



Family &
Community
Services

Salary Under and Overpayments Procedures



Document approval

The Salary Under and Overpayments Procedures have been endorsed and approved by:

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Endorsed: 2 June 2015

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1 Purpose of procedures

1.1 Purpose

The purpose of these procedures is to ensure that salary underpayments and overpayments are resolved quickly, equitably and consistently for both FACS and its employees.

1.2 Background and policy links

The *Salary Under and Overpayments Procedures* should be read in conjunction with the *Salary Under and Overpayments Policy*.

These procedures supersede any other procedures that provide advice about the management of salary under or overpayments.

These procedures were developed in consultation with FACS Districts and Directorates.

2 Definitions

A list of terms, keywords and/or abbreviations used throughout this document can be found in the *Salary Under and Overpayments Policy*.

3 Policy Statement

FACS pays its employees' wages and related entitlements in accordance with relevant Awards, industrial instruments, administrative arrangements and contracts. In support of this outcome, FACS is committed to continually improving processes to prevent underpayments or overpayments from occurring.

From time to time, an employee may inadvertently be underpaid or overpaid. FACS is committed to ensuring that public funds are appropriately used and will undertake all reasonable attempts to correct pay and recover debts.

4 Scope and application

These procedures are applicable to all FACS employees, including employees who have resigned but have incurred an underpayment and/or overpayment.

These procedures do not apply to contract staff or staff engaged through private agencies that are not paid through the FACS payroll system.

Specific provisions relating to under and overpayment of salary are included in the following Award:

Nurses' (Department of Family and Community Services - Ageing, Disability and Home Care) (State) Award 2011 ("Nurses' Award").

5 Avoiding under and overpayments

Underpayments or overpayments can result from a range of issues but generally from:

- delays in advising or processing salary related amendments, or
- incorrect completion of forms or data entry

Managers and employees are required to ensure information that will affect salary payments, or salary related amendments, is provided in a timely and accurate manner that will avoid an under or overpayment occurring.

Where possible, all transactions that will impact on salaries must be checked and verified or approved before being lodged.

6 Managing salary under and overpayments

These procedures outline the administrative processes to reimburse salary underpayments and recover salary overpayments and to ensure that the management of salary underpayments or overpayments are dealt with consistently throughout FACS.

The following principles apply to the management of all under and overpayments:

1. The employee must be given a full explanation of the cause of any underpayment or overpayment and the details of the calculation of the amount involved.
2. The personal circumstances of the employee will be considered when reaching agreement on the amount of fortnightly repayments in line with section 6.5 Recovering Overpayments.
3. Where the employee disagrees in relation to the overpayment, either as to the facts or to the repayment plan, the employee can request a review as noted in **Attachment B** – Salary Overpayment Process Map.
4. In the case of a dispute, the employee is entitled to be represented by a nominated person in these matters, including their union.

6.1 Identifying under or overpayments

FACS internal processes (e.g. within Payroll Services and Roster Support teams) will usually identify instances where a salary underpayment or overpayment of a FACS employee has occurred.

If an employee or manager becomes aware of a salary under or overpayment, they must contact Payroll Services within two weeks of payslip issue:

- by phone to the Direct Customer Centre (DCC), Business Services - (02) 9765 3999
- or email:
 - MyPay@facs.nsw.gov.au with **NO PAY** in the subject line (for underpayments).
 - MyPay@facs.nsw.gov.au with **OVERPAYMENT** in the subject line (for overpayments).

6.2 Verifying under or overpayments

Where a salary under or overpayment is identified, it needs to be verified by Payroll Services prior to action being taken to pay an underpayment or recover an overpayment from the employee.

It may be necessary to refer to any original documentation such as:

- allowance/salary information; or
- correspondence to/from the employee relating to salary, allowances, changes in contract hours, shifts worked or leave details.

6.3 Advising employees of an underpayment or overpayment

Once Payroll Services has investigated whether a salary underpayment or overpayment has occurred, they will contact the employee in writing to advise:

- an underpayment or overpayment has occurred
- the process and timeframe for rectification of an underpayment or the requirement for the department to recover an overpayment
- the value of the underpayment or overpayment, including the gross, tax and net amounts
- an explanation of why the underpayment or overpayment occurred
- the repayment options for recovery of an overpayment or payment options of an underpayment.

Payroll Services will send a copy of the notification to the employee's manager advising of the situation.

Managers are required to take an active role in managing the process to rectify underpayments or overpayments, including:

- providing information to employees about the process to resolve underpayments or overpayments and their obligations
- assisting in negotiating repayments for salary overpayments with employees
- promptly escalating non-payment of outstanding amounts to relevant officers.

Accordingly, the manager should follow up with the employee as soon as possible to confirm an agreed plan for correcting the underpayment or recovering the overpayment.

6.4 Correcting underpayments

If a salary underpayment is identified which results in no pay or a significant reduction in pay for an employee that leaves the employee in financial difficulty, it will be resolved as a priority, as outlined in Section 5.1.1 of the policy.

As a guide, if a shift worker is underpaid \$100 or more, repayment will be made during the next scheduled 'ad hoc' payment. Amounts under \$100 will be made in the next scheduled pay.

A flow chart of steps undertaken in the identification and correction of salary underpayments is at **Attachment A** and a summary of the activities involved in those steps is below.

6.4.1 Nurses

If the amount underpaid is equal to or greater than one day's gross base pay, the underpayment will be rectified within three working days.

If the amount is less than one day's gross base pay it will be rectified by no later than the next normal pay. However, if the employee can demonstrate that rectification in this manner would result in undue hardship, every effort will be made by FACS to rectify the underpayment within three working days, during the next scheduled 'ad hoc' payment.

6.4.2 All other employees

Where an underpayment occurs that results in no pay or a significant reduction in pay, Payroll Services will ensure that all monies owed to the employee will be processed through the next scheduled 'ad hoc' payment.

If, after discussion with the employee, it is agreed that the salary underpayment is minor and an 'ad hoc' payment is not required, the underpaid amount will be made in the next scheduled salary payment.

6.5 Recovering overpayments

Managers, with the support of Business Services, as required, should meet with the employee to negotiate a reasonable re-payment plan and complete a Deduction Authority (**Attachment C**).

In negotiating an appropriate method and rate of payment for the recovery of an overpayment, FACS' preference is for early recovery of the full overpayment immediately or as soon as possible within the same financial year. Repayment of the full overpayment value from the employee's next pay period is the preferred option for FACS.

Recovery arrangements for overpayments are to be structured to recover the overpayment as soon as possible, with consideration of the employee's circumstances and the nature of the overpayment (i.e. cumulative overpayments over a period versus one-off errors). Where an employee's circumstances change (e.g. financial hardship considerations or a change in the level of earnings), re-negotiation of existing repayment plans with the employee may occur to decrease or increase the rate of repayment to reflect the change in circumstances.

Recovery of one-off additional amounts the employee is not entitled to will be deducted in full in the next pay as a salary adjustment.

Recovery of a cumulative overpayment may occur in installments at a rate of 5 per cent of the gross fortnightly base pay. Employees may of course repay cumulative overpayments at a higher amount or in a single installment. A lesser amount may be agreed where an employee demonstrates that undue hardship would result.

Note that where an employee enters into a formal repayment regime with FACS, FACS will seek to agree with the employee that any outstanding salary overpayment

debt is recovered from an employee upon termination of their employment. Where full recovery from the employees final pay is not possible FACS will seek to agree a formal repayment plan post-employment. The exception to this is the Nurses' Award where the Department is authorised to deduct any balance of such overpayment from monies owing to the employee on the employee's date of termination, resignation or retirement, as the case may be.

A flow chart of steps undertaken and the timeframes in recovering overpayments is at **Attachment B** and a summary of the activities involved in those steps is below.

Where an employee has an existing active repayment plan in place which is below 5 per cent of the gross fortnightly base pay, FACS will consult with employees with the aim of bringing the recovery plan to line with the Salary Under and Overpayments Policy.

6.5.1 Advice – written and verbal

Initial advice of an overpayment will be made to the employee in writing by Payroll Services and followed up by the employee's manager. All arrangements made between the employee and FACS to re-pay the overpayment will be formalised in writing through the completion of a Deduction Authority (**Attachment C**). Managers should receive copies of correspondence or advice of recovery action being instigated.

If a response to the initial letter has not been received within 30 calendar days of it being sent, a written reminder will be issued to the employee by Payroll Services.

If a response to the reminder letter is not received within 21 calendar days of being sent, a letter of demand will be issued to the employee.

6.5.2 Requesting a review

Employees may request a review through Payroll Services when they are first notified of the overpayment occurring and before any recovery action is taken. It may be that the employee has additional information or believes that an error has occurred in the calculation of the overpayment.

Employees seeking a review are to do so following receipt of the letter of advice, quoting the overpayment reference number. Payroll Services will respond to this request within a reasonable timescale and no later than 30 days from receipt of the review request.

6.5.3 Repayment options

6.5.3.1 Nurses

One-off overpayments will be recovered in the next normal pay, except where the employee can demonstrate that undue hardship would result, in which case the recovery rate shall be at 10 per cent of an employee's gross fortnightly base pay.

Unless the employee agrees otherwise, the maximum rate at which cumulative overpayments can be recovered is an amount, calculated on a per fortnight basis, equivalent to 10 per cent of the employee's gross fortnightly base pay.

Where an employee's remaining period of service does not permit the full recovery of any overpayment to be achieved on the fortnightly basis, FACS is authorised to

deduct any balance of such overpayment from monies owing from the employee on the employee's date of termination, resignation or retirement, as the case may be.

The recovery rate of 10 per cent of an employee's gross fortnightly base pay may be reduced by agreement, where the employee can demonstrate that undue hardship would result.

6.5.3.2 All Other Employees

Unless an employee otherwise agrees to full repayment in the next normal pay, where recovery of an overpayment is to occur in installments, a rate of 5 per cent of the gross fortnightly base pay will apply. A lesser installment amount may apply where an employee demonstrates financial hardship.

Employees have a number of repayment options available to them, including:

- in full by cheque, direct deposit or BPAY to FACS
- in full or as a deduction from the next available salary payment
- by fortnightly installment at an agreed rate of deduction from the normal salary payment.

6.5.3.3 Financial Hardship (All staff)

Where the employee can demonstrate undue hardship, the delegated officer may consider writing off part of or the full amount of the overpayment.

To make a claim of financial hardship the employee needs to provide income and expenditure details that satisfy the delegated officer that the employee will experience financial difficulty in meeting their financial commitments if payment was deducted from their fortnightly salary. The information supplied by the employee and any supporting documentation provided will be kept strictly confidential. Refer to the [FACS Delegations 1.1 Schedule C](#) to determine the delegated officer.

6.5.4 Payments received

All payments made when repaying the overpayment will be acknowledged either through notation on individual payslips for automatic deductions; or provision of receipt for cheque payments.

On final payment, advice will be sent to the employee confirming that repayments have been completed and outstanding monies fully recovered.

Generally where an overpayment occurs in one financial year (i.e. by the year ending 30 June) and is repaid in another financial year, different taxation rulings apply to the overpayment amount.

Payroll Services or the [Australian Taxation Office](#) can provide information to employees whose overpayment falls within this category.

6.5.5 Outstanding debts

Where an employee:

- refuses to co-operate or participate on a reasonable basis to enter into a repayment plan and/or
- fails to respond to the letter of demand, details of the overpayment will be

referred to the relevant delegated officer to meet with the employee and their manager to determine further action.

Further action may include:

- referral of the matter to the Professional Conduct, Ethics and Performance (PCEP) unit for consideration of a breach of the Code of Ethical Conduct as a misconduct matter
- recovery of the debt via debt collection processes which may result in the commencement of legal proceedings.

6.6 Waive/write-off of debt

Salary overpayments will be considered for write off in accordance with section 450.05 of the Treasurers' Directions. The following conditions must be met before a debt can be regarded as irrecoverable:

- the debtor cannot be located
- it is uneconomical to finalise recovery action due to the relatively small value of the debt
- medical, financial or domestic circumstances of a particular debtor at that time, do not warrant recovery action or further recovery action
- legal proceedings through the courts have proved, or on legal advice would prove, unsuccessful.

All write-offs are to be referred by submission to the Secretary or delegated officer for approval – refer to the [FACS Delegations Schedule C](#).

A register of debt write-offs and waivers will be maintained by Payroll Services on behalf of FACS and will contain a scanned copy of the signed approval. A copy of the original letter will be held on the employee's overpayment file.

6.7 Complaints

All complaints relating to the management of under and overpayments should be referred to the Direct Customer Centre, Business Services either by phone on (02) 9765 3999 or by sending an email to MyPay. A reference number will be issued and should be referred to in all future contacts.

6.8 Overpayments monitoring and reporting

FACS receives a monthly schedule from Payroll Services to assist in monitoring overpayments. This schedule is used to identify the reasons for overpayments (eg. late advice of Leave Without Pay, late notice of cessation of duty etc.).

Managers are required to use the Payroll Services report to monitor agreed repayment plans.

The reports also provide information on the location where overpayments are occurring. This enables FACS to identify trends and assists in resolving any systemic issues.

This monitoring may result in actions such as:

- conducting information campaigns on correct processes to follow

- discussions with individual managers/districts where particular trends have been identified (e.g. regular late advice to Payroll Services)
- clarifying business rules applied by Payroll Services or changing internal practices.

7 Roles and responsibilities

Employees

- Notify managers of planned and unplanned absences promptly and submit all leave and attendance records in a timely manner.
- Ensure all planned leave is approved before it is taken.
- Promptly review each payslip for any anomalies as soon as the payslip is issued and actively report any pay anomalies within two weeks of payslip issue to Payroll Services.
- Following receipt of advice of overpayment, co-operate in negotiations with Payroll Services and FACS to ensure timely and reasonable recovery of the overpayment.

Managers

- Assist in negotiating repayment plans for salary overpayments for employees.
- Respond promptly to requests for leave, changes in working hours (or other salary variations) and termination requests via SAP HR Manager Self Service (MSS) in line with existing policy and procedures.
- Promptly advise Payroll Services of any unauthorised or unplanned employee absences which may affect pay, including but not limited to any long term leave of absence or extensions to leave arrangements (eg. Leave Without Pay), or where the employee's leave entitlement is exhausted or likely to be exhausted due to the absence. Note that Group Home staff are to promptly advise the Roster Support team instead of Payroll Services.
- Monitor and review monthly overpayment reports to identify trends and implement processes as appropriate to reduce incorrect payments to staff.
- Review and rectify issues or processes as appropriate that result in salary underpayments or overpayments.
- Promptly escalate non-payment of outstanding amounts to relevant officers.

District and Directorate Management

In the circumstances listed below, District and Directorate management will be required to meet with an employee to determine further action where an employee:

- refuses to co-operate or participate on a reasonable basis to enter into a repayment plan
- fails to pay monies in accordance with an agreed repayment plan
- fails to respond to the letter of demand.

In addition, District and Directorate management will be required to:

- monitor and review monthly overpayment reports to identify trends, monitor staff repayment plans, and implement processes as appropriate to reduce incorrect payments to staff
- review cases where a recommendation to write-off an overpayment has been made by Payroll Services in line with the NSW Treasurer's Directions and FACS Delegations
- review cost centres where errors are occurring to identify systemic issues, staff training and performance reviews.

Payroll Services

- Effectively manage the FACS payroll to minimise errors and accurately calculate termination and other salary payments to ensure accuracy prior to payment to employees.
- Identify and check the amount and components of any salary under or overpayment.
- In collaboration with the affected employee, undertake corrective and recovery processes for overpayments in a timely manner.
- Perform all work required to make salary adjustments in the next pay.
- Promptly advise current and former employees of any under or overpayments.
- Correct underpayments of \$100 or more to shift workers by next scheduled ad hoc payment.
- Correct underpayments within the next salary payment cycle.
- Perform all work required to recover salary overpayments including issuing recovery letters and contacting current and former employees to arrange recovery of the overpayment.
- Respond in a timely manner to review requests from employees.
- Provide accurate and timely monthly reports on salary overpayments and the status of recovery actions to the department. These reports will include the reasons for the overpayment, amount of the overpayment, and location and current status of recovery action.
- Identify persistent issues related to a type of transaction, location or other initiatives to HR.
- Make a recommendation to HR and Finance to write-off an overpayment in line with the NSW Treasurer's Directions and FACS Delegations.

Roster Support Team

- Effectively manage the rostering arrangements for rostered staff to minimise errors and apply roster adjustments to ensure accuracy.
- Promptly advise current employees of any rostering errors.

Human Resources

- Oversee the governance and policy arrangements applying to the under and overpayment processes through compliance monitoring and policy review.

- Monitor and review the policy and procedures for recovery of salary overpayments with Payroll Services.
- Develop and agree on mitigation strategies with Payroll Services to address persistent or systemic issues.
- Review cases where a recommendation to write-off an overpayment has been made by Payroll Services in line with the NSW Treasurer's Directions and FACS Delegations.

Professional Conduct, Ethics and Performance (PCEP)

- Manage individual cases that are referred to PCEP where staff have not participated in a repayment after receiving the three notification letters.

Legal Services

- Assist in the timely resolution of debt recovery.
- Advise on the relative merits of pursuing debt recovery via litigation.
- Advise on write off.
- Represent the Department in litigation, mediation and settlements.

8 Monitoring, evaluation and review

These procedures and associated policy will be reviewed every three years or when any significant new information, legislative or organisational change warrants amendments to this document.

Reviews will be undertaken in consultation with stakeholders to ensure the procedures are relevant and effective.

9 Support and advice

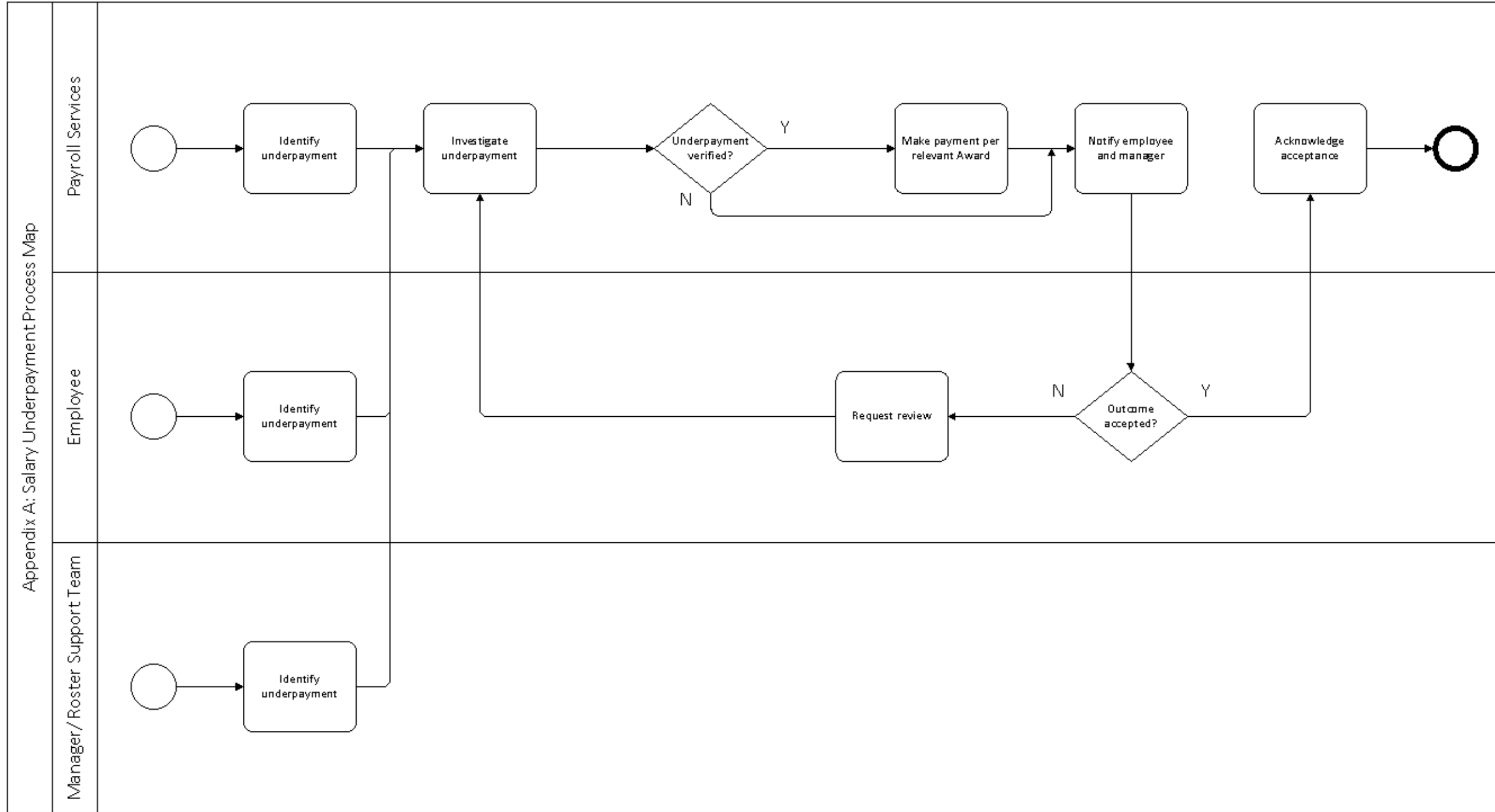
You can get advice and support about anything in these procedures from:

- your manager
- HR Advisor by contacting (02) 9765 2999
- Business Services on (02) 9765 3999 or email MyPay@facs.nsw.gov.au

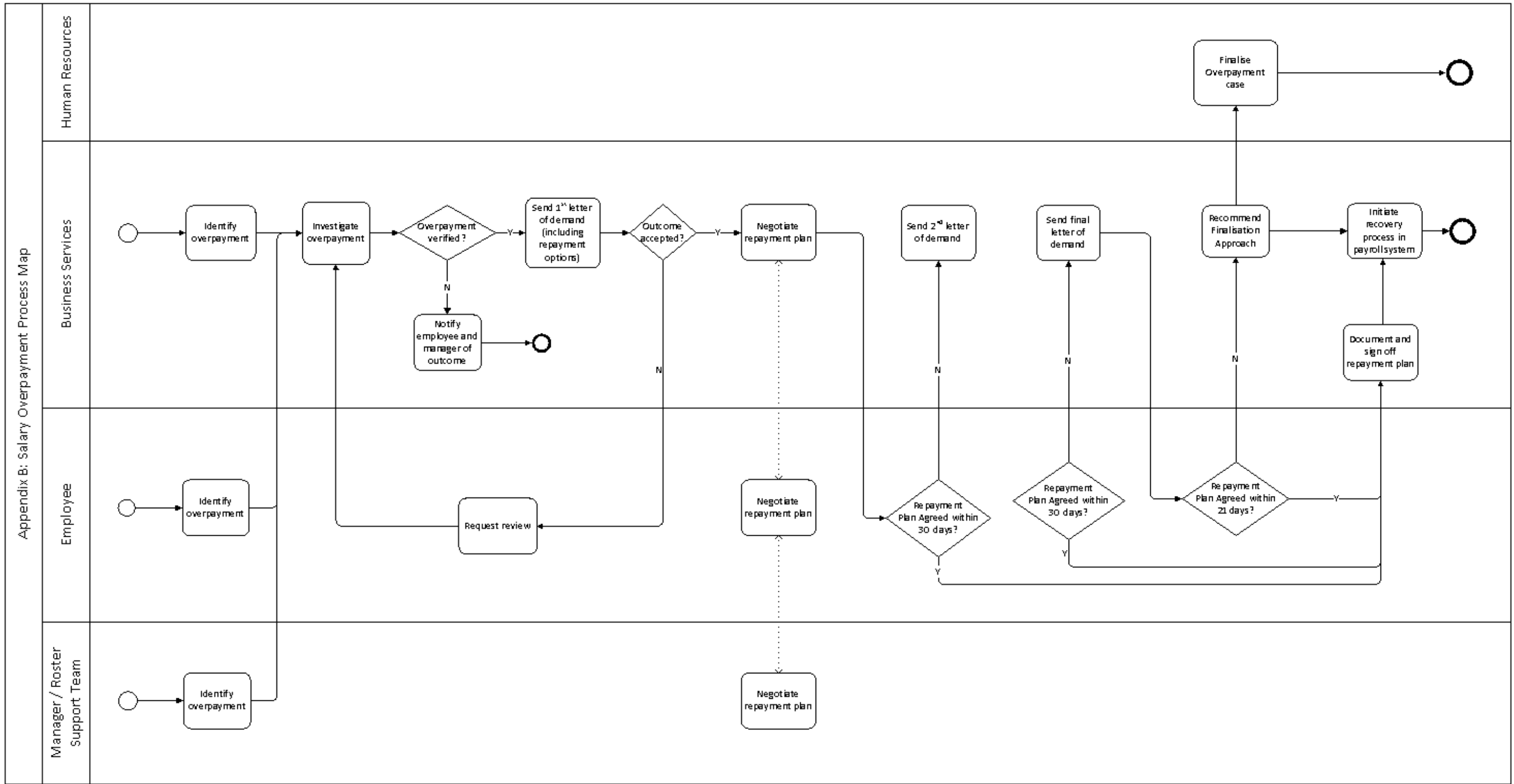
If you are reviewing a printed version of this document, please refer to the intranet to confirm that you are reviewing the most recent version of these procedures.

Following any subsequent reviews and approval, these procedures will be uploaded to the intranet and all previous versions removed.

Attachment A: Salary Underpayment Process Map



Attachment B: Salary Overpayment Process Map



Manager Payroll Services
Business Services
FAX: (02) 9765 3668
EMAIL: MyPay@facs.nsw.gov.au

PAYROLL DEDUCTION AUTHORITY
OVERPAYMENT OF SALARY

Department of Family & Community Services (FACS)

I, «First Name» «Surname» hereby authorise FACS to deduct the amount of:

\$ as a one-off deduction OR
each fortnight
*(delete whichever is **not** applicable)*

from my salary, being repayment of an outstanding salary overpayment for the total amount of \$«Merge Record #».

This authority becomes effective on the first available payday after the date of this advice and continues until the debt is repaid in full. In the event that I cease employment with the Department, I authorise FACS to deduct any balance owing on this arrangement from any monies due to me on termination. If that is insufficient to complete the repayment of the debt, I accept that the residual is owed by me and agree that the residual becomes due and payable by me on or before my last day of employment.

Signature: _____

Date: _____

Employee #: «Merge Record #»