

KEYWORDS: waiver of indebtedness

DIGEST: Due to an administrative error, an employee’s overtime pay was set at the incorrect rate causing him to be overpaid. He was unaware he was being overpaid until he was notified on March 27, 2009. Under 5 U.S.C. § 5584, the amounts he received before notification may be waived. However, the amounts he received after notification may not be waived because he knew or had reason to know that the overtime payments were questionable, and he had a duty to return them to the government.

CASENO: 2010-010813.3

DATE: 6/11/2010

DATE: June 11, 2010

)	
In Re:)	
[REDACTED])	Claims Case No. 2010-WV-010813.3
)	
Claimant)	

**CLAIMS APPEALS BOARD
RECONSIDERATION DECISION**

DIGEST

Due to an administrative error, an employee’s overtime pay was set at the incorrect rate causing him to be overpaid. He was unaware he was being overpaid until he was notified on March 27, 2009. Under 5 U.S.C. § 5584, the amounts he received before notification may be waived. However, the amounts he received after notification may not be waived because he knew or had reason to know that the overtime payments were questionable, and he had a duty to return them to the government.

DECISION

An employee of the Navy requests reconsideration of the March 22, 2010, decision of the Defense Office of Hearings and Appeals (DOHA) in DOHA Claim No. 2010-WV-010813. In that decision, DOHA waived in part the collection of a debt owed by the employee. The employee seeks waiver of a portion of the remainder of the debt.

Background

Effective March 1, 2009, the employee was authorized to perform temporary duty (TDY) overseas. As a result, the employee's status under the Fair Labor Standards Act (FLSA) should have been changed from nonexempt to exempt. However, due to an administrative error, the employee's FLSA status remained nonexempt. Therefore, when the employee worked overtime, he erroneously received overtime pay at the rate of one and one-half times his basic salary, instead of his overtime being capped at the GS-10, step 1 rate. Due to this administrative error, during the pay period ending (PPE) March 14, 2009, through PPE April 11, 2009, the employee's overtime pay and night differential pay were miscalculated causing an overpayment in the amount of \$2,881.82. In addition, the employee erroneously received a retroactive night differential payment in PPE April 25, 2009, causing an overpayment in the amount of \$22.40. Thus, the employee's debt totaled \$2,904.22.

The record shows that on March 27, 2009, the employee was notified by on-site management of the error and his indebtedness. In DOHA Claim No. 2010-WV-010813, the adjudicator waived \$179.12, the portion of the erroneous salary payments the employee received before notification of the error, but denied waiver of \$2,725.10, the erroneous salary payments he received after notification.

In his request for reconsideration, the employee requests an additional waiver of \$998.88. He states that a waiver of the bi-weekly premium pay limitation for PPE March 28, 2009, was submitted and approved by the Commanding Officer. He attaches a copy of the approval (dated April 15, 2010) to his request for reconsideration. With the removal of this limitation, he contends that he would only be liable for an overpayment in the amount of \$1,726.22.

Discussion

The employee seeks waiver of the debt under title 5 of the United States Code, Section 5584 (5 U.S.C. § 5584). This statute is implemented within the Department of Defense under Department of Defense Instruction (Instruction) 1340.23 (February 14, 2006). Generally, persons who receive a payment erroneously from the government acquire no right to the money. They are bound in equity and good conscience to make restitution. If a benefit is bestowed by mistake, no matter how careless the act of the government may have been, the recipient must make restitution. In theory, restitution results in no loss to the recipient because the recipient received something for nothing. A waiver is not a matter of right. It is available to provide relief as a matter of equity, if the circumstances warrant. *See* Instruction ¶ E4.1.1.

Generally, debts may be waived only when collection would be against equity and good conscience and would not be in the best interests of the United States. *See* Instruction ¶ E4.1.2. The fact that an erroneous payment is solely the result of administrative error or mistake on the part of the government is not sufficient basis in and of itself for granting a waiver. *See* Instruction ¶ E4.1.3. A waiver usually is not appropriate when a recipient knows, or reasonably should know, that a payment is erroneous. In such instances, the recipient has a duty to notify an

appropriate official and to set aside the funds for eventual repayment to the government. *See* Instruction ¶ E.4.1.4.

On March 27, 2009, the employee was notified by on-site management that he was being overpaid. Specifically, the record contains a memorandum from the agency concerned stating: “The employees were notified by on-site management of this situation and their pending indebtedness on 27 March 2009.” As stated above, waiver is inappropriate if the employee is aware he is being overpaid. *See* DOHA Claims Case No. 07100201 (October 10, 2007) and DOHA Claims Case No. 05090603 (September 14, 2005). Once the employee was notified on March 27, 2009, that he was being overpaid, he did not acquire title to any overpayments he received after that point, and has a duty to return the excess amounts to the government. *See* DOHA Claims Case No. 2009-WV-111601.2 (February 19, 2010), DOHA Claims Case No. 02030501, (April 18, 2002) and DOHA Claims Case No. 00030709 (April 28, 2000).

The record reflects that in calculating the employee’s debt, the Defense Finance and Accounting Service (DFAS) implemented the maximum bi-weekly premium pay limitation of a GS-15, Step 10 (\$5,872.80) for PPE March 28, 2009.¹ However, DOHA’s authority in this matter pertains only to the equitable remedy of waiver. The employee should contact DFAS with questions concerning the calculation of his debt. In addition, he may contest the validity of the debt by disputing it and proving his entitlement to any amount over the bi-weekly pay limitation to the Department of the Navy and DFAS. Generally, an appeal of the Navy/DFAS decision on such entitlement would be directed to the Office of Personnel Management (OPM) under 31 U.S.C. § 3702(a)(2), because it is a civilian employee compensation issue. Accordingly, we uphold the decision to deny waiver of the \$2,275.10.

Conclusion

The employee’s request for relief is denied, and we affirm the March 22, 2010, decision to deny waiver in the amount of the \$2,275.10. In accordance with ¶ E8.15 of the Instruction, this is the final administrative action of the Department of Defense in this matter.

Signed: Michael D. Hipple

Michael D. Hipple
Chairman, Claims Appeals Board

Signed: Jean E. Smallin

Jean E. Smallin
Member, Claims Appeals Board

¹ Although the employee worked 61 hours of overtime during PPE March 28, 2009, he was only given credit for the amount of \$1,728.22. The employee argues that with the pay limitation being lifted, he should be given credit for the amount of \$2,731.58 (61 hours x 44.78). He contends that this would reduce the amount he was overpaid to \$1,726.22.

Signed: Catherine M. Engstrom

Catherine M. Engstrom
Member, Claims Appeals Board