Chancellor’s Memorandum
CM-57 – Policy for Recoupment of Overpayments

To: Vice Chancellors, Deans, Department Heads, Administrative Staff, and Students.

From: LSU Health Sciences Center New Orleans Chancellor

March 2, 2007

A. Policy:

It is the policy of Louisiana State University Health Sciences Center – New Orleans (LSUHSC – NO) to recoup overpayments made to employees in accordance with La. Rev. Stat. 42:460 as promulgated by the Louisiana Administrative Code Title 4, Part III, Chapter 7.

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, and 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, LSUHSC – NO is required to recoup overpayments to both active and separated employees.

B. Definitions:

Active Employee - employee currently working for LSUHSC – NO.

Deduction - any voluntary or 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.

Net Pay - the amount of compensation due to the employee after withholding all voluntary and involuntary deductions from the employee’s wages and compensation earned.

Overpayment - unearned compensation of any and all funds administered by LSUHSC-NO to employees.

Prospective Employee – a new hire or an employee who has transferred from another state agency to LSUHSC - NO.

Recoupment - reimbursement of overpayment that was not due an employee.

Separated Employee - employee no longer working for LSUHSC - NO.

Wage - payment for services to an employee.

C. Notification of Overpayment:

Employees shall be notified immediately once LSUHSC - NO determines that an overpayment has been made. Written notification (Notification of Overpayment) to the employee will be provided by the Payroll Department
of LSUHSC - NO prior to withholding the recoupment from future payments. The Notification of Overpayment to the employee shall include the following:

1. Pay date(s) the overpayment occurred;
2. Amount of the overpayment;
3. Reason for overpayment;
4. LSUHSC - NO plan of action for recoupment of overpayment;
5. Employee options for reimbursement of overpayment, as appropriate; and
6. Procedure by which the proposed recoupment can be disputed.

D. Plan of Action for Recoupment from Active Employees:

LSUHSC – NO will recoup overpayments made to Active Employees in one of the following ways:

1. Direct deposit reversal.
2. One-time deduction from a subsequent paycheck:
   - A one-time payment will occur from a subsequent check as long as the deducted amount does not bring the employee’s bi-weekly gross hourly wage amount below the federal minimum wage unless indicated by written approval from the employee.
3. Payment plan as agreed upon by LSUHSC - NO for a period not to exceed twelve (12) months:
   - The number of recurring deductions will be determined by the Executive Director of Financial Services upon recommendation of the Assistant Director of Human Resource Management (HRM) based on the amount of overpayment, as long as the deducted amount does not bring the employee’s biweekly gross hourly wage amount below the federal minimum wage unless indicated by written approval from the employee.
4. Personal payment from employee:
   - Personal payment may be in the form of check or money order made payable to LSUHSC - NO.

If an employee, who has been overpaid is separating or being terminated, the amount of the overpayment shall be withheld from the employee's final paycheck. If the full amount is not recovered by such withholding, LSUHSC shall proceed under the Plan of Action for Recoupment from Separated Employees, contained in this Policy.

E. Plan of Action for Recoupment from Employees Transferring to Another State Agency:

If an overpaid employee is transferring to another state agency, and LSUHSC – NO has not completed the recoupment process, LSUHSC – NO shall notify the new agency that the employee has an outstanding balance due LSUHSC - NO. LSUHSC - NO shall provide pertinent documentation regarding the details of the overpayment and the recoupment plan established. The two agencies will then work together to determine a reasonable solution for recouping the overpayment from the employee and for transferring funds received at the new agency back to LSUHSC - NO. If a payment plan is established in the payroll system of the new agency, the amount to be recouped in a onetime payment or in recurring payments shall not bring the employee's biweekly gross hourly wage amount below the federal minimum wage, unless the employee agrees to have a larger amount withheld in writing.

F. Plan of Action for Recoupment from Separated Employees:

If an overpayment was made to an employee and recoupment is first attempted after the employee has separated from or terminated employment with LSUHSC – NO, the debt shall not be forgiven. LSUHSC – NO
will notify the employee of the overpayment according to guidelines for Notification of Overpayment, contained in this Policy, and repayment will be demanded. The following repayment options are available:

1. One-time personal payment from employee:
   - A one-time personal payment will be required in the form of a check or money order made payable to LSUHSC - NO.

2. Payment plan as agreed upon by LSUHSC – NO for a period not to exceed twelve (12) months:
   - A payment plan of multiple payments may be established by the Executive Director of Financial Services upon recommendation of the Assistant Director of HRM.

If LSUHSC – NO is unable to recover overpayments from a separated employee, the legal department will be consulted to determine if legal recourse is warranted.

G. Notification of Recoupment Policy

All current employees will be notified of this Policy.

As a condition of employment, all prospective employees shall sign a statement acknowledging his/her understanding of the recoupment policy and that, if overpaid, the overpayment may be recouped in a future pay period after notification from LSUHSC - NO in accordance with this Policy. Job offers will be withheld to prospective employees who fail to comply with this Policy.

H. Collection and Reporting of Accounts Receivable

LSUHSC – NO shall handle all applicable reimbursed overpayments in compliance with 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.

I. Dispute Procedure

If an employee/separated employee does not agree with LSUHSC – NO’s claim of overpayment, the employee/separated employee may file an appeal with HRM. The appeal must be received by HRM no later than fourteen (14) days from the date of Notification of Overpayment from the Payroll Department. The appeal must be in writing, explain why the employee/separated employee believes recoupment is not warranted, and must contain any supporting documentation to be considered for review. The Assistant Director of HRM shall make a recommendation to the Executive Director of Financial Services. The Executive Director of Financial Services or his/her designee shall accept, reject, or modify the recommendation. The decision of the Executive Director of Financial Services shall be final. The decision shall be in writing and sent to the employee/separated employee, and a copy shall be sent to the Payroll Department.

Signed: Larry H. Hollier, Chancellor