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DIRECTOR'S OFFICE
DEPT. OF
TRANSPORTATION
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STATE OF HAWAII
DEPARTMENT OF ACCOUNTING
AND GENERAL SERVICES
P.O. BOX 119
HONOLULU, HAWAII 96810-0119

NOV 4 1999

COMPTROLLER'S MEMORANDUM NO. 1999-33

TO: Heads of Departments

ATTN: Personnel and Payroll Offices

SUBJECT: Interim Payroll Procedures for the Use of Vacation and Compensatory Time Credits to Repay Salary Overpayments

The provisions contained in the UPW collective bargaining agreements for bargaining units 1 and 10 and the HGEA memorandum of agreement for bargaining units 2, 3, 4, 9 &13 allow employees to use accumulated vacation leave credits and/or compensatory time credits to repay salary overpayments. Therefore, the vacation leave credits used and/or compensatory time credits used to repay the State become wages in the calendar year the employee uses them to repay the employee's salary overpayment. The employee should be advised to consult his tax accountant for treatment of the amount repaid if the repayment applies to previous calendar years.

The procedures outlined below are to be used in conjunction with the procedures previously issued by the Department of Human Resources Development (HRD) which were sent to your department with HRD's memorandum entitled, "Implementation of Compensation Overpayment Provisions Applicable to BU 1, 2, 3, 4, 9, 10 and 13" dated October 18, 1999.

When you receive a completed and signed Agreement for Repayment of Compensation Overpayment (COMP O/P Form 3):

1. Prepare a summary warrant voucher (MBP 462 or SAForm C-08) made payable to the Director of Finance 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.

2. Report the gross amount of the accumulated vacation credits and/or compensatory time credits on the payroll change schedule as "wages in kind" coded type "T".

3. 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 members of the Employees' Retirement System. This adjustment must be input in the same payroll period that the "wages in kind" is reported.

4. Upon receipt of the Director of Finance check, follow the current overpayment recovery procedures:

   a. Prepare a treasury deposit receipt (State Accounting Form B-13) to deposit the check into the payroll clearing account.

   b. Prepare a "Notification of Payroll Adjustment" (State Accounting Form D-70) to record the repayment of the salary overpayment.

   c. Send the treasury deposit receipt, the payroll adjustment form, and if applicable, the "Employer's Share of Contribution Adjustment Sheet" (State Accounting Form D-71).

The above procedures do not change the previously established methods of recording repayments of salary overpayments for the current or prior calendar years but rather implements the repayment options contained in the previously cited bargaining agreements.

If your staff has any questions, please have them contact Sheila Walters at 586-0650 or Claire Fukuji at 586-0629.

RAYMOND H. SATO
State Comptroller