

Administrative Policy No. 19.70.14

Subject: Employee Awards for Suggestion and Teamwork Incentive Programs (Productivity Awards)

Contact: Office of Accounting Services
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Authorizing Sources: Revised Code of Washington [Chapter 41.60 RCW](#) State Employee Suggestion Awards and Incentive Pay
Washington Administrative Code (WAC)
[Chapter 383-06 WAC](#), Guidelines for the Employee Suggestion Program
[Chapter 383-07 WAC](#), Teamwork Incentive Program
IRS [Publication 525](#), Taxable and Non-Taxable Income

Effective Date: May 9, 2007

Revised: May 14, 2021

Approved By: **Original signed by Judy Fitzgerald**
Assistant Secretary / Chief Financial Officer

Purpose

This policy establishes the treatment and distribution of productivity awards for employee suggestion programs and teamwork incentive programs at the Department of Social and Health Services (DSHS).

Scope

This policy applies to all DSHS employees.

This policy does not apply to awards given under employee recognition awards (which are under DSHS Administrative Policy [19.70.13](#)) or to separation incentive pay.

Additional Guidance

RCW [43.03.050](#), Subsistence, lodging and refreshment, and per diem allowance for officials, employees, and members of boards, commissions, or committees.

SAAM [10.90.20](#), Reimbursement rates for meals, lodging, and private vehicle mileage

DSHS Administrative Policies

[19.70.10](#), Coffee and Light Refreshments

[19.70.11](#), Meals with Meetings

[DSHS Forms Picker](#)

Form 03-426A, Productivity Award Payment

[DSHS Productivity Award Sample Notification Letter](#)

Definitions

Cash is a warrant the DSHS payroll office or fiscal office issues. *(Note: For Productivity Awards, the DSHS Payroll Office generates the warrant.)*

Department or DSHS refers to the Department of Social and Health Services (DSHS).

DSHS payroll office is either the office within the Facilities, Finance, and Analytics Administration that processes payroll for DSHS or the institutional payroll offices that process their own payroll.

Employee suggestion program is a program developed to encourage and reward meritorious suggestions by state employees that promote efficiency and economy in the performance of any function of state government ([Chapter 41.60 RCW](#)). This is also known as the “Brainstorm” award.

Productivity awards are the awards for the Employee Suggestion Programs and the Teamwork Incentive Programs.

Teamwork incentive program is a program developed to encourage teams of employees to submit and implement money saving process improvements ([Chapter 41.60 RCW](#)).

Policy

DSHS participates in the statewide employee suggestion program and teamwork incentive program. DSHS does not operate its own suggestion program.

I. Limitations on awards

A. Certain individuals are not eligible to receive a productivity award.

1. DSHS management has determined that volunteers, contractors, and board and commission members are not eligible to receive awards.
2. Awards must not be given to an employee for a suggestion that is within the scope of that employees regularly scheduled responsibilities (RCW 41.60.030, WAC 383-

06-080(2)(a)).

3. Per RCW 41.60.160, awards are not given to any elected state official or state agency director.

B. DSHS must follow the laws, rules, and policies developed by the state productivity board.

Per RCWs 41.60.030 and 41.60.120, the productivity board or its designee must make the final decision on whether an employee suggestion program or teamwork incentive program award will be made including the award amount, if any.

C. DSHS must assign managers to offer staff assistance in the completion of award applications, including documentation of approval and denial of applications (WACs 383-06-045 and 383-07-045).

D. Treatment of productivity awards must be handled consistently across DSHS.

1. The DSHS secretary or designee must approve all cash awards for employee suggestion or teams awards.
2. Funds for the award must be drawn from the appropriation of the administration that receives benefit from the suggestion. The employee does not need to reside within that administration (RCW 41.60.041).
3. The administration must not pay the employee's portion of applicable state and federal taxes on the award.
4. DSHS payroll office processes the award amount in HRMS as a wage type 1146. Awards coded to this wage type will be recorded under sub-object code NZ-SW91.
5. Awards must not be included for calculating a retirement allowance under any state public retirement system (RCW 41.60.140).

E. Coffee and light refreshments or meals may be allowed for recognition events. The administration must adhere to administrative policy requirements regarding:

1. Limitations for Coffee and Light Refreshments (administrative policy 19.70.10).
2. Per Diem limits for Meals with Meetings (administrative policy 19.70.11).

II. Award rules for employee suggestion programs (i.e., brainstorm award)

The rules governing awards are based on WAC 383-06-125 and are summarized below.

A. Cash awards under the employee suggestion program are limited to:

1. Ten percent of the actual net savings or revenue generated. Savings and revenue must be calculated for one full year and should be for the first year of

implementation.

2. Awards must not exceed \$10,000.

B. All suggestions that result in cost-avoidance, for which benefits to the state are intangible or savings cannot be calculated, must receive recognition. Internal recognition must be given in accordance with RCW 41.60.150.

III. Award rules for teamwork incentive programs (TIP)

The rules governing awards are based on WAC 383-07-125 and are summarized below.

A. Cash awards under the teamwork incentive program are limited.

1. Awards are based on a percentage of either the savings, the revenue, or a combination determined by the team and agency management during the application process. The total team award must not exceed 25% of the actual net savings or net revenue generated to the state for the TIP project period.

2. Awards must not exceed \$10,000.

3. No cash awards are given for team projects that do not produce actual cost savings or generate revenue to the state.

B. Per RCW 41.60.110, the calculations of net savings, revenue, or both, are not final until approved by the DSHS secretary or designee, which may modify the calculations.

IV. Processing productivity awards

A. The DSHS payroll office must process all productivity awards.

1. Productivity board awards must be processed through HRMS, using DSHS form 03-426A. The DSHS payroll office must process awards authorized by the productivity board and the DSHS secretary or designee, as part of the employee's salary and wages. Taxes must be taken on the award at the time the award is paid to the employee through the payroll system.

2. The DSHS payroll office must have a minimum of 14 calendar days to process this request.

B. Productivity board awards must have account coding from the administration or program that is receiving the benefits from the suggestion being made (i.e., the award must not be coded to the account coding used to process the employee's salary and

wages unless the award benefits the employee's program). This must occur to ensure DSHS can support these expenditures as allowable federal costs.

Procedures

A. To report a productivity award, the administration authorizing payment:

1. Obtains approval for productivity award payment from the DSHS secretary or their designee on DSHS Form 03-426A.
2. Sends a productivity award memorandum to the employee.
3. Sends original DSHS Form 03-426A productivity award payment and a copy of the productivity award memorandum to the DSHS payroll office.

B. The DSHS payroll office processes the award amount in HRMS.

DSHS Official