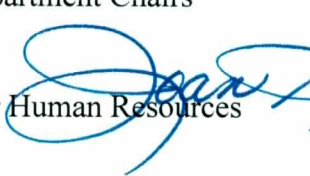




To: Deans, Directors, and Department Chairs

From: Joan Gines
Interim Vice President for Human Resources 

Date: September 3, 2009

Re: Payroll Overpayments– Procedure to Policy 5-401

Overpayments are defined as wage and salary payments in excess of what an employee is owed. Department's have the responsibility to review Payroll Earnings & Benefits reports *each* pay period, to identify errors and to report any discrepancies to the Division of Human Resources, Payroll Department. Employees are responsible to verify accuracy of their pay each pay period and immediately report any discrepancies to their supervisor or payroll reporter. The University of Utah follows Internal Revenue Service and Social Security Administration regulations with respect to the recovery and reporting of overpayments.

This memo communicates the requirements and procedures for recovering overpayments.

Recovery Procedure for Current Year Overpayments:

The overpaid taxable wages and tax withholdings will be reduced by the employee's repayment in the current year and credited to the department records as repayments are made to Human Resources. By correcting the overpayment within the same calendar year, the employee's W-2 is correct and the University is made whole in a timely manner.

Recovery Procedure for Prior Year Overpayments:

Overpayment recoveries which cross calendar years increase the amount the employee has to repay. According to IRS regulations, if a payroll overpayment occurred in a prior calendar year, wages and income tax withholdings cannot be adjusted for such prior year. Only FICA wages and FICA withholdings can be adjusted. For an employee that had a payroll overpayment that occurred in a prior year, the repayment amount would be gross wages less FICA tax.

The repayment may result in a corrected Form W-2, wage and tax statement. University Tax services will issue a corrected Form W-2 to adjust FICA wages and withholdings if necessary. Employees should be encouraged to work with their home department and Human Resources in completing overpayment repayments within the calendar year. If the overpayment repayment is not recovered by the FICA statute of limitations, a Form W-2 correction or FICA adjustment cannot be made. Any unrecoverable taxes will

become the responsibility of the department and employee. Employees in this situation should consult with their personal tax advisor for the impact on their personal tax returns.

Grant and Contract Overpayments:

If an overpayment is on a grant or contract (Fund 5000), the overpayment plus associated benefits and taxes should immediately be transferred to a non-restricted activity. An overpayment is an unallowable charge to an award and as soon as it is discovered it should be moved to ensure the federal government is not charged for it. It then may be recovered and the non-restricted activity reimbursed.

Repayment Methods:

Payroll Deduction:

An active employee and/or department will need to work with Payroll to arrange repayment. The overpayment will be deducted on the next payroll processing. If there are not enough funds to cover the overpayment in the next paycheck, the funds will be deducted from each following paycheck until the overpayment has been recovered. The repayment will need to be done within the same calendar year in which the overpayment occurred. If the employee wishes to extend the schedule, approval from the Payroll Director is required.

Personal Check:

The recommended method for overpayment payback is payroll deduction. However, if the employee is no longer active and cannot be set up with payroll deduction, the employee can make a payment by personal check. The net amount of the overpayment will be calculated by the Payroll Department and must be paid by the employee. The employee's personal check must be sent to the Human Resources Payroll Department within 1 pay period of notification of the overpayment if payroll deduction is not arranged. If an employee wishes to extend the payment schedule, approval from the Payroll Director is required.

Uncollectable Overpayments Due:

If an employee fails to reimburse the University for the overpayment, a letter will be sent to the individual from the Payroll Department. The unpaid balance must be repaid within 30 days from the date of the letter. Any unpaid balances will be turned over to Income Accounting for aggressive collection including use of collection agencies, State tax refund garnishments or any other means of collection appropriate to the situation.

Questions regarding this process should be directed to Human Resources, Payroll Department at 801-581-7873.