JOHN WAIHEE
GOVERNOR

RUSSEL S. NAGATA
COMPTROLLER

ROBERT P. TAKUSHI
DEPUTY COMPTROLLER

STATE OF HAWAII
DEPARTMENT OF ACCOUNTING
AND GENERAL SERVICES
P. O. BOX 119
HONOLULU, HAWAII 96810-0119

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COMPTROLLER'S MEMORANDUM NO. 1992-8 (CORRECTED)

TO: Heads of Departments
(Attention: Payroll/Personnel Offices)

FROM: Russel S. Nagata, Comptroller

SUBJECT: Retrieval of Direct Deposits of Net Pay

This memorandum addresses the procedure that must occasionally be used for retrieving a State employee's net pay that has been forwarded by Central payroll to a bank (or other assignee) for direct deposit to the employee's account. In connection with a problem recently referred to the Ombudsman's office, that office has suggested that we communicate with all employing agencies on the procedure.

In general, an employing agency is responsible for recovering any payroll overpayment or other erroneous payroll payment. This responsibility applies to direct deposits of net pay as well as to payroll payments made by individual treasury warrants, and this responsibility extends to contacting agent-assignees from whom deductions must be retrieved as well as contacting the employee.

In making recovery of a direct deposit, an employing agency must take into consideration all factors pertinent to the particular case at hand. In deciding on the recovery action to take, the employing agency must also consider the effect of the action on the employee involved. For example, if the employing agency is considering contacting the direct deposit assignee to request that the net pay be returned, the time elapsed since the direct deposit is a factor to be included in the consideration.

An employing agency deciding on recovery action should also consider whether there is a need to inform the affected employee that a direct deposit recovery is being made. If an affected employee could reasonably expect the amount of the direct deposit to be credited to the employee's account, the employing agency should inform the employee of the recovery action.

In any event, there is no need to inform an employee before taking action to recover a direct deposit on or before pay day. Taking action to recover a direct deposit on or before pay day is parallel to not releasing a treasury warrant overpayment to an employee not on a direct deposit plan. While there is no need to inform an employee before taking such action, it may nevertheless be appropriate to forward such information to the employee promptly, especially if the employee could reasonably expect a direct deposit of net pay in a lesser amount.

The content of this memorandum is not intended as a modification of existing instructions on the processing of and accounting for payroll overpayment transactions. In summary, it is the purpose of this memorandum to remind all employing agencies to consider all the circumstances involved when contemplating the retrieval of a payroll direct deposit. These circumstances include the expectation of the employee involved, as well as the error correction itself.

RUSSELL S. NAGATA
Comptroller