

UC Berkeley Overpayment Guidelines

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Policy

The University of California, Berkeley will adhere to guidelines provided by the Internal Revenue Service, Social Security Administration and State of California and direction by UC Office of the President in the recovery and reporting of overpayments. The procedures identified within this document describe how overpayments are recovered, based on the governing regulations and in alignment with the agreed UC- wide collection process.

Scope

An overpayment occurs when an employee receives more compensation than they are entitled to receive and was paid in error. An overpayment represents a debt owed to the university in which the university has a financial obligation to attempt to recover. Overpayments include, but may not be limited to, compensation paid to an employee for more than due as a result of a timesheet error, untimely or incorrect job data update, under-withheld voluntary and involuntary deduction errors, and tax withholding errors.

These procedures are applicable to all employees paid by the university. An attempt will be made to recover all overpaid funds.

Governing Regulations

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

Current year repayment: If an employee repays you for wages received in error, don't offset the repayments against current year wages unless the repayments are for amounts received in error in the current year.

Prior Year overpayment

The wages paid in error in the prior year remain taxable to the employee for that year because the employee received and had use of those funds during that year. The employee isn't entitled to file an amended return (Form 1040-X) to recover the income tax on these wages. Instead, the employee may be entitled to a deduction or credit for the repaid wages on his or her income tax return for the year of repayment. However, the employee should file an amended return (Form 1040-X) to recover any Additional Medicare Tax paid on the wages paid in error in the prior year

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

- **UC Office of the President:** Provides guidance and direction on system wide procedures pertaining to overpayments in collaboration with all UC locations and the UCPath center.

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

Departments have a duty and obligation to recover any employee overpayment in accordance with the procedures set forth in the UC Accounting manual. The recovery of any payroll overpayment, whether the error is with gross or net salary, requires that advance written notice be provided to the employee and a written repayment agreement. Recoupment should take place after the execution of the written agreement that includes repayment schedule. The Payroll office should send notices to the employee in accordance with appendices III-VI of the UC Accounting manual. If the employee objects to a reasonable repayment schedule or to any schedule at all, collection procedures as outlined in the UC accounting manual should be implemented.

- **APM-190 Faculty Recruitment Allowance Program policy:** a campus could specify that the allowance amount is contingent on the faculty member's commitment to remain at the campus for a minimum period. If the faculty member were to leave before the end of that period, the faculty member would be obliged to repay a portion prorated to the years of service completed. Faculty Recruitment Allowance overpayment is treated as typical overpayment recovery.
 - An Overpayment Payroll Request (E-078) must be processed to recover the overpayment.

- A signed agreement letter of conditional obligation to repay portions of the FRA must be attached to the case.
- Also, inform UCPATH when the original FRA full payment was paid, i.e. Nov 2017, this can be included in the comments section of E-078.

Roles and Responsibilities

- **Employee Responsibilities include**

Review your paycheck earning statements for accuracy. Your earning statement has the gross amount, deductions, and year to date totals. If you believe the gross amount is not as expected, please inform your manager and or human resources.

Hourly paid employees should review and approve their timecard for accuracy

Promptly report any discrepancies to your supervisor and human resources

Promptly repay all overpayments to the university regardless of the cause for the error. Delay in repaying and/or process of overpayments may result in the amount being transferred to collections.

Ensure contact such as phone number and address are up to date in the UCPATH system

Responding to overpayment notification and agreement alerting an employee when an overpayment has occurred.

- **Supervisor Responsibilities include**

Review employee's timecard entries for accuracy and work with employees to correct timecard entries if needed. Approve your employee's timecard entries at the end of each pay period.

Submit paperwork subject to campus business process to human resource partners for timely termination

Avoid, when possible, requesting retroactive job data updates that may result in an overpayment and instead strive to submit these requests in advance of the effective date of the job date change. Examples include increasing or reducing appointments and/or compensation rate.

- **Departmental responsibilities include**

Preventing wage overpayments:

- Ensure termination and final pay information is submitted timely
- Avoid, when possible, requesting retroactive job data updates that may result in an overpayment and instead strive to submit these requests in advance of the effective date of the job date change. Examples include increasing or reducing appointments and/or compensation rate.
- Review financial information in the general ledger to verify wage payments are as expected
- Ensure supervisors are thoroughly reviewing and approving employee timecards
- Timely correction of employee records if a mistake occurred as a result of UC Berkeley departmental action (i.e. inaccurate hiring info)

- **Human Resource Administrators (including Berkeley Regional Services (BRS) and non BRS supported departments)**

Ensure campus is aware of deadlines and business process to submit timely job data updates or terminations

Communicate with the employee and supervisor to address questions and work to resolve overpayments

Inform Central Payroll when a settlement involves an overpayment

- **UC Berkeley Payroll Transactors (Berkeley Shared services or individuals on campus with payroll responsibilities)**

A UC Berkeley transactor is an individual that has UCPATH system access to process payroll transactions. This individual is responsible for:

Ensuring duplicate payroll entries are not processed

Communicating overpayment notification distributed from UCPATH to active employees and addressing any questions the employee has.

Ensuring the employee who has an overpayment receives at least three letters requesting the employee repay the university

Tracking the outstanding overpayments based on the standardized tracking template for active employees managed at the location

Initiating overpayment transactions via E-078 or inquiry to UCPATH timely when an overpayment is discovered Following policy and internal revenue service regulations as outlined in the governing regulations outlined above.

Transaction approvers should verify payroll entries entered by submitter are accurate and in alignment with what has been submitted by the department

- **Central Payroll within the Controller's office**

Provide guidance to the campus regarding the overpayment policy and system wide practices.

Escalate and relay campus concerns regarding overpayments to UCPATH and UCOP Payroll Coordination.

Work with UCPATH to coordinate special handling overpayments such as overpayments that are deducted from remaining pay owed to the employee, and or settlements which involve overpayments

Review requests from campus partners to waive the employees overpayment and present consolidated information to Controller for final review and approval per campus policy.

Chair monthly overpayment work group with campus shared services (BRS and non BRS Payroll teams)

Report overpayment system wide concerns to UCPATH and UC Payroll community of interest group

Review complex overpayment cases and payroll earning statements

Provide the net calculation of pre UCPATH (prior to March 2019) to campus payroll partners

- **Financial Analysts:**

Campus individuals who hold a responsibility in reviewing the payroll and general ledgers must review the wages paid for accuracy and identify and report an overpayment upon review to their human resource support team for follow up. Verify the wages of both monthly and biweekly paid employees for reasonable accuracy (amounts over \$10,000, hours paid to biweekly employees which exceed 160 hours, monthly wages are in alignment with agreed amount for salaried paid employees).

As part of the [Division of Key Controls](#), a review and sign-off is required for the financial reports including Monthly Comparative Actuals and Compensation by Accounting Period.

- **UCPATH Center (UCPC)**

Create overpayment notification letter

Calculate employee amount owed

Email notification letter for active employees to Berkeley Payroll for distribution to employees

Provide monthly overpayment aging report

Transfer uncollected overpayments to collections

Process GL adjustment to reverse overpayment

Abide by established UC system wide policy and agreed overpayment business process

Answer campus questions regarding overpayments and provide guidance as needed

Process the collected repayments from employees and update records to show overpayment has been repaid

Process W-2C's as needed for eligible overpayment adjustments

Send annual notice towards end of year to employees notifying employee that any uncollected overpayment amounts will be reported as taxable wages

How is an overpayment identified?

- Employee Self identifies
- Campus partner identifies overpayment via financial reporting
- Staff with payroll responsibilities may identify it through the auditing of payroll reports and transactions
- UCPATH identifies overpayment via retro pay report or other payroll reporting
- Berkeley Regional Services identifies overpayment: duplicate payment, untimely termination etc.
- Other: Union, reported System issue discovered by technical team, UCOP, Benefits Office

High Level Overpayment Recovery process

Reference UCPATH operational alignment deck for detailed instructions regarding the overpayment recovery process.

#	Scenario	Sender	Receiver	Method(s)
1	Send overpayment packet for active employee	UCPath Center	Location	Case email
2	Send overpayment packet for inactive employee	UCPath Center	Employee / Location	Mail / Case email
3	Coordinate completion of University of California Repayment Agreement (for active employee)	Location	Employee	Various
4	Submit signed University of California Repayment Agreement	Location	UCPath Center	Email response
5	Remit payment(s) as per University of California Repayment Agreement	Employee	UCPath Center / UCLA BAR	Payroll deduction / Personal check
6	Send notification of payment received and processed	UCLA BAR	UCPath Center	Email

Note: An employee must agree in writing to repay the overpayment before the overpayment can be collected. The process varies for active and terminated employees. UCPath handles the overpayment recovery process for terminated employees.

Amounts to be recovered

Overpayments amounts collected via payroll deductions or via a paycheck issued to UC Regents will be applied to the employees over outstanding balance. The UCPath Center will adjust the employee's record as needed to reflect any repayments received. Once the balance has been paid in full, the employee's overpayment will be marked as resolved.

Repayment options

Employees that are active may establish a repayment plan via payroll deduction or via personal check to UC Regents

Employees that have separated from the university may repay via a personal check to UC Regents

Repayment schedules

Repayment schedules are subject to approval by the UCPath center however are typically limited to a specified time frame to not exceed 120 days.

Uncollected overpayments

Collections:

Death of Debtor (AM_R212-2) *Debt may be written off based on the amount owed and other extenuating circumstances. Potential claims against deceased nonresidents are to be referred to general counsel for guidance.*

Uncollectable accounts considered bad debt are subject to review and approval by the Controller.

Statute of Limitations (AM-R212-2)

Employees: For amounts owed to the university (other than student loans) there is a three-year statute of limitations in pursuing collection through the courts. Under California law, the university is barred from suing to collect or from turning over the debt to a collection agency after three years from date of payment. For example, if an employee was overpaid this statute would govern the time limit in which the University could sue to recover the overpayment.

Tax refund intercept collections program (AM-R212-2)

The interagency intercept collections program is administered by the franchise tax board, in conjunction with the state Controller's office. Even if the statute of limitation on filing suit or referring debt to a collection agency has expired, the underlying debt can still be recovered by offset against tax refunds and California lottery winnings owed the debtor by the state.

Tax Year Implications

Repayments crossing tax years

Overpayments discovered in the same calendar year

When collecting overpayments in the same calendar year in which the overpayment occurred, the net amount is used for repayment.

When collecting overpayments for prior year(s), the gross amount less the employee's share of FICA (i.e., social security and Medicare taxes) is used for repayment. Under IRS regulations, an adjustment may not be made for income tax withholding

Form W-2: Year(s) of receipt of erroneous salary

To the extent repayments of erroneous salary made by an employee result in a reduce amount of social security wages and/or Medicare wages for a prior year or years and reduced amounts of employee social security taxes and/or Medicare taxes paid for prior year(s), the university is required to furnish a corrected form W-2 for the prior year(s) showing the employees corrected social security wages, social security tax withheld, corrected Medicare tax withheld, if applicable

Form W-2: Year of repayment of erroneous salary

The repayment of salary received in a prior year (s) has no effect on Form W-2 for the year of repayment. The university should furnish the employee a written receipt acknowledging the repayment for the employee's records. Any remuneration for employment in the year of repayment which is used to repay the erroneous salary is not excludable from wages for FICA and federal and state income tax withholding purposes.

Impact to General ledger

- **Overpayment reversal and adjustment:** Once UCPATH has been informed of the overpayment and has calculated the overpayment amount, UCPATH will process a payroll adjustment to reverse the overpayment from the employee's earnings record.
- **Transfer of funds collected to Campus:** After the earnings adjustment is completed as described above, the department will receive a credit for the overpayment. However if the overpayment is not repaid. UCPATH will process an additional adjustment to charge the department for the uncollected amount.
- **Crediting Department:** In some cases, the credit will be applied to the Central Payroll Liability account and Central Payroll will need to journal the amount back to the department.
- **Verification of payroll wage credit and debit:** Please review the UCPATH expense detail report in Cal Answers located on the Payroll dashboard for the applicable employee and pay period.

For questions or assistance locating the credit and debit, you may email the UC Berkeley Central Payroll office at payhelp@berkeley.edu.

Overpayment Waiver Request policy

A complete [copy of the Overpayment Waiver Policy](#) may be found on the UC Berkeley campus wide policies and procedures website.

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 benefit, 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.

An exception request may only be initiated by a Human Resources Manager in Berkeley Regional Services (including Ihouse and Cal Performances) at the request of the department (not the employee). An exception request may not be initiated or submitted by the employee. If a request is received by an employee, they will be directed to consult their Human Resources manager.

1. Complete the overpayment exception request form
2. The form must be sighted by the Dean or VC of the department or equivalent
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 Controller.
5. Central Payroll will respond to the submitter once all information has been reviewed.

Terms and definitions

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. *Note: Departments that are not serviced by Berkeley Regional Services and have a payroll and or human resource responsibility such as International House and Cal Performances are subject to the overpayment guidelines.*

Division of Key Controls: Financial reporting and system access reviews are important control activities required for external and internal audits. They provide assurance that operating results are complete, accurate, and valid, and that there are no material misstatements to the financial statements. Key controls are to be performed at the division level on a quarterly basis.

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.

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 system wide 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.

Frequently Asked Questions

1. I noticed an overpayment on my paycheck what should I do?

Please notify your Human Resource department as soon as possible.

- a. Locate your HR department by going to <https://regionalservices.berkeley.edu/home>
- b. If you work for IHouse or Cal Performances please reach out to the following contacts
 - i. International House: reginaparker@berkeley.edu
 - ii. Cal Performances: swhitney@berkeley.edu

2. Why do I need to repay the overpayment?

As an employer we must provide you with the agreed wages in which you have earned for work performed. An amount in excess of wages due are considered overpayments and must be repaid. Payroll is primarily incurred from Core Funds, including state appropriations, student tuition, and UC General Funds, the policy across the UC system is that it's our fiduciary responsibility to seek the recoupment of overpayments from our employees as a public agency. It's also incumbent to seek the out of pocket costs incurred when such payroll is paid using research related funds from state, local and federal funding agencies since we cannot bill for those services because they're unallowed costs. Not attempting to recover takes away from funding that would normally be directed to our core mission of teaching, research, and public service.

3. How long do I have to repay the overpayment?

Your repayment plan is dependent on when the overpayment occurred and when you were noticed. Please refer to your overpayment letter for specific details regarding your repayment plan. In general, it is expected that overpayments be repaid within 120 days and not to exceed a year. You should discuss your repayment plan with UCPATH.

4. I want to negotiate the repayment timeline concerning my overpayment, who can I discuss this with?

If you have received an overpayment letter from UCPATH, please reach out to UCPATH regarding your repayment schedule.

If you have any additional questions regarding your choice of repayment or other related matters, please contact UCPATH by visiting UCPATH online at <https://ucpath.universityofcalifornia.edu> and click on the "Ask UCPATH Center" button on the main page. You may also call to speak with an associate Monday – Friday between 8:00 a.m. – 5:00 p.m. (PT) at 855-982-7284.

If you just discovered the overpayment and have not received a letter. Please reach out to your Berkeley human resource manager.

- a. Locate your HR department by going to <https://regionalservices.berkeley.edu/home>
- b. If you work for IHouse or Cal Performances please reach out to the following contacts

- i. International House: reginaparker@berkeley.edu
- ii. Cal Performances: swhitney@berkeley.edu

5. Is it possible for the department to forgive the overpayment and cease to collect from the employee?

No. UC system requires that we work to recover all overpayments. Please refer to the [UCB Overpayment Waiver request policy](#).

6. What is the difference between an overpayment that occurs and is repaid in the same tax year versus an overpayment that occurred in a prior year and is repaid in a subsequent year?

When an overpayment occurs and is repaid by the employee in the same tax year, the employee is only required to repay the net amount and the earnings adjustment is reflected on the W-2 for that tax year.

Typically, when an overpayment occurs and is not repaid until a subsequent tax year, the employee is required to repay the gross amount less the employers Share of FICA (social security and Medicare taxes) and there is no adjustment to the employees tax withholding. Note the employer cannot collect federal or state income taxes withheld in a prior year, so no correction can be made for income taxes withheld. The employee can, however, claim a deduction on their personal income tax return for the tax they repaid. They should consult their own personal tax adviser about their personal deduction.

7. I repaid the overpayment in the same tax year, what happens next?

UCPath will update their records to show the repayment has been fulfilled. Your earnings will be adjusted to reflect your correct wages on your W-2.

8. I repaid the overpayment in a subsequent year, what happens next?

UCPath will update their records to show the repayment has been fulfilled.

You may be entitled to a W-2c for adjustments to social security and Medicare tax only.

You may also consult your personal tax advisor to determine whether you are eligible for a credit on your tax return.

9. I am a campus administrator and do not believe we have received a credit for the overpayment the employee repaid in our general ledger, what do I do?

Please email payhelp@berkeley.edu and provide a copy of the following information:

- Copy of the UCPath payroll detail report from Cal answers for the applicable employee and earnings period in which the overpayment occurred
- Brief summary of overpayment amount, when the overpayment occurred, when you believe the overpayment was repaid and the amount you expect to see in the general ledger.

10. Is there a dollar threshold in which overpayments are not collected?

No. UC Berkeley abides by the system wide overpayment policy and standards and at this time there is no threshold.

11. Who calculates the overpayment amount?

UCPath calculates the overpayment amount based on the gross amount and information submitted by UC Berkeley. If the overpayment was caused by a system defect or UCPath internal issue then UCPath will calculate the amount and the Berkeley campus is not required to provide information.

12. I have an overpayment but I am also owed other wages, how do we address this?

Your overpayment is separate and distinct from late pay or wages you are entitled to receive. Please consult your Human Resources department to discuss further and determine next steps to ensure you are paid for any wages you are entitled to receive.

13. I received a letter near the end of the calendar year telling me I have an outstanding overpayment that will be reported on my W-2 if I do not repay. Who can I contact to discuss this further? You may reach out to UCPATH to discuss your overpayment. You should have received the following contact information within your letter. If you have any additional questions regarding your choice of repayment or other related matters, please contact UCPATH by visiting UCPATH online at <https://ucpath.universityofcalifornia.edu> and click on the “Ask UCPATH Center” button on the main page. You may also call to speak with an associate Monday – Friday between 8:00 a.m. – 5:00 p.m. (PT) at 855-982-7284.

14. Can an overpayment amount be collected from the employee’s final paycheck?

When an employee is terminating and is in the midst of a repayment schedule the University may obtain a revised agreement that details the date and amount of the deduction to be deducted from the final paycheck. If the University does not obtain a revised agreement, then the University may only deduct the amount stated on the existing agreement and any remaining uncollected amount would need to be pursued via the collection process.

15. The employee is now terminated, are they required to repay the overpayment?

The University reserves the right to continue the recovery process through the collection process.

16. If I repay an overpayment through Payroll deduction how will it appear on my paycheck?

You will see a deduction for OVP appear for an overpayment amount deducted from your check. If you are uncertain, you may review your pay statements by logging into the UCPATH website. Once logged in, select Employee Actions>Income and Taxes>View Paycheck