



STATE OF HAWAII  
DEPARTMENT OF EDUCATION  
P.O. BOX 2360  
HONOLULU, HAWAII 96804

**Date:** 02/15/2019  
**Time:** 10:15 AM  
**Location:** 211  
**Committee:** Senate Ways and Means

**Department:** Education

**Person Testifying:** Dr. Christina M. Kishimoto, Superintendent of Education

**Title of Bill:** SB 0503, SD1 RELATING TO SALARY OVERPAYMENTS.

**Purpose of Bill:** Requires each department to deduct the department's total salary overpayment from the department's budget request for the following fiscal biennium. Requires that employees who exhaust their sick or vacation leave be placed on a manual accounting system. Removes the two-year statute of limitations on determination and notice to an employee of salary and wage overpayment. Effective 7/1/2025. (SD1)

**Department's Position:**

The Department of Education (Department) offers the following comments on SB 503, SD1, with concerns:

InSection 2: Requirement that each department deduct the department's total salary overpayment from the department's budget request for the following fiscal biennium. The Department is working with schools and offices through training and monitoring to regularly update employee leave balances to try to minimize overpayments that result from insufficient leaves. The Department has also taken steps with the unions to transition from groups of employees being provided leave credits up front to earned leave. Mandating this requirement would reduce funding and the resources necessary to limit the occurrence and collection of salary overpayments.

Section 3: Requirement that employees who exhaust their sick leave be placed on a manual accounting system. The Department currently has a process in place by which Payroll converts salaried employees from predicted pay to pay based on Actual Time Worked in compliance with HRS 78-13 (b) and (c) for employees who have been working for the State for at least six months and 1) have no paid leave accumulated, and have an existing salary overpayment balance, or 2) had at least two incidents of leave which results in salary overpayment within the past six months.

The Department makes every effort to consistently be in compliance with HRS 78-13 (b) and (c). However, the Department's manual processes causes additional burden on timekeepers at each school/office to properly manage and provide time sheets by the payroll deadline and on the Department's payroll unit to identify and track individuals for conversion and to timely and properly process payroll.

The Department has a Time & Attendance system that records employee leave transactions and balances, and provides a means to identify employees who have exhausted their sick and vacation balances. The system was last updated seven years ago and is reliant on manual processes for employees submitting paper leave documents, the school or office following up to ensure leave papers are submitted and manually entering the leave into this system.

The Department continues to closely monitor the salary overpayment balances, seek ways to improve the manual processes, hold our employees accountable, and support the staff in the process through the recently created Leave Management Unit in Accounting Operations.

The Hawaii State Department of Education seeks to advance the goals of the Strategic Plan which is focused on student success, staff success, and successful systems of support. This is achieved through targeted work around three impact strategies: school design, student voice, and teacher collaboration. Detailed information is available at [www.hawaiipublicschools.org](http://www.hawaiipublicschools.org).



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

TESTIMONY  
OF  
CURT T. OTAGURO, COMPTROLLER  
DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES  
TO THE  
SENATE COMMITTEE ON WAYS AND MEANS  
FEBRUARY 15, 2019, 10:15 A.M.  
CONFERENCE ROOM 211, STATE CAPITOL

S.B. 503 SD1  
RELATING TO SALARY OVERPAYMENTS.

Chair Dela Cruz, Vice Chair Keith-Agaran and Members of the Committee, thank you for the opportunity to testify on S.B. 503 SD1.

The Department of Accounting and General Services (DAGS) supports the intent of this measure and would like to offer the following comments.

Salary overpayments have been a recurring issue that has plagued the State payroll process over the years, primarily due to the manual processing established to handle employee leaves and untimely submission of leave notices into the payroll system. The overpayments occur because of a miscommunication between the manual leave process and payroll processing system which is processing payroll amounts based on known vacation and leave balances that have been entered into the system.

Typically, leave requests are being approved at the department level without having an automated method to update the payroll system that validates what leave balances employees are entitled to. There are other situations where employees may call in sick and not have sufficient sick leave available. Additionally, process delays to authorize employee qualified to get worker's compensation also adds to this recurring issue.

DAGS is evaluating the feasibility of modernizing its present leave accounting system for all departments. Leave records are currently managed at the department level and based on several factors - transaction volume, access to related systems, and enhanced capabilities of a new leave accounting system. An enterprise-wide assessment is required to determine feasibility and scope of work to reduce salary overpayments for the State.

In reference to Section 78, the establishment of a manual accounting system to record the wages or salary and leave of any employee who exhausts the employee's sick or vacation leave, there are a handful of agencies that have already implemented leave systems and this requirement could place undue administrative burden. Other departments who do not have access to a leave accounting system may be using a leave tracking system within their human resources system of record or may already be tracking leave manually for all record types, not just those who exhaust available balances.

To build upon the payroll system modernization recently completed by DAGS, an enterprise-wide time and leave management platform may further address leave balance issues through the integration of key data elements – time worked, leave and salary compensation to address or prevent overpayments, where possible. This will however, require that departments engage in opportunities to collaborate and compromise with their individual department processes and procedures. Additionally, departments and agencies need to be committed to interface any leave systems built previously with the new time and leave management module. To benefit the overall desire to reduce salary overpayments State-wide, every State department and agency must be agreeable to modify their respective business processes that facilitate the entry of leave requested, used and updated.

The implementation of phase two of the payroll system modernization will continue to automate and streamline once manual processes, integrate disparate systems across the State departments and agencies and enable everyone to be on one standard. This comprehensive strategy and approach will offer options to assist State departments and agencies the opportunity to lower and/or strengthen their prevention of payroll overpayments.

For these reasons, we are requesting that the proposed language under Section 78 be deferred to allow DAGS' to work with departments to evaluate the use of an enterprise-wide platform for time and leave management and conduct a feasibility study to determine the effectiveness to achieve the objective of reducing State liability associated with salary overpayments.

Thank you for the opportunity to provide comments on this matter.



# UNIVERSITY OF HAWAII SYSTEM

## Legislative Testimony

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Testimony Presented Before the  
Senate Committee on Ways and Means  
February 15, 2019 at 10:15 a.m.

by  
Kalbert K. Young  
Vice President for Budget and Finance/Chief Financial Officer  
University of Hawai'i System

### SB 503 SD1 – RELATING TO SALARY OVERPAYMENTS

Chair Dela Cruz, Vice Chair Keith-Agaran, and members of the Committee:

Thank you for the opportunity to present testimony today. The University of Hawai'i is supportive of the motive in SB 503 SD1, Relating to Salary Overpayments, but has concerns over the approach.

Although we recognize that salary overpayments remains an ongoing issue throughout many State departments, we would like to point out that the University's online leave system has significantly limited our exposure to overpayments related to leave abuse. To the best of our knowledge, the University is the only State agency that has an online leave system.

The University currently has no overpayments due to the overuse of sick leave. It is possible for such overpayments to occur, as we have no control over the duration an employee is out sick. The overpayments that the University currently has are mostly related to workers' compensation claims and terminations.

Requiring the University to create a manual system to track employees with leave issues would not only increase administrative overhead but would also create more opportunities for overpayments to occur. As such, we respectfully request that the bill be amended to exempt the University from the requirement in Section 3 to establish a manual accounting system.

Despite having the second largest payroll in State government, the University was fourth in gross amount overpaid on DAGS' October 2018 overpayment report. The University's annual payroll is approximately \$665 million and gross overpayments on the August 2018 report totaled \$85,830.47, or .012%. Our own report on gross overpayments as of December 31, 2018 totals at \$130,132.69, which would be .019% of our annual payroll.

Thank you for this opportunity to testify.

DAVID Y. IGE  
GOVERNOR



**LATE**

RODERICK K. BECKER  
DIRECTOR

ROBERT YU  
DEPUTY DIRECTOR

EMPLOYEES' RETIREMENT SYSTEM  
HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND  
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**STATE OF HAWAII  
DEPARTMENT OF BUDGET AND FINANCE**

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ADMINISTRATIVE AND RESEARCH OFFICE  
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MANAGEMENT DIVISION  
FINANCIAL ADMINISTRATION DIVISION  
OFFICE OF FEDERAL AWARDS MANAGEMENT (OFAM)

**WRITTEN ONLY**  
TESTIMONY BY RODERICK K. BECKER  
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
TO THE SENATE COMMITTEE ON WAYS AND MEANS  
ON  
SENATE BILL NO. 503, S.D. 1

**February 15, 2019  
10:15 a.m.  
Room 211**

RELATING TO SALARY OVERPAYMENTS

Senate Bill No. 503, S.D. 1, requires each department to deduct the department's outstanding wage or salary overpayment balance at the end of a fiscal biennium from the department's budget request for the following fiscal biennium. The bill also requires that employees who exhaust their sick leave be placed on a manual accounting system, and removes the two-year statute of limitations on determination and notice to employee of salary and wage overpayment.

The Department of Budget and Finance offers comments regarding the deduction of wage or salary overpayment amounts from department budget requests. We are concerned that this requirement may encourage departments to: 1) delay making an overpayment determination until after a fiscal biennium ends to avoid or delay being penalized, or 2) request lower priority budget requests to offset an overpayment deduction.

Broadly applying a budget request deduction to a department without regard to the program and means of financing, which may have incurred the overpayments, may

inadvertently penalize programs that have not had such issues. Given that it is unlikely that a department's budget request would be approved in its entirety, it is unclear how the deduction would be applied to the Executive budget request. It is also unclear whether such deductions are intended to be continued in future years or are one-time deductions.

Thank you for your consideration of our comments.