

Annual Leave Liability

Discussion: At the end of each fiscal year, ACCCA must compute the liability of annual leave [vacation] due to each employee as of the last day of the business year and must disclose and incorporate this liability in the annual financial statements.

Increases in liability should be computed based on historical data available to the Association and should be budgeted for accordingly. Because this liability account will increase and decrease throughout the year and because of the difficulty of computing this figure at the conclusion of each month, organizations often absorb and budget for this expense in the final month of the year only.

SAMPLE POLICY: In the final month of each fiscal year it is the policy of the organization to budget for and accrue the value of the annual leave liability that is due to each employee.

Mandatory Vacations/Leave

Discussion: Organizations are urged to implement a financial policy requiring employees to use annual leave to whatever level the organization deems prudent. Requiring the use of annual leave not only caps the amount of leave accrual on the organization's financial statements, but also provides an effective internal control for employees who handle cash and checks.

If employees do not voluntarily take annual leave due them, they should be mandated to take the leave at their employer's discretion.

SAMPLE POLICY: It is the policy of the organization to require employees to take annual leave due to them, and no more than ___ vacation days will be carried forward into the next year. If the employee does not cooperate with this policy, leave will be scheduled at management's discretion.

Annual Leave Payments

Discussion: It is advisable to cap the amount of annual leave paid to terminating employees and to implement a policy whereby unused leave will be lost.

Employees sometimes use the unused leave as a "savings account" in order to maximize payouts at termination. This can result in abuse of sick leave and personal leave for their own financial benefit and to the financial detriment of the organization.

SAMPLE POLICY: It is the policy of the organization to allow employees to carry forward no more than ___ of unused vacation days into the next year. Unused leave earned in excess of this amount during the year and not used will be lost.

The maximum amount of annual leave paid to a terminating employee will be the amount of leave carried forward into the subsequent year, not to exceed ___ days, plus the amount of accrued but unused leave earned during the year of termination.

Reinstatement of Benefits

Discussion: In the event an employee terminates employment and returns as an employee at a later date, it should be documented that with regard to certain employment-related benefits, the employee will be considered a new employee.

SAMPLE POLICY: It is the policy of the organization that prior employees who have terminated their employment and return to work for the organization at a later date will be considered new employees with regard to employment-related benefits such as vacation accrual.

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