

Process for Managing Payroll Overpayment

Background

Good internal controls and best practices require the documentation and reconciliation of overpayments. If an employee has been overpaid by the University, the overpayment, as a legal debt, must be repaid in full. Documenting and reconciling overpayments is a necessary internal control.

Before Distribution: If the error is determined before payroll distribution (2 or more days before check date), contact Payroll immediately to pull the check or direct deposit. Correct the entry in the HR system as appropriate. Notify the School Director/ Department Chair, College Senior Fiscal Officer, and the project/fund owner in writing of the error.

After Distribution: If the error is determined after payroll distribution, notify Payroll as soon as the overpayment is discovered. Determine payback amount (net dollar amount paid to employee). You can find this information on Paycheck Data Page. Notify the School Director/Department Chair, College Senior Fiscal Officer, and the project/fund owner in writing of the error.

Collection Method: Contact the employee immediately. Send a letter of notification of overpayment [over-payment-letter.doc](#) to the employee. Note the total amount of repayment due and specify a timeline for the payback (ten working days from date of letter). Repayment may be made by personal check, or money order. If employee is issuing a personal check to repay overpayment, send check with copy of notification letter to The Ohio State University, Payroll, Suite 300, 1590 North High Street, 43201-1189. Check should be made payable to: OSU.

Non-payment after 3 letters of notification (30 working days) [final-overpayment-letter.doc](#) must be escalated to the appropriate authority (OSU Accounts Receivable Collection Systems or ARCS) for follow-up and legal action if necessary. The School must request this action through Payroll. Payroll will notify ARCS.

Active employee: In addition to the above repayment process, if an employee is active within the University's payroll system, "auto recovery" may be implemented. This process will reduce the employees' compensation until overpayment is recovered in full. The period of recovery should be negotiated between the employee and the unit. [auto-payback-letter.doc](#) Notify payroll in writing of recovery period.

Payments Received/Adjustments

Current Calendar Year: If repayment is made in the same calendar year as the overpayment, the amount repaid is deducted from employees' gross income.

Subsequent Calendar Year: If repayment is made for an overpayment that took place in a prior year, Payroll will reissue a corrected W-2, reflecting adjustments involving taxes attributable to the overpayment year.

Org Adjustments: The orgs and fund charged at the time of the overpayment will receive credit as the funds are collected. The biweekly and monthly payroll reconciliation process, required by the university, will confirm that the credit has taken place. The School Director/Department Chair, College Senior Fiscal Officer, and the project/fund owner must be notified in writing once full repayment has been received.

Correcting entries: The correcting entries must be made into the HRIS as soon as the error is discovered. A notation should be made to the record why the error occurred for future reference. In addition, it is important to assess other corrections that will need to be made (i.e., credit to fee authorization, enter JED/PET corrections for ongoing appointments, calculation of vacation payout, etc.).

Payroll overpayment errors may generate an incorrect fee authorization in addition to the overpayment. In such cases, The Office of Fees and Deposits must be notified immediately. Please complete the Fee Payment Authorization Listing with the necessary changes to org or percent of appointment and submit to Joy Brown (brown.2588@osu.edu). If the authorization needs to be cancelled in full, please notify Joy Brown (brown.2588@osu.edu) or Kathy Gagnon (gagnon.1@osu.edu) by e-mail with the pertinent information (Student Name and Social Security Number) and request the cancellation. If the OSU fund has already been charged, it will be credited. The student will be responsible for the tuition and fees and will appear on their statement of account. The student must be notified of the fee authorization cancellation in the letter of notification of overpayment.

School/Department payroll policy and procedures should be examined closely and preventative measures identified that establish best practices. For instance, the College requires a term row be entered at time of hire for all specials hires or rehires. Overpayments can also be avoided by receiving and entering actions prior to deadlines, running verification reports to ensure accurate data entry, and enrolling in system training.

Questions

Paperwork Completion – School/Department HR Officer or College HR Manager

Guiding Policies

Office of the Controller: http://www.ctrlr.ohio-state.edu/webhelp/Financial_Policies.htm