



ADMINISTRATIVE POLICIES AND PROCEDURES

Policy: Overpayment Recovery and Wage Deduction Policy

Creation Date: July 14, 2015

Revision Date: March 7, 2016

Prepared By: HR Department

Approved By: City Manager

Legal Review: Elizabeth Ruhmann

POLICY: OVERPAYMENT RECOVERY AND WAGE DEDUCTION POLICY

The City of El Paso (the "City") takes all reasonable steps to ensure that employees receive the correct amount of pay in each paycheck and that employees are paid promptly on the scheduled paydays.

In the unlikely event that there is an error in the amount of pay, the employee should promptly bring the discrepancy to the attention of the Payroll Department so that corrections can be made as quickly as possible. If the employee has been underpaid, the City will pay the employee the difference as soon as possible. If the employee has been paid in excess of what he or she has earned, the employee will need to return the overpayment to the City as soon as possible. No employee is entitled to retain any pay in excess of the amount he or she has earned according to the agreed-upon rate of pay. If a wage overpayment occurs, the overpayment will be regarded as an advance of future wages payable and will be deducted in whole or in part from the next available paycheck(s) until the overpaid amount has been fully repaid. Each employee will be expected to sign a wage deduction authorization agreement authorizing such a deduction.

The City may deduct money from an employee's pay to recoup the cost of replacing any City supplies, materials, equipment, money, or other property that the employee may damage (other than normal wear and tear), lose, fail to return, or take without appropriate authorization from the City, during his or her employment. Except in the case of misappropriation of money by the employee, in no event will such a deduction be taken that will cause an employee's pay to fall below minimum wage or cause a salaried exempt employee's salary to fall below its predetermined amount.

DEFINITIONS:

Overpayment is defined as compensation paid to an employee in excess of the amount owed to them, including, but not limited to, overpayment of wages and leave (vacation, sick, personal) pay.

Repayment is the process by which an employee or former employee returns the excess funds to the City.

ADMINISTRATION:

Overpayments can result from/for numerous reasons, including inaccurate processing or delays in processing or delays in processing of pay-related information, inaccurate leave balance accrual and/or use, inaccurate accrual payments upon termination, system failures and human error. Regardless of the origin of error, there is a shared responsibility between the employee, Human Resources and Payroll to correct the errors and recover the funds in a timely manner.

RESPONSIBILITIES:

Employees are expected to review their salary payments each pay period for accuracy and promptly report any discrepancies to their supervisor, HR or Payroll department. When overpayments have been identified, employees will work with Payroll to promptly repay the debt.

Human Resources is responsible for maintaining accurate employee records. Once it is discovered that an overpayment error exists, HR will issue a Payroll Overpayment Recovery Form. The Payroll Overpayment Recovery Form is forwarded to Payroll for additional documentation. This form initiates the collection process.

Payroll is responsible for making timely and accurate salary payments to employees. When an overpayment is identified, Payroll will review system records to determine the source of the error and calculate the overpayment amount, accounting for taxes and withholdings. (Note: The employee is only required to repay the net amount if repayment is recouped within the same tax year. By federal regulation, if repayment crosses tax years, the full gross amount must be repaid less Social Security, Medicare, retirement and long-term disability variances.) Payroll will manage the recovery process, including: notification to and correspondence with the employee, repayment arrangements, receipt of funds in compliance with accepted fiscal practices and applicable state and federal laws and regulations, and crediting the appropriate departments/accounts after repayment is recovered. Payroll will also complete and mail an amended W-2 or W-2c, if applicable.

NOTICE OF OVERPAYMENT:

Payroll will take appropriate action to correct any errors in the payroll system and begin the notification process. Employees (active and former) shall receive written notification of the overpayment, which will include the following information:

- The amount of the overpayment;
- The date(s) that the overpayment occurred;
- The reason for the overpayment;
- Supporting documentation and breakdowns; and
- The options for repayment.

Correction to the employee's payroll and/or HR record may occur prior to notifying the employee. Such action is taken to prevent future overpayment errors. However, no withholding for the purpose of recouping funds will take place until after the employee has agreed upon the repayment method and provided HR/Payroll with written authorization to deduct funds from the employee's paychecks.

REPAYMENT OPTIONS:

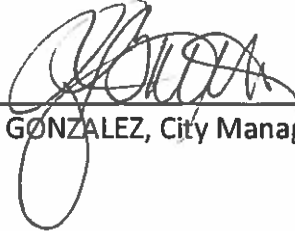
An active employee may elect to repay the City in one of the following ways:

- Personal check made payable to the City; and
- Payment plan agreed upon by the City through one or more payroll deductions for a period not to exceed twelve (12) months. An exception request may be submitted in writing to the Director of HR and will be reviewed on a case-by-case basis.
- The Director of HR and the employee may agree, in writing, on other acceptable repayment plans.

Employees who elect to repay the debt through payroll deductions must provide Payroll with written approval to deduct such amounts (*e.g.*, a Wage Deduction Authorization Agreement). If the employee leaves employment before paying back an overpayment, the amount still outstanding will be recovered by deduction from the employee's disposable earnings in the final pay check.

Once full repayment is received, updates will be made to the employee's gross pay, taxes, deductions and benefit records. If required, Payroll will issue an amended W-2 or W-2c Form. Separated employees may opt to repay the debt through personal check or on a personal payment plan agreed upon by the City, not to exceed twelve (12) months.

APPROVED BY:

FOR 
TOMAS GONZALEZ, City Manager

DATE: July 14, 2015

POLICY: WAGE DEDUCTION AUTHORIZATION AGREEMENT

I understand and agree that my employer, the City of El Paso (the "City"), may deduct money from my pay from time to time for reasons that fall into the following categories:

1. my share of the premiums for the City's group medical/dental/vision plans;
2. any contributions I may make into a retirement or pension plan sponsored, controlled, or managed by the City;
3. full payment or installment payments on loans or wage advances given to me by the City; and if there is a balance remaining when I leave the City, the balance of such loans or advances from my final paycheck;
4. if I receive an overpayment of wages or paid leave (vacation, sick or personal), for any reason, repayment to the City of such overpayments; the deduction for such repayment will equal the entire amount of the overpayment, unless the City and I agree in writing to a series of smaller deductions in specified amounts, pursuant to the City's Overpayment Recovery and Wage Deduction Policy;
5. the value of any time off for absences to which paid leave is not applied (non-exempt salaried employees will have all such unpaid leave deducted from their salary, while exempt salaried employees will experience salary reductions as allowed under federal and state law and City policy);
6. the cost of replacing any City supplies, materials, equipment, money, or other property that I fail to return upon separation from employment;
7. If the City pays any insurance premiums or retirement system contributions ("payments") on my behalf for which I am responsible, the amount of such payments made by the City, such payments being an advance of future wages payable to me.

I agree that the City may deduct money from my pay under the above circumstances, or if any of the above situations occur. I further understand that the City has stated its intention to abide by all applicable federal and Texas wage and hour laws and that if I believe that any such law has not been followed, I have the right to file a wage claim with appropriate Texas and federal agencies.

**EMPLOYEE ACKNOWLEDGEMENT FORM
FOR CITY'S
OVERPAYMENT RECOVERY AND WAGE DEDUCTION POLICY**

I have read and understand the City of El Paso's Overpayment Recovery and Wage Deduction Policy and agree to its terms.

Signature of Employee

Date

Employee's Name - Printed

KRONOS ID

Last Four SS #