

**SALARY OVERPAYMENTS**

I. Purpose

Board Policy 405.2 establishes the right of the University to set off amounts due to the University by an employee. This policy prescribes further requirements for calculating, recovering, and reporting salary overpayments. The policy is designed to outline responsibilities of employees, managers, and senior staff.

II. General

Overpayments occur when compensation that is not owed to an employee is paid. Overpayments include, but are not limited to, overpayment of wages, leave paid in error, and erroneous refunds of deductions. Most salary overpayments are errors that can be corrected within the next two pay cycles. It is not the intent of this policy to govern those errors. However, intentional acts resulting in overpayments are indicative of fraud and should be treated as potential fraud. The amounts and timing of overpayments, even those that may be errors, should be considered when determining if an overpayment was intentional.

Terms used in this policy are defined as follows:

1. Human Resources: the department or person at each campus, division, or unit of the University that manages human resource functions.
2. Payroll: the department or person at each campus, division, or unit of the University that processes payroll.
3. Treasury: the department or person at each campus, division, or unit of the University that manages general treasury functions.

III. Salary Overpayment Policies

Each campus, division, and unit of the UA System shall establish policies and procedures designed to prevent overpayments to employees and exercise every reasonable means to recover overpayments that occur. These policies and procedures shall identify individuals and/or departments responsible for ensuring salary overpayments are recovered from both active and terminated employees, calculations are accurate, and all sources are considered during recovery efforts.

IV. Payroll Processing

Most payroll is processed on a semi-monthly basis in Workday. To assist in the identification of salary payment errors (including overpayments), pay slips are visible in Workday up to five working days prior to payday. All employees should closely examine their pay slips in advance of implementation of key changes, such as a pay change or benefits changes.

All employees are responsible for immediately notifying Payroll and their managers of any salary or other payment errors, including overpayments. All managers are expected to cooperate with and assist Payroll and Treasury in efforts to recover salary or other overpayments.

V. Terminations

Most overpayments result from delays in processing of an employees' termination, whether the termination is voluntary or involuntary. It is the responsibility of the employee's manager to ensure the termination has been fully processed in a timely manner. This can include initiating the Terminate Business Process in Workday or reporting a pending termination to Human Resources as soon as the manager is aware that an employee will be leaving. The responsibility may also require contacting Human Resources and other departments involved to ensure that the termination is completed.

VI. Notifications

Employees will be notified immediately once it is determined an overpayment has occurred. Written notification should be provided by the campus, division, or unit and should include (1) pay date(s) the overpayment occurred, (2) the amount of the overpayment, (3) the reason for the overpayment, and (4) a plan of action for recoupment of funds. Additionally, each campus, division, and unit should communicate the salary overpayment policies and procedures to all employees and ensure all new employees are informed of this requirement as a part of employee onboarding.

VII. Calculating Amounts Due

Human Resources or Payroll will be responsible for determining the amount of overpayment and a plan for recoupment. The calculation for the amount to be recouped from the employee should be based on the following:

A. Overpayment Calculations for Current Employees

If the salary overpayment involves a current employee, the overpayment is treated as a salary advance and the difference in gross pay for the period(s) affected is due from the employee. Payroll corrections and changes should be entered into Workday, and any amount due from an overpaid employee should be reimbursed through subsequent payroll runs in Workday. Management should ensure compliance with IRS reporting requirements for federal taxes, state reporting requirements for state taxes, and other employment laws.

B. Overpayment Calculations for Employees No Longer Employed

If the salary overpayment involves an employee no longer employed by the University, the overpayment amount to be reimbursed should be the employee's net pay, plus any

taxes, benefit premiums, and/or retirement contributions paid on their behalf that are not recoverable from other sources.

### C. Common Areas of Concern when Calculating Any Overpayment

1. Federal Taxes. Form 941, Employer's Quarterly Federal Tax Return and Form W-2, Wage and Tax Statement may be issued to reflect the change in income for the employee if the issue is found within the current reporting period. If the overpayment or repayment occurs in separate or prior reporting periods, a Corrected Wage and Tax Statement (W-2c) or an Adjusted Employer's Quarterly Federal Tax Return or Claim for Refund (941-X) may be required to report a correction or claim a refund. Salary overpayments not recouped in the same calendar year may have adverse tax consequences for the employee.
2. State Taxes. Each state has its own wage and tax reporting forms. These forms may be issued to reflect the change in income for the employee if the issue is found within the current reporting period. If the overpayment or repayment occurs in separate or prior reporting periods, appropriate state forms should be used to report a correction on wage and tax reporting. Salary overpayments not recouped in the same calendar year may have adverse tax consequences for the employee.
3. Retirement. Retirement contributions include amounts paid by the employee and by the University. All contributions made based on an overpayment to an employee no longer working should be recovered. These contributions should be refunded directly through TIAA or Fidelity.
4. Health Insurance. Terminated employees may not be eligible for health insurance paid by the University and should be offered insurance through Continuation of Health Coverage (COBRA). Additionally, a terminated employee eligible for Medicare may face coverage problems if they are also actively using health insurance paid by the University. All health insurance concerns, usage, and benefits paid on behalf of terminated employees should be addressed with Human Resources.
5. Other Concerns. Each campus, division, and unit may have additional benefits that are being paid on behalf of their employees. Tuition assistance, short-term and long-term disability, life insurance, and prepaid legal services are just a few examples of the benefits that may be offered through the University. All concerns about the usage and amounts paid on behalf of terminated employees for these other benefits should be addressed with Human Resources.

### VIII. Recovery

Every campus, division, and unit shall use all available means to recover losses governed by Board Policy 405.2, Offset of Amounts Due to the University by an Employee, Board Policy 320.1, Collections, Write Offs, Allowances, and Annual Reporting of Accounts Receivable, and UASP 360.1, Delinquent Accounts and Collections. This does not exclude any other

allowed means of collection from other sources or future policy revisions. Management should ensure that any requirements under the Fair Labor Standards Act and other federal and state laws that may apply when recovering amounts due from employees are followed. Because of tax complexities all efforts should be made to recover overpayments in the same calendar year.

IX. Reporting

Payroll is responsible for preparing reports showing current and cumulative salary overpayments, along with the status of collection methods and amounts. Reports should be categorized in a way to identify apparent deficient areas and/or departments. Management should consider communicating any identified noncompliance to the affected departments. Salary overpayments resulting from this policy should be reported to Arkansas Legislative Audit and UA System Internal Audit, provided the overpayment meets the threshold requirements in Arkansas Code Annotated § 25-1-124 Reporting by a Public Employee.

X. Disputes

Any employee disputing the amount of an overpayment, or the conditions or repayment determined by the University may seek a review by the chief financial officer for the campus, division, or unit, or a designee. The request must be made in writing and contain sufficient information for the review to be conducted based on the documentation furnished.

XI. Consequences

Failure to follow the requirements set forth in this policy shall result in disciplinary action up to and including termination as determined by Human Resources.

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