

# HARVARD UNIVERSITY



## **Absence Management Guidance**

### **Guidelines for Budgeting and Charging Employee Vacation Time to Sponsored Awards**

Originally Issued: July 1, 2007

Last Revised: February 2016

Responsible Office: Office for Sponsored Programs

---

#### **University Treatment of Staff Vacation Time**

Harvard University budgets and charges vacation time earned for exempt and non-exempt employees (excluding faculty and post docs) through the vacation fringe benefit rate assessment. All University staff payroll transactions on sponsored and non-sponsored accounts will be charged a vacation assessment as part of the fringe benefit rates. The fringe benefit rates are submitted to and approved by Department of Health and Human Services/Cost Allocation Services (the University's federal cognizant agency) on an annual basis.

The dollars accumulated from the vacation assessment are pooled in a central vacation account that is used to fund vacation time as it is taken. Should an exempt or non-exempt employee continue in another capacity at any School at Harvard and carry over vacation time, the vacation pool will still pay for vacation time earned. Therefore, vacation is charged to federally-funded and non-federally funded sponsored awards, as well as all other funds, as it is earned. When vacation time is taken, no salary or fringe benefits are charged to the award for the duration of the vacation period.

---

#### **Sponsored Budgets**

When preparing proposal budgets to be submitted to a sponsor, it is not necessary to request salary dollars for exempt and non-exempt employees for the full 52 weeks. Any vacation an employee takes during the sponsored award period will not be charged to the award but will be charged against the central vacation pool. Principal Investigators (PIs) and departments should make a reasonable estimation of the vacation that will be taken during the proposed budget period(s).

For example, based on historical data from payroll, exempt and non-exempt employees take an average of 3 weeks of vacation each year. Therefore, a reasonable budget estimate for a full year budget period would be 49 weeks' salary plus fringe benefits.

The following statement can be included in your budget justification:

- The staff salary expenses in this budget were calculated in accordance with the Harvard Treatment of Paid Absences portion of Section II of its rate agreement negotiated annually with the Department of Health and Human Services. Paid absences for vacation are not claimed as direct charges on sponsored awards and regular salary will carry a vacation fringe as part of the fringe benefit rate assessment to all staff salaries.

---

## **Risks**

In order to project the total cost for exempt and non-exempt employee salary to a sponsored award, PIs and departments/local units should account for estimated vacation time to be taken. Additionally, it is acceptable to build in known salary increases or bonuses that are paid in accordance with standard institutional practice. However, in estimating the total salary charges, there is a risk of under-budgeting on the sponsored award if the employee does not take vacation that was earned or budgeted.

Note that the fringe benefit rates used in the budgets of federally sponsored awards must always be the current negotiated rates.

For the National Institutes of Health (NIH) sponsored awards, the NIH salary cap still applies, whether it is budgeted as direct salary costs or vacation time.

---

## **Additional Information**

It should be noted that the vacation time charge will appear on the current coding string for that individual, but an offsetting vacation pool charge will reimburse that coding string.

## **Revision History**

### **July 25, 2013**

- Added to OSP website in PDF format

### **February 2, 2016**

- Guidelines updated to reflect that this is no longer a transition to vacation being treated as a fringe benefit to the University standard practice.