

## **Additional Information Regarding Recoverable Overpayments**

Agencies are responsible for taking the appropriate measures to ensure the overpayment is recovered in full as soon as possible. The following will provide Agencies with additional information and procedures regarding recoverable overpayments.

1. If an employee is transferred or rehired into another Agency and the employee has an existing overpayment in the prior Agency, the recovery process should continue in the new Agency, regardless of the employee's new department or company. A journal transfer must be prepared to reflect the appropriate Agency charges.
2. If the employee is inactive and the overpayment cannot be recovered in full from subsequent miscellaneous earnings, such as a vacation or a salary lump sum payment, the Agency should take the necessary measures to ensure the balance of the overpayment is recovered in its entirety.

In addition to the information contained in this Bulletin, the Agency may also refer to Section K of the Division of the Budget Policy and Reporting Manual for information on the following related topics:

- State Agency Collection Methods (K-031).
  - Collection Fees (K-033)
  - Referral to the Attorney General's Office (K-051)
  - Certification of Debts to the Department of Tax and Finance (K-052)
3. If an employee returns from leave or is rehired, the Agency must review the Additional Pay page to determine if the employee has an OVP where the Goal Amount and Goal Balance are not equal and determine if an update of the Earnings field is required because of a change in salary, percentage worked and/or additional pay earnings.
  4. If the employee has an OVP on the Additional Pay page that does not contain an end date **and** the Goal Amount and the Goal Balance are not equal, the system will process the OVP as follows:
    - Employee's status is Active or Paid Leave on the last day of the Pay Period being processed:  
The system withholds the amount stated in the Earnings field or an amount equal to the difference between the Goal Balance and the Goal Amount, whichever is less. If the check is not sufficient to recover the amount determined by the system, the system will take the entire check.

## Attachment D

- Employee's status is Terminated, Retired, or Leave Without Pay on the last day of the pay period being processed and the employee is receiving regular and/or miscellaneous earnings:

The system withholds an amount equal to the difference between the Goal Balance and the Goal Amount, regardless of the amount stated in the Earnings field. If the employee's check is insufficient to recover the entire difference, the system will take the entire check.

**Note:** The system does not consider the amount in the Earnings field when processing an OVP for an employee whose status is Terminated, Retired, or Leave Without Pay. Therefore, when an OVP is set up for an employee who is Inactive or on Leave Without Pay, the Agency may wish to report a reduced amount in the Earnings field rather than the total amount of the overpayment. This will prevent the system from withholding the entire overpayment in the event the employee is reinstated to the payroll before the overpayment is recovered and the Agency fails to review the OVP data upon the reactivation of the employee's record.

5. Once an OVP has been set up on the Additional Pay page, the automatic negative retroactive adjustment will not be re-generated by OSC in a subsequent pay period and used as a means to recover the overpayment. The OVP will continue to be used as the method of recovery. However, if the employee is active, the Agency may wish to change the Earnings field to reflect a different amount to be withheld, including the total balance due. If the employee is Inactive or on Leave Without Pay, the system will not consider the amount in the Earnings field when determining the amount to be withheld. Rather, as stated in #4 above, the system will withhold an amount equal to the difference between the Goal Balance and the Goal Amount.

Example 1:

*An employee had 30 days of vacation credits at the time of separation. The resignation was reported on a retroactive basis and the employee was overpaid 10 days of regular earnings. Since the employee did not receive any earnings at the time the separation was reported, the Agency was required to set up an OVP to record the amount of the overpayment. When the lump sum payment was subsequently reported, the OVP was used as the method of recovery and the overpayment was recovered in its entirety from the lump sum payment. After the OVP was recovered, the system updated the Goal Balance to equal the Goal Amount. Since the Goal Balance and Goal Amount were equal, OSC re-generated the automatic retroactive adjustment and enabled the Paid Out feature, allowing the system to consider the overpayment paid in full.*

Example 2:

*An employee was placed on a retroactive Leave Without Pay and was overpaid \$900.00. In the same period the retroactive leave was reported, the Agency set up an OVP on the Additional Pay page with a Goal Amount of \$900.00 and an Earnings amount of \$450.00. While the employee was on*

*Leave Without Pay, overtime was reported for a period prior to the effective date of the leave in the amount of \$325.00. The system processed a negative OVP in the amount of \$325.00. When the Agency reported the Return from Leave transaction, the Agency deducted the balance of the overpayment from the employee's initial check. Therefore, the Agency changed the Earnings amount to -\$675.00. Because the employee was active, the system withheld the amount stated in the Earnings field and updated the Goal Balance to equal the Goal Amount. Since the overpayment was recovered in full, OSC re-generated the automatic retroactive adjustment and enabled the Paid Out feature, allowing the system to consider the overpayment paid in full.*

6. If an employee's check is returned and unrecoverable monies exist, such as garnishments or taxes for a prior calendar year, Agencies can use only the gross amount actually recovered (amount stated in Block 39 on the AC230 form) to offset the overpayment. The remaining overpayment balance must be recovered using another method.