

DEPARTMENTAL POLICIES

POLICY#414	SUBJECT: Overpayment Policy and Procedures
EFFECTIVE DATE: June 15, 2012	PAGE 1 of 4
APPROVED BY: Vivian Rapposelli, Cabinet Secretary	

OVERPAYMENT POLICY AND PROCEDURES

I. PURPOSE

To establish policy and procedures for identifying, correcting and recovering wage and salary overpayments to Department of Services for Children, Youth and Their Families employees.

II. POLICY

Overpayments can result from inaccurate processing or delays in processing pay-related information, inaccurate leave accrual payments upon separation, system failures and human error. Regardless of the origin of the errors, there is a shared responsibility between the employee, the employee's supervisor, the timekeeper, Human Resources and Payroll to correct the errors and recover the funds in a timely manner.

Overpayments, as a legal debt, must be promptly repaid to the State of Delaware regardless of the origin of error and/or the dollar amount. This policy is intended to identify the appropriate procedure to seek collection of excess wage and salary payments.

III. DEFINITIONS

- A. "Overpayment" is defined as compensation paid to an employee in excess of the amount owed to them. For purposes of this policy, overpayments also include voluntary and involuntary deductions.
- 8. "Repayment" is the process by which an employee or former employee returns the excess funds to the State of Delaware.

IV. RESPONSIBILITIES

- A. Employees are expected to review their wage and salary payments each pay period for accuracy and promptly report any discrepancies to their timekeeper, who will in turn send a correction request to the Payroll Unit. When overpayments have been identified, employees will work with the Payroll Unit to promptly repay the debt to the State. If the error is

discovered by Human Resources or the Payroll Unit, the Payroll Unit will send a letter to the employee describing why the overpayment occurred and the expectation for repayment.

8. The Payroll Unit is responsible for making timely and accurate wage and salary payments to Department employees. When an overpayment is identified, the Payroll Unit will review system records to determine the source of the error and calculate the net overpayment amount, accounting for taxes and withholdings. *(Note: The employee is only required to repay the net amount if repayments are recouped within the same tax year. By federal regulation, if repayment crosses tax years, the full gross amount must be repaid less Social Security and Medicare.)*
- C. Once it is discovered that an overpayment error exists, the Payroll Unit will complete the PHRST payroll repayment worksheet for a payroll overpayment (either current year or prior year) and fax it to PHRST to ensure that calculations of the overpayment are correct. Once PHRST notifies the Payroll Unit that the overpayment is accurate, the collection process is initiated. The Payroll Unit will manage the recovery process, including: correspondence, repayment arrangements, receipt of funds in compliance with accepted fiscal practices.
- D. Notice of Overpayment: The Payroll Unit will take appropriate action to correct any errors in the payroll system and begin the notification process. Active and inactive employees shall receive written notification by e-mail or through a form letter, via certified mail, return receipt requested to the individual's home address (as listed in PHRST) as appropriate. The notification will include the following information:
 - The amount of overpayment
 - The date(s) which the overpayment occurred
 - The reason for the overpayment
 - The employee/former employee's options for repayment

If the employee/former employee does not respond to the letter or meet to discuss/dispute the overpayment within 15 calendar days of the initial letter being sent, the Payroll Unit will contact the employee/former employee. If a repayment plan cannot be agreed upon after 15 days, further action will be taken.

Correction to the employee's payroll and/or human resources record may occur prior to notifying the employee. Such action is taken to prevent future overpayment efforts. However, no withholdings for the purpose of recouping funds will take place until the employee has been notified.

- E. Repayment Options: An active employee may elect to repay the State in one of the following ways:

1. Personal check made payable to the State of Delaware
2. Payment Plan agreed upon by the employee and the Payroll Unit-through a series of payroll deductions for a period not to exceed six (6) months (this is only for current year overpayments). Exception requests can be submitted in writing to the Controller and Human Resource Manager and will be reviewed on a case by case basis.

When establishing a payment plan, keep in mind that the total deduction amount cannot bring the employee's bi-weekly gross hourly wage amount below minimum wage. Separated employees may opt to repay the debt through one payment with a personal check or on a Personal Payment Plan agreed upon by the Payroll Unit.

- F. Positive Relationships: The above guidelines have been established to ensure that a policy and process are in place for identifying, correcting and recovering wage and salary overpayments. The Department is mindful that issues around "money" can pose a hardship for employees and may be difficult to address. Notifications and recovery of all overpayment funds should be undertaken with discretion and confidentiality.
- G. Monitoring Overpayments: The Payroll Unit will send a monthly overpayment report to the Controller and Human Resource Manager detailing the activity of all identified overpayments. This report is intended to monitor the status of outstanding debts and certify corrections where funds have been recovered.

V. ENFORCEMENT

The Division of Management Support Services reserves the right to take additional steps to recover overpayments, up to and including filing the claim with a small claims court or the Attorney General.

FINAL NOTICE OF PAYROLL OVERPAYMENT

DATE

CERTIFIED MAIL#

RETURN RECEIPT REQUESTED

Name

Address

Address

City, State, Zip

Employee ID #

Paycheck Advice Amt \$ _____

Overpayment of Wages

Dear (Employee)

The Division of Management Support Services, Payroll Unit has received notification that you have been overpaid wages due to (reason). Because the State issued a payment to you for these wages based on incorrect information, you now owe the total amount to the State Treasurers Office.

Pursuant to Delaware Code, Title 29, Chapter 59, §5943 (c), the State may maintain an action for the reimbursement of wages, benefits or both, paid contrary to this chapter, the merit rules or the Director's regulation adopted there under, against the recipient employee. All moneys recovered in such action shall be paid to the State of Delaware and credited to the account from which original payments had been drawn. You have fifteen (15) days from receipt of this notice to tender payment of the total amount of (\$). Unless this amount is paid in full within fifteen (15) days or payment arrangements are made through the Payroll Unit, we will have no choice but to pursue legal action.

When submitting payment, please make the check or money order out to the State of Delaware with your employee ID number noted on the payment.

For proper posting, please mail the total amount and your employee ID number to the following:

State of Delaware

Division of Management Support Services

Attn: Fiscal Services, Payroll Unit

1825 Faulkland Road

Wilmington, DE 19805

Notice Issued By: Division of Management Support Services, Payroll Unit