

NUMBER: FINA NEW Procedure  
SECTION: Controller's Office - Payroll  
SUBJECT: Payroll - Salary Overpayments  
DATE:  
REVISION:  
Procedure for: All Campuses  
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**The language used in the Administration and Finance policies does not create an employment contract between the employee and the University of South Carolina. The University reserves the right to revise the content of the Administration and Finance policies, in whole or in part, with or without notice. In all cases, the Administration and Finance policies are intended to be consistent with the prevailing state and federal laws and regulations. However, in the event the language contained in the policies conflicts with state or federal laws or regulations, the state or federal laws or regulations will control. The University of South Carolina Division of Administration and Finance has the sole authority to interpret the University's Administration and Finance policies.**

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## **Procedures**

The University Administration and Finance Division, Controller's Office and Payroll, will ensure compliance with University Policy FINA NEW in the guidelines and procedures outlined below. This procedure is applicable to all salary overpayments, regardless of the source of funds used for reimbursement.

### **Salary Overpayment Procedure**

#### **A. Identification of a Salary Overpayment**

There are various circumstances that can lead to a salary overpayment including late notification of separation dates, duplicate hires, keying errors on the Human Resources (HR) forms or in the HR system itself, late time reporting of Leave Without Pay hours, etc.

A salary overpayment may be identified by the Payroll Office, by the HR Department, by the Hiring Department, or by the employee themselves, and must be promptly reported to the Payroll Office.

B. Notification to Employee and University Personnel

The Payroll Office will be responsible for preparing a letter on University letterhead addressed to the current or former employee with a copy to the Department Chair or Director, the HR Operations and Services Director, and the Bursar's Office Accounting and Reporting Director in all circumstances where a receivable must be recorded for the affected individual. This letter will communicate the gross overpayment amount, as well as the adjustments necessary to calculate the net overpayment amount (if the overpayment is within the current year), and the applicable pay periods affected.

**Repayments are due upon receipt.**

A subsequent letter will be issued to the Dean or Vice President of the affected Department from the HR Office with a request for the Dean or Vice President to review the circumstances leading to such overpayment and take corrective action to avoid future overpayments, as well as to request appropriate action that would facilitate a timely collection of the overpaid funds. If overpayment incidents are repeated without correction within a particular unit, the HR Department will arrange for subsequent measures that will work toward an acceptable resolution that can significantly minimize salary overpayments from occurring.

C. Separated Employees

Employees with an Annual Leave balance at the time of separation are paid their Annual Leave settlement on the payroll following their final regular payroll. If the overpayment occurred with their last few payrolls and is identified before the Annual Leave settlement is paid, the Payroll Office will reduce the Annual Leave settlement to take into account the salary overpayment. If the Annual Leave settlement is less than the overpayment, then an adjusted overpayment will need to be documented and communicated to the former employee in the notification process described in Section B.

D. Departmental Responsibility

All wage or salary overpayments must be promptly reported to the Payroll Office. Departments are also expected to ensure that all Leave Without Pay hours are reported timely in the University's timekeeping system (i.e. ITAMS) by actively monitoring employee's leave balances, and in cases where the leave without pay hours occur shortly before separation, the Department should notify the University ITAMS coordinator immediately to confirm that the Payroll Office is aware that such hours are in the system ready to be pulled into the payroll system so that the Payroll Office can determine if any adjustments to payroll can be made and that all options for recovering overpaid funds are considered immediately.

Departments are not authorized to overlook or forgive any overpayment. In addition, Departments are expected to actively communicate with the employee or the former employee to ensure the repayments occur as quickly as possible.

The Department will not receive credits for any overpaid funds until the funds are received by the University.

E. Employee or Former Employee Responsibility

Any employee or former employee who discovers he/she has received more compensation than they are due is obliged to immediately report the salary overpayment to their Department's HR contact and to the Payroll Office. They are obliged to return the overpaid salary immediately. If the repayment is not received within 60 days, the liability will increase to the gross overpayment. If the repayment is not received after 60 days, it is also subject to being referred to a collections agency.

Occasionally, some salary overpayments may be substantial. In those cases, the employee (or former employee) should contact the Payroll Office immediately upon receipt of their overpayment notification to discuss repayment when it is determined that an undue burden would occur in connection with a 60 day repayment schedule.

F. Accounting Adjustments

The Bursar's Office will post a receivable (12666) within the Banner system upon receipt of the notification described in Section B. A corresponding credit will be posted to the Payroll Overpayment Clearing Account (27005). The current or former employee must forward a check made payable to the University of South Carolina and the check will need to be deposited before any credits for the overpayment can be processed at the department level. Once the funds are collected, and the receivable is cleared and posted by the Bursar's Office, the Accounting Team at the Bursar's Office will generate a report that will be distributed to the Payroll Office staff. The respective credits to the department will be posted within 45 days of this report being issued. The credit for the net payment received will be processed by the Bursar's Office, whereas all the other credits, including fringe, will be processed by the Payroll Office.

If the overpayment is repaid in the same calendar year in which the overpayment occurs, the Payroll Office will process an adjusted earnings record to properly reflect the adjusted earned wages prior to issuing the Form W2. However, if the overpayment is not identified and resolved until a subsequent year after the Form W2 is issued, then the employee (or former employee) will receive a notification from the Payroll Office communicating the gross salary overpayment and it will be the responsibility of the employee (or former employee) to discuss the claim of right procedures with their tax advisors. Furthermore, the department may not be eligible to receive credits for all fringe expenses when the identification and/or resolution of an overpayment situation did not occur until a subsequent calendar year.

Therefore, it is imperative for any employee or former employee, and their respective department contacts, to ensure that overpayments are settled as soon

as possible and within the calendar year in which they occur in order for the year end wage statement to be correct and for the maximum credits to be issued.

G. Alternative Repayment Options

Alternative repayment options apply to current employees only. For ongoing employees, an adjustment to the gross pay line on the upcoming payroll may be an available repayment option. The employee will be notified by the Payroll Office if this action is determined to be the most viable and efficient option to satisfy the debt prior to the pay period in which it occurs.

One other repayment option for current employees would entail payroll deductions, as communicated in a Salary Reduction Agreement. An employee may request this option by contacting the Payroll Office after they have received their overpayment letter, as long as the repayment can be satisfied in 60 days and before the close of the calendar year.