**Background**

When an employee is overpaid, repayment is required. This document provides guidance on handling overpayments for former employees who owe the university money.

**Reasons for Overpayment**

Overpayments may occur due to various reasons, including but not limited to:

* **Late Processing in Workday** – The *Initiate Separation Form* was not entered, approved, or processed before the payroll deadline.
* **Incorrect Vacation/Service Day Payout Calculation** – Errors in calculating vacation or service day payouts during termination.
* **Data Entry Errors** – Incorrect information entered in Workday or WorkLion forms, leading to payroll miscalculations.
* **Pay/Effort for 36-Week Faculty** – Terminations occurring after July 1 but before the semester starts.

**Process to Resolve Overpayments**

**Step 1: Unit HR Review of Reported Overpayment**

* Overpayment is identified either by the employee or a university representative.
* If HR Services is contacted, an inquiry is submitted to Unit HR for review.
* Unit HR determines if a payback is required:
	+ **Payback not required (No error)** – Payment is correct, and no further action is needed.
	+ **Payback not required (Unit waiver)** – Employee owes money, but the unit chooses not to recover it. Approval from the HRVP is required.
	+ **Payback required** – Employee must return funds, and Unit HR initiates the payback process.

**Step 2: Payroll Review**

* If payback is required, Unit HR submits an inquiry via WorkLion to HR Shared Services for corrective action. Then, an email is sent to *payroll@psu.edu* with the subject: **"Overpayment – [Employee Name]"**, including:
	+ Employee name & PSU ID
	+ Date and amount of Gross overpayment
	+ Explanation of why payback is needed
* Payroll reviews the overpayment and provides the required repayment amount.
* If payback is not required, Unit HR still notifies Payroll via email with the details.

**Step 3: Employee Communication & Payback Request**

* HRC sends a **payback letter** via email and certified mail, requesting payment within 30 days with instructions on submitting payment to Payroll.
* If no response is received, Payroll issues follow-up letters at **30, 60, and 90 days**.
* Payroll will email a copy of each letter to HRC/HRSP.
* Payroll maintains written records and copies of all correspondence in case the debt must be sent to collections.

**Step 4: Payment Processing**

* Once the employee submits payment, Payroll deposits the funds and notifies Finance and HRC, providing the SIMBA document number.
* Payroll credits **GL# 21500300** and applies the payment to the employee's pay record.

**Step 5: Non-Payment After 90 Days**

* If payment is still outstanding after 90 days, Payroll consults with the unit to determine next steps:
	+ **Forgive the overpayment** – Requires approval from the HRVP.
	+ **Send to collections** – Payroll submits the case to an external collections vendor and tracks progress.
* If sent to collections, Payroll gathers and submits all required documentation, including:
	+ Overpayment details from the unit
	+ Copies of the initial, 30-day, 60-day, and 90-day letters sent to the former employee.