

# Overpayment Guidelines

## **Purpose:**

To define Memorial University's practice with respect to the recovery of monies that have been overpaid to employees.

## **Scope:**

These guidelines apply to all individuals paid by the University's payroll under the authority of the director of Human Resources. This includes Pensioners, Separately Incorporated Entities, Agencies, and any others paid through the University payroll system.

## **Definitions:**

**Employee** - a person who is employed by the university on a contractual, part-time, permanent or casual basis. For the purpose of this guideline, may also refer to an employee of a Separately Incorporated Entity, Agency, or any other paid through the University payroll system.

**Administrative Unit** - Academic or administrative unit as defined in the University Calendar.

**University** – Memorial University of Newfoundland.

## **Guidelines:**

- Memorial University reserves the right to recover monies owing due to:
  - salary overpayments
  - overdrawn leave banks
  - under contribution of fringe benefits.
- Employees are expected to review their paystubs, including benefit balances, on a timely basis, and notify MyHR immediately of any overpayment.
- Employees who have been overpaid are required to repay monies owed whether they are active, on leave, or terminated.
- An employee who knowingly receives and accepts a salary or benefits to which they are not entitled and does not report the overpayment to MyHR may be subject to disciplinary action in accordance with the respective collective agreement or non-bargaining handbook.

## **1. Situations in Which Overpayment may Occur**

Reasons for overpayment include, but are not limited to the following:

- a. An employee's attendance information is incorrect
- b. Incorrect documentation submitted by units (e.g. RTF)
- c. Human Resource Department calculation error
- d. Payroll system data error

- e. Workplace NL claim is denied
- f. LTD claim is approved retroactively
- g. Estimated wage loss compensation rate is higher than the rate approved by Workplace NL
- h. Manager or employee is late reporting a leave of absence, termination, or reduction in scheduled hours
- i. Overdrawn leave benefits balances
- j. An employee terminates before completing a return-in-service agreement

## **2. Overpayment Identification and Communication**

When a salary overpayment is identified, the pensioner or employee and appropriate unit should be immediately contacted by a Human Resources representative, as is appropriate in the circumstance.

The employee/pensioner may be initially contacted by telephone to discuss the overpayment, however any discussion that occurred by telephone concerning deductions or repayment options should also be documented in writing. The Human Resources representative will send an email to the official University email account or a letter to the T4 address on file.

Whether by phone or in writing, the following information should be clearly communicated:

- i. The reason for the overpayment
- ii. The amount of overpayment
- iii. Options available for salary recovery
- iv. The need for supporting medical documentation for sick leave benefits (if applicable)
- v. Timeline for response and repayment
- vi. The point of contact in the HR/Payroll office
- vii. Next steps

To ensure consistency in documentation, reporting and recovery, the process of contacting an employee/pensioner in writing should occur even when the employee/pensioner initiated the overpayment identification.

## **3. Salary Recovery Options for Active Employees**

Referencing the Labour Standards Act, an employer (Memorial University) has the right to make deductions from an employee's pay in the event of an overpayment of wages (s36; 3.c)

The options available for salary overpayment recovery include:

- a. Direct full repayment: Remittance by personal cheque made payable to the University.
  - i. The Net amount will apply if repaid within the same tax year
  - ii. The Gross amount will apply if repaid in a different tax year
- b. Reasonable installments through regular payroll deductions or post-dated personal cheques.
  - i. The normal recovery period will equal the time period over which the overpayment was paid, to a maximum of one year or 26 pay periods

- ii. The normal minimum repayment amount per pay period will be \$50.00 (Students may receive special consideration in this matter)
  - iii. If amount owing is less than \$50.00, it will be recovered at the full amount owing
  - iv. If the employee is contractual, the repayment period will be no greater than their remaining term of employment
- c. In cases of severe financial hardship or in exceptional circumstances, an employee may request special consideration to modify the overpayment recovery plan with their Human Resources representative.

**Pensioners who are overpaid will follow the same recovery process with similar options available for repayment.**

#### **4. Employees on Unpaid Leave**

Once an overpayment is discovered, Payroll will calculate the amount owing, notify the employee's unit, and will send a letter to the employee's home address. Regardless of the type of leave, employees will receive a request for repayment.

The employee will be given the choice of providing a personal cheque and/or having payroll deductions taken from their pay cheques upon return to work.

Should the employee not return to the University, the terminated employee procedures will be enacted.

#### **5. Terminated Employees**

If the employee is in the process of terminating their employment, the full balance of monies owing will immediately be recovered from any pay or benefits payable upon termination. In cases where the terminating employee does not have sufficient pay and/or benefits available to cover the overpayment, the employee will be contacted by Human Resources to arrange a repayment schedule.

If the employee has previously terminated and an overpayment is discovered, a letter will be sent to the employee's home address with a request for repayment. Employees will be given four weeks to respond with a payment.

If the employee is currently paying back an overpayment and terminates during the recovery period, the full balance of monies owing will immediately be recovered from any pay or benefits payable. If the employee does not have sufficient pay or benefits available, a letter will be sent to the home address requesting payment of the balance.

#### **6. Non-Repayment of Monies Owed**

Where the repayment schedule appears to have been disregarded or there is no response to the initial written request for repayment.

**Active Employees and Pensioners:**

Should Human Resources not receive a repayment agreement or personal cheque for the amount owing within two weeks of the notification, payroll deductions will commence automatically on the next scheduled pay date.

**Employees on leave and Terminated Employees:**

If no response is received from an employee on leave, recovery will begin as soon as the employee returns to paid status.

For terminated employees, if no payment is received within four weeks of the initial contact, a second notice will be sent. The follow-up letter will be sent to the employee via registered mail, urging immediate repayment or negotiation of a repayment plan.

If still no response within a further four weeks, the file will be turned over for collection.

Memorial University reserves the right to charge interest on salary overpayments to employees who have failed to respond within the timelines listed above.

**Any former employee with outstanding balances on their file will immediately have payroll deductions applied upon rehire, until amount owing is repaid.**

**7. Incident Reporting**

Upon review of an overpayment, it may be necessary to initiate an incident report. If the overpayment is deemed significant or if it appears indicative of a systemic process issue, the director of Human Resources should be notified and an incident report completed.

If the overpayment occurred due to a process issue, the process in question should be reviewed with an aim to identify the area and make improvements. The assessment may reveal overpayments are occurring under similar circumstances, the issue is systemic and needs to be altered, and/or further training is needed around existing processes.