UNIVERSITY OF MINNESOTA

HRMS Business Process:

Overpayment Collection

General Information

The Department is responsible for promptly identifying payroll overpayments and for the timely and accurate accounting of repayments. The Department is also responsible for ensuring any overpayment paid by a Sponsored Project is immediately moved to a non-sponsored Program and obtaining written consent from the employee prior to the collection of overpayments. Payroll Services is responsible for processing all overpayments of wages that Departments identify.

The U of M Payroll policy that addresses overpayments can be found at:
http://www.fpd.finop.umn.edu/groups/ppd/documents/policy/Payroll.cfm .

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Overpayment Notification

Active Employee:

When a Department identifies that an overpayment has been made to an active employee, its initial contact is with the employee. The following steps should be followed:
- Take corrective action to prevent an overpayment in the future.
- Discuss the situation with the employee; any disagreements are resolved within the department.
- Complete the "Overpayment Notification" form.
  http://process.umn.edu/groups/hr/documents/Form/1554p.pdf
- Obtain the employee's consent to repayment using one of the "Consent to Collection of Overpayment" notifications included in this business process.
- Attach copies of the initial correspondence with the employee, the Consent Collection, and the Overpayment Notification form.*****
- Forward the entire packet to Payroll Services.
- Notify Payroll Services if the employee terminates prior to collection of all overpaid funds.

IMPORTANT NOTE: If the overpayment was made on a **Sponsored Project**, see pages 5-6 for additional instructions.

It is imperative that the Department submits the consent form to Payroll Services at the time of the overpayment notification. Payroll Services cannot process the overpayment without written authorization from the employee. Payroll Services staff will contact the department if there are any questions or if follow-up is required.*****

Repayments for active employees are made by payroll salary reduction. Repayments will be collected over the same number of pay periods as the overpayment originally occurred. As such, there are two different "Consent to Collection of Overpayment" forms. The "Overpayment Pay Reduction for Employees Overpaid in a Single Pay Period" should be used when the employee was overpaid in only one pay period. The "Overpayment Pay Reduction for Employees Overpaid in Multiple Pay Periods" should be used if the employee was overpaid over multiple pay periods.

If there are special circumstances that necessitate an exception to the repayment schedule, Payroll Services will advise the department.

If the employee refuses to sign the Consent to Collection of Overpayment form, and all efforts to collect the amount owed have been exhausted, notify Payroll Services and the case will be sent to collections.

Terminated Employee:

For gross overpayments in excess of $100.00:
- The Department's initial contact should be with the former employee (no longer working at the University) to explain the overpayment. Inform the former employee that Payroll Services will be in contact about repayment.
- Attach copies of the initial correspondence with the employee and the Overpayment Notification form.
- Forward the entire packet to Payroll Services.
- Payroll Services will contact the former employee for the return of funds, and inform the Department if any additional follow-up is required.
- If Payroll Services exhausts all efforts to collect the amount owed, the case will be sent to collections.

IMPORTANT NOTE: If the overpayment was made on a **Sponsored Project**, see pages 5-6 for additional instructions.

Remember: Remittance of repaid overpayments must be sent to Payroll Services. If the former employee sends the repayment to the Department, forward the check to Payroll Services. **DO NOT** deposit the check. Contact Payroll Services if you have questions.

NOTE: The completed Overpayment Notification form and attachments should be faxed, 612-626-1053, or sent by courier or priority mail to Payroll Services, 1300 S 2nd Street, Suite 545, Minneapolis, MN 55454.

Overpayments on Sponsored Projects

If the overpayment was made on a Sponsored Project, the overpayment amount MUST be immediately moved to a non-sponsored Program account string. The department must provide the direct retro number for verification of the payroll transfer from Sponsored Project to non-sponsored Program.

Active Employee

If an overpayment occurs on a Sponsored Project these <u>additional</u> steps should be taken:

- Create a direct retro to move the overpayment amount to a non-sponsored chart string. To ensure the sponsor is invoiced correctly, the Overpayment Notification form should clearly indicate:
    - Direct retro number
    - Full non-sponsored chart string
    - Associated combo code

Collecting the Overpayment

- <u>Payroll salary reduction</u>: If the overpayment is collected by payroll salary reduction, then payroll will credit back the amount collected to the non-sponsored chart string provided in the Overpayment Notification form.

- <u>Vacation pay out</u>: If the employee terminates prior to full recovery, then payroll will try to collect the balance from vacation pay out. The amount collected will be credited back to the non-sponsored chart string in the Overpayment Notification form.

- <u>Collecting a check from the employee</u>: If the full overpayment cannot be recovered prior to termination, then payroll will collect a check from the employee.

    1. If the employee pays back the balance amount in the same calendar year, then the net amount of the check is collected. In this case, payroll will process a reversal entry and credit back the amount to the original sponsored chart string that was used to overpay the employee. (This will correct the FICA, Medicare Tax, Federal Tax and State Tax for W2 purpose.) <u>Payroll will then notify the department to process a direct retro to charge back the amount credited to the sponsored project to zero out the credit. Remember to use the dates of the original overpayment to process this HSA. The payroll reversal date cannot be used as it is not available for selection of the direct retro.</u>

    2. If the check is paid by the employee in the next calendar year, then Payroll will collect the gross amount of the check. This check will be credited to the non-sponsored chart string provided in the Overpayment Notification form.

Overpayments on Sponsored Accounts continued:

<u>Terminated Employee</u>

Create a Historical Salary Adjustment (HSA) to move the overpayment amount to a non-sponsored chart string. To ensure the sponsor is invoiced correctly, the Overpayment Notification form should clearly indicate:

- Direct retro number
- Full non-sponsored chart string
- Associated combo code

If the former employee pays back the balance amount in the same calendar year, then the net amount of the check is collected. In this case, payroll will process a reversal entry and credit back the amount to the original sponsored chart string that was used to overpay the employee. (This will correct the FICA, Medicare Tax, Federal Tax and State Tax for W2 purpose.) <u>Payroll will then notify the department to process a direct retro to charge back the amount credited to the sponsored project to zero out the credit. Remember to use the dates of the original overpayment to process this direct retro. The payroll reversal date cannot be used as it is not available for selection of the direct retro.</u>

If the check is paid by the former employee in the next calendar year, then Payroll will collect the gross amount of the check. This check will be credited to the non-sponsored chart string provided in the Overpayment Notification form.

Sample Department Notification Letter to Employee

(Print on Department Letterhead)

Date

Employee Name
Address
City, State, Zip

Dear [*insert employee's name*],

I am writing to inform you that you were overpaid for the pay period(s) ending [*insert each pay period end date in which overpayment occurred*]. The overpayment was a result of [*insert reason overpayment occurred*]. The total gross amount of the overpayment is [*insert total overpayment amount*].

An overpayment notification and copy of this correspondence is being forwarded to Payroll Services for further processing.

I apologize for any inconvenience this error has caused. If you have any questions, please feel free to contact me at [*insert phone number, etc*].

Sincerely,

cc: Payroll Services

CONSENT TO COLLECTION OF OVERPAYMENT
Pursuant to Minnesota Statutes section 181.79

Overpayment Pay Reduction for Employees Overpaid in a Single Pay Period

I acknowledge that I have been overpaid in connection with my employment, as described in the overpayment notification correspondence provided to me by the University. I authorize the University of Minnesota to reduce my gross pay as a result of such overpayment. I acknowledge that I was overpaid the sum of $_____, and that this overpayment occurred as a result of an inadvertent error or mistake and does not represent wages earned in connection with my employment.

I agree to repay the University of Minnesota the amount listed above through a reduction of my gross pay. I voluntarily authorize the University to make the reduction to my gross pay in a single reduction from my next pay period. I also agree that if I leave University employment prior to the repayment of the overpayment, I authorize the University to take the amount due from my final pay.

I understand that the reduction from gross pay is effective immediately upon the University's receipt of this authorization and will occur in the next available pay period.

Additional comments:

_____

_____ _____
Employee Signature   Date

_____
Name (Please Print)   Employee ID

_____   _____
Phone Number   Email Address

Note: Employee should return this form to their department.

CONSENT TO COLLECTION OF OVERPAYMENT
Pursuant to Minnesota Statutes section 181.79

Overpayment Pay Reduction for Employees Overpaid in Multiple Pay Periods

I acknowledge that I have been overpaid in connection with my employment, as described in the overpayment notification correspondence provided to me by the University. I authorize the University of Minnesota to reduce my gross pay as a result of such overpayment. I acknowledge that I was overpaid the sum of $_____, and that this overpayment occurred as a result of an inadvertent error or mistake and does not represent wages earned in connection with my employment.

I agree to repay the University of Minnesota the amount listed above through a reduction of my gross pay. I also agree that if I leave University employment prior to the repayment of the overpayment, I authorize the University to take the remaining amount due from my final pay.

As I was overpaid for multiple pay periods, I understand that the University is willing to collect the repayment over the same number of pay periods. By my signature below, I am requesting that the University reduce my gross pay in equal increments over the same number of pay periods for which I was overpaid, until the full overpayment has been collected. The reduction from gross pay is effective immediately upon the University's receipt of this authorization and will begin in the next available pay period.

Additional comments:

_____

_____ _____
Employee Signature   Date

_____
Name (Please Print)   Employee ID

_____   _____
Phone Number   Email Address

Note: Employee should return this form to their department.

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