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L.A. Unified tells teachers to refund overpayments

The district paid about \$53 million too much to 36,000 workers. They are given until Dec. 10 to decide whether to pay or fight.

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In the latest fallout from a badly flawed payroll system that has plagued the Los Angeles public school system for nearly a year, officials have taken steps to recoup \$53 million they calculate has been overpaid to about 36,000 school district employees.

The move to recover the money is placing teachers and other staff in the Los Angeles Unified School District in an unpalatable position. They must either trust the district's claim that they were overpaid and repay the money or dispute the calculations and face further chaos come tax season.

For Genie Penn, a veteran second-grade teacher at Overland Elementary on the Westside, the choice is clear.

"All of a sudden they've decided I owe them \$9,000?" asked an exasperated Penn, who has a graduate degree in business. "I know I owe them some money, but it is not that much. Until they can show me some proof of how much I owe them, I am not paying a dime. It's just absurd. It's mind boggling! But I guess when you work for LAUSD, nothing should surprise you."

In letters sent this week, Joseph Zeronian, interim chief financial officer, told employees the gross amount the balky computerized system has determined they were overpaid and how much of that total was automatically withheld in federal and state taxes.

Affected employees -- the vast majority are teachers -- have until Dec. 10 to choose whether to repay the district the entire amount they received, request a repayment plan, repay only the amount they believe they were overpaid or refuse to pay anything.

The new payroll system is part of a sweeping \$95-million technology upgrade that aims to overhaul how budgets, procurement, human resources and other tasks are managed in the nation's second-largest public school system.

Problems with paychecks arose in January, when the district rushed the system into service; it quickly became apparent that its software programs were not equipped to handle, among other things, teachers' complicated job assignments and unusual work schedules.

Since then, the so-called Business Tools for Schools system has left tens of thousands of employees

underpaid, overpaid or not paid at all. About 7,000 employees who have been underpaid by \$7 million are still waiting for their money. The district has pledged to repay them. District officials also are in talks with Deloitte Consulting, the firm hired to implement the new system, to negotiate how much, if anything, it will reimburse the district for costs related to the payroll breakdown.

The crisis has proved to be an albatross for Supt. David L. Brewer, whose early promises to quickly resolve the problems have fallen flat. United Teachers Los Angeles and other unions have lambasted Brewer, board members and other officials for their handling of the fiasco.

Any employee who disagrees with the district's overpayment calculation and refuses to pay some or all of the money will have to wait for L.A. Unified and union officials to work out a process for how such disputes will be resolved. Zeronian and David Holmquist, interim chief operating officer, said they expect those plans to be finalized early next year.

There may be few employees prepared to take the district's word on overpayments at face value. After months of mounting confusion and frustration, many are dubious of the computer system's ability to accurately calculate overpayments. Several teachers pointed to an earlier attempt by the district to determine overpayments and under-payments that was marred by widespread inaccuracies.

Penn, for example, is flummoxed because the district claimed during the summer that she owed a couple of hundred dollars and now says she owes nearly \$9,000. As far as she can tell, the new figure is impossibly high because she is paid only about \$4,000 each month and, as far as she can tell, the only overpayment she received was a month's pay while she was on leave.

"These numbers just don't make any sense," echoed Stephen McDonough, a sixth-grade music teacher at Reed Middle School in North Hollywood, who was told he owes \$1,900. "Nobody is clear on how they came up with them. They are asking me to take their word for it and pay them a third of my salary right before the holidays. I can't do it."

Holmquist urged employees to trust the district. But he could offer only a tenuous reason to do so, saying that the relative success of this month's payday indicates that repairs made so far to the payroll system appear to be working. Some technical glitches remain unresolved, however, and 3,000 employees are estimated to have had paycheck problems this month.

Are the calculations "100% guaranteed? No," Holmquist said. "But it's highly probable. We have a higher degree of confidence than ever before that we are accurate."

Challenging the district over the repayment totals, however, comes with considerable risk. In the letters to employees, Zeronian warned that once the December deadline passes, employees will be responsible for the total amount of the alleged overpayments, including the amount the district withheld for taxes.

If Penn, the elementary school teacher, for example, refuses to pay and it is ultimately determined the district calculations are right, she will have to repay the district \$8,983 -- the \$6,068 the district overpaid her and the \$2,915 it took out for taxes. It would then fall to Penn to try to get the excess tax money back from state and federal agencies. If the district tally for Penn is wrong, L.A. Unified will have to issue her a revised income tax form.

"It is going to be a tax nightmare for people to try to unravel," said Patty O'Connell, a partner at the accounting firm Holthouse, Carlin & Van Trigt in Los Angeles.

O'Connell and other tax experts said they expect that most employees will have to wait for their 2008 tax returns to get credit for paying too much this year. If the overpayments push workers into the alternative minimum tax category or other brackets, accountants said, it is unlikely that employees will ever be able to fully recoup their money.

In hopes of minimizing the number of employees who will challenge the district numbers, officials have decided to forgive the estimated 12,000 overpayments of \$250 or less. Employees who agree to repay larger overpayments will receive a \$250 credit. About 2,000 of the mistakes are thought to be \$5,000 or more.

The district has trained 35 financial counselors to meet with teachers and others before the December deadline to review their pay history and try to understand when overpayments occurred.

Zeronian said he expects about 8,000 people to ask for the sessions and acknowledged that the cadre of counselors could quickly be overwhelmed if demand is higher.

He added that only a few of the counselors are qualified to handle the more complicated cases some employees face.

"There are relatively few people who have complete comprehension of our system," he said. "There are only a few who can unscramble these hellish messes."

Penn, 46, said she had requested an appointment but had not yet received one.

"I'm not holding my breath," she said.

McDonough, meanwhile, said that after several trips to the payroll help centers set up by the district, he refuses to take another day off from teaching in order to attend one of the financial meetings at the district's downtown headquarters.

"These are their mistakes," he said. "If they think they put too much money in my pocket and they want to discuss it, they can come out to me at school, prove it, and then we can work something out."

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