

Recovery of Overpaid Salaries and Wages

Policy Responsibilities and Authorisation

Department Responsible for Policy	Finance Support
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Recovery of Overpaid Salaries and Wages

Policy Review History

Version	Updated by	Date Updated	Summary of Changes
1	Brenda Allison	17.05.18	Change of layout of policy
2	Brenda Allison	20.09.18	Clarify points on consultation, negotiation and negative leave balances

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Recovery of Overpaid Salaries and Wages

1. Introduction

1.1 Purpose

This policy is to enable Waikato District Health Board (Waikato DHB) to recover overpaid salaries and wages, in accordance with legislation.

1.2 Scope

This policy applies to all Waikato DHB staff.

2. Definitions

Payroll	An employee or employees of the Waikato DHB Payroll department
Accounts Receivable	An employee or employees of the Waikato DHB Accounts Receivable department
Overpayment	Any salary or wage overpaid to an employee in respect of a recoverable period.
Significant overpayment	An overpayment that has occurred over a time period of longer than 2 months and/or is for an amount greater than \$2,000 and/or cannot be deducted in one pay cycle of the employee
Employment Relations	An employee or employees of the Waikato DHB in the Employment Relations department.

3. Policy Statements

The Waikato DHB policy on the Recovery of Overpaid Salaries and Wages is:

- Waikato DHB shall recover the overpayment of salaries in accordance with the provisions of the Wages Protection Act 1983 (“the Act”), or any substituted legislation.
- Any authorisation of credit notes or debt write-offs will be in accordance with the Waikato DHB [Delegations of Authority](#) policy, as it applies to debtors.

4. Policy Processes

4.1 Process

Where an overpayment requires an employee’s agreement to recover the overpaid sum, the employee should act in good faith to agree an appropriate recovery plan, whether or not the overpayment was the result of employee, management or Payroll department error.

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5. Recovery of Overpayments Overview

The process to be used for recovery of any overpayment will be dependent on the reason for the overpayment, the amount of the overpayment and the period the overpayment has occurred over.

5.1 Overpayments Relating to Specified Events

5.1.1 Specified Events

If the overpayment has occurred as a result of one of the following specified events where the Waikato DHB is not obliged to pay wages because the employee has:-

- been absent from work without Waikato DHB's authority; or
- been on strike; or
- been locked out; or
- been suspended.

then Payroll will notify the employee of the overpayment by telephone, email, letter or notice.

5.1.2 Recovery of the overpayment

The overpayment may be recovered as a one-time correction resulting in a deduction – from the employee's next pay. In instances of genuine hardship, payments may be deducted in accordance with an agreed payment plan.

5.2 All Other Overpayments

In respect of all other overpayments:-

5.2.1 Notification

Once an overpayment has been identified:-

- a) If the overpayment is identified by Payroll:-

Payroll will phone, email or write to the employee (based on personnel data on file) providing details of the circumstances and amount of the overpayment.

- b) If the overpayment is identified by the employee or other:-

Payroll will confirm to the affected employee the circumstances and amount of overpayment.

Any telephone communication will be confirmed in writing either by email or letter.

Payroll will provide the employee an opportunity to respond. However, if Payroll does not receive a response from the employee by telephone, email or letter within one week from notification, they will proceed with recovery (refer 5.3b).

In the case of an ex-employee Payroll will not wait for a response and will proceed directly to recovery (refer 5.3b).

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5.3 Recovery

a) One off deduction from Payroll

The employee confirms that they are willing for the overpayment to be deducted from one pay. This is processed by Payroll and the employee is advised the date on which they can expect the deduction. No further action is taken.

b) Recovery via the Accounts Receivable System

Unless agreement has been reached to deduct the overpayment in a one-off transaction from the employee's pay, an invoice will be raised to record the overpayment in the Accounts Receivable system and that department will proceed to recover the amount due as follows:-

- Within a week of their attempt to consult with the employee, Payroll will request that Accounts Receivable raise an invoice to that employee.
- Accounts Receivable will raise the invoice to the employee to manage the tracking of repayments against the total debt.
- The employee may negotiate with Accounts Receivable to repay the salary overpayment via*:
 - Salary deduction (form completed by employee and submitted to Payroll for processing)
 - Automatic Payment
 - Direct Credit

**In the situation where overpayments occurred over a number of pay periods, repayments should be consistent with the periods of overpayment or a lesser timeframe, if agreed.*

If a repayment plan cannot be agreed, or further investigation is requested by the employee, Payroll may be required to provide further detailed information. Should the employee wish to dispute the overpayment, People & Performance will be contacted by Accounts Receivable to manage this process in an endeavour to agree repayment.

5.4 Dispute Process

The dispute process should result in one of the following outcomes:-

- the employee agrees with the overpayment amount and negotiates the terms of repayment
- the case is presented to the Chief Financial Officer for full write off of debt (as per Delegations of Authority policy, ref 2175)
- the case is presented to the Chief Financial Officer for partial write off of debt (per Delegations of Authority policy) and repayment of the balance is negotiated.
- Agreement for repayment is not reached. Accounts Receivable are instructed to pass the debt to an external debt collection agency and legal proceedings are taken to recover the debt, if appropriate.

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5.5 Failure of the employee to comply with the repayment process

If the employee defaults on a payment or payments, after initiation of an agreed repayment plan, Accounts Receivable will attempt to contact the employee to have the outstanding amount paid and the repayments restarted. If this is unsuccessful then Accounts Receivable will send a Final Demand notifying the employee of that failure and advising that if the missed repayment/s is not made within seven working days then the remainder of the debt will be handed over to an external debt collection agency and legal action will be taken. The progression to legal action will be determined by Accounts Receivable. The employee’s manager is to be copied in on all correspondence in this regard.

5.6 Debt Collection / Legal Action

If the employee, or an ex-employee, does not consent to repay/enter into a repayment plan, the Waikato DHB reserves the right to escalate the debt to an external debt collection agency or take legal action where:-

a) an employee:-

- has refused to complete a salary deduction form within 28 working days of the invoice for outstanding debt being raised, or has failed to arrange another method of repayment; or
- has failed to rectify a default in their repayment regime requirements or agreed payment plan.

In either case, involving an employee, the Accounts Receivable Department shall inform the employee and their manager of the action taken.

b) an ex-employee:-

- has made no attempt to repay the overpayment or enter into a repayment plan, with the Waikato DHB, within 28 working days of the invoice for outstanding debt being raised.
- has failed to rectify a default in their repayment regime requirements or agreed payment plan.

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5.7 Termination of employment

- a) At the end of each calendar month, the Accounts Receivable Department will send to the Payroll Department a list of employees with existing outstanding debt balances owing to Waikato DHB.
- b) Upon termination of an employee’s service, Payroll will review the list from Accounts Receivable to determine whether any terminated employee owes amounts to Waikato DHB (this includes overpaid salaries and wages).

When managers receive notification of the resignation of an employee who reports to them, they are required to check whether their staff member has a negative leave balance. They need to advise the employee that their negative leave balances will be deducted from their final pay upon termination. The manager should send confirmation of this consultation to Payroll. If there is a dispute with the employee in this regard, the manager/employee should follow the dispute process. (refer 2.3)

- c) If the debt is greater than the final pay and therefore is not deducted in full, Payroll will advise Accounts Receivable of the portion of the debt which remains outstanding and request an invoice be raised. Accounts Receivable will follow the standard Waikato DHB debt collection process.

Note: the Recruitment Services Personal Information form (E1097HWF) and more recently (from October, 2017) the electronic Personal Information form (completed on recruitment) states and authorises that all monies and property owing at the date of termination of employment must be paid back.

5.8 Writing off an Overpayment

Managers or Team Leaders who wish to either partially or fully write-off an overpayment, of an employee salary must apply in writing to the Chief Financial Officer (or delegated person) in accordance with the Waikato DHB Delegations of Authority Policy.

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6. Audit Indicators

- Recovery of overpaid salaries and wages complies with the requirements detailed in this policy.
- Employee debts are recovered or have an agreed plan for recovery.

7. Legislative Requirements

Waikato DHB must comply with the following legislation (this list is not exclusive):-

- Wages Protection Act 1983

8. Associated Documents

- Waikato DHB [Delegations of Authority](#) policy (2175)
- Recruitment Services Personal Information form (prior to Oct, 2017): E1097HWF
- Recruitment Services Personal Information form (electronic on Taleo)
- Salary Deduction Advice