

**INTERNAL  
COMMUNICATION FORM  
DEPARTMENT OF HUMAN SERVICES**

**Suspense**

<b>Subject:</b>	FMO CIRCULAR NO. PM 13-02 SALARY AND WAGE OVERPAYMENTS	<b>Originator:</b>	Eloise Uehara 586-5020
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**To:** SOs, DAs, BAs, SAs, ÜSs      **From:** FMO      **Date:** 2/06/13      **Memo No.** 1

Comptroller's Memorandum 2013-02 (attached), establishes procedures to minimize and prevent salary overpayments. To ensure that payroll payments are processed correctly and in a timely manner it is critical that staff responsible for leave record keeping understand the importance of keeping these records up to date. For employees who have less than ten (10) days of vacation and ten (10) days of sick leave (or 160 hours), these leave balances should be closely monitored. Staff Officers, Division Administrators, and their subordinates will be responsible for compliance with these procedures and the proper management of leave records and personnel actions as they relate to salary overpayments.

Types of pay related actions that must be reported are as follows (refer to ICF dated 5/1/2012):

1. Leaves without pay (LWOP); submit a copy of the G-1, Application for Leave of Absence, to FMO/Payroll
2. Return to work date
3. Suspensions
4. Transfers (e.g., transfer to another unit within the Department, transfer to another Department, Judiciary, or City and County, etc.)
5. Resignations, retirements, and terminations

For FMO/Payroll purposes, the date of the action is required to calculate the correct amount of pay that is due to the employee. In addition, if there is an error in an employee's payroll payment, please immediately contact the FMO Payroll staff assigned to your unit. The following are some examples of payroll errors:

1. Overtime paid to the incorrect employee
2. Employee received a paycheck or statement that he/she is not entitled to
3. Employee did not receive a paycheck or statement

If there is a salary overpayment, FMO/Pre-Audit Staff will deduct the salary overpayment immediately and inform the State Employees Retirement System of the overpayment. If necessary, the Notification of Salary or Wage Overpayment letter will also be sent to the employee through the supervisor.

On Page 4 of the Comptroller's Memo, there is the salary overpayment table which establishes the maximum number of pay periods to recover and other conditions. Please note that for overpayments up to \$1,000.00 the minimum amount to be deducted is now \$100.00 per pay period.

Please ensure that staff involved in keeping attendance and leave records comply with these requirements. Your assistance and cooperation are essential to minimize incorrect payroll payments.

If there are any questions, please call the respective FMO/Pre-Audit staff person assigned to your payroll number. The payroll number is located on the top portion of the pay statement. The Pre-Audit Clerks are Marites Ceria at 586-5024 for K06 and K64 payrolls; Jewel Heanu at 586-5017 for K02 and K04 payrolls; and Malissa Oku at 586-5018 for K03 and K05 payrolls.

Thank you for your cooperation and assistance.

  
\_\_\_\_\_  
FMO

Attachment

NEIL ABERCROMBIE  
GOVERNOR



13 0040

Dean H. Seki  
Comptroller

Marie E. Zielinski  
Deputy Comptroller

STATE OF HAWAII  
DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES

P.O. BOX 119, HONOLULU, HAWAII 96810-0119

January 15, 2013

**COMPTROLLER'S MEMORANDUM NO. 2013-02**

TO: Heads of Departments and Agencies  
ATTN: Fiscal and Personnel Offices  
FROM: Dean H. Seki, Comptroller   
SUBJECT: Procedures for Salary and Wage Overpayment Recovery

Comptroller's Memorandum No. 2012-09, Procedures for Salary and Wage Overpayment Recovery, has been superseded to reflect new minimum amounts to be recovered and the related changes to Exhibit A, Notification of Salary or Wage Overpayment, and to Exhibit C, Response to Salary or Wage Overpayment Notice (Date of Notification Letter). All other procedures detailed in that comptroller's memorandum remain in effect and are included in this memorandum.

To minimize and to prevent salary overpayments require timely recording of all leaves earned and taken. Staff responsible for leave records should post all Form G-1s, Application for Leave of Absence, within five (5) working days of receipt.

For employees whose cumulative paid leave balances fall below ten (10) working days of vacation and ten (10) working days of sick (or 160 hours), departments and agencies should individually monitor and track the employees' paid leave balances to ensure that a salary overpayment does not occur.

If a salary overpayment occurs and the employee meets, either of the following conditions, pursuant to § 78-13, Hawaii Revised Statutes (HRS), the employee should be placed on an "after-the-fact payroll" schedule as a non-salaried employee.

1. **Existing Salary Overpayment Balance.** Employees who have been working for the State for at least six (6) months, have no paid leave accumulated, and have an existing salary overpayment balance will be placed on an after-the-fact payroll schedule as a non-salaried employee. The employee may be paid the employee's salary, minus any salary overpayment offset pursuant to § 78-12, HRS, on the same pay dates and for the same pay periods as non-salaried employees. Upon accumulation of 80 hours of paid leave, the employee will be paid the employee's salary on the same pay dates and for the same pay periods as salaried employees.

2. **Repeated Salary Overpayments.** Employees who have been working for the State for at least six (6) months and have had at least two (2) incidents of leave which results in salary overpayment within the past six (6) months will be placed on after-the-fact payroll schedule as a on-salaried employee. The employee may be paid the employee's salary, minus any salary overpayment offset pursuant to § 78-12, HRS, on the same pay dates and for the same pay periods as non-salaried employees. If there are no incidents of leave which result in a salary overpayment for a subsequent four-month period, the employee will be paid the employee's salary on the same pay dates and for the same pay periods as salaried employees.

To implement the "after-the-fact payroll", an "incident" occurs when an employee does not report to work and is not ill nor excused for an emergency, or when the employee leaves work without being excused for illness or emergency. Any "incident" must immediately be reported to the departmental personnel office who will then prepare the required employee personnel action form resulting in a salary overpayment.

To comply with § 78-13(a), HRS, that requires an employee be paid twice a month, implementation of "after-the-fact" payroll should be done over two (2) pay periods. For the first pay date following notification, the employee should be paid for half of the pay to which he is entitled for that pay period and then be paid for the remaining portion to which he is entitled the following pay date.

As a final step to prevent salary overpayments, departments may:

1. Retrieve State employee's net pay that has been forwarded to a bank or other assignee for deposit. The action should only be used the day **before** pay day. All deduction assignees other than FIT, SIT, SS and Medicare taxes withheld should also be notified that a recall is being requested and that the employee's account should not be credited.
2. Request an employee's pay may be totally deleted from an upcoming pay day. The request should be faxed (586-0739) to the Central Payroll Section no later than 8:00 a.m. four (4) work days before pay day to stop the pay. Any fax received by 8:00 a.m. three (3) work days before pay day will be input but may not successfully stop the pay. Departments are then responsible for recalling the net pay deposit or holding and cancelling the net check due the employee.

If a salary overpayment could not be prevented, the department must take immediate action to recover the overpayment. Pursuant to § 78-12, HRS, the following action should be taken:

**Determination.** All State agencies and departments are responsible to identify salary overpayments as they occur and to notify the fiscal office within one (1) week of discovery unless the overpayment is a direct result of a determination for workers' compensation that has been pending, but in such case, the determination must be made within one (1) month of the determination.

**All overpayments must then be immediately reported to the State's Employees' Retirement System (ERS). Personnel responsible for the timely reporting should access the ERS website, click on "Employers Forms" and select the "Retro/Overpayment Breakdown Template". Instructions are provided on the website on how to complete and submit the form.**

**Notice.** Pursuant to §78-12, HRS, the department disbursing officer will determine the amount of the indebtedness and notify the employee within one (1) week of discovery of the salary overpayment. The notice will notify the employee in writing that if the employee contests the disbursing officer's determination of indebtedness, the employee may request a hearing pursuant to chapter 91 or, as applicable, a procedure provided in a collective bargaining agreement provided in lieu of the hearing.

The notice will also notify the employee that, if the employee does not respond, the employee will be deemed to have waived a hearing and recovery will begin immediately through payroll deductions. Additionally, the notice will notify the employee that pursuant to §78-12(f), HRS, regardless of whether a contested determination of indebtedness is pending, the disbursing officer will commence immediate recovery of the indebtedness by offset from the employee's periodic payment normally due the employee.

Refer to Exhibit A, Notification of Salary or Wage Overpayment, as a sample. The notice should be given to the employee in person or mailed to the employee's residence by certified mail. Additional information that shall be provided is Exhibit B, Computation of Overpayment, and Exhibit C, Response to Salary or Wage Overpayment Notice.

For preparation of Exhibit B, Computation of Overpayment, payroll personnel with access to Datamart, can extract employee's pay information by going to "Payroll" and selecting "Salary Overpayment Calculator". For payroll personnel without Datamart access, we have enclosed a sample worksheet that can be modified to expand for additional types of pay and deductions.

Upon receiving notice that the employee's pay is being offset, if the employee requests to pay the remaining balance by cash or check ( payable to Director of Finance, State of Hawaii), prepare a Treasury Deposit Receipt, SAFORM B-13, and Notification for Payroll Adjustment, SAFORM D-70, (and SAFORM D-71, if applicable). Submit these forms with the cash or check to DAGS, Central Payroll.

**Salary Overpayment Offset.** Pursuant to §78-12, HRS, regardless of whether a contested determination of indebtedness is pending, the disbursing officer shall commence immediate recovery of the indebtedness as follows:

Comptroller's Memorandum 2013-02 – Salary and Wage Overpayment Recovery  
 January 15, 2013  
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Salary Overpayment Amount	Maximum No. of Pay Periods to Recover	Other Conditions
Up to \$1,000.00	6	Not less than \$100 per pay period
\$1,000.01 to \$3,000.00	12	Not more than one-quarter of employee's total compensation per pay period
\$3,000.01 to \$5,000.00	18	Not more than one-quarter of employee's total compensation per pay period
Above \$5,000.01	24	Not more than one-quarter of employee's total compensation per pay period

The above table establishes the maximum number of pay periods in which to recover a particular salary overpayment amount. Dividing the salary overpayment amount by the maximum number of pay periods establishes the minimum amount that should be deducted from an employee's compensation per pay period. The maximum number of pay periods will not apply in situations where the minimum amount per pay period exceeds one-quarter of the employee's total compensation. In these situations, the department can only deduct one-quarter of the employee's total compensation per pay period until the outstanding salary overpayment amount is paid off. Amounts greater than the minimum may be deducted if agreed to by the employee.

If the total overpayment (OP) is for the current calendar year and can be recovered in full by the last pay day of the calendar year, the department may offset from the semimonthly gross salary or wages. Recovery of a current calendar year's overpayment by offset within the same calendar year will not require any further action since the current year's year-to-date earnings will have been corrected. Therefore, employees should be strongly encouraged to select this option.

If the OP is for the current calendar year and cannot be recovered in full by the last pay day of the calendar year or the OP is for the prior calendar year, the department is to submit a Salary Assignment/Cancellation, SAFORM D-60 with Assignment Type Code = "OP" (Salary Overpayment Recovery) to initiate the periodic payroll deductions. The deductions amounts must meet the established minimum.

The amount to be recovered from employees should be the Gross Salary/Wages overpaid less the federal income tax withheld and the state income tax withheld since the employee has received credit for taxes withheld, and the federal income tax withheld and the state income tax withheld cannot be adjusted in a subsequent calendar year.

The OP deduction checks are forwarded to the departments for deposit into a trust account. Departments are to accumulate all of the periodic deductions until the full amount of the employee's overpayment is recovered.

Upon full recovery of the employee's overpayment, a summary warrant voucher (MBP 462) must be prepared to generate a check from the trust account payable to the Director of Finance, State of Hawaii for the total amount of the overpayment. The department must also prepare a SAFORM B-13 and SAFORM D-70 (and SAFORM D-71, if applicable) and submits the completed forms with the check to Central Payroll Section.

**Application of available leave.** An employee and appointing authority may agree to offset any remaining amount of indebtedness by applying the current value of appropriate leave or compensatory time credits posted in the employee's respective accounts as balances that would otherwise be payable in cash upon separation from service. However, such credits shall not be applied to any extent that would require a refund of any moneys already deducted or repaid or that would require the payment of any moneys to the employee equivalent to a cashing out of leave or compensatory time credits.

1. Departmental personnel staff obtains from the employee a completed and signed "Agreement to Apply Vacation and/or Compensatory Time Off Credits Value to Repay Salary or Wage Overpayment" (Exhibit D).
2. Prepare a summary warrant voucher (MBP 462) made payable to the Director of Finance, State of Hawaii for the gross amount of the employee designated vacation credits and/or compensatory time credits to be used. A complete set of the summary warrant voucher should be sent to the Employees' Retirement System (ERS).
3. Report the gross amount of the accumulated vacation and/or compensatory time credits on the payroll change schedule as "waged in kind" coded type "T".
4. Prepare a payroll adjustment "Code 3" on the "Notification of Payroll Adjustment" (State Accounting Form D-70) to withhold retirement contributions from those employees who are contributory or hybrid members of the ERS. This adjustment must be input in the same payroll period that the "wages in kind" is reported.
5. Upon receipt of the Director of Finance check, follow the current overpayment recovery procedures.
6. Prepare a treasury deposit receipt (State Accounting Form B-13) to deposit the check into the payroll clearing account.
7. Prepared a "Notification of Payroll Adjustment" (State Accounting Form D-70) to record the repayment of the salary overpayment.
8. Send the treasury deposit slip, the payroll adjustment form, and if applicable, the "Employer's Share of Contribution Adjustment Sheet" (State Accounting Form D-71) to the Central Payroll Section of the DAGS' Accounting Division.

**Transfer to Other Department.** In the event an employee leaves the employment of a department to which they have an unpaid salary overpayment for another state department, the department will notify the employee's new department of employment of the salary overpayment. The new department of employment will then implement these policies, procedures, and practices to recover the outstanding salary overpayment.

**Recovery of Overpayment From Former Employees.** Any salary overpayment should be offset by any vacation or compensatory time pay due the employee. Any remaining balance of vacation or compensatory pay due should then be paid to the employee.

If the vacation or compensatory time pay due the employee does not offset the salary overpayment, the account should be referred to the Attorney General in accordance with instructions from the Attorney General.

**Incorrect Determination of Indebtedness.** If the determination of indebtedness was contested and subsequently found to be incorrect:

Any moneys repaid or deducted for any indebtedness in excess of the correct amount will be promptly refunded with interest specified by section; or

All leave or compensatory time credits applied to offset any indebtedness in excess of the correct amount shall be re-credited to the employee's respective leave or compensatory time accounts and shall not result in a cash payment.

**Unlawfully Acquired Indebtedness.** If the indebtedness has arisen or been incurred by reason of the employee having embezzled, stolen, or otherwise unlawfully acquired any moneys, the whole amount of the salary, wages, or compensation, or so much thereof as may be required to pay the indebtedness in full, shall be withheld.

If you or your staff have any questions or concerns regarding implementation of this memorandum, please call Sheila Walters of the Pre-Audit Branch at 586-0650.

Attachments

Department Letter Head  
Date

Mr./Mrs./Miss/Ms.  
Address  
City, State, Zip Code

Dear

Subject: Notification of Salary or Wage Overpayment

This "Letter of Notification" informs you that you have been overpaid. Enclosed with this letter of notification are the "Overpayment Worksheet" that shows the details of the overpayment and the "Response to Salary or Wage Overpayment Notice" that allows you to request a hearing and/or request a change in the amount being deducted.

You are advised to respond to this letter immediately by completing the enclosed "Response to Salary or Wage Overpayment Notice". If you do not respond within fifteen (15) calendar days of the receipt of this letter, you have waived the right to a hearing and the amount of overpayment shall be deemed as established at \$\_\_\_\_\_.

The amount of \$\_\_\_\_\_ is being deducted and will continue to be deducted until the total overpayment is recovered in full.

It is very important that you inform us of your intentions by completing the enclosed "Response to Salary or Wage Overpayment Notice" and return it to the Employing Department or Agency shown at the top of the notice. Please call \_\_\_\_\_ at \_\_\_\_\_ if you have any questions relating to this notice and the two enclosures.

Sincerely,

Enclosures





EXHIBIT D

AGREEMENT TO APPLY VACATION AND/OR COMPENSATORY TIME OFF CREDITS VALUE TO REPAY SALARY OR WAGE OVERPAYMENT

Department \_\_\_\_\_ Date \_\_\_\_\_  
 Employee \_\_\_\_\_  
 Social Security No. \_\_\_\_\_ Pos. No. \_\_\_\_\_ Name \_\_\_\_\_ Payroll Number \_\_\_\_\_

I. ACCRUED CREDITS

	Hours	Current Hrly Rate*	Value
1. Accrued vacation credits as of _____	_____	\$. _____	\$ _____
2. Accrued CTO credits as of _____	_____	\$. _____	\$ _____
3. TOTAL Accrued credits	_____	\$. _____	\$ _____

II. ACCRUED CREDITS APPLIED FOR REPAYMENT *Complete only after it is determined when repayment will be made and whether the repayment due is the gross or customary "net" amount.*

	Hours	Current Hrly Rate*	Value	Accrued Hrs - Applied Hrs = Balance
1. Vacation Credits	_____	\$. _____	\$ _____	_____ - _____ = _____
2. CTO Credits	_____	\$. _____	\$ _____	_____ - _____ = _____

I authorize deduction of the above vacation and/or CTO credits for repayment of salary or wage overpayment.

EMPLOYEE SIGNATURE \_\_\_\_\_ DATE \_\_\_\_\_  
 APPROVED: \_\_\_\_\_ REPRESENTATIVE RESPONSIBLE FOR FORM 7 TRANSACTION DATE \_\_\_\_\_

Form 7 Tracking Instructions

- Use new codes to record deduction of vacation/CTO credits for repayment of overpayment.  
 OV = Vacation hours applied for repayment of an overpayment.  
 OC = CTO hours applied for repayment of an overpayment.
- \*Current hourly rate includes all differentials included in an employee's monthly salary. It does not include hourly differentials (e.g., night shift, working condition, etc.) that should have been paid in cash even if a CTO election is made in lieu of cash payment for OT.
- Convert hours to value by multiplying the hours by the employee's current hourly rate. Convert value to hours by dividing the value by employee's current hourly rate. For ease in tracking, as much as possible, have employee apply credits for repayment in 15-minute (1/4 hour) increments.
- On the Form 7, deduct the number of hours used for repayment of an overpayment using the transaction date.
- Keep a copy in the employee's official personnel file with the G-1's.
- Attach a copy to the employee's repayment agreement.