UTAH DEPARTMENT OF HEALTH AND HUMAN SERVICES POLICY AND PROCEDURES		
Policy: 02-08		
INCENTIVE, BONUS, AND NON-CASH INCENTIVE AWARDS POLICY		
RATIONALE: This policy makes sure the department establishes clear, fair, and equitable practices for determining compensation, awarding salary increases, and distributing incentive and bonus awards. *Related Policies, Applicable Standards, Statutes:* DHRM Rule R477-6-7(4), R477-7-7, FIACCT 05-03.06 Incentive Awards and Bonuses, 05-03.07 Service/Retirement Cash Awards, 05-03.09 Uniform Allowance		
Original Effective: July 15, 2022	**Revision: February 5, 2024**	**Next Review Due: January 1, 2029**

I. DESCRIPTION

This policy provides authorization and guidelines for how DHHS approves and distributes incentives, bonuses, non-cash awards, and administrative leave.

II. DEFINITIONS

The following terms are defined for this policy as:

A. **Administrative leave**: Leave with pay granted to an employee at management discretion that is not charged against the employee's leave accounts.
B. **Bonus award**: An award issued to an employee for market-based or cost savings reasons based on special circumstances.
C. **Corrective action:** Action taken by management in conjunction with DHRM that is intended to help an employee improve performance or make them aware of conduct that is unacceptable.

D. **DHHS or department:** The Utah Department of Health and Human Services and any operational unit within.
E. **Disciplinary action:** Action taken by management in conjunction with DHRM that is intended as a consequence for inappropriate conduct. (See DHRM Rule R477-11.)
F. **Incentive award**: Recognition of specific individual/team/group accomplishments that exceed those normally expected in one or more areas of consideration.
G. **Non-cash incentive award**: A form of recognition for an employee or group that is not cash-based. The non-cash incentive award may or may not include the DHHS logo. A non-cash incentive award does not include administrative leave. For apparel that would be considered a uniform, see FIACCT 05-03.09 Employee Reimbursements - Uniform allowance for guidance.
H. **OU:** Operational units within DHHS, including divisions, offices, or standalone operations whose director reports to the executive director, a deputy director, or an assistant deputy director. The Utah State Hospital and Utah State Developmental Center are considered OUs.

III. POLICY

A. Incentive, bonus, and non-cash incentive award decisions shall be made in accordance with Division of Human Resource Management (DHRM) rule and Division of State Finance rule.
B. All awards shall be supported by written documentation to justify the award. Awards shall be given judiciously. The written documentation shall be included with the electronic submission and shall include the name of the individual and detailed reason for the award.
C. Types of awards may include:
    1. Incentives, bonuses, non-cash incentive awards, administrative leave, and other types of unique award programs that have DHHS executive director's office (EDO) approval in the OU incentive plan.
    2. Types of awards that are outside of the scope of this policy:
        a) Other types of administrative leave, such as preventive leave, governor-approved holiday leave, and executive director-approved holiday leave, are not considered incentive awards in relation to this policy.
        b) Service awards to recognize years of service and to honor employees who are retiring are not considered part of the

annual incentive plan and are not covered under this policy or OU incentive budget.

3. OU leadership is responsible for ensuring compliance with the policy and shall track awards for appropriate use, justifications, and spending for auditing and budgetary purposes.

D. Annual incentive plans
   1. Before awarding any incentives in a fiscal year, each OU shall obtain EDO approval of its annual incentive plan.
   2. EDO shall make sure that incentive plans are fair and equitable across OUs, including providing access to OU plans to all OU leadership. For the purposes of this section, equity means similarly situated employees across OUs should be compensated similarly.
   3. Any OU that wants to issue an award outside of its approved plan shall get approval from EDO before that incentive can be issued and shall provide justification aligning with requirements for which an award can be issued.
   4. If budgeted funds are available, up to 0.5% of personnel costs may be used to provide cash incentives to a maximum of 30% of an OU’s staff. Requests for increases above the standard limits shall be justified and shall be reviewed by EDO, either as part of the annual incentive plan approval process or individually as needed.
   5. EDO reserves the right to deny incentives, bonuses, and non-cash incentive awards for any reason.

E. Eligibility
   1. The following employees are not eligible for an incentive, bonus, or administrative leave award if they:
      a) Are currently receiving corrective action;
      b) Have received a disciplinary action within the previous six months;
      c) Have received a “does not meet expectations” rating on the most recent performance evaluation; or
      d) Are on administrative leave pending the results of an investigation.
   2. Schedule IN or TL employees not receiving benefits are not eligible for administrative leave.
   3. Individuals, groups, or teams of employees of the department are generally eligible for non-cash incentive awards as determined by OU directors.

F. Cash incentive awards

1. Cash incentive awards may be issued to an employee for sustained and exceptional performance of duties above that normally expected as part of their performance plan, exceptional customer service, or for providing innovative ideas that are adopted by the OU or department.
2. Cash incentive awards shall not be used to compensate employees for routine performance of duties, incidental favors, or in reciprocation for an award from another employee.
3. Cash incentive awards are considered taxable income and shall be awarded in accordance with FIACCT 05-03.06 Incentive Awards and Bonuses.

G. Bonuses

1. Bonuses shall be market-based or related to cost savings realized by an individual.
2. Bonuses may be issued to an employee for one or more of the following reasons:
    a) Recruitment or retention for an employee who has unusually high or scarce skills or unique qualifications that are essential for the agency to recruit or retain.
    b) Referral of a job applicant who is subsequently selected and is successfully employed for at least six months, awarded to the referring employee.
    c) Relocation for a current employee who must relocate to accept a position in a different commuting area.
    d) Employee-driven initiative that is implemented and results in increased productivity or generated cost savings.

H. Non-cash incentive awards

1. Non-cash incentive awards are issued by management to employees as recognition for excelling in performance or to enhance employee morale. The following applies to non-cash incentive awards:
    a) Non-cash incentive awards require OU approval only, provided the award is issued in accordance with the annually approved incentive plan of the OU.
    b) Non-cash gift items shall be purchased through Utah Correctional Industries, unless by exception as outlined in Utah Code §63G-6a-804(4)(a).
    c) Non-cash incentive awards that include the DHHS logo shall follow the graphic and writing guides as outlined by DHHS.
2. The following limits are established for non-cash incentive awards:

a) All non-cash incentive awards shall not exceed a per-occurrence limit of $75.
b) OUs may spend up to $150 per employee each fiscal year in accordance with their annual incentive plan.
c) The executive director's office may spend up to $100 per employee per fiscal year.
d) Each employee may receive a cumulative annual value of up to $250 each fiscal year in non-cash incentive awards.
e) Awarding of non-cash incentive awards shall be in accordance with FIACCT 05-03.06 Incentive Awards and Bonuses.

3. Non-cash incentive awards do not include cash equivalents, such as gift certificates, movie passes, or tickets for admission.

I. Administrative leave awards

1. OU directors may grant administrative leave to employees who demonstrate exceptional effort or accomplishment beyond that normally expected on the job. Administrative leave shall not be granted based solely on an employee's annual performance appraisal rating and shall fall into one of the categories listed below:
    a) Statewide benefits and public service: Awarded to employees who have increased or improved public service, safety, health, or who have reduced the duplication of statewide efforts (such as improved interagency data systems, communication, and coordination).
    b) Cost savings or revenue increases: Awarded to employees who have saved significant dollars, time, or who have increased revenues.
    c) Outstanding work effort: Awarded to employees who have exceeded normal job responsibilities and expectations for a unique event or who have exceeded expectations over a sustained period of time.
2. OU directors or designees are authorized to award administrative leave for up to eight hours per occurrence (other reward, or OR, hours).
3. Administrative leave awards exceeding eight hours per occurrence may only be issued by the executive director.
4. Each OU is responsible for tracking and monitoring administrative leave granted to employees. The cumulative total of administrative leave (OR hours) granted for any employee shall not exceed 40 hours

in any fiscal year (July 1 through June 30), in compliance with DHRM Rule R477-7-7.

IV. PROCEDURE

A. Processing
   1. OU employees or an individual outside of the OU with direct knowledge of the achievement of the employee(s) being nominated may initiate an incentive award or bonus nomination.
   2. OUs shall outline internal processes for reviewing and approving awards.
   3. Market-based bonuses require approval from the DHRM division director in addition to EDO. (See DHRM Policy R477-6-7(4).)
   4. Awards shall be submitted using the electronic submission form.
   5. OUs shall work with the Office of Public Affairs and Education for any non-cash awards that include the DHHS logo.

B. Annual incentive and bonus plan
   1. Each OU shall submit its incentive and bonus plan to EDO by May 31 of each year for approval before the start of the new fiscal year.
   2. OUs shall determine whether they have funding available to provide incentives or bonuses and shall identify the amount each intends to use.
   3. EDO shall review and approve annual plans for the upcoming fiscal year.

C. Administrative leave
   1. For administrative leave rewarded in lieu of cash, a Request For Incentive Award form shall be completed by the supervisor in the DHHS Forms System (AEM) detailing the number of hours awarded and the justification for the award.
   2. Administrative leave is subject to the same approval process as annual leave.
   3. Incentive awards in the form of administrative leave should be coded as OR (other reward) hours in the employee timesheet. (See DHRM Rule R477-7-7.)
   4. The recipient's supervisor is responsible for making sure administrative leave is used appropriately and for approving the administrative leave used on the employee's timesheet.

V. EXCEPTIONS

A. The executive director may make exceptions to this policy, in accordance with procedures outlined in DHHS Policy 01-01.

____________________________ February 5, 2024

Tracy S. Gruber Date

Utah Department of Health and Human Services Executive Director