Section	06	EXPENDITURES AND TRAVEL	Effective Date	7/1/2015
Sub-section	08	Lump-Sum Payments for Unused Leave	Revision Date	3/31/2015
SAM Ref	5-18			

BACKGROUND

These procedures apply to federally-funded state agencies that make lump-sum payments for unused employee leave at the time of separation. These lump-sum payments are for 1) sabbatical; and 2) annual leave that is earned but not used. The State payroll system charges these costs to the accounting string(s) in place at the time of separation.

Office of Management and Budget's Uniform Administrative Requirements, Cost Principals, and Audit Requirements for Federal Awards allows governments to allocate the cost of unused leave that is paid at the time of separation to federal grants and contracts. However, the cost must be allocated as a general administrative expense. Specifically, CFR 200.431(a)(3)(i) states:

When a governmental unit uses the cash basis of accounting, the cost of leave is recognized in the period that the leave is taken and paid for. Payments for unused leave when an employee retires or terminates employment are allowable as indirect costs in the year of payment.

POLICIES

1. State agencies must ensure that their accounting for lump-sum payments for unused leave complies with Federal regulations.

PROCEDURES

Lump-sum payments for unused employee leave at the time of separation must be allocated to all activities of the governmental unit either through the Indirect Cost Rate Proposal (ICRP).

The amount of the lump-sum payment charged to a federal appropriation in the Central Payroll System should be transferred out of the federal appropriation and charged to non-federal appropriations in the year of payment. The entire amount of the lump-sum payment (federal and non-federal portions) should then be allocated to all activities through the ICRP. Lump-sum payments that are charged 100% to non-federal fund sources in the Central Payroll System may also be eligible for allocation through the ICRP.

The Central Payroll System will code lump-sum (termination) payments for unused leave to account 7077000 (Termination Payments for Unused Leave).