

ADMINISTRATIVE DIVISION	FINA Administration and Finance
POLICY NUMBER	FINA 6.01
POLICY TITLE	Payroll Overpayments
SCOPE OF POLICY	USC System
DATE OF REVISION	April 14, 2025
RESPONSIBLE OFFICER	Executive Vice President for Administration and Chief Financial Officer
ADMINISTRATIVE OFFICE	University Finance – Controller’s Office

PURPOSE

This policy defines the process for identifying and resolving payroll overpayments to University employees. This policy is applicable to all campuses, units, departments, and employees and all payroll overpayments, regardless of the source of funds.

DEFINITIONS AND ACRONYMS

Overpayment: Payment that exceeds the amount due.

Compensation: All pay and monetary awards made to employees including, but not limited to, base salary, stipends, bonuses, or any other cash payments that would be considered W-2 income to the employee.

POLICY STATEMENT

The University is committed to making timely and accurate compensation payments to its employees. However, due to errors in processing or the timeliness and accuracy of submissions (e.g., keying errors, duplicate hires, late notification of separation dates, late reporting of Leave Without Pay [LWOP], etc.), an employee may occasionally be paid more than what is owed. In accordance with South Carolina Code of Law Section 8-11-30, the University is prohibited from making payments to employees for salary which is not due, which includes overpayments. Any individual who violates the provisions of this policy may be subject to disciplinary action.

A. Identification of Payroll Overpayment

Employees, supervisors, departments, the Payroll Department, and the Division of Human Resources (DHR) have a responsibility to prevent and report any overpayment immediately, regardless of who made the error or when the error occurred. Any payroll overpayment must be reported to DHR and the Payroll Department immediately upon identification.

1. Employee Responsibility

Employees are responsible for reviewing their paychecks promptly to ensure there are no discrepancies in pay. If an employee becomes aware of an overpayment, they are responsible for reporting it to their departmental HR contact immediately.

2. Department Responsibility

To mitigate overpayments, departments must ensure the timely and accurate completion and submission of information related to the authorization of salary payments, including those related to hiring, absence management, and separation.

Departments are also expected to monitor and promptly identify and report any payroll overpayments to DHR and the Payroll Department. Departments should ensure that all LWOP hours are reported timely in the University's timekeeping system by actively monitoring employee leave balances. In cases where LWOP hours occur shortly before separation, the department should notify the University Leave Administrator (within the DHR Benefits Office) immediately, who will coordinate with the Payroll Department to account for any adjustments.

Departments are not authorized to overlook or forgive any overpayment. When an overpayment occurs, departments are expected to actively communicate with the employee or former employee to ensure the repayment occurs as quickly as possible. The department will not receive credits (e.g., employer benefit contributions) until the funds are recouped by the University.

3. Central Administration Responsibility

Generally, DHR will receive notification of the overpayment from the departmental HR contact, identify the rationale and cause of the overpayment, and notify Payroll. The departmental HR contact makes the initial contact with the impacted employee. The Payroll Department will confirm the overpayment, calculate the repayment amount, and facilitate notification and collection efforts with the employee.

B. Notification of Payroll Overpayment

The Payroll Department will prepare an official notification letter and distribute it to the current or former employee, with a copy also provided to the Department Chair or Director and DHR. The letter will detail the gross overpayment amount, the impacted pay periods, and any adjustments necessary to calculate the net overpayment amount (if the overpayment occurred in the current calendar).

A concurrent letter will also be issued to the Vice President or Dean of the affected department requesting facilitation of timely collection, a review of the circumstances leading to the overpayment, and an identification of the planned corrective action to mitigate future overpayments. If overpayment incidents occur repeatedly without correction within a particular unit/department, DHR and the Payroll Department will arrange subsequent measures to work toward an acceptable resolution and mitigation plan.

C. Repayment of Payroll Overpayment

Upon notification, the employee is obligated to repay the payroll overpayment immediately upon receipt. If the repayment is not received after 60 days, it is subject to referral to a collection's agency in accordance with FINA 4.14 (Accounts Receivable – Collections of Past Due Accounts). Occasionally, a payroll overpayment may be substantial. In those rare instances, the employee should contact the Payroll Department immediately upon receipt of their overpayment notification to discuss available repayment options.

D. Separated Employees

Employees with an annual leave balance at the time of separation are paid their unused annual leave, as applicable, on the payroll following their final regular paycheck. If an overpayment is identified prior to the annual leave payout, the Payroll Department will reduce the amount to account for the overpayment. If the payout is less than the overpayment, an adjusted overpayment will be documented and communicated to the employee following the standard notification process.

E. Tax Implications

It is imperative for any employee and their respective departments to ensure overpayments are settled as soon as possible and within the calendar year in which they occurred to limit tax implications and maximize the departmental credits to be issued.

If the overpayment is identified and repaid in the same calendar year in which the overpayment occurs, the Payroll Department will process an adjusted earnings record to capture the correct earned wages prior to issuing the Form W-2. However, if the overpayment is identified and/or resolved in a calendar year subsequent to the issuance of the Form W-2, the employee will receive a notification from the Payroll Department communicating the gross payroll overpayment. It will then be the employee's responsibility to discuss the implications with their tax advisors. Further, the department may not be eligible to receive credits for all fringe/benefit expenses when the identification and/or resolution of an overpayment occurs in a subsequent calendar year.

PROCEDURES

There are no procedures for this policy. Questions may be sent to the Controller's Office at controller@sc.edu or the Payroll Department at payroll@mailbox.sc.edu.

RELATED UNIVERSITY, STATE, AND FEDERAL POLICIES

[IRS Publication 15, Circular E, Employee's Tax Guide](#)

[IRS Publication 525, Taxable and Nontaxable Income](#)

[BTRU 1.20 Dishonest Acts and Fraud](#)

[FINA 6.00 Employee Payroll](#)

[FINA 8.14 Accounts Receivable – Collections of Past Due Accounts](#)

[HR 1.03 Annual Leave](#)

[HR 1.39 Disciplinary Action and Termination for Cause](#)

HISTORY OF REVISIONS

DATE OF REVISION	REASON FOR REVISION
November 22, 2017	New Policy Approval
April 14, 2025	Language, content, and formatting updates