



# MANAGEMENT DIRECTIVE

## Commonwealth of Pennsylvania Governor's Office

<b>Subject:</b> Restitution of Overpayments and Collection of Employee Debts	<b>Number:</b> 315.8 Amended
<b>Date:</b>  June 16, 2014	<b>By Direction of:</b>  Kelly Powell Logan, Secretary of Administration  Charles B. Zogby, Secretary of the Budget
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**This directive establishes policy, responsibilities, and procedures for the restitution of overpayments and collection of employee debts. Marginal dots are excluded due to major changes.**

- 1. PURPOSE.** To establish policy, responsibilities, and procedures for the restitution of overpayments and collection of employee debts.
- 2. SCOPE.** This directive applies to all departments, boards, commissions, and councils under the Governor's jurisdiction and independent agencies (hereinafter referred to as "agencies").
- 3. OBJECTIVES.**
  - a. To provide a uniform process for notification and restitution of overpayments and collection of employee debts.
  - b. To ensure due process and accountability of commonwealth funds.
- 4. DEFINITIONS.**
  - a. **Benefits Under-Deductions.** An obligation to the commonwealth that results when an employee's contribution for health care is not accurately deducted from the employee's biweekly pay.

- b. Compensation.** Salary, wages, and the value of benefits granted directly or indirectly to employees, including the value of benefits provided to an employee's dependent.
- c. Corrective Action Plan.** A document that identifies the cause(s) of an overpayment, benefits under-deduction, or other debt and includes detailed procedures or steps taken to prevent future occurrences of such overpayment, benefits under-deduction, or other debt.
- d. Debt.** An amount of money owed to the commonwealth.
- e. Employee.** A person employed by the commonwealth. Unless otherwise noted, the term includes current (active) and former (separated) employees. The term also includes the estate of a deceased employee.
- f. Overpayment.** Compensation in excess of that which an employee has earned or is entitled to receive.
- g. Pennsylvania State Police Benefits Overpayment.** An obligation to the commonwealth under the State Police Health Benefits Program (SPHBP) or Retired Pennsylvania State Police Program (RPSPP) resulting from the retroactive removal of an employee or dependent or an overpayment of claims; requires recoupment of both claim expenses and the cost of employer-paid cost for coverage.

## 5. POLICY.

- a.** Restitution must be made for overpayments, whether through administrative error or oversight, and for employee debts resulting from failure to return commonwealth property as directed; failure to pay bills for which an employee has acknowledged responsibility, such as those associated with corporate card expenditures by management employees and those associated with leases/agreements governing residing or subsisting in commonwealth facilities; and damage to commonwealth vehicles.
  - (1)** Payroll deductions will be initiated for restitution of overpayments and collection of other debts of active employees.
  - (2)** Outstanding debts will be deducted from a separated employee's final pay.
  - (3)** Debts that exceed the amount of a separated employee's final pay may be remitted by the separated employee in a lump sum. Cashier's checks, certified checks, and money orders are the only acceptable instruments for lump sum payments of \$500 or more.
  - (4)** Debts that exceed the amount of a separated employee's final pay and are not remitted in a lump sum will be recovered from the separated employee's retirement account.
  - (5)** Debts that remain after the options in sections 5.a.(1) through 5.a.(4) of this directive have been exhausted will be referred to the Office of Attorney General for collection, in accordance with *Management Directive 310.10, Collection, Referral, and Compromise or Write-Off of Delinquent Claims*.

- b. Written notice must be provided to an active employee prior to the start of payroll deductions for debts in excess of \$300, except:
  - (1) A debt arising from damage to or the failure to return commonwealth property or failure to pay bills for which an employee has acknowledged responsibility is not subject to advance notification, regardless of the amount of the debt.
  - (2) When an employee requests a retroactive enrollment in health benefits, the debt is collected through a lump sum payroll deduction and not subject to advance notification.
- c. In the event that any provision of this directive is inconsistent with the terms of a collective bargaining agreement, the terms of the collective bargaining agreement must be followed.
- d. Neither agencies nor Office of the Budget, Office of Comptroller Operations, Bureau of Commonwealth Payroll Operations (BCPO) may exonerate employees from debts, except as prescribed by law or in accordance with *Management Directive 310.10, Collection, Referral, and Compromise or Write-Off of Delinquent Claims*.
- e. Unearned leave at the time of death is treated as earned approved leave in accordance with *Management Directive 505.7, Personnel Rules* and shall not be considered an overpayment.
- f. Employees required to repay a Pennsylvania Employees Benefit Trust Fund (PEBTF) health benefits under-deduction may file an appeal to the PEBTF.
- g. An agency corrective action plan is required in cases of overpayments greater than or equal to \$5,000. The corrective action plan must address the cause(s) of the overpayment and include steps to prevent future occurrences of overpayment.

## **6. RESPONSIBILITIES.**

- a. **Agency Human Resources Office or the Human Resources Service Center** shall:
  - (1) Update SAP prior to payroll processing to accurately reflect the factors affecting compensation, including but not limited to, pay, absences, and benefits.
  - (2) Advise employee about the lump sum payroll deduction when processing a retroactive benefits enrollment requested by the employee.
  - (3) Report non-payroll debts and overpayments to BCPO.
  - (4) Respond to any questions employees may have regarding debts and overpayments.
  - (5) Create a corrective action plan and submit the plan to the Office of Administration (OA), Deputy Secretary for Human Resources Management.

**b. Office of the Budget, Office of Comptroller Operations, Bureau of Commonwealth Payroll Operations shall:**

- (1) Notify employee, in writing, of debts and overpayments, in accordance with sections 5.b. and 5.c. of this directive.
- (2) Provide employee with options for restitution, in accordance with section 5.a. of this directive.
- (3) Approve or disapprove employee requests for reductions to the percentage (normally 15%) withheld from each pay for restitution of overpayments or collection of debts.
- (4) Process restitution through payroll deductions, direct payments, or employee retirement accounts.
- (5) Establish accounts receivable for debts.

**c. Office of Administration, Office for Human Resources Management, Bureau of Employee Benefits and Services shall:**

- (1) Calculate Pennsylvania State Police benefits overpayments.
- (2) Report Pennsylvania State Police benefits overpayments to BCPO, Receivables Section.
- (3) Notify SPHBP and RPSPP members, in writing, of Pennsylvania State Police benefits overpayments.

**d. Employees shall choose, when applicable, the percentage withheld from each pay for restitution of overpayments or collection of debts. If requesting a percentage less than 15% of each pay, the employee must also submit documentation of hardship.**

**7. PROCEDURES.**

**a. Restitution of Salary and Wage Overpayments and Benefits Under-Deductions for Active Employees.**

**(1) Agency Human Resources Office or Human Resources Service Center.**

- (a) Corrects the employee's records and/or time entries using appropriate transactions in SAP.
- (b) Responds to any questions the employee may have regarding the resulting overpayments.
- (c) Creates a corrective action plan in cases of overpayments or under-deductions of \$5,000 or greater (unless resulting from a workers' compensation case). This action plan must be submitted to the OA, Deputy Secretary for Human Resources Management.

**(2) Office of the Budget, Office of Comptroller Operations, Bureau of Commonwealth Payroll Operations.**

- (a)** Obtains reports from SAP and verifies overpayment calculations.
- (b)** Notifies the agency human resources office and the HRSC, in writing, of overpayments of \$5,000 or greater.
- (c)** Notifies the employee, in writing, and supplies documentation of an overpayment in excess of \$300, with a copy to the appropriate union (if required by a collective bargaining agreement). Includes in the notification the options available for repayment: single payment in full via payroll deduction; multiple payroll deductions of 15% of gross pay per pay period, or a greater percentage at the employee's request; or at the employee's request and with documentation of hardship and BCPO approval, payroll deductions of not less than 10% of gross pay per pay period, for no more than 26 pay periods (If the provisions of a collective bargaining agreement differ with respect to repayment options, such provisions shall control).

**NOTE:** When restitution involves confidential information or information protected under state or federal law, the union will not be notified.

- (d)** Determines the amount to be deducted from the employee's pay, in accordance with the option chosen by the employee.
- (e)** Closes the account receivable upon full recovery of the overpayment. If the employee separates before the entire overpayment has been recovered, refer to section 7.b. of this directive.
- (f)** Ensures the employee's taxable earnings and taxes are corrected for appropriate W-2 reporting.

**b. Restitution of Salary and Wage Overpayments and Benefits Under-Deductions of Separated Employees.**

**(1) Agency Human Resources Office or Human Resources Service Center.**

- (a)** Corrects the employee's records and/or time entries using appropriate transactions in SAP.
- (b)** Responds to any questions the employee may have regarding the resulting overpayments.
- (c)** Creates a corrective action plan in cases of overpayments or under-deductions of \$5,000 or greater (unless resulting from a workers' compensation case). This action plan must be submitted to the OA, Deputy Secretary for Human Resources Management.

**(2) Office of the Budget, Office of Comptroller Operations, Bureau of Commonwealth Payroll Operations.**

- (a)** Obtains reports from SAP and verifies overpayment calculations.

- (b) Notifies the agency human resources office and the HRSC, in writing, of overpayments of \$5,000 or greater.
- (c) Determines if the amount of the employee's final pay is sufficient to recover the amount of the overpayment or under-deduction. If so, deducts the amount of the overpayment or under-deduction from the employee's final pay; otherwise, deducts the maximum allowable from the employee's final pay and notifies the employee, in writing, of the balance owed and options for restitution.
  - 1 If the employee remits payment by check or money order, deposits the payment to satisfy the receivable. **NOTE:** BCPO will only accept a cashier's check, certified check, or money order for restitution of \$500 or more.
  - 2 If the employee does not remit payment by check or money order and has an available balance in a State Employees' Retirement System (SERS) retirement account, requests written authorization from the employee to recover the overpayment from the available balance or submits Form SERS-252, Application for Return of Contributions or an agency indebtedness memorandum to the agency legal office.
    - a If approved and signed by the agency legal office, submits Form SERS-252, Application for Return of Contributions or the agency indebtedness memorandum to SERS.
    - b If disapproved, follows *Management Directive 310.10, Collection, Referral, and Request for Compromise or Write-Off of Delinquent Claims*, for employee-related accounts receivable and delinquent claims.

**(3) State Employees' Retirement System.**

- (a) Deducts the remaining restitution from the employee's SERS retirement account.
- (b) Forwards the recovered amount to BCPO, Receivables Section.

**(4) Office of the Budget, Office of Comptroller Operations, Bureau of Commonwealth Payroll Operations.**

- (a) Closes the account receivable upon full recovery of the overpayment or notification of collection, compromise, or write-off action from the Office of Attorney General.
- (b) Ensures the employee's taxable earnings and taxes are corrected for appropriate W-2 reporting.

**c. Collection of Other Debts of Active Employees.**

**(1) Agency Human Resource Office.**

- (a) Identifies the source and value of the debt.
- (b) Responds to any questions the employee may have regarding the debt.
- (c) With concurrence from the agency legal office, notifies BCPO of the need to initiate collection of the debt.
- (d) Creates a corrective action plan in cases of debts of \$5,000 or greater. This action plan must be submitted to the OA, Deputy Secretary for Human Resources Management.

**(2) Office of the Budget, Office of Comptroller Operations, Bureau of Commonwealth Payroll Operations.**

- (a) Determines the amount to be deducted from the employee's pay; notifies the employee, in writing, of the debt and the effective date for restitution by payroll deduction. If required by a collective bargaining agreement, sends a copy of the written notification to the appropriate union.
- (b) Closes the account receivable upon full collection of the debt. If the employee separates before the entire overpayment has been recovered, refer to section 7.d. of this directive.
- (c) Ensures the employee's taxable earnings and taxes are corrected for appropriate W-2 reporting.

**d. Collection of Other Debts of Separated Employees.**

**(1) Agency Human Resource Office.**

- (a) Identifies the source and value of the debt.
- (b) Notifies the employee, in writing, of the debt and the procedure for restitution.
- (c) Responds to any questions the employee may have regarding the debt.
- (d) With concurrence from the agency legal office, notifies BCPO of the need to initiate collection of the debt.
- (e) Creates a corrective action plan in cases of debts of \$5,000 or greater. This action plan must be submitted to the OA, Deputy Secretary for Human Resources Management.

**(2) Office of the Budget, Office of Comptroller Operations, Bureau of Commonwealth Payroll Operations.**

- (a)** Determines if the amount of the employee's final pay is sufficient to recover the amount of the overpayment or under-deduction. If so, deducts the amount of the overpayment or under-deduction from the employee's final pay; otherwise, deducts the maximum allowable from the employee's final pay and notifies the employee, in writing, of the balance owed and the remaining options for restitution.
- 1** If the employee remits payment by check or money order, deposits the payment to satisfy the receivable. **NOTE:** BCPO will only accept a cashier's check, certified check, or money order for restitution of \$500 or more.
- 2** If the employee does not remit payment by check or money order and has an available balance in a SERS retirement account, requests written authorization from the employee for collection of the debt from the available balance or submits Form SERS-252, Application for Return of Contributions or an agency indebtedness memorandum to the agency legal office.
- a** If approved and signed by the agency legal office, submits Form SERS-252, Application for Return of Contributions or the agency indebtedness memorandum to SERS.
- b** If disapproved, follows *Management Directive 310.10, Collection, Referral, and Request for Compromise or Write-Off of Delinquent Claims*, for employee-related accounts receivable and delinquent claims.

**(3) State Employees' Retirement System.**

- (a)** Deducts the remaining debt from the employee's SERS retirement account.
- (b)** Forwards the collection to BCPO, Receivables Section.

**(4) Office of the Budget, Office of Comptroller Operations, Bureau of Commonwealth Payroll Operations.**

- (a)** Closes the account receivable upon full collection of the debt or notification of collection, compromise, or write-off action from the Office of Attorney General.
- (b)** Ensures the employee's taxable earnings and taxes are corrected for appropriate W-2 reporting.



e. **Restitution of Pennsylvania State Police Benefits Overpayments for Active Employees.**

(1) **Office of Administration, Office for Human Resources Management, Bureau of Employee Benefits and Services.** Notifies the SPHBP member, in writing, of the overpayment and options for restitution (direct lump sum payment by check or money order or payroll deduction); send a copy of the notice to BCPO.

(2) **Office of the Budget, Office of Comptroller Operations, Bureau of Commonwealth Payroll Operations.**

(a) If the SPHBP member has not responded to the OA, Bureau of Employee Benefits and Services notice within 30 days, sends a second notice informing the SPHBP member of the amount and effective date for restitution by payroll deduction.

(b) Processes the restitution according to the chosen method.

(c) Closes the account receivable after the entire overpayment has been recovered. If the employee separates before the entire overpayment has been recovered, refer to section 7.f. of this directive.

f. **Restitution of Pennsylvania State Police Benefits Overpayments for Separated Employees.**

(1) **Office of Administration, Office for Human Resources Management, Bureau of Employee Benefits and Services.** Notifies the SPHBP or RPSPP member, in writing, of the overpayment and options for restitution (direct lump sum payment by check or money order or, if possible, lump sum payment from the employees final pay).

(2) **Office of the Budget, Office of Comptroller Operations, Bureau of Commonwealth Payroll Operations.**

(a) Processes restitution for a lump sum payment from the employee's final pay or a direct lump sum payment by check or money order.

(b) If the employee remits payment by check or money order, deposits the payment to satisfy the receivable. **NOTE:** BCPO will only accept a cashier's check, certified check, or money order for restitution of \$500 or more.

(c) If any portion of the overpayment cannot be recovered from the employee's final pay and restitution is not made by check or money order, requests approval from OA, Legal Office or written authorization from the employee for restitution from the employee's SERS retirement account.

1 If approved, completes Form SERS-252, Application for Return of Contributions or an agency indebtedness memorandum and submits the request to SERS.

2 If disapproved, follows *Management Directive 310.10, Collection, Referral, and Request for Compromise or Write-Off of Delinquent Claims*, for employee-related accounts receivable and delinquent claims.

**(3) State Employees' Retirement System.**

- (a) Recovers any remaining portion of the overpayment from the employee's SERS retirement account.
- (b) Forwards the recovered overpayment to BCPO.

**(4) Office of the Budget, Office of Comptroller Operations, Bureau of Commonwealth Payroll Operations.** Closes the account receivable upon full recovery of the overpayment or notification of collection, compromise, or write-off action from the Office of Attorney General.

**This directive replaces, in its entirety, *Management Directive 315.8*, dated October 1, 1997.**