

FLYER

051-271
November 28, 2000

To: Chief, HRMS

Subj: Employee Eligibility to Receive Awards and Procedures for Payment

Over the past year, the Office of Human Resources Management (05) has received a number of inquiries concerning the eligibility of “residents,” “fee-basis,” “without-compensation,” and “purchase-and-hire” employees to receive awards under VA Directive and Handbook 5451.

A decision has been made that “residents,” “purchase-and-hire” employees and certain “fee-basis” and “without-compensation” employees are eligible to receive awards under VA's Employee Recognition and Awards Program.

The question of employee eligibility under VA Directive and Handbook 5451 to receive awards and the procedures for their payment are complex. The following guidance has been developed to assist you in making the proper decision. Attachment 1 specifies which employees are eligible to receive awards, and Attachment 2 (OF Bulletin 00GA.2.05) describes the procedures for paying awards to “residents,” “without-compensation,” “fee-basis,” and “purchase-and-hire” employees.

Please share this information with your Fiscal/Payroll staff.

If you have any questions concerning the eligibility of an employee to receive an award, please contact John Murray at (202) 273-9835, Chandra Mason (202) 273-4970 or Sharrean McCrimmon (202) 273-9806. Questions concerning the payment of cash awards to residents, fee-basis, without-compensation, and purchase-and-hire employees should be directed to the VHA Financial Liaison Office (173B) at (202) 273-5484.

Customer Advisory and Consultant Group (051)
Office of Human Resources Management
Headquarters – Washington, DC

Attachments

**EMPLOYEE ELIGIBILITY TO RECEIVE CASH, NON-CASH,
AND TIME OFF AWARDS**

Individuals employed by VA who meet the definition of “employee” in 5 U.S.C. 2105 are eligible for award payments under the provisions of Chapter 45 of Title 5 and VA policy contained in VA Directive and Handbook 5451. Please refer to the VA Handbook for additional guidance.

The definition of employee includes three criteria:

- The individual has been appointed to a VA position
- The individual is performing duties associated with VA’s statutorily mandated mission
- The individual is supervised by someone appointed to a VA position

The following types of employees are eligible for recognition:

- Title 5 Employees Eligible for Recognition Under 5 U.S.C. Chapter 45
 - ◆ Senior Executive Service* (note restrictions and limitations for non-career appointees)
 - ◆ Members, Board of Contract Appeals
 - ◆ Members, Board of Veterans’ Appeals
 - ◆ Senior Level (SL) and Scientific and Technical (ST)
 - ◆ General Schedule, including all appointment authorities, such as Schedule A, Schedule B, temporary and term, career conditional (note restrictions and limitations for Schedule C appointees)*
 - ◆ Experts and Consultants appointed under 5 U.S.C. 3109
 - ◆ Federal Wage System (FWS), including Veterans Canteen Service
 - ◆ Purchase-and-Hire appointments under the FWS*
- Title 38
 - ◆ Full-time permanent, temporary, part-time, intermittent*, and without-compensation (WOC)* appointments under 305, 7306, 7401(1), 7405(a)(1)(A), or 7405(a)(1)(D)

2.

- ◆ Fee basis appointments under 7405(a)(2) (note on-station appointees receive appointment letters)*
- ◆ Resident and intern appointments under 7406*
- ◆ Residents and trainees paid under a disbursement agreement*
- Hybrids

Permanent full-time, temporary full-time, part-time, intermittent, and without-compensation (WOC)* appointments under 7401(3), 7405(a)(1)(B)

The following types of positions do not meet the definition of employee; therefore, may not receive recognition under the provisions of Chapter 45 of Title 5 U.S.C.:

- AmeriCorps members
- Veterans in Compensated Work Therapy (CWT)
- Employees of contractors
- Individuals paid a fee on a contract basis for a specific product or service
- Individuals who do not meet the definition of “employee” described above

* SES, residents, and individuals not covered by a leave system may not receive time off awards.

ATTACHMENT 2

**AWARD PAYMENTS FOR RESIDENTS, WITHOUT COMPENSATION,
FEE BASIS AND PURCHASE AND HIRE EMPLOYEES**

1. Purpose: This bulletin provides interim fiscal instructions for processing award payments to residents, without compensation, fee basis, and purchase and hire employees. These instructions are effective immediately and should continue until changes are made in the payroll system to accommodate these payments. This bulletin advises of a new budget object code (BOC) and the possible need for a transfer of funds by local accounting offices.

2. General

a. Based on an opinion from the Office of General Counsel, the following category of employees may participate in the VA Employee Recognition and Awards Program:

- Residents appointed under 38 USC 7406,
- Without Compensation employees appointed under 38 USC 513, 7405,
- Fee Basis employees appointed under 38 USC 7405, and
- Purchase and Hire employees appointed under 38 USC 7405(a)(2).

Criteria for approving awards to these employees, as with other employees, are found in VA Handbook 5451 and in local procedures established by facilities.

b. Under the PAID system, award payments can not be processed through normal pay adjustment transactions for these employees. Rather than making extensive changes to PAID, facilities will code such awards as “R” transactions on VA Form 5638, Pay Adjustment and Cash Payment Code Sheet, and forward to the Financial Services Center (FSC) for processing. Facilities must use the codes in paragraph 3 when completing VA Form 5638.

3. Payments

a. Once an award authorization is received, e.g., VA Form 4659, the fiscal office will complete VA Form 5638, Pay Adjustment and Cash Payment Code Sheet, and forward to the FSC for processing. Specific information must be coded in the appropriate fields of transaction types (TTs) “R1”, “R2,” and “R3” as indicated below.

b. For TT R2, enter the award amount in the Award field. For TT R3, enter the appropriate amount of income and employment taxes in the OASDI/Medicare and Fed/State Tax fields. (See paragraph 5)

c. The following “R1” information must be entered for all award payments issued to residents, without compensation, fee basis and purchase and hire employees:

<u>FIELD</u>	<u>Data Required</u>
Name:	Enter employee’s name (Last, First, MI)
Normal Hours	Enter “00”
Pay Basis	Enter “3”
Duty Basis	Enter “1”
Cost Center	Enter applicable cost center
Sub-account	Enter applicable subaccount
FTE Equivalent	Enter “0”

Sep Day	Enter "181"
Q&S Station No.	Leave blank
Fund Control Point [FCP] No	Enter applicable FCP
Date of Birth [DOB]	Enter employee's DOB
Tax Year	Enter "C" if current; "P" if prior tax year.
DPC Only	Leave blank
Pay Plan	Enter "Y"
Type Appt	Enter "5"
Res Code	Leave blank
HBS Cd	Leave blank
Rec. Req.	Leave blank

d. In the Remarks section of VA 5638 or as a separate attachment, include the employee's residence address for W-2 purposes.

e. For residents paid through disbursement agreements, facilities should transfer funds to the disbursing agent, i.e., university, medical school, affiliate, etc, under normal transfer of fund procedures along with documentation identifying award recipient. The transferred funds should include the employer's share of applicable employment taxes as well as any other gross-up amounts authorized by the approving official. The disbursing agent will be responsible for all wage and tax reporting.

4. New Budget Object Code (BOC)

a. BOC 1133, *Employees Award Program - Residents, Fee Basis, Without Compensation (WOC) and Purchase and Hire*, has been established in FMS to account for these awards. However, awards will not be credited to BOC 1133 until modifications are made in PAID. Facilities will be advised once these changes are made.

b. Until changes are made, PAID will credit awards processed in accordance with these instructions to BOC 1128, *Incentive Awards*. Local accounting offices must manually transfer funds from BOC 1128 to the newly established BOC 1133, if facilities wish to keep these payments separate.

5. Income and Employment Taxes: Generally, awards will be subject to Federal, state and city income taxes and Federal employment taxes. Unless an employee submits Form W-4 indicating an exemption from withholding, Federal taxes should be withheld at 28% of the gross award. State and local taxes should be withheld, as appropriate, based on state and local guidelines. Awards are subject to OASDI and Medicare if it is determined that *VA controls or has the right to control the award recipient's performance*. If an employee is covered by the Civil Service Retirement System, only Medicare would be applicable for employment taxes. PAID will issue Form W-2 at the end of the tax year.

6. Submission of VA Form 5638, Pay Adjustment and Cash Payment Code Sheet: Each completed VA Form 5638 must contain the preparer's initials and a signature of the authorizing official. Forms may be forwarded to the FSC via fax at (512) 460-5507 and sent hard-copy to

Financial Services Center (0475)
1516 Woodward St
Austin, TX 787720

Award checks will be delivered to the station's agent cashier for distribution.

7. Questions: Questions concerning this bulletin should be directed to the VHA Financial Liaison Office at (202) 273-8757 or as appropriate, FSC's Nationwide Payroll Office at (512) 460-5235.

James G. Bradley
Director, Accounting and Payroll Service (047GA)

NOTE TO REVIEWERS

Purpose: To provide information and guidance to Human Resources Management officials on employee eligibility to receive awards and the procedures for payment of these awards.

Discussion:

- Over the past year, OHRM staff has received a number of inquiries concerning eligibility of “residents,” “fee-basis,” “without-compensation,” and “purchase-and-hire” employees to receive awards under VA Directive and Handbook 5451.
- To address this question, the CACG (051) requested a legal opinion from VA’s Office of General Counsel (02). In summary, 02 said these groups of individuals may be included in VA’s Employee Recognition and Awards Program. (Tab A)
- A white paper has been developed defining employee eligibility to receive cash, non-cash, and time-off awards.
- Most of the employees in the above categories are not covered by VA’s PAID system. Therefore, it was necessary to develop procedures to pay cash awards to these individuals.
- To prepare this guidance, a work group was established with representatives from VHA, 047, and 05, including 054C.
- It was decided that the quickest and most efficient way to share this awards information with HRM officials was to issue it as an OHRM Flyer. Attachment 1 to the Flyer will contain the guidance on employee eligibility to receive awards, and Attachment 2 will contain the procedures for paying cash awards to employees not covered by VA’s PAID system (OF BULLETIN 00GA2.05).
- A draft of the Flyer, with its two attachments, was sent to five VHA field facilities for their review and comment. We received comments from one facility (see Tab B).
- This information also will be made available on OHRM’s homepage.

Customer Advisory & Consulting Group (051)
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