**Payroll Repayment
PCG-REPAY**

Organization Payroll Officers must coordinate with the DOA Payroll Compliance Group (PCG) to timely and accurately resolve overpayment situations. Refer to the Wage Overpayment Policy – PCG-OVRPAY for the code, rules, regulations, and guidelines that affect the procedures covered in this document.

Use the links provided to access the section of this document that covers a specific overpayment scenario:

**Current Calendar Year Overpayment Procedures**

* [Payroll Repayment – (Current Calendar Year)](#CurrentCalendarYear)
* [Non-Responsive Employee](#NRCurrent)
	+ Active Employees
	+ Terminated Employees

**Prior Calendar Year Overpayment Procedures**

* [Payroll Repayment – (Prior Calendar Year)](#PriorCalendarYear)
* [Non-Responsive Employee](#NRPriorCY)
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**Miscellaneous**

* [Transferring Employees](#TransferringEmployees)
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* [PCG & PHRST Payment Processing](#PCGPHRSTProcessing)
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* [Sample Ten Day Letter](#TenDayLetter)

**Resources**

* <https://accounting.delaware.gov/payroll_comp/policies.shtml>

**Current Calendar Year**

**CONSIDERATIONS:**

* Calculate overpayments by each individual paycheck.
* Calculate the gross overpayment by separate Fund type.
* Prior Fiscal Year General Fund (Appropriation 00137) repayment amounts are returned to the State, not to the Organization.

**PROCEDURE:**

1. Organization Payroll Officer completes a *Current Calendar Year Payroll Repayment Worksheet.*
	1. Complete a separate Worksheet for each paycheck in which the employee was overpaid.
	2. Calculate Net overpayment.
	3. Submit the completed Worksheet(s) to the PCG for approval.
2. PCG reviews the Worksheet(s), ensuring compliance with all applicable rules and guidelines.
3. PCG approves the total overpayment amount to be repaid to the State, and emails the approval and breakdown to the Organization.
4. **After PCG approves the Worksheet(s)**, the Organization Payroll Officer must:
	1. Complete a Current Year Notification of Wage Overpayment Form.

*NOTE: The overpayment amount on the Notification MUST be the PCG approved amount*

* 1. Meet with the employee to discuss the circumstances of the overpayment and explain the repayment options listed on the Notification.
1. After agreeing to one of the options, the employee signs the Notification.
2. If the employee is not responsive\*, see Non-Responsive Employees section.

\*It is imperative to document all attempts at communicating with the employee (read receipts, certified letters, etc.)

**NOTE:** If the employee is concurrently hired, it may be possible to collect repayments against earnings from another Organization – contact PCG for information.

**Receiving Funds:**

Wage Reduction (WGR)

If the overpayment is repaid in the *current calendar year,* a WGR will be entered in PHRST. This is for **active employees,** and it allows the State to withhold money from the employee’s paycheck(s) in that calendar year.

1. The Organization Payroll Officer enters the adjustment(s) in PHRST.

*NOTE: Do NOT reduce the Regular (REG) Hours in the current pay period.*

1. Apply a negative amount using the WGR (Wage Repayment Amount) Earnings Code or TRC.
2. If employee was overpaid Short Term Disability (STD), use a negative STD deduction instead of WGR.

**NOTE:** If the obligation is not satisfied by the end of the current calendar year, the Organization must **STOP** all wage reductions. The balance due must be recalculated using Prior Year rules, and the remaining balance must be collected using the PAYDUE General Deduction.

Check or Money Order

Both active and terminated employees may submit a personal check/money order **made payable to the State of Delaware**.

1. The Organization must complete a Payroll Repayment Form for each calendar year.
	1. Pay Period End Date and Pay Check Date must include all dates of the overpayment.
	2. ALL fields must be completed.
	3. The Net amount must match the amount of the check/money order.

Note: The employee must also pay for any garnishment/Tax Sheltered Annuity/Deferred Compensation deduction not accounted for in the calculation.

1. The Organization Payroll Officer submits the completed Payroll Repayment Form, the check/money order, and a copy of the signed notification to PCG.
2. PCG is responsible for depositing all personal checks and money orders related to Payroll Repayments.
3. If an active employee fails to submit payment by personal check/money order as agreed, follow the steps for *Non-Responsive Active Employees – Current Calendar Year*.

**Non-Responsive Employees:**

If the Organization is not successful in obtaining an employee signature after two or three attempts, the matter is addressed based on the employee’s status:

Active Employees

If an active employee still fails to respond to the Notification after two to three documented attempts, the State is authorized to initiate a WGR for a Current Calendar Year overpayment.

1. The Organization establishes a minimum wage reduction at a reasonable amount without causing undue hardship on the employee. Overpayments occurring over multiple pay periods may be recovered over multiple pay periods to reduce financial hardship.
2. In PHRST, apply the wage reduction amount as a negative WGR (Wage Repayment Amount) Earnings Code or TRC as follows:
	* + Establish a negative WGR on the Additional Pay record.
		+ Establish a Goal Amount.

Terminated Employees

If an employee with an outstanding overpayment balance terminates employment with the State, OR if the overpayment is discovered after the employee has terminated:

1. The Organization follows the procedure to collect the amount owed to the fullest extent possible from the employee’s final paycheck. The full amount of a payout of Annual and Sick Leave balances must be used to satisfy the overpayment.
2. If the individual fails to respond after two to three communication attempts, the Organization will send the employee a letter stating that the Payroll Compliance Group (sample letter on page 9) will manage the collection of the remaining balance.
	1. An updated Notification of Wage Overpayment form will be attached to reach an agreement on continuing repayments to the State.
	2. The Employee has 10 days to respond to PCG.
3. Send copies of overpayment/repayment documentation to PCG.
	1. Previously Signed Notification of Wage Overpayment Form(s), if applicable.
	2. Documentation of communication efforts.
	3. Supporting documents reflecting collection efforts to-date.
		* Completed Payroll Repayment form for the remaining balance of each calendar year, which must include all funding information.
4. If the former employee fails to respond and agree to a repayment plan within 10 days or fails to make agreed upon payments, PCG will send the individual a 30-day letter to pay the balance in full.
5. PCG will utilize the Division of Revenue’s (DOR) Intercept program for collections if there is no response to the 30-day letter.
	1. DOR is authorized to intercept state tax refunds and/or lottery winnings, and will outsource to third party collectors as necessary.
	2. DOR implements additional fees and penalties.

**NOTE**: The former employee will receive communication from the Division of Revenue prior to the interception of State of Delaware tax refunds.

**Prior Calendar Year**

**Considerations**

* Federal regulations prohibit reducing current year wages for a prior year overpayment.
**DO NOT** recoup prior calendar year overpayments using a WGR (*See IRS Pub.15 (Circular E)).*
* Calculate overpayments by each individual paycheck.
* Calculate the gross overpayment by separate Fund type.
* Prior FY General Fund (Appropriation 00137) repayment amounts are returned to the State.

**Procedure:**

1. Organization Payroll Officer completes a *Prior Calendar Year Payroll Repayment Worksheet.*
	1. Complete a separate Worksheet for each paycheck in which the employee was overpaid.
	2. Calculate Gross overpayment.
	3. Submit the completed Worksheet(s) to PCG for approval.
2. PCG reviews the Worksheet(s), ensuring compliance with all applicable rules and guidelines.
3. PCG approves the total overpayment amount to be repaid to the State.
4. **After PCG approves the Worksheet(s)**, the Organization Payroll Officer must:
	1. Complete a Prior Year Notification of Wage Overpayment Form.

*NOTE: The overpayment amount on the Notification MUST be the PCG approved amount.*

* 1. Meet with the employee to discuss the circumstances of the overpayment and explain the repayment options listed on the Notification.
1. After agreeing to one of the options, the employee signs the Notification.

**NOTE:** If the employee is concurrently hired, it may be possible to collect repayments against earnings from another Organization – contact PCG for more information.

**Receiving Funds:**

PAYDUE General Deduction

If the overpayment is being repaid in a subsequent *calendar year,* **active employees** may opt to have the money deducted from their subsequent paycheck(s).

1. The Organization Payroll Officer enters the PAYDUE general deduction in PHRST.
	1. Do NOT reduce earnings.
	2. Enter the amount due in the Goal Amount.
2. The Organization must complete a Payroll Repayment Form for each calendar year.
	1. Pay Period End Date and Pay Check Date must include all dates of the overpayment.
	2. ALL fields must be completed.
3. PCG monitors deposits associated with PAYDUE general deductions and will attach the payroll repayment form to all payments.

Check or Money Order

Both active and terminated employees may submit a personal check/money order **made payable to the State of Delaware**.

1. The Organization must complete a Payroll Repayment Form for each calendar year.
	1. Pay Period End Date and Pay Check Date must include all dates of the overpayment.
	2. ALL fields must be completed.
	3. The amount must match the amount of the check/money order.
2. The Organization Payroll Officer submits the completed Payroll Repayment Form, the check/money order, and a copy of the signed notification to PCG.
3. PCG is responsible for depositing all personal checks and money orders related to Payroll Repayments.
4. If an active employee fails to submit payment by personal check/money order as agreed, follow the steps for *Non-Responsive Active Employees – Prior Calendar Year.*

When the Prior Calendar Year overpayment has been recouped in full, PCG will mail a letter to the individual for signature to request a refund of the OASDI and Medicare taxes. Once the employee signs the letter and returns to PCG within the specified timeframe, the State will issue a refund and a W-2c.

**Note:** There is a three-year timeframe for the employee to receive credit for OASDI/Medicare Taxes. After this time, a W-2c will *not* be issued. PCG will communicate prior to the expiration timeframe.

**Non-Responsive Employees-Prior Calendar Year:**

If Organizations are unsuccessful in obtaining a signature after two or three attempts, the matter will be addressed based on the employee’s status:

Active Employees

If an active employee fails to respond to the Notification, the State is authorized to initiate a PAYDUE for Prior Calendar Year overpayments.

1. The Organization establishes a deduction at a reasonable amount without causing undue hardship on the employee. Overpayments occurring over multiple pay periods may be recovered over multiple pay periods to reduce financial hardship.
2. The Organization Payroll Officer enters the PAYDUE general deduction in PHRST.
	1. Do NOT reduce earnings.
	2. Enter the amount due in the Goal Amount.

Terminated Employees

If an employee with an outstanding overpayment balance terminates employment with the State, OR if the overpayment is discovered after the employee has terminated:

1. The Organization follows the procedure to collect the amount owed to the fullest extent possible from the employee’s final paycheck. The full amount of a payout of Annual and Sick Leave balances must be used to satisfy the overpayment.
2. If the individual fails to respond after two to three communication attempts, the Organization will send the employee a letter stating that the Payroll Compliance Group (sample letter on page 9) will manage the collection of the remaining balance.
3. An updated Notification of Wage Overpayment form will be attached to reach an agreement on continuing repayments to the State.
4. The Employee has 10 days to respond to PCG.
5. Send copies of overpayment/repayment documentation to PCG.
	1. Previously Signed Notification of Wage Overpayment Form(s) if applicable.
	2. Documentation of communication efforts.
	3. Supporting documents reflecting collection efforts to-date.
	4. Completed Payroll Repayment form(s) for the remaining balance of each calendar year, which includes all funding information.
6. If the former employee fails to respond and agree to a repayment plan within 10 days or fails to make agreed upon payments, PCG will send the individual a 30-day letter to pay the balance in full.
7. PCG will utilize the Division of Revenue’s (DOR) Intercept program for collections if there is no response to 30-day letter.
	1. DOR is authorized to intercept state tax refunds and/or lottery winnings, and will outsource to third party collectors as necessary.
	2. DOR implements additional fees and penalties.

**NOTE**: The former employee will receive communication from the Division of Revenue prior to the interception of State of Delaware tax refunds.

**Miscellaneous**

**Transferring Employees**

If an employee is moving to another Organization:

1. The Organization collects the amount owed to the fullest extent possible from the employee’s final paycheck. The full amount of a payout of Annual and Sick Leave balances must be used to satisfy the overpayment, if applicable related to the transfer.
2. The Organization advises the employee that repayments shall continue against future wages from the “receiving” Organization, unless paid in full.
3. The Organization notifies the PCG that the employee has transferred to another Organization.
4. The Organization sends copies of overpayment/repayment documentation to the PCG.
	1. Previously Signed Notification of Wage Overpayment Form(s).
	2. Documentation of communication efforts.
	3. All supporting documentation including collection efforts to-date.
	4. Complete a Payroll Repayment form for the remaining balance of each calendar year, which must include all funding information.
5. PCG advises the “receiving” Organization of the outstanding overpayment and that repayments must continue against the employee’s current paychecks.
6. The “losing” Organization must submit a request to PHRST to input the Repayment Earnings Code (WGR) or General Deduction Code (PAYDUE) on the employee’s record in PHRST.

**Deceased Employees**

When a deceased employee has an outstanding balance, the PCG manages the efforts to collect the outstanding balance from the Estate. Utilize the following steps to transition the collection effort to the PCG:

1. The Organization collects the amount owed to the fullest extent possible from the deceased employee’s final paycheck. The full amount of a payout of Annual and Sick Leave balances must be used to satisfy the overpayment.
2. The Organization notifies PCG that the employee is deceased.
3. The Organization sends copies of overpayment/repayment documentation to PCG.
	1. Previously Signed Notification of Wage Overpayment Form(s).
	2. Documentation of communication efforts.
	3. All supporting documentation including collection efforts to-date.
	4. Complete a Payroll Repayment form for the remaining balance of each calendar year, which must include all funding information.

If an employee with an active overpayment becomes deceased, PCG will file a claim against the Estate with the Register of Wills of the County in which the decedent resided at death. A copy will also be sent to the personal representative of the Estate, no later than eight (8) months following the date of death as required by 12 Del. C. § 2104 and 12 Del. C. §2102.

**PCG and PHRST Payment Processing**

Repayments made via General Deduction, or personal check/money order require additional processing by PCG and PHRST. PCG receives the funds, and processes the accounting entries in FSF.

Current Calendar Year, PHRST processes the following:

1. Reduce gross wages on the employee record.
2. Credit the Organization for all related payroll charges.
	1. Exception: Prior FY General Funds are returned to the State, not the Organization.
3. Credit the Statewide Benefits Office (SBO) for any Short Term Disability (STD) related charges.

Prior Calendar Year, PCG and PHRST work together to process the following:

1. Credit the Organization for all related payroll charges.
	1. Exception: Prior FY General Funds are returned to the State, not the Organization.
2. Credit SBO for any STD related charges.
3. Process a W-2c to reduce employee’s OASDI & Medicare taxable gross.
4. Notify the Employee, Organization, and Pension Office of actions completed.

**Supporting Documents**

*Payroll Repayment Worksheet, Calculate the Net Overpayment for the Current Calendar Year*

*Payroll Repayment Worksheet, Calculate the Gross Overpayment for the Prior Calendar Year*

*Payroll Repayment Form*

*Related Policies*

* <https://accounting.delaware.gov/payroll_comp/policies.shtml>

*PayBreeze Application*

* located on the PHRST website <http://extranet.phrst.state.de.us/>

**Sample Ten Day Letter**

*Copy and paste this Sample Letter template on Organization letterhead. Provide a copy of the completed form to the employee and retain original in the personnel file.*

{Date}

{Employee/Estate Name}

{Employee Address}

Dear {employee/Estate},

This letter serves as notification that your current outstanding payroll overpayment balance has been turned over to the Payroll Compliance Group (PCG) within the Division of Accounting, Department of Finance.

Attached is a Notification of Wage Overpayment to provide you with an updated balance, and to establish payment arrangements with PCG to satisfy your obligation.

The form must be returned **within 10 days** to:

**Payroll Compliance Group, Division of Accounting**

820 Silver Lake Blvd, Suite 200

Dover, DE 19904.

Please email the Payroll Compliance Group at PCG.DOA@delaware.gov or call (302) 672-5000 if you have any questions regarding this matter.

Best Regards,

{Your Name}

{Title}

{Organization}

{Contact information}

Attachment

cc: Division of Accounting, Payroll Compliance Group