Administrative Policy No. 19.25.01

Subject: Overpayments to DSHS Employees for Salary, Wages, Benefits and Miscellaneous Expenditures

Information Contact: Office of Accounting Services, Payroll Section Payroll Manager, 360-664-5750


Effective Date: November 13, 2007

Revised: May 29, 2012

Approved By: Original signed by Kathy Marshall Chief Financial Officer

Purpose

The purpose of this policy is to describe how DSHS Administrations identify, manage, refer, collect, and report overpayments made to DSHS employees or on behalf of DSHS employees.

Scope

This policy applies to all employee overpayments related to salaries, wages, benefits, and miscellaneous expenditures. This policy is not subject to Sunset Review because it covers the relevant Master Agreements in effect at the time:

1. Washington Federation of State Employees (WFSE) Master Agreement;
2. Service Employees International Union District 1199 (SEIU 1199) Master Agreement; and
3. Coalition Master Agreement.
Overpayments occurring from the effective date and beyond will be based on the applicable Master Agreements.

This policy does **not** apply to:

1. Travel advances. Refer to DSHS Administrative Policy 19.10.06.
2. Employee Fraudulent and Criminal activity. Refer to the relevant Administrative Policies in Chapter 18.
3. Volunteers, Board or Commission members.
4. Contractors or Vendors.

**Additional Guidance**

Revised Code of Washington (RCW)
- RCW 9A.80.010 Official misconduct
- RCW 42.40 State employee whistleblower protection
- RCW 42.52 Ethics in public service
- RCW 43.17.240 Debts owed to the state – Interest rate
- WAC 292-110 Executive ethics board substantive rules
- DSHS Administrative Policy 19.85.20, Cash receipting
- DSHS Forms Picker
- Form 03-224 Payroll adjustment and repayment authorization
- Form 02-579, Miscellaneous Employee Overpayment Repayment Authorization

**Definitions**

**Appointing Authority** is an employee DSHS authorizes to hire and/or terminate staff. The Appointing Authority may delegate this authority.

**Department** is the Department of Social and Health Services (DSHS).

**DSHS Financial Services Administration (FSA) Payroll Office**: Is the office within the Financial Services Administration that manages payroll for the department and processes payroll for all of DSHS, except Eastern Washington institutions. When referring to an institution, the DSHS FSA Payroll Office refers to the institution payroll office located within that particular facility.

**DSHS Institution Payroll Office** is the payroll office located at Eastern Washington DSHS institutions and is responsible for processing payroll for institution employees at that facility.

**Employee** is an individual DSHS pays a salary, wages, or benefits to for work performed for the department who may have access to the SCAN, state vehicles, state issued pagers, Personal Digital Assistants (PDA), or cell phones, or to whom DSHS provides reimbursement for tuition or miscellaneous expenses.
Miscellaneous Expenditures are costs incurred by DSHS for resources authorized for employees to use for the performance of their job. Some examples of miscellaneous expenditures include, but are not limited to SCAN numbers, cell phones, pagers, purchase cards, travel cards, state vehicles, Personal Digital Assistants (PDA), and miscellaneous office supplies. This policy considers payments for tuition reimbursement or other training as miscellaneous expenditures.

Office of Financial Recovery (OFR): Is the office delegated the exclusive authority to manage DSHS receivables due from private persons, businesses, agencies, funds, or governmental units, except for those areas listed in Administrative Policy 4.13.

Overpayments are any DSHS payments, including salary, wages, or benefits in excess of the amount that the DSHS employee was entitled to by law, rule, contract, or policy. This includes, but is not limited to, inappropriate use of state equipment or resources that results in a cost to DSHS, or to the State. Overpayments could be identified by the Appointing Authority, Human Resource Processor, Payroll Processor, Employee’s Supervisor, Time and Attendance Processors and any other DSHS employee or by the employee.

Offset is a deduction from an employee’s pay, using the DSHS payroll system.

Questioned Costs is any expenditure identified through an audit considered to be in error. Questioned Costs are often identified in reports produced by:

1. The State Auditor’s Office.
2. The Office of Inspector General.
3. Federal program reviews.
4. DSHS Operations Consultation and Review.
5. Another independent auditor.
6. Payroll report review and reconciliation(s)

Salary, Wages, Benefits all remuneration for services rendered including basic salary, shift differential, standby pay, overtime, penalty pay, salary due based on contractual agreements, holiday and leave accruals, insurance (includes; life, health and long term disability) or retirement premiums and special pay provisions, as provided for by law, Washington personnel resources board rules, agency policy or rule, or contract.

SCAN is the State Controlled Area Network employees use to produce long-distance phone activity.

Sum Certain is the collectable and final amount, after all investigations and appeals have been exhausted.

Termination means retirement, dismissal, transfer to another state agency, transfer to another governmental agency, or transfer to private sector employment.

Policy Requirements
A. Salary, Wage and Benefit Overpayments

1. The DSHS FSA Payroll Office is the official department contact for:
   a. Policy interpretation, training, and other guidance related to payroll.
   b. Employee salary, wage and benefit overpayment processing for all employees.

2. Eastern Washington DSHS Institutional Payroll Offices are responsible for processing salary, wage and benefit overpayments for employees within their institutions, as applicable.

3. Personnel/Payroll field offices must submit accurate information to the appropriate Payroll Office regarding employee wages, salaries, retirement and insurance eligibility.

4. Employees must notify their assigned Human Resources manager of any suspected salary, wage or benefit errors occurring on the employee’s Washington State Earnings and Deductions Statement.

5. DSHS must give written notice to the employee when DSHS has determined that an employee has been overpaid salary, wages or benefits. This notice will include the:
   a. Amount of overpayment.
   b. Basis for the claim.
   c. Rights of the employee, under the applicable Master Agreement, if applicable.

6. Notification will be provided to the employee on the DSHS Payroll Adjustment and Repayment Authorization form (DSHS 03-224).

7. Within 21 calendar days of notification (RCW 49.48.210), employees must choose one of the following options for paying back the overpayment:
   a. Voluntary wage deduction.
   b. Cash.
   c. Check (e.g., money order, personal check, etc.).

8. The employee will have the option to repay the overpayment over a period of time equal to the number of pay periods during which the overpayment was made, unless a longer period is agreed to by the employee and the agency. The payroll deduction to repay the overpayment shall not exceed five percent (5%) of the employee’s disposable earnings in a pay period. However, the agency and employee can agree to an amount that is more than five percent. For the purposes of agency agreement, only a joint decision by the Office of Accounting Services (OAS) Chief and the OAS Payroll Manager can approve a different repayment schedule.

9. The Payroll Office must deduct the overpayment owed from the employee’s wages
until paid in full if the employee fails within the 21 calendar days to: 1) Choose one of the options described in “5” above; 2) request a repayment over time; or 3) demonstrate a documented effort of appeal. Overpayment recovery will commence as noted in “6” above.

10. If an employee with an outstanding overpayment terminates from DSHS, DSHS must deduct the remaining balance of the overpayment amount from the employee’s final pay.

11. DSHS must refer any remaining debt to Office of Financial Recovery (OFR) for collection if the final earnings do not permit recovery of the total amount owed.

B. Miscellaneous Employee Overpayments

1. Appointing Authorities must:
   a. Evaluate whether all employees comply with all relevant, federal, state and department policies regarding the use of SCAN numbers, cell phones, pagers, purchase card, travel cards, state vehicles, and payments for tuition and other miscellaneous expenses.
   b. Review or refer for investigation to the Human Resources Division of DSHS, any alleged employee overpayments resulting from miscellaneous expenditures.

2. DSHS must retain all pertinent records to support billing and reimbursement for SCAN numbers, cell phones, pagers, purchase cards, travel cards, state vehicles, tuition, and miscellaneous reimbursement for six state fiscal years from the date of payment.

3. DSHS must give written notice to the employee when a supervisory review or an audit determines an employee has been overpaid.

4. Employees must repay overpayment via one of the following:
   a. Voluntary wage deduction.
   b. Cash.
   c. Check (e.g., money order, personal check, etc).

5. Within 21 calendar days of notification (RCW 49.48.210), employees must choose one of the options listed above for paying back the overpayment.

6. Repayment must be made in a lump sum. Only the OAS Chief may extend the repayment time period.

7. If notification from the employee is not received within 21 calendar days, from the date of the written notice, the overpayment must be turned over to OFR. Only the Chief of OFR may:
a. Assess and collect interest. Interest may be assessed consistent with RCW 43.17.240.
b. Reduce or forgive employee overpayments once a sum certain amount is established.

8. OFR may coordinate with the OAS Payroll Unit to establish a payroll offset to recover an employee overpayment after obtaining appropriate authority.

9. Disputes concerning the occurrence or amount of the overpayment must be resolved through the grievance procedure in the applicable Master Agreement for represented employees or through the Appointing Authority for non-represented employees.

10. DSHS may assess employees’ additional costs incurred by DSHS, such as investigation and/or litigation costs, to determine whether an overpayment existed and the amount of the overpayment. These additional costs may be assessed only if an overpayment was substantiated.

C. Employees Transferring to another State Agency while Owing a Balance

1. Overpayments outstanding at termination of employment from DSHS must be deducted from the earnings of the final pay period (RCW 49.48.200).

2. If the final earnings do not permit recovery of the total amount owed, DSHS must work with the accepting agency to continue deductions as outlined above until the debt has been satisfied.

3. If arrangements cannot be made with another state agency, the debt must be turned over to OFR for collection.

D. Employees Terminating State Service while Owing a Balance

1. Overpayments outstanding at termination of employment from DSHS must be deducted from the earnings of the final pay period and any cash-out of leave balances (RCW 49.48.200).

2. DSHS must refer any remaining debt to OFR for collection if the final earnings do not permit recovery of the total amount owed.

Procedures

A. Processing Salary, Wage and Benefit Overpayments for Current Employees

1. Manager, Time and Attendance Processors, Human Resources Representative, Payroll staff or assigned Human Resources Manager:
a. Documents suspected overpayment(s) on the “Payroll Adjustment and Repayment Authorization” DSHS Form 03-224.

b. Forwards the form to the Payroll Processor or to OAS within ten working days of identifying the suspected overpayment.

2. The Payroll Processor or Payroll Office:

a. Makes necessary adjustments to the employee’s record to prevent further overpayments from occurring.

b. Identifies, computes and verifies the salary, wage or benefit overpayment.

c. Completes “DSHS Form 03-224” to include the gross amount of the overpayment, the computed percentage of disposable wages, the employee’s enrolled Retirement program and the amount of payments to be collected if percentage of disposable wages is the method of collection via deduction from future payrolls.

d. Sends the completed DSHS Form 03-224 along with any supporting documentation to the Appointing Authority or designee, Human Resource Representative, and Time and Attendance Processors.

3. After an overpayment has been verified and computed, the Appointing Authority or designee:

a. Notifies the employee by sending the employee the prefilled “Payroll Adjustment and Repayment Authorization” DSHS Form 03-224, or will meet with the employee in person, for employee choice and signature.

b. Documents the contact in writing and forwards a copy of the “DSHS Form 03-224” with date of contact to the proper Payroll Office and Human Resource Representative.

4. Employees return the signed and completed “Payroll Adjustment and Repayment Authorization” DSHS Form 03-224 to their Appointing Authority or designee, Human Resource Representative or the initiating payroll office within 21 calendar days following the date of postmark.

5. The Payroll Office deducts overpayments from the employee’s subsequent wage payments if the:

a. Employee does not respond within 21 calendar days, and

b. Employee does not settle overpayment with cash or check, and

c. Payroll office verifies and documents the type of contact with the employee.

6. If the Union covered employee grieves the overpayment, no deduction from payroll occurs until resolution of the grievance is documented.

B. Processing Salary, Wage and Benefit Overpayments for Employees Transferring to another State Agency
1. Assigned Manager, Time and Attendance Processor, Human Resources Representative, Payroll Processor or Human Resources Manager:
   a. Documents any suspected overpayment(s) on the “Payroll Adjustment and Repayment Authorization” DSHS Form 03-224.
   b. Forwards the form immediately to the Payroll Processor within ten working days of identifying the suspected overpayment.

2. Payroll Processor or Payroll Office:
   a. Makes necessary adjustments to the employee’s record to prevent further overpayments from occurring.
   b. Identifies, computes, and verifies the salary, wage or benefit overpayment.
   c. Sends the completed DSHS Form 03-224 along with any supporting documentation to the Appointing Authority or designee, Human Resource Representative, and Time and Attendance Processor.
   d. Initiates recovery of the computed and verified overpayment from final pay depending on timing of transfer.

3. If an employee transfers to another state agency before completing repayment of the salary overpayment, the Appointing Authority or designee, Human Resource Representative or the Payroll Office can advise the employee of options to repay the balance owed via a check payable to DSHS.

4. The appropriate DSHS Payroll Office notifies and attempts to work with the other agency for collections via payroll deduction and Journal Vouchers.

5. If the employee refuses to remit the overpayment in the form of a lump sum, requests installment options for repayment, or refuses to agree to a form of repayment, the Payroll Office refers the overpayment to OFR (mailstop 45862) for collection. OFR will work with the other state agency for collection.

C. Processing Salary, Wage and Benefit Overpayments for Employees Terminating State Service

1. Assigned Manager, Time and Attendance processor, Human Resources Representative, Payroll Processor or assigned Human Resource Manager:
   a. Documents suspected overpayment(s) on the “Payroll Adjustment and Repayment Authorization” DSHS Form 03-224.
   b. Forwards the form to the Payroll Processor or to OAS within ten working days of identifying the suspected overpayment.

2. The Payroll Processor or Payroll Office:
a. Makes necessary adjustments to the employee’s record to prevent further overpayments from occurring.
b. Identifies, computes, and verifies the salary, wage or benefit overpayment.
c. Sends the completed DSHS Form 03-224 along with any supporting documentation to the Appointing Authority or designee, Human Resource Representative, and Time and Attendance Processor.
d. Initiates recovery of the computed and verified overpayment.

3. If an employee terminates before completing repayment of the salary overpayment, the Payroll Office advises the employee to repay the balance owed. Options include:
   a. Paying in lump sum, if the employee gives a check payable to DSHS for the balance owed.
   b. Deducting from the leave pay out, if the employee’s leave pay is enough to cover the balance owed.
   c. Referring to OFR (mailstop 45862) for collection, if the terminated employee refuses to remit the overpayment in the form of a lump sum, requires installment options for repayment, refuses to agree to a form of repayment or final payout is not enough to cover overpayment.

D. Processing Salary, Wage and Benefit Overpayments for Former Employees

1. The assigned Manager, Time and Attendance Processor, Human Resources Representative, Payroll Processor or assigned Human Resource Manager:
   a. Documents suspected overpayment(s) on the “Payroll Adjustment and Repayment Authorization” DSHS Form 03-224.
   b. Forwards the form to the Payroll Processor or to OAS within ten working days of identifying the suspected overpayment.

2. The Payroll Processor or Payroll Office:
   a. Identifies computes, verifies, and notifies the employee of the salary overpayment in writing.
   b. Sends the overpayment to OFR for collection (mailstop 45862).

E. Processing Miscellaneous Overpayments for Current Employees

1. Once an investigation has concluded, the Appointing Authority or designee notifies the employee in writing of the overpayment detailing:
   a. The sum certain amount of the overpayment to be collected.
   b. The basis for the claim.
   c. The rights of the employee under the terms of the Collective Bargaining Agreement.
2. If the employee agrees with the overpayment, payment is made by one of the following:
   a. Cash.
   b. Check (e.g., money order, personal check, etc.).
   c. Miscellaneous Employee Overpayment Repayment Authorization - DSHS Form 02-579.

3. If the employee requests collection utilizing voluntary wage deduction, the Payroll Office deducts the authorized amount from the employee’s semi-monthly pay, adjusts the employee’s year-to-date earnings (to include retirement), and records the repayment completion.

4. If the employee refuses to sign the voluntary wage deduction form and has not responded to the dispute, appointing authority or designee:
   a. Takes appropriate action regarding employee noncompliance/misconduct.
   b. Sends the overpayment to OFR for collection (mailstop 45862).

F. Processing Miscellaneous Overpayments for Employees Transferring to another State Agency

1. If an employee transfers to another state agency before completing repayment of the miscellaneous overpayment, the office handling the issue will advise the employee to give a check payable to DSHS for the balance owed.

2. If no response is received within 21 calendar days, the office handling the issue will refer the debt to OFR (mailstop 45862) for collection. OFR will work with the accepting agency to start or continue deductions as outlined above until the debt has been satisfied.

G. Processing Miscellaneous Former or Terminated Employee Overpayments

If an employee terminates before completing repayment of the salary overpayment, the office handling the issue advises the employee of options to repay the balance owed. Options include:

1. Paying in lump sum, if the employee gives a check payable to DSHS for the balance owed.

2. Deducting from the leave pay out, if the employee’s leave pay is enough to cover the balance owed, use the Voluntary Deduction Form.

3. Referring to OFR (mailstop 45862) for collection, if the terminated employee refuses to remit the overpayment in the form of a lump sum, requires installment options for repayment, or refuses to agree to a form of repayment.
H. Making Payments to DSHS

When making payments to DSHS by cash or check, the employee:

1. Forwards the payments to OFR’s Cash Unit for processing (see Administrative Policy 19.85.20 - Cash Receipting).

2. Identifies the cash or check payee as “DSHS” with the word “overpayment” on the Memo Line so the Cash Unit can properly credit the account. A copy of form 03-224 or the overpayment notice must be sent with the payment to the OFR Cash Unit.

1 Updates include listing DSHS Form 03-224 and instruction for distribution of completed documentation
2 Correct position titles to Attendance Processor & Human Resource Representative, and corrected references and links