1. **Purpose**

To provide adequate funding for accumulated vacation credits of University of Hawaii (UH) personnel on the vacation accumulation system who are employed on extramurally funded projects.

2. **Objectives**

To establish guidelines and procedures for including sufficient funds in contract/grant proposals to cover vacation accumulation costs, and for transferring funds from operating accounts to appropriate vacation reserve accounts to cover vacation accumulated on extramurally funded projects.

3. **Responsibilities**

The Office of Research Services (ORS) is responsible for calculating the vacation accumulation rates for UH employees working on extramural grants and contracts. The Principal Investigator (PI), with the assistance of the Fiscal Administrator (FA), budgets for vacation accumulation in proposals and initiates vacation credit transfers.

4. **Guidelines and Procedures**

a. **Budgeting for Vacation Accumulation in Proposals for Extramurally Funded Programs**
(1) In preparing proposal budgets, the PI must include applicable assessments to cover vacation accumulation entitlements for UH extramurally funded employees.

(2) Each year, ORS distributes rates for vacation accumulation. The current applicable rates are included in a schedule of Composite Fringe Rates for Use in Grant and Contract Proposals, which can be found at: http://www.ors.hawaii.edu/index.php/rates/102-quick-links/rates/98.

(3) The PI applies these rates to salaries funded by extramural sources and includes the amount in proposal budgets.

b. Vacation Accumulation Entitlements for Extramurally Funded Employees

The right of extramurally funded UH employees to accumulate vacation is covered in collective bargaining agreements between the University and the respective bargaining units. Hawaii Revised Statutes (HRS), Chapter 78-23, provides for the transfer of vacation credits when an officer or employee of the State is transferred from one department or agency to another, and that he/she shall be given credit for vacation earned or accumulated and a transfer of funds shall be made to implement the employee transfer. The methods of computing vacation allowances and lump-sum payments upon termination of employment are stipulated under HRS, Chapter 78-23.

c. Transferring Funds to the Vacation Pool Account

(1) Funds to cover vacation accumulation by extramurally funded UH employees are automatically transferred from project operating accounts to the Vacation Pool Account each pay period. The transferred amounts are based on the Fringe Benefit Rate Schedule issued by ORS and are credited to the vacation pool account: SW 6650497.
(2) Transfers for vacation credits must be made when a UH employee is transferred from general funds, research and training revolving funds (RTRF) or tuition and fee special funds (TFSF) to extramural funds since extramural funds cannot be utilized for vacation credits previously accrued under general funds. The operating units must therefore transfer funds into the Vacation Pool Account to cover such accruals. An example is illustrated below:

Employee A accrued 300 hrs. on G-funds.

FTE changed to 50% F-funds.

Transfer required as follows:

\[
\begin{align*}
\text{Annual pay} & \quad 20,000 \\
\text{Annual hours} & \quad 2,080 \\
\end{align*}
\]

\[
2,886 \times .50 \text{ (fte)} = \$1,443
\]

JV required from G-fund to SW 6650497

The transfer is necessary to ensure that there are sufficient funds to meet the cost of UH employee's vacation entitlements when subsequently transferring or terminating employment with the University of Hawaii (UH). If an inter-departmental employment change (general to federal funds) occurs, the receiving FA should ensure that the transfer is made to avoid absorbing the accrued carryover liability at a later date.

d. Transferring Funds from the Vacation Pool Account

(1) Funds from project operating accounts are transferred to the Vacation Pool for Extramurally Funded employees to provide adequate funding to:

(a) Make payments for employees having credits in the reserve accounts upon termination;
(b) Make vacation fund transfers to other funds within the UH or to the counties and other State of Hawaii departments for employees having credits in the reserve accounts; or

(c) Cover other contingencies relating to vacation credit payments. All such contingencies must be approved by the UH Vice President for Research or his/her designee.

(2) When a UH extramurally funded employee terminates or transfers to other funds within the UH or to the counties and other State of Hawaii departments, the FA shall initiate the "Request for Verification of Vacation Leave Credit" form, submit the form to UH. Personnel Office and transfer funds from the Vacation Pool in accordance with Administrative Procedure A9.930, Vacation Credit Fund Transfer.

e. Financial Transaction Processing

The procedures for transfers can be found at:

http://www.ors.hawaii.edu/index.php/start-up-a-manage/81-start-up-a-manage/156