

## **Occidental College Reimbursement Policies**

**Last Updated:** May 2015

### **Purpose**

The purpose of this policy is to provide specific guidelines for employee expense reimbursements. This policy follows accountable plan rules as defined by the IRS. As such, expense reimbursements must meet the following three rules:

- Expenses must be related to activities of the College
- The expenses must be substantiated with original documentation within a reasonable amount of time
- Advances or excess reimbursements must be returned to the College within a reasonable amount of time.

As long as these rules are met, expense reimbursements will not be included in an employee's taxable income.

### **Scope**

This policy applies to employees and others who use personal funds to pay for College related expenses and wish to be reimbursed. Many of the principles also apply to purchases made with Occidental College credit cards. Departmental policies, grants or other funding sources may impose additional restrictions but cannot supersede those required in this policy.

The guidelines in this policy go hand in hand with other College-issued policies that address specific types of transactions, as follows:

[Cash Advance Policy](#)  
[Prizes and awards/gifts to faculty, staff, and students](#)

### **What is a business expense?**

In order to be reimbursed tax-free, a business expense must be the type of expense that would be deductible in the eyes of the IRS on one's income tax return. The base rule is that the business expense must be both "ordinary" and "necessary" and be directly connected with or related to your profession. The expense cannot be regarded as lavish or extravagant.

The term "ordinary" refers to an expense connected to a common and accepted practice in your profession. The term "necessary" refers to an expense that is appropriate and helpful in developing or maintaining your profession. The IRS does not consider all business expenses to be ordinary and necessary. For example, you may consider the expenses of a home office to be a business expense. However, for most of us, the IRS will not consider a home office to be deductible because, as employees, we are provided with an office here on campus.

Please note that if non-deductible business expenses are reimbursed on an occasional basis, such items must be included as taxable income on your W-2.

### **Imputed Income and Gross up for Employment Taxes**

The College generally does not gross up for employment taxes on imputed income to an employee unless approved by the Vice President for Finance and Planning.

## Responsibility

Employees should familiarize themselves with the types of expenses that are/are not eligible for reimbursement prior to incurring such expenses. Employees may not authorize reimbursement of their own expenses or expenses of supervisors, department heads, etc.

Authorized signers must confirm that expenses and reimbursement requests meet the following criteria:

- The expense meets the IRS guidelines of a business expense
- The travel expense was incurred while conducting College activities
- The information contained on the Expense Reimbursement Form and the documentation attached is accurate and in accordance with College policy
- Expenses incurred meet applicable sponsor guidelines (grant related expenses)
- Expenses are coded to the appropriate Banner Account number (FOAPAL)
- Original receipts are submitted in accordance with this policy

## Documentation

A properly completed, signed, and approved Expense Reimbursement Form (revised as of July 2012) must be submitted to Accounts Payable in the Business Office within 60 days after the expense has been incurred.

Expenditures or requests for reimbursement must be accompanied by original documentation to support the expenditure. This may consist of an invoice, original receipt, or other notification, such as an e-ticket or e-mail receipt. Additional information such as a brochure, a flyer or an email can be helpful in explaining the nature of the expenditure.

Multiple original receipts must be attached to an 8.5 x 11 paper, in the order listed on the Expense Reimbursement Form.

Each receipt must be *individually listed* on the reimbursement request.

Notations should be made on receipts and other documentation to substantiate the expense and indicate the business purpose.

On the **rare occasion** that a receipt is unavailable, and the expense exceeds \$25.00, a Missing Receipt Declaration form must be attached. There must be a [Missing Receipt Declaration](#) for each missing receipt that is in excess of \$25.00. If the expense is less than \$25.00 and a receipt has been lost/not provided, you will not need to submit a Missing Receipt Declaration Form.

If you do not have a receipt showing your foreign currency conversion (credit card statement, bureau de change receipt) then foreign currency should be converted to US dollars using the website [www.oanda.com](http://www.oanda.com). This website will convert foreign currencies into US dollars based on historical foreign exchange rates.

All Expense Reimbursement Forms must be signed by the individual making the request and approved by his or her supervisor and must include the appropriate Banner Account Number (FOAPAL) to be charged.

It is strongly encouraged that you input the information electronically into the excel form of the Expense Reimbursement Form. If you are unable to do this you must include a calculator tape that confirms your totals.

## Reimbursable Business Expenses

- Travel, including
  - (a) Travel considered to be Away from Home Overnight (as defined by IRS Guidelines);
  - (b) Day trips/ Local Travel
- Business Meals
- Selected Goods and Services that are not associated with meals or travel

If you are unsure if an expense is reimbursable please check with the Business Office.

### Can I obtain a Cash Advance for reimbursable expenses that I expect to incur?

Yes. The College will provide you with a Cash Advance for the estimated amount of your expenses no earlier than 30 days prior to the date of your departure, unless it is to reimburse for an airfare in which case the Cash Advance may be obtained 60 days prior to the date of your departure. The advance amount requested should not exceed the estimated amount of expenses to be incurred while traveling. The advance is considered a personal debt owed by you to the College. It is expected that you will submit your Expense Reimbursement Form to reconcile the advance and repay any unused amount within 45 days of your return, however we recommend advances are cleared within 30 days after the completion of the event. In our experience, we have found that the longer an advance is outstanding, the more likely receipts will be lost, and therefore funds will have to be returned to the College.

For further information please click on this link to see the [Cash Advance Policy](#)

### How do I substantiate my reimbursable expenses and what approvals are needed?

You will need to provide written evidence that explains the nature of the business expense and proves that you paid it. The nature of the expense is explained by answering the questions Who? What? Where? When? Why? Substantiating how you paid the expense (proof of payment) is explained under the supporting documentation directly below.

Whether your reimbursement is for travel or other items, you must complete an [Expense Reimbursement Form](#) and attach the appropriate supporting documentation as described in this policy, have the form approved by your supervisor, and then submit all documentation to the Business Office within 60 days of incurring the expense.

Please double check to make sure that your documentation includes the correct FOAPAL to be charged. Please also note that the reimbursement must be charged to the proper fiscal year. As an example, expenses incurred by you on or prior to June 30<sup>th</sup> must be charged to that fiscal year. Expenses cannot be held for the next fiscal year, even if your budget or other account is overspent in the current year.

### What supporting documentation is necessary for reimbursement?

For all items you will need an original hard-copy receipt that includes information about the purchase and also provides proof of payment.

In all cases, the **receipt needs to be sufficiently detailed (amount, date, place, type of expense – Who, What, Where, When, Why)**. A hotel bill should segregate valid reimbursable charges for lodging, meals, related taxes and tips, etc. from personal charges (personal phone calls, movies, health club, dry cleaning etc.) All itemized restaurant receipts must accompany a credit card receipt. When the restaurant only accepts cash, a detailed receipt from the restaurant will be required – the tear-off guest check typically issued by restaurants is not an acceptable receipt.

Purchases made electronically (via the internet) must be substantiated with a hard copy receipt.

If your receipt does not indicate how you paid the expense, you must also provide additional documentation to show proof of payment (such as canceled check, copy of your credit card statement,

cash receipt from vendor). If you are submitting your credit card statement as proof of purchase then please block out your account number and, if you wish, any charges/credits that do not apply. Do not block out your name.

If you did not pay for the expense then you will not be reimbursed for it. Incentives such as frequent flyer miles, vouchers, coupons, gift cards and other non-cash payments do not constitute and will not be accepted as proof of payment because these are not "out of pocket" for the expense. Items such as gift cards or gift certificates will not be accepted as proof of payment even if you purchased the gift card or certificate from personal funds.

Please ensure that all paperwork is turned in to the Business Office within 60 days after the expense has been incurred with all appropriate approvals and documentation attached to ensure that your expense reimbursement is not returned or deemed taxable W-2 income.

### **Which specific business expenses qualify?**

#### **1. Travel -- Away from Home Overnight**

You are away from home overnight if

- (1) your duties require you be away from the general area of your home substantially longer than a normal workday and
- (2) you need to get sleep or rest to meet the demands of your work while away from home.

All travel must be pre-approved. Any travel not approved in advance means the expenses risk not being approved for reimbursement.

Reimbursable Away from Home Overnight travel expenses include:

- **Lodging** – both en route to/from and at your destination. An original hotel bill with detailed charges and proof of payment is required even if you booked a room through an internet site. Express check-out receipts are acceptable if the receipt shows the complete itemized detail of charges and the method of payment.

**Gratuities for Hosts** – If you decide to stay with colleagues, family or friends rather than in a hotel, a meal or gift in lieu of hotel costs is reimbursable. The gift or meal should be reasonable and not exceed the cost of acceptable accommodations. You must provide receipts for the expenses incurred. Cash payments, gift certificates and gift cards as gifts to hosts are not allowed. The gift/meal must be purchased and presented to the host during the trip. Explanation of such items must be submitted with the Expense Reimbursement Form.

**Meals** – taken both en route and at the destination are reimbursable at 100% of their costs including tax and reasonable tip.

Meals (including all beverages with meals) are reimbursable up to \$80 per day. This is not a per diem amount and must be substantiated. No single meal will be reimbursed for more than \$50.

All restaurant receipts must be included. It is not enough to just include the credit card portion – the detailed receipt of items ordered must also be attached. Where the itemized receipt is not available an explanation must be provided and this expense specifically acknowledged by the authorized approval signature.

Certain research contracts allow per diem amounts for out-of-town meals. Per diem amounts are required to be approved in advance of the trip by the appropriate Vice President, or by the President when the appropriate Vice President is not available. Vice Presidents are required to obtain the approval of the President.

- **Transportation** – This includes costs to get to/from your destination and local travel costs while at your destination.

#### **Air travel**

Air travel is reimbursed for coach travel, or lowest possible available airfare only. Exceptions require prior approval from a Vice President or the President.

Air travel reimbursements will not be made for additional fees such as priority check-in, seat upgrades, preferred seats or economy plus seating unless there is a business purpose. Please check with the Business Office to ensure the business purpose meets the IRS standards before you book your travel.

Additional leg room fees will be reimbursed only for international travel for which the duration of the flight is in excess of 5 hours.

Travelers may retain frequent flyer miles earned while traveling on College business. However, travelers must book airfare based on the most cost effective rate whenever possible, irrespective of any frequent flyer mile benefit. Excess costs resulting from the use of a traveler's preferred airline will not be reimbursed. IRS regulations require that the College reimburse only actual costs to the traveler; therefore the use of frequent flyer miles for College purposes is not eligible for reimbursement.

Fees for changing airline tickets will not be reimbursed unless such a change results in an employee arriving home sooner and expenses equal to at least the additional amount charged by the airline being saved, or is due to changing business needs.

The College will reimburse excess baggage fees for the first two pieces of luggage only.

Reimbursement for airline travel will be made only after the trip is completed. All airline charges must be supported with original documentation. A copy of the "ticketless confirmation" must be attached to the expense report if that method was used by the employee.

***Please note: If the employee wishes to be reimbursed for mileage to or from the airport, only the difference between base mileage and the airport is reimbursable. The IRS requires that the employee show total mileage for the day less base mileage. Base mileage is defined as the round trip between the employee's home and office (e.g.: if an employee lives 9 miles from the College, the base mileage is 18 and reimbursement would be for only for business mileage in excess of 18 miles for that day).***

Any mileage calculations must be included on the expense report with an online mileage calculator such as MapQuest or other electronic verification of miles driven. Please include a verification of your base mileage (home to Occidental).

#### **Car rental**

All car rentals must be supported by a rental agreement. Reimbursement will be made for compact and mid-size automobiles only, unless specials are available at a lower price. For business use in the continental USA all optional coverage must be rejected, that means that Occidental College will not reimburse for any additional insurance coverage offered by the car rental agency.

Express check-out receipts are acceptable if the receipt shows the complete itemized detail of charges and the method of payment.

The College will not reimburse for coverage of personal possessions and you are advised not to leave any items in the rental car (see insurance requirements outlined below).

Every attempt should be made to fill the rental car with gasoline prior to turning it back in to the rental agency.

### **Personal Vehicle**

If driving your personal vehicle, you may be reimbursed for either 1) mileage driven, at the maximum IRS prevailing rate; or 2) your actual gasoline cost, but only for the miles driven. Tolls and parking are also reimbursable. Please see notes above under air travel regarding deducting base travel from the total miles driven that are eligible for reimbursement.

Should an employee decide to drive, the mileage reimbursement cannot exceed the cost of the least expensive means of alternate transportation.

Under no circumstances will reimbursement be made for items such as oil changes, repairs, insurance, towing, motor club, parking tickets or other expenses relating to operating your personal vehicle (see insurance requirements outlined below).

The mileage calculation must be included on the expense report with a MapQuest or other electronic verification of miles driven.

- **Phone and Fax Charges** - Business related phone and fax charges incurred while doing business away from home overnight are reimbursable as long as they are reasonable and not excessive.

## **2. Family Member's Travel**

Expenses (i.e. airfare, lodging, meals, etc.) incurred by family members who accompany College employees on out-of-town travel will not be reimbursed. The only exceptions are those instances in which a family member will be assisting a College employee to perform duties or if the family member's attendance is mandatory. In both instances, the approval of the appropriate Vice-President, or in certain cases, the President, is required in advance of incurring such expenses.

In some cases travel for companions may be reimbursed, however these amounts will be included in the employee's W-2 earnings

## **3. Travel – Day Trips/Local Travel**

Employees will be reimbursed for transportation costs. If driving a personal vehicle, employees may choose either mileage reimbursement or actual gasoline costs but only for the miles actually driven – either method must have the appropriate mileage verification attached. Oil changes, repairs, insurance, towing, motor club, parking tickets or other expenses relating to operating your personal vehicle will not be reimbursed. Base mileage will not be included and will not be reimbursed.

***If the employee travels directly to or from an off-campus appointment from home, only the difference between base mileage and the appointment location is reimbursable. The IRS requires that the employee show total mileage for the day less base mileage. Base mileage is defined as the round trip between the employee's home and office (e.g.: if an employee lives 9 miles from the College, the base mileage is 18 and reimbursement would be for only for business mileage in excess of 18 miles for that day).***

Any mileage calculations must be included on the expense report with an online mileage calculator such as MapQuest or other electronic verification of miles driven. Please include a verification of your base mileage (home to Occidental).

Commuting from home to work is not reimbursable, even if the employee works on an unscheduled workday.

#### **4. Business Meals**

Business meals are defined by the IRS as the cost of food and beverage (including taxes and tips) consumed in-town or away from home with other business-affiliated individuals, or consumed alone while traveling on College business.

Most meals involving only College employees will not be reimbursed as most College business should be able to be accomplished during normal business hours. Exceptions may be made if one of the following elements is true:

- (1) the meal is between employees who would not otherwise meet during the course of the day;  
or
- (2) attempts to meet in College offices have failed.

Business purpose and list of attendees **MUST** be listed on all meal reimbursements.

All restaurant receipts must be included. It is not enough to just include the credit card portion – the detailed receipt of items ordered must also be attached. When the itemized receipt is not available, an explanation must be provided and this expense specifically acknowledged by the authorized approval signature.

The most senior member of the faculty/staff attending the meal must be the person who pays for the meal.

#### **5. Alcohol**

The College will reimburse for alcohol chosen as your beverage with a meal. Employees must, however, use prudence in these circumstances and must not purchase an unreasonable amount of alcohol nor at an unreasonable cost as compared to the overall cost of the meal.

Please note that if you purchase an alcoholic drink with your meal it must be counted as part of your meal allowance when travelling. However, alcoholic beverages consumed by travelers between or after mealtimes are not considered part of the meal allowance and are not reimbursable, except when they qualify as necessary entertainment for donor solicitation. Receipts submitted to substantiate such purchases should note the name of the guests and the nature of the meeting.

The federal government has mandated that no alcohol may be charged as either a direct or indirect expense of federally sponsored projects. This mandate means that under no circumstances should alcohol be charged directly to a federal grant or contract.

#### **6. Gifts**

Please see the policy on [Prizes and Awards/Gifts to faculty, staff and students](#).

#### **7. Other Expenses**

- Tips for baggage handling, bellman service, etc. are required to be individually recorded on the expense report. Reasonable amounts for tips are reimbursable. If tips are paid in cash and no receipt is available, in this instance only, you do not have to fill out a Missing Receipt Declaration form.
- Clothes cleaning charges are reimbursable if a business trip exceeds six consecutive days and five nights.
- Charges for movie channels, airline headsets, personal toiletry items and hotel spa/health club charges will not be reimbursed.
- Replacement costs for lost personal items and other similar charges will not be reimbursed.

- Charges for flight life and travel interruption insurance will not be reimbursed.
- Membership in airline/travel clubs will not be reimbursed.
- Purchases of furniture will not be reimbursed. If furniture is needed (for example: a lamp, desk, bookshelf, chairs, cabinet, etc.), you must submit a work order through Facilities called a "Furniture Request Form." <http://oxy.edu/facilities-management/work-request-forms>.

## **8. Insurance**

Adequate personal automobile insurance must be carried for one's financial protection. College policy requires that each employee or authorized driver have a current valid driver's license in good standing and personal automobile insurance not below the minimum legally required coverage in the State of California. It is therefore the obligation of the owner of a personal vehicle being used for College business to carry adequate insurance for his or her protection and for the protection of any passengers. In the event of an accident, the employee is responsible for his/her own auto insurance deductible.

College employees also understand that the employee's insurance policy is primary in the case of an accident and the College's insurance policy will cover claims only after the employee's insurance policy limits have been fully exhausted – no matter the purpose of the trip.

Because of the excessive cost, the College does not carry insurance to protect valuables transported in vehicles (e.g.: briefcases, clothing, etc) and auto theft insurance policies do not cover such items. The College recommends that homeowner's or renter's household goods insurance be obtained by the employee to cover the employee's exposure.

By submitting for mileage reimbursement or rental car reimbursement, the employee is confirming, in writing, that they understand the College's driving policy and are adhering to it.

## **9. List of Attendees**

A list of attendees MUST be listed on all reimbursements related to meals, events, tickets purchased, conferences and meetings. For reimbursements relating to entire classroom/athletic team expenses, a list of attendees is not necessary. Please provide the course name/athletic team name in its place.