Clarity - How to fix an overpayment of an employee

Problem:

I overpaid an employee, how do I fix this?

Solution:

When you overpay an employee and are trying to fix it there are multiple things to consider.

1. Have you not yet posted your payroll and paying by check?
   If you have not yet posted your payroll then the problem is simple to fix, destroy the check that was printed in error, modify the employees pay card record with the appropriate information and then re-create the check.
2. Have you not yet posted your payroll but pay be direct deposit?
   If you have not yet uploaded the file to the bank then there is no problem. As in the scenario above you simple delete the file, change the payroll information, than re-create the bank file.
   However, if you have already sent your file to the bank you will have to work with the bank to cancel the file submission to allow you to resend the file. If the file has already been processed then you will proceed to scenario number 4 below.
3. The payroll is posted and the employee was paid with a check.
   If the check is already cashed move down to scenario #4.
   If not then you have the option of using the "Check reconciliation" to "Reverse" the check. This will create a opposing record in the history for the employee which will be included when you export to you GL, balancing each other out and limiting the need for manual transactions. You then just rerun the payroll for the particular period in time in question and process it with the new information.
4. My payroll is posted and the check/payment has been processed.
   This is the most difficult scenario to deal because you cannot simply just "replace" the original payment.
   This scenario essentially requires that you "recover" the overpayment from the employee, this can be done by having the employee "repay" the company by providing the company with a check for the overpayment. You can also do it by recovering the amount, either in full or part, on the next payroll for the employee.

WARNING: If you are recovering the amount from the employee remember that their tax has now been calculated on the higher payment amount. Therefore the taxes for the employee will be different.

When you recover the amount from the employee you need to create a new payroll and enter the "GROSS" amount as a negative in the payroll category you overpaid and ensure the corresponding taxes are also reflected.