



Enterprise Policy

Division of Human Resources

Recoupment of Compensation Overpayment

1. Purpose

To set policies and procedures for the state recoupment of compensation overpayment to employees.

2. Policy

- A. Overpayments occur when compensation, defined herein, is erroneously paid to an employee.
- B. The State of Rhode Island shall pursue recovery of overpayments in full, regardless of how the overpayment occurred, even in cases where the overpayment was the State's error and through no fault of the employee.
- C. It is the employee's responsibility to timely review their bi-weekly paystubs in the state's payroll system to ensure there are no discrepancies in pay or benefits. If an employee discovers a discrepancy, they are required to contact Human Resources.
- D. Where feasible, recoupment of a timesheet amendment overpayment should be completed within the fiscal year in which the overpayment was made.
- E. Human Resources Payroll shall maintain an open recoupment file on each overpayment event for the entirety of the investigation, until the full amount of funds has been recouped and within the appropriate records retention period. These files shall be accessible by Human Resources, Central Payroll and the DOA Division of Legal Services only.
- F. If efforts to recoup the overpaid funds would exceed the overpayment, the Director of DOA or designee may forgo recoupment.

3. Definitions

- A. **"Agency"** means any department, agency, division, or unit within the State of Rhode Island whose employees receive a paycheck from the State and are subject to the payroll policies and practices established by the Department of Administration.
- B. **"Compensation"** means salary, wages, overtime pay, bonuses, stipends, supplemental payments, annual leave paid out and the value of benefits granted directly or indirectly to employees or to an employee's dependent, etc.
- C. **"Deduction"** means any voluntary/involuntary reduction from gross pay (e.g., health insurance, United Way, taxes).
- D. **"Department"** means the Rhode Island Department of Administration.
- E. **"Division"** means the Division of Human Resources within the Department of Administration.

- F. **“Employee”** means any individual who receives a paycheck from the State of Rhode Island, and unless otherwise noted, this includes current (active) employees, seasonal staff, interns, contractors, full- and part-time and former (separated) employees.
- G. **“Overpayment”** means any compensation or refunds of deductions paid from state funds in excess of that which an employee has earned and is entitled to receive.
- H. **“Recoupment”** means reimbursement of overpayment to the State of Rhode Island from an employee.

4. Notification Procedures

Below are the collection procedures for an overpayment:

- A. An employee will be notified in writing by the Division of any overpayment that has occurred within the last three calendar years. The notification will contain a Recoupment Agreement form that the employee must return to the Division to acknowledge the overpayment and designate the Repayment Plan option they have selected.

B. First Notice

1. The Division shall notify the employee, and, if applicable, the appropriate union contacts, via state email or letter that an overpayment occurred. The Division may also follow up with a phone call to the employee. The email will contain the information regarding the overpayment and the employee’s repayment options (See Appendix A), including:
 - i. pay date(s) the payroll overpayment occurred;
 - ii. amount of the payroll overpayment;
 - iii. reason for the payroll overpayment;
 - iv. employee options for reimbursement of payroll overpayment, as appropriate, or the plan of action for recoupment, in accordance with any applicable Collective Bargaining Agreement;
 - v. a statement of consent to the recoupment;
 - vi. contact information to discuss overpayment questions; and,
 - vii. the deadline for the employee’s response.
2. The employee has 15 business days from the date of email or letter to respond to the letter or email by contacting the Division.
3. The employee’s union representative may, with the approval of the employee, respond on behalf of said employee and union shall be included in any recoupment agreement.
4. Nothing in this policy, or the applicable collective bargaining agreement, precludes the union, and DOA from agreeing to a recoupment plan different from what is in this policy or the

applicable collective bargaining agreement; provided the agreed upon plan is acceptable to the employee.

C. Second Notice

1. If the employee does not respond to the First Notice within 15 business days as noted above, a second written notice shall be sent by certified mail to the employee's address of record.
 2. In addition to the information included in the First Notice, the Second Notice will include information about the collections process the Division may pursue if the employee does not enter a Recoupment Agreement.
 3. The employee has 10 business days from the date of the Second Notice to respond to the Second Notice before the Division may refer the overpayment to the collections process.
 4. Notwithstanding the foregoing, if the employee is subject to a collective bargaining agreement that expressly sets out the process for recovering an overpayment, the notification process shall be governed by the applicable collective bargaining agreement, including the notification of the designated union official.
- D. Written authorization from the employee, including a specific dollar amount, must be provided prior to deducting the amount from the employee's paycheck. (See Appendix B)

5. Repayments

A. Active employees

1. Absent a written agreement to the contrary, the recoupment amount and schedule for employees who are subject to a collective bargaining agreement shall be governed by the terms of said collective bargaining agreement.
2. Absent a written agreement to the contrary, employees who are not subject to a collective bargaining agreement shall have a 15% standard recoupment of the amount owed applied to their **net** (take home) pay until such time as the overpayment is recovered in full.
3. An active employee may choose one of the following Repayment Plans:
 - i. One-time deduction from future paycheck.
 - ii. A payment plan or a recurring deduction to be established by the State of Rhode Island.
 - iii. One-time payment (i.e., bank check, money order).
 - iv. Any other method set forth in an applicable collective bargaining agreement or agreed to by the employee, his or her union, and the State.

The amount to be recouped in a one-time deduction from a paycheck, or in recurring deductions, cannot bring the employee's bi-weekly gross hourly wage amount below the State minimum wage.

B. Separated Employees:

1. The following repayment options are available:

- i. One-time payment (i.e., bank check, money order).
- ii. Payment Plan, with approval from the Personnel Administrator.
 - a. The period of recoupment may not exceed 12 months, unless otherwise both parties agree to a longer recoupment period.
- iii. Any other method set forth in a collective bargaining agreement applicable to the employee at the time of his or her separation from State service.

C. In the event, recovery cannot be made by an agreed upon recoupment amount or by an administrative process, the State of Rhode Island may determine that it is necessary to file a lawsuit to recover the overpayment

6. Tax Implications

Overpayments may have tax implications for employees, which may need to be reported on their tax returns. Employees should contact an accountant or other tax professional to discuss these implications. The following paragraph is from IRS Publication 15 Employer's Tax Guide:

Employee reporting of repayment: The wages paid in error in the prior year remain taxable to the employee for that year. This is because the employee received and had use of those funds during that year. The employee is not entitled to file an amended return (Form 1040X) to recover the income tax on these wages. Instead, the employee is entitled to a deduction (or credit in some cases) for the repaid wages on his or her income tax return for the year of repayment.

IRS Publication 525 Taxable and Nontaxable Income gives instructions to determine the deduction or credit amount and how to include it on a tax return. Employees should consult their tax professional for assistance.


7. Referrals to DOA Division of Legal Services

A. The Division of Human Resources shall refer payroll overpayments to the Department of Administration Division of Legal Services if:

1. the employee, who is not covered by a collective bargaining agreement, does not return the Recoupment Agreement by the deadline established in the Second Notice;
2. the letter to the employee is returned undeliverable after the Division of Human Resources;
3. the employee, who is not covered by a collective bargaining agreement, does not fulfill the terms of the payment agreement (missed or incomplete payments);
4. the employee is covered by a collective bargaining agreement that expressly sets out the process for recovering an overpayment and he or she has not responded to the Notifications set out therein within the designated timeframe; and/or

5. the employee is covered by a collective bargaining agreement that expressly sets out the process for recovering an overpayment and he or she has not fulfilled the terms of the payment agreement (missed or incomplete payments).
- B. When referring payroll overpayment matters to the DOA Division of Legal Services the Division shall send documentation of all collection efforts, including written notices, telephone calls and any other pertinent information to the DOA Division of Legal Services.
- C. The Division of Legal Services will evaluate the necessity to file a lawsuit to recover the funds and the necessity to leverage the Department of Revenue Central Collections Unit to recover the funds.

8. Approval / Review Signature:



Executive Director of Human Resources

10/22/25

Date

Director of Administration

Date

APPENDIX A
Notification of Overpayment Template



State of Rhode Island
Human Resources
One Capitol Hill
Providence, RI 02904

{Date}
{Employee Name}
{Employee Address}

re: Notification of Overpayment

Dear {Employee Name}:

This letter serves as notification of an overpayment of wages that you received and the subsequent repayment that is your responsibility. An overpayment record has been generated on your pay account for pay period(s) ending {Date}. The net amount of your overpayment (including pay, all taxes, benefits and other deductions) is {Dollar Amount}. This is the result of: {Insert pertinent overpayment information, if any}.

AUTHORIZATION FOR PAYROLL DEDUCTION: I agree with the statement of facts above and agree to repay the agency and hereby authorize the deduction of the amount(s) as shown below from my payroll payment(s) in order to satisfy my overpayment.

- ☐ Please deduct the full amount (gross) of the overpayment {Dollar Amount} from my next payroll payment. In the event I leave employment with the agency, I authorize the overpayment balance to be deducted from my final payroll payment or vacation balance.
- ☐ Please deduct \$_____ (Note: this amount cannot be less than \${X} per pay period and must be pre-arranged and approved by the agency) from my payroll in the next and subsequent pay period(s) until the overpayment is fully repaid. This adjustment will commence on {Date}. In the event I leave employment with the agency, I authorize the overpayment balance {Dollar Amount} to be deducted from my final payroll payment or vacation balance.
- ☐ I do not agree that I was overpaid in this amount and am planning to pursue rights under my collective bargaining agreement.

Employee Signature: _____ Date: _____

Union Representative: _____ Date: _____
(if applicable)

Please contact {Office} to make payment arrangements. You may send this signed agreement to the Division of Human Resources via mail to One Capitol Hill, Providence, RI 02903, via fax to (401) 462-1136, or via email to {email address}. If you have any questions or need additional information, please contact {XX at (401) xxx-xxxx}.

Internal Use Only:

Received on: _____
(Date)

Received by: _____ HR Representative
(Print Name)

(Signature)

cc: Personnel File, Payroll Office, Central Payroll



Division of Human Resources
Office of Agency Operations & Liaison Group
One Capitol Hill – 3rd Floor
Providence, RI 02908-5890

Overpayment Recoupment Agreement

APPENDIX B
Overpayment Recoupment Agreement (**EXAMPLE ONLY**)

To Whom it May Concern,

I, _____, hereby certify that I met with _____,
(Print Name) (Print Name)

_____, on _____ to discuss the additional compensation I
(Position Title) (Date)

received but was not entitled to. I hereby acknowledge and agree that I was in fact overcompensated in the amount of
\$_____.

I further understand and acknowledge that, in accordance with {**Collective Bargaining Agreement Article**} between
{**Insert Union Name**} and the State of Rhode Island, the State of Rhode Island is entitled to recover the overpayment, at
the rate of {**Insert %**} of the overpayment or \$100.00, whichever is the lesser per pay period until the amount of the
overpayment is fully recovered.

I hereby authorize and direct the State of Rhode Island to withhold \$_____ per pay period from my paycheck until
the full amount of the overpayment has been recovered. This authorization remains in full force and effect for each
paycheck through the paycheck for the pay period ending on or about _____.
(Date)

Employee Name (Print)

Employee Signature

Date

{**HR Title**} (Print)

{**HR Title**} Signature

Date

{**Union Rep Name, if applicable**} (Print)

{**Union Representative**} Signature

Date