POLICY 4 PAYROLL OVERPAYMENTS AND COLLECTION METHODS

The University of North Carolina at Greensboro

Approved by Paul Forte, Interim AVC for Finance, August 4, 2021

Revised August 4, 2021

1. Purpose

This policy establishes the process for identifying, remedying, and recouping salary overpayments to University employees.

2. Scope

This policy applies to all EHRA Temporary and Permanent (exempt from the State Human Resources Act), SHRA Temporary and Permanent (subject to the State Human Resources Act), Graduate Assistant, Graduate Hourly, Undergraduate, Flat Pay and Hourly Pay, Federal Work Study, Summer Session, and any other category of former or current employees paid by the payroll office.

3. Definitions and Roles and Responsibilities

3.1 Definitions

3.1.1 HR Offices: Faculty Personnel Services (FPS); Human Resources (HR); Graduate Office.

Employee Responsibility

Employees bear full responsibility for funds received in error and are expected to repay overpaid funds to the University immediately. Employees are responsible for reviewing funds received from the University for accuracy via electronic pay stubs. When an employee is aware of a possible overpayment, the employee is to notify the employing department immediately. An overpayment is not an entitlement to keep unearned money and should not be spent, as it will have to be repaid via the overpayment process.

The employee is responsible for penalties and interest associated with late repayments as stipulated in North Carolina General Statute 147-86.23.
3.1.2 Campus Department Responsibility:

Campus Department representatives (Supervisors, Business Officers, Liaisons and Timekeepers) can prevent wage overpayments by processing personnel actions and reporting and time/leave data, accurately and in a timely manner.

Supervisors should review, approve and submit Employee time/leave data on a timely basis as per the published schedule. Since the University pays on a current month pay cycle, Supervisors are responsible for notifying the Campus Department administrative person when an employee is not working or has stopped reporting to work.

Campus Departments designated personnel are responsible for reviewing University Financial system reports immediately after the monthly payroll process has completed, normally within five business days before pay day. Until the overpayment is repaid in full, the expense remains on departmental funds. University Campus Departments should not initiate collection from the employee. The department is also responsible for any additional external fees incurred during the recovery process, and any unrecoverable benefits or taxes.

4. Policy

The University Payroll Department is responsible for making timely and accurate salary payments to employees, subject to information provided by employees, UNCG Campus Departments and HR Offices (FPS, HR and Graduate Office). On occasion, due to errors in processing, timeliness of submission, and reporting, employees may be paid more than is owed to them. Campus Department Liaisons are responsible for retaining related payroll documentation and for reviewing payroll reports after each pay period to ensure that there are no discrepancies in employees’ pay. When a Campus Department representative becomes aware of an overpayment, he or she is responsible for reporting it to the Payroll Department as soon as the error is discovered. When an employee becomes aware of an overpayment, the employee is responsible for reporting it directly to their Supervisor who then notifies the Department representative and/or the Payroll Office.

For employees who leave the University before full repayment has been made, the University is authorized to pursue repayment after termination, including deducting from the employee’s final salary payment any repayment amount not yet received. Employees must repay all amounts paid in excess, regardless of how or why the overpayment occurred.

Upon discovering that a payment has been made in error, the Payroll Department will research the source of the error and will calculate the amount paid in error, accounting for taxes, retirement, and other amounts withheld. The Payroll Department will prepare the Overpayment Spreadsheet which includes calculated overpayment gross and net amount, the dates on which the overpayment occurred, how the overpayment occurred
and provide notice that the overpayment will be deducted from the next regularly scheduled payroll payment in process as applicable and notify the respective HR Office. The respective HR Office will notify the employee by email or US mail of the overpayment amount and how the overpayment is to be settled, with a copy to the Payroll Office and the Campus Department.

Repayment in installments is only available on an exception basis if the overpayment is significantly large and would cause a hardship to the employee to pay it back in one payment or would bring the employee’s rate of pay below minimum wage. The employee must remit payment as specified in the HR notification or notify the Payroll Department in writing via email or letter to request repayment in installments within thirty (30) calendar days from the date of the notification from the HR Office. If the employee fails to respond to the email, then Payroll will withhold repayment from the employee’s next paycheck. If installments are approved, the time period for repayment will not exceed three (3) months. The full repayment amount must be received by November within the same calendar year as the overpayment, to allow the payroll office time to get the repayment processed and correct the current year W2. By federal regulation, if repayment crosses the calendar (tax) year, the full gross amount must be repaid, and the employee may receive a Form W2-C, Corrected Wage and Tax Statement.

In conjunction with the employee’s Campus Department and the respective HR Office, the Payroll Department will ensure that all backup documentation of the overpayment has been received by the Payroll Department for audit purposes and that all appropriate corrections to the Payroll System are completed.

5. **Compliance and Enforcement**

The University must adhere to [North Carolina General Statutes Chapter 143, Article 3H - Overpayments of State Funds cannot be forgiven.](http://www.ncleg.gov/Statutes/2019/Statutes/Chapter143.html)

The University will charge Interest and penalties on overpayments as permitted by [North Carolina General Statutes 147-86.23 - Interest and penalties on past due debts as specified.](http://www.ncleg.gov/Statutes/2019/Statutes/Chapter147.html)

The University has the right to turn the debt over to the NC Department of Revenue and have the debt deducted from the employee's State income tax refund or turned over to a debt collection agency allowed by Setoff Debt Collection Act (SEDCA), [North Carolina General Statutes Chapter 105A](http://www.ncleg.gov/Statutes/2019/Statutes/Chapter105A.html).

[Wage and Hour Act, North Carolina General Statutes Chapter 95, Article 2A - Overpayment of wages to an employee as a result of misclassification or other bona fide error is considered a prepayment of wages and may be withheld or deducted from an employee's wages.](http://www.ncleg.gov/Statutes/2019/Statutes/Chapter95.html)
6. Additional Information

6.1 Supporting Documentation

North Carolina State Law
- Overpayments of State Funds, North Carolina General Statutes Chapter 143, Article 3H - Overpayments of State Funds cannot be forgiven.
- State and Certain Local Educational Entity Employees, Non-salaried Public Officials, and Legislators Required to Repay Money Owed to State, North Carolina General Statutes Chapter 143, Article 60.
- Statewide Accounts Receivable Program, Interests and Penalties, North Carolina General Statutes 147-86.23 - Interest and penalties on past due debts specified.
- Setoff Debt Collection Act (SEDCA), North Carolina General Statutes Chapter 105A - SEDCA gives the University the right to turn the debt over to the NC Department of Revenue and have the debt deducted from the employee’s State income tax refund or turned over to a debt collection agency.
- Wage and Hour Act, North Carolina General Statutes Chapter 95, Article 2A - Overpayment of wages to an employee as a result of misclassification or other bona fide error is considered a prepayment of wages and may be withheld or deducted from an employee’s wages.
- Payroll Procedure 4 Overpayment and Collection.

Federal Law
- Fair Labor Standards Act
- Internal Revenue Service
- General Instructions for Forms W-2 and W-3 - Page 12 "Repayments" provides instructions on when a repayment of an overpayment crosses tax years.
- Publication 525 - Page 34 "Repayments" provides tax guidance on repayment of prior year wages.

6.2 Approval Authority

This policy will be approved by the Interim Associate Vice Chancellor for Finance.

6.3 Contacts for Additional Information

- Responsible Executive: Mandy Nash, Assistant Controller for Operations, (336)334-5180, mwnash@uncg.edu
- Responsible Administrator: Yolonda Crim, Payroll Accounting Manager, (336)334-4135, ylcrim@uncg.edu