

PAYROLL OVERPAYMENT

POLICY NUMBER: ADM-PAYOVERPMT

POLICY TYPE: ADMINISTRATIVE

RESPONSIBLE OFFICIAL TITLE: CHIEF HUMAN RESOURCES OFFICER

RESPONSIBLE OFFICE: HUMAN RESOURCES

EFFECTIVE DATE: UPON PRESIDENTIAL APPROVAL – 12/7/18

NEXT REVIEW DATE: PRESIDENTIAL APPROVAL PLUS FOUR YEARS – 12/7/22

SUPERSEDES POLICY DATED: N/A – NEW POLICY

BOARD OF REGENTS REPORTING (CHECK ONE):

PRESIDENTIAL RECOMMENDATION (CONSENT AGENDA/VOTING ITEM)

PRESIDENTIAL REPORT (INFORMATION ONLY)

I. POLICY STATEMENT

Northern Kentucky University (NKU) has an established process designed for identifying, correcting, and recovering wage overpayments in accord with federal law. An NKU employee may be paid more than what is owed due to errors in input/processing of an employee's time reporting, earnings, leave time, or late receipt of termination or leave of absence paperwork.

Once the Payroll Department has calculated the amount of the overpayment, the employee will be issued a letter by Human Resources. The employee can repay the debt by personal check or money order within limits of federal guidelines.

Recovery amount and tax per IRS regulations – The amount of overpayment collected by the Payroll Department will vary depending upon when repayment is received.

Repayment received in same calendar year – If overpayment is caught immediately, the Payroll Department will attempt to recall the direct deposit. The employee will repay the net amount of the overpayment if:

1. overpayment is caught within 10 business days **or**
2. repayment is made in the same calendar year that the overpayment happened by issuing a stop payment on the original check and issuing a correct check.

The Payroll Department will reduce the employee's taxable wages and associated taxes for that calendar year so the year-end W-2 Form is correct.

Repayment received in following calendar year(s) – If repayment is not made in the same calendar year that the overpayment occurred, the employee must repay the gross amount of the overpayment. The Payroll Department will then issue a W-2c for the correction of the prior year's wages. The employee must then sign a written statement agreeing not to request a refund of Social Security and Medicare taxes as well from the IRS. This is to be done using the forms provided by the Payroll Department.

II. ENTITIES AFFECTED

This policy may affect any person with a payroll overpayment. All employees (current or terminated) will be required to pay back any overpayment to them by NKU

III. AUTHORITY

IRS Publication 525 under the heading of Repayments

US Department of Labor Chapter 6

<https://workforcesecurity.doleta.gov/unemploy/pdf/uilawcompar/2015/overpayments.pdf>

IV. RESPONSIBILITIES

Employee – Alert Department Head or HR/Payroll as soon as any overpayment is discovered. Check paystub every payroll to become aware of any possible discrepancies.

Employee's Department – Submit all new and updated Personnel Action Request (PAR) forms and Leave of Absence (LOA) information in a timely manner to avoid possible overpayments. If the overpayment was due to late, incomplete, or absent paperwork, the department may be held responsible if the funds are not returned to the University.

Human Resources – Complete SAP correction of late termination PARs or incorrect salary information. Contact Payroll for the payback amount. Contact the employee's department and the employee regarding the overpayment and payback options available.

Payroll Department – Process SAP payroll claim. Calculate payback amount, including any taxes.

V. PROCEDURES

Active Employees:

1. The employee's department notifies HR/Payroll regarding the overpayment. If necessary, the proper forms are submitted to process the correction.
2. HR/Payroll will distribute communication to the employee's department and/or employee with a copy sent to the Department of Payroll & Tax.
3. Payroll may reverse the funds deposited into the employee's bank account if the error is discovered within 10 days of the overpayment.
4. If more than 10 days have passed since the overpayment and a direct deposit recall cannot be processed, then the amount of the overpayment will be processed as an adjustment to the employee's next available payment. Please note: Payroll will allow enough remaining gross to deduct amounts for garnishments, Healthcare, Dental, Vision, Healthcare and Dependent Care reimbursement accounts, and pretax parking deductions.
5. If the entire amount cannot be taken from the employee's salary, Payroll will deduct the remainder from upcoming payments until the overpayment has been fully repaid.
6. All salary overpayments should be collected within the calendar year in order to properly reflect the year-to-date earnings.
7. Overpayments generated during the month of December will require repayment by personal check or money order.
8. If the employee cannot repay the full amount, a repayment plan will be established.
9. If the overpaid employee is an NKU student and no response is received within 30 days from the first letter, Payroll may place a Hold on the student's account with Student Accounts Services, which would prevent course registration and release of the diploma and official academic transcript.

Inactive/Terminated Employees:

1. The inactive/terminated employee's department notifies HR/Payroll regarding the overpayment. If necessary, the proper forms are submitted to process the termination/leave of absence action.
2. Payroll may reverse the funds deposited into the inactive/terminated employee's bank account if the error is discovered within 10 days of the overpayment.
3. If more than 10 days have passed, then Payroll determines whether the individual impacted is scheduled to receive any additional pay for time worked or vacation payout. If so, the gross amount of the overpayment or a negotiated amount will be deducted from any additional payments.
4. If there is no additional pay, the inactive/terminated employee's department initiates the first communication with the individual to notify the amount of the overpayment, with a copy of the communication sent to HR and Payroll.
5. If the inactive/terminated employee does not respond to the departmental inquiry within 30 days, HR/Payroll sends a letter to the individual regarding the overpayment amount to discuss the options for repayment.
6. The inactive/terminated employee can write a check payable to Northern Kentucky University for the full amount of the overpayment. Upon receipt of the payment, HR will notify Payroll and the inactive/terminated employee's Department Head.
7. If the inactive/terminated employee cannot repay the full amount, a repayment plan will be established.
8. If after 30 days from the first letter from HR, repayment is not received, HR/Payroll will issue a second letter to the individual indicating the amount of repayment and a corresponding deadline. In addition, the letter will reference the transition to the State of Kentucky for collection if no response is received. This letter will be sent Certified Mail-Return Receipt.
9. If no response to the second letter is received within 30 days, HR/Payroll will issue a final letter using Certified Mail-Return Receipt indicating final notification and that the outstanding balance will be forwarded to the State of Kentucky for collection. The outstanding balance may be increased by the State of Kentucky to cover any administrative fees and any interest that may accumulate. In addition, the individual's credit report could be affected.
10. If the overpaid inactive/terminated employee is an NKU student and no response is received within 30 days from the first letter, Payroll may place a Hold on the student's account with Student Accounts Services, which would prevent course registration and release of the diploma and official academic transcript.

VI. REFERENCES AND RELATED MATERIALS

REFERENCES & FORMS

Overpayment Notification Letter
Signed IRS statement

RELATED POLICIES

[Click here to enter text.](#)

REVISION HISTORY

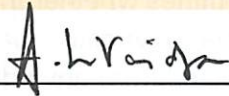
REVISION TYPE	MONTH/YEAR APPROVED
New policy	December 7, 2018

PAYROLL OVERPAYMENT

PRESIDENTIAL APPROVAL

PRESIDENT

Signature:



Date:

12/7/18

Ashish Vaidya

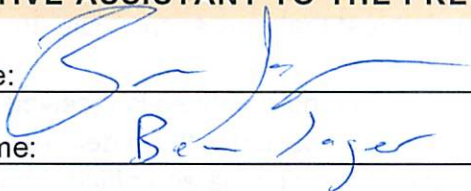
BOARD OF REGENTS APPROVAL

BOARD OF REGENTS (IF FORWARDED BY PRESIDENT)

- This policy was forwarded to the Board of Regents on the **Presidential Report (information only)**.
Date of Board of Regents meeting at which this policy was reported: 3 / 20 / 19.
- This policy was forwarded to the Board of Regents as a **Presidential Recommendation (consent agenda/voting item)**.
- The Board of Regents approved this policy on ____/____/____.
(Attach a copy of Board of Regents meeting minutes showing approval of policy.)
- The Board of Regents rejected this policy on ____/____/____.
(Attach a copy of Board of Regents meeting minutes showing rejection of policy.)

EXECUTIVE ASSISTANT TO THE PRESIDENT/SECRETARY TO THE BOARD OF REGENTS

Signature:



Date:

3.28.19

Print Name:

Ben Leger