Chapter 12. Payment of Compensation and Error Correction

I. Procedure Summary
This procedure documents responsibilities and procedures for wage payment and error correction.

II. Responsibilities

**Department Administrators Who Have Responsibility for Payroll**
1. Obtain information required to pay employees accurately and in a timely manner.
2. Notify the Payroll Department immediately of any payroll issues so they can be investigated and appropriate changes made.
3. Notify the Payroll Department of any late submissions of employment or compensation actions to help avoid overpayments.
4. Confirm that approved changes to employee records are accurately made in the payroll system.
5. Review payroll registers prior to payday to ensure the accuracy of payments, and work with employees to resolve any errors or other issues.
6. Notify the Payroll Department immediately if an error is found during a review of payroll registers.
7. Ensure that payroll registers are complete and accurate before the employees receive their pay.
8. Correct overpayments:
   a. Authorize the temporary reduction in pay due to an overpayment.
   b. Notify the employee when there will be a reduction in their pay due to an overpayment.
   c. Ensure that grant accounts are corrected due to an overpayment.

**Departments with payroll system data entry privileges (including but not limited to Faculty Records, Work Study, Human Resources and Branch Campuses)**
1. Ensure all required documents are present before data entry into the automated payroll system.
2. Enter payroll information in a timely and accurate manner.
3. Retain support for data entry including authorization for payroll actions.
4. Comply with Payroll Data Entry Procedures
Employee

1. Provide all information required to issue accurate payments, e.g., current address, direct deposit information, demographic information, etc.
2. Review pay statements and report any errors to their payroll departmental administrator in a timely manner.

Payroll Department

1. Establish the production schedules for preparation and distribution of payroll payments.
2. Provide training and support to departments.
3. Establish, implement and maintain internal controls in coordination with other University offices to ensure payments are authorized, timely, and accurate.
4. Produce and deliver payroll payments in accordance with the established schedule.
5. Collect and remit voluntary and mandatory deductions, and reporting data in compliance with federal, state and local laws and regulations.
6. Ensure that payroll transactions are properly recorded in the University accounting system.
7. Maintain records required by the University and federal, state, and local governmental agencies.
8. Authorize other individuals to data enter authorized employee transactions into the payroll system.
9. Correct compensation payments:
   a. Work with University departments and employees to arrange timely correction of errors.
   b. Determine the reduction schedule and amount to be paid by continuing employees for overpayments.
   c. Reverse a direct deposit or place a stop payment on a check disbursement and reissue corrected payment when necessary.
III. Procedure:

1. Payment Methods
   A. Direct Deposit
      1. Wages are paid via direct deposit to employee bank accounts. Payments to employees under collective bargaining agreements are subject to the terms of those agreements.

2. Invalid Direct Deposit Account
   Direct deposit forms completed by the employee may have errors or may designate an account that has been closed.
   The receiving bank will notify the Payroll Department that the funds cannot be deposited. The Payroll Department will research the source of the error, and prepare and distribute a payment to the employee.
   It is incumbent on all University employees to ensure that up-to-date direct deposit account information is provided to the Payroll Department so that errors of this type can be avoided.

3. Direct Deposit Payment at Employee Termination
   Hard copy direct deposit pay statements will be issued for employees’ final payments.

B. Quick Pays
   Off-cycle payments, also known as “Quickpays” are approved on an exception basis by the Payroll Department for the following reasons:
   1. The employee did not receive any base pay due with the regular payroll run.
   2. The employee was paid less than 95% of their base pay due with the regular payroll run.
   3. Missed items from a terminated employee’s final pay.
   4. Reissues because of overpayments or missed deductions.
   
   University departments are charged a fee if a Quickpay is required when paperwork was not submitted accurately or by the published deadline. Refer to the Payroll Standard Operating Procedures Manual, section on Manual Check (off-cycle) Requests, for details.
2. Incorrect Payments

While the University of Pittsburgh strives to maintain systems that minimize errors in payroll disbursements, errors can occur. The Payroll Department strives to reduce these errors to an absolute minimum, and the efforts of the departmental administrators responsible for payroll are essential to reducing the incidence of errors.

A. Error Identification and Reporting

The responsibility to identify errors that occur on a payroll disbursement rests not only in the Payroll Department, but also with the departmental payroll administrators and employees.

1. Employees

Employees should review the details on their pay statements and report any errors to the Payroll Department so corrective action can be taken in a timely manner. Employees are responsible for providing up-to-date demographic and tax related information to their departmental payroll administrator and the Payroll Department.

Employees should also alert departmental administrators responsible for payroll if expected changes in payments do not appear when anticipated. Position details, salary information, marital status, or any other details that remain unchanged when an employee expects them to be adjusted should prompt the employee to inquire about the status of the change. Calling attention to these questions as they arise helps minimize errors that might otherwise continue for several pay-periods.

Overpayments received are not employee property, and must be reported to the departmental payroll administrator immediately after the employee has knowledge of the error. Failure to immediately report overpayments and return funds may result in collection activity and potentially, legal action. Receiving and knowingly retaining a salary overpayment constitutes theft and is grounds for termination. While procedures exist to identify overpayments and collect funds paid in error, employees can
contribute to this process simply by notifying their departmental payroll administrator and the Payroll Department as soon as they become aware of an error.

2. Departmental Payroll Administrators

Departmental administrators responsible for payroll have the closest, most current knowledge of employment and compensation actions in their departments. The Payroll Department relies on departmental administrators responsible for payroll to ensure that proper payroll processes are observed within the department, and that the payroll system contains the correct demographic and employment data.

Departmental administrators review the accuracy of payroll registers before the employees receive their pay. It is imperative that departmental administrators abide by the published schedule for review of these registers, and that they contact the Payroll Department whenever errors are detected. Refer to the Payroll Standard Operating Procedures Manual, section on Reviewing Payroll Registers, for details.

Using tools provided by the Payroll Department, departmental administrators responsible for payroll must confirm that approved changes to employee records are accurately made in the payroll system. If errors are detected, the departmental payroll administrator is to notify the Payroll Department so the issue can be investigated and appropriate changes made. Additionally, the Payroll Department should be notified of any late submissions of employment or compensation actions to help avoid overpayments. Refer to the Payroll Standard Operating Procedures Manual, section on Reviewing Turnaround Employee Records, for details.

University departments may be charged a fee if special processing is required when paperwork is not submitted by the published deadline.
3. Payroll Department

Payroll Department responsibilities vary when an overpayment or underpayment has been made, depending on the circumstances as identified in this procedure. However, an over-riding responsibility is to maintain good communications with departmental administrators responsible for payroll in order to reduce the likelihood of an overpayment. Once an erroneous payment has been made, the Payroll Department will work with the departmental payroll administrator and employee to produce an accurate and timely correction.

B. Corrections for overpayments, including collection efforts

When an overpayment occurs, the speed with which it is reported to the Payroll Department has a significant impact on the steps which must be taken to correct the error. Depending on bank schedules, early notification prior to payday will result in minimal impact and confusion for the employee.

When notified, the Payroll Department will make every effort to reverse a direct deposit transmission or place a stop payment on a payroll disbursement issued via check. If either of these alternatives is possible, the Payroll Department will cancel and reissue a corrected payment as necessary.

In the event it is not possible to stop or directly retrieve the funds, actions will be taken that depend on the employee’s status:

1. For employees continuing on active status

   If an employee is continuing on active status and will have future gross payments sufficient for the University to recover the overpayment, future payments to the employee will be reduced. The Payroll Department will determine the amount and reduction
schedule. The amounts to be recovered will be reclaimed as quickly as possible. The Payroll Department will request an instruction from the departmental payroll administrator for a temporary reduction in pay, and the departmental payroll administrator will notify the employee of the action. Where an overpayment transaction has initially been charged to a grant, the department has the responsibility to ensure the grant account is corrected.

2. For terminated employees

If an individual is terminated, or a pay reduction is not otherwise possible, The Payroll Department will assist departments with recovery efforts. Any wages recovered directly by the department must be forwarded to The Payroll Department for proper credit to the department and reduction of the debt. An overpayment initially charged to a grant must be corrected in a timely manner, according to the terms of the grant.

3. Overpayment of fringe benefits

Excess contributions made to a defined contribution retirement plan as a result of an incorrect payroll payment are the property of the University of Pittsburgh. The University will make every attempt to recoup the funds from the plan administrator. It is the responsibility of the employee to return any unrecoverable funds to the University.

Other benefits that have been provided because of an overpayment, including tuition or other amounts, may be recovered by the University at its discretion.

4. Tax reporting of compensation payment corrections

For tax reporting purposes, overpayments are included in the employee’s income in the payroll period when the overpayment was received. If the employee repays the overpayment during the same year the money was received, the University adjusts the taxable amount in the period the payment was received. If the employee repays the overpayment in a subsequent tax year, the
amount of the repayment will be a gross wage repayment and will not affect the employee’s prior year W-2 income.

C. Corrections for Underpayments

Underpayment notifications to the Payroll Department will be corrected as quickly as possible. The method used to correct an underpayment depends upon the particular circumstances of the payment, and when the notification of an error is received in the Payroll Department. Two options apply:

1. Reversal of a direct deposit transmission, or a stop payment on a disbursement made via check, and reissue of corrected payment.
2. Include the underpayment in the employee’s next pay check. If an error occurs that results in bank fees to the employee, and that error is the clear and sole responsibility of the University, bank fees will be reimbursed.

3. Stop Payments and Check Cancellations

While it is an unusual event, errors in the production of paychecks sometimes occur. It is the responsibility of departmental administrators responsible for payroll to notify the Payroll Department immediately if an error is found during a review of payroll registers. Similarly, if an error is discovered by an employee, this must be brought to the immediate attention of both the employee’s departmental payroll administrator and the Payroll Department. When an error occurs, the Payroll Department will contact the respective bank and request a stop payment, and a corrected payment will be issued if required.