TO ALL: MINISTERS
DEPUTY MINISTERS
EXECUTIVE FINANCIAL OFFICERS
SENIOR FINANCIAL OFFICERS

DIRECTIVE: 2/00

SUBJECT: Use of set-offs to collect overdue accounts owed to government by current or former government employees.

AUTHORITY: This directive is issued pursuant to Section 38 of the Financial Administration Act. This section of the act allows the government to deduct or “set off” from outgoing payments amounts owed to government by the payee.

APPLICATION: Treasury Board Financial Management Operating Policy (FMOP) authorizes the Comptroller General to retain money by way of set-off. For employees, potential sources for recovery are:

- wages;
- payments from the Public Service Pension Fund or other trust fund; and
- other applicable sources.

The purpose of this directive is to reinforce government's authority to use set-off in the case of current and former employees who owe money to the government. The directive provides for equitable treatment between government and non-government employees. Set-offs are currently made against individuals who are not employees. This directive is to be administered in accordance with financial management policy and procedures approved by Treasury Board.

POLICY:

1. The ministry must initially follow standard collection methods. Examples are statements, telephone calls, meeting with debtors, use of collection agencies, and documented warnings of legal action (which may include set-off).

2. Set-off action can only be considered when the ministry has exhausted standard collection methods identified above and in FMOP.
3. When the ministry makes a formal request to use set-off against a government employee, they must follow normal set-off policy and practices in place for any other debtor, as provided in FMOP.

4. By applying FMOP and the Court Order Enforcement Act, ministries provide current and former government employees with the following safeguards or rules afforded to other types of debtors:

- a standard maximum deduction of 30 percent of wages, salary or other payment (e.g., pension);
- individuals with no dependents are entitled to a minimum exemption of at least $100, and those with one or more dependents are entitled to a minimum exemption of at least $200;
- other exemptions and conditions for special circumstances as outlined in the Court Order Enforcement Act (e.g., hardship cases, obligations under the Family Maintenance Enforcement Act);
- alternative methods and timelines for payment (e.g., installments), where appropriate;
- avenues of appeal or dispute resolution to address set-off amounts, exemptions and other factors;
- adherence to government policy, procedures and systems (e.g., properly completed forms requesting set-off approved by an appropriate authority); and
- legal safeguards governing employment relations (e.g., no dismissal, demotion or reprimand due to set-off action) during the identification and repayment of debts.

EFFECTIVE DATE: August 17, 1999

Lois Boone
Vice-Chair, Treasury Board