


# Recoupment of Payroll Overpayments

	<b>Louisiana Department of Health (LDH)</b>	
	<b>Policy Number</b>	2.3
	<b>Content</b>	Policy For The Recoupment of Payroll Overpayments
	<b>Effective Date</b>	November 16, 2018
	<b>Inquiries to</b>	Division of Human Resources 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 an agency compensates an employee at an amount that the agency does not owe them and that the agency has paid in error. The reasons for payroll overpayments include, but are not limited to, overpayment of wages, accrual leave paid in error, as well as erroneous refunds of deductions. Article 7, Section 14 of the Louisiana State Constitution prohibits unearned payments to employees that constitute the donation of public funds. Therefore, Louisiana Department of Health (LDH) offices and facilities shall put into place the procedures contained in this policy to recoup overpayments to both active and separated employees, and establish internal controls to prevent overpayments.

## II. APPLICABILITY

This policy applies to all LDH offices and facilities.

### III. DEFINITIONS

- A. **Active Employee:** employee currently working for the agency.
- B. **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 LaGov for payroll and those agencies not using LaGov.
- C. **Deduction:** any voluntary/involuntary reduction in net pay (e.g., health insurance, United Way, taxes).
- D. **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.
- E. **Direct Deposit Reversal:** a formal request to an employee's financial institution to return funds deposited into the employee's account.
- F. **Division of Administration (DOA):** the Louisiana state agency under the Executive Department that provides centralized administrative and support services to state agencies as a whole by developing, promoting, and implementing executive policies and legislative mandates.
- G. **Gaining Agency:** the agency to which the overpaid employee is transferring.
- H. **LaGovERP:** A computer-based integrated enterprise system that includes the State Uniform Payroll system, and is provided by the Louisiana Division of Administration and used by the executive branch departments in the State of Louisiana.
- I. **Paid Agency:** a state agency who processes payroll through **LaGovERP**.
- J. **Non-Paid Agency:** a state agency that uses a system other than **LaGovERP** to process payroll.
- K. **Losing Agency:** the agency from which the overpaid employee is transferring or terminating/separating.
- L. **Net Pay:** the amount of compensation due to an employee after withholding all voluntary and involuntary deductions from their wages and compensation earned.
- M. **Office of Debt Recovery:** the section within the Department of Revenue primarily responsible for centralized debt collection owed to the State of Louisiana.
- N. **Office of State Uniform Payroll (OSUP):** the section within DOA primarily responsible for the DOA State Uniform Payroll system and the administration of the rules governing state employee payroll deductions.
- O. **Payroll Overpayment:** unearned compensation from state funds to employees.
- P. **Recoupment:** reimbursement of payroll overpayment from an employee.
- Q. **Separated Employee:** employee no longer working for the agency that overpaid the employee.
- R. **Wage:** payment to an employee for services rendered.

## IV. POLICY PROVISIONS

### A. Division of Human Resources Collection Procedures

For purposes of this provision, “employee” refers to all active and separated employees of LDH. Written notice to employees 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, with the exception that LDH may send written notice to active employees to the employee’s state email account.

The Division of Human Resources must maintain an open recoupment file on the payroll overpayment for at least 60 calendar days, during which time the Division of Human Resources shall conduct the following collection activities.

1. **Authentication of Debt** – The Division of Human Resources 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 Division of Human Resources must notify the employee immediately once it is determined that a payroll overpayment has been made and authenticated.
  - i. The First Notice shall be sent through regular mail to the employee’s last known address on file with the agency, or in the case of an active employee, the First Notice may be sent to the employee’s state email account.
  - ii. The First Notice to active employees is the Recoupment First Notice Active Employees (HR-39).
  - iii. The First Notice to separated employees is Letter A (Addendum A).
  - iv. The First Notice to the employee must include the following:
    - a. Pay date(s) the payroll overpayment occurred;
    - b. Amount of the payroll overpayment;
    - c. Reason for the payroll overpayment;
    - d. Agency plan of action for recoupment;
    - e. Employee options for reimbursement of payroll overpayment, as appropriate;
    - f. Procedures by which the employee can dispute the payroll overpayment;
    - g. The deadline date for the employee’s response;



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 agency's 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 Division of Human Resources for submission. These referrals are not to be submitted directly to OSUP by facility Human Resources.
4. The LDH Division of Human Resources shall refer payroll overpayments exceeding \$25.00 to OSUP if the employee does not respond to the required recoupment notice by the deadline stated in the notice 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 losing agency has not completed the recoupment process, the losing agency must notify the gaining agency that the employee has an outstanding balance due and shall provide the gaining agency with pertinent documentation regarding the details of the overpayment and the recoupment plan established.
  - i. **If the employee is transferring to another paid agency**, the gaining agency shall continue any payment plan that the losing agency established. If the losing agency did not establish a payment plan, the losing agency and gaining agency must coordinate the recoupment of the payroll overpayment through the State Uniform Payroll system. The losing and gaining agencies must follow guidelines established by the Division of Administration for transferring the funds received at the gaining agency back to the losing agency.
  - ii. **If the employee is transferring to a non-paid agency, or if the employee is transferring in to LDH from a 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 the gaining agency establishes a payment plan in the payroll system of the gaining agency, the amount the agency recoups 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, the gaining agency must obtain written approval for the larger amount from the employee.

**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 their understanding of the LDH recoupment policy and that, if they are 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.

## V. 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.

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 their authority that they deem to be in the best interest of the Department.

## VI. VIOLATIONS

Violations of this policy may result in corrective action or disciplinary action. Corrective action includes Improvement Letters (Civil Service Rule 12.9), verbal counseling, documented counseling, and/or reprimand. Letters issued for corrective action are at the sole discretion of the Appointing Authority. Disciplinary actions are Suspension without Pay, Reduction in Pay, Involuntary Demotion, and Dismissal (Civil Service Rule 12.3). Any disciplinary action taken is at the sole discretion of the Appointing Authority.

## VII. 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

### VIII. REVISION HISTORY

<b>Date</b>	<b>Revision</b>
June 2, 2005	Policy created
March 21, 2011	Policy revised
April 14, 2014	Policy revised
November 16, 2018	Policy revised
October 25, 2023	Policy reviewed
November 30, 2023	Policy updated
November 7, 2024	Policy reviewed
November 11, 2025	Policy reviewed
March 26, 2026	Policy updated

## Addendum A

{Address Block}

{Today's Date}

RE: Notice Regarding Outstanding Claim

Dear {Employee Name}:

This notice serves to advise you that during your employment with {Agency Name}, you received an overpayment of wages. The overpayment occurred on {Pay date} when you were compensated for {Reason for overpayment}. Due to this error, you were overpaid by \${Amount}. 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, we are required to collect this money as debt owed to the State of Louisiana until the debt is paid in full.

Repayment is due within 60 calendar days from the date of this notice or your debt will be turned over to the Office of Debt Recovery (ODR) and its joint partners, the Louisiana Department of Revenue and the Louisiana Office of the Attorney General for collection. In accordance with Revised Statute 47:1676 (E), an additional collection fee of up to 25% may be added to your current debt. A claim will be filed with the UNITED STATES TREASURY OFFSET PROGRAM. All payments "eligible for offset" will be seized, up to the amount of your debt plus any additional fees.

Total amount owed: \$\_\_\_\_\_ at this time.

To avoid additional collection fees, send payment in full within 60 calendar days of the date of this notice. If payment is not received in the next 60 days, the debt will be considered final with no further administrative review. Make your check or money order payable to Louisiana Department of Health. Mail payment to:

Attn:  
Agency  
Human Resources  
Mailing Address

If you have questions regarding this matter, or if you dispute this claim, contact me at 225-\_\_\_\_-\_\_\_\_.

Thank you for your prompt attention.

Sincerely,  
(HR Representative Signature)

## Addendum B

{Address Block}

{Today's Date}

RE: Final Notice Regarding Outstanding Claim

Dear {Employee Name}:

This final notice serves to advise you that during your employment with {Agency Name}, you received an overpayment of wages. The overpayment occurred on {Pay date} when you were compensated for {Reason for overpayment}. Due to this error, you were overpaid by \${Amount}. 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, we are required to collect this money as debt owed to the State of Louisiana until the debt is paid in full.

Our office previously contacted you advising of this debt you owe and requested that you contact us to set up a repayment plan or to repay the entire amount. There has been no response and this amount is now due in full within 30 calendar days from the date of this final notice or your debt will be turned over to the Office of Debt Recovery (ODR) and its joint partners, the Louisiana Department of Revenue and the Louisiana Office of the Attorney General for collection. In accordance with Revised Statute 47:1676 (E), an additional collection fee of up to 25% may be added to your current debt.

Total amount owed: \$\_\_\_\_\_ at this time.

To avoid additional collection fees, send payment in full within 30 calendar days of the date of this notice. Make your check or money order payable to Department of ABC. Mail payment to:

Attn:  
Agency  
Mailing Address

If you have questions regarding this matter, or if you dispute this claim, contact me at 225-\_\_\_\_-\_\_\_\_.

Thank you for your prompt attention.

Sincerely,  
(HR Representative Signature)