



Recoupment of Overpayments

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I. Definitions

Active employee – employee currently employed by the agency that overpaid the employee.

Agency – any one of the 20 major departments of state government 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 for payroll.

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

Direct Deposit Reversal – a formal request to the financial institution to return funds deposited into an 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 that processes payroll through the ISIS HR system

ISIS HR Non-Paid Agency – a state agency that uses a system other than the ISIS HR system to process payroll

Losing Agency – the agency from which the overpaid employee is terminating/separating

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

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

Overpayment – unearned compensation of state funds to employees

Recoupment – reimbursement to the agency 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

II. Introduction

- A. 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, 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. As a result, state agencies are required to make a reasonable effort to recoup overpayments to both active and separated employees. Agencies must also establish internal controls to help prevent overpayments. This policy applies to the entire LCTCS and all payroll systems through which employees of the LCTCS are paid. It thereby incorporates the procedures of the Recoupment of Overpayments rule (LAC 4:III. Chapter 7) established by the Office of the Governor, Division of Administration, Office of State Uniform Payroll.

III. Notification to Employee of Overpayment

- A. Employees must be notified immediately once an agency determines that an overpayment has been made. Written notification must be provided prior to withholding the recoupment from a future payment(s). The notification to the employee must include the following:
 - 1. Pay date(s) the overpayment occurred;
 - 2. Amount of the overpayment;
 - 3. Agency plan of action for recoupment;
 - 4. Employee options for reimbursement of overpayment, as appropriate;
 - 5. Reason for overpayment; and
 - 6. Agency procedure by which the proposed recoupment can be disputed.

IV. Recoupment from Active Employees

- A. The following repayment options should be made available, as applicable:
 - 1. Direct deposit reversal;
 - 2. One-time deduction from a subsequent paycheck;
 - 3. Payment plan; or

- a. Recurring deductions can be established according to the procedures established by the payroll system through which the employee is paid, and in any case, shall not exceed 12 months, unless the System President grants an exception;
 - b. Each payroll system of the LCTCS must establish a designated approver for any recoupment payment plan crossing a calendar year and/or fiscal year.
 - 4. Personal payment from employee (i.e.- check, money order);
 - a. Agencies paid through LCTCS centralize payroll must establish a designated approver from whom approval must be obtained prior to accepting a check from an active employee.
- B. If an employee who has been overpaid is separating from the agency, the amount of the overpayment must be withheld from the employee's final paycheck. If the full amount is not recovered, refer to the agency guidelines outlined in the section of this policy entitled Recoupment from Separated Employees.
- C. The amount to be recouped in a one-time payment or in recurring payments cannot bring the employee's bi-weekly gross hourly wage amount below the federal minimum wage.

V. Recoupment from Employees Transferring to Another State Agency

- A. If an overpaid employee is transferring to another state agency, and the losing agency has not completed the recoupment process, the losing agency must notify the gaining agency that the employee has an outstanding balance due the losing agency. The losing agency must provide pertinent documentation regarding the details of the overpayment and the recoupment plan established.
 - 1. Employee transferring from an ISIS HR paid agency to an ISIS HR non-paid agency, employee transferring from an ISIS HR non-paid agency to an ISIS HR paid agency or employee transferring between two ISIS HR non-paid agencies:
 - a. The losing and the gaining agencies must work together to determine a reasonable solution for recouping the overpayment from the employee and for transferring funds received at the gaining agency back to the losing agency.
- B. 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.

VI. Recoupment from Separated Employees

- A. Agencies must notify employee of overpayment according to guidelines in the section of this policy titled Notification to Employee of Overpayment. The written notice to the employee must include a demand for repayment.
- B. The following repayment options are available, as appropriate:
 - 1. One-time personal payment from employee (i.e.-check, money order); or
 - 2. Payment plan;
 - a. Employee may submit multiple payments as agreed upon with the agency
 - b. The period of recoupment shall not exceed 12 months, unless the System President grants an exception.
- C. If an agency is unable to recover overpayments from a separated employee, the agency must follow agency policies regarding consulting the legal department of the specific overpaying agency to determine if legal recourse is warranted. Items to consider are:
 - 1. total dollar value of the overpayment;
 - 2. period of time for which the overpayment has occurred;
 - 3. period of time that has elapsed since the overpayment;
 - 4. cost of the recoupment efforts; and
 - 5. likelihood of success of continued recoupment efforts.

VII. Condition of Employment

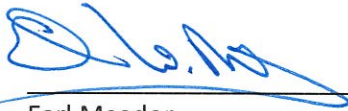
- A. Prior to submitting job offers to prospective employees, a signed statement must be obtained from the prospective employee acknowledging his/her understanding of the agency recoupment policy and that, if overpaid, the overpayment may be recouped in a future pay period after notification from the agency, in accordance with the agency policy. Prospective employees include new hires and employees who have transferred from one agency to another agency.
- B. Agencies are responsible for incorporating this condition of employment within the hiring process and withholding job offers to prospective employees failing to comply with the Recoupment of Overpayment rule.

VIII. Agency Policies and Procedures

A. Agencies must develop specific procedures to follow when an employee has been overpaid.

1. Agencies must incorporate into their recoupment policy the policies and procedures for the collection and reporting of accounts receivable which are published in the November 20, 2002 edition of the *Louisiana Register*.
2. Agencies must incorporate into their recoupment policy a dispute procedure for an employee to follow if the employee does not agree with the agency claim of overpayment.
3. All employees and agency staff who affect the pay process in an agency including timekeepers, employee administration, payroll and human resources, are responsible to assist in achieving an overall effective system of control to produce accurate payments. Thus, agencies are to prepare internal control policies and maintain an effective system of internal controls to prevent overpayments.

Approved:



Earl Meador
Director