of Living Quarters Allowance**

(Rounded to the nearest thousand dollars)	
Average debt per employee	\$174,000
Largest debt for a single employee	\$798,000
<b>Total debt</b>	<b>\$104,506,000</b>

Source: DOD. | GAO-15-511.

Note: These amounts represent the debt that DOD determined the employees to have incurred. According to DOD officials, for employees who requested waivers of debt, almost all of those employees' debt was waived. In addition, some employees chose not to request waivers of debt.

Table 4 shows the status of employees, as of January 2015, who were identified in DOD's 2013 audit of LQA.

<sup>4</sup>All federal agencies must collect all indebtedness due the United States promptly and in accordance with the Debt Collection Improvement Act of 1996, Pub. L. No. 104-134, § 31001 (codified at 31 U.S.C. § 3701 et seq.); the Debt Collection Act of 1982, Pub. L. No. 97-365, as amended; the Federal Claims Collection Standards, 31 Code of Federal Regulations (C.F.R.) Parts 900-904; 5 C.F.R. Part 179; and 5 C.F.R. Part 550 (Subpart K).

<sup>5</sup>This total does not include the debt incurred by defense intelligence employees.



**Table 4: Status of Employees Identified in the Department of Defense's (DOD) 2013 Audit of Living Quarters Allowance (LQA), as of January 2015**

Status	Number of employees
Found jobs on their own or voluntarily separated	194
Undecided	146
Offered placements in the United States through Priority Placement Program <sup>a</sup>	112
Remained in overseas position without LQA	97
Reassigned through management-directed reassignments	85
No response	46
<b>Total</b>	<b>680</b>

Source: DOD. | GAO-15-511.

<sup>a</sup>Of the 112 individuals offered placements through DOD's Priority Placement Program, 2 declined to accept the placement offered. The program is an automated, mandatory placement program used to match eligible, well-qualified employees—most of whom are subject to displacement—with vacant DOD positions.

DOD took additional measures to assist those employees who were determined by the 2013 LQA audit to have been erroneously paid LQA. For example, a team from the Defense Finance and Accounting Service traveled to local human resource offices in the U.S. European Command and U.S. Pacific Command areas of responsibility to directly assist employees who were determined to have been erroneously paid LQA with preparing requests for waivers of debt. In addition, DOD authorized a temporary limited exception to a standard priority placement program for employees determined to have been erroneously paid LQA that allowed them to be placed in U.S. job vacancies that were otherwise subjected to a hiring freeze. DOD also provided counseling services to those employees who were determined to have been erroneously paid LQA.

# Appendix III: Comments from the Department of Defense



MANPOWER AND  
RESERVE AFFAIRS

## OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE

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

JUN 3 2015

Ms. Johana Ayers  
Director, Defense Capabilities and Management  
U.S. Government Accountability Office  
441 G Street, NW  
Washington DC 20548

Dear Ms. Ayers,

Attached is the Department of Defense (DoD) response to the Government Accountability Office (GAO) Draft Report GAO-15-511, "CIVILIAN COMPENSATION: DOD and OPM Could Improve the Consistency of Eligibility Determinations for Living Quarters Allowances," dated May 8, 2015, (GAO Code 351936).

My point of contact is Christopher Lynch, who can be reached at (571) 372-1563 or via email at Christopher.P.Lynch.civ@mail.mil.

Sincerely,

A handwritten signature in blue ink that reads "Paige Hinkle-Bowles".

Paige Hinkle-Bowles  
Deputy Assistant Secretary  
Civilian Personnel Policy

Attachment:  
As stated

GAO DRAFT REPORT DATED MAY 8, 2015  
GAO-15-511 (GAO CODE 351936)

“CIVILIAN COMPENSATION: DOD AND OPM COULD IMPROVE THE  
CONSISTENCY OF ELIGIBILITY DETERMINATIONS FOR LIVING QUARTERS  
ALLOWANCES”

DEPARTMENT OF DEFENSE COMMENTS  
TO THE GAO RECOMMENDATION

**RECOMMENDATION:** To ensure that the Defense Civilian Personnel Advisory Service (DCPAS) and the Department of Defense (DoD) Components are determining Living Quarters Allowances (LQA) eligibility consistently with DoD’s LQA Instruction, the Department of State Standardized Regulations (DSSR) and the Office of Personnel Management (OPM) compensation claim decisions, the Government Accountability Office (GAO) recommends that the Secretary of Defense direct the Acting Under Secretary of Defense for Personnel and Readiness to take the following two actions:

- Require the Deputy Assistant Secretary of Defense for Civilian Personnel Policy (DASD (CPP)) or DCPAS, as delegated, to monitor reviews of LQA eligibility determinations conducted by DoD Components; and
- Discuss with Department of State (DoS) its concerns with the DSSR to determine whether LQA eligibility requirements should be revised, and then, as appropriate based on those discussions, request that DoS make any revisions deemed necessary, particularly with regard to the requirement for “substantially continuous employment by such employer” and the definition of a U.S. hire.

**DoD RESPONSE:**

- a. DoD concurs with the recommendation to monitor reviews of LQA eligibility determinations conducted by DoD Components. DoD is in the process of revising Department of Defense Instruction 1400.25, Volume 1250, that deals with overseas allowances and benefits for civilian employees.
- b. DoD concurs with the recommendation to discuss with DoS concerns with the DSSR to determine whether LQA eligibility requirements should be revised. As noted in the report, DoS officials plan to initiate an internal review of the DSSR this year, which may include revisions or updates to sections of the DSSR that are routinely used. DoD welcomes the review and the opportunity to work with DoS on any proposed changes to the DSSR, including any changes DoD initiates.

# Appendix IV: Comments from the Office of Personnel Management



Merit System  
Accountability and  
Compliance

UNITED STATES OFFICE OF PERSONNEL MANAGEMENT

Washington, DC 20415

JUN - 4 2015

Ms. Johana Ayers, Director  
Defense Capabilities and Management  
U.S. Government Accountability Office  
441 G Street, NW  
Washington, DC 20548

Dear Ms. Ayers:

Thank you for providing us the opportunity to respond to the Government Accountability Office (GAO) draft report, "DOD and OPM Could Improve the Consistency of Eligibility Determinations for Living Quarters Allowance," GAO 15-511, GAO job code number 351936.<sup>1</sup>

We recognize that even the most well run programs benefit from external evaluations and we appreciate your input as we continue to enhance our programs. Responses to your recommendations are provided below and technical notes are enclosed.

**Recommendation:**

To ensure that agencies have access to recent OPM compensation decisions online, including those related to LQA, we recommend that the Director of OPM develop timeframes for posting its compensation claim decisions to OPM's public website.

**Management Response:**

**We concur.** In May 2015, OPM used the new web application to successfully post 13 LQA-related claims decisions. OPM expects to complete its testing of the new web application to post compensation claim decisions in June 2015. We anticipate posting the current backlog within two months after testing is complete and posting completed cases monthly thereafter.

<sup>1</sup> The title implies OPM makes living quarters allowance determinations (LQA) for DOD employees. This function is reserved for DOD and its components. OPM's role is to adjudicate LQA claims from Federal civilian employees whose employing DOD components have denied their requests for LQA.

Page 2

I appreciate the opportunity to respond to this draft report. If you have any questions regarding our response, please contact Mr. Robert D. Hendler, (215) 861-3102, robert.hendler@opm.gov.

Sincerely,



Mark W. Lambert  
Associate Director

Enclosure

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# Appendix V: GAO Contact and Staff Acknowledgments

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## GAO Contact

Johana Ayers, (202) 512-5741 or [ayersj@gao.gov](mailto:ayersj@gao.gov)

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## Staff Acknowledgments

In addition to the above named contact, Tina Won Sherman, Assistant Director; Tracy Barnes; Nick Benne; Tom Costa; Alissa Czyz; Lorraine Ettaro; Susannah Hawthorne; Amie Lesser; Biza Repko; Steven Rocker; Wayne Turowski; Sarah Veale; and Cheryl Weissman made key contributions to this report.

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