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# United States Department of the Interior

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VIA ELECTRONIC MAIL

## MEMORANDUM

To: All Bureau of Reclamation Employees

From: Jim Weeks /s/  
Manager, Human Resources Division

Subject: Salary Debt Information

The National Business Center (NBC), Payroll Operations Division (POD), developed the following information to provide employees with an additional source for understanding why salary debts occur and what to do if it does occur. We have also included the processes involved in debt collection, from issuing the bill to making collections. The information is presented in question and answer format.

For questions regarding any bills of collection that an employee may receive from the NBC, please contact your Regional Human Resources Office.

**1. What is a salary or salary-related debt?**

A salary or salary-related debt is an overpayment of salary or under deduction of health benefits, life insurance, retirement, etc.

**2. What causes a salary or salary related-debt?**

Some salary and salary-related debts are caused by administrative errors while processing an employee's personnel or pay records. For example, pay-setting errors may occur upon a promotion or transfer to a new position, during processing of health and life insurance benefits, or with timesheet coding errors, etc.

Debts are also generated when an employee has insufficient pay or no pay to collect health premiums for the current pay period. Other debts are the result of erroneous manual adjustments, retroactive changes in laws, and retroactive payroll system corrections, etc.

**3. How does Payroll know when a salary debt occurs?**

An amended timesheet or a corrected personnel action is entered in the Federal Payroll Personnel System (FPPS) retroactive to the effective date. This corrective action causes FPPS to recalculate the employee's pay from the effective date to the current pay period. The recalculation results are produced in a report which identifies salary overpayments and provides Payroll with the amount of the overpayment.

**4. What is my responsibility as an employee?**

An employee has the responsibility to review their Leave and Earnings Statement (LES) each pay period and to review personnel documents to ensure the accuracy of their pay, deductions, and leave.

If an employee could have detected an error by reviewing and verifying the information provided, they are responsible for repaying the debt. If an employee knows or suspects that an error has occurred, they should immediately report the error to their supervisor, timekeeper, and personnel office. The reporting of the error does not mean that they do not have to reimburse the government for this error. Any overpaid funds should be set aside for reimbursement to the government when a bill is issued.

**5. What should I look for on my LES to identify an overpayment?**

Employees should especially review their records when changes to pay or benefits occur. For example, when an individual elects health benefits, they should ensure that the proper health benefit code and deduction amounts are reflected on their LES. Further, Federal employees are expected to know and understand the pay system that they are under such as the waiting periods for within-grade increases. An employee should also question any unexplained increases in net pay.

**6. How will I be notified of a salary debt?**

An employee is provided with written notification when an overpayment is identified. The written notification includes the amount and period of overpayment. In some cases, the employee may have been given advance notice by their supervisor or servicing personnel office before receiving written notification.

**7. I received a letter informing me that I was overpaid. The letter insinuates that I was "trying to get away with something" when in fact I discovered and reported the overpayment.**

One of our goals is to ensure that employees are informed of their rights when we notify them of an overpayment. We must also meet regulatory requirements. The language on the letter is standardized to meet regulatory requirements and is not intended to convey any fault or intent.

**8. What are my rights?**

In most cases, an employee has the right to request a hearing and waiver within a specified period, the right to make alternative payment arrangements if they cannot repay the debt in a lump sum, the right to repay the debt before interest and penalty begin to accrue, and the right to receive notification that a debt has been identified before collections begin.

**9. I was overpaid, but I did not receive written notification until after a deduction was made from my pay.**

The deduction was made under the authority of the Debt Collection Improvement Act of 1996 (DCIA). DCIA allows collection without prior notice if the total amount of the debt is \$50 or less or if the overpayment occurred within the four previous pay periods.

The employee must be provided with written notice as soon as possible after the collection has been made.

**10. Does this mean that you could collect my whole pay without giving me notice regardless of the amount of the overpayment, if it occurred with the last four pay periods?**

We will not collect more than 15% of an employee's disposable income per pay period for a salary or salary-related debt without the employee's written consent.

If an overpayment is a DCIA debt, but exceeds \$50, we collect at the rate of 15% of the employee's disposable income beginning the following pay period after the debt is identified until the debt is paid.

**11. What is "disposable income"?**

Disposable income is gross pay less required deductions such as Federal, state, local, OASDI and Medicare taxes or retirement, health benefits, regular life insurance, and thrift savings.

**12. I cannot afford to have 15% of my disposable income collected. What should I do?**

Employees may arrange to have collections of less than 15% deducted from their pay on a pay period basis. They should contact the name and phone number provided on the bill to negotiate a repayment schedule. Any arrangements to have deductions of an amount other than 15% of disposable income must be in writing, and the employee must sign the form outlining the payment arrangement.

**13. Are there any other debts that Payroll can withhold from my pay without my permission?**

We are obligated to collect debts that are referred to Payroll from the Department of Treasury under the Treasury Offset Program (TOP). TOP allows Federal agencies to refer delinquent debts to the Department of Treasury. The Department of Treasury will collect the debt from certain Federal payments that may be due to an employee whose debt is delinquent. We have no authority to stop or change TOP collections. The employee must contact the agency that referred the debt to the Department of Treasury, in order for the collection to stop.

In addition to TOP, we also collect court ordered child support; court ordered private debts; Federal, state, and local tax levies; education loans; travel advances; and requests from other government agencies.

**14. How will collections appear on my LES?**

It depends on the reason for the debt and the method of payment. The items listed below identify salary and salary-related debt.

<b>HLTH DBT-PRE</b>	Health benefit debts collected from employee's pay
<b>HLTH DBT-POST</b>	Health benefit debts paid by check/money order
<b>FED DEBT RECOVERY</b>	All other debts regardless of how the debt is collected or paid
<b>IFG</b>	Interest
<b>PNG</b>	Penalty

**15. Why is there a note on the bill that the amount will be increased if I don't pay by December 31?**

If the overpayment and repayment occur in the same tax year, we can recover the local, state, and Federal taxes (withheld from the original payment) from the appropriate entity. However, the Internal Revenue Service will not allow us to retrieve the taxes if the debt is not repaid by December 31 of the year that the overpayment occurred.

For example, an employee had a salary overpayment of \$100 gross. The debt was reduced by a total of \$25.00 for local, state, and Federal taxes. The debt was also reduced by \$1.45 for Medicare. The net amount owed was \$73.55. The bill was not paid by December 31. As a result, the debt is increased by \$25.00. The employee is notified of the increase from \$73.55 to \$98.55.

**16. Can I use my credit card to repay?**

We are currently unable to accept credit card payments.

**17. How is interest and penalty calculated?**

Interest will begin to accrue on the 31<sup>st</sup> day after the date of the bill. Interest accrues on the unpaid balance. Interest does not accrue on health benefit debts that are the result of non-pay status, nor does it accrue on DCIA debts.

Penalty begins to accrue on the 121<sup>st</sup> day after the date of the bill, if no collections have been made. There is no penalty charge for health benefit debts that are the result of non-pay status or for DCIA debts.

**18. How can I apply for a hearing and a waiver?**

The instructions are included in the bill. Specific instructions depend on the employee's agency.

**19. What is the difference between a hearing and a waiver?**

A hearing determines the validity of the debt. An employee believes that the entire debt or a portion of the debt is inaccurate. For instance, an employee may contest the bill because the bill is for eight hours of overtime worked on Saturday. The employee has evidence which proves they worked on Saturday.

The waiver process is where an employee acknowledges that an overpayment occurred. However, through a written statement they explain why they had no reason to believe that

they were receiving erroneous pay, and/or had no reason to suspect that an error had occurred through the review of their LES and personnel documents provided to them.

**20. Shouldn't I apply for both?**

If you know the bill is accurate, you should not apply for a hearing. If you apply for both, the waiver request will not be reviewed until the hearing request is resolved.

**21. Who can approve the waiver?**

This depends on the employee's agency. The POD is delegated the authority to review and make determinations regarding salary overpayments for current employees of the Department of the Interior, and several other agencies listed below. Factors such as the amount of the debt may determine a different review process.

Arctic Research  
 Chemical Safety Board  
 Equal Employment Opportunity Commission  
 Harry S. Truman  
 International Trade Commission  
 Millennium Challenge Corporation  
 Office of Navajo and Hopi Indian Relocation  
 Presidio Trust  
 Securities and Exchange Commission

**22. What are the criteria for waiver?**

In order for a waiver to be granted, there must be no indication of fraud, misrepresentation, fault, or lack of good faith on the part of an employee. An employee can be said to be at "fault", as that term is used in the statute, if there is anything in the record sufficient to indicate that an employee knew or should have known about the overpayment and failed to question it. In deciding this, we ask whether a reasonable person in the employee's position should have been aware that they were receiving more salary payment than they were entitled to. Waiver determinations are based on a close review of the circumstances involved such as:

- Was the employee provided with pay or personnel documents, which if reviewed, would have indicated that an error had occurred?
- Was the employee aware that they had received an overpayment? If so, they are obligated to set those funds aside for refund to the United States Government.
- Should employee have known that an error had occurred (i.e. signed up for health benefits and no deductions were initiated from their pay)?
- As a seasoned Federal employee, should the employee have known that they were not entitled to receive a within-grade increase or did not meet the time in grade requirements?
- Would a reasonable and prudent person have questioned or recognized that a duplicate payment had occurred?

**23. If someone else made the mistake, why should I be responsible for paying?**

We agree that the agency has a responsibility to process employee deductions accurately and must discharge that responsibility with care, but qualification for waiver requires more than just showing administrative error. The fact that the overpayment was made by an administrative error does not relieve an individual of the responsibility to determine the true state of affairs in connection with the overpayments. It is fundamental that persons receiving money erroneously paid by a government agency or official acquire no right to the money. Such persons are bound in equity and good conscience to make inquiry and repay any resulting overpayments. The Comptroller General states that the employee also has the responsibility to verify the correctness of the payments they receive. Such review, and reporting of discrepancies for remedial action, is an essential function in the Government's attempt to reduce payroll errors. Thus, the Comptroller has long held that a waiver of indebtedness will not be granted where it appears that the employee did not verify the information provided on their pay and personnel documents.

**24. How will this affect my credit?**

This will not affect an employee's credit as long as the individual remains employed by the current agency, since POD does no reporting to credit bureaus. However, if an employee separates with an outstanding debt, we will transfer the unpaid balance to their agency accounting office. The agency accounting office does report to credit bureaus. Therefore, employees must respond to the agency accounting office notification in order to prevent referral of the debt to a credit bureau.

The agency accounting office may also refer a debt to the Department of Treasury for collection under TOP.

**25. Why is the amount that I owe greater than the amount I received?**

The amount due includes net pay plus any payments to third parties, such as a savings allotment, child support payments, etc.

If the employee was in a non-pay status for the pay period, there is not a credit to reduce the bill by the health premium, since the employee would have had a debt for health benefits if the overpayment had not occurred.

The overpayment could also be the result of different amounts for Federal, state, and local taxes or it could be the result of an overpayment which occurred in a prior year. (See question 15.)

**26. I sent a check for the entire amount of the bill. I just received my Leave and Earnings Statement, and it shows another collection as well as other negative adjustment. Why are you collecting more money?**

This adjustment did not affect your pay. If you subtract the total deductions from the gross pay in the current pay period column, it will equal the amount of your net pay.

The adjustments are to correct wages, taxes, and other applicable items to reflect repayment of the debt.