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Policies & Procedures

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4.3.3 Process Employee Recognition Awards

Policy Statement

Employee recognition award payments are not compensation for actual services rendered and may not be used as a substitute for base salary increases. Award payments are not an alternative to salary adjustments intending to recognize a significant change in position responsibilities or to address internal or external pay equity.

The awards must be part of a meaningful presentation that emphasizes employee achievements. Review [IRS Publication 525](#) for additional information. If a certificate will be presented as part of the ceremony, the unit is responsible for generating it.

Managers, supervisors, and employees who misrepresent the purpose, fund source, or amount of an award are subject to disciplinary action, up to and including termination of employment. Disciplinary action is facilitated through university/University of Illinois System human resources.

Reason for the Policy

The system supports and encourages programs to acknowledge and formally recognize employee contributions, exemplary performance, and continuous service to the System.

Applicability of the Policy

4.1.5 Handle Unclaimed Payroll Checks

This policy outlines the guidelines and procedures for providing cash employee recognition awards to faculty and staff outside of the normal employee appointment process.

Avoiding Payroll Problems

For cash equivalent awards, such as gift certificates and gift cards used for general merchandise, see [8.1.4 Determine the Allowability of Gifts, Prizes, and Awards to Individuals](#).

Payroll Roles in Banner and ANA

To be eligible for employee recognition awards:

Payroll Deductions

The recipient must be either an active System employee or System retiree on the date of the award ceremony.

4.2.1 Submit Employee Work Time

The recipient must have met the defined criteria of the award.

4.2.2 Report Tip Income

Employees are not limited in the number of awards they may receive per year unless otherwise dictated by specific recognition award programs.

Approvals

All monetary employee recognition awards require approval and must be based on specific criteria defined in a documented awards and recognition program. Many recognition awards require additional approvals beyond the department level.

Payments

Monetary employee recognition awards are processed through University Payroll & Benefits (UPB), are always employment related, taxable as wages, not subject to SURS, and deposited directly into the awardee's bank account according to the weekly adjustment calculation schedule. Paper checks are not issued for employee recognition award payments. Units are responsible for retaining all documentation related to individual employee recognition award payments, including an explanation of the performance or specific achievement recognized and the required approvals.

Appropriate Funding Sources

The source of funding charged for awards must be appropriate for the employee, so it does not create any questionable or disallowed charges.

Appropriate funding sources include:

- State
- Institutional

4.3.6 Process Payroll Separation

**Vacation and
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- Self-supporting, when related to the generation of the fund's revenue
- Gift and/or endowment income, when in compliance with the applicable donor intent restrictions
- Service plan funds

Use of sponsored funds for awards must have prior approval by the appropriate university specific sponsored project office (SPO) and the sponsor.

- [UIC Sponsored Project Office](#)
- [UIS Sponsored Project Office](#)
- [UIUC Sponsored Project Office](#)

Because grants are restricted to specific purposes, approval from the appropriate SPO is required for any awards charged to a restricted fund. However, grants are not generally considered an appropriate funding source for these types of award payments.

Tax Treatment of Employee Recognition Award Payments

All cash awards paid to System employees and/or retirees are subject to the applicable tax withholdings. Deductions for mandatory taxes will be taken from the award payment. Units may increase or gross-up (gross up calculator) the award total to compensate for the taxes that will be deducted from the employee's award payment. An employee recognition award presented to a foreign national employee may be taxed at the highest possible rate until after a tax status review appointment has been completed. See Payments to Foreign National Employees for more information.

All units are responsible for understanding the potential tax liabilities associated with cash equivalent or non-monetary awards and following the appropriate procedures and policy. See [8.1.4 Determine the Allowability of Gifts, Prizes, and Awards to Individuals](#) and [18.5 Fringe Benefits](#).

Procedure

To process a monetary employee recognition award, follow the procedures below.

1. Department Originator initiates an **Award** transaction in the [Adjustment Notification Application \(ANA\)](#).

- Indicate if Gross-up is needed
- Identify the recognition award title and the ceremony date.
- Enter a direct deposit date for the first Friday following the award ceremony or presentation date. All payments are made on Fridays

according to the payroll adjustment schedule.

2. If a sponsored project or grant fund is involved, Contact the appropriate SPO for approval.
3. Submit to the Department Approver.
4. Department Approver reviews and approves the transaction. The department will receive confirmation that the ANA transaction has been routed to University Payroll & Benefits (UPB). The award payment will be processed according to the weekly payroll adjustment calc schedule and deposited directly into the employee's bank account on file with UPB. All payments are made on Fridays according to the payroll adjustment schedule.

Note: Adjustments approved by 5 p.m. Friday are scheduled to be paid the following Friday. This schedule is subject to change during weeks with holidays.

Notice of holiday schedule changes are provided in the Payroll & Benefits Newsletter and the Business and Finance News Feed. A link to additional information can be found below under Additional Resources.

5. The following approvals are required for employee recognition award payments:

Specific university approvals:

University of Illinois at Springfield: Chancellor approval is required for all award amounts.

University of Illinois at Chicago: Unit head approval is required for awards less than \$400. Awards of \$400 or more also require Chancellor or Designee approval.

University of Illinois at Urbana-Champaign: Unit head approval is required for awards less than \$400. Awards of \$400 or more also require Chancellor or Designee approval.

University of Illinois System Offices: Unit head approval is required for awards less than \$400. Awards of \$400 or more also require approval by Employee Relations and Human Resources and Chief Financial Officer or Designee.

Note: For appropriate situations such as employee recognition award ceremonies with 10 or more recipients, payment requests may be submitted on the Award Payment Template.

Forms Used in this Procedure

 [Adjustment Notification Application \(ANA\)](#)

[Award Payment Template](#)

Additional Policies and Procedures

[8.1.4 Determine the Allowability of Gifts, Prizes, and Awards to Individuals](#)

[18.5 Fringe Benefits](#)

[18.15 Payments to Employees: Assignment of Income and Constructive Receipt](#)

Additional Resources

[Pre-approved Employee Recognition Awards List](#)

[Taxation Implications for Payments](#)

[Gross-Up Calculator](#)

[ANA Training Guide](#)

[Employee Recognition Awards](#)

[Payroll Adjustment Processing](#)

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