## OVERVIEW

OVERPAYMENT MANAGEMENT AND RECOVERY GUIDE

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OVERVIEW

The information included in this Guide outlines the legislative and other requirements relating to the prevention and recovery of overpayments which will assist principals/managers and employees in understanding their responsibilities and obligations.

Principals/managers are responsible for ensuring that the employees for whom they are responsible are paid correctly. Payroll validation and certification processes are in place in all Department workplaces to assist with this. If an employee’s pay is not correct, an overpayment or an underpayment will result. An overpayment is defined by the Financial Management Act 1994 (the Act) “…as any money paid to him or her by the State to which he or she was not entitled…”

Unpaid leave entered after Pay Finalisation results in an over use of entitlement and is therefore not considered to be an overpayment of salary. As such, it is not subject to the provisions of the Act. Unpaid leave includes leave without pay, stopwork action, unpaid parental absence and personal leave (injury/illness or carer’s) where all credits have been exhausted.

The amount to which the person is not entitled is automatically recovered (immediate recovery) in the pay period when the unpaid leave is recorded on eduPay provided there is sufficient net pay to recover in full. Where the total value of the unpaid leave cannot be recovered in the pay fortnight the leave was entered, because the amount exceeds the available pay, the amount remaining is treated as an overpayment, and the normal recovery provisions apply.

Under the Act, overpaid monies must be repaid unless express approval not to repay is sought and received from the Minister’s delegate in the Department. An employee who has been overpaid and believes special circumstances exist can apply in writing to be relieved of the requirement to repay the overpayment.

There are a number of procedures and strategies that principals need to have in place to ensure overpayments are minimised, and where they do occur, they are recovered as quickly as possible. Until the outstanding amount of the overpayment is recovered the overpayment remains charged against the school’s Student Resource Package, therefore prompt action to identify and recover the overpayment is essential.

To assist HR Administrators who are involved in the management and recovery of overpayments, overpayment procedural information, including forms and standard letters, is available under Procedures and Forms http://www.education.vic.gov.au/hrweb/employcond/Pages/opay.aspx

OVERPAYMENT PREVENTION AND DETECTION

Timely and accurate payroll processing

Overpayments are usually created by late processing of amendments or incorrect transactions on eduPay. The common types of amendments/transactions that cause overpayments are:

- Worker’s Compensation leave entry
- Late processing of employment terminations
- Late processing, incorrect or duplicated allowances
- Late processing of time fraction changes
- Incorrect salary levels/classifications

All payroll transactions should be undertaken, wherever possible, prior to the day of Pay Finalisation to allow sufficient time to check the results of these transactions.
Checking payroll messages and reports

Action to be taken before Pay Finalisation
Certification Messages are a key tool in detecting and preventing overpayments. These messages provide HR Administrators with the first indication of an overpayment or underpayment and are produced as a result of nightly payroll calculations. Certification Messages display for overpayments where:

- A retrospective transaction in eduPay creates an overpayment
- The employee has been rehired and has an outstanding overpayment liability relating to an earlier period of employment that needs to be repaid.

All certification messages need to be viewed on a daily basis and appropriate action needs to be taken prior to Pay Finalisation. For more information about certification messages, refer to Payroll Certification User Guide and the Certification Messages Required Actions sheet.

The Over/Underpayment Summary Report which displays information on outstanding over/underpayments can be run at any time to confirm the outcome of any action taken as a result of a certification message.

In order to maximise opportunities to take appropriate payroll action on overpayments that have occurred during the pay fortnight, the report should be run before Pay Finalisation. Refer to the Reports User Guide for more information on accessing reports.

Action to be taken after Pay Finalisation
Validating the payroll signifies that all data has been reviewed and is:

- correct
- acknowledged to be incorrect with Comments outlining the reasons for the error and the next steps to be taken.

The Payroll Certifier has the ultimate responsibility for the pay results for employees in their school and is accountable for ensuring that all salary payments are true and correct for all employees or that appropriate action is underway to rectify any errors.

The Over/Underpayment Summary Report is run every fortnight when pay is finalised. This report is used to confirm action taken during the pay period and the overpayment liability for an employee. Information displayed on the report includes:

- the total amount for each employee’s overpayment (including terminated employees)
- the amount that has been repaid
- the amount that remains outstanding.

Data in the report should be used to identify overpayments requiring action.

Cancellation of direct credit
Where appropriate, and in accordance with Department policy, the principal may request a direct credit cancellation (recall). Information on cancelling an employee’s direct credit is available on HRWeb at: Direct Crediting of Salary

A direct credit cancellation request must be received prior to 4pm on the Tuesday before pay day. Note: there is no provision to produce payment to replace a cancelled payment.
OVERPAYMENT RECOVERY PROCESSES

Under Section 56 (1-7) of the Act, an employee who has been overpaid, regardless of the cause, is liable to repay the amount overpaid by deduction or deductions from any amount due to them, including any salary or benefits they are entitled to receive when ceasing employment.

Verifying an Overpayment

Where an overpayment has occurred, it needs to be verified prior to any action being taken to recover the overpayment from the employee. Verifying the overpayment means confirming that the payroll details that resulted in the overpayment being created were entered correctly on the payroll.

It may be necessary to refer to any original documentation in the school or on the employee's personnel file relating to:
- allowances/salary/work schedule/leave
- correspondence to/from the employee relating to the above.

If required, make the necessary adjustments to eduPay and view any Certification Messages the following day.

Notifying the employee of the overpayment

Where an overpayment has occurred, the person must be advised in writing, including details of the cause and the amount of the overpayment.

The employee must also be informed about:
- the requirement for the Department under Section 56(3) of the Financial Management Act 1994 to recover overpayments regardless of the cause;
- the repayment options; and
- the provisions relating to an appeal for relief from the overpayment (see below).

Any correspondence should be sent by registered mail so that receipt of the correspondence can be tracked.

Sample letters which include this required information, and can be modified to include the specific overpayment details, are available under Procedures and Forms http://www.education.vic.gov.au/hrweb/employcond/Pages/opay.aspx

Seeking Relief from an Overpayment (Appeals)

Under section 56 (6) of the Act, an employee (current or former) who has been overpaid and believes special circumstances exist can apply in writing to be relieved of the requirement to repay the overpayment.

A request from an employee for relief from repaying an overpayment must be in writing and preferably submitted through the school to ensure any further recovery action is not taken pending the outcome of the appeal. The school should record a General Comment on eduPay and the employee's personnel file that an appeal has been lodged.

Principals/managers have no legal authority to make decisions concerning appeals. The appeal should be forwarded, with details of the overpayment, to HR Services for appropriate action. Any additional information that should be taken into account in considering the request should also be provided.
In assessing the application for relief from repayment of an overpayment, the following will be considered:

- enduring financial hardship as distinct from periodic financial hardship
- reasons of compassion (e.g. ongoing and debilitating medical condition/family distress).

If financial hardship is the basis for an application for relief from an overpayment, the employee must complete a [Statement of Financial Circumstances Form](#).

If a medical condition is the basis for an application for relief, a statement from a medical practitioner must be provided.

**Repaying an overpayment**

Where an employee has not sought relief from repaying an overpayment or their appeal has been unsuccessful, repayment of an overpayment should commence as soon as possible, by way of salary deduction or personal payment.

An overpayment recorded on the payroll is the amount to be repaid by the employee. Repayment should be negotiated at 100% recovery or as much as possible in order to recover the overpayment as quickly as possible. This should not be less than 10% of an employee’s gross pay as this is considered to be the minimum repayment unless this will cause undue financial hardship.

**Repaying by salary deduction**

An employee currently receiving pay can elect to repay an overpayment by salary deductions from their fortnightly pay, either in a single amount or in regular instalments.

Salary deductions should be commenced where 14 days has elapsed with no response to any written notification to the employee regarding the repayment of the overpayment by way of personal payment(s).

To commence repayment, the overpayment recovery is entered as a deduction on eduPay. For information on processing the repayment of an overpayment as a deduction, refer to the [Over-Over Underpayments User Guide](#).

As the rate defaults to 10%, any other rate will need to be entered manually. If a rate of less than 10% is agreed and the repayment period will be more than three months, provision should be made to regularly review the progress of the repayments with a view to increasing the rate to at least 10% as soon as possible.

**Repaying by personal payment**

An overpayment can be repaid by personal payment (EFT, cheque or money order) in full or by regular instalments (e.g. fortnightly or monthly), preferably for the same amount each time.

If paying by EFT, there are two options available:

- Direct payment to the Department

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<td>BSB:</td>
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<td>Account Number:</td>
<td>190007</td>
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Note: The person should ensure that they include their Employee ID number in the description line to assist in identifying the payment.
Cheques or money orders should be made payable to the “Department of Education and Training” and sent to the school, in the case of school based employees.

On receipt of each cheque or money order, the school administrator should:

- record details of the payment on the employee's personnel file. The record should include the amount and date of the payment, the remaining balance, and the due date of the next payment.
- complete the Personal Repayment Advice Form
- send the completed form, cheque or money order to:

Payroll Services  
Department of Education and Training  
GPO Box 4367  
Melbourne 3001.

Repayment of the overpayment should be monitored on eduPay. Where instalments are being made, at least one payment per month must be received, unless exceptional circumstances exist. If no payment has been received for more than a month, a reminder letter should be sent to the employee. Sample letters, which can be modified as required, are available under Procedures and Forms http://www.education.vic.gov.au/hrweb/employcond/Pages/opay.aspx.

**Employees on leave without pay or who have ceased employment**

Where an employee is on leave without pay or has ceased employment, action should be taken as soon as possible to arrange repayment by personal payment(s).

Where an employee’s termination date is known in advance, action should be taken to ensure, as far as possible, that any outstanding overpayments will be repaid before the person ceases employment.

Once the person has ceased employment with the Department the overpayment will be deducted from any monies owed (i.e. unused annual leave, long service leave or salary loading allowance). If monies owing are insufficient to cover the overpayment in full, the repayment of the balance must be arranged with the person.

Initial notification and follow up sample letters, which can be modified as required, are available under Procedures and Forms http://www.education.vic.gov.au/hrweb/employcond/Pages/opay.aspx.

Any correspondence should be sent by registered mail so that receipt of the correspondence can be tracked. If the last known address of an employee is incorrect (i.e. mail is returned), school administrators should make all reasonable attempts to locate the employee, including using the Internet White Pages http://www.whitepages.com.au/wp/.

If the person has not responded to multiple letters or made a payment as requested, a copy of the overpayment documentation should be forwarded to Schools HR Services with a request for further action to be taken by the Department, which may include legal action.

**Legal action to recover overpayments**

Legal action may be taken by the Department to recover overpayments when doing so is determined to be cost effective, in circumstances including where an employee or ex-employee:

- refuses to repay the overpayment; or
- cannot be located or has been located but does not respond to correspondence.
WRITING OFF AN OVERPAYMENT

Section 55 of the Act provides that 'An amount in respect of a loss or deficiency in a public account or account of an authority, or an amount of revenue or a debt may be written off in accordance with the regulations by the Chief Finance and Accounting Officer, the delegated officer or the relevant Minister'.

Principals/managers have no legal authority to write-off an overpayment debt. In certain circumstances, an overpayment as 'debt' owed to the Department can be submitted to Schools HR Services for write-off. The principal will need to set out the circumstances of the overpayment, the steps undertaken to recover the overpayment and why it has been unsuccessful. A sample letter, which can be modified as required, is available under Procedures and Forms [http://www.education.vic.gov.au/hrweb/employcond/Pages/opay.aspx](http://www.education.vic.gov.au/hrweb/employcond/Pages/opay.aspx).

In considering a submission for write-off it will need to be established that the employee did not give false or misleading information that may have caused the overpayment.

Where a former employee who had an overpayment written-off is rehired, the liability is automatically reactivated on the payroll. A certification message will be received indicating that the overpayment has been reinstated and normal recovery processes should be implemented.

FURTHER ASSISTANCE

For advice or assistance principals and school administrators may contact Schools HR Services on 1800 641 943.