1. **Purpose/Introduction**
The purpose of the procedure is to define how the University initiates recovery efforts of Payroll overpayments when a payroll overpayment is detected. If an employee has been overpaid by the University, it is considered a legal debt and must be repaid in full, whether the employee is active or terminated.

2. **Definitions**

- **Overpayment** - compensation paid to an employee in excess of the amount owed to them
- **Repayment** - the process by which an employee or former employee returns the excess funds to the University

**Responsibilities:**

**Employee** - 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](https://www.nclaw.org/law/statutes-statutes-in-effect/north-carolina-general-statutes/statute/147-86.23).

**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 stop 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.

- **Administration of Payroll Overpayments**

- **HR Offices - representatives of the Faculty Personnel Service (FPS), Human Resource (HR), and the Graduate Office**, who partner with the Local Campus Departments to contact the employee regarding the payroll overpayment and the Payroll Office to collect the overpayment from the employee.

- **Payroll Office** – Calculates the gross and net overpayment amounts. Determines the dates for the repayment collection period. Communicates with the Partnering HR Office.

- **Employee Overpayment Communication:**
  - 1st Overpayment notification letter to Employee – is sent from the HR Office and defines reasons for overpayment, amount to be repaid, due date, penalties, and interest.
  - 2nd Overpayment notification letter to Employee – is sent from the Payroll Office and defines actions to be taken since there has not been a response within the past 30 days from 1st notification. It also defines the actions to be taken if there is no response within the next 30 days including a notification to NCDOR and when penalties and interest will begin.
  - 3rd Overpayment notification - If no response is received after 60 days past due, then the University Controller’s Office notifies the State of North Carolina Attorney General's (AG) Office of the debt. The AG's office then sends a final communication to the employee for collection.

Current Year Overpayment Repayment – once the employee repays the full net overpayment amount within the overpayment calendar year – results in the employee’s year to date earnings and deductions being adjusted within the overpayment calendar year.

Future Year Overpayment Repayment – once the employee repays the full overpayment gross less FICA taxes, and signs a FICA statement letter - a W-2c (Corrected Wage and Tax Statement) is issued to the employee.
3. **Procedural Steps**

**Background**

The University Campus Departments and Human Resource Offices (FPS, HR and Graduate School) enter employment actions, EPAFs and personnel action forms into the University Payroll system. Supervisors approve employee’s submitted time and leave data, which is then processed in the University Payroll system. Overpayments occur when an employee’s job record has not been terminated on a timely basis or time/leave data has not been reported accurately or keyed incorrectly. All these actions must be administered correctly and accurately to prevent employee overpayments, which can otherwise pose a financial liability for the University.

Each November, the HR Offices and the Payroll Department publish the HR Dates and deadlines for the next calendar year. An email is sent to the Campus Departments as a reminder the new deadlines are available on the Human Resource website with periodic email reminders throughout the calendar year.

If overpayment occurs, the following steps should be taken:

1. The employing Campus Department should contact the appropriate HR Office (FPS, HR or Graduate School) and Payroll immediately, via email detailing the overpayment situation. Departments should not initiate collection.
2. Upon notification, Payroll gathers the supporting documents and calculates the Payroll Overpayment Spreadsheet on a gross-to-net basis. The employee is only required to repay the net amount if repayment can be accomplished by November within the same calendar (tax) year. By federal regulation, if repayment crosses the calendar (tax) year, the full gross amount must be repaid.
3. Payroll emails the Overpayment Spreadsheet to the respective HR Department. If the overpayment is on a paycheck(s) where benefits were withheld, the Office of Human Resource Benefits is consulted to confirm which benefits are recoverable from the vendor and which are the employee's responsibility to repay.

**30-day Notice**

The First Overpayment Notice is sent to employees from the relevant HR Office (FPS, HR, Graduate Office).

- The relevant HR Office will send the first written communication notification to the employee with a copy to Payroll and the Campus Department, including a copy of the Payroll Overpayment Spreadsheet, and the University’s expectation for collection with the employee to respond within 30 days.

Included in the written notification will be two statements concerning the State of North Carolina requirements for overpayments: (1) [Article 3H, 143-64.80 Overpayments of State Funds to person in State supported positions; recoupment required](https://www.ncleg.gov/en/Laws/Statutes/Statutes/GeneralStatutes/Article_3H) and (2) [North Carolina General Statute 147-86.23](https://www.ncleg.gov/en/Laws/Statutes/Statutes/GeneralStatute_147-86.23), which outlines the University's right to add interest and penalties to past due accounts. Effective July 1, 2021 UNC Greensboro will assess a one-time 10% late payment penalty and accrue interest charges at 5% annually unless payment is received, or a payment plan has been agreed to by both parties within 30 days of the notification date.
31-60 day Notice

A Second Overpayment Notice (if no response has been received from the first notice) is sent to the employee from the Payroll Office.

Most of the time, individuals make repayment arrangements within 30 days of the first notification. However, if Payroll has not received a response after 30 days, the overpayment is considered past due and Payroll sends a second written notification communication, which includes North Carolina General Statute 147-86.23 that outlines the University’s right to add interest & penalties to delinquent accounts and North Carolina General Statute 105A-3(b), which requires the University to notify the North Carolina Department of Revenue (NCDOR) of the debt, and for the NCDOR to deduct the debt for any funds due to the employee from their State income tax return according to the Set-Off Debt Collections Act (SODCA). Neither of these actions will be taken if payment is received or if a payment plan has been agreed to by both parties within 30 days of the date on the second notification. Interest and penalties will begin unless repayment arrangements are made within 7 days of the date on the second letter.

NOTE: Students with a past due overpayment will have a registration hold placed on their account until payment is made. Once the overpayment is 30 days past due, the student will be denied readmission, transcripts, diploma, etc. until payment is made.

61-90-day Notice

A Third Overpayment Notice (if there has been no response from the second notice) will be sent to the employee from the State of North Carolina Attorney General’s Office

If no response is received after 60 days past due, then the University Controller’s Office notifies the State of North Carolina Attorney General’s (AG) Office of the debt. The AG’s office then sends a final communication to the employee for collection. If no response is received to the AG’s letter within 90 days, then the University may turn the debt over to a state-approved collection agency. Ninety (90) days after the first notification date on the employee's notice of an overpayment, overpayments are reported to the State and are then treated as debts to the State of North Carolina.

Once full repayment is received (this could take several months), the funds are returned to the Campus Department after the Payroll Office has made updates to the employee’s gross pay, taxes, deductions, and benefit records in the University Payroll system if applicable. If needed, a W-2c (Corrected Wage and Tax Statement) is issued to the employee.


- Article 3H. 143-64.80
- North Carolina General Statute 105A-3(b)
- North Carolina General Statute 147-86.23
- Policy 4 Payroll Overpayment and Collection
5. Revision Table

<table>
<thead>
<tr>
<th>Revision #</th>
<th>Section #</th>
<th>Summary of Changes</th>
<th>Approval Date</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>