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STATE OF HAWAII
DEPARTMENT OF PUBLIC SAFETY
919 Ala Moana Boulevard, 4th Floor
Honolulu, Hawaii 96814

No. 2012-418

March 12, 2012

TO: The Honorable Donna Mercado Kim, Chair
Senate Committee on Accountability

FROM: *Martha Torney*
for Jodie Maesaka-Hirata, Director

SUBJECT: INFORMATION FOR SENATE CONCURRENT RESOLUTION 37

In response to your memorandum dated March 1, 2012, the Department of Public Safety is providing the following requested information:

1. The current total amount of overpayment, including the amounts recovered and referred to the Attorney General.

As of February 29, 2012, the current total amount of overpayment for the Department of Public Safety is \$164,560.15. Attachment 1 is a table that shows the most current "Active" salary overpayment report as of February 29, 2012. The table also shows the amount recovered and those cases that were referred to the Attorney General.

2. How the department identifies overpayment, as well as the immediate steps and procedures followed to pursue recovery.

The Department requires each program to submit a Leave Without Pay Report to the Fiscal Office as soon as an employee runs out of vacation/sick leave. This will prompt the Fiscal Office to stop payroll payment to the individual. This will also give the Fiscal Office reason to check if the individual was overpaid and proceed with the recovery of the overpayment as mandated in Chapter 78-12, Hawaii Revised Statutes, *Salary withheld for indebtedness to the government*, see Attachment 2.

3. Procedure by which an employee requests sick leave, vacation time, leave without pay, as well as how time sheets are calculated.

The procedure by which an employee requests for sick leave, vacation leave and leave without pay are generally governed by the collective bargaining agreements

and/or specific agreements with the Union. Please refer to our previous submittal on Senate Concurrent Resolution 34 for copies of UPW Unit 1 and 10, HGEA Unit 3 and 9's contract.

United Public Workers (UPW)

All Adult Corrections Officers (ACO), Unit 10

By agreement with the Union, ACO's call in sick to a single "Sick Call Hot Line." ACOs who are assigned to an "essential" post must call in two hours prior to the start of their shift. All others shall provide notice as soon as possible on the first day of absence or if impracticable, soon thereafter.

Vacation leave is requested through a sign-up system at the beginning of the year. ACO's request for "a vacation month" based on seniority. They are allowed to sign-up for a period equivalent to the number of vacation credits they have or will have on the books.

ACOs may request for "emergency vacation" by calling the respective commander at the start of their work shift.

Food Service Personnel, Unit 1

Food Service staff calls in sick to their respective Food Service Manager. They must provide notice as soon as possible on the first day of absence or if impracticable, as soon thereafter as circumstances permit.

Vacation leave is requested in advance through their respective Food Service Manager.

Other Miscellaneous Staff (Operations/Maintenance), Unit 1

Employees call their supervisor of the respective section to notify sickness. Vacation leave is requested in advance through their respective supervisor

Hawaii Government Employees Association (HGEA)

Uniform Staff - Deputy Sheriffs, Units 3 and 4

Deputies are required to call in sick at least two hours prior to the start of their scheduled shift to their immediate supervisor. Vacation leave is requested in advance through their immediate supervisor, up through the chain of command.

Nurses, Unit 9

Nurses call in sick to their respective Nurse Manager. Notification of absence on account of sickness shall be given at least thirty (30) minutes prior to the start of the employee's

scheduled workday or if impracticable as soon thereafter as circumstances permit. However, in operations where employees on a shift normally relieve employees on the previous shift, notification of absence shall be given at least two hours prior to the start of the employee's scheduled shift, except in extenuating circumstances whereby an employee is unable to provide such notice.

Vacation leave is requested in advance through their respective Nurse Manager.

Professional, Clerical and Other Non-Uniform staff, Units 3, 4, and 13

Employees are required to call their immediate supervisor at least thirty (30) minutes prior to the start of their schedules workday. Vacation leave is requested in advance through their respective supervisor.

Attachment 3 is a copy of the Instruction for Completing Individual Time Sheets, State Accounting Form D-55.

4. Steps taken subsequent to a termination to ensure that personnel officers are informed of separations.

The steps taken to ensure that the Personnel Office is informed of separations are as follows:

For discharges –

Letter of discharge is served to employee. Program immediately notifies the Fiscal Office to remove the employee from payroll.

Copy of discharge letter is sent to the Personnel Office along with a separation notice for processing.

**For voluntary resignations –
(including retirement)**

Employees submits a letter of resignation along with a separation notice. The program immediately notifies the Fiscal Office to remove the employee from payroll.

Copy of the resignation letter along with the separation notice is sent to the Personnel Office for processing.

For involuntary resignations –

Employee is presented with a letter of resignation with stipulations for signature. Program immediately notifies the Fiscal Office to remove the employee from payroll.

Copy of the resignation with stipulations form is sent to the Personnel Office along with a separation notice.

5. Additional policies and procedures that the department has instituted to address payroll overpayments.

The Department follows the guidelines outlined in Chapter 78-12, Hawaii Revised Statutes. Please see Attachment 2.

Should you or your staff have any questions with the information provided, please call Martha Torney, Deputy Director for Administration at 587-1251 or email her at martha.t.torney@hawaii.gov.

CONFIDENTIAL

DEPARTMENT OF PUBLIC SAFETY
Salary Overpayment for the Month Ending:
February 29, 2012

| | EMPLOYEE | Program | Date | Gross Amount Overpaid | Amount Recovered | Balance | CATEGORY | | | | Reason for Salary Overpayment | Current Status ₁ |
|----|-----------------------|---------|--------|-----------------------|------------------|-----------|---|---|---------------------------------------|---------------------------------------|-------------------------------|------------------------------|
| | | | | | | | Still employed and delinquent > 2 years | Still employed and delinquent < 2 years | NOT employed and delinquent > 2 years | NOT employed and delinquent < 2 years | | |
| 1 | Afalava, Mitch | HCF | Jun-99 | 996.27 | | 996.27 | 996.27 | | | | Insufficient Leave | Under Pers Review 1,2,3 |
| 2 | Aguon, Ralph | HCF | Sep-01 | 159.32 | | 159.32 | 159.32 | | | | Insufficient Leave | Under Pers Review 2,3 |
| 3 | Ahlo, Malcolm | HCF | Jul-96 | 15.61 | | 15.61 | | | | 15.61 | Insufficient Leave | Under Pers Review 1,2 |
| 4 | Arima, Robin R. | HCCC | Oct-99 | 3,904.66 | | 3,904.66 | 3,904.66 | | | | Insufficient Leave | Under Pers Review 1 |
| 5 | Arocan, James | HCF | Feb-98 | 1,447.20 | | 1,447.20 | | | | 1,447.20 | Insufficient Leave | Under Pers Review 1 |
| 6 | Baysa, Tanya | OCCC | Dec-02 | 16.31 | | 16.31 | | | | 16.31 | Negative Defer Comp | Awaiting AG Appr to Writeoff |
| 7 | Brockman, Ruth (Pack) | WCCC | Feb-97 | 36.45 | | 36.45 | | | | 36.45 | Insufficient Leave | Under Fiscal Review 5,6,7 |
| 8 | Brown, Timothy | WCF | Nov-10 | 4,197.29 | 200.00 | 3,997.29 | | 3,997.29 | | | Insufficient Leave | On Salary Assignment |
| 9 | Corrigan, Dennis | OCCC | Dec-97 | 31,200.03 | 14,959.84 | 16,240.19 | 16,240.19 | | | | Insufficient Leave | Awaiting AG Appr to Writeoff |
| 10 | Cummings, Larissa | HCCC | Dec-09 | 628.36 | | 628.36 | | 628.36 | | | Insufficient Leave | |
| 11 | DeMattos, Mark | MCCC | Jun-94 | 357.78 | | 357.78 | | | | 357.78 | Insufficient Leave | Under Pers Review 1 |
| 12 | Escontrias, Ricardo | WCF | Jan-98 | 77.83 | | 77.83 | 77.83 | | | | Insufficient Leave | Under Pers Review 1 |
| 13 | Ferrara, Loretta | WCCC | Dec-92 | 1,181.62 | | 1,181.62 | | | | 1,181.62 | Insufficient Leave | Under Pers Review 1,2,3 |
| 14 | Gabriel, Denise | WCCC | May-98 | 537.04 | | 537.04 | 537.04 | | | | Insufficient Leave | Under Pers Review 1,2,3 |
| 15 | Goodman, Thomas A. | WCCC | Mar-95 | 4,077.65 | | 4,077.65 | | | | 4,077.65 | Insufficient Leave | Awaiting AG Appr to Writeoff |
| 16 | Gouveia, Bobby | HCF | Apr-95 | 1,228.75 | 749.00 | 479.75 | 479.75 | | | | Insufficient Leave | On Salary Assignment |
| 17 | Hathaway, Terry | CI | Sep-04 | 3,663.95 | 1,775.54 | 1,888.41 | | | | 1,888.41 | Insufficient Leave | On Salary Assignment |
| 18 | Holbron, William | WCCC | Jun-03 | 16,582.50 | 15,300.00 | 1,282.50 | 1,282.50 | | | | Pyrl Compute Error | On Salary Assignment |
| 19 | Iijima, Craig | WCCC | Jan-98 | 612.84 | | 612.84 | | | | 612.84 | Insufficient Leave | Awaiting AG Appr to Writeoff |
| 20 | Iyo, Myles M. | TSD | Jan-96 | 1,734.99 | | 1,734.99 | 1,734.99 | | | | Insufficient Leave | Under Pers Review 3 |
| 21 | Johnson, Robert | HCF | Oct-01 | 140.27 | | 140.27 | 140.27 | | | | Insufficient Leave | Under Pers Review 2,3 |
| 22 | Kaauwai, Jon | HCCC | Nov-92 | 11,369.50 | | 11,369.50 | 11,369.50 | | | | Insufficient Leave | Under Pers Review 1,2 |
| 23 | Kamaunu, Kaniloa L. | MCCC | Jul-01 | 833.49 | | 833.49 | 833.49 | | | | Insufficient Leave | Under Pers Review 1,2 |
| 24 | Kanemura, Mark | CPS | Jul-00 | 618.33 | | 618.33 | | | | 618.33 | Insufficient Leave | Under Pers Review 1,2,3 |
| 25 | Kaninau, Everett | HCF | Mar-97 | 3,359.40 | | 3,359.40 | 3,359.40 | | | | Err in Computing leave | Under Pers Review 1,2 |
| 26 | Kanoa, Lyle R. | HCF | Sep-96 | 4,153.14 | | 4,153.14 | 4,153.14 | | | | Insufficient Leave | Under Pers Review 1 |
| 27 | Kauaula, Clifford | OCCC | May-00 | 102.83 | | 102.83 | | | | 102.83 | Insufficient Leave | Awaiting AG Appr to Writeoff |
| 28 | Kawai, Patrick K. | SD | Sep-99 | 131.52 | | 131.52 | 131.52 | | | | Insufficient Leave | Under Pers Review 1,2,3 |
| 29 | Kepa, Darrell | OCCC | Dec-94 | 22,462.77 | | 22,462.77 | 22,462.77 | | | | Insufficient Leave | Under Pers Review 1,2 |
| 30 | Kuamoo, Bernard Jr. | HCF | Feb-96 | 792.92 | | 792.92 | 792.92 | | | | Insufficient Leave | Under Pers Review 1,2 |
| 31 | Langdon, Richard | HPA | Oct-06 | 3,847.24 | 1,487.60 | 2,359.64 | | | | 2,359.64 | Pyrl Not Stopped | Retired 9/2006 |
| 32 | Lota, Abraham K. III | HCF | Mar-96 | 5,777.83 | | 5,777.83 | 5,777.83 | | | | Insufficient Leave | Under Fiscal Review 5,6,7 |
| 33 | Louis, William | OCCC | Nov-94 | 19,715.23 | | 19,715.23 | 19,715.23 | | | | Insufficient Leave | Under Fiscal Review 5,6,7 |
| 34 | Maheleona, Patrick | CI | Aug-08 | 153.29 | | 153.29 | 153.29 | | | | Insufficient Leave | |
| 35 | Maielua, Shani | WCCC | Oct-97 | 428.87 | | 428.87 | 428.87 | | | | Insufficient Leave | Under Pers Review 2 |
| 36 | Malani, Colin | L-SSD | Mar-99 | 527.90 | | 527.90 | 527.90 | | | | Insufficient Leave | Under Pers Review 1,2,3 |
| 37 | Malani, Francis | CPS | Jan-03 | 8,083.99 | 6,640.71 | 1,443.28 | | | | 1,443.28 | Pyrl Compute Error | Salary Assignment 3/5/04 |
| 38 | Matautia, Tom T. | HCF | Sep-99 | 740.53 | | 740.53 | 740.53 | | | | Insufficient Leave | Under Pers Review 1,2,3 |
| 39 | Mendoza, Salvador | OCCC | Mar-09 | 415.26 | | 415.26 | 415.26 | | | | Insufficient Leave | |
| 40 | Quinlan, Patrick | SD | Aug-06 | 17,231.02 | 10,300.00 | 6,931.02 | 6,931.02 | | | | Insufficient Leave | On Salary Assignment |

DEPARTMENT OF PUBLIC SAFETY
Salary Overpayment for the Month Ending:
February 29, 2012

| | EMPLOYEE | Program | Date | Gross Amount Overpaid | Amount Recovered | Balance | CATEGORY | | | | Reason for Salary Overpayment | Current Status, |
|-----------------------------|-------------------------|---------|--------|---|------------------|------------|---------------------------------------|---------------------------------------|-------------------------------------|-------------------------------------|-------------------------------|------------------------------|
| | | | | | | | Still employed and delinquent>2 years | Still employed and delinquent<2 years | NOT employed and delinquent>2 years | NOT employed and delinquent<2 years | | |
| 41 | Randles, David D. | HCF | Jan-95 | 15,928.43 | 10,290.59 | 5,637.84 | 5,637.84 | | | | Insufficient Leave | Under Pers Review 1,2 |
| 42 | Rivera, Patricia | CPS | Apr-09 | 2,481.34 | 204.39 | 2,276.95 | | | 2,276.95 | | Insufficient Leave | On Salary Assignment |
| 43 | Ryan, Cory | MCCC | Sep-95 | 516.59 | | 516.59 | 516.59 | | | | Insufficient Leave | Under Pers Review 1,2 |
| 44 | Safiti, Ropati | HCF | Jan-95 | 126.50 | | 126.50 | 126.50 | | | | Insufficient Leave | Under Pers Review 2,3 |
| 45 | Salzman, Jon A. | HCCC | Nov-96 | 649.85 | | 649.85 | 649.85 | | | | Insufficient Leave | Under Pers Review 1,2,3 |
| 46 | Sam Fong, Bert | MCCC | May-95 | 344.03 | | 344.03 | 344.03 | | | | Insufficient Leave | Under Fiscal Review 5,6,7 |
| 47 | Tavares, Ernest M. | OCCC | Jan-97 | 642.19 | | 642.19 | 642.19 | | | | Insufficient Leave | Under Pers Review 1,2 |
| 48 | Thresher, Cil | HCO | Jun-95 | 3,263.62 | | 3,263.62 | | | 3,263.62 | | Insufficient Leave | Under Pers Review 1,2 |
| 49 | Tilton, Christeen | CI | Jul-07 | 586.75 | | 586.75 | | | 586.75 | | Insufficient Leave | Under Pers Review 1,2 |
| 50 | Tucay, Micheal | OCCC | Nov-94 | 14,799.02 | 521.00 | 14,278.02 | 14,278.02 | | | | Insufficient Leave | Under Pers Review 1,3 |
| 51 | Tyler, Tyrone | HCF | Nov-01 | 141.95 | | 141.95 | 141.95 | | | | Insufficient Leave | Under Pers Review 1,2,3 |
| 52 | Waikiki, John-Harry | HCCC | Sep-00 | 223.73 | | 223.73 | 223.73 | | | | Insufficient Leave | Under Pers Review 2,3 |
| 53 | Webster, Danier | OCCC | Dec-94 | 5,242.02 | 1,755.71 | 3,486.31 | | | 3,486.31 | | Insufficient Leave | Awaiting AG Appr to Writeoff |
| 54 | Werner, Floyd K. | HCF | Feb-00 | 265.05 | | 265.05 | 265.05 | | | | Insufficient Leave | Under Pers Review 1,2,3 |
| 55 | Williams, Tony V. | SD | Jan-09 | 6,337.50 | 4,100.00 | 2,237.50 | 2,237.50 | | | | Pyrl Not Stopped | |
| 56 | Yamamoto, Frank | MCCC | Jun-10 | 5,301.45 | 100.00 | 5,201.45 | | 5,201.45 | | | Pyrl Compute Error | Salary Assignment |
| 57 | Young, Tiana | PERS | Aug-10 | 1,416.00 | 1,000.00 | 416.00 | 416.00 | | | | Pyrl Compute Error | Salary Assignment |
| 58 | Zienkiewicz, Kenneth J. | HCO | Apr-96 | 11,480.28 | 9,343.55 | 2,136.73 | | | 2,136.73 | | Paid OT s/be Strght time | On Salary Assignment |
| TOTALS | | | | 243,288.08 | 78,727.93 | 164,560.15 | 128,824.74 | 9,827.10 | 25,321.56 | 586.75 | | |
| Total Number of Incidents | | | | 3,502.00 | | | | | | | | |
| Current Status:Under Review | | | Pers 1 | G-1 missing. The G-1 is needed to support the LWOP recorded on the audited DPS Form 7. | | | | | | | | |
| | | | Pers 2 | EPAR missing. The EPAR is needed to reflect the official recording of the G-1 | | | | | | | | |
| | | | Pers 3 | Audited DPS Form 7 missing. The audited records are the official attendance documents that justifies the payroll paid to employees. | | | | | | | | |
| | | | Fis 4 | Payroll Register missing. Copies of the payroll register needed to verify the amount paid to the employee for the pay period. | | | | | | | | |
| | | | Fis 5 | LWOP Adjustments missing. Payroll adjustment sheets showing what the payroll clerks adjusted from the employee's pay check. | | | | | | | | |
| | | | Fis 6 | Salary Overpayment Computation sheet missing. A computation sheet showing what was paid to the employee vs what should have paid to the employee based on the employee's attendance record. | | | | | | | | |
| | | | Fis 7 | Review of Evidence. Gather all documents, and arrange in chronological order and number the exhibits to be used as evidence in the overpayment hearing. | | | | | | | | |

§78-12 Salary withheld for indebtedness to the government. (a) In case any officer, agent, employee, or other person in the service of a jurisdiction is indebted to a jurisdiction and the indebtedness has been determined by a hearing pursuant to chapter 91, upon demand of the officer charged with the duty of collecting the indebtedness, the disbursing officer charged with the duty of paying the indebted officer, agent, employee, or other person, after notice to the indebted person, shall withhold one-quarter of the salary, wages, or compensation due the indebted person and pay the same, from time to time as the same shall become due, to the officer charged with the duty of collecting the indebtedness, until the full amount of the indebtedness, together with penalties and interest thereon, is paid.

(b) If the indebtedness has arisen or been incurred by reason of the indebted officer, agent, employee, or other person having embezzled, stolen, or otherwise unlawfully acquired any moneys or other property of a jurisdiction, the whole amount of the salary, wages, or compensation, or so much thereof as may be required to pay the indebtedness in full, shall be withheld and paid over to the officer charged with the duty of collecting the indebtedness.

(c) The officer, agent, employee, or other person in the service of the jurisdiction, alleged to be indebted to a jurisdiction, may waive the right to a hearing to determine the indebtedness and instead assign by contract to the officer charged with the duty of collecting debts:

- (1) The priority right to payment of the total amount of the alleged indebtedness; and
- (2) The right of the officer to deduct from each and every periodic payment normally due the assignor an amount equal to the maximum legally permissible amount deductible under garnishment law until the total amount owing is paid in full.

For purposes of this section, a person shall be deemed to waive the hearing if the person fails to request a hearing within fifteen days from the date the person was notified of the indebtedness and the opportunity to request a hearing.

(d) The operation of all garnishment process served upon the disbursing officer shall be stayed until the indebtedness has been fully paid.

(e) If the indebtedness has occurred as a result of salary or wage overpayment, the disbursing officer shall determine the amount of indebtedness and notify the

employee in writing of the indebtedness; provided that, to be an actionable cause of action, the determination and notice to the employee shall be made within two years from the date of the salary or wage overpayment, and not after. If the employee contests the disbursing officer's determination of indebtedness, the employee may request a hearing pursuant to chapter 91.

(f) Regardless of whether a contested determination of indebtedness is pending, the disbursing officer shall commence immediate recovery of the indebtedness as provided in this subsection. If the indebtedness is equal to or less than \$1,000, the disbursing officer shall immediately deduct from any subsequent periodic payment normally due the employee any amount up to the total amount of indebtedness and for indebtedness greater than \$1,000, the disbursing officer shall deduct:

- (1) An amount agreed to by the employee and the appointing authority, but not less than \$100 per pay period; or
- (2) One-quarter of the salary, wages, or compensation due the employee until the indebtedness is repaid in full.

In addition to paragraph (1), an employee and the appointing authority may agree to offset any remaining amount of indebtedness by applying the current value of appropriate leave or compensatory time credits posted in the employee's respective accounts as balances that would otherwise be payable in cash upon separation from service; provided that credits shall not be applied to any extent that would require a refund of any moneys already deducted or repaid or that would require the payment of any moneys to the employee equivalent to a cashing out of leave or compensatory time credits.

(g) If the determination of indebtedness was contested and is subsequently found to be incorrect:

- (1) Any moneys repaid or deducted under subsection (e) for any indebtedness in excess of the correct amount shall be promptly refunded with interest as specified by section 103-10; or
- (2) All leave or compensatory time credits applied to offset any indebtedness in excess of the correct amount shall be re-credited to the employee's respective leave or compensatory time accounts and shall not result in a cash payment.

(h) If an employee is entitled to contest the determination of indebtedness under a collective bargaining grievance procedure, that procedure shall be used in lieu

of a hearing under subsection (e). A collective bargaining agreement may include overpayment recovery procedures; provided that the parties do not agree on any provision that would be inconsistent with subsections (f) and (g).

(i) Where an officer, agent, employee, or other person in the service of a jurisdiction is compensated in an amount greater than or less than that to which the person is entitled, the determination of the officer's, agent's, employee's, or other person's average final compensation for the period of indebtedness shall be calculated in accordance with section 88-81; provided that the compensation used to calculate the average final compensation shall be the compensation the officer, agent, employee, or other person should have been paid during that period. [L 1911, c 120, §1; RL 1925, §163; am L 1933, c 191, §1; RL 1935, §100; am L 1937, c 14, §2; RL 1945, §453; RL 1955, §5-14; am L 1957, c 152, §1; HRS §78-12; am L 1975, c 25, §1; am L 1996, c 231, §4; am L 2000, c 253, §77; am L 2001, c 55, §35 and c 123, §§12, 13; am L 2009, c 190, §1]

Attorney General Opinions

Withholding of salary for indebtedness to federal government not authorized. Att. Gen. Op. 71-11.

Case Notes

This scheme of collecting indebtedness, as applied to one determined after hearing to be liable on parking violations at the University of Hawaii, is not unconstitutional. 379 F. Supp. 65.

As a rule, salary follows title, irrespective of amount of service performed. 8 H. 19.

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STATE OF HAWAII

Accounting Manual

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SECTION 702: INSTRUCTIONS FOR COMPLETING INDIVIDUAL TIME SHEET,
STATE ACCOUNTING FORM D-55

1. Purpose.

- (a) The INDIVIDUAL TIME SHEET, SAFORM D-55 is to be used by employees who are required to report their regular or premium pay hours on time sheets for payment purposes. Employees who use this form include, but are not limited to, the following:
- (1) Employees who are paid on a regular hourly or daily basis.
 - (2) Regular salaried employees earning premium pay.
 - (3) Other employees who are required by law or by established policy.
- (b) The SAFORM D-55 is used to report the number of hours that an hourly employee furnished to an employing department or agency. (Exception: When hourly employees perform stand-by duty, except for 24-hour emergency psychiatric services, such duty is reported in terms of days.)
- (c) The SAFORM D-55 is used to report the amount of time, in a category of premium pay, which an employee furnished to an employing department, as listed below:
- (1) Ordinary overtime hours.
 - (2) Holiday work overtime hours.
 - (3) Split shift overtime hours.
 - (4) Split shift differential hours.
 - (5) Night shift differential hours.
 - (6) Stand-by duty days.
 - (7) 24-Hour emergency psychiatric services hours.
 - (8) Emergency work hours.

2. Prepared By. Employee.

June 1, 1981

STATE OF HAWAII

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SECTION 702: INSTRUCTIONS FOR COMPLETING INDIVIDUAL TIME SHEET,
STATE ACCOUNTING FORM D-55

3. Frequency. Maintained daily or as required and submitted for each payroll period.
4. Distribution. Both copies #1 and #2 are submitted through supervisory personnel as required by departments, and submitted to the appropriate officer(s) at the employing department for review, approval, and signature. The first copies of each set of time sheets are then batched daily by payroll number, filed in alphabetical sequence, and attached to the applicable PAYROLL CHANGE SCHEDULE. The time sheets are distributed as follows:
 - (1) Copy #1 - Batched time sheets of copy #1 are sent to Central Payroll, DAGS for pre-audit and control filing.
 - (2) Copy #2 - Retained by the appropriate office of the employing department for payroll verification and filed for reference.
 - (3) Copy #3 - Optional use by departments and agencies.
 - (4) Copy #4 - Optional use by departments and agencies.

June 1, 1981

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SECTION 702: INSTRUCTIONS FOR COMPLETING INDIVIDUAL TIME SHEET,
STATE ACCOUNTING FORM D-55

| ITEM NO. | DATA AND DATA INSTRUCTIONS |
|----------|---|
| A | Note: Instructions for some data fields have been purposely omitted because they are considered self-explanatory. These data fields are keyed with the letter A. |
| 1 | FORM - Leave blank. To be entered by the data processing center. |
| 2 | HOURLY RATE - Leave blank, if there is <u>no change</u> in the hourly rate during the pay period. If there is an hourly rate change, then insert the new rate to two decimal places, in red, and also red-circle the hourly rate. |
| 3 | EMPLOYEE NAME - Enter the last name, first, and middle initial of the employee. |
| 4 | <p>FIRST 2ND - Enter the month code (two numerical digits) in the HALF HALF applicable half. (Note: Only one of these columns can be used on any one form; the form cannot be used to report time in more than one payroll period.)</p> <p>FIRST HALF: This column is for the days in the first half of a month (1st to 15th of the month).</p> <p>2ND HALF: This column is for the days in the second half of a month (16th to 31st of the month).</p> |
| 5 | <p><u>TIME</u> STARTED ENDED - Enter the time that the employee started work and ended work each day.</p> |
| 6 | B REGULAR TIME - Enter the regular hours worked for each day based on time started and time ended to the nearest quarter hour and to two decimal places. (Note: Not used for salaried employees.) |
| 7 | O ORDINARY OVERTIME - Enter the ordinary overtime hours worked for each day, based on time started and time ended, to the nearest quarter hour and to two decimal places. |
| 8 | P HOLIDAY OVERTIME - Enter the hours worked on an employee's scheduled holiday, based on time started and time ended, to the nearest quarter hour and to two decimal places. |

June 1, 1981

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SECTION 702: INSTRUCTIONS FOR COMPLETING INDIVIDUAL TIME SHEET,
STATE ACCOUNTING FORM D-55

| ITEM NO. | DATA AND DATA INSTRUCTIONS | | | | |
|----------|--|---------------------|------------------------|---|---------------------------------|
| 9 | <p>E SPLIT SHIFT/TOTAL TIME EXCLUDING MEAL TIME - Enter the hours of the split shift to the nearest quarter hour, and to two decimal places. The split shift span covers from the time an employee's work day started to the end of the work day, including off-duty hours and excluding meal time.</p> | | | | |
| | <p>Example: Assume that an employee is on a split shift during the month of July, as follows:</p> | | | | |
| | First Half <u>07</u> | <u>Started</u> | <u>Ended</u> | Total Time Excluding <u>Meal Time</u> | Actual Time <u>Worked</u> |
| | 1 | 7:45 a.m. | 12:00 p.m. | 4.25 | 4.25 |
| | | 3:00 p.m. | 5:45 p.m. (12:00-5:00) | 5.75 | 2.75 |
| | | 5:45 p.m. | 6:30 p.m. (mealtime) | --- | --- |
| | | 6:30 p.m. | 8:45 p.m. | <u>2.25</u> | <u>2.25</u> |
| | TOTAL HOURS | | | <u>12.25</u> | <u>9.25</u> |
| | Total time excluding meal time is 12.25 hours. | | | | |
| 10 | <p>D SPLIT SHIFT/ACTUAL TIME WORKED - Enter the actual hours that an employee worked on a split shift, excluding meal and off duty hours between shifts, to the nearest quarter hour and to two decimal places.</p> | | | | |
| 11 | <p>N NIGHT DIFFERENTIAL - Enter the eligible hours worked between certain prescribed times of the day by an employee whose working hours are subject to shift work, as provided in Sections 8A.4 and 8F of the STATE OF HAWAII PERSONNEL RULES AND REGULATIONS, and as agreed upon in applicable collective bargaining unit contracts and executive orders. Enter the hours to the nearest one-half hour and two decimal places.</p> | | | | |
| | Examples: | | | | |
| | | <u>Hours Worked</u> | | <u>Converted to Nearest One-Half Hour</u> | |
| | | 2.50 | | 2.50 | |
| | | 2.75 | | 3.00 | |

STATE OF HAWAII

Accounting Manual

Volume III: Payroll Expenditures

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Page 702.05

SECTION 702: INSTRUCTIONS FOR COMPLETING INDIVIDUAL TIME SHEET,
STATE ACCOUNTING FORM D-55

| ITEM NO. | DATA AND DATA INSTRUCTIONS | | | | | | |
|-------------|---|-------------|--------------------|---|----------------------|---|--|
| 12 | <p>(BLANK) - Enter the type of pay code, approved by the State Comptroller, for other types of work not shown on this time sheet and enter the hours worked in the column below, to the nearest quarter hour and to two decimal places. (Note: Only one type of pay code may be used for each time sheet submitted.)</p> <table data-bbox="386 695 1230 827"> <thead> <tr> <th data-bbox="386 695 456 726"><u>Code</u></th> <th data-bbox="561 695 737 726"><u>Type of Pay</u></th> </tr> </thead> <tbody> <tr> <td data-bbox="402 762 418 783">K</td> <td data-bbox="561 762 878 793">Emergency Work hours</td> </tr> <tr> <td data-bbox="402 795 418 816">U</td> <td data-bbox="561 795 1230 827">24-Hour Emergency Psychiatric Services Pay</td> </tr> </tbody> </table> | <u>Code</u> | <u>Type of Pay</u> | K | Emergency Work hours | U | 24-Hour Emergency Psychiatric Services Pay |
| <u>Code</u> | <u>Type of Pay</u> | | | | | | |
| K | Emergency Work hours | | | | | | |
| U | 24-Hour Emergency Psychiatric Services Pay | | | | | | |
| 13 | <p>S STAND-BY DAYS - Enter the number of days on stand-by duty.</p> | | | | | | |
| 14 | <p>TOTALS - Enter the total of each column from columns "B" to "S".</p> | | | | | | |
| 15 | <p>COMBINED TOTAL TIME - Enter the combined total time by crossfooting the total amounts from columns "B" to "S". (Note: This is a "hash" total and is used only for control purposes.)</p> | | | | | | |
| 16 | <p>INDICATE ACTUAL HOURS EMPLOYEE CHOOSES TO ELECT AS COMPENSATORY TIME IN LIEU OF CASH PAYMENT - Enter the total hours elected as compensatory time off. If the employee is covered under the overtime requirements of the Fair Labor Standards Act, the total actual hours entered is the compensatory time off elected and <u>taken</u> by the employee within the pay period being reported. (See items "O", "P", "E", and "(BLANK)" below.)</p> <p>COLUMN O - Enter the total number of actual hours for which time off is elected in lieu of overtime cash payment.</p> <p>Example: 6.00 Worked 8 hours overtime and elects 6 hours compensatory time off. Employee will therefore be paid in cash for the remainder of his converted overtime hours (6 hours). (8 hours x 1½ = 12 hours = 6 hours compensatory time off and 6 hours to be paid.)</p> | | | | | | |

June 1, 1981

STATE OF HAWAII

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EXHIBIT A: SAMPLE FORM KEYED TO INSTRUCTIONS FOR COMPLETING SAFORM D-55

STATE OF HAWAII
INDIVIDUAL TIME SHEET

DEPARTMENT (A) SUB-DIVISION OR SCHOOL (A) PAYROLL NO. (A) BU CODE (A)

FORM (1) SOCIAL SECURITY NO. (A) POSITION NO. (A) HOURLY RATE (2) EMPLOYEE NAME (LAST, FIRST, MIDDLE INITIAL) (3)

ENTER MONTH CODE IN APPLICABLE HALF SPECIAL INSTRUCTIONS

| FIRST AND LAST HALF | DATE | TIME (5) | | HOURS | | | | | | | STAND BY DAYS (12) | REMARKS |
|--|------|----------|-------|------------------|-----------------------|----------------------|-----------------|------------------------|------------------------|--|------------------------------|---------|
| | | STARTED | ENDED | REGULAR TIME (B) | ORDINARY OVERTIME (O) | HOLIDAY OVERTIME (P) | Split Shift (E) | Actual Time Worked (D) | NIGHT DIFFERENTIAL (N) | | | |
| 1 | 16 | | | (6) | (7) | (8) | (9) | (10) | (11) | | (13) | (A) |
| 2 | 17 | | | | | | | | | | | |
| 3 | 18 | | | | | | | | | | | |
| 4 | 19 | | | | | | | | | | | |
| 5 | 20 | | | | | | | | | | | |
| 6 | 21 | | | | | | | | | | | |
| 7 | 22 | | | | | | | | | | | |
| 8 | 23 | | | | | | | | | | | |
| 9 | 24 | | | | | | | | | | | |
| 10 | 25 | | | | | | | | | | | |
| 11 | 26 | | | | | | | | | | | |
| 12 | 27 | | | | | | | | | | | |
| 13 | 28 | | | | | | | | | | | |
| 14 | 29 | | | | | | | | | | | |
| 15 | 30 | | | | | | | | | | | |
| | 31 | | | | | | | | | | | |
| (16) TOTALS (14) | | | | | | | | | | | COMBINED TOTAL TIME (15) | |
| INDICATE ACTUAL HOURS EMPLOYEE CHOOSES TO ELECT AS COMPENSATORY TIME IN LIEU OF CASH PAYMENT | | | | | | | | | | | TOTAL COMPENSATORY TIME (17) | |

(18) UNIFORM ACCOUNTING CODE

| F | YR | APPRN | Obj | FUNCTION | LOC | PROJECT | ENC | PERCENT |
|---|----|-------|-----|----------|-----|---------|------|---------|
| | | | | | | | (19) | (20) |

I CERTIFY THAT THE TIME CLAIMED ABOVE IS CORRECT. NO OTHER CLAIM HAS BEEN MADE OR WILL BE MADE FOR THE ABOVE PERIOD. IT IS MUTUALLY AGREED THAT THE EMPLOYEE WILL RECEIVE PAYMENT OR TIME OFF AS INDICATED ABOVE.

DATE (A) SIGNATURE OF EMPLOYEE (A)

DATE (A) SIGNATURE OF DEPARTMENT HEAD (A)

STATE COMPTROLLER (CENTRAL PAYROLL)

STATE ACCOUNTING FORM D 55
JULY 1, 1977 (REVISED)

June 1, 1981

STATE OF HAWAII

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EXHIBIT B: FILLED OUT SAMPLE OF SAFORM D-55

**STATE OF HAWAII
INDIVIDUAL TIME SHEET**

DEPARTMENT: DAGS SUB DIVISION OR SCHOOL: Central Services PAYROLL NO.: M99 BU CODE: 3

FORM: SOCIAL SECURITY NO.: 576-38-8099 POSITION NO.: 12345 HOURLY RATE: EMPLOYEE NAME (LAST, FIRST, MIDDLE INITIAL): Doe, John H.

ENTER MONTH CODE IN APPLICABLE HALF: **REGULAR INSTRUCTIONS**

| DATE | TIME | HOURS | | | | | | | STAND BY DAYS | REMARKS | |
|--|--|--------------|-------------------|------------------|--|---------------------|--------------------|-------|---------------|--|----------------------------------|
| | | REGULAR TIME | ORDINARY OVERTIME | HOLIDAY OVERTIME | SHIFT (Joint Time Excluding Meal Time) | ACTUAL HALF (NIGHT) | NIGHT DIFFERENTIAL | K | | | |
| 16 | 7:30 a.m. - 11:30 a.m. 7:30 p.m. - 11:30 p.m. | 8.00 | | | | 15.50 | 8.00 | 4.00 | | 12:00-12:30 mealtime. 30 minutes. | |
| 17 | 7:30 a.m. - 11:30 a.m. 7:30 p.m. - 11:30 p.m. | 8.00 | | | | 15.50 | 8.00 | 4.00 | | 12:00-12:30 mealtime. 30 minutes. | |
| 18 | 7:30 a.m. - 11:30 a.m. 7:30 p.m. - 11:30 p.m. | 8.00 | | | | 15.50 | 8.00 | 4.00 | | 12:00-12:30 mealtime. 30 minutes. | |
| 19 | 7:30 a.m. - 11:30 a.m. 7:30 p.m. - 11:30 p.m. | 8.00 | | | | 15.50 | 8.00 | 4.00 | | 12:00-12:30 mealtime. 30 minutes. | |
| 20 | 1:30 a.m. - 5:30 a.m. | | | | | | | 4.00 | 4.00 | Emergency work. | |
| 21 | | | | | | | | | 1.00 | Stand-by duty for emergency calls in case of flood damage. | |
| 22 | | | | | | | | | | | |
| 23 | | | | | | | | | | | |
| 24 | 7:45 a.m. - 12:00 p.m. 3:00 p.m. - 8:45 p.m. | 8.00 | 1.25 | | | 12.25 | 9.25 | 2.25 | | Mealtime 45 minutes. 8:45 - 6:30 p.m. | |
| 25 | | | | | | | | | | | |
| 26 | | | | | | | | | | | |
| 27 | 7:45 a.m. - 4:45 p.m. | | | 8.00 | | | | | | | |
| 28 | | | | | | | | | | | |
| 29 | | | | | | | | | | | |
| 30 | 7:45 a.m. - 6:45 p.m. | 8.00 | 2.00 | | | | | | | | |
| 31 | | | | | | | | | | | |
| TOTALS | | 48.00 | 3.25 | 8.00 | | 74.25 | 41.25 | 22.25 | 4.00 | 1.00 | COMBINED TOTAL TIME 202.00 |
| INDICATE ACTUAL HOURS EMPLOYEE CHOOSES TO ELECT AS COMPENSATORY TIME IN LIEU OF CASH PAYMENT | | | | | | 18.00 | | | 6.00 | | TOTAL COMPENSATORY TIME 24.00 |

UNIFORM ACCOUNTING CODE: ENC: PERCENT: I CERTIFY THAT THE TIME CLAIMED ABOVE IS CORRECT. NO OTHER CLAIM HAS BEEN MADE OR WILL BE MADE FOR THE ABOVE PERIOD. IT IS MUTUALLY AGREED THAT THE EMPLOYEE WILL RECEIVE PAYMENT OR TIME OFF AS INDICATED ABOVE.

DATE: 4/16/81 SIGNATURE OF EMPLOYEE: John H. Doe

DATE: 4/16/81 SIGNATURE OF DEPARTMENT HEAD: Alfred D. Johnson

STATE COMPTROLLER (CENTRAL PAYROLL) STATE ACCOUNTING FORM D-55 JULY 1, 1977 (REVISED)

June 1 1981



STATE OF HAWAII
DEPARTMENT OF TRANSPORTATION
869 PUNCHBOWL STREET
HONOLULU, HAWAII 96813-5097

March 13, 2012

S.C.R. 37 / S.R. 20
REQUESTING THE AUDITOR TO CONDUCT A FINANCIAL AND MANAGEMENT
AUDIT OF THOSE STATE AGENCIES WITH SALARY AND WAGE
OVERPAYMENTS

SENATE COMMITTEE ON ACCOUNTABILITY

The Department of Transportation (DOT) understands the intent of Senate Concurrent Resolution No. 37/Senate Resolution No. 20 to request the Auditor to conduct a financial and management audit of those state agencies with salary and wage overpayments. The Department offers the following comments.

An overpayment happens when an employee is paid for hours that they did not work or paid at an incorrect rate. The most common reason for salary overpayments at the DOT is leave-without-pay. There have been instances of overpayment when an employee takes leave but has insufficient leave balances. We've also had instances when there was miscommunication on the actual salary rate of employees who were temporarily hired. The late and untimely reporting to the department's fiscal office of employee's leave status or salary rate during payroll deadlines creates the overpayment issue.

The accumulated monthly balance of overpayment for the Department during the last five years has fluctuated in the range of \$7,000 to \$20,000. And during the last year, the monthly balance declined to about \$8,000. Taking into account our monthly payroll of \$8,996,000 without fringe benefits, the Department's overpayment is about 0.09 percent a month.

Nonetheless, DOT has been proactive and taken many actions to control overpayments. Our fiscal and personnel offices along with management have worked diligently to make improvements to the internal processes such as monitoring employees' leave and processing paperwork in a timely fashion. In addition to improving prevention and detection, our fiscal office has also made recovery of overpayments a priority. When we identify overpayment, our fiscal office sends the employee a notice letter as soon as possible and discusses with the employee on possible repayment options. When an employee does not respond or pay in a timely manner, the Department will turn the collection to the Attorney General. On the whole in order to manage salary overpayment, fiscal and personnel offices together with management must be aware of their responsibilities by having effective coordination and communication and maintaining accurate leave records.

Thank you for the opportunity to provide testimony.





STATE OF HAWAII
DEPARTMENT OF HEALTH
P.O. Box 3378
HONOLULU, HAWAII 96801-3378

In reply, please refer to:
File:

Senate Special Committee on Accountability

March 13, 2012

**Testimony of Loretta J. Fuddy, A.C.S.W., M.P.H.
Director of Health**

**SCR 37, REQUESTING THE AUDITOR TO CONDUCT A FINANCIAL AND
MANAGEMENT AUDIT OF THOSE STATE DEPARTMENTS WITH SALARY
AND WAGE OVERPAYMENTS.**

1 **Department's Position:** Comments.

2 **Information Requested:** The Department of Health has worked diligently, especially in the past few
3 years, to address this salary overpayment problem.

4

5 **Current Total Amount of Overpayments:** As required, the Department submits a monthly salary
6 overpayment report to the Department of Accounting and General Services. Based on its December 31,
7 2011 submittal, the Department reported the following:

| | | |
|----|---|---------------------|
| 8 | Gross amount of salary overpayments for 44 active cases | \$261,252.47 |
| 9 | Amount recovered | <u>\$ 82,589.62</u> |
| 10 | Balance on December report | \$178,662.85 |
| 11 | Additional amount recovered by Attorney General | <u>\$ 1,341.05</u> |
| 12 | Adjusted Balance | \$177,321.80 |

13 The adjusted balance represents less than 0.1% of the Department's payroll budget or less than 0.02% of
14 the Department's total FY 12 appropriation.

Promoting Lifelong Health and Wellness

1 In comparison, the Department's December 2010 salary overpayment report reflected its gross amount
2 of salary overpayments as \$347,218.43.

3
4 **Identifying Overpayments and Procedures to Pursue Recovery:** Overpayments can be identified in
5 several ways, either by the program, the Human Resources Office (HRO), or the Administrative
6 Services Office (ASO). The majority of the overpayments are due mainly to the late reporting of leaves
7 without pay. In those instances, the program submits a Form G-1, Application for Leave of Absence, to
8 HRO to reflect that the employee is being placed on leave without pay (LWOP). HRO then creates an
9 Employee Payroll Action Report (EPAR) and sends a copy to ASO payroll so that ASO payroll can
10 remove the employee from payroll, then calculate the amount of overpayment. A notice of salary
11 overpayment is then sent to the employee informing the employee of the amount of overpayment,
12 reasons for the overpayment, when the first payroll deduction will be made and that 25% of the
13 employee's gross salary for each pay period will be deducted until the overpayment is paid in full. The
14 employee has an opportunity to request a hearing if the employee so chooses.

15
16 If the employee is no longer employed by the State, a letter is sent to the former employee requesting
17 payment in full within 30 days or the case will be forwarded to the Department of the Attorney General
18 for collection.

19
20 **Procedures to Request Leaves and Calculation of Timesheets:** The Department is currently
21 completing the implementation of its web-based G-1 tracking system. Under the web-based G-1
22 tracking system, the employee submits a request for sick leave, vacation leave or leave without pay to
23 the timekeeper of the leave tracking system. If the employee has sufficient leave, the timekeeper will
24 generate a G-1 to reflect the requested leave and give the leave form to the employee to sign. The G-1 is
25 then submitted to the employee's immediate supervisor for approval. With the manual system, the

1 employee would fill out the G-1 request form and submit the form to the immediate supervisor for
2 approval. The immediate supervisor should have checked with the person responsible for maintaining
3 leave records to ensure that the employee had sufficient leave before approving the request. When an
4 employee returns from sick leave, the immediate supervisor should monitor to see that the G-1 form
5 documenting the sick leave is submitted promptly.

6
7 If the employee is on timesheets, it is the responsibility of the immediate supervisor to verify that the
8 employee was at work on those days before signing the timesheet. Upon receipt of the timesheet, ASO
9 payroll will calculate the pay based on the salary reflected on the latest EPAR and the hours reflected on
10 the timesheet approved by the supervisor.

11
12 **Steps Taken Subsequent to Termination:** Although the Department does not have written policies or
13 procedures regarding employee separations, programs are aware that they need to notify HRO on a
14 timely basis when an employee will be terminating their employment so that an EPAR can be generated
15 and sent to ASO payroll to take the employee off payroll.

16
17 **Additional Policies and Procedures:** In our efforts to decrease salary overpayments, the Department
18 developed a payroll adjustment notification form for the Hawaii State Hospital (HSH); issued written
19 procedures for timesheets; and devised a web-based G-1 tracking system to minimize the incidents of
20 overpayments due to leaves without pay. In May 2008, ASO developed the Form PR-1 for HSH to use
21 to inform ASO payroll of any payroll adjustments resulting from such actions as LWOPs, terminations,
22 transfers, etc. since HSH had the highest incidents of salary overpayments due to late or non-
23 notification of such actions. In addition, the Department distributed written procedures for the
24 completion and submittal of timesheets in July 2010 which delineated the responsibility of the employee
25 as well as the supervisor to ensure that timesheets are correct and accurately reflect days worked by the

1 employee. This procedure also reminded employees to submit G-1 forms on a timely basis to avoid
2 salary overpayments.

3

4 Further, the Department distributed written procedures in May 2011 for the G-1 leave tracking system
5 which was developed as a result of a joint effort by the Department's Health Information Systems Office
6 (HISO) and ASO in order to have an accurate accounting of each employee's leave record. The
7 Department expects to have all programs utilizing this system by April 30, 2012. Currently, Kalaupapa
8 Settlement is working with HISO to improve their internet connection so that they can utilize this web-
9 based leave tracking system. With this system fully implemented, the Department is hopeful that the
10 salary overpayments will reflect a significant decrease in the near future.

11

12 Thank you for the opportunity to comment.

Date: 03/13/2012

Committee: Senate Special Committee On
Accountability

Department: Education

Person Testifying: Kathryn S. Matayoshi, Superintendent of Education

Title of Resolution: SR 020/SCR 037 REQUESTING THE AUDITOR TO CONDUCT A
FINANCIAL AND MANAGEMENT AUDIT OF THOSE STATE
AGENCIES WITH SALARY AND WAGE OVERPAYMENTS.

Purpose of Resolution: (none)

Department's Position:

With respect to SR 020/SCR 037, the Department of Education strongly believes the current administration's focus on workable information technology solutions to systemic barriers will greatly assist in mitigating and resolving salary overpayment issues.

The Department is conferring with the state's Chief Information Officer about the state's phased plan to invest in, and acquire, an Enterprise Resource Planning (ERP) system, with integrated human resources and payroll solutions. An ERP system would substantially minimize payroll overpayments, and would quickly address issues plaguing all state agencies. The current problems are exacerbated by the antiquated payroll system utilized by the state Department of Accounting and General Services (DAGS), and non-integrated human resource systems.

We believe a state investment in an ERP system, coupled with best practices and procedures, will yield the desired outcomes being pursued by this Legislature -- a reduction of payroll overpayments, and an increased accountability of taxpayer dollars.

In response to the March 1, 2012 request from Senator Donna Mercado Kim, Chair of the Senate Special Committee on Accountability, the Department of Education submits the following documentation and data:

1. The current total amount of overpayments, including the amounts recovered and referred to the Attorney General. **Please refer to Attachment 1.**
2. How the department identifies overpayment, as well as the immediate steps and procedures followed to pursue recovery. Overpayment and recovery procedures are set by the State Comptroller, based on past Executive Memoranda. **Please refer to Attachments 2 and 2A.**
3. Procedure by which an employee requests sick leave, vacation time, leave without pay, as

well as how time sheets are calculated. **Please refer to Attachment 3 for procedures to request leaves.**

Timesheets are required for teachers as well as classified civil service employees. For teachers, by Bargaining Unit contract, they sign in once daily to indicate their attendance. For classified civil service employees, they sign in and out daily on timesheets, and the hours worked are indicated by the employee daily. However, for salaried employees, impact to payroll for employee events affecting pay, are dependent on situations shown in Attachments 3 and 4. Due to early deadlines at DAGS Payroll, paychecks frequently are issued in full, before adjustments can be communicated to DAGS.

4. Steps taken subsequent to a termination to ensure that personnel officers are informed of separations. **Please refer to Attachment 4.**

5. Additional policies and procedures that the department has instituted to address payroll overpayments. **Please refer to Attachment 5.**

We also recommend that a review be performed of the various Executive Memoranda; Comptroller's Memoranda; and the State of Hawaii Accounting Manual, Volume III, General Statutory Deduction Procedures, to identify areas for improvement in efficiencies and effectiveness for recovery of payroll overpayments.

Thank you for the opportunity to provide input and testimony.



Attachment 1_Salary Overpayment Summary.pdf



Attachment 2_Payroll Overpayment v2.pdf



Attachment 2A_Steps to Pursue Recovery.pdf



Attachment 3_DOE Leave Request Flowchart.pdf



Attachment 4_DOE Separation Flowchart.pdf

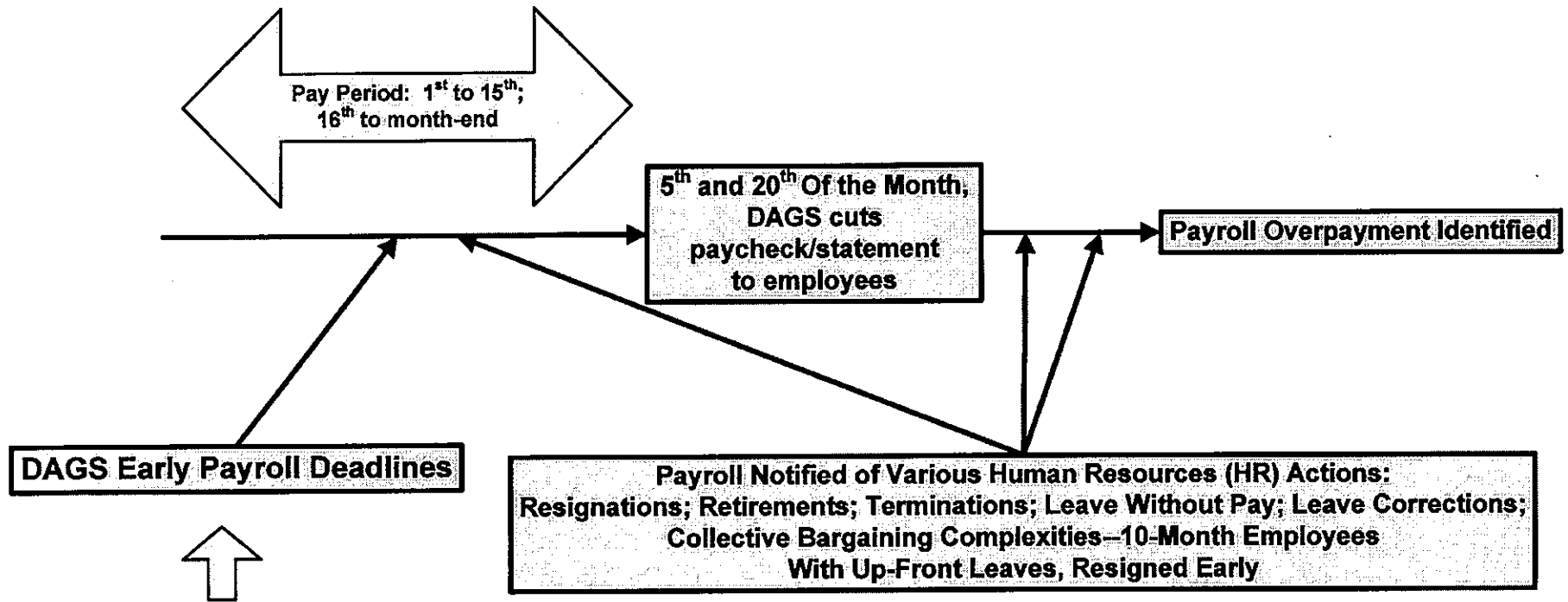


Attachment 5_Payroll Overpayment additional procedures.pdf

Attachment 1**Department of Education
Salary Overpayment Summary
as of February 29, 2012**

| | |
|--|------------------|
| | |
| Salary Overpayment - Collectible | \$ 734,941 |
| Amount Recovered | (132,695) |
| Balance Outstanding | \$ 602,246 |
| | |
| Incidents | 360 |
| | |
| Salary Overpayment - Uncollectible, Referred to Attorney General | \$ 150,489 |
| Amount Recovered | (24,592) |
| Balance Outstanding | \$ 125,897 |
| | |
| Incidents | 76 |
| | |
| | |
| Total Number of Salaried Employees | 22,200 |
| Total Personnel Salaries Cost -- Fiscal Year Ended June 30, 2011 | \$ 1,007,479,059 |
| | |
| | |
| Percentage of Overpayments Compared to Total Annual Payroll | 0.06% |

Attachment 2: How the Department Identifies Overpayment



Examples of DAGS Early Payroll Deadlines:

Payday: March 5, 2012
 DAGS Salaried Payroll Change Deadline: February 21, 2012
 DAGS Overtime etc. Deadline: February 23, 2012

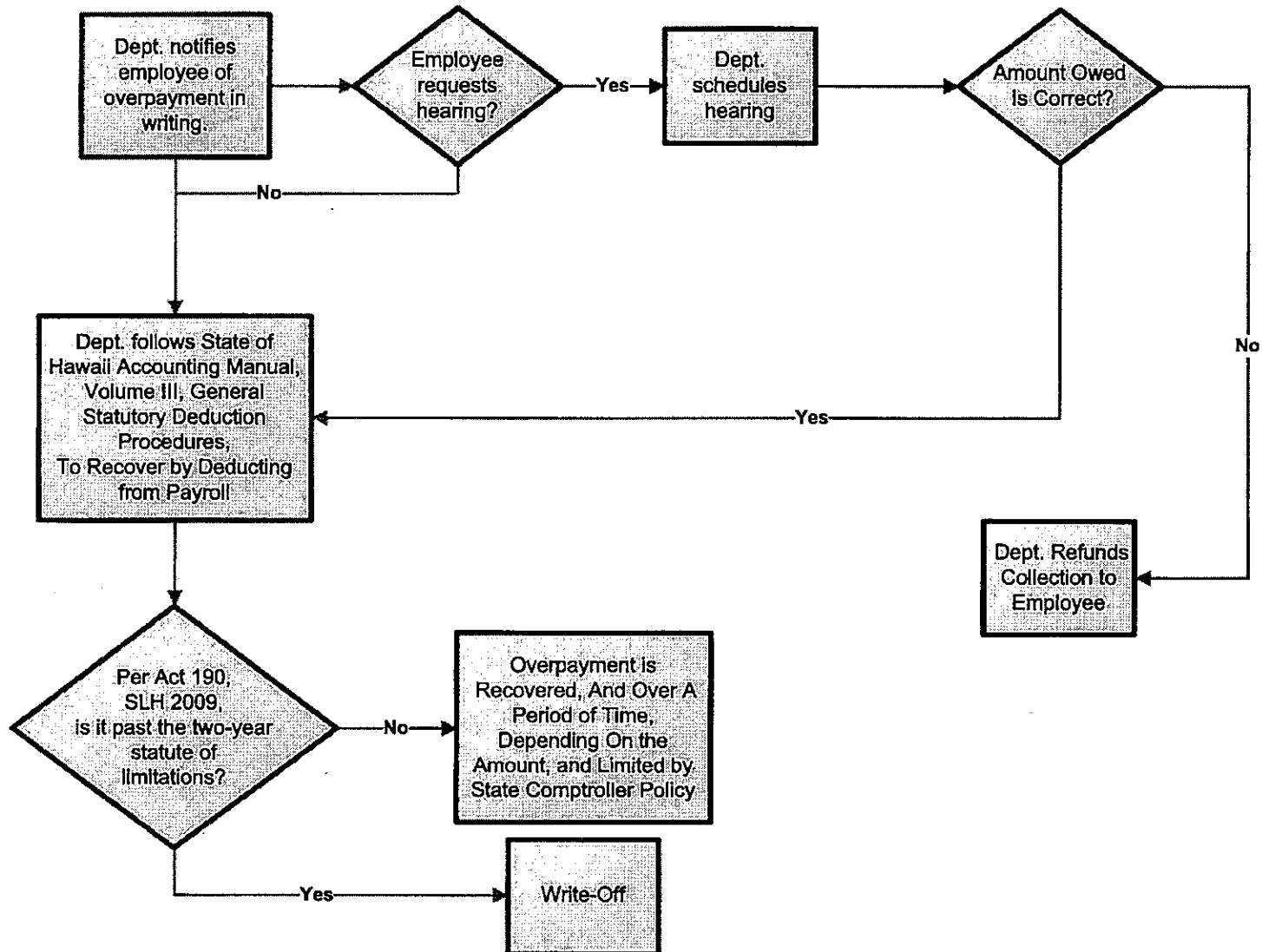
Payday: March 20, 2012
 DAGS Salaried Payroll Deadline: March 7, 2012
 DAGS Overtime etc. Deadline: March 9, 2012

Note: Impacts vary based on "Lag" or "After-The-Fact" Payroll also.

(DAGS = Department of Accounting and General Services)

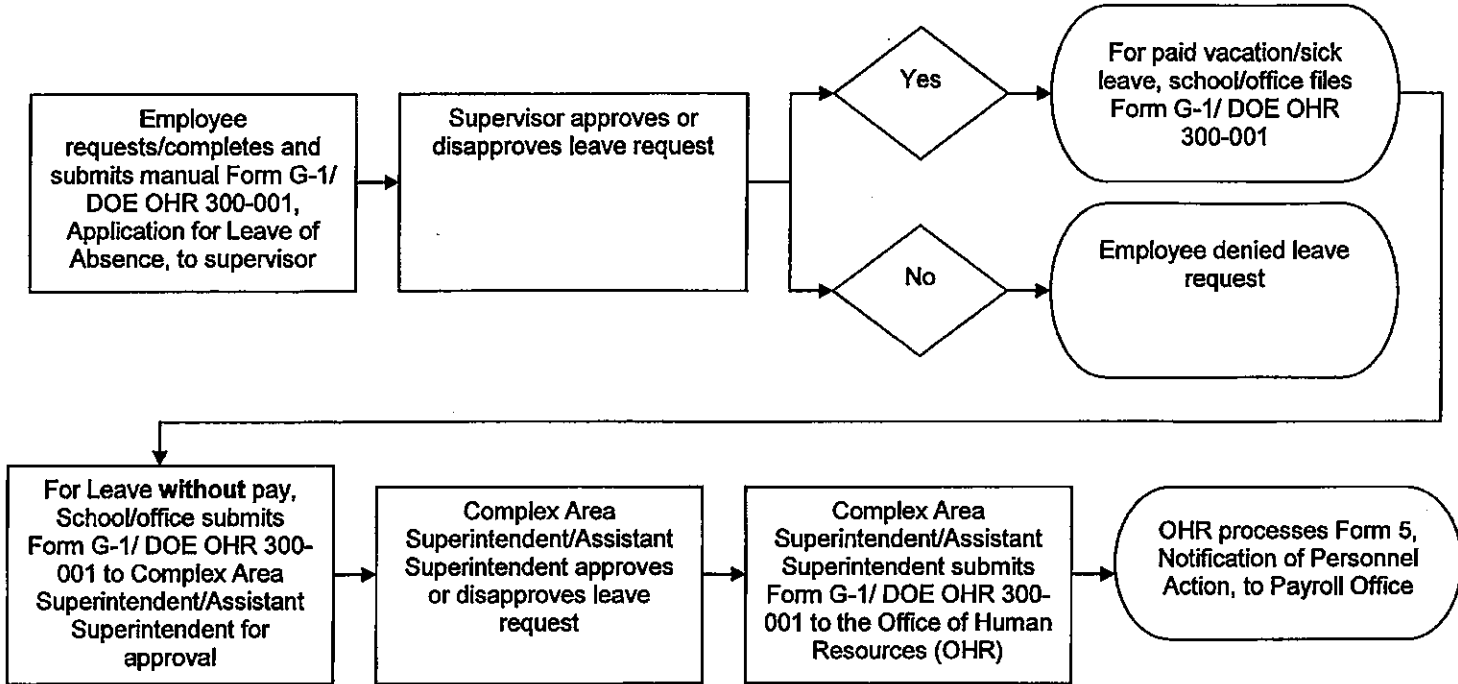
Attachment 2A: Immediate Steps and Procedures Followed to Pursue Recovery

(Note: In Compliance with State Policies and Procedures, and Section 78-12, Hawaii Revised Statutes)



Attachment 3

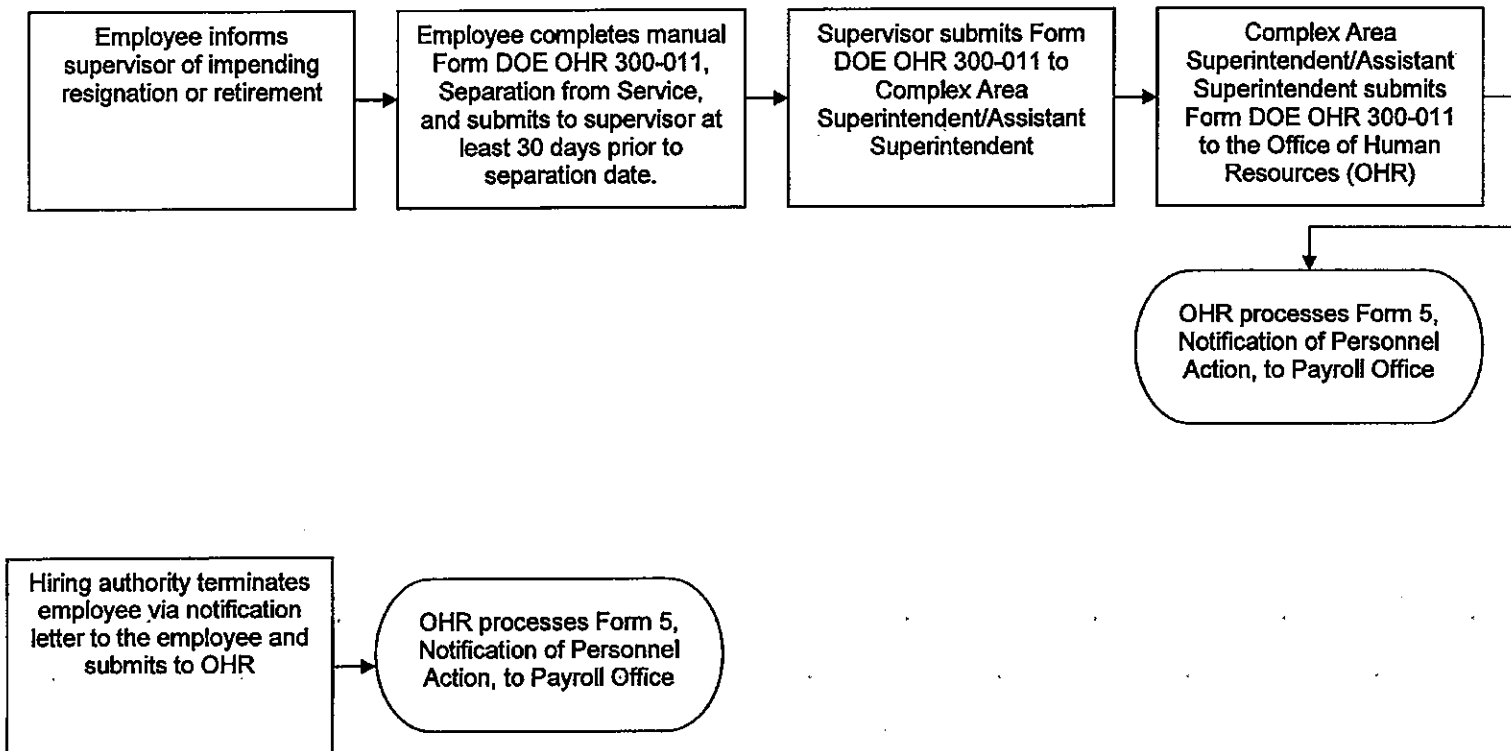
DOE Leave Request Flowchart



* Note: For Leave **without** pay, school/office contacts the Payroll Office to stop payroll while documents are being routed.

Attachment 4

DOE Separation Flowchart



* Note: If separation documents are delayed, school/office contacts the Payroll Office to stop payroll while documents are being routed.

Attachment 5

Department of Education Additional Policies and Procedures To Address Payroll Overpayments

First of all, the Department of Education has instituted a procedure whereby schools or offices immediately contact our Payroll Unit for any employee separation, as an additional step, instead of waiting for the Human Resources Form, in order to minimize overpayments.

Secondly, the Department of Education had planned to expand its Kronos time and attendance system to include a Kronos computerized time capture and payroll solution, which we anticipated would reduce payroll overpayments, and would place all employees responsible for their own work time, attendance and leave balances. However, due to vendor issues; budgetary considerations; and the state CIO's plans to implement a new Enterprise Resource Planning (ERP) system over the next five years, the payroll computerization plans were placed on hold.

Third, manual processes by timekeepers are made more difficult due to the complexity of labor contracts and employee leave rules.

Finally, as mentioned earlier, an important component to accurate payroll is a fully functional computerized human resources system. The Department of Education has implemented an electronic human resources system (eHR); however, it was not originally designed to handle employee benefit calculations such as leaves, and is a stand-alone system that requires interfaces of data to our Kronos system. Therefore, we support the state CIO's initiative to implement a new ERP system, which we anticipate will have core components of already-integrated solutions for comprehensive human resources functions, as well as financial information processing.

NEIL ABERCROMBE
GOVERNOR



DEAN H. SEKI
Acting Comptroller

JAN S. GOUVIEA
Deputy Comptroller

STATE OF HAWAII
DEPARTMENT OF ACCOUNTING
AND GENERAL SERVICES
P.O. BOX 119
HONOLULU, HAWAII 96810-0119

TESTIMONY
OF
DEAN H. SEKI, ACTING COMPTROLLER
DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES
TO THE
SENATE SPECIAL COMMITTEE ON ACCOUNTABILITY - 01
ON
March 13, 2012

S.C.R 37 / S.R. 20

REQUESTING THE AUDITOR TO CONDUCT A FINANCIAL AND MANAGEMENT
AUDIT OF THOSE STATE AGENCIES WITH SALARY AND WAGE OVERPAYMENTS

Chair Kim and members of the Committee, thank you for the opportunity to testify on
S.C.R 37 / S.R. 20.

The Department of Accounting and General Services (DAGS) does not believe an audit of salary and wage overpayments is needed. Should an audit be conducted, we believe it would find that the primary cause of salary overpayments is the lack of timely and accurate leave accounting information, which requires the timely submittal of leave forms, posting of these forms and notifying the payroll staff of any overpayment situation. This is inherent to the manual, paper-based process for time, leave, and payroll, which the State has been following for decades, for over 80,000 employees. While there is no guaranteed solution, we believe the implementation of a new leave accounting computer system will provide departmental personnel more up-to-date time, leave, and attendance information that reduces salary-overpayments due to inaccurate leave accounting. This does not, however, replace the need for managers and supervisors to ensure employees timely input their leave status into the system. Planning for this

leave-accounting and payroll system was included in this year's supplemental budget request of the Chief Information Officer, as part an Enterprise Resource Planning (ERP) project.

As an employer, the State of Hawaii has an annual payroll of \$2.8 billion. As of December 31, 2011, the cumulative net total of outstanding salary overpayments by the State since the 1980s is \$1.5 million. Thus, at the most conservative calculation, this would be 0.05% of the State's annual payroll.

The rest of my testimony responds to your more specific requests on salary overpayment information reported to DAGS, how leave is requested, updated guidelines, and plans to alleviate overpayments.

Beginning March, 1996, departments were requested to submit a monthly salary overpayment report. The report's current format has columns for the employee name, date of overpayment, gross amount of overpayment, amount recovered, balance, reason for overpayment, and referral for collection.

As required by the various collective bargaining agreements, an employee must request vacation leave prior to taking the leave. Therefore, in the case of vacation, the supervisor is responsible to confirm that the employee has sufficient leave balance prior to authorizing vacation leave. If leave balances are not up-to-date, then an overpayment will occur.

In the case of sick leave, the employee submits a request for sick leave upon return to work. Salary overpayments usually result from insufficient sick leave balances since any request for leave is submitted upon the employee's return to work.

To address the overpayment issue, DAGS, with the assistance of the Department of the Attorney General, introduced two bills which were subsequently enacted into law as Act 109, SLH 1998 (Act 109) and Act 110, SLH 1998 (Act 110). Act 109 allowed the department to pay a salaried employee on the same pay dates and for the same pay periods as a non-salaried (hourly) employee for two specific situations: if the employee did not have sufficient leave

balances and had an existing salary overpayment, or if the employee had two incidents of leave which resulted in a salary overpayment within the past six months. Act 110 required all new employees, except those belonging to bargaining units 5 and 7, to be paid on the same pay dates and for the same pay periods as non-salaried employees.

Act 253, SLH 2000 (Act 253), was also enacted which allowed department personnel to commence immediate recovery of salary overpayments. Once an overpayment is identified, department personnel can immediately begin deducting all or a portion of the overpaid amount from subsequent payments. Prior to the change, employees who contested the overpayment could request a hearing and departments could not begin recovering the overpayment until the hearing was completed or the hearing was waived. Act 253 greatly assisted departments in recovering salary overpayments.

In addition, DAGS will collaborate with the other State departments to develop more consistent policies and procedures regarding the overpayment issue that may ultimately result in the issuance of a Comptroller's memorandum to remind departments of the tools available to them to stop or at least reduce the salary overpayment occurrences.

Finally, we will work with the Office of Information Management and Technology to develop a leave accounting system, included in the State's IT transformation project, that will help reduce salary overpayments.

Thank you for the opportunity to testify on this matter.



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Special Committee on Accountability,
Senator Donna Mercado Kim, Chair
Senator Will Espero, Vice-Chair

Public Hearing - March 13, 2012, 1:15 PM
Conference Room 224
Hawaii State Capitol

Testimony re: SCR 37/SR 20 Requesting the auditor to conduct a financial and management audit of those state agencies with salary and wage overpayments.

By

Mike Monroe, Hawaiian Business Owner, Koa Hills Consulting
Grant Sautner, Hawaiian Business Employee, Koa Hills Consulting

Thank you for the opportunity to provide testimony on SCR 37/SR20 which request the Auditor to conduct a financial and management audit of those state agencies with salary and wage overpayments.

I begin with a brief introduction to establish the relevance of our testimony, and demonstrate our expertise and experience in this area to give weight to our support of these resolutions. Koa Hills Consulting, a Big Island-based company, supports these resolutions. The members of our organization have decades of experience working collaboratively with government agencies. Our team members have been involved in numerous projects to improve the business processes and practices of government agencies and departments.

Our position, based on those years of experience, is that the State of Hawaii must thoroughly review its business practices related to payroll rather than merely conducting a financial audit. Departmental policies and procedures should be carefully scrutinized in order to prevent the further misuse of tax payer dollars. As Hawaii-based business people, this is especially important to us and we are grateful to the committee for taking quick action on the behalf of Hawaiian citizens.

In our experience, the ideal method to accomplish the audit requested by the committee is through Business Process Re-engineering provided by an independent, third party organization. Business Process Re-engineering, or BPR, is the technical term for understanding how an organization does things now, and implementing changes that will enable the organization do things better, faster and more inexpensively in the future. The changes that are typically put in place include policy and procedure changes, as well as the intelligent use of technology available today.

Often times it is difficult to "see the forest through the trees" when government entities try to rectify situations such as the wage overpayments that have cost the taxpayers of Hawaii over \$2 million. That is why we firmly believe that a component of the audit process should incorporate an independent third

party. This will help the government agencies view their policies and procedures through fresh sets of eyes with experience to see the forest as well as the trees.

When faced with a situation similar to the one before the committee now, Koa Hills Consulting, and other third party consulting firms will typically deploy a payroll and human resources professional or team of professionals to accomplish the following:

- 1) Meet with the members of the organization and audit current business processes and procedures.
- 2) Work with the organization to determine and agree upon the mission and purpose of the organization.
- 3) Develop a plan for implementing the changes necessary to help the organization fulfill its mission and purpose more efficiently through improved policies and procedures and through leveraging technology appropriately.

While the immediate concern is the overpayment of wages which this resolution addresses, we believe there are likely additional areas within the government of Hawaii that could benefit from BPR attention. We would encourage the committee to continue its mission and look for other processes and procedures that may also be costing Hawaiian taxpayers unnecessary dollars today.

Even without a formal audit, it appears clear that the basic causes of the overpayments includes policy and procedures that are ineffective, and a use of technology, or lack of use, which is inefficient. The good news is that all of these things can be corrected using the BPR approach.

Out of respect for the committee members' time we have presented the concept of Business Process Reengineering at a very high level within this testimony. If you would like to learn more about this approach we would be happy to spend some time with you and provide detailed information on what we believe would help the State of Hawaii.

Thank you very much for your time and attention to our testimony and thank you for your commitment to correcting a situation that is important to the taxpayers of Hawaii.

Mahalo.