




Policy Title	<b>Spot Bonus Policy</b>
Effective Date	February 1, 2024
Supersedes	N/A
Approval	 <b>Matthew A. Brown</b> State Personnel Director
References	<a href="#">FMC 1.1 and FMC 2.2</a> <a href="#">FLSA 29 Fact Sheet #56C</a>

**PURPOSE**

This policy’s purpose is to enable and encourage state agencies to recognize and reward employee performance through the Spot Bonus program authorized by the State Budget Agency and Governor. To enable success and consistent usage across agencies, this policy provides criteria for consideration, process information, and guidance for the program’s usage. Agencies may develop and publish their own policy/procedures for issuing Spot Bonuses that comply with this policy and the FMC issued by the State Budget Agency.

**SCOPE**

This policy applies to all agencies and employees under the authority of the Governor and Lieutenant Governor.

**POLICY STATEMENT**

Recognizing and rewarding employee performance is integral to achieving a high-performing and engaged workplace culture, and retaining an engaged workforce is central to delivering great government service.

While the State’s Spot Bonus program is not the only way state agencies recognize outstanding employee performance, monetary rewards offer an effective and prompt way to provide such recognition.

While not required, State agencies are encouraged to develop an agency-specific Spot Bonus program. All agency Spot Bonus policies must be consistent with this policy and State Budget Agency Financial Management Circulars.

**DEFINITIONS**

Approving Authority: Agency management official responsible for final signature approving the bonus, both the monetary amount and the supporting justification, based on the process as established by the issuing agency.



Agency Payroll: Agency employees responsible for completing payment processing when a bonus has been fully approved, tracking and reporting annual bonus compensation total, and ensuring compliance with FMC 1.1 (Fiscal Prudence Measures) and this policy. The role is responsible for retaining the Nomination Form and approval and payment notifications. All Spot Bonus payments to employee must reflect the bonus earnings code Agency Spot Bonus (ASB) in the PeopleSoft Payroll module.

Nominator: Any state employee who submits for consideration a nomination using the form prescribed by the Nominee's agency ("Nomination Form"). Employees may not nominate themselves, but any employee may nominate a colleague in any state agency in scope of this policy. Nomination does not guarantee approval or issuance of a bonus; final approval by the Approving Authority is required.

Nominee: State employee nominated to receive a Spot Bonus, and who has been employed with the State of Indiana more than three (3) months.

Human Resources Director (HRD): Indiana State Personnel Department or agency human resources staff responsible for advising employees and supervisors of process and procedures required under this policy, ensuring the justification submitted with a nomination is consistent with the factors permitted to be considered under this policy, and assisting employees and supervisors in the completion of Spot Bonus nominations as needed.

## ELIGIBILITY

The issuance of Spot Bonuses is a decision subject to the discretion of the Approving Authority as designated by the agency. Although not exhaustive, the following are examples of performance for which an agency may, but is not required to, consider issuing a bonus:

- Demonstrated exceptional performance in their role on a particular matter, such as completion of a project ahead of schedule with results that exceeded expectations;
- Provided exceptional customer service (internal and/or external);
- Improved a key process or procedure that improved operations or service-delivery;
- Achieved fiscal savings for the State of Indiana;
- Absorbed and successfully performed additional workload for a temporary period, considering any temporary pay adjustments issued for work performed beyond four weeks as required by 31 IAC 5-5-1, the Compensation Policy, or the Classification Plan and Position Management Policy; or
- Accomplished a task or project that falls outside or beyond the scope of the employee's regular day-to-day tasks and assignments.

Agencies are encouraged to further expand on these points of consideration and develop more descriptive measures that align with agency operations or strategic goals. When establishing additional eligibility criteria, agencies must consider employee pay implications resulting from the issuance of non-discretionary bonuses as defined by the Fair Labor Standards Act.



## RESPONSIBILITIES

If an Agency would like to introduce a Spot Bonus Policy under this statewide standardized policy guidance, it must comply with the following:

### A. Nomination:

- I. Any state employee may nominate another state employee for a Spot Bonus, including management officials responsible for approving the Spot Bonus.
- II. All nominations should be made on the form prescribed by the Nominee's employing agency, or INSPD's Nomination Form if no other form has been prescribed.
- III. Nomination Form must first be considered by the Nominee's supervisor and, if necessary, under this or the agency's policy, approved by the appropriate member of management.
- IV. A nomination should not guarantee a Spot Bonus is issued to the nominee. Management should review and approve only those that comply with the requirements of the policy. Robust justification is required.
- V. Nomination Forms resulting in the approval of a Spot Bonus must be retained in the Nominee's personnel file.

### B. Approval:

- I. Only a designated Approving Authority may approve the issuance of a Spot Bonus consistent with authority granted by this or the Nominee's agency's policy.
- II. Approving Authorities are not required to accept the suggested Spot Bonus amount included in the nomination or approve the award of a Spot Bonus. Spot Bonuses and their value are at the discretion of the Approving Authority. If necessary, Approving Authorities are encouraged to request additional information to support the nominee's justification.
- III. After a Spot Bonus is approved by the appropriate Approving Authority, the Approving Authority should inform both the nominee's supervisor that a Spot Bonus has been approved for their direct report. Either the Approving Authority or the Nominee's supervisor must submit the completed Nomination Form to an Agency Payroll representative for processing and payment.
- IV. If a Spot Bonus nomination is denied, the Approving Authority must inform the nominator's supervisor of the decision.

### C. Payment and Notification Process

- I. Agency Payroll will process payment to be included in the next scheduled pay-period. Additionally, they will notify the supervisor of the date on which the bonus will appear on the employee's paycheck.
- II. Nominee's supervisor notifies the employee of the Spot Bonus only after it has been approved and processed through Agency Payroll, and then must submit a copy of the completed Nomination Form to Human Resources for inclusion in the employee's personnel file.
- III. All Spot Bonus compensation is subject to income tax withholdings and any regular percentage benefits withholdings.
- IV. All Spot Bonuses must be issued using the Agency Spot Bonus (ASB) earning code in PeopleSoft Payroll.



#### D. Specific Parameters

- I. No individual Spot Bonus can exceed the gross amount of \$1,000 without additional approval required under FMC 2.2. Spot Bonus requests for any amount over \$1,000 must be submitted and approved prior to the employee being notified of their nomination.
- II. No Nominee may be awarded more than \$2,000 in gross Spot Bonus payments in any fiscal year.
- III. State agencies may allow Spot Bonuses to be issued in any increment up to \$1,000.
- IV. State agencies must articulate, through internal policy, the various levels of approvals required for Spot Bonuses. Approving authorities must be clearly identified.
- V. State agencies may authorize varying levels of supervision to approve and issue Spot Bonuses. However, any Spot Bonus exceeding the gross amount of \$500 must be approved by the Agency Head or their designee.
- VI. Agencies must assign one or more employees to be responsible for ensuring compliance with these parameters and for reporting Spot Bonus payments and measuring program efficacy.

#### FORMS & RESOURCES

- Spot Bonus Form Template: [INSPD Spot Bonus Nomination Form Template](#)
- Financial Management Circulars | [Financial Management Circulars](#)

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