




Human Resources Policies and Procedures

Policy Title: Recovery of Compensation Overpayments	Policy Number: 5.12
Effective: June 16, 2016	
Supersedes: N/A	
Approval: 	Page 1 of 3

1.0 Scope

- | | |
|--|--|
| <input checked="" type="checkbox"/> Full-time | <input checked="" type="checkbox"/> Salaried |
| <input checked="" type="checkbox"/> Part-time | <input checked="" type="checkbox"/> Union |
| <input checked="" type="checkbox"/> Temporary/Contract | <input type="checkbox"/> Independent Contractors |

Employees that are covered under the provisions of a collective bargaining agreement will follow the standards as contained in their respective contracts if this policy conflicts with the language in the contract.

2.0 Purpose

To provide guidelines for the recovery of overpayments.

3.0 Policy

Payroll deductions will be made for overpayments to City employees, in accordance with applicable regulations and the Michigan Payment of Wages and Fringe Benefits Act, as amended.

4.0 Responsibility

Payroll will be responsible for the consistent administration and compliance with the Recovery of Compensation Overpayments policy. It is the responsibility of each employee to follow this policy and abide by its intent.

5.0 Definitions

Overpayments under this policy include overpayments of wages, and wage overpayments resulting from errors in voluntary or involuntary deductions for insurance programs or other deductions elected through the City's benefit's plan.

6.0 Procedures

- 6.1** All employees should routinely examine each paycheck to ensure proper payments and deductions have been made. In the event of an improper payment or deduction, the employee should immediately contact Payroll and his/her Supervisor or Unit Manager.
- 6.2** If an overpayment is identified, Payroll will calculate the amount overpaid and notify the employee in writing and provide the employee a *Voluntary Repayment Agreement for Payroll Overpayment* form. A copy of this notification will be sent to Human Resources. Payroll will determine the reason for the overpayment, correct the employee's compensation records and make any necessary changes to prevent future errors.
- 6.3** Payroll will communicate with the employee and explain how the overpayment occurred and discuss a repayment schedule. Payroll overpayments may be recovered from employees by voluntary payroll deduction. The recovery period will be as short as one payment cycle but will extend no longer than six months. Exceptional circumstances will be handled on a case by case basis by Human Resources.
- 6.4** The amount to be deducted per paycheck is limited to the amount of the overpayment per paycheck and can be deducted up to the level of minimum wage for all hours worked (including deductions.) Funds recovered will be credited on the payroll cycle following recovery.
- 6.5** If an active employee, from whom payroll deductions for overpayment are being made, enters into an unpaid status, remaining payments will be withheld from the employee's final payout of vacation, personal and sick time.
- 6.6** The City in all cases reserves the right to pursue collection of remaining overpayments through court proceedings if recovery efforts under this policy have failed.

- 6.7** If the employee does not execute an authorization for repayment, the City may take involuntary deductions for the overpayments, under the following conditions:
- A. The overpayment resulted from a mathematical miscalculation, typo-graphical error, clerical error, or misprint in the processing of the employee's regularly scheduled wages or fringe benefits.
 - B. The miscalculation, error, or misprint was made by the employer, the employee, or a representative of the employer or employee.
 - C. The employer provides the employee with a written explanation of the deduction at least one (1) pay period before the wage payment affected by the deduction is made.
 - D. The deduction is not greater than 15% of the gross wages earned in the pay period in which the deduction is not made, nor does it reduce the regularly scheduled gross wages to a rate that is less than the applicable minimum wage rate.
 - E. The deduction is made after the employer has made all deductions expressly permitted or required by law or a collective bargaining agreement, and after any employee-authorized deduction.
 - F. The withholding is done within 6 months of the overpayment.