

m ***Employee Indebtedness***

The City of Baltimore (“City”) recognizes that prudent fiscal control includes the active collection of all indebtedness. Employees may become indebted to the City for a variety of financial reasons and therefore has an obligation to repay. Employees who fail to resolve any debt owed to the City may be subject to disciplinary action, garnishment of wages, or a collections process.

I. PURPOSE

The purpose of this Policy is to establish the rules for collecting salary overpayments and benefit deductions. All employees are expected to diligently monitor their pay, including insurance premiums; report any discrepancies to the immediate supervisor or Agency payroll clerk; and promptly pay any and all debts owed to the City.

II. SCOPE

This Policy applies to all employees and individuals involved in the City’s operations, including, but not limited to, full-time and part-time employees, temporary employees, probationary employees, and seasonal employees. This Policy is in addition to, and not a substitute for, any other rights the City may have for collection of employee indebtedness.

III. NOTIFICATION

In the event of employee indebtedness, the Central Payroll Division: Bureau of Accounting and Payroll Services – Department of Finance (“CPD”) has an obligation to recover funds. Debt may be detected by an employee, an Agency, or CPD staff. If debt is detected by the Agency, the employee will receive *AM 205-4-1 Notification of Employee Indebtedness (AM 205-4-1)* by the Agency’s Human Resources Practitioner.

A. Initial Notification. Once CPD is notified of the amount owed by the employee from the employee’s Agency, the employee will receive written notification of the debt. The written notice will inform the employee, at minimum, the reason for indebtedness; the amount of the debt; and the time period (which varies upon the course of action taken by the employee) in which the employee must pay their debts, contest debts, or have pay garnished voluntarily or involuntarily through payroll deduction. The written notice will also indicate that the employee may dispute the debt, in writing, within five (5) business days of receipt.

B. Dispute of Process. An employee who disputes an indebtedness must include a full explanation in their response and backup documentation to substantiate their claim. CPD

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will notify the employee, in writing, of the final determination within five (5) business days. The employee may appeal the determination to the Central Payroll Manager within five (5) business days, and the Manager must respond within five (5) business days of receipt of response by CPD. If the debt remains unpaid after thirty (30) business days of CPD’s final determination and no arrangement for repayment have been made, the collection process will begin to collect the debt. Further, the employee may be subject to discipline, up to and including termination.

1. If the full explanation is denied and the employee wants to repay by payroll deduction, then the employee must sign and return *AM 205-4-1*. The employee must state the amount of the payroll deduction (in accordance with the minimum deductions outlined in *Section V. Repayment Installments Through Payroll Deduction* below).

C. Failure to Respond. If, after ten (10) business days from when the Agency notified the employee of an overpayment, CPD has not received a letter of protest, a signed installment election form, the uncashed erroneous paycheck, or an employee’s personal check or money order for the net amount of the overpayment, CPD will proceed with recovery via payroll deduction (in accordance with *Section IV. Collection Process* below). Recovery in this circumstance will be made at the minimum deduction cited below until the overpayment is fully satisfied.

IV. COLLECTION PROCESS – TEMPORARY EMPLOYEES

A. Overpayment is recoverable immediately upon notification. If the debt is not repaid upon receipt of notice, subsequent pay will be garnished until there is complete recovery of funds (in accordance with the minimum deductions outlined in *Section V. Repayment Installments Through Payroll Deduction* below). Agencies must obtain the employee’s signature on a memo acknowledging the payroll deduction. An employee who fails to do so may be terminated.

1. If the employee is terminated and an unpaid balance remains, the Department of Finance will issue the employee a “Miscellaneous Bill.” If the bill is not paid, the Collections Division of the City Law Department will file for a judgment against the employee. If the Court finds in favor of the City, the employee’s earnings from any subsequent employer will be garnished until the principal amount (plus court costs, legal fees, and interest) is paid in full.

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V. COLLECTION PROCESS – REGULAR EMPLOYEES

A. Debt Due to Overpayment

1. Regular employees who have been overpaid by an amount of five percent (5%) or less (but not exceeding \$100) of their weekly or biweekly base salary or average regular earnings will have the overpayment deducted from a subsequent pay. CPD will notify an Agency when such action will be taken, and the Agency will inform the employee.

Employees who have been overpaid in excess of five percent (5%) or more than \$100 have four courses of action available to them:

- a. They may return the erroneous check, and CPD staff will issue the appropriate replacement check (usually within one business day);
- b. They may reimburse the net amount of the overpayment by personal check or money order made payable to the Director of Finance;
- c. They may agree to the recovery of the gross overpayment in full by payroll deduction from their next pay; or
- d. They may agree to an installment repayment plan by payroll deduction (see *Section V. Repayment Installments Through Payroll Deduction* below).

If an overpayment exceeds \$1,000, recovery of all or a portion of the excess may be made by a “cash-in” of accrued vacation or personal leave days. Requests for such consideration must be made in writing by the employee to CPD, who will send the request to the Director of Finance or its designee will approve or disapprove such request.

Upon collection of overpayment, CPD staff will correct year-to-date records.

B. Debt Other than Overpayment

1. **Recovery of Insurance Premiums.** Employees who go on Leave Without Pay status are solely responsible for payment of their health insurance premium during that timeframe. Upon the employee’s return, they have the opportunity to enroll in a payroll deduction plan in accordance with *Section V. Repayment Installments Through Payroll Deduction* below. If the employee does not voluntarily elect to enroll in the payroll deduction plan within two weeks of their return, a double deduction of the insurance premiums will occur until the debt is paid in full.

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VI. REPAYMENT INSTALLMENTS THROUGH PAYROLL DEDUCTION

All repayments must be made within a 12 month period. In order to protect the City’s interests, decrease the processing burden, and assist Agencies in controlling their operating budgets, CPD has set the following minimum amounts for payroll deductions:

1. Regular employees with annual base salaries of \$60,000 or more: \$100 per biweekly pay;
2. All other regular employees paid on a biweekly basis: \$50 per biweekly pay; and
3. Regular employees paid on a weekly basis: \$25 per week.

The Central Payroll Manager may approve other repayment plans in individual cases where, for example, the Agency and the employee can demonstrate extraordinary financial hardship caused by a minimum deduction as shown above.

VII. TRANSFERS AND SEPARATION

A. Employees Separating from the City

If an employee remains in debt to the City upon separation from the City, this Policy will follow *AM 205-7, Separation and Payment at Termination (AM 205-7)*, which states that “payment for leave will be withheld in an amount equal to the employee’s indebtedness.” If any unpaid balance still remains, the Department of Finance will issue a “Miscellaneous Bill” to the employee. If the employee does not pay the bill, the Collections Division of the City Law Department will file for a judgment against the employee. If the Court finds in favor of the City, the employee’s earnings from any subsequent employer will be garnished until the principal amount (plus court costs, legal fees, and interest) is paid in full.

VIII. COMPLIANCE

Violation of this Policy may result in garnishment of wages, a collection process, or disciplinary action, including termination of employment.

IX. AUTHORITY

This Policy was issued pursuant to *AM 002-1* and *002-1-2 Administrative Manual* wherein the Department of Human Resources recommended changes to the Administrative Manual to the Board of Estimates for approval.

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AM 205-4

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X. INTERPRETATION

The Department of Human Resources reserves the right to revise or eliminate this Policy at any time. The City's Board of Estimates reserves the right to approve proposed policy revisions or eliminations as determined by the Department of Human Resources.

XI. RELATED POLICIES

- AM-205-4-1 Notification of Employee Indebtedness (Memo to the Employee)
- AM-205-4-2 Notification of Employee Indebtedness – Health Insurance Premium (Memo to the Employee)
- AM-205-7 Separation and Payment at Termination