

MINISTRY OF FINANCE AND THE PUBLIC SERVICE  
30 NATIONAL HEROES CIRCLE  
P.O. BOX 512  
KINGSTON  
JAMAICA

ANY REPLY OR SUBSEQUENT REFERENCE SHOULD BE ADDRESSED TO THE  
**FINANCIAL SECRETARY** AND THE FOLLOWING REFERENCE NUMBER QUOTED:-

Telephone No. 92-28600-16  
Website: <http://www.mof.gov.jm>  
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**DECEMBER 2, 2011**

Circular No. 14  
File No. 107/125  
Division: Public Expenditure Coordination Division  
Permanent Secretaries  
Heads of Departments  
Chief Executive Officers

**Re: Overpayment of Public Funds**

The attention of Permanent Secretaries, Heads of Departments, Chief Executive Officers, and Chairmen of Boards of Public Bodies is invited to the high incidence of overpayments of public funds being reported annually in the Auditor General's Report and subsequent requests for write-offs. In order to reduce these reported incidences and the loss to the Government, the following procedures relating to overpayment of public funds and its recovery should be observed:

**1. Prevention and Detection of Overpayment**

- (1.1) Accounting and accountable officers must ensure that proper systems of internal control are in place to prevent and detect overpayments.
- (1.2) The Chief Internal Auditor shall advise accounting and accountable officers as to the adequacy of the system of internal control.
- (1.3) In order to prevent and detect overpayments, accounting /accountable officers must ensure that an audit of the payments and salaries sections of the Accounts Department be carried out at least once every year.

**2. Discovery of Overpayment**

- (2.1) Where an overpayment of public funds is detected, the accounting or accountable officer must undertake the following procedures: -

- (a) Ascertain whether the overpayment represents an error, fraud or corruption. Where fraud or corruption is suspected the Police must be immediately summoned. The Auditor General and the Financial Secretary must be advised accordingly.
- (b) Ascertain the internal control weakness, if any, that led to the overpayment and where appropriate, put measures in place to prevent recurrence.
- (c) Ascertain the full amount of the overpayment and the period of time it occurred.
- (d) Ascertain whether the full amount of the overpayment can be recovered from the payee and the method of recovery taking into account Section (3.2) of this Circular.

### **3. Recovery of Overpayment**

- (3.1) Accounting and accountable officers shall be responsible for ensuring the full recovery of all amounts overpaid from public fund within the financial year to which the overpayment was discovered or at such other time that would be considered fair and reasonable after careful assessment of the payee's financial position.
- (3.2) The following procedures must be undertaken to effect recovery of overpayments:

#### **(3.2.1) Recovery of Overpayment made to Private Persons or Organizations**

- (a) Notify the payee in writing of the amount overpaid, clearly providing sufficient details as to how the overpayment was derived. This shall include appropriate references to voucher number, cheque number, invoice number, contract clause and any other relevant information.
- (b) Deduct the full amount overpaid from any amount owed to the person or organization to whom the overpayment was made and submit notification to them by way of a Debit Note.
- (c) Advise the person or organization to pay over within fourteen (14) working days from the date of notification, any balance not recovered from the overpayment.
- (d) Follow up to ensure that the overpaid amount is recovered within the required time frame. Where payment is not received after at least two (2) reminders, the matter must be referred to the Attorney General or the organization's legal officer to pursue legal action provided that it is cost effective to do so.

### **(3.2.2) Recovery of Overpayment made to Public Officers**

- (a) Notify the payee in writing of the amount overpaid, clearly providing sufficient details as to how the overpayment was derived. This shall include appropriate references to voucher number, cheque number, invoice number, contract clause and any other relevant information.
- (b) The officer should be requested to repay immediately the full amount overpaid upon notification at (a) above.
- (c) Where the officer is unable to immediately repay the amount overpaid, the full amount shall be recovered from the officer's salary on a monthly or fortnightly basis not exceeding one-sixth of his/her gross pay per month or fortnight. The repayment shall commence from the earliest monthly or fortnightly pay cycle, and shall continue until the overpayment is fully recovered.
- (d) Where an officer resigns, retires or is dismissed, any balance outstanding must be recovered in full from the officer's final salary payment. The balance may be recovered from leave pay, gratuity, pension payment and any other sum owed to the officer.
- (e) Where overpayment is discovered in respect of a public officer who has resigned, retired or dismissed, and where all final payments have been made to the officer, the following shall apply:
  - i) Notify the former public officer in writing of the amount overpaid, clearly providing sufficient details as to how the overpayment was derived. This shall include appropriate references to voucher number, cheque number, invoice number, contract clause and any other relevant information. The former public officer must be requested to make full payment within thirty (30) days from notification or to provide in writing the most reasonable/appropriate period to which the overpayment can be recovered.
  - ii) Follow up to ensure that the overpaid amount is recovered within the required time frame. Where payment is not received after at least two (2) reminders, the matter must be referred to the Attorney General or the organization's legal officer to pursue legal action, provided it is cost effective to do so.

### **(3.2.3) Irrecoverable Overpayment**

- a) Where overpayment is deemed irrecoverable, the culpable or negligent officer(s) responsible for the overpayment must be ascertained.
  - i. In the case of ministries, departments and agencies, a request for an investigation must be submitted to the Auditor General

who shall where appropriate make recommendation to the Financial Secretary for an imposition of surcharge in accordance with Section 20 of the FAA Act.

- ii. In the case of public bodies, the recommendation for recovery and/or disciplinary action shall be submitted to the Board for its approval or the Financial Secretary for appropriate action as set out under Section 25 of the Public Bodies Management and Accountability (PBMA) (Act).
- b) Where there is found an overpayment of salaries or allowance which was as a result of noncompliance to Ministry of Finance's procedures and guidelines but which forms part of a legitimate employment contract or employment letter, recovery of the amount overpaid should not be effected from the payee but from the officer(s) found culpable for approving such payments.

Recovery must be effected as set out at (a) above.

#### **4. Disputed Overpayment**

(4.1) Where the payee disputes the overpayment, the matter must be addressed as follows: -

- i) Request the Chief Internal Auditor of the Ministry, Department, Agency or Public Body to examine and certify the amount overpaid.
- ii) Present the findings of the Chief Internal Auditor to the payee.
- iii) If the payee disputes the findings of the Chief Internal Auditor, the matter shall be referred to the Auditor General for review.
- iv) Where the payee still disputes the amount overpaid following the Auditor General's review, the matter shall be referred to the Attorney General and/or the organization's legal officer for resolution.

(4.2) The Financial Secretary must be advised on each stage of the resolution of the dispute regarding the overpayment.

#### **5. Request for Waiver of Recovery**

Accounting officers may seek the Financial Secretary's approval to waive the recovery of an overpayment on humanitarian grounds. Accounting officers must however establish the following:

- i) that the overpayment was the fault of the organization and that the person(s) who caused the overpayment no longer works in the system and all efforts to make contact have failed;
- ii) the person overpaid had no reasonable knowledge that he was being overpaid; and
- iii) recovery of the amount overpaid from the payee will place the individual at a severe disadvantage.

Request for waivers of recovery of overpayment will be dealt with on a case by case basis.

## **6. Write-offs of Overpayment**

Write-offs for overpayments must be done only on approval of the Financial Secretary or the Cabinet as appropriate.

Write-offs for overpayments will only be considered where:

- the procedures outlined above for recovery of overpayments have been exhausted;
- it is not cost effective to pursue recovery;
- the statutory limitation period of seven (7) years has expired; and
- prior approval has been granted for a waiver to recover.

In submitting a request for write-off, accounting officers must provide supporting evidence to justify the request.

## **7. Accounting for Overpayments**

- (5.1) The following journal entry must be made for the full amount if the overpayment is to be recovered in the current year:

### **A. Ministries, Departments and Agencies**

Advance A/C	<b>DR</b>	
Expenditure Control		<b>CR</b>

#### **Note.**

- a. If the overpaid amount is deemed recoverable from the payee the advance account to be charged must be in the name of the Payee that was overpaid
- b. Where the overpayment is deemed irrecoverable the advance account to be charged must be in the name of the officer(s) held accountable for the overpayment on an appropriate pro- rated basis.

- c. Where the overpayment or portions thereof was done in respect of a previous financial year, the following accounts entry must be made:

Advance A/C	<b>DR</b>	
Overpayment Recoverable Account		<b>CR</b>

- d. Where the overpayment was done from some Deposit or Special Funds the following accounting entries must be made:

Advance Control A/C	<b>DR</b>	
Deposit Control A/C or Special Fund Control A/C		<b>CR</b>

- (5.2) The following entries must be made on the receipt of amount recovered in respect of overpayment :-

- (a) Issue of Receipt

Cash A/C	<b>DR</b>	
Advance Control		<b>CR</b>

- (b) Lodgement of Funds

Bank A/C	<b>DR</b>	
Cash A/C		<b>CR</b>

- (5.3) Ministries and Departments that had established an Overpayment Recoverable Account for the overpayment made in a prior financial years must in addition to (5.2) pay over the amount collected to the Accountant General for Miscellaneous Revenue making the following entry:-

Overpayment Recoverable A/C	<b>DR</b>	
Bank A/C		<b>CR</b>

The Overpayment Recovered A/C shall be a revenue account to be transferred to the Income and Expenditure A/C.

## **B. Public Bodies**

- (5.4) Public Bodies must make the following journal entries to reflect the overpayment.

Accounts Receivable	<b>DR</b>	
Expenditure		<b>CR</b>

If the overpaid amount is deemed recoverable from the payee the receivable account to be charged must be in the name of the Payee that was overpaid

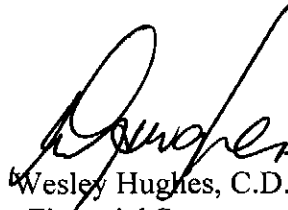
Where the overpayment is deemed irrecoverable the receivable account to be charged must be in the name of the officer(s) held accountable for the overpayment.

- (5.5) The following entries must be made on the receipt of amount recovered in respect of overpayment :-

Bank	A/C	DR	
	Accounts Receivable		CR

**Conclusion**

Permanent Secretaries, Heads of Department, Chief Executive Officers, Chairmen of Boards of Public Bodies are asked to ensure that this Circular is brought to the attention of all relevant officers.

  
Wesley Hughes, C.D.  
Financial Secretary