

University of California, Berkeley
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Name of Policy: Overpayment Waiver Request

Responsible Executive: Michael Riley

Responsible Office: Controller's Office

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Policy Statement

This policy establishes the circumstances and approval process when a campus partner would like to cancel or forgive an overpayment allowing an employee to retain funds they were not entitled to receive. This policy is intended to reduce the financial risk to the university as well as ensure the university is in compliance with established UC systemwide procedures and tax withholding laws as outlined by the Internal Revenue Service and state tax code(s). This policy will enable the university to conduct a complete and standard assessment also ensure that the employees' wage earnings are accurately reported in the payroll system as intended for wage, payroll deduction, and benefit purposes.

The University of California, Berkeley (UC Berkeley or the university) shall pursue and attempt to collect all overpayments concerning payroll income wages paid in excess of what the employee was entitled as a condition of their job compensation. If necessary, a request for a waiver of overpayment recovery (forgiveness of debt owed to the university) of employee income wages paid may be submitted to the Controller's office for review and final approval. This policy is applicable to all employees who have an overpayment to ensure an equitable and standard review process. The cancellation of an overpayment should not be based on whether one department has more or less funds to waive or forgive an overpayment.

Scope of Policy

- Establishing the conditions of an overpayment
- General rules regarding overpayment collection
- Rules governing the overpayment waiver process

Note: Overpayment recovery policies and procedures are dictated by the UC Office of the President and all UC campuses are required to follow the systemwide established policies and procedures. The overpayment collection process including but not limited to overpayment accountability, prevention of overpayments, process to recover, employer obligations, UC policy, and Internal Revenue Code

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guidelines are addressed in the separate UC systemwide overpayment recovery policy governed by UC Office of the President in collaboration with UC campuses and UCPATH.

Why We Have This Policy

In order to safeguard the university's assets and be fiduciarily responsible for the public funds and public trust in the university, it is important to follow these policies before granting a forgiveness or canceling an employee's debts to the university as a result of an overpayment.

An overpayment occurs when an employee receives more money than they are entitled to. An overpayment represents a debt owed to the University.

An overpayment is money paid to an employee for more than due as a result of a timesheet error, erroneous compensation rate, coding error on job record, severance repayment, erroneous payment during unpaid leave of absence, benefits deduction errors, FICA corrections, etc. This could also occur when tax withholding or deductions were not properly withheld from the employee's paycheck.

Common overpayments may include but are not limited by the following circumstances:

- Untimely or inaccurate job data changes (i.e. terminated late, inaccurate pay rate, change from biweekly to monthly pay or vice versa)
- Missed Deductions
- Incorrect income withholding
- Incorrect start/end dates entered into the HR/Payroll System (i.e. UCPATH)
- Duplicate payments
- Retroactively adjusting gross pay resulting in pay for a prior period of time in which an employee has already been compensated.
- Incorrect earn code used to pay employee
- Untimely entry of unpaid leave of absence

An overpayment can have different impacts depending on the type of overpayment such as service credit, withholding, or retirement contributions or lack thereof. An employee may have received the correct gross pay however it was paid on an incorrect job or it was paid on an incorrect earn code which should not contribute to base pay, service credit, or accruals. There are also different implications when an overpayment crosses tax years and whether the overpayment was reported as income for that employee. As a result, each overpayment must be carefully reviewed.

Criteria in which after review by the Controller's office, an overpayment may be waived.

Although a campus partner may believe the request to forgive an overpayment meets one of the conditions below, the request must still go through a formal review process outlined in the "Request for Exceptions to the Policy" section of this document. All requests must be approved by the UC Berkeley Controller.

1. A negotiated settlement is authorized by Employee & Labor Relations or the Berkeley and or University of California Office of the President legal team.
2. Situations where an overpayment was discovered to not be an overpayment but merely an adjustment of earnings record (i.e. paid correct gross but on incorrect job).
3. The employee is deceased.

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4. The amount overpaid by the university was found to be monies owed to the employee by a legal judgement order from the Labor Commissioner's Office.
5. After review by the Controller's Office it has been determined that all measures to collect the overpayment have been exhausted and the cost of effort to collect has exceeded the overpayment amount.
6. Overpayment has exceeded the three-year statute of limitations from the payment date in which the overpayment occurred.
7. In rare situations, overpayments due to extraordinary circumstances which do not fall within exceptions one to six will be evaluated and considered by the AVC/Controller on a case-by-case basis for waiver (i.e. cease to collect).

There are non-negotiable aspects of an overpayment. Employees are liable for any tax withholding on overpayments or funds that they have received or have been permitted to retain. Any policies, tax laws, and or legal requirements must be adhered to and supersede any requests associated with forgiving an overpayment. Any additional income or income the employee is provided will have withholding in accordance with tax law.

Procedures

Overpayment Recovery

UCPath has established overpayment recovery procedures. In summary, the process includes the following actions. Note: campus personnel who have a role in supporting payroll and or human resources and are not supported by Berkeley Regional Services are also subject to this policy and procedures

1. The overpayment is identified and reported either by the campus or UCPath processing center.
2. UCPath calculates the overpayment and generates a packet emailed to Berkeley Regional Services payroll (BRS) teams and payroll teams not supported by BRS.
3. The Berkeley payroll teams review and share the letter with the employee.
4. The employee agrees to repay and remits payment to UCPath or via payroll deductions. If the employee does not repay after 120 days, the overpayment is transferred to collections.

Request for Exceptions to the Policy

During exceptional circumstances in which a department would like to request an exception to the policy to allow the employee to retain the funds that were overpaid, this request must be carefully reviewed. As financial stewards of university resources, we have an ethical obligation to carefully review these requests to determine the cause of the overpayment and to further ensure that employees are not receiving more than their entitled compensation. This may require reviewing HR actions, contracts, the impact to benefits, tax withholding, and any other pertinent details of the case. This will require collaboration with HR partners, payroll teams, UCPath, and potentially Employee & Labor Relations to ensure all information pertaining to the overpayment has been collected and thoroughly reviewed. There is no threshold or cap in which Berkeley would not attempt to recover an overpayment per UC systemwide policy. Every overpayment warrants review and at the minimum an initial attempt to collect funds owed to the university.

All requests to forgive an overpayment must go through the following review process. To submit an exception request:

1. The human resources manager or payroll staff must complete the overpayment exception request form.

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2. The form must be signed by the Dean or Vice Chancellor of the Control Unit or equivalent. The Chancellor's Office may elect to delegate the process of signing the overpayment waiver.
3. Email the form and any additional supporting documentation to Central Payroll at payhelp@berkeley.edu.
4. The request will be reviewed internally by the Central Payroll office with a final review by the Assistant Vice Chancellor and Controller.
5. Central Payroll will respond to the submitter once all information has been reviewed.

Appeal Process:

If the submitter of the overpayment waiver request wishes to appeal the decision of the Controller's Office, the Vice Chancellor of the department in which the overpayment occurred must submit the appeal request to the Controller. The Controller and the Vice Chancellor will discuss the facts of the decision pertaining to the overpayment waiver request.

Responsibilities

This policy applies to not only human resource and payroll teams that are working within Berkeley Regional Services but also applies to those with human resource and payroll roles that reside outside of the regions.

Berkeley Regional Services (BRS) Payroll Transactors and payroll teams not supported by BRS:

Upon discovery of an overpayment, the Payroll staff member is responsible for creating and initiating the overpayment recovery transaction in the UCPATH system. UCPATH will calculate and generate an overpayment letter which is provided to the Berkeley Payroll submitter. The Payroll team member is then responsible for notifying the employee of the overpayment. The payroll team member will send up to three letters of notification to the employee or until agreement to repay is obtained from the employee.

If a waiver of overpayment recovery has been requested. The Payroll submitter will work with the human resources manager as the first level of review. Once approval from the Vice Chancellor or Dean has been obtained via the signed waiver request form, the Payroll team member will email all supporting information and approval documentation to the Berkeley Central Payroll office for further review. The Chancellor's Office may elect to delegate the process of signing the overpayment waiver.

HR Manager within Berkeley Regional Services and HR managers not supported by BRS:

The human resource manager will assist with the mediation of the overpayment recovery process if the Payroll team should require additional support during discussions with the applicable employee.

If a waiver of overpayment recovery has been requested, the Payroll submitter will work with the human resource manager as the first level of review. The human resource manager is expected to review the bargaining agreements if the employee is represented as well as the job data and any information pertaining to the cause of the overpayment. If the human resource manager believes this is an exceptional case in which a waiver of overpayment recovery should be granted, the human resource manager will discuss and obtain initial approval from the Berkeley Regional Director.

Berkeley Regional Director (BRS) or equivalent if department is not supported by BRS:

If a waiver of overpayment recovery has been requested and if the human resources manager believes this is an exceptional case in which a waiver of overpayment recovery should be granted, the human resource manager within Berkeley Regional Services will discuss and obtain initial approval from the Berkeley Regional Director. The Berkeley Regional Director must review the details of the overpayment case with the human resources managers. If the Regional Director believes a waiver of overpayment recovery

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should be granted, they must obtain approval from the Vice Chancellor or Dean of the department in which the employee's overpayment originally occurred.

Vice Chancellor or Dean:

Review request for waiver of overpayment recovery and provide signed authorization via the waiver of overpayment recovery form providing authorization to forgive a debt owed to the university.

Payroll Director:

The Payroll Director is responsible for working with UCPATH and the Berkeley campus to ensure we have an overpayment recovery process that is efficient and allows the university to have the information needed in order to review, assess the impact, and ensure an overpayment has been repaid to the university. The Payroll Director also works with campus partners to assess trends in order to identify root causes of overpayments so that process improvements can be made to prevent overpayments from reoccurring.

In addition, the Payroll Director will review waiver of overpayment documentation, assess tax withholding and employee payroll impact, and ensure information is complete. This review may require follow up with campus partners and UCPATH to determine the exceptional circumstances of the overpayment.

The information will be presented for final review to the Controller.

Controller:

The Assistant Vice Chancellor and Controller (AVC Controller) will review the waiver of overpayment recovery requests for final approval. The AVC Controller is responsible for assessing the financial risk to the university and communicating the impact to executive leadership both at the campus as well as to the University of California Office of the President and UCPATH. The AVC Controller will provide overall guidance at a leadership level and recommendations for improvement to reduce our financial overpayment risk exposure.

UCPATH Overpayment Processing and Adjustments team

UCPATH is responsible for the following:

- Calculation of the amount owed back from employee (processed by Adjustments team)
- Compilation of the overpayment recovery packet (processed by accounts and receivable Recovery team)
- For active employees – Full coordination with Location
- For separated employees – Location receives a courtesy notice
- For active employees with a pre-conversion overpayment – Full coordination with Location*
- The UCPATH Center will only manage pre-conversion overpayments for active employees.
- UCPATH will send via case email the overpayment packet to the identified point of contact/listserv at the campus
- If required, UCPATH will also process W-2c to amend prior year W-2s
- UCPATH is responsible for processing overpayment payroll adjustments to adjust employee's applicable earnings.
- If an employee has not repaid within 120 days, the overpayment will be transferred to collections.
- Notifying the campus of overpayments have been repaid or transferred to collections

Consequences of Policy Violations

If this policy is not adhered to, the following may occur:

- Disparate and unequal treatment of overpayments resulting in some employees being required to repay when others are not required
- Inadequate and incomplete assessment of overpayment resulting in impact to the employee's retirement or tax withholding even when the gross pay may appear correct
- Financial risk to the university diverting university funds, which limits the university's ability to financially support critical projects to meet the university mission
- Incompliance with the Internal Revenue Services and State required tax code(s)
- Unauthorized personnel forgiving debts who have not been granted the authority to do so
- Campus personnel circumventing the overpayment recovery process

Web Site Address for This Policy

https://campuspol.berkeley.edu/Policies/Overpayment_Policy.pdf

Glossary

Accounts receivable: Accounts receivable (AR) refers to the amount of money that's owed to a company for goods or services but hasn't yet been paid.

Active employee: An active employee is an employee with a current active job at UC Berkeley. This employee is performing a service as an employee.

Berkeley Regional Services: Berkeley Regional Services (BRS) is comprised of six (6) "service regions" that provide administrative support including HR/Academic Personnel Support, Research Administration, and Purchasing and Reimbursements to their groupings of schools, colleges and departments.

Collections: Collections is a term when referring to money owed to the university by an employee. When an employee does not pay the university within the terms specified, the amount of the overpayment becomes past due and may be submitted to a collection agency.

Control Unit: The administrative domain of a vice chancellor or provost.

Current year overpayments: A current year overpayment is an overpayment that has been reported in the current calendar year. When an employee repays an overpayment in the same calendar year, the employee will repay the net pay amount of the overpayment. The Payroll Department will reduce the employee's taxable wages and associated taxes for that calendar year to ensure the year-end W-2 Form is correct.

Overpayment: An overpayment is a payment in excess of what is due.

Overpayment packet: An overpayment packet includes a letter to the employee who was overpaid which explains the reason the overpayment occurred, the amount owed to the university, and the options for repayment. In addition, a detailed worksheet with the amounts of what was paid versus what should have been paid is provided. This packet is produced by UCPath and is ultimately communicated and distributed to the impacted employee.

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Overpayment that crosses tax years: An overpayment that crosses tax years refers to an overpayment that was previously reported as taxable income on an employee's prior year (previous years) W-2. When repayment is not made in the same calendar year that the overpayment occurred, the employee must repay the net pay amount of the overpayment plus the associated federal and state taxes.

Pre-conversion overpayment: A pre-conversion overpayment is an overpayment that impacted employee payroll earnings prior to March 2019. Following March 2019, the university transitioned to a UC wide human resource and payroll system known as UCPath. Data for pre-conversion overpayments exist in the legacy payroll systems known as the Personnel and Payroll System (PPS) and requires UCPath to coordinate with the University of California, Berkeley.

Terminated employee: A terminated employee is an employee who is no longer performing services as an employee.

UCPath: UCPath is a systemwide program aligning HR and payroll processes and technology across all campuses, medical centers, and research units. The program replaced UC's 30-year-old payroll/personnel system with up-to-date technology and established a shared services approach to support all UC employees. Located in Riverside, the UCPath Center is a transactional hub with teams that serve all the university's more than 200,000 employees from each of the campuses, and medical and research facilities.

Waiver of overpayment: A waiver of overpayment refers to waiving the university's right to request and recover a payment in excess of what was due to the employee.

W-2c: A W-2c form is used by the United States Internal Revenue Service for tax filing and reporting services. This form is known as a Corrected Wage and Tax Statement form. This form is filed to correct an error that was reported on the original W-2.

Related Documents and Policies

[University of California – Policy PPSM-30, Compensation](#)

Internal Revenue Service Requirements (IRS Publication 15- Employer's Tax guide, Wage repayments)

Taxable and Nontaxable Income (Publication 525, Taxable and Nontaxable Income, Repayments)

UCOP Accounting Manual R212-2 (Overpayment policy and collection policy)