

## Administrative Policy No: 19.25.01

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

**Contact:** Office of Accounting Services, Payroll office  
Payroll Manager, 360-664-5750

**Authorizing Source:** 2019-2021 Collective Bargaining Agreement,  
WFSE Article 42.21  
1199NW- SEIU Article [10.17](#)  
Coalition Article [41.21](#) Revised Code of Washington (RCW)  
RCW [49.48.200](#) Overpayment of wages – Government employees  
RCW [49.48.210](#) Overpayment of wages – Notice, Review, Appeal  
SAAM Section [25.80](#), Salary Overpayment Recoveries  
DSHS Administrative Policy [4.13](#) Delegation of Authority, Office  
of Financial Recovery

**Effective Date:** November 13, 2007

**Revised:** September 25, 2020

**Approved By:** **Original signed by Judy Fitzgerald**  
Assistant Secretary / Chief Financial Officer  
Facilities, Finance, and Analytics Administration

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### Purpose

The purpose of this policy is to describe how the Department of Social and Health Services (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.

Overpayments occurring from the effective date and beyond will be based on the applicable collective bargaining 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

Chapter [42.40](#) RCW – State employee whistleblower protection

Chapter [42.52](#) RCW – Ethics in public service

RCW [43.17.240](#) Debts owed to the state – Interest rate

Chapter [292-110](#) WAC – Agency substantive rules

DSHS Administrative Policy [19.85.20](#), Cash receipting

DSHS Administrative Policy [18.61](#), Employee Grievance

DSHS Administrative Policy [19.25.08](#), Payroll Procedure on Assault Pay

[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 terminate staff. The appointing authority may delegate this authority.

**Collective bargaining agreement (CBA)** is the contractual agreement between an employer and a labor union that governs wages, hours, and working conditions for employees and which can be enforced against both the employer and the union for failure to comply with its terms.

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

**Employee** is an individual DSHS pays a salary, wages, or benefits 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, ineligible travel expenses, 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.

**Payroll office** is the office within the facilities, finance, and analytics administration (FFAA) that manages payroll for the department and processes payroll for all of DSHS. Institutions in Eastern Washington have decentralized payroll offices. When referring to an institution, the DSHS FSD payroll office refers to the institution payroll office serving that particular facility.

**Salary, wages, benefits** means 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 (SCAN) 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**

The DSHS FFAA payroll office is the official department contact for:

- a. Policy interpretation, training, and other guidance related to payroll.
- b. Employee salary and wage overpayment processing for all employees.

Eastern Washington DSHS institutional payroll offices are responsible for processing salary and wage overpayments for employees within their institutions in coordination with headquarters payroll office, as applicable. All payroll staff, regardless of location, report to the finance services division.

Human resources (HR) must submit timely and accurate information to the appropriate payroll office regarding employee wages, salaries, retirement and insurance eligibility.

#### **A. Salary, wage, and retirement overpayments**

1. Employees must notify their assigned human resources consultant (HRC) or HR manager of any suspected salary, wage, or retirement errors occurring on the employee's Washington state earnings and deductions statement.
2. The department must give written notice to the employee when it is determined that an employee has been overpaid salary, wages, or retirement. This notice will include the:
  - a. Amount of overpayment.
  - b. Basis for the claim.
  - c. Rights of the employee, under the applicable CBA, if applicable.

Notification will be provided to the employee on the DSHS payroll adjustment and repayment authorization form (DSHS 03-224).

3. 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.).
4. The department will follow the overpayment process identified in the appropriate CBA for represented employees. For non-represented employees, the agency will follow the overpayment process identified in RCW 49.48.200 and RCW 49.48.210. The payroll deduction to repay the overpayment must 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 the OAS payroll manager or the OAS chief can approve a different repayment schedule.
5. 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:
  - a. Choose one of the options described in point A.3 above;
  - b. Request an alternate repayment rate;
  - c. File an appeal in accordance with the CBA in effect and Administrative Policy 18.16. The appointing authority will inform the payroll office that an appeal has been filed. Overpayment recovery will commence as noted in point A.4 above.
6. If an employee with an outstanding overpayment leaves DSHS, the department must deduct as much of the remaining balance of the overpayment amount as possible from the employee's final pay.

## **B. Benefits Insurance Overpayment**

1. Employees must notify their assigned HRC or HR manager of any suspected benefit errors occurring on the employee's Washington state earnings and deductions statement.

2. The department must give written notice to the employee when it is determined that an employee has been overpaid for benefits including but not limited to medical insurance premiums. The written notice will include the:
  - a. Amount of overpayment.
  - b. Basis for the claim.
  - c. Rights of the employee, under the applicable CBA, if applicable.

Notification will be provided to the employee on the DSHS payroll adjustment and repayment authorization form (DSHS 03-224).

3. 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.).
4. The department will follow the overpayment process identified in the appropriate CBA for represented employees. For non-represented employees, the agency will follow the overpayment process identified in RCW 49.48.200 and RCW 49.48.210. The payroll deduction to repay the overpayment must 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 the OAS payroll manager or the OAS chief can approve a different repayment schedule.
5. 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:
  - a. Choose one of the options described in point B.3 above;
  - b. Request a repayment over time;
  - c. File an appeal in accordance with the CBA in effect and Administrative Policy 18.16. The appointing authority will inform the payroll office that an appeal has been filed. Overpayment recovery will commence as noted in point 4 above.
6. If an employee starts employment on the first of the month, the full month's insurance premium may be deducted from their earnings on the 25<sup>th</sup> of the month.
7. The department will collect up to one month's insurance premium in the first pay period after the overpayment is discovered and offset the rest for collection as in policy point 4 of this section.
8. If an employee with an outstanding overpayment separates from DSHS, DSHS must deduct the remaining balance of the overpayment amount from the employee's final pay.

### **C. Overpayments occurring while employees are receiving assault benefits**

1. Employees must notify their assigned HRC or HR manager of any suspected assault benefit errors occurring on the employee's Washington state earnings and deductions statement.
2. Overpayments that occur while an employee is receiving assault benefits will be collected during and up to the first pay period that the employee returns to work without additional notification beyond the assault letter received at the initiation of their assault case. Any remaining balance will be collected in accordance with the applicable CBA and RCW 49.48.200 and RCW 49.48.210.
3. Policy Points A.3-A.6 as outlined under salary, wage and retirement overpayments section will be followed to collect any remaining overpayment once the employee has returned to work.

#### **D. Travel and 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 (HRD) of DSHS, any alleged employee overpayments resulting from miscellaneous expenditures.
2. The appointing authorities must ensure that all pertinent records to support billing and reimbursement for SCAN numbers, cell phones, pagers, purchase cards, travel cards, state vehicles, tuition, and miscellaneous reimbursement are retained in accordance with DSHS Administrative Policy 5.04.
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 the overpayment via one of the following:
  - a. Voluntary wage deduction.
  - b. Cash.
  - c. Check (e.g., money order, personal check, etc.).

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

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

6. Disputes concerning the occurrence or amount of the overpayment must be resolved through the grievance procedure in the applicable CBA for represented employees or through the appointing authority for non-represented employees.
7. The department may assess employees additional costs incurred by DSHS, such as investigation 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.

**E. Employees transferring to another state agency while owing a balance**

1. Overpayments outstanding at separation 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 in policy point A.4 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.

**F. Employees separating from state service while owing a balance**

1. Overpayments outstanding at separation of employment from state service at DSHS must be deducted from the earnings of the final pay period and any cash-out of leave balances (RCW 49.48.200).
2. The department 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. Supervisor, manager, time and attendance processors, HR representative, payroll staff or assigned HR manager:
  - a. Documents suspected overpayment(s) on the “payroll adjustment and repayment authorization” DSHS Form 03-224, which is generated by using the overpayment database.
  - b. Forwards the form to the payroll team that supports the employee’s personnel area 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. Calculates the amount of the payroll deduction at 4.75% of the employee's disposable earnings.
  - d. 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.
  - e. Sends the completed DSHS Form 03-224 along with any supporting documentation as notification of overpayment to the employee with a copy to the appointing authority or designee, HR representative, and time and attendance processors.
3. Employees return the signed and completed "payroll adjustment and repayment authorization" DSHS Form 03-224 to the initiating payroll office within 21 calendar days following the date of postmark.
  4. The payroll office deducts overpayments from the employee's subsequent wage payments if the:
    - a. Employee does not respond within 21 calendar days;
    - b. Employee does not settle overpayment with cash or check; and
    - c. Payroll office verifies and documents the type of contact with the employee.

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. Supervisor, assigned manager, time and attendance processor, HR representative, payroll processor, or HR manager:
  - a. Documents any suspected overpayment(s) on the "payroll adjustment and repayment authorization" DSHS Form 03-224 which is generated by using the overpayment database.
  - b. Forwards the form immediately to the payroll team that supports the employee's personnel area 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, HR 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, HR 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 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. Supervisor, assigned manager, time and attendance processor, HR representative, payroll processor, or assigned HR manager:
  - a. Documents suspected overpayment(s) on the “payroll adjustment and repayment authorization” DSHS Form 03-224 which is generated by using the overpayment database.
  - b. Forwards the form to the payroll team that supports the employee’s personnel area 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, HR representative, and time and attendance processor.
  - d. Initiates recovery of the computed and verified overpayment.
3. If an employee separates before completing repayment of the salary overpayment, the payroll office will collect up to the balance owed from the employee’s final paycheck, any amount still owed will be referred to OFR (mailstop 45862) for collection.

**D. Processing salary, wage, and benefit overpayments for former employees**

1. Supervisor, the assigned manager, time and attendance processor, HR representative, payroll processor, or assigned HR manager:
  - a. Documents suspected overpayment(s) on the “payroll adjustment and repayment authorization” DSHS Form 03-224 which is generated by using the overpayment database.
  - b. Forwards the form to the payroll team that supports the employee’s personnel area within ten working days of identifying the suspected overpayment.

2. The payroll processor or payroll office sends a notification of the overpayment to the employee's last known address and sends the overpayment to OFR for collection (mailstop 45862).

#### **E. Processing miscellaneous overpayments for current employees**

1. If the appointing authority determines that an overpayment has occurred, the appointing authority will:
  - 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 HRD of DSHS, any alleged employee overpayments resulting from miscellaneous expenditures.
2. 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 CBA.
3. 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.
4. 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.
5. 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 in policy point A.4 above until the debt has been satisfied.

### **G. Processing miscellaneous former or separated employee overpayments**

If an employee separates 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 DSHS 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 DSHS form 03-224 or the overpayment notice must be sent with the payment to the OFR cash unit.