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## OFFICE OF INSPECTOR GENERAL PALM BEACH COUNTY

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### **Employee Bonuses: Strict State Law Requirements**

***Our recent investigative work revealed that some municipalities may be out of compliance with Florida laws relating to employee incentive bonuses. This Tips and Trends will provide guidance that will help ensure bonuses are awarded fairly, based on clear standards and work performance, and are legally compliant.***



### **Is Your Governmental Entity Awarding Bonuses Appropriately?**

Section 215.425(1), Florida Statutes, provides that no extra compensation may be made to a county or municipal employee after the employee provides the service for an agreed upon wage.<sup>1</sup> Therefore, the payment of retroactive compensation or gratuities for past performance have not been permitted. The prohibition against extra compensation, however, does not apply when the county or municipality implements a bonus scheme using a policy, ordinance, rule, or resolution that complies with section 215.425(3).

Specifically, Section 215.425(3) states,

Any policy, ordinance, rule or resolution designed to implement a bonus scheme **must**:

- a) Base the award of a bonus on work performance;
- b) Describe the performance standards and evaluation process by which a bonus will be awarded;
- c) Notify all employees of the policy, ordinance, rule, or resolution before the beginning of the evaluation period on which a bonus will be based; and
- d) Consider all employees for the bonus.



<sup>1</sup> Extra compensation generally refers to an additional payment for services performed or compensation over and above that fixed by contract or when the services are rendered. Fla. AGO 2007-26 and Fla. AGO 2005-30.

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***Bonuses awarded to employees simply to “improve morale,” to recognize the holiday season, or to recognize years of service do not comply with Florida law.***

## Suggestions

A review of your processes and a careful reading of statutory requirements can help to determine whether your government entity is awarding bonuses appropriately. Your entity should be aware of these statutory requirements and should confer with your legal counsel to review your ordinances, policies, and procedures to ensure they are consistent with the law.

