**Process Overview**

An overpayment occurs when an employee is paid for hours that they did not work or were paid at an incorrect rate. As a state agency, the University of Washington is required by law to recover these overpaid funds (RCW 49.28.210). A series of state and federal regulations govern the overpayment process. To comply with these regulations, an employee is required to notify their department immediately if they discover an overpayment on their paycheck. Departments should review their Online Check Registers the day after the Final Payroll Cutoff to ensure that no employees have been overpaid.

A series of state and federal regulations govern the overpayment process. An overpayment can be reported by an employee or discovered by the employee department during a review of their Workday reports.

When an overpayment is identified, there are two different processes depending on the employee’s employment status at the time an overpayment is identified:

**Active employees** have four repayment options to choose from:

* Non-exempt employees may correct an overpayment with a correction to their timesheet, if less than 90 days from the date the timesheet was submitted, approved, and paid
* Total Gross One-Time Repayment
* Installment Deductions
* Time Off Hours (using vacation and/or compensatory time)

**Terminated workers** or employee on long-term of absence must repay with a check.

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| ****Repayment Options**** |
| *Active Employees* | *Terminated Worker* |
| Active Employees have three (four if the employee is non-exempt) repayment options to choose from.* Total Gross One-Time Repayment
* Installment Deductions
* Use of Annual Leave Hours
 | Employees who have separated from the University or are on a long-term leave of absence must repay with a check. |
| **Option 1-Timesheet correction; non-exempt employees on timesheet**Non-exempt employees may correct an overpayment with a correction to their timesheet, if less than 90 days from the date the timesheet was submitted, approved, and paid (30 days for employee in the medical center – Kronos). |  |
| **Option 2-Total Gross**The total gross repayment option is a one-time deduction of the gross overpayment from the employee’s wages. Once the overpayment is deducted, the computer system will automatically recalculate taxes, reductions and deductions. The deductions and reductions will be recovered from the federal, state and outside agencies, to restore the balances. |   |
| **Option 3-Installment Deductions*** An installment payment plan is a repayment plan spread over multiple pay periods until the overpayment is fully repaid. The minimum payment is $50.00 **or** 10% of the overpayment amount **whichever is greater**.  Payments the employee receive for any overtime, standby, callback, retroactive pay, etc. may also be deducted up to the remaining unpaid debt balance.
* Example: an overpayment of $750.00 would have a minimum payment of $75.00.
* Installment deductions are taken each month based on the employee’s installment plan until paid in full.
* In the event  the employee leaves the University of Washington, the overpayment balance to be deducted from the final payroll payment(s) or leave cash out.  The department must notify ISC-Payroll if an overpaid employee is terminating as soon as they are aware of it.
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| **Option 4-Time Off Taken** * The employee can apply their current vacation and/or compensatory leave hours against their overpayment. This type of repayment will reflect in the employee's leave balances only, not in the payroll system. Sick leave hours cannot be used to repay an overpayment.
* Future accruals cannot be applied against a current overpayment.
* This option can only be used towards “REG” or equivalent hours.
* This option requires prior approval from ISC-Payroll. The department must note on the overpayment notification the UW Connect ticket case number where prior approval was granted (HRP Number).
* The department budget approver must also approve this repayment method as hours will be deducted directly from the balance available and this will NOT credit overpaid funds back to the appropriate budget.
* ​The hours to be deducted from the annual leave hours would be equal to the overpaid hours.
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| **Appeals Process** |
| Active Employees | Terminated Worker |
| * Do not send the ISC Tier 2 - Payroll any paperwork until the appeals process is complete.
* Please see the Appeals Process below for instructions.
 | * If the employee appeals, notify the ISC Tier 2 - Payroll immediately so that the collection efforts are not started prematurely.
* Please see the Appeals Process below for instructions.
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**Appeals Process**

* Requests for appeals must be submitted in writing to the department within 30 days of the overpayment notification.
* Department has 20 days from the date the appeal was received to resolve the issue.
* The decision must be in writing and sent to the home address of the employee by certified mail, return receipt requested.
* If the employee is unsatisfied with the decision, they can request an adjudicative proceeding within 28 calendar days of receipt of the department decision.  Human Resource and the Integrated Service Center (Tier 2 - Payroll) will conduct adjudicative proceedings.
* If the employee has not responded within 28 calendar days to the resolution decision then the employee defaults and must pay, the amount of the overpayment determined by the department.
* Contract Classified staff must use the grievance procedures contained in their collective bargaining agreement to request an adjudication meeting.

**Collections Process**

* When an employee has not responded or signed the appropriate paperwork within 30 days, the department should forward the following to the ISC Tier 2 - Payroll.
	+ ​Notification of Payroll Overpayment
	+ Worksheet
	+ Proof of Delivery
* ​ISC Tier 2 - Payroll will send out a Pre-Collection letter to all employees that have not made payments.
* If response is not received, overpayments will be referred to an outside collections agency or may result in involuntary payroll deductions.
* Overpayments placed for collection will be charged a collection fee (commission – current rate 35%) by the collection agency in addition to the overpayment amount due.
* Once the overpayment has been turned over to the collection agency, the ISC Tier 2 - Payroll will no longer accept direct payments from the employee. The employee will need to communicate solely with the collection agency.

**Rules and Regulations**

[IRS Publication 525](http://www.irs.gov/pub/irs-pdf/p525.pdf) has information regarding salary overpayments and prior tax year. Click a link below for the relevant section from the Revised Code of Washington.

* [R.C.W. 49.48.200](http://apps.leg.wa.gov/RCW/default.aspx?cite=49.48.200)
* [R.C.W. 49.48.210](http://apps.leg.wa.gov/RCW/default.aspx?cite=49.48.210)

 **Prevention**

The most common cause of overpayments is late reporting of Unpaid Time Off by the employee to their department supervisor and/or Time and Absence Initiator.

If an overpayment is discovered either before payday or up to 5 business days after payday, it may be possible to reverse the employee's direct deposit and get a corrected replacement payday check. Please contact ISC Payroll as soon as possible if this is the case.

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| **Process** |
| *Active Employees* | *On Leave / Terminated Worker* |
| * Complete the overpayment worksheet
	+ [Worksheet](https://isc.uw.edu/overpayment_worksheet/)
	+ [Instructions](https://isc.uw.edu/overpayment_worksheet_instructions/)
	+ For assistance email ischelp@uw.edu
* Complete the [Notification of Payroll Overpayment for Active Employees](https://isc.uw.edu/wp-content/uploads/2016/11/Overpayment-Notification-Active.docx)
* Send the employee the Notification of Payroll Overpayment and the worksheet. There are two acceptable methods to notify the employee.  Note:  Proof of delivery is required.
	+ ​In person. Proof of delivery must be **one** of the following:
		- ​Signed [Notification Letter](https://isc.uw.edu/wp-content/uploads/2016/11/Overpayment-Notification-Active.docx)
		- Signed [Acknowledgement Letter](https://isc.uw.edu/wp-content/uploads/2016/11/Overpayment-Acknowledgement-Receipt.docx)
	+ ​Certified Mail.  Proof of delivery will be a copy of the receipt (green signed postcard)
* ​Discuss and/or clarify the overpayment with the employee if needed
* Send the ISC – Tier 2 - Payroll at ischelp@uw.edu  the following:
	+ ​Email Subject – “Overpayment - Employee Name”
	+ Notification of Payroll Overpayment
	+ Worksheet
	+ Proof of delivery which is **one** of the following:
		- ​Signed Notification Letter
		- Signed Acknowledgement Letter
		- Copy of the Certified mail receipt (green card)
* ​If the employee has not responded or signed the appropriate paperwork within 30 days, forward the Notification of Payroll Overpayment, the Worksheet and Proof of delivery to the ISC – Tier 2 - Payroll for further recovery efforts.

  | * Complete the overpayment worksheet
	+ [Worksheet](https://isc.uw.edu/overpayment_worksheet/)
	+ [Instructions](https://isc.uw.edu/overpayment_worksheet_instructions/)
	+ For assistance email ischelp@uw.edu
* ​Complete the [Notification of Payroll Overpayment for Separated Employees](https://isc.uw.edu/wp-content/uploads/2016/11/Overpayment-Notification-Terminated.docx) (leave "Net Amount due" and "Amount due after the end of the year" blank)
* ​Submit the following to the ISC –Tier2 - Payroll at ischelp@uw.edu:
	+ ​Email Subject – “Overpayment - Employee Name”
	+ Completed overpayment worksheet (as an Excel file)
	+ Completed Notification of Payroll Overpayment for Separated Employees
	+ Employee Separation Payment Authorization (if applicable)
	+ The signed Separated Employee Deduction Authorization (if applicable)
* ​Separated employees must repay a net amount and the net overpayment calculations must be prepared by the Integrated Service Center (Tier 2 – Payroll). Some of the deductions and reductions unrecoverable by federal regulations and other guidelines and each overpaid pay period require individual analysis. The net calculation worksheet(s) will be sent to the department.
* Mail the employee the net calculation worksheet(s) and [Notification of Payroll Overpayment for Separated Employees](https://isc.uw.edu/wp-content/uploads/2016/11/Overpayment-Notification-Terminated.docx) within two business days after receiving the net calculation via Certified mail.
* Email the Payroll Office at ischelp@uw.edu the following:
	+ Proof of delivery which is **one** of the following:
		- ​Signed Notification Letter
		- Signed [Acknowledgement Letter](https://isc.uw.edu/wp-content/uploads/2016/11/Overpayment-Acknowledgement-Receipt.docx)
		- Copy of the Certified mail receipt (green card).  With this option, include the Employee Name, EID and Overpayment Amount in the email.
* ​The separated employee sends their repayment checks to the ISC-Payroll. Once the entire repayment has been made, the ISC - Payroll will make the necessary entries back into the payroll system to recover the reduction, deduction and contribution balances and to credit back the gross overpayment to the budget.
* If the overpayment has crossed tax years, then the transaction will be reviewed to determine if a corrected W-2 form is needed. Under IRS regulations, an employee can claim a credit on their personal tax return in the year the overpayment has been repaid. IRS Publication 525 gives further tax guidance on how to handle repayments.
* If the department receives notification of dispute, you must contact the Integrated Service Center Payroll immediately.  This will avoid sending this account to collections while the overpayment is being disputed.
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