

## PAY ADMINISTRATION

**1. REASON FOR ISSUE:** To revise Department of Veterans Affairs (VA) policy regarding pay administration.

**2. SUMMARY OF CONTENTS/MAJOR CHANGES:** This handbook contains mandatory VA procedures on pay administration. The pages in this issuance replace the corresponding page numbers in VA Handbook 5007. These changes will be incorporated into the electronic version of VA Handbook 5007 that is maintained on the [Office of Human Resources Management Web site](#). Changes include:

a. Establishes Without Compensation (WOC) Exchange Program for nurse and associated health trainees serving under 38 U.S.C. 7405(a)(1)(D).

b. Eliminates fixed bi-weekly stipend payment options for trainees serving under 38.U.S.C. 7405(a)(1)(D).

c. Eliminates summer traineeship funding for affiliated educational program students in associated health professions and occupations.

d. Clarifies time limitation for VA trainees in non-VA institutions.

e. Defines nursing unit or ward for Head Nurse assignments.

**3. RESPONSIBLE OFFICE:** The Compensation and Classification Service (055), Office of the Deputy Assistant Secretary for Human Resources Management.

**4. RELATED DIRECTIVE:** VA Directive 5007, Pay Administration.

**5. RESCISSIONS:** None

**CERTIFIED BY:**

**BY DIRECTION OF THE SECRETARY  
OF VETERANS AFFAIRS:**

/s/Robert T. Howard  
Assistant Secretary for  
Information and Technology

/s/Paul J. Hutter  
Executive in Charge of the  
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limitation is placed on the amount of compensation a non-medical consultant may receive from VA during any 1 calendar year. (See appendix II-F).

l. **Other professional, technical, and medical support personnel serving on a fee basis** will receive compensation in varying amounts as provided in appendix A to VHA Manual M-1 and in VHA Manual M-4, chapter 3. Where there is not directly applicable fee listed in above references, the facility director may authorize a fee which does not exceed fees charged by representative members of the profession for similar services offered to the general public in the vicinity of the field facility. The per annum pay limitation for these personnel is \$3,750. This limitation is placed on the amount of compensation any such person may receive from VA during any 1 calendar year. Requests for exceptions to the annual pay limitation will be made consistent with appendix II-F.

m. **Trainees and students** serving under 38 U.S.C. 7405(a)(1)(D) are paid [a stipend] on a per annum training rate basis [as approved by the Chief Academic Affiliations Officer (CAAO)]. Trainees may also be appointed [without compensation] (WOC) [under 38 U.S.C. 7405(a)(1)(D)] (see [sub]paragraph p). See [sub]paragraph n for special instructions on students paid in the Summer Work Program.

(1) [**Payment Determination.**] The Under Secretary for Health may establish, increase, or reduce [payments] in consideration of such factors as VA and national health care needs, qualifications required for entry into training programs, nationwide and/or local compensation practices of non-VA institutions having similar training programs, and VA funding capability. Trainees will be paid at the appropriate per annum rate determined by the [ ] CAAO.

(2) [**Payment Computation.** Payment is made bi-weekly for hours actually worked. Actual salary of trainees, therefore, is a proportionate amount of the full per annum rate. This is determined by prorating the amount of time worked in relation to the standard VA 40-hour workweek. In computing the bi-weekly amount payable, the full per annum rate for a 40-hour workweek first is divided by 2,080 to establish the hourly rate, as computed to the nearest cent, counting one-half cent and over as a whole cent; the hourly rate then is multiplied by the number of hours actually worked during the pay period].

[(3) **Educational Details.**] A trainee may be detailed, with no loss of pay, to another [Federal or non-Federal] institution to obtain related supplementary education or training which is an integral part of the training for which VA has assumed responsibility. However, under no circumstances may the total time spent in non-VA institutions exceed one-sixth of the total hours a trainee is in a pay and training status with VA [unless a WOC exchange trainee from a non-VA facility replaces the paid trainee at VA (see subparagraph (5). Educational details and the WOC Exchange Program must comply fully with directives and guidance provided by CAAO (141). See also VHA Manual M-8, part II, chapter 1, paragraph 1.10].

[(4) **Additional Compensation.** T]rainees will be paid their regular straight time base rate, but will not receive any additional premium pay by reason of working on a legal holiday, on Sunday, or at night. These trainees will receive their regular straight time pay for time off if relieved or prevented from working solely by the occurrence of a legal holiday. No compensation will be paid these trainees by reason of working overtime: however, they may be granted equivalent time off for service in excess of 8 hours in a day or 40 hours in a week.

[(5) **WOC Exchange Program.** This program allows a paid trainee in a VA sponsored training program appointed under 38 U.S.C. 7405(a)(1)(D) to rotate to a non-VA facility as long as a WOC trainee (see subparagraph p) replaces the paid trainee at VA. The VA-paid trainee rotated to a non-VA training assignment will continue to receive pay from VA, and the exchange trainee assigned to the VA from a non-VA facility will be given a WOC appointment. The VA facility will ensure that equivalent WOC trainees will replace the VA-paid trainees for an equivalent amount of time when the VA-paid trainees at a non-VA assignment].

[ ]

n. **VHA Summer Work Program** participants (high school graduates, college, medical and dental students participating on a temporary full- or part-time basis, except dental students covered by paragraph o below) are paid at per annum rates as determined appropriate by individual field facility directors in terms of completed academic level.

(1) The per annum rates established under this paragraph *are not* valid for any other trainees or training programs. These procedures may not be used to circumvent the regular procedures for establishment and approval of training programs and trainee rates.

(2) Summer students will be paid their regular straight-time base rate, but will not receive any additional premium pay, by reason of working on a legal holiday, on Sunday, or at night. These students will receive their regular straight time pay for time off if relieved or prevented from working solely by the occurrence of a legal holiday. No compensation will be paid these students by reason of working overtime; however, they may be granted equivalent time off for service in excess of 8 hours in a day or 40 hours in a week.

[ ]

o. **Dental students** selected for a special **10-week summer research program** at designated field facilities are paid per annum rates approved by the Assistant Under Secretary for Dentistry.

p. In certain designated programs, as specified below, **students** serving under 38 U.S.C. 7405(a)[(1)(D)] may be authorized to serve as trainees on a [WOC] basis. In return for services rendered, they may be furnished quarters and subsistence during the whole or any part of the training period if facilities are available and these services are requested by the student's school. Uniforms also may be laundered by VA if facilities are available. Instructions for making such payment in kind are contained in VHA Manual M-1, part I, chapter 2. [See VA Handbook 5005, Part II, Chapter 2, section A, paragraph 4c; and Chapter 3, section G, paragraph 7 for additional information on WOC appointments.]

(1) Students from medical and dental schools may serve as clinical clerks [ ].

(2) Students from schools of nursing attached to non-Federal hospitals may serve as affiliate nurses [ ].

(3) Students from affiliating institutions [and participants in post-degree education programs] may serve as [associated health] trainees [ ].

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**3. SETTING INITIAL RATES OF PAY FOR EMPLOYEES IN TITLE 5 POSITIONS (POSITIONS SUBJECT TO 5 U.S.C., CHAPTER 51)**

a. Initial rates for employees whose positions are subject to chapter 51 may be set at any rate up to the highest levels permitted by 5 CFR 531.203, subject to any limiting Office of Personnel Management regulations and Comptroller General decisions and as specifically provided in chapter 4, paragraph 2 of this part. In VA, this policy is referred to as the "Earned Rate Rule." The term "earned rate" refers to an individual's highest previous rate when such rate is recognized under the "Earned Rate Rule" for salary adjustment purposes.

b. The rationale for the earned rate rule is that the steps within a given grade are intended to reflect differences in individual proficiency which affect quality of performance. Typically, proficiency is acquired or enhanced gradually during one's tenure in a position, and is recognized by within-grade increases. Proficiency at least equivalent to that expected of employees at any of the step rates also may be gained through successful experience in a higher position. The purpose of the policy is to recognize proficiency acquired in this latter manner, to the extent possible.

**c. Health Care Administration Residents and Interns Under 5 U.S.C. 5351-5356**

(1) **Policy.** The facility director will establish stipends for health care administration residents and interns on a locality basis, not to exceed the appropriate maximum permitted stipends as indicated in 5 CFR 534.203, after consultation with administrative officials of the affiliating school or university and with other hospitals in the area which utilize residents and interns in these programs. These administratively determined stipends may be effected only on a prospective basis. The only exception to this retroactive prohibition is where the facility director has executed written documentation establishing local policy as paying the maximum permitted stipends according to OPM regulations and a statutory pay adjustment becomes effective retroactively.

(2) **Maximum Stipends.** Maximum per annum stipends for health care administration residents and interns are determined in accordance with 5 CFR 534.203.

d. **Retroactive Adjustment of Salary Rates.** Except as provided in paragraph c above, pay determinations made under this paragraph are discretionary administrative determinations, which will not be made on a retroactive basis. However, as an exception to this rule, if sufficient data are not available to permit making a salary determination, the salary rate will be established initially at the lowest clearly appropriate rate of the grade. The following statement will be placed in the "Remarks" section of the SF 50-B: "Pay rate subject to retroactive adjustment upon verification of prior Federal service."

**4. SETTING INITIAL RATES OF PAY FOR FEDERAL WAGE SYSTEM EMPLOYEES**

a. **General.** Except as provided in chapter 3, paragraph 5 and chapter 4, paragraph 3 of this part or 5 CFR 532.403(c), a new appointment in the Federal Wage System will be made at the minimum rate of the grade.

**b. Retroactive Adjustment of Salary Rates.** Pay determinations made under this paragraph are discretionary administrative determinations, which will not be made on a retroactive basis. However, as an exception to this rule, if sufficient data are not available to permit making a salary determination, the salary rate will be established initially at the lowest clearly appropriate rate of the grade. The following statement will be placed in the "Remarks" section of the SF 50-B: "Pay rate subject to retroactive adjustment upon verification of prior Federal service."



**APPENDIX E.**  
**COMPENSATION OF NONCAREER RESIDENTS**  
**SERVING UNDER 38 U.S.C. 7406**

**1. GENERAL.** Residents not appointed on a WOC basis shall receive per annum stipends related as closely as practical to local conditions as described below. VA stipends may be made retroactively effective to conform with the effective date of changes in stipends and/or fringe benefits effected by the index hospital.

**2. INDEX HOSPITALS.** Subject to approval of the Chief Academic Affiliations Officer (CAAO) (144), each facility director concerned, with the advice of any Deans Committee, or Medical Advisory Committee, will recommend an index hospital for comparative pay purposes. The university hospital for the medical school with which the VA facility is affiliated will serve as the index hospital. Normally, the designated index hospital will serve for all residency specialties. However, additional index hospitals are appropriate for VA facilities with multiple affiliations. Programs accredited in the name of VA (independent programs) will use the index hospital applicable to the majority of the integrated programs at the same VA facility. If the CAAO changes the index hospital to meet the requirements of this paragraph, the change must be completed as soon as possible, but not to exceed 3 years. Approval for a phase-in must, however, be obtained from the CAAO.

**3. REPORTING.** Facility Directors will furnish a report on index hospital compensation practices to the CAAO (144) by the last working day in April each year or as soon as possible thereafter, on VA Form 10-1319, Medical Intern and Resident Stipends and Fringe Benefits in Index Hospital. Reports Control Symbol 10-0158 has been assigned to this report. Following is a list of the type of information that will be required regarding the index hospital:

- a. Name and university affiliation.
- b. Annual base pay at each level of training. If differences exist between specialties, report by specialty.
- c. Complete description of fringe benefits provided to house staff, distinguishing between benefits provided in cash and in kind.
- d. Pay differentials for Chief Residents, if any and if applicable. (See subparagraph (4)(c) below.)
- e. Recommendation with complete justification of rates proposed, preferably with advice of the Deans Committee or Medical Advisory Committee.

**4. AMOUNT OF STIPENDS.** Stipends will be determined by and approved by [CAAO] (144) for each VA facility, in consideration of those appointments and pay practices existing at the designated index hospital and within the framework outlined below.



made with [CAAO (141)] approval. Adequate documentation shall be maintained to demonstrate at any time that VA has received services commensurate to salaries paid. The Chief of Staff is directly responsible for the proper functioning of the Exchange Program and the required documentation. Review of the Exchange Program shall be continuous by the Deans Committee and intermittent by [CAAO (141)].

**b. Educational Details.** A noncareer medical or dental resident may be detailed, with no loss of pay, to another Federal or non-Federal institution to procure necessary related supplementary education or training which is an integral part of the training for which VA has assumed responsibility. [However, under no circumstances may the total time spent in non-VA institutions exceed one-sixth of the total hours a trainee is in a pay and training status with VA unless a WOC trainee from a non-VA facility replaces the paid trainee at VA under the WOC Exchange Program.] Educational details and the WOC Exchange Program must comply fully with directives and guidance provided by [CAAO (141)]. See also VHA Manual M-8, part II, chapter 1.

**c. Reduced-Schedule Positions**

(1) A resident may be assigned to VA duty less than full-time. This reduced schedule may be necessary to accommodate special requirements of program (e.g., family practice where residents are required to rotate away from the VA facility to a family practice center several times per week). It can be used also to accommodate a house officer's desire to work on a reduced schedule and share a position with another resident. House officers shall be informed that the latter arrangement may require individual approval by the Residency Review Committee and appropriate American Specialty Board. Whether the reduced schedule is for professional or personal reasons, reduced-schedule positions and pay methods must have the concurrence of the Chief of Staff and be approved by [CAAO (141)]. Pay will be prorated to a full-time schedule utilizing as the base the average total duty time for a house officer in the overall program for which a reduced schedule is requested. For example, if a facility's 100 percent full-time PG3 stipend rate is established by [CAAO] at \$20,000 per annum for all specialties, a 50 percent reduced-schedule psychiatry resident whose overall program anticipates an average of 112 hours of duty each pay period should be scheduled for an average of 56 hours of VA duty each pay period in order to receive \$10,000 (one-half of the full stipend) from VA. Similarly, a 50 percent reduced-schedule Surgical resident whose overall program anticipates an average of 120 hours of duty each pay period should be scheduled for an average of 60 hours of VA duty each pay period in order to receive \$10,000 from VA.

(2) While reduced-schedule positions may be authorized by [CAAO], the types of paid appointments permitted for residents are "full-time" and "intermittent." Thus, and departing from the customary use of these appointment terms, the 50 percent reduced-schedule resident who is to perform VA duty for 5 or more days each week will be appointed "full-time" using PAID duty basis code 1 and PAID duty basis code 3. In either of the examples cited above, the stipend rate would be established at \$10,000 by [CAAO]. The reduced-schedule resident who is to perform VA duty less frequently than 5 days each week must be appointed "intermittent," using PAID duty basis code 3 and PAID pay basis code 3. For the reduced-schedule intermittent appointee, the stipend rate established by [CAAO] will depend further on the number of workdays of VA duty to be performed each pay period. Thus, the 50 percent reduced-schedule resident expecting to receive approximately \$10,000 (one-half of the full stipend) from VA would require a per annum stipend rate established at \$15,556 if expected to be on duty an average of 9

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workdays each pay period, \$17,500 if expected to be on duty an average of 8 workdays each period, and so forth. These per annum stipend rates are determined by dividing the number of days of VA duty in 26 pay periods into 364 and multiplying VA's portion of the full stipend by the resulting factor (e.g., 9 workdays per pay period x 26 pay periods = 234, 364 divided by 234 = 1.5556, \$10,000 x 1.5556 = \$15,556). The intermittent resident's pay is then derived by dividing this calculated stipend by 364 and paying this daily rate for each day worked, as long as the projected workdays per pay period do not change. If the number of workdays per pay period is altered, or if the amount of the reduced schedule is changed, the daily stipend rate shall be recalculated and the new stipend shall be approved by [CAAO (141)].

(3) Requests for reduced-schedule residency authorizations and stipend rates will be directed to [CAAO (141)] and will include information regarding the post-graduate levels and specialties affected, the overall average number of hours of duty required by the specialties each pay period, and the average number of hours of VA duty to be performed by reduced-schedule residents. Additionally, if any reduced-schedule resident is to perform VA duty less frequently than 5 days each week, the request must specify the average number of days of VA duty to be performed each pay period.

**7. HOUSE STAFF DISBURSEMENT AGREEMENTS.** The Under Secretary for Health may approve house staff disbursement agreements which provide for the central administration of house staff stipends and/or fringe benefits. This mechanism may be used only when the traditional methods for house staff appointment and compensation are inadequate at a VA medical facility. In any event, all principles addressed in this paragraph apply in the formulation of disbursement agreements. Facilities wishing to consider use of a disbursement agreement should contact [CAAO (141)] for instructions. See also VHA Manual M-8, part II, chapter 5.

**8. DUTY AND LEAVE.** Leave may be pooled for medical or dental residents. The process is described in VA Handbook 5011 along with other duty and leave policies relevant to medical and dental noncareer residents.

**CHAPTER 8. HIGHER RATES OF PAY FOR ASSIGNMENT AS HEAD NURSE  
OR POSSESSION OF SPECIALIZED SKILLS**

**1. ASSIGNMENT AS A HEAD NURSE.** An RN serving in a head nurse assignment shall, while so serving, receive basic pay at a rate two steps above the rate that would otherwise be applicable. The adjustment is made even if it causes the RN to exceed the maximum authorized step of the grade, even when the rate range is 175 percent. For example, a head nurse may receive a constructed step 13 or 14 if step 12 is the maximum authorized step of the grade or step 27 or 28 if step 26 is the maximum authorized step of the grade. Head nurses are eligible for PSIs until they reach two steps above the maximum authorized step of the grade; e.g., a head nurse at a constructed step 13 who meets the requirements of part III, chapter 5, is eligible for a PSI to step 14. The differential is also in addition to any pay retention under paragraph 6 of chapter 6, this part.

a. **Restrictions.** Individuals in head nurse assignments must exercise first line supervisory responsibility over a nursing unit or ward which contains at least the equivalent of three full-time subordinate Nursing Service personnel (registered nurses, licensed practical nurses or nursing assistants). [A nursing unit or ward is defined as a geographic location or program with patient care delivery of responsibilities across the continuum of care.]

b. **Head Nurse Supervisory Responsibilities.** The head nurse is responsible for ensuring that subordinate nursing personnel provide timely nursing care which complies with generally accepted standards of clinical practice. This includes the authority to accept, amend or reject the work of subordinates. In addition, to be eligible for head nurse pay, individuals in the assignment must have continuing responsibility for all of the following functions:

- (1) Planning work to be accomplished by subordinates, setting priorities and preparing schedules for completion of work;
- (2) Assigning work to subordinates based on priorities, selective consideration of the difficulty and the requirements of the assignments, and the capabilities of subordinates;
- (3) Evaluating the performance of subordinates;
- (4) Making recommendations for appointments, advancements or reassignments of subordinates;
- (5) Giving advice, counsel, or instruction to subordinate personnel on work and administrative matters;
- (6) Hearing and resolving complaints of subordinates and referring more serious complaints not resolved to higher level supervisors;
- (7) Recommending and/or taking disciplinary action where appropriate; and
- (8) Identifying developmental and training needs of subordinates and providing or making provision for such development and training.



- 19. Job Acceptance Rate.** The job acceptance rate is the gains divided by job offers.
- 20. Job Offers.** Job offers are the FTE of offers of employment in the occupation or specialty during the reporting period made to internal and external candidates.
- 21. Level.** For Nurse I for registered nurses and nurse anesthetists, the grade recognizes employees with higher qualifications. Employees in a higher level in the grade are placed at or above the first step of the level based on the possession of these higher qualifications.
- 22. Local Labor Market Area (LLMA).** The LLMA is the geographic area in which LPS surveys are conducted.
- 23. Locality Pay Schedule.** The Locality Pay Schedule is a pay schedule established based on a survey of pay rates for corresponding non-VA health care positions in the LLMA. Locality pay schedules will be constructed using chapter 3, Salary Schedule Construction and Implementation, and may be established for any covered occupation, or any specialty, assignment and/or category of assignments within the covered occupation (e.g., nurse anesthetist, RN, operating room nurse, critical care nurse, administrative nurse, nurse practitioner, clinical nurse specialist).
- 24. Losses.** In an occupation or specialty, the FTE of losses during the reporting period, for any reason, which resulted in a recruitment action except reduction in ceiling is termed "losses."
- 25. Metropolitan Statistical Area (MSA).** For a definition and list of MSAs, refer to the most current Statistical Abstract of the United States which is published annually by the United States Department of Commerce.
- 26. Nurse.** An RN who meets the basic requirements for appointment under the qualification standard in VA Handbook 5005. This includes the Chief Consultant, Nursing Strategic Healthcare Group, the Director, Nursing Service, and VHA Central Office or VISN Nurses, but does not include nurse anesthetists.
- 27. Nurse Anesthetist.** A Nurse Anesthetist is an individual who meets the basic requirements for appointment under the qualification standard in VA Handbook 5005.
- 28. Nurse Executive.** A nurse executive is the Chief of Nursing Service or equivalent position that represents the highest ranking nurse management position at a facility.
- 29. [Nursing Unit or Ward.** A geographic location or program with patient care delivery of responsibilities across the continuum of care].
- 30. On-Board.** On-board means the total FTE of employees in the occupation or specialty on the facility's rolls on the beginning or ending date of the reporting period.

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[31]. **Periodic Step Increase (PSI).** PSI is an advancement from a step of a grade to the next higher step of that grade based upon completing the required waiting period (see part III, chapter 5, paragraph 1c) and meeting the criteria for advancement in VA Handbook 5005.

[32]. **Quits for Pay.** The FTE of employees in the occupation or specialty who voluntarily resigned for pay reasons during the reporting period. A quit for pay only occurs when the employee resigns to take a higher rate of pay for a corresponding non-VA position in the same LLMA.

[33]. **Quit for Pay Rate (Annual).** Divide quits for pay by the average on-board to determine the quit for pay rate for the reporting period. Multiplying this figure by the quotient of 12 divided by the number of months in the reporting period will provide the annual quit for pay rate.

[34]. **Special Salary Rate.** A special salary rate is a step on a special salary rate range.

[35]. **Special Salary Rate Range.** An increase in the minimum, intermediate, and maximum rates of basic pay for a grade, i.e., an increase in all step rates for the grade. A special salary rate range may be authorized under 5 U.S.C. 5303 or 38 U.S.C. 7455.

[36]. **Staffing Success Rate.** The gains divided by tried to fill (see item 41).

[37]. **State.** Any State, Territory or Commonwealth of the United States (i.e., Puerto Rico), and the District of Columbia.

[38]. **Survey Establishment.** An establishment in the LLMA that is selected to be surveyed.

[39]. **Survey Sample.** All establishments selected for survey in an LLMA.

[40]. **Survey Summary.** A report of the results of a survey.

[41]. **Survey Universe.** All establishments in the LLMA.

[42]. **Tried to Fill.** The FTE of positions in the occupation or specialty the facility tried to fill during the reporting period. It consists of the FTE of vacancies at the beginning of the reporting period, plus losses, plus or minus any ceiling changes during the reporting period.

[43]. **Turnover Rate (Annual).** Divide losses by the average on-board to determine turnover rate for the reporting period. Multiplying this figure by the quotient of 12 divided by the number of months in the reporting period will provide the annual turnover rate.

[44]. **Vacancy Rate (Beginning).** The FTE of vacancies in the occupation or specialty at the beginning of the reporting period divided by the ceiling for the occupation or specialty at the beginning of the reporting period.

[45]. **Vacancy Rate (Ending).** The FTE of vacancies in the occupation or specialty at the end of the reporting period divided by the ceiling for the occupation or specialty at the end of the reporting period.