

## **Policy**

As a trustee of state and federal funds, UAB must aggressively collect overpayments while not jeopardizing the characteristics of the dollars originally disbursed. We deem any significant amounts overpaid to be subject to collection procedures set by Financial Affairs.

## **Procedure**

The University has many possible combinations of overpayments via UAB Payroll Services that may occur between the following categories:

- Trainee vs. Compensation
- Active Pay Status vs. Inactive Status
- Net Pay vs. Re-Owed Amount
- Primary Assignment vs. Secondary Assignment
- TEL vs. Retroactive ACT Documents

We deem any single disbursement amount over \$300 (gross pay), as an overpayment and subject to the criteria listed below. Single disbursement amounts below \$300 are subject to the ability to immediately collect the funds.

### **Trainee vs. Compensation**

As a trustee of state and federal funds, UAB must aggressively collect overpayments while not jeopardizing the characteristics of the dollars originally disbursed. Trainee payments are based on an academic award and cannot be recouped due to late documents unless the trainee is removed from the program for academic or other institutional misconduct. Departments have the ability to:

- Issue scholarships beyond the academic fees for enrolled students via Banner
- Issue one time payments (multiple per document) via the Administrative System
  - Future payments may be stopped by processing an additional document if needed.
- Process recurring monthly payments via the Administrative System
  - This requires the department to stop the recurring payment promptly to guarantee proper payment

Overpayments due to removal from the trainee program, if possible, will be placed on the Student Account. If the trainee is not enrolled, they will be placed in collections but the debt may not be recouped via a compensation assignment.

## **Active Pay Status vs. Inactive Pay Status**

Overpayments to active employees are aggressively collected and the next scheduled payment may be reduced to a net of \$0. Any remaining amounts due to UAB are collected and reduced over the very limited period. Student overpayments and excessive overpayments that can not be collected in this time frame are subject to review by senior central administration.

The University actively attempts to collect overpayments from employees placed in an inactive pay status by:

- Corresponding with the department and the employee regarding the overpayment
- Maintaining the ex-employee in a file to reduce pay if rehired
- Placing the debt with a collection agency
- Seeking a court ordered judgment

Arrangements for over payments should be over a limited time period. If the payment amount does not “appear to be reasonable,” it should be reviewed by senior central administration.

Excessively late terminations (with pay) of a staff employee will require an “internal review of processes” document from school or administrative area financial officer.

Excessively late terminations (with pay) of a faculty member will require an “internal review of processes” document from dean of the school.

## **Net Pay vs. Re-Owed Amount**

The University attempts to collect the net payment, however:

- Some deductions can not reversed and must be repaid to UAB
- Prior year federal taxable and withholding and state tax withholding can not be reversed and must be repaid by the ex-employee, and a refund request must be filed with the related taxation authority.

Please see the following notation from federal regulations:



Please tell your employee that the wages paid in error in a prior year remain taxable to him or her for that year. This is because the employee received and had use of those funds during that year. The employee is not entitled to file an amended return (Form 1040X, Amended, U.S. Individual Income Tax Return) to recover the income tax on these wages. Instead, the employee is entitled to a deduction (or a credit, in some cases) for the repaid wages on his or her Form 1040 for the year of repayment.

### **Primary Assignment vs. Secondary Assignment**

The University reserves the right to reduce either the primary or secondary employee assignment related to an institutional overpayment. Payroll Services will make an effort to:

- Notify the “reduced” assignment HR contact that the pay will be impacted
- Indicate the appropriate labor source in the system.

However, the reduction of a pay on the other assignment may require Salary Reclassification documents by one department to properly credit the appropriate department. Payroll Services does not have the ability to reclassify dollars due to audit controls.

### **TEL vs. Retroactive ACT Documents**

Submitting a retroactive ACT document will not reverse payments processed via time reported on a TEL document. Reversal of a TEL document creating an overpayment on an employee is not allowed.