

Georgia Institute of Technology **Accounting for Vacation and Leave Time**

This document describes the policies and procedures covering the accounting for compensation for personal services of employees of Academic Departments and Centers (all non-GTRI units) that provide for payment of salaries and wages to include earned vacation and leave time.

Based on the provisions of OMB Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (2 CFR 200), and the Institute policies and procedures, the cost of vacation or other authorized leave time is paid as regular compensation and it is charged to the salary account of the benefiting State funded activity or sponsored project. If an employee provides services that benefit more than one project or activity, the cost of the earned vacation is to be allocated proportionately to the State funded activity and/or sponsored project on which it was earned.

Leave Time

Regular compensation paid to employees during periods of authorized absences from the job, such as annual leave (vacation), approved Institute holidays, sick leave, and bereavement leave is considered an allowable cost. The cost of providing such leave time is distributed to all institutional activities in proportion to the relative amount of time and effort devoted by the employees to each activity, as determined by their salary distribution.

These procedures are based on the assumption that employees will take their leave while they are appointed to work on any given State funded activity and/or sponsored project in order to charge that activity for an appropriate share of the cost of leave time taken. When earned leave time is not taken in proportion to the relative amount of time or effort devoted to a sponsored project, adjustment of the employee's salary distribution may be required to assure an accurate allocation of leave time to the benefiting activity. When action has not been taken to properly allocate leave time to benefiting activities, the department budget or other funding source may need to be identified to support the costs of earned leave time taken.

Termination vacation leave is now a component of the flat fringe benefit rate charged to projects each month (See attached announcement dated June 30, 2008). Funds generated from this rate component are pooled and used to fund payments for unused vacation leave for separating and retiring employees. This policy applies to all Institute funds, except for GTRI which currently utilizes a similar approach.

Fringe Benefits

Georgia Institute of Technology uses approved flat rates to charge fringe benefits expenses to benefiting activities (State funded departments and centers and sponsored projects). The fringe benefits rates cover the employer's portion of the cost of: 1) Social Security; 2) Life Insurance; 3) Health Insurance; 4) Retirement; 5) Non-Payroll based benefits including: Unemployment Insurance, Workers Compensation, and Employee Liability Insurance; 6) Termination Vacation Leave. Fringe Benefits rates do not include the cost of non-termination vacation and leave time.

G&C Notice 15-I
Revised: December 26, 2014

The approved fringe benefit rate charges are applied to all salary and wage payments including payments made to employees for earned vacation and leave time taken.

G&C Notice 15-I
Revised: December 26, 2014

Georgia Tech
Financial Services

June 30, 2008

To: Deans, Vice Presidents/Provosts, School Chairs and Department Heads

From: Joel E. Hercik
Associate Vice President

Subject: Termination Vacation Leave Funding Change

Effective July 1, 2008, termination vacation leave will be included in the fringe benefit rate charged to departmental projects each month. The funds generated from this rate component will be pooled and used to fund unused vacation leave payments for separating and retiring employees. This new policy applies to all Institute funds, except for GTRI which currently utilizes a similar approach.

This change in policy will benefit departments from a budget planning perspective:

- Departments will not have significant lump sum termination leave payments to fund
- Related fringe benefit expenses will be recorded monthly and funded as part of the fringe benefit budget allocation for most departments
- The need to hold a position open due to the termination leave payment will be eliminated
- Departments will no longer be placed at a disadvantage when an employee terminates from a sponsored-project that has ended or transfers to another department.

In addition, this approach will provide a benefit to the Institute from a sponsored program compliance perspective and facilitates budget planning.

The full fringe benefit provisional rate for FY2009 is 25.0%. The rate will be adjusted annually based on an analysis of flat-rate fringe collections compared to actual fringe benefit expenses in FY2009. Units will be notified when the FY09 fringe benefit rate has been approved; however the provisional rate is being applied as of July 1, 2008.

Department personnel will not need to make any changes to their operating procedures. A terminating PSF should be submitted to Payroll with the number of vacation payout hours* recorded in the *Vacation Hrs. Accrued* field. There is an on-line vacation payout calculator available to help determine the number of hours. Payroll will validate the hours submitted on the PSF against its records and contact the department representative to resolve any inconsistencies.

Retirement / Termination	
Vacation Hrs. Accrued:	<input type="text"/>

*After current month accrual calculation and current month time taken has been included.