

**PPM #30**

**Policy Name:** *Recoupment of Overpayments*  
**Effective Date:** *April 2, 2007*  
**Revision Date:** *December 1, 2011*

**Authorization:**

  
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*Charles R. Davis, Deputy Secretary*

**POLICY**

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. It is the policy of the Office of the Lieutenant Governor (OLG) and the Department of Culture, Recreation & Tourism (DCRT) to make a reasonable effort to recoup overpayments from both active and separated employees. This policy establishes the process and procedures for notifying employees of overpayments, creating a plan for recoupment and identifying the role of each party in this notification and recovery process.

**PHILOSOPHY**

Public employees may only be compensated for their labor and are entitled to certain earned benefits. An overpayment, payment for something the employee did not earn, is a bonus, and bonuses or any other type of gratuitous, unearned payments are prohibited for public employees as is clearly shown in Article 7, Section 14 of the Louisiana Constitution. Agencies must put forth effort in recovering overpayments when employees are paid in error. Failure to exercise recovery efforts is a direct violation of the Louisiana Constitution.

It is the philosophy of the OLG and DCRT to implement policies and procedures that will ensure compliance with the Louisiana Constitution and policies and procedures as set forth by the Division of Administration (DOA), Office of State Uniform Payroll (OSUP), in regard to this specific subject.

**APPLICABILITY**

This policy is applicable to all employees of the OLG and DCRT regardless of job title, appointment type, status, or pay level.

**DEFINITIONS**

**Active Employee** - employee currently working for OLG and/or DCRT.

**Agency** – the OLG and the six (6) offices that comprise the DCRT – Office of the Secretary, Office of State Library, Office of State Museum, Office of State Parks, Office of Cultural Development, and Office of Tourism.

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

**Direct Deposit Reversal** – a formal request to the financial institution to return funds deposited into an account.

**LaGov Human Capital Management (HCM)** – the payroll system used by OLG/DCRT, which is administered by the DOA, OSUP to provide uniform payroll services to state agencies.

**Net Pay** – the amount of compensation due to the employee after withholding all voluntary and involuntary deductions from their wages and compensation earned.

**Overpayment** – unearned compensation of state funds to employees.

**Recoupment** – reimbursement of overpayment that was not due an employee.

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

**Wage** – payment for services to an employee.

## PROCEDURES

Overpayments can be caused by a variety of reasons or actions ranging from incorrect entry of a pay amount on the basic pay record to actions by timekeepers such as alterations to the time entry file. The most common causes of overpayments are prior period adjustments to the time entry information thereby causing a recoupment when earnings do not exist in the period being processed. This policy encourages employees, supervisors and timekeepers to become more accurate and timely in recording time entries thereby eliminating/reducing the need for the prior period adjustment.

The Conditional Offer of Employment form already includes a statement acknowledging a prospective employee's understanding that, if overpaid, the overpayment will be recouped in a future pay period. Hiring managers must ensure that each prospective employee agrees and acknowledges this amongst all other conditions of employment.

### 1. Notification of Overpayments to Employees

All employees, regardless of status, will be notified of an overpayment and will be notified of expected or required repayment terms.

- a. HR staff will provide written notification to employees prior to recouping the overpayment. Notification will be made via email, if possible, or via a letter or memorandum.
- b. If the employee notices payment has changed incorrectly or detects a problem, HR should be notified. HR will verify via email or written correspondence whether an actual overpayment occurred. **It is recommended that employees review their pay statements via Louisiana Employees Online (LEO) as early as Wednesday of pay week to determine if payment is as expected. If an employee detects a problem, the employee should contact HR as soon as possible.**
- c. The notification to the employee will include the pay date(s) the overpayment occurred, the amount of the overpayment, the plan of action for recoupment, the employee's options for reimbursement of the overpayment, and the procedure by which the proposed recoupment can be disputed.
- d. If the employee disputes the overpayment amount, they must contact HR within 24 hours advising the agency to cease recoupment efforts until resolution to the dispute has been reached. Disapproval must be placed in writing and submitted to HR following the initial notification of dispute.
- e. Employees can consent to the recoupment in one of two ways:
  - **Implied Consent** – The employee does not respond to the written notification. This implies that the employee agrees that they have been overpaid and agrees with the agency's plan of action for the recoupment.
  - **Express Consent** – The employee responds to the written notification, either verbally or in writing, and advises that they agree that they have been overpaid and they agree with the agency's plan of action for the recoupment.

## 2. Recoupment from Active Employees

All active employees must repay overpaid amounts through the LaGov HCM payroll system. Amounts to be recouped in a one-time payment or in recurring payments cannot bring the employee's biweekly gross hourly wage below the federal minimum wage or below the minimum of the pay scales for classified employees. Employees **must** indicate in their notification the amount they wish to have deducted toward the overpayment, or if there is no response from the employee, the deduction will be decided upon and established by HR. Listed below are the three methods of repayment:

- a. **Direct Deposit Reversal** – depending on the circumstances, approval may be requested for the OSUP to reverse the payment from the financial institution to the agency. HR staff will analyze the full impact of this reversal and

discuss with the employee. Reversals are usually a “last resort” option unless absolutely unavoidable because of the very serious negative impact it has on the employee and whether the employee receives a paycheck on time.

- b. **One-time deductions** – once the error is corrected in the LaGov HCM system, the process will reverse the error automatically and recoupment will automatically occur in a one-time deduction. Employees shall determine if the overpaid amount will cause further hardship depending on personal obligations. If this one-time deduction option will cause further hardship, the employee will be directed to the payment plan option.
- c. **Payment plan** – recurring deductions may be established over multiple pay periods to recover the overpaid amount. The HR staff will coordinate directly with the employee to determine an appropriate payment plan based on the amount of the overpayment and the employee’s salary.
- d. **Separating employees - Recovery in full** – if an employee is separating, the full overpayment will be withheld from the final paycheck, inclusive of any annual leave or other payments due the employee. If recovery is not paid in full in the final paycheck, other arrangements and recovery efforts will be sought outside of the payroll process.

### **3. Recoupment from Transferring Employees**

If an employee is transferring to another agency and has not completed the repayment of overpaid amounts prior to the transfer, the payment plan will continue in the new agency. Details will be coordinated between agency HR offices to ensure that payment is recovered and credited to the appropriate agency’s financial accounts.

### **4. Recoupment from Separated Employees**

If an overpayment is unknown prior to an employee’s separation, HR will provide written notification of the overpayment and the recoupment plan(s) available. Two options are available for separated employees:

- a. **One-time personal payment** – the separated employee must send either a personal check or money order payable to the appropriate employer, i.e., if the employee worked in DCRT, the instrument should be payable to the Department of Culture, Recreation and Tourism. If the employee worked in OLG, the instrument should be payable to the Office of the Lieutenant Governor. The check must be sent directly to HR for appropriate processing.
- b. **Multiple payments** – the separated employee must contact HR to make arrangements for establishing a payment plan for the recovery. A request must be submitting in writing and agreed upon by both parties indicating the payment amount and frequency of payment. Recovery must be complete

within 12 months unless extenuating circumstances exist and prior approval is granted to HR by OSUP.

- c. If an agency is unable to recover overpayments from a separated employee, the HR Staff will present to the Undersecretary for further direction, pursuit of recovery, discussion with legal counsel, etc.

## **5. Recoupment from Wage Employees**

Wage employees generally work on an hourly basis and work only when needed or when assignments are available. Sometimes hours worked are projected for wage employees, especially at the end of a pay period. When the employee does not actually work the hours that have been projected and payroll has already processed, the agency must report the correction and HR must adjust the hours to recoup the overpayment. **In order to avoid this situation, sections must terminate the active record if wage/hours employees are not expected to work for a period of six (6) consecutive payroll periods that is equivalent to three (3) months.**

Notification and recoupment efforts for wage employees will be the same as described for separated employees.

## **RESPONSIBILITIES**

### **Employee:**

Employees shall be responsible in ensuring paycheck information is accurate by reviewing remuneration statements available on LEO. If paycheck information appears inaccurate or unexpected, employees are required to report this information to HR as soon as possible.

Employees are also responsible to accurately and timely complete timesheets or other time reporting documentation. Inaccurate and/or false reporting on time documents or otherwise is considered payroll fraud and is a serious infraction. The recommended penalty for payroll fraud will be termination of state employment.

### **Timekeepers:**

Timekeepers shall be responsible in ensuring that all time is entered accurately and timely in the LaGov HCM system. Timesheets should be reviewed and approved by supervisors prior to entry ensuring that supervisors are aware and in agreement with information reported by an employee, especially time worked and leave granted/taken.

### **Supervisors/Sections Heads:**

Supervisors and Section Heads shall be responsible for ensuring that time is reported accurately and timely by employees meeting deadlines for timekeeper entry requirements. Supervisors are also responsible for ensuring appropriate approvals and documentation exist

and to provide appropriate information to timekeepers to meet deadlines and requirements for entry in the LaGov HCM system.

**Human Resources:**

HR shall be responsible for ensuring that all personnel actions affecting pay are processed accurately and in accordance with pay rules for the various types of employees. HR shall also be responsible for ensuring that benefit documents are processed accurately and as timely as possible to provide for a successful interface to the LaGov HCM system for inclusion in the payroll process.

HR shall also be responsible for payroll reconciliation processes to ensure that any obvious errors are identified, analyzed and corrected as appropriate. HR shall also be responsible to notify affected employees in writing, secure agreement in writing on a recoupment method, and implement recoupment or recovery efforts.

**CONSEQUENCES**

Inaccurate reporting of time information is a serious infraction that can cause overpayment or underpayment and is considered payroll fraud. Employees who willfully and intentionally report information inaccurately will be subject to disciplinary action up to and including termination of employment.

Employees who commit errors frequently, but not willfully, may have their security revoked and will no longer be allowed to update timekeeping information. HR will provide further training to that timekeeper, if necessary.

A payroll reconciliation process occurs every biweekly period to determine accurate payment of employees. Overpayments will be reviewed, analyzed and documented in the employee's payroll file. Information that is processed incorrectly in the LaGov HCM system by the HR staff may be subject to disciplinary action and/or further training, depending on the severity of the action.

**RESOURCES:**

*OSUP Memo #2002-50, OSUP Policy on Recoupment of Overpayments*  
*OSUP Memo #2005-28, Recoupment of Overpayments – Notice of Intent*  
*OSUP memo #2005-44, Clarification of Rule on Recoupment of Overpayments*  
*OSUP Memo #2007-03, Offset and Recoupment of Overpaid Wages*  
*Louisiana Administrative Code (LAC) 4:III, Chapter 7*  
*Attorney General Opinion #03-0444, Public agencies must attempt to recover overpayments made to its employees*

*Summary of Changes: Revised policy number, updated payroll system name from ISIS to LaGov HCM (December 1, 2011).*