

# How to Handle Payroll Errors



Employees trust employers to get their paychecks right. While a mistake can happen with a single employee's paycheck, it is more common to have a mistake happen with multiple employees due to a faulty payroll process (e.g., overtime for employees on a specific shift was calculated incorrectly). When one person discovers an error on his or her paycheck, word spreads fast and soon everyone is talking about the error.

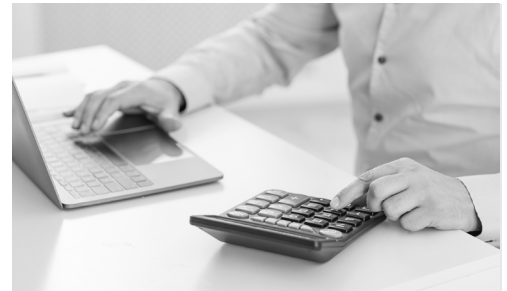
When payroll errors happen, there are three primary steps to rectify the situation:

**Step 1: Briefly state the error and apologize.** When you are delivering the message, begin by concisely stating what happened and apologize. While a written explanation and apology should be sent to each employee, try to follow-up with a face-to-face apology. A personal conversation is usually appreciated and allows employees to share their concerns and ask questions.

**Step 2: Describe what caused the error and show the employee exactly how the correct pay should have been calculated.** Without excusing the error, describe what caused it (e.g., payroll systems conversion), and then show the inaccurate calculation compared with the correct calculation. Make sure this explanation is clear and straightforward.

**Step 3: Explain what steps are being taken to fix the error and to ensure it is not repeated.** Employees are eager to find out how the situation will be corrected and want reassurance the error won't financially burden them. If, for example, the direct deposit was processed a day late, and as a result an employee did not have enough funds in an account to make a monthly payment, the employer should offer to reimburse the employee for any late fees. Furthermore, no one wants a repeat of the error, so it's up to the employer to find the cause of error and fix it. Describe the cause to employees, and then explain processes that are being added or changed to eliminate the cause. If you are adding audits to make the process more secure, describe those too.


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If the error involves an overpayment of wages, follow the steps outlined above and make sure to follow legal guidelines when recovering the overpayment. Procedures may vary from state to state.

Payroll mistakes are troublesome but not insurmountable. They should be addressed quickly and fixed responsibly. Careful communication coupled with adjustments to your current procedure improves your company's payroll process and demonstrates to employees that you are committed to making things right.

## MRA's HR Hotline can help you!

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