


Recoupment of Payroll Overpayments

	Louisiana Department of Health (LDH)	
	Policy Number	2.2
	Content	Policy For The Recoupment of Payroll Overpayments
	Effective Date	April 14, 2014
	Inquiries to	Division of Human Resources, Training and Staff Development Office of Management and Finance 628 N. 4 th Street Baton Rouge, LA 70821-4818 (225) 342-6477 FAX: (225) 342-6892

I. POLICY STATEMENT

Payroll overpayments occur when compensation that is not owed to the employee is paid in error. This includes but is not limited to overpayment of wages, annual leave paid in error, as well as erroneous refunds of deductions. Unearned payments to employees are prohibited by Article 7, Section 14 of the Louisiana State Constitution which prohibits the donation of public funds. Therefore, LDH offices and facilities shall put into place these procedures to recoup overpayments to both active and separated employees, and establish internal controls to prevent overpayments.

II. PURPOSE

This policy provides the guidelines to streamline the collections of payroll overpayments and to coordinate the processing of payroll overpayments between Human Resources and Legal in a consistent manner.

III. APPLICABILITY

This policy is applicable to all LDH offices and facilities.

IV. EFFECTIVE DATE

The effective date of this policy is April 14, 2014.

V. DEFINITIONS

Active Employee: employee currently working for the agency.

Agency: any one of the 20 major departments of state government and the executive office or any subdivision thereof and any other entity paid through one of the 20 major departments of state government. This includes those agencies using ISIS HR for payroll and those agencies not using ISIS HR.

Deduction: any voluntary/involuntary reduction in net pay (e. g., health insurance, United Way, taxes).

Direct Deposit: the electronic transfer of an employee's wages of other type of payment into the employee's checking, savings or credit union account.

Direct Deposit Reversal: a formal request to an employee's financial institution to return funds deposited into the employee's account.

Division of Administration (DOA): the Louisiana state agency under the Executive Department which provides centralized administrative and support services to state agencies as a whole by developing, promoting, and implementing executive policies and legislative mandates.

Gaining Agency: the agency to which the overpaid employee is transferring.

ISIS Human Resource System (ISIS HR): the Integrated Statewide Information System administered by the Division of Administration, Office of State Uniform Payroll to provide uniform payroll services to state agencies.

ISIS HR Paid Agency: a state agency who processes payroll through the ISIS HR system.

ISIS HR Non-Paid Agency: a state agency which uses a system other than the ISIS HR system to process payroll.

Losing Agency: the agency from which the overpaid employee is transferring or terminating/separating.

Net Pay: the amount of compensation due to an employee after withholding all voluntary and involuntary deductions from his/her wages and compensation earned.

Office of State Uniform Payroll (OSUP): the section within DOA primarily responsible for the DOA statewide payroll system and administration of the rules governing state employee payroll deductions.

Payroll Overpayment: unearned compensation from state funds to employees.

Recoupment: reimbursement of overpayment from an employee.

Separated Employee: employee no longer working for the agency that overpaid the employee.

Wage: payment to an employee for services rendered.

VI. RESPONSIBILITIES

Each Assistant Secretary, the Deputy Secretary, the Medicaid Director, and the Undersecretary are responsible for assuring adherence to this policy and procedure of the recoupment of payroll overpayments from both active and separated employees, and the establishment of internal controls to prevent overpayments.

VII. EXCEPTIONS

Upon written request of an Assistant Secretary, the Deputy Secretary or the Undersecretary, the Secretary of LDH may make an exception to any part of this policy within the realm of his/her authority which he/she deems to be in the best interest of the Department.

VIII. PROCEDURES

A. Human Resources Office Collection Procedures

For purposes of this provision, "employee" refers to all active and separated employees of LDH. Written notice shall be deemed complete upon placing of such notice with the US Postal Service, with the delivery sent to the address on file with the agency.

The Human Resources Office must maintain an open recoupment file on the payroll overpayment for at least 90 days, during which time the Human Resources Office shall conduct the following collection activities.

1. **First Notice** – The Human Resources Office must notify the employee immediately once it is determined that a payroll overpayment has been made. Written notice must be provided prior to withholding the recoupment from a future payment(s). The notice may also request that the active/former employee sign written consent to pay reasonable attorney fees of LDH in the event recovery cannot be made by recoupment or through demands and the filing of a lawsuit becomes necessary by the Bureau of Legal Services of LDH to recover the overpayment. If the active/former employee voluntarily agrees to pay reasonable attorney fees of LDH in the event a lawsuit is filed, signed consent to that effect should be made a part of the recoupment file.
 - a. Payroll Overpayments totaling \$50.00 and below - Only the First Notice is required.

- b. The First Notice may be sent through regular mail to the employee's last known address.
 - c. Sample payroll overpayment letters may be found on the DHHNet.
 - d. The First Notice to the employee must include the following:
 - i. pay date(s) the payroll overpayment occurred;
 - ii. amount of the payroll overpayment;
 - iii. reason for the payroll overpayment;
 - iv. agency plan of action for recoupment;
 - v. employee options for reimbursement of payroll overpayment, as appropriate;
 - vi. procedures by which the payroll overpayment can be disputed;
 - vii. The deadline date for the employee's response;
 - viii. A statement of consent to the recoupment that the employee may agree/disagree with.
2. **Second Notice** – If the employee does not respond to the First Notice by the given deadline, the Human Resources Office must send the employee a Second Notice (if required) that contains the information contained in the First Notice, along with a new deadline for response.
- a. Payroll overpayments totaling \$50.01 through \$1,000.00 – First Notice and Second Notice are required.
 - b. The First Notice and Second Notice may be sent through regular mail to the employee's last known address.
3. **Third Notice – Final Notice** – If the employee does not respond to the Second Notice (if required) by the given deadline, the Human Resources Office must send the employee a Third Notice – Final Notice that contains the information contained in the First Notice and Second Notice, along with a new deadline for response. The Third Notice must be clearly marked "Third Notice – Final Notice."
- a. **Payroll** overpayments totaling over \$1,000 – a First, Second and Third Notice are required.
 - b. The Third Notice must be sent by certified mail/return receipt requested to the employee's last known address.
4. **Telephone Calls** – If the employee does not respond to the written notice(s), the Human Resources Office must place at least one telephone call to the

employee in an effort to recoup the funds. Telephone calls must be documented in the recoupment file.

B. Payment Options

1. Active employees – The following repayment options are available:
 - a. direct deposit reversal – LDH Offices and facilities must follow OSUP policy for direct deposit reversals;
 - b. one-time deduction from subsequent paycheck;
 - c. a payment plan or a recurring deduction can be established for a period not to exceed 12 months. In accordance with OSUP Administrative Rules, LDH Offices and facilities must obtain approval from OSUP for exceptions to the 12-month period;
 - d. personal payment from employee (i.e., check, money order). LDH Offices and facilities must obtain approval from OSUP to accept a check from an active employee.

The amount to be recouped in a one-time payment or in recurring payments cannot bring the employee's biweekly gross hourly wage amount below the federal minimum wage. If the employee agrees to have a larger amount withheld, written approval from the employee must be obtained.

2. Separated employees – The following payment options are available:
 - a. one-time personal payment from employee (i.e., check, money order);
 - b. Payment plan
 - i. employee may submit multiple payments as agreed upon with the agency;
 - ii. the period of recoupment may not exceed 12 months. Approval from OSUP must be obtained for exceptions to the 12-month period.
3. Deceased employees – if a payroll overpayment made to a deceased employee appears on the Quarterly Employee Claim/Overpayment Balances report issued by the Office of State Uniform Payroll (OSUP), the human

resources office shall contact OSUP to have the claim removed from the report.

C. Referrals to the LDH Bureau of Legal Services

1. The Human Resources Office shall refer payroll overpayments to the LDH headquarters to the Bureau of Legal Services if:
 - a. the employee does not respond to the required recoupment letter (s) by the deadline stated in the letter (s) or the follow-up telephone call(s).
 - b. the employee does not consent to the recoupment;
 - c. the employee does not fulfill the terms of the payment agreement (missed or incomplete payments);
 - d. the letter to the employee is returned undeliverable after the Human Resources Office has exhausted all means to determine the employee's current mailing address.
2. When referring payroll overpayments to the LDH Bureau of Legal Services, the HR Office shall send documentation of all collection efforts, including written notices, telephone calls and any other pertinent information.
3. Upon receipt of a payroll overpayment referral from the HR Office, the Bureau of Legal Services shall issue up to three demand letters followed by telephone calls when necessary.
4. By this policy, the Bureau of Legal Services may elect to cease collection efforts for payroll overpayments referred to the department in the amount of \$1000.00 or less when at least one of the conditions listed below has been met. Grounds for a write-off include but are not limited to the following:
 - a. chance of collectability less than 50%;
 - b. continued collection efforts not cost effective;
 - c. bankruptcy of the employee;

- d. inability to locate the employee;
 - e. age of the overpayment and insufficient documentation to support legal recourse.
5. Write-offs of payroll overpayments totaling \$1,000.00 or less – Once the Bureau of Legal Services ceases collection efforts on claims totaling \$1000.00 or less, the Bureau of Legal Services will transfer the case back to the HR Office and the HR Office will execute the write-off in accordance with LDH Policy #12 – Write-Offs of Accounts Receivable.

D. Recoupment from Employees Transferring to another State Agency

1. If an overpaid employee is transferring to another state agency, and the recoupment process has not been completed, the gaining agency must be notified that the employee has an outstanding balance due and should be provided with pertinent documentation regarding the details of the overpayment and the recoupment plan established.
 - a. **If the employee is transferring to another ISIS HR paid agency** the gaining agency continues any payment plan that was established at the losing agency. If a payment plan was not established, the losing agency and gaining agency must coordinate the recoupment of the payroll overpayment through the payroll system. Guidelines established by the Division of Administration must be followed for transferring the funds received at the gaining agency back to the losing agency.
 - b. **If the employee is transferring to an ISIS HR non-paid agency or if the employee is transferring in from an ISIS HR non-paid agency** the losing and gaining agencies must work together to determine a reasonable solution for recouping the payroll overpayment from the employee and for transferring funds received at the gaining agency back to the losing agency.
2. If a payment plan is established in the payroll system of the gaining agency, the amount to be recouped in a one-time payment or in recurring payments cannot bring the employee's biweekly gross hourly wage amount below the federal minimum wage. If the employee agrees to have a larger amount withheld, written approval from the employee must be obtained.

E. Condition of Employment

1. Prior to submitting job offers to prospective employees, a signed statement must be obtained from the prospective employee acknowledging his/her understanding of the agency recoupment policy and that, if overpaid, the

payroll overpayment may be recouped in a future pay period after notification from the agency in accordance with this policy. Prospective employees include new hires and employees who have transferred from one agency to another agency. (Please see the LDH Conditional Offer of Employment Form HR5/COE that can be found on the DHHNet.)

- 2. This condition of employment must be incorporated within the hiring process and job offers should be withheld from prospective employees failing to comply with this rule.

IX. DISCIPLINARY ACTIONS

Violations of this policy may result in disciplinary action up to and including dismissal.

X. REFERENCES

XI. REVISION HISTORY

Date	Revision
June 2, 2005	Policy created
March 21, 2011	Policy revised
April 14, 2014	Policy revised
	Policy revised