STATE OF HAWAII
DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES
HONOLULU, HAWAII

April 1, 1983

MEMORANDUM NO. 83-4

TO: Heads of Departments and Agencies

ATTENTION: Payroll/Personnel Officer

FROM: Hideo Murakami, Comptroller

SUBJECT: Clarification of DAGS Policy for Collection of Salary Overpayment Procedures

The purpose of this memorandum is to remind departmental agencies of DAGS' policy in recovering salary overpayments and to clarify the procedures for handling overpayment adjustments.

As stated in Section 331, Volume III, State of Hawaii Accounting Manual, the State's general policy with respect to recovering salary overpayments is that "employees ... should voluntarily and immediately repay the full amount of the overpayment ...". This Section also prescribes alternative procedures that must legally be allowed for recovering salary overpayments, pursuant to Section 78-12, HRS, from employees who do not voluntarily repay the overpayment immediately and in full.

It should be recognized that the accounting and reporting of payroll recoveries, including compliance with requirements of taxing jurisdictions, is extremely complex administratively.

As indicated in Section 767, Volume III, State of Hawaii Accounting Manual, the procedures for processing overpayment adjustments depend on whether the payroll warrant was actually issued to, and cashed by, the employee, or whether the payroll warrant was merely prepared but never issued to the employee. The following paragraphs deal with the two alternatives, and how the adjustments are made for each. In both cases, the intent is to reverse the bookkeeping entry that was made at the time the warrant was issued (in error).

If the warrant <u>was not</u> actually issued to the employee, the overpayment is adjusted automatically through the payroll system

under the warrant cancellation procedure, without employee involvement. Under the warrant cancellation method, agents whose accounts must be adjusted because moneys were erroneously sent to them recognize and accept the automatic adjustment as a part of the working arrangement under the payroll system; accordingly, any debit balances in agents' accounts resulting because of the automatic adjustment must be recovered by Central Payroll. The cancelled warrant and, if applicable, the SAForm D-71 (Employer's Share of Contribution Adjustment Sheet), must be attached to the SAForm D-70 and submitted to DAGS Central Payroll for payroll processing. Form preparation instructions are in Sections 767, 768, 769, and 770 of Volume III.

If on the other hand the warrant was issued to the employee and the employee cashed the warrant, the overpayment is adjusted through the payroll system (for withheld taxes only) and through cash recovery from the employee. Under this cash recovery method, the amount to be obtained from the employee includes the net overpayment, plus the other non-tax deductions, plus (in the case of terminated employees) the retirement contributions. Under this method, moneys erroneously sent to the agents must be returned to the State by the employee, on whose behalf the State acted in sending the moneys to the agents. Agents will not recognize the automatic adjustment to their accounts as they do in the case of warrant cancellations described under the warrant cancellation alternative.

Under the cash recovery method, the employee's personal check or other payment document must be made payable to DIRECTOR OF FINANCE, STATE OF HAWAII. If the employee's check is made payable to the employing agency, then the agency must endorse it to the Director of Finance, State of Hawaii. In addition, a Treasury Deposit Receipt, SAForm B-13 (to be deposited into the Payroll Clearance Fund: 12-T-FY-915-M-050-9200) must be prepared and signed by an authorized departmental person. The employee's check, the SAForm B-13, and the SAForm D-71, if applicable, must be attached to the SAForm D-70 and submitted to DAGS Central Payroll for payroll processing.

Because of the continuing overpayment problems which occur, Central Payroll believes that more timely communications among your departmental employees and your payroll staff regarding employees who terminate, or who go on leave without-pay status, should minimize recurrence of overpayment. Of course, such communication would be less necessary if your departmental controls were strengthened so that overpayments would not occur in the first place.

Your cooperation in complying with the policy and procedures as discussed above will expedite the processing of salary overpayment adjustments. If there are any staff questions, your staff may call DAGS Central Payroll at 548-3167 or 548-6736.

HIDEO MURAKAMI
Comptroller

Attch.

STATE OF HAWAII

TREASURY DEPOSIT RECEIPT

FUND	DETAIL FUND OR APPROPRIATION	DATE
TRUST	PAYROLL CLEARANCE FUND	02-19-83

SECTION A: REVENUE

ENTRY	UNIFORM ACCOUNTING CODE										AMOUNT
	TR	F	YR	APP	O	S/D	SOURCE OR OBJECT	FUNCTION	L	PROJECT	
18	19-20	21	22-23	24-26	27	28-30	31-34	35-38	39	40-43	44-54
	Reimbursement of salary overpayment:										
	Name: BOMMAN, JAMES P JR										
	SS No: 575-46-0629										
	P/R-Dst: D17-100										
	Hawaii Federal and State Employees FCU										
	#75-148, 2/12/82, $821.70										
										TOTAL	

SECTION B: NON-REVENUE

A	12	T	83	915	M	050	9200				821.70
										TOTAL	821.70
EA	79-80									GRAND TOTAL	821.70

DEPARTMENT
TRANSPORTATION-HARBORS DIV.
For: DAGS Pre-Audit

SIGNATURE OF AUTHORIZED PERSON
/s/ Departmental Signature

RECEIPT OF DEPOSIT HEREBY ACKNOWLEDGED BY FINANCE DIVISION, DEPT. OF BUDGET & FINANCE

SIGNED: _____

DATE: _____ 14-17

KIND OF DEPOSIT	AMOUNT
COIN	
CURRENCY	
STATE WARRANTS	
CHECKS	821.70
BANK DEPOSITS	
OTHERS	
TOTAL $	821.70

DEPOSITORY'S NO.
8-13

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STATE ACCOUNTING FORM B-13
JULY 1, 1972

COPY #1—STATE TREASURY