



## ACCOUNTING POLICY AND PROCEDURES (APP) MANUAL

TOPIC: Section 7 – Payroll 12.0	EFFECTIVE DATE: 03/05/2014
TITLE: Salary Overpayments	REVISION DATE: 05/08/2017
AUTHORIZED BY: Director, Bureau of Fiscal Services	

### BACKGROUND

Salary overpayments can occur when an employee terminates employment and is paid for vacation time before it is earned, when vacation time taken exceeds earned vacation time or when there are leave calculation errors.

**Avoidance of Salary Overpayments:** Every effort should be made by all employees to avoid salary overpayments. Supervisors are responsible for promptly informing their Bureau of Human Resources (BHR) representative, who in turn notifies the payroll institution or division specialist of any employee termination that may result in a salary overpayment so the employee's last check can be stopped and applied to any outstanding salary overpayment.

**Approval of Leave:** Some salary overpayments result from leaves of absence without pay where an employee is allowed to go on leave without settling any salary overpayment that may be due and the employee then does not return to work as scheduled.

### POLICY

The collection of salary overpayments is the **joint responsibility** of the payroll specialist and Bureau of Fiscal Services (BFS).

1. The payroll specialist for the institutions or the divisions in BHR that identifies the salary overpayment should make the first attempt to collect the overpayment. A Salary Overpayment (F-80044) is completed and forwarded to the processing payroll specialist in Central Office to calculate the amount owed. The Salary Overpayment (F-80044) is forwarded to the Bureau of Fiscal Services (BFS) payroll accountant.
2. The BFS payroll accountant completes an Invoice Request (F-80921A) and provides the funding and amount. In addition, BFS staff will set up the billing process for collecting the amount due.

The policy of the Department of Health Services (DHS) is to aggressively collect all salary overpayments and unrecovered voluntary deductions. Each Division or institution shall have written policies to implement these and state wide policies for the collection of salary overpayments. The policies should designate individuals within the division or institution responsible for implementing and collecting salary overpayments.

### PROCEDURES

1. **Notification of Overpayment:** When an employee is overpaid by the State, it is the responsibility of the division or institution payroll specialist to immediately notify BFS and the employee, by completing a Salary Overpayment (F-80044). An exception to this policy is that an overpayment for an active employee remaining in pay status may be handled via form DOA-6006, Department of Administration (DOA) Central Payroll System – Gross

Salary Adjustments. The division or institution payroll specialist is responsible for sending the initial collection letter to the employee.

2. **Payroll Representative:** Final check is recouped by Central Payroll and subtracted from the amount owed. The amount owed is calculated and a letter is created to the employee.
3. **The information is sent to BFS, Accounts Payable payroll accountant.**
4. BFS Accountants Payable: Creates an invoices request F-80921A equal to the net check amount on F-80044.
5. BFS Accounts Receivable: Sets up the amount due, and an invoice in STAR. In addition, sends a copy of the invoice and letter to the employee.
6. BFS Cash Office: Deposits any checks received.
7. BFS Accounts Receivable: Any unpaid or uncollected amounts after 90 days will be handled under the collection policy in APP 2.0 (Invoice and Collection Procedures).
8. **Repayment of Salary Overpayments:** A salary overpayment can be repaid by an entire check redeposit or by a check received from the employee. If payment is received before the salary overpayment is set up as an ARS receivable, the check is deposited and the Salary Overpayment (F-80044) is provided to the payroll accountant to provide the correct funding for the payment. An invoice is created to track the payments if we get a check or payments are received later. A payment can also be made by credit card.

## FORMS

[Salary Overpayment Calculations, F-80044](#)

## REFERENCES

[DHS APP Section 4 – Receivables 2.0](#) (Invoice and Collection Procedures)

## CONTACTS

[Expenditure Accounting Section Chief](#)

[Revenue and Cash Management Section Chief](#)

[Payroll Accountant, Expenditure Accounting Section](#)

[ARS Financial Specialist](#)

[Payroll Section Chief](#)