

## *P.O. 231 Recoupment of Overpayment*

Effective From:	7-15-2012	Effective To:	Current
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### *EE. P.O. 231 - Recoupment of Overpayment*

#### 1. PURPOSE

- i) The purpose of this policy is to establish internal controls to prevent overpayments to employees and to establish procedures for recoupment of overpayments when LSP employees (active, transfers, or separated) have been overpaid.

#### 2. POLICY

- i) In accordance with [LRS 42:460](#) and LAC 4:III.701, et. seq., it is the policy of the Department of Public Safety and LSP to ensure that all employees are paid accurately, and that any overpayments to employees are recouped in a timely manner with minimal impact to the employee and to LSP.
- ii) 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, and erroneous refunds of deductions. Unearned payments to employees are prohibited by Article 7, Section 14 of the Louisiana State Constitution of 1974, which prohibits the donation of public funds.
- iii) All employees and department staff responsible for processing pay actions into the ISIS-HR system, including time administrators, are responsible for following internal procedures and ensuring internal controls are in place to prevent overpayments to employees.

#### 3. APPLICABILITY

- i) This policy shall be applicable to all employees in all sections/units within LSP who are active employees on or after the date this policy takes effect.

#### 4. DEFINITIONS

- i) Active Employee - For the purposes of this policy, an employee receiving compensation from LSP.
- ii) Conditional Offer of Employment - An offer of employment conditioned on the satisfaction of various requirements. Should the applicant satisfy the conditions, then the conditional offer is generally followed by a final offer of employment. If all conditions are not met, the offer shall be withdrawn.
- iii) Deduction - Any voluntary/involuntary reduction in net pay (e.g., health insurance, united way, taxes).
- iv) Direct Deposit Reversal - A formal request to the financial institution to return funds deposited into an account.
- v) Employee - An “active employee” or “separated employee” as defined in this policy.
- vi) Final Offer of Employment - The offer of employment made by LSP after all conditions of the Conditional Offer have been met and Human Resources has notified the supervisor that the applicant may be made a final offer of employment.
- vii) Gaining Agency - The agency to which the overpaid employee is transferring.
- viii) Immediately - For the purposes of this policy shall be defined as five working days.
- ix) Losing Agency - The agency from which the overpaid employee is terminating/separating.
- x) Net Pay - The amount of compensation due to the employee after withholding all voluntary and involuntary deductions from his wages and compensation earned.
- xi) Overpayment - Unearned compensation of state funds to employees.
- xii) Recoupment - Reimbursement of overpayment that was not due an employee.
- xiii) Separated Employee - A person who was an active employee with LSP, but is no longer employed by LSP.
- xiv) Wage - Payment for services to an employee.

## 5. PROCEDURE

- i) Conditional Offer of Employment
  - a) All prospective employees (including new hires, reemployments, and transfers from other agencies) must sign a document called “Conditional Offer of Employment” which explains all of the conditions to be met prior to being made a final offer of employment.
  - b) The Conditional Offer of Employment shall include the signature of the prospective employee, acknowledging his understanding of this Recoupment of Overpayment policy and, specifically, that if he is overpaid, the agency may recoup the overpayment in a future pay period after notification from Human Resources in accordance with this policy.
  - c) No Final Offer of Employment shall be made to any prospective employee who fails to sign the Conditional Offer of Employment and meet all of the conditions of that document.
- ii) Notification to Employee of Overpayment
  - a) An employee shall be notified immediately in written or electronic form once Human Resources determines that an overpayment has been made, and the employee must be advised (written or electronic) prior to withholding the recoupment from a future payment(s). The notification to the employee shall include the following:
    - 1) Pay date(s) the overpayment occurred.
    - 2) Amount of the overpayment.
    - 3) Reason that the overpayment occurred.
    - 4) Agency plan of action for recoupment.
    - 5) Employee options for reimbursement of overpayment, as appropriate.
    - 6) Procedure employee should use if disputing the amount of overpayment.
- iii) Recoupment of Overpayment(s)
  - a) The amount to be recouped from any one paycheck cannot cause the employee’s biweekly gross hourly wage to fall below the federal minimum wage without prior specific written approval from the employee.
  - b) Recoupment of Payments from Active Employees
    - 1) Should an overpayment be discovered for an active LSP employee, the notification procedures outlined above will be followed by Human Resources. The repayment options will include one of the following:
      - (i) Direct deposit reversal.
      - (ii) One-time deduction from a subsequent paycheck.
      - (iii) Payment plan (recurring deductions for a period not to exceed 12 months) any payment plan which exceeds the 12-month period must be approved by the Office of State Uniform Payroll (OSUP) and the Superintendent.
      - (iv) Personal payment from employee (e.g., check or money order). Prior approval from OSUP and the Superintendent must be obtained before a personal payment from the employee is accepted.
      - (v) If an active employee who has been overpaid is separating from LSP, the full amount of the overpayment must be withheld from the employee’s final paycheck, which may include payment for any accrued leave. If the full amount is not recovered in the final paycheck, LSP should follow the guidelines below.
  - c) Recoupment from Active Employees Transferring from LSP to Another State Agency
    - 1) If an active employee who has been overpaid is transferring from LSP to another state agency, and the recoupment process has not been completed, Human Resources shall work with the gaining agency to assure completion of the recoupment process.
    - 2) If a payment plan was not established prior to an active employee leaving LSP,

- LSP and the gaining agency will coordinate a recoupment plan that includes the process for transferring funds received at the gaining agency back to LSP.
- d) Recoupment from Employees Transferring from Another State Agency to LSP
    - 1) If an employee who has been overpaid by the losing agency is transferring to LSP, Human Resources shall continue any payment plan that was established at the losing agency.
    - 2) If a payment plan was not established prior to an employee transferring into LSP, then the losing agency and LSP will work together to determine a recoupment plan for the employee and for transferring funds received at LSP back to the losing agency.
  - e) Recoupment from Separated Employees
    - 1) Employees separated from LSP will be notified by Human Resources of any overpayments according to the guidelines above. Further, the written notice shall include a demand for payment and may include any of the following repayment options:
      - (i) a one-time personal payment from the separated employee (e.g., check or money order); or
      - (ii) A payment plan (recurring deductions for a period not to exceed 12 months). Any payment plan which exceeds a 12 month period must be approved by the Office of State Uniform Payroll (OSUP) and the Appointing Authority.
    - f) Should Human Resources be unable to recover overpayments from a separated employee, Human Resources shall notify the Office of Legal Affairs in accordance with [LAC 4:III.711](#) to determine if legal recourse is warranted.
  - iv) Complaint Mechanism For Pay Disputes
    - a) LSP will make every effort to ensure that an employee's pay is correct. However, any employee who believes he has been improperly paid (overpaid or underpaid) or who has had funds withheld from his paycheck inappropriately should notify Human Resources in writing immediately upon discovering the error.
    - b) Should it be determined that LSP has underpaid an employee, the employee shall be reimbursed all funds that are due him.
    - c) Should it be determined that the employee has been overpaid, LSP will follow the procedures outlined above to recoup the funds which were paid in error.
    - d) If an employee disagrees that an overpayment has occurred, the employee must complete a Recoupment Dispute Form and submit it to Human Resources within fifteen (15) calendar days of receipt of the recoupment notification letter.
    - e) Human Resources will research the disputed claim for final resolution in conjunction with the Undersecretary (or his designee) and the Office of Legal Affairs.
    - f) The employee shall be notified of the outcome of the review.
    - g) If it is determined that the overpayment occurred and will be recouped, the notice of the outcome shall contain the recoupment plan and effective date the plan will begin.
6. RESPONSIBILITY
- i) Superintendent and Deputy Superintendents are responsible for holding accountable the managers/supervisors under his supervision for adhering to all aspects of this policy.
  - ii) Managers/Supervisors are responsible for:
    - a) Assuring that no prospective employee is made a final offer of employment, and that no prospective employee reports to work unless and until the section/unit has been notified by Human Resources that the prospective employee has met all the conditions set forth in the Conditional Offer of Employment Form.
    - b) Notifying Human Resources of any known overpayment made to an employee and working with the employee and Human Resources to establish repayment terms.
  - iii) Employees are responsible for:

- a) Complying with all aspects of this policy.
  - b) Ensuring time and attendance records are correct to prevent overpayments.
  - c) Immediately notifying Human Resources of any overpayments received in error and cooperating in establishing a repayment plan.
  - d) Regularly checking LEO or other pay records to ensure proper payment and detect overpayments.
- iv) Human Resources is responsible for:
- a) Developing internal control policies to ensure an effective system to prevent overpayments.
  - b) Notifying the supervisor when and if the applicant has met all of the conditions of the Conditional Offer of Employment, and that a final offer of employment may be made.
  - c) Immediately notifying the employee of any overpayments received in error and working with the employee in establishing a repayment plan.
  - d) Maintaining Conditional Offer of Employment Form.
  - e) Notifying Financial Services of outstanding overpayments for reporting of the accounts receivable in accordance with LAC 4:III.714, and LAC 4:XIII.101, et seq.
- v) Time Administrators are responsible for:
- a) Following all procedures intended to assure the accurate input of employees' time and attendance.
  - b) Notifying Human Resources immediately when he believes that an employee has been inaccurately paid.
7. EXCEPTIONS
- i) Requests for exceptions to this policy should be submitted through Human Resources to the Superintendent, or his designee, with specific and compelling documentation. Documentation should include:
- a) Name and title of the individual overpaid.
  - b) Section/Unit in which he is employed.
  - c) Amount of the overpayment.
  - d) Circumstances leading up to the overpayment.
  - e) Reason(s) it was decided not to recoup the overpayment, or to allow longer than one year for the recoupment.
  - f) Any exception must have the approval of the Superintendent, or his designee.