Financial Management Office

Terminal Vacation Payout Assessment

Presented by
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April 18, 2016 Fiscal Administrators’ Town Hall
Discussion Topics

• Why we need to establish the terminal vacation payout pool
• What is included in the pool
• How we assess the pool
Primary Driver to Establish the Pool

- The Office of Management and Budget (OMB) has streamlined the OMB Circulars on Administrative Requirements, Cost Principles, and Audit Requirements for all Federal awards into one document, referred to as the Super Circular, which took effect on December 26, 2013.
  - OMB 2 CFR 200.431 b(3) The accounting basis (cash or accrual) selected for costing each type of leave is consistently followed by the non-Federal entity or specified grouping of employees.

Key - Consistent Cost Accounting
Terminal Vacation Leave Pool

The pool will be established to pay for the following situations:

1. Termination, resignation or retirement from positions at the University of Hawaiʻi (UH) with an accrued vacation balance (vacation accrual);
2. Transfer from a position with vacation accrual to a non-vacation accruing position within the UH system; or
3. Transfer from a position in the UH system with vacation accrual to another State or County agency.
Assessment Methodology

• Only eligible payrolls will be assessed for terminal vacation leave compensation as a portion of total fringe benefit costs.
  ▫ Assess eligible payrolls regardless of funding source for terminal vacation payout using an established systemwide rate 1.8%, effective with pay dates after July 1, 2016.
    • For non-imposed funds (general funds, S397, selected federal funds), each campus (Manoa, Hilo, West Oahu, and each community college) will designate imposed fund accounts (e.g. one or more) to charge the vacation payout assessment.
    • All funding sources except non-imposed funds will be charged for assessment at the individual account level based on where the employees are paid.
  ▫ Pool all assessment contributions (revenue) into one university systemwide account (SW 4432920). This account will be used for payouts during the current fiscal year.
# Illustration

## Campus Accounts to be Assessed

<table>
<thead>
<tr>
<th>Campus</th>
<th>Original Payroll Funding Accounts</th>
<th>Payout Funding Account</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manoa</td>
<td>General</td>
<td>Designated Imposed Account</td>
</tr>
<tr>
<td></td>
<td>Special – Non-Imposed</td>
<td>Designated Imposed Account</td>
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<tr>
<td></td>
<td>Special - Imposed</td>
<td>Special – Imposed</td>
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<td>Revolving</td>
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<td></td>
<td>C&amp;G</td>
<td>C&amp;G</td>
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<tr>
<td></td>
<td>Federal non-Imposed (work study, Dept of Agriculture)</td>
<td>Designated Imposed Account</td>
</tr>
</tbody>
</table>

## Systemwide Vacation Payout Pool

One trust account to collect all assessments
Proposed Approach to Fund Assessment for Non-Imposed Payroll

• Each campus calculates how much the assessment would be using the rate of 1.8% on non-imposed eligible employees payroll

• Use the calculated amount to fund the assessment from each campus’ designated account(s)
Business Process Changes

- G2 Form process
  - **No** changes from current procedures
    - HR initiates the form, Dept Head approves it, and the Payroll Office processes it.

- Managing pool account
  - A designated System Fiscal Administrator will be in charge of the pool account and be responsible for:
    - Reconciling direct payments to and from other State agencies against the pool account.
    - Notifying ORS if the pool account has excessive surplus or deficit at yearend. If the surplus or deficit is excessive, a re-calculation of the assessment rate may be required.

- Monitoring payout assessment rate
  - ORS will review the assessment rate to determine if the rate is sufficient for payout at least annually. If the rate changes, obtain DHHS’ approval accordingly.
Process Changes for Transferring from or to Other State Agencies

• Transferring from other agencies
  • Campus FAs will send the payments received for the transferring employees to the designated System Fiscal Administrator for deposit and recording into the pool account (AD edoc to SW 4432920, Object code 087x).

• Transferring to other agencies
  • Campus FAs will be responsible for initiating and attaching the documentation to the DVs for transfer. The designated System Fiscal Administrator would review and approve the DVs with payments coded to Object Code 2071.

(Note: The designated System FA is not responsible for making sure the vacation payout/transfer calculation is correct. The department FA is responsible for that.)
KFS Programming Changes

• Similar to the worker’s compensation assessment method, the KFS program will assess all leave accrual eligible employees for terminal vacation payout at 1.8% for pay dates after July 1, 2016.

• If a salary transfer (ST edoc) is made on a payroll with vacation assessment (2049), the KFS program will transfer the vacation assessment based on the prorated amount. There will be no adjustments for pay dates prior to July 1, 2016.
Accounting Changes

• Payroll coding:
  ▫ No change from current process. However, the Payroll Office will need to make sure the account code on the G2 form is for the terminal vacation payout pool account (SW 4432920).

• Accounts for the assessments:
  ▫ For non-imposed payroll, each campus will indicate the designated account(s) for the assessment.
  ▫ For the university-wide pool account, SW 4432920 will collect the vacation terminal payout assessments.

• Object Code for the assessments:
  ▫ 2049, same object code which was used by ORS before for vacation payout assessment.
Grants and Contracts

• ORS submitted to US DHHS an amendment to the University’s Cost Accounting Standards Board Disclosure Statement to include a Terminal Vacation Payout fringe benefit rate 1.8%, effective for FY 2017.
• For proposal budget purposes, if the project budget includes applicable payroll to be recorded in July 2016 and after, the additional 1.8% Terminal Vacation Payout fringe rate should be added to the rates provided in the current ORS website.
Questions

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