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## Salary and Wage Overpayment Prevention and Recoupment Policy

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- Scope:** All campuses served by Louisiana State University (LSU) Office of Accounting Services
- Effective:** August 1, 2021. This FASOP supersedes and replaces all prior versions.
- Purpose:** To establish policies and procedures to prevent salary overpayments and to recoup salary overpayments to ensure compliance with the Louisiana Constitution and Louisiana laws.
- Background:** Overpayments occur when compensation that is not owed to an employee is paid. Overpayments include, but are not limited to, overpayment of wages, leave paid in error, alterations to time entry, and erroneous refunds of deductions. Intentional acts resulting in overpayments are indicative of fraud and will be handled in accordance with Permanent Memorandum (PM) 76: *Detection, Reporting, and Investigation of Incidents of Financial Irregularity*.

Article 7, Section 14 of the Louisiana Constitution states, “. . . the funds, credit, property, or things of value of the state or of any political subdivision shall not be loaned, pledged, or donated to or for any person, association, or corporation, public or private.” A payment for something that an employee did not earn constitutes a bonus and is considered a donation of public funds that is specifically prohibited by the Louisiana Constitution.

Louisiana Revised Statute (R.S.) 47:1676.A.(1) states, “It shall be the public policy of this state to aggressively pursue the collection of accounts or claims due and payable to the state of Louisiana through all reasonable means.”

It is incumbent upon LSU to establish policies and procedures designed to prevent overpayments to employees to exercise every reasonable means to recover overpayments that occur.

LSU is required to recoup overpayments for both active and terminated employees. The processes or methods of collection may vary depending on a number of variables. These may include, but are not limited to, system generated adjustments, fiscal years, calendar years, or the tax state in which the employee works.

The policy outlined below describes the internal controls designed to prevent overpayments and methods for recoupment of the applicable overpayment. Each college, department, unit, or LSU entity is responsible for complying with these policies and procedures as applicable.

### NOTIFICATION OF POLICY

Human Resource Management (HRM) is responsible for notifying all current employees of this policy.

As a condition of employment, all prospective employees shall sign a statement acknowledging their understanding of the recoupment policy.

In addition, LSU strongly encourages all employees to use direct deposit for their paychecks and includes the following on the direct deposit form:

*I hereby authorize Louisiana State University (LSU) to initiate credit or reversing entries and to make adjustments for any credit entries in error to my account at the indicated financial institution(s), and I hereby authorize the indicated financial institution to accept and to post such entries to my account. I understand that it is my responsibility to verify the crediting of funds by my financial institution prior to initiating disbursements against my account. This authorization may be terminated by LSU at any time.*

*Any debt owed to the university, including, but not limited to, unearned salary/benefits/reimbursements, tuition and fees, payment of fines, fees, and penalties, shall be recovered through payroll deduction. Debt which exceeds available net payroll funds, any delinquent debt, or debt that is not authorized for payroll deduction shall be placed with the Attorney General's Office for collection in accordance with the State of Louisiana guidelines. Collection/attorney fees in the amount of 25% of the unpaid debt and all court costs shall be the obligation of the employee.*

## **DEFINITIONS**

*Active Employee* - employee currently working for LSU.

*Deduction* - any voluntary or involuntary, pretax or post tax reduction to an employee's gross salary (e.g., health insurance, United Way, taxes).

*Direct Deposit Reversal* - a formal request to the employee's financial institution to return funds deposited into an employee's bank account.

*LSU Entity* – LSU A&M , LSU at Alexandria, LSU at Eunice, LSU in Shreveport, LSU Agricultural Center, and Pennington Biomedical Research Center.

*Net Pay* - the amount of compensation due to the employee after withholding all voluntary and involuntary, pretax or post tax deductions from the employee's wages and compensation earned.

*Overpayment* - unearned compensation of all funds administered by LSU and paid to employees.

*Prospective Employee* - a new hire or an employee who transfers from another state entity to LSU.

*Recoupment* - reimbursement of payments to an employee that were not earned (i.e., overpayments).

*Terminated Employee* - employee no longer working for LSU, whether voluntarily or involuntarily.

*Wage* - payment for services to an employee - faculty, professional staff, civil service classified, students, and any other university staff who are compensated for services provided to LSU.

## **CONTROLS DESIGNED TO PREVENT OVERPAYMENTS**

A critical control designed to reduce the risk of overpayments is entering timely terminations. When a termination is entered in the system of record, the system automatically routes the action to the

supervisor and then to HRM for review. After the HRM review is completed, a notification is sent to Payroll. As a decentralized organization, terminations are typically entered in system of record at the college, department, unit or LSU entity level.

At no time should any individual – faculty, staff, student, etc. – perform work before the hire date. The system of record does not allow time entry for any individual, nor will it allow payment to an individual who is not in a hired (employee) status. In the rare circumstance where this may occur, there is a legal obligation to pay a person for work performed prior to the official hire date. The department, HRM, Payroll, and legal counsel, if necessary, shall ensure that payment is made and complies with Louisiana laws and regulations, as well as LSU policies and procedures.

## **TERMINATIONS**

The majority of overpayments result from untimely notice of employees' voluntary terminations from LSU and from failure to submit the termination action in the system of record timely. Some employees are paid on a negative time entry basis – only entries for leave taken are required. Therefore, if an employee's termination has not been entered into the system of record prior to the payroll run date for the effective period, the employee may continue to be paid. In addition, an employee's access to the system of record may not be removed timely, creating additional security risks

The policies for voluntary terminations are, at the minimum, to include the following:

### **A. Terminations [Voluntary – Academic Professional, and Wage Employees]**

1. Employees terminating their employment with LSU should submit notice of their intent to resign to their immediate supervisors who are responsible for ensuring employees' termination information is entered into the system of record.
2. Employees who are retiring from LSU should submit notice of their intent to retire to their immediate supervisors. In addition, the employee is required to contact the HRM retirement manager to ensure all retirement benefit documents are completed timely.

### **B. Terminations [Voluntary - Student, Temporary, and When Actually Employed (WAE) Employees]**

1. Employees terminating their employment with LSU should submit notice of their intent to resign to their immediate supervisors who are responsible for ensuring employees' termination information has been entered into the system of record.
2. For a student worker who has not submitted work hours for four months, Payroll shall email the Student Employment Partner in the student's department asking the department to confirm that the student is still employed. The notice shall include a proposed termination date by which date the college, department, unit, or LSU entity will terminate or suspend (using a compensation end date) the student's work status to ensure overpayments do not occur. The termination date should be the last date the student worked. A student may work during the Fall and Spring semesters, but not the summer. Using a four-month period allows the student to remain employed from one academic year to the next without having to be terminated and rehired.
3. The Student Employment Partners are responsible for entering terminations for student workers in the system of record.

4. HRM requires that transient and WAE employees who have not entered time within four months of their last paychecks be terminated in the system of record.

Payroll is required to monitor temporary and WAE employees' cumulative hours worked to ensure employees have not exceeded the allowed hours for their assignments. For temporary employees whose assignments are based on dates or events (e.g., filling positions temporarily until an individual is hired to fill the position), both HRM and Payroll are required to review pay dates to ensure temporary employees' employment has not been extended by the documented end date or event without supporting documentation approved by an appropriate level of management.

5. If no documentation has been sent to HRM to support extending a temporary or WAE employee's employment period (for an employee who has not been terminated as in Section B.3 above, HRM shall terminate or suspend the employee in the system of record as of the end of the specified employment period.

### **C. Terminations (Involuntary)**

Involuntary terminations are coordinated with/between HRM and the department/unit.

## **TIMEKEEPING/REPORTING**

### **Accurate timekeeping is critical to ensuring that salary overpayments do not occur. Timekeeping (Academic and Professional Employees)**

Academic and salaried professional employees are not required to report their time using timesheets. However, academic (who earn leave) and professional employees are required to enter their leave in the system of record. Failure to enter leave when taken may result in inaccurate leave balances. This can lead to overpayments of leave balances upon termination.

Each month, academic (who earn leave) and professional employees are sent an email notification requiring certification of leave taken in the previous pay period.

1. Academic employees are required to certify that all leave entered in the period is accurate.
2. Because the payroll pay date is the 21<sup>st</sup> and the last working day of the month for academic and professional employees, respectively, leave hours may be entered after the actual pay date. The employee is responsible for entering all leave taken, whether it is entered before or after the pay date. Supervisors are required to approve all leave taken.
3. Employees shall enter leave corrections in the system of record immediately upon identification of any errors or discrepancies.

### **A. Timekeeping (Wage and Student Employees)**

Wage and student employees are generally paid on an hourly basis and are required to enter time in the system of record for all time worked. Employees are not paid based on time recorded in external systems or other forms of recordkeeping.

1. Wage and student employees are responsible for entering their hours worked timely. Managers and/or departmental timekeepers are responsible for ensuring wage and student hours are

entered timely and approved by supervisors before the published payroll deadline. Wage and student employees will not be paid if hours are not recorded and approved.

2. For a student worker who has not submitted work hours for four months, Payroll shall email the Student Employment Partner in the student's department to confirm that the student is still employed. The notice shall include a proposed termination date by which the college, department, or unit will terminate or suspend (using a compensation end date) the student's work status in the system of record.
3. The Time Not Submitted report in the system of record should be used to identify employees who entered time but did not submit it for approval.

### **NOTIFICATION OF OVERPAYMENT**

Employees will be notified immediately once it has been determined that an overpayment has occurred. Written notification (*Notification of Overpayment*) to the employee shall be provided by the employing department who initiated the personnel/compensation change. If the overpayment is discovered by Payroll during the Payroll process, Payroll will notify the employee in writing by either email or letter.

The Notification of Overpayment to the employee will include the following:

- A. Pay date(s) the overpayment occurred;
- B. Amount of the overpayment;
- C. Reason for overpayment;
- D. LSU plan of action for recoupment of overpayment;
- E. Employee options for reimbursement of the overpayment, as appropriate; and
- F. Procedure by which the proposed recoupment may be disputed.

### **RECOUPMENTS OF OVERPAYMENTS**

Overpayments made to employees, are considered debt owed to LSU and are reported as accounts receivable. Any debt owed to the university, including, but not limited to, unearned salary/benefits/reimbursements, tuition and fees, payment of fines, fees, and penalties, shall be recovered through payroll deduction. Debt which exceeds available net payroll funds, any delinquent debt, or debt that is not authorized for payroll deduction shall be placed with the Attorney General's Office for collection in accordance with the State of Louisiana guidelines. Collection/attorney fees in the amount of 25% of the unpaid debt and all court costs shall be the obligation of the employee.

LSU is required to actively pursue recoupment of all overpayments made to employees. When an overpayment occurs, the university will work with the employee to develop a schedule to recoup overpayments within a reasonable timeframe. Payroll has the authority to adjust the recoupment schedule based on limited, special circumstances surrounding the overpayment.

LSU will recoup overpayments made to Active Employees in one of the following ways:

1. Direct deposit reversal – LSU has the ability to reverse a direct deposit, within a certain

timeframe, and will adjust the transaction for the total overpayment.

2. One-time deduction from a subsequent paycheck.
3. Payment plan as agreed upon by LSU:
  - a. The number of recurring deductions will be determined by Payroll based on the amount of overpayment and the length of time in which the overpayment occurred.
  - b. Personal payment from the employee:

The employee shall reimburse LSU for the overpayment with cash, or with check or money order made payable to LSU.

#### **A. Recoupment of Overpayments from Employees Leaving the University**

If an overpaid employee is terminated (voluntary or involuntary) and LSU has not completed the recoupment process, LSU will deduct the remaining balance from the employee's final LSU paycheck and/or leave payout. If the final check and/or leave payout is not sufficient to recoup the entire amount owed, the remaining balance will be set up as an accounts receivable. Debt which exceeds available net payroll funds, any delinquent debt, or debt that is not authorized for payroll deduction shall be placed with the Attorney General's Office for collection in accordance with the State of Louisiana guidelines. Collection/attorney fees in the amount of 25% of the unpaid debt and all court costs shall be the obligation of the employee.

#### **Recoupment of Overpayments from Separated Employees**

If an overpayment to an employee is discovered after separation or termination, LSU shall notify the employee of the overpayment according to guidelines for Notification of Overpayment, contained in this policy. The following repayment options are available:

1. Direct deposit reversal if discovered within five (5) business days of the original payment date or with the employee's permission.
2. Personal payment from the employee:

The employee shall reimburse LSU for the overpayment with cash, check or money order made payable to LSU. If LSU is unable to recover overpayments from a separated employee, the remaining balance will be established as an accounts receivable. Debt which exceeds available net payroll funds, any delinquent debt, or debt that is not authorized for payroll deduction shall be placed with the Attorney General's Office for collection in accordance with the State of Louisiana guidelines. Collection/attorney fees in the amount of 25% of the unpaid debt and all court costs shall be the obligation of the employee. Monthly statements will be sent to the last address of record.

#### **DISPUTE PROCEDURE**

If an individual does not agree that an overpayment has occurred, an appeal may be filed with Payroll. The appeal must be received by Payroll no later than fourteen (14) days from the date of *Notification of Overpayment*. The appeal must be in writing and include the reason for the dispute and any pertinent supporting documentation to be considered for review. The Payroll Director will make a recommendation

to the Associate Vice President for Accounting Services. The Associate Vice President for Accounting Services or his/her designee shall accept, reject, or modify the recommendation. The decision of the Associate Vice President for Accounting Services shall be final and shall be provided in writing to the disputing party.

## **RESPONSIBILITIES**

### **EMPLOYEE**

Employees are responsible for timely and accurate reporting of time, leave, and certifications. Inaccurate and/or false reporting of time and/or leave is considered payroll fraud. All instances of potential payroll fraud will be referred to Internal Audit in accordance with [PM-76](#) for review and appropriate action.

Employees are responsible for ensuring their paycheck information is accurate by reviewing their pay slips available in the system of record. If paycheck information appears inaccurate or unexpected, employees are required to report this information to Payroll immediately.

Any debt owed to the university, including, but not limited to, unearned salary/benefits/reimbursements, tuition and fees, payment of fines, fees, and penalties, shall be recovered through payroll deduction. Debt which exceeds available net payroll funds, any delinquent debt, or debt that is not authorized for payroll deduction shall be placed with the Attorney General's Office for collection in accordance with the State of Louisiana guidelines. Collection/attorney fees in the amount of 25% of the unpaid debt and all court costs shall be the obligation of the employee.

### **SUPERVISORS/MANAGERS**

Supervisors are responsible for the following:

1. Ensuring that time is reported accurately and timely by employees.
2. Time and attendance are appropriately approved and that any supporting documentation exists and is maintained on file. For example, supporting documentation may include an employee sign-in sheet signed by a supervisor attesting to hours worked for a specific event.
3. Timely notifying appropriate personnel of personnel actions that must be processed, such as terminations of employment and changes in pay.

### **DEPARTMENTAL HRM ROLES**

The HR Specialist performs HR functions for classified, unclassified, other academic, faculty, transients, and WAE employees for their assigned organization(s). HR Specialists have Recruiting Coordinator, HR Analyst, and, if applicable, the Academic Partner security roles in the system of record. These security roles provide the ability to process recruiting, hires, compensation, and academic transactions in the system of record for their assigned supervisory organizations. It is the responsibility of the employee holding any of these roles to ensure personnel actions are processed timely to prevent overpayment of wages. Personnel actions must be loaded timely. Termination actions should be loaded within the same business day of notification.

### **CONSEQUENCES**

1. Failure to follow these policies and procedures may result in disciplinary action up to and including termination as determined by HRM.
2. Inaccurate reporting of time information is a serious infraction that can cause overpayments or underpayments and is indicative of payroll fraud. Situations in which employees willfully and intentionally report information inaccurately will be handled in accordance with PM-76.
3. Security may be revoked for employees who commit errors frequently, but not willfully. In addition, the errors will be reported to the Department Head to facilitate additional training and/or for disciplinary action.
4. Employees with balances owed to the university and for which an accounts receivable has been established shall not have access to copies of their LSU transcript information or diplomas if the university is unable to recoup the overpayment.
5. Salary overpayments not recouped in the same calendar year may have adverse tax consequences for the employee. Guidance can be found in IRS Publication 525 for salary overpayments not recouped in the same calendar year.
6. Salary overpayments cannot be charged to a grant account; therefore, any overpayment that occurs on grant funds will be transferred to a departmental account. The overpayment will be credited back to an unrestricted departmental account if it is collected within the same fiscal year.
7. Payroll shall provide a list of salary overpayments (along with their collection status) to the Provost and the Executive Vice President for Finance and Administration/CFO each February after the close of the calendar year. The list will be used to determine if departments with a high volume of overpayments need additional training or if security privileges and job responsibilities should be removed or transferred to another employee.