



State of Arizona Accounting Manual

Topic 55 Payroll and Personnel
Section 59 **Employee Awards from
Other than Employee Recognition Funds**

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INTRODUCTION

There is specific legislation authorizing the collection and distribution of monies by employee recognition funds. SAAM Section 5557 sets forth the policies related to employee recognition funds.

This section of SAAM establishes policies for the use of monies other than those in employee recognition funds to reward employees upon certain occasions.

While there is no specific law that authorizes the use of public money for such purposes, virtually every agency has as part of its enabling statutes language that allows agency management to make expenditures necessary to conduct the day-to-day operations of the agency. Sufficient precedent exists that such expenditures can, within reasonable and lawful limits, include the acquisition of plaques and similar items to recognize important employee milestones.

Other funds, as discussed herein, include both appropriated and non-appropriated funds to the extent that the monies in such fund originate from State taxes, fees, fines, sales or State operations.

POLICIES

1. An agency may make an expenditure to purchase certain items to recognize employee service from both appropriated and non-appropriated funds.
2. The monies from which such expenditures may be made must not come from a Federal grant or any other source that neither specifically contemplates nor explicitly countenances such an expenditure.
3. Occasions for making an award should be significant and fairly rare. Ten- or twenty-year employment anniversaries would qualify as such occasions, but five or fewer years or intervals would not. Extremely meritorious and exceptional service to the public that is above and beyond one's normal duty assignment would qualify, but doing one's job, no matter how well, would not.
4. Such awards should not be cash, cash equivalents or easily converted to cash.
 - 4.1. Cash equivalents include such things as gift cards and savings bonds.
 - 4.2. Items easily converted to cash include tickets to movies, the theater, and sports events.

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- 4.3. Articles that can easily be sold or pawned include uninscribed timepieces and the like.
5. To reduce the conversion value of plaques, timepieces, trophies, etc., they should be inscribed with the recipient's name and bear some legend that identifies the State as the donor.
6. The cost to the State should be reasonable and appropriate for the occasion. An item costing fifty dollars (\$50) might be appropriate for a twenty-year employment anniversary, while one hundred dollars (\$100) might better suit thirty years.
7. Taxation of awards.
 - 7.1. Awards that are neither cash nor cash equivalents with a value of fifty dollars (\$50) or less are considered *de minimis* fringe benefits and need not be reported to the Internal Revenue Service as compensation.
 - 7.2. Awards of cash or cash equivalents are taxable fringe benefits and must always be reported as compensation.
 - 7.3. Non-cash awards with a value of more than fifty dollars (\$50) are taxable fringe benefits and must always be reported as compensation.
 - 7.4. Form GAO-86 is used to report taxable fringe benefits to an agency's payroll personnel.
 - 7.5. Refer to SAAM 5556, *Reporting of Taxable Fringe Benefits, Including Awards and Prizes*, for additional information related to this topic.