

Salary Overpayment Process Overview

Background

- Overpayments occur for various reasons such as an employee's pay is reduced retroactively, an employee is placed on Leave of Absence without pay retroactively, or an employee is terminated retroactively.
- Overpayments can be avoided by timely or advanced (future dated) processing of ISR's.
- Overpayments are recorded as salary and repayments are recorded as salary reductions to offset the overpayments. The amount is charged to the default salary account (cost center ending in 99) if the amount was charged to a grant.

Identifying Overpayments

To monitor overpayments for your school or department, use the BW report called "Overpayment Report" under Human Resources – Payroll Admin. To access this report, the role named ZBHR_PA_R_PAV_ORG (BW □ HR Payroll Admin View Reports ORG) is needed.

- Two selections are required:
 - o Organization unit(s): enter one or more organization units
 - o Personnel Area: enter the appropriate Personnel Area, this identifies your division/school.
- The report will identify the amount overpaid to the employee or fellowship recipient and will indicate if the repayment is in progress for those repaying through payroll deduction.
- For overpayments without any repayment activity, the department needs to contact the employee to determine how the amount will be repaid.

Methods for collecting overpayments

1. Department arranges for payroll deduction (active employees)
 - The form on the Payroll website under forms, <http://ssc.jhu.edu/payroll/Data%20Files/Overpayment%20Agreement.pdf>
 - The form is a template to be completed by the department. A signed copy is to be retained by the department. The electronic copy is to be sent to Payroll so the deduction is created.
 - Fill in the employee name, employee ID (SAP) and overpayment amount.
 - Fill in the amount to be paid by period, the number of reasonable pay periods*, and the final payment amount, if needed due to rounding.
 - Update with the appropriate employer name shown in brackets [], removing the brackets for the final agreement.

- Have the employee signature and dates the completed agreement that is retained by the department/unit.
2. Collect the amount overpaid directly from the employee via personal check or money order (reserve for terminated employees)
 - Send checks made payable to Johns Hopkins University directly to Payroll Shared Services
 - For overpayments repaid during the year, 70% of the gross amount is repaid. This is for ease of calculating the net amount the employee received; a balance could remain.
 - For overpayments repaid after the calendar year ends, 92.35% must be repaid. Only the FICA tax of 7.65% can be allowed for the repayment amount.
 - Personal checks are deposited by Payroll Shared Services within 1 to 2 days of receipt
 - For overpayments repaid by check, the adjustment will be completed approximately 2 weeks after deposit to allow time for bank processing

 3. Request Payroll Shared Services to proceed with attempting to collect salary overpayment by sending two letters
 - Prepare “Collection Form” found on PRSS website
 - PRSS will send two letters to the employee to attempt collection of the overpayment. The first letter will be sent within days of receiving this form. If there is no response from the employee within 30 days, a second letter will be sent.
 - PRSS will not attempt any further collection after the second letter.
 - If there is no response to the second letter, one of the following must be selected.
 1. Send to collection agency for collection
 - Recommended for uncollected balances over \$100.00. PRSS will work directly with a collection agency to attempt to collect the overpayment. 20% of the repayment will be assessed to the department’s cost center as a service fee if a repayment is received. If no payment is received, the department will not be assessed the fee.
 - If collection attempts fail , the remaining balance will be written off
 2. Write off balance
 - Recommended for balances under \$100.00, in cases where it is determined that collection is not practical or appropriate. The Divisional Business Office makes this determination. If the form is not signed, it will be returned to the department contact.
 - The write off will remain on the Cost Center/Internal Order the overpayment is charged to unless noted on the form.

4. Send to Collection Agency
 - Prepare “Collection Form” found on PRSS website
 - If the department has made initial contact with the employee and no action was taken by the employee, the overpayment can be sent directly to the collection agency for collection
 - PRSS will work directly with a collection agency to attempt to collect the overpayment. 20% of the repayment will be assessed to the department’s cost center as a service fee if a repayment is received. If no payment is received, the department will not be assessed the fee
 - If collection attempts fail, the remaining balance will be written off
 - Write off overpayment balance with no employee contact
 - Prepare “Collection Form” found on PRSS website
 - A department can choose to write off the salary overpayment with no employee contact for one of the following reasons:
 1. Minimal balance-PRSS recommends a threshold of \$100.00. Department’s minimal balances could be different, please contact your business office for further assistance in determining a good threshold for your department.
 2. Death- PRSS recommends overpayments resulting from death not to be collected.
 3. Not practical or appropriate- A determination is made by the Divisional Business Office that the collection is not practical or appropriate.
 - Collections with the collection agency will stop being pursued after 6 months and any remaining balance will be written off

Effective 06/01/09 for all payment received by checks, Payroll will be sending letters of receipt of, paid in full or balance owed to the employees.

*Repayment pay period should be same or similar pay period in which overpayment happened. E.g. If an employee was overpaid in 2 pays, the repayment needs be done within 2 pays. If it extends beyond a reasonable period it becomes a loan on which interest needs to be charged to the employee. To avoid interest charges, please encourage the employee to repay in a reasonable period.

For questions, please contact Payroll Shared Services at payroll@jhu.edu or 443-997-8146