


Recoupment of Payroll Overpayments

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|  | Louisiana Department of Health (LDH) | |
| | Policy Number | 2.3 |
| | Content | Policy For The Recoupment of Payroll Overpayments |
| | Effective Date | November 16, 2018 |
| | Inquiries to | Division of Human Resources, Training and Staff Development Office of Management and Finance Baton Rouge, LA 70821-4818 (225) 342-6477 FAX: (225) 342-6892 |

If there is a discrepancy between an LDH Policy and a Program Office or facility policy, the LDH policy shall govern/overrule/supersede the conflicting section within the Program Office or facility policy.

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 procedures to streamline the collections of payroll overpayments and to coordinate the processing of payroll overpayments between Human Resources, OSUP, and/or ODR 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 November 16, 2018.

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 or 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 Debt Recovery: the section within the Department of Revenue primarily responsible for centralized debt collection owed to the State of Louisiana.

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 payroll 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 60 calendar days, during which time the Human Resources Office shall conduct the following collection activities.

1. **Authentication of Debt** – The Human Resources Office will research each claim, authenticate the amount, and attempt to collect the overpayment from the employee. If the claim amount is incorrect, the agency must make master data changes and work with the LaGov HCM Help Desk to remedy the issue. By

authenticating the debt, the agency is agreeing that the employee has been overpaid, the amount of the overpayment is correct, and the employee does owe the money to the agency at which time a first notice is to be sent to the employee.

2. **First Notice** – The Human Resources Office must notify the employee immediately once it is determined that a payroll overpayment has been made and authenticated.
 - a. The First Notice shall be sent through regular mail to the employee’s last known address on file with the agency.
 - b. Sample payroll overpayment letters may be found on the DHHNet.
 - c. 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 (LDH Forms-Recoupment from an Active Employee or Recoupment from Separated Employees Letter A)
 - d. If the First Notice is returned undeliverable, contact OSUP for an updated address.
3. **Second Notice – Final Notice** – If the employee does not respond to the First Notice within 30 calendar days, the Human Resources Office must send the employee a Second Notice that contains the same information contained in the First Notice. This is considered the employee’s final notice.
 - a. The Second (Final) notice may be sent through regular mail to the employee’s last known address.
 - b. If the Second (Final) Notice is returned undeliverable, contact OSUP for an updated address.

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; or
 - 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); or
 - 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 Division of Administration, Office of State Uniform Payroll, Office of Debt Recovery

1. Are to be forwarded to OSUP. OSUP is responsible for referring authenticated claims to ODR on the agencies behalf.
2. If an employee disputes the overpayment, the debt should not be sent to OSUP until the dispute has been resolved.
3. Referrals from facilities to OSUP/ODR are to be forwarded to LDH/ HQ/ HR for submission. These referrals are not to be submitted directly to OSUP by facility HR.
4. The LDH Headquarters, Human Resources Office shall refer payroll overpayments exceeding \$25.00 to the OSUP if the employee does not respond to the required recoupment letter (s) by the deadline stated in the letter(s) or the employee does not fulfill the terms of an agreed upon payment agreement (missed or incomplete payments).

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 shall 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 (Louisiana Administrative Code, Title 4, Chapter 7 §713)

1. Prior to submitting a job offer to a prospective employee LDH must obtain a signed statement from the prospective employee acknowledging his/her understanding of the LDH recoupment policy and that, if he/she is overpaid, the payroll overpayment may be recouped after notification from LDH in accordance with this policy. Prospective employees include new hires and employees who have transferred from another agency to LDH. (Please see LDH policy #32 - Vacancy Announcements, Section V.D regarding Conditional Offers of Employment).
2. LDH is responsible for withholding job offers from prospective employees failing to comply with this rule which is contained in the Louisiana Administrative Code, Title 4, Chapter 7 §713.

IX. DISCIPLINARY ACTIONS

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

X. REFERENCES

Louisiana State Constitution: Article VII; Section 14. Donation, Loan, or Pledge of Public Credit

Regular Session, 2013; Act N. 399

Louisiana Administrative Code, Title 4, Chapter 7 §713

LDH Policy #32 – Vacancy Announcements

XI. REVISION HISTORY

| Date | Revision |
|-------------------|----------------|
| June 2, 2005 | Policy created |
| March 21, 2011 | Policy revised |
| April 14, 2014 | Policy revised |
| November 16, 2018 | Policy revised |
| | Policy revised |