Purpose

.101 This policy provides information to agency management on the effective use of leave balance reports and coordination with the agency payroll office as a means to manage the risk of payroll overpayments.

Payroll Processing

.102 The State utilizes an anticipatory payroll processing methodology. When Payroll Run 1 is processed, each salaried employee is paid on the basis of a monthly hours forecast derived from individual work schedules. Payroll Run 2 perfects the Run 1 by adding detailed information from the employee’s timesheet, which may include leave hours taken.

.103 An employee who works less than the anticipated schedule and has insufficient leave balances to support the time away from work, may have been overpaid on Payroll Run 1. When Payroll Run 2 is processed, the calculation will result in a negative net pay condition representing the overpayment. For continuing employees, the overpayment will be collected automatically when the next Payroll Run 1 is processed. Employees who terminate after being overpaid may represent a collection problem for the agency. Continuing employees who frequently are in a leave-without-pay status could, as a result, be frequently overpaid.

Managing Risk of Payroll Overpayments

.104 Agency payroll offices receive detailed reports on leave accrued, leave used and ending balances around the 15th of each month when the leave accrual system updates employee leave balances following Payroll Run 2. Agency payroll offices must ensure timely distribution of leave reports to supervisors to facilitate the review process.

.105 Supervisors shall review the leave reports timely, paying particular attention to employees who have low balances of sick or vacation leave. Employees who have already used leave during the month may have depleted their leave balances. Employees who use leave or terminate during the last week of the month may not have enough leave to fully support those days away from work, creating a payroll overpayment. The supervisor shall immediately provide timesheet detail to the agency payroll office to determine what actions may be taken to prevent or correct a payroll overpayment.
Because payroll is processed four working days prior to payday, the employee’s paycheck may already be in process at the time they take leave or terminate. The supervisor must communicate immediately with the agency payroll office to manage the risk of overpayment. A payroll check can be cancelled and reissued for a lesser amount that reflects the missed workdays. For an employee who uses direct deposit, the paycheck cannot be cancelled, but an ACH cancellation may be requested up to the final ACH deadline, or an ACH reversal transaction may be attempted if the situation warrants that action.

When an employee is regularly reporting leave-without-pay due to insufficient balances of sick or vacation leave available to support days away from work and that has resulted in more than one occurrence of overpayment, the agency must take immediate action to prevent a recurrence of the overpaid status and to protect against losses or costly collection procedures. The agency may temporarily cancel an employee’s direct deposit participation to ensure the maximum amount of time available to make last minute pay corrections. Direct deposit may be restored once the employee accrues sufficient leave balances to support time away from work and the risk of overpayments has decreased.