Expense Report

Policies and Procedures

Prepared by:
Accounting Department

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# TABLE OF CONTENTS

- **INTRODUCTION**..........................................................................................................................4
- **SECTION 1 – AUTHORIZED SIGNER RESPONSIBILITIES** .........................................................6
  - TIMELY AND ACCURATE PROCESSING
  - SUFFICIENT FUNDS AND ACTIVE ACCOUNTS
  - BUDGET STATUS REPORTS
- **SECTION 2 – BUSINESS PURPOSE AND APPROVAL**.............................................................7
  - BUSINESS PURPOSE
  - SIGNATURE FROM PERSON WHO INCURRED THE EXPENSE
  - **EXPENSE REPORT** APPROVAL
- **SECTION 3 – RECEIPT DEFINITION/RETENTION & SUBMISSION REQUIREMENTS**.........9
  - RECEIPT DEFINITION
  - RECEIPT DETAIL AND CONTENT
- **SECTION 4 – PERSONAL FORMS OF PAYMENT** .................................................................10
  - OVERVIEW
  - ADDITIONAL RESTRICTIONS
  - ELECTRONIC PAYMENTS
  - FUNDS AVAILABILITY
- **SECTION 5 – TRAVEL EXPENSES** .........................................................................................11
  - AIR TRAVEL AND RAIL TRAVEL
  - PRIVATELY OWNED VEHICLES/RENTAL VEHICLES
  - MEALS/LODGING
- **SECTION 6 – MISCELLANEOUS REIMBURSABLE EXPENSES** .......................................14
  - OVERVIEW
  - AIRPORT PARKING
  - DRY CLEANING AND LAUNDRY
  - EVENTS OR ENTERTAINMENT EXPENSES
  - EXCESS BAGGAGE
  - FEES FOR CANCELLING OR CHANGING A RESERVATION
  - TIPS
  - TRAVELER’S CHECKS
  - VISAS AND PASSPORTS
  - CITATIONS
• SECTION 7 – MISCELLANEOUS RESTRICTIONS ................................................15
  o CLOTHING AND ACCESSORIES
  o COMMUTING EXPENSES
  o CREDIT CARD FEES AND INTEREST
  o LUGGAGE
  o PERSONAL CARE
  o PERSONAL TRAVEL COMBINED WITH UNIVERSITY BUSINESS TRAVEL
INTRODUCTION

These Expense Report Policies and Procedures explain how La Sierra University funds may be used to pay for reasonable and necessary costs of the University’s activities. Detailed in this policy are the requirements and guidelines to ensure that University funds allocated toward official business are:

- Appropriately used;
- Properly authorized;
- Supported by a business purpose;
- Substantiated by applicable receipts;
- Supported by sufficient funds;
- Correctly processed for payment; and
- In compliance with IRS, Sponsored Project, and State Board of Equalization requirements.

All expenses incurred using University funds are subject to these Expense Report Policies and Procedures. Federal, state, and local agencies may mandate additional restrictions on sponsored project accounts. Such restrictions will take precedence if at variance with University policy.

These policies and procedures articulate the University’s minimum requirements. Additional expenditure constraints may be imposed by a Vice President, Dean, or Director within his/her organizational unit. These constraints should be monitored by internal controls within the department.

It is the responsibility of each employee who spends funds and for each Authorized Signer who approves use of funds to be aware of and to follow these and all other expense-related University policies and procedures. The University assumes no financial responsibility for expenditures incurred by employees who fail to adhere to these policies and procedures.

Any exception to an expenditure policy statement may be granted for extremely unusual circumstances (an emergency). When such occurs a brief memorandum describing the occasion causing the exception should be submitted with the Expense Report. All such memorandums must have the approval via signature of the President or Provost.

No set of policies can contemplate every possible scenario that may arise. Therefore, when in the best interest of the University, Financial Administration may impose requirements that are not articulated here. Furthermore, it is expected that in all dealings University employees will act in an ethical manner that is consistent with the University’s behavioral code (see employee handbook) regardless of whether a particular rule or policy statement addresses a specific situation. Material misstatements, misuse, or omissions with respect to items reported on Expense Report forms may be grounds for disciplinary action, up to or including termination.
Tips for Facilitating a Payment Request Through Accounts Payable

Processing expenses and payments in a timely and accurate manner is of the utmost importance to the Accounting Department. Although many provisions are stated in this policy document, the list below highlights the most common reasons why expense and payment requests are returned (bounced) to the department, causing delays in processing.

- Insufficient funds
- Missing signature from the person who incurred the expense(s)
- Missing approvals
- Missing receipts
- Missing business purpose
SECTION 1 – AUTHORIZED SIGNER RESPONSIBILITIES

“Authorized Signers” are University employees who have been given the authority by the department’s Dean or Vice President to approve the use of funds allocated to one or more University accounts.

Authorized Signers are responsible for ensuring that expenses charged to their accounts are:

- Processed in a timely and accurate manner within 60 days after the expenses were paid or incurred;
- Supported by sufficient funds;
- Reasonable, necessary, and supported by a written business purpose (Section 2);
- Supported by receipts (Section 3);
- Signed by the person who incurred the expense (Section 2);
- Approved by the supervisor of the employee who incurred the expense (Section 2);
- Approved by the Authorized Signer if a non-employee incurred the expense (Section 2);
- Co-approved by the Authorized Signer’s supervisor, if the Authorized Signer benefited from the expense (Section 2);
- Approved, by the President, Provost, Vice President or the Dean (Section 2) if total expenses incurred are larger than $3,000;
- In compliance with all expense-related University policies; and
- In compliance with all applicable sponsored project policies (Section 4).

O TIMELY AND ACCURATE PROCESSING

- **SUPPLIER PAYMENTS** -- For payments to suppliers, timely processing is important in order for departments to benefit from applicable fast-payment discounts and in order for the University to be in compliance with agreed-upon payment terms.

- **REIMBURSEMENTS** -- For reimbursements to individuals who used personal funds to pay for University expenses, timely processing is important in order to avoid financial hardship to an employee. Expenses incurred using personal forms of payment should be processed and submitted to Accounts Payable within 30 days of trip or event completion.

- **ADDITIONAL IRS REQUIREMENTS** -- Employees must adequately account/substantiate business expenses for which they are reimbursed within a "reasonable period of time". The IRS describes that time period as "within 60 days after the expenses were paid or incurred". If this rule is not met then the reimbursement is to be included in the recipient's taxable income and is subject to payroll taxation see the following link for further details.
  
**SUFFICIENT FUNDS AND ACTIVE ACCOUNTS**

Authorized Signers are responsible for ensuring that accounts selected on each payment request have sufficient funds and, with regard to sponsored project accounts, are still active. Funds must be available and accounts active in order for Accounts Payable to issue a payment.

**BUDGET STATUS REPORTS**

The Authorized Signer is responsible for reviewing the Budget Status Reports (BSRs) associated with the accounts for which the Authorized Signer has responsibility. BSRs must be reviewed often to ensure that expenditures are posted correctly. These reports may be obtained through Banner or Self-service, please contact Accounting Department for any questions.

**SECTION 2 – BUSINESS PURPOSE AND APPROVALS**

**BUSINESS PURPOSE**

All University expenses must be considered reasonable in terms of price, purpose, and necessity and must be in the best interest of the University.

Therefore, each University payment request must be supported by a written business purpose, regardless of the item, type of service, amount, or form of payment. Even expenses that inherently imply having a business purpose, such as toner, paper, pens, business cards, letterhead, lab supplies etc., require a written business purpose. For these types of transactions, a written business purpose should identify the general location or project within the department for which the merchandise was purchased.

<table>
<thead>
<tr>
<th>Complete Business Purpose</th>
<th>Incomplete Business Purpose</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vendor: Lowe’s</td>
<td>Vendor: Lowe’s</td>
</tr>
<tr>
<td>Supplies Purchased: paint, brushes, tape</td>
<td>Supplies Purchased: paint, brushes, tape</td>
</tr>
<tr>
<td><strong>Business Purpose</strong>: To paint Room #160 in the Administration Building. Room required maintenance.</td>
<td><strong>Business Purpose</strong>: paint walls</td>
</tr>
</tbody>
</table>

Additionally, names of the people who benefited from the transaction must be included on the payment request, regardless of source of funds, venue location (on or off campus), and form of payment used. In lieu of individual names for groups larger than ten (10), the approximate number of persons, and the group’s identity, along with the business purpose, will be accepted.

<table>
<thead>
<tr>
<th>Complete Business Purpose for <strong>Small Groups</strong></th>
<th>Business Purpose for <strong>Large Groups</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Place</strong>: All-Star Pizza</td>
<td><strong>Place</strong>: All-Star Pizza</td>
</tr>
<tr>
<td><strong>Business Purpose</strong>: Met with group to finalize Accounting Department budget proposal.</td>
<td><strong>Business Purpose</strong>: Met with group to finalize details on upcoming trip to Colorado. April 20-21 Soccer Tournament.</td>
</tr>
<tr>
<td><strong>Attendees</strong>: Peter Smith, John Williams, Stephanie Turner</td>
<td><strong>Attendees</strong>: 15 attendees. Men’s Soccer Team plus 3 coaches.</td>
</tr>
</tbody>
</table>
SIGNATURE FROM PERSON WHO INCURRED THE EXPENSE

The person who incurred the expense must sign his/her own reimbursement request, regardless of the type of purchase, amount, or form of payment used. Original signatures are required.

By signing a payment request, the person who incurred the expense certifies that:

• The amount shown is the amount actually paid;
• He/she has not and will not submit a duplicate claim;
• He/she has not and will not seek a claim for these expenses from any other source(s); and
• He/she will clearly/legibly provide business purpose.

Accounting will accept a Director’s signature in lieu of a signature from the person who incurred the expense when at least one of the following conditions applies to the payee:

• On disability-status;
• On long-term travel status (more than 60 consecutive days);
• Is a candidate for employment; or
• Has terminated his/her employment.

EXPENSE REPORT APPROVAL

Each payment request must be approved by the Authorized Signer.

Additionally, each payment request must be approved as specified below, regardless of the type of purchase, amount, or form of payment used. Once a payment request has been approved, the applicable approver shall be responsible for defending the reported expense against any subsequent challenges.

An approver (supervisor, Vice President, Dean, etc.) may delegate the required review of a payment request to their associate or their supervisor; however, the actual approver will remain personally responsible for all delegated authorizations.

SUPERVISORY APPROVAL FOR EMPLOYEE EXPENSES -- Any request to reimburse an employee must have the approval (via signature) of that employee’s immediate supervisor. A staff member’s supervisor is typically the person who hires, reviews, and oversees the work of the staff member. A faculty member’s supervisor is typically the academic director, chair, or dean.

DIRECTOR APPROVAL FOR NON-EMPLOYEE EXPENSES -- Any request to reimburse a non-employee must have the approval (via signature) of the department’s director chair, or dean.

CO-APPROVAL -- Any payment request that contains an expense that directly benefits the Authorized Signer of the account, even if the expense was not incurred by the Authorized Signer, it must have the co-approval of the Authorized Signer’s supervisor (via signature).
SECTION 3 – RECEIPT DEFINITION / RECEIPT RETENTION & SUBMISSION REQUIREMENTS

○ RECEIPT DEFINITION

The University’s definition of a receipt applies to all expenditures and to all forms of payment, including but not limited to:
  • Personal forms of payment
  • Cash advances
  • Petty cash replenishments
  • Internal Requisitions

The University requires that the original receipt be used to substantiate a business purchase. When the original receipt is not available and all means to obtain the original receipt have been exhausted, the following alternative document types will be accepted, so long as the alternative document includes the information required in Section 3 (Receipt Detail and Content).
  • Letter from provider indicating ‘paid’
  • Invoice
  • Packing slip
  • Itinerary

○ RECEIPT DETAIL AND CONTENT

Each receipt is expected to detail sufficient and reasonable information to support the transaction and may not just provide a total. At a minimum, receipts should provide the following content.
  • Name of merchant
  • Amount of charge
  • Transaction details (what was purchased)
  • Form of payment used
  • Transaction Date
  • Tax and delivery charges

Important notes about receipts:

• WHAT IS NOT A RECEIPT -- Neither a credit card statement nor a cancelled check is considered a receipt.

• COMMINGLED RECEIPTS ARE DISCOURAGED FOR REIMBURSEMENTS AND TRAVEL PLUS CARD TRANSACTIONS -- Receipts that commingle personal and business purchases are discouraged for reimbursements, settlement of advances, and replenishment of petty cash. If such a payment request is supported by a commingled receipt, it is expected that all business transactions be clearly identified on the receipt, and that applicable sales taxes and other service charges be accurately applied to the business portion.
Note the following about receipt detail / content:

- **FOREIGN CURRENCY RECEIPTS** -- All foreign currency receipts must be converted and reported in U.S. dollars before submitting payment or reimbursement requests to Accounting Department. If receipts or merchants do not provide an exchange rate, please use [www.oanda.com](http://www.oanda.com) to determine your rate, exact date of transaction on receipt must be used.

- **HOTEL TRANSACTIONS** -- For hotel transactions, it is imperative that receipts separate room and tax from meals and other ancillary services, such as parking, Internet, etc.

- **COMMERCIALY AVAILABLE/DOLLAR LIMIT** -- Receipts for tolls and tips are examples of transactions that do not generally produce a commercially available receipt. These are typically incurred when using cash and can be justified for reimbursement by providing a written business purpose.

### SECTION 4 – PERSONAL FORMS OF PAYMENT

- **OVERVIEW**

  For liability and tax compliance reasons, employees are discouraged from using personal funds to pay for University business expenses other than travel & entertainment. The University Purchasing Department should be used whenever possible instead of personal funds.

- **ADDITIONAL RESTRICTIONS**

  The following additional restrictions should be noted when personal funds are used:

  - **EQUIPMENT RESTRICTIONS** -- Personal funds & Wells Fargo purchasing cards (P-Card) may not be used to purchase equipment. This includes, but is not limited to furniture, laptops, tablet computers, PC’s, printers, or other IT hardware. These transactions should be handled through the Purchasing Department.

  - **THIRD PARTY PAYMENT RESTRICTIONS** -- Under no circumstance may an employee pay a third party for services rendered (e.g. independent contractor, caterer, photographer, human subjects, etc.) and then seek reimbursement for the amount. This practice is not allowed, principally for tax reporting and insurance reasons.

- **ELECTRONIC PAYMENTS**

  **Direct Deposit for Employees**

  Employees who are expecting reimbursements are encouraged to establish direct deposit with Accounts Payable. Domestic direct deposit payments are processed by LSU through the Automated Clearing House (ACH), a secure and fast payment transfer system that electronically connects LSU’s bank to all other U.S. financial institutions.
A **Direct Deposit Application** can be obtained and completed according to the instructions posted on the Accounting Department website ([www.lasierra.edu/accounting](http://www.lasierra.edu/accounting)). Direct deposit ensures the highest level of security and expedites the speed with which a reimbursement is issued.

- **FUNDS AVAILABILITY**

**Insufficient Funds and Active Accounts**

Accounting will return to processors all Expense Reports with insufficient funds or inactive accounts via email notices.

**Overdrawing Accounts**

An account with insufficient funds may be overdrawn under the following circumstances:

- With express written permission from the office of Financial Administration or the Controller
- For sales tax or shipping / handling charges
- Budget transfer has been requested and is in progress

**University Receives a Refund**

Any reimbursement or payment issued by the University which subsequently results in a refund must be returned to the University.

Refunds should be made payable to the La Sierra University, and whenever possible, should reference the invoice number, Purchase Order number, etc. Refunds received in the name of the University should be deposited by department into the account that originally incurred the expense.

**SECTION 5 – TRAVEL EXPENSES**

- **AIR TRAVEL AND RAIL TRAVEL**

**Economy-Class (Coach) Requirement – Airlines**

The University will support the cost of economy-class (coach), commercial airfare for official University travel. Use of advance purchase or other discounted economy-class fares are recommended, whenever ticketing restrictions are reasonable. The Purchasing Department is available for airline ticket purchases. Please reference Section 4 for reimbursement policy.
PRIVATELY-OWNED VEHICLES / RENTAL VEHICLES

Use of Privately-Owned Motor Vehicles

A privately-owned motor vehicle may be used for University business when it is the most appropriate transportation mode, such as for local trips. Use of a privately-owned motor vehicle may not be used for long trips that result in a higher total cost (mileage + meals + lodging) to the University than round trip economy-class airfare.

Reimbursement for Privately-Owned Motor Vehicle Use

Individuals will be reimbursed for use of a privately-owned vehicle at University’s per mile rate. Because the University’s per mile rate considers the cost of gasoline and ancillary operating expenses (oil, repair, insurance, DMV registration fees, etc.), the University does not reimburse for use of private vehicles based on receipts.

When claiming a reimbursement for use of a private vehicle, the Expense Report must clearly identify all of the following:

- Destination;
- Business purpose; and
- Number of miles traveled per excursion.

The chart below provides an example of a correctly and incorrectly reported personal vehicle mileage claim.

<table>
<thead>
<tr>
<th>Correct Mileage Claim</th>
<th>Incorrect Mileage Claim</th>
</tr>
</thead>
<tbody>
<tr>
<td>Depart: Campus</td>
<td>Depart: Campus</td>
</tr>
<tr>
<td>Destination: Ontario International Airport</td>
<td>Destination: Airport</td>
</tr>
<tr>
<td>Mileage: 45 miles (round trip)</td>
<td>Mileage: 45 miles (round trip)</td>
</tr>
<tr>
<td>Purpose: Business trip to National Science Foundation Annual meeting</td>
<td>Purpose: Business Trip</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Correct Mileage Claim</th>
<th>Incorrect Mileage Claim</th>
</tr>
</thead>
<tbody>
<tr>
<td>Depart: Home</td>
<td>Depart: Home</td>
</tr>
<tr>
<td>Destination: UC Irvine</td>
<td>Destination: Irvine</td>
</tr>
<tr>
<td>Mileage: 112 miles (round trip)</td>
<td>Mileage: 112 miles (round trip)</td>
</tr>
<tr>
<td>Purpose: Attended Micro Biology Conference at UC Irvine</td>
<td>Purpose: Meeting</td>
</tr>
</tbody>
</table>

Drivers can use either the vehicle’s odometer (preferred) or an on-line mapping site (e.g. MapQuest, Google maps, etc.) to calculate mileage.

Rental Vehicles

The University will reimburse travelers for the cost of renting a vehicle, plus associated rental car expenses (e.g. gasoline).

All drivers for University business must be pre-authorized by the LSU Risk Management Department prior to making rental reservations. It is not necessary to purchase liability insurance on the rental for the University has coverage through Adventist Risk Management. The Purchasing department is available to assist in renting vehicle(s).
Van and SUV Size Restrictions

For insurance purposes, it is not possible to rent or purchase vans and SUVs that seat more than twelve (12) passengers. A 12-passenger van or SUV is defined as a vehicle having seats with seat belts for one driver and eleven passengers. A van or SUV with a seating capacity larger than twelve (12) cannot be used for University business, even if twelve (12) or fewer passengers are occupying the vehicle.

Compliance with Motor Vehicle Driving Laws

Individuals using a privately-owned or rental vehicle for travel on University business must comply with applicable motor vehicle driving laws for the region in which they are driving.

Violated driving laws that result in citations, such as but not limited to traffic or parking citations, are the personal responsibility of the traveler and any associated expenses are not reimbursable. This policy applies to both privately-owned and rented vehicles.

MEALS / LODGING

Overview of Methods

When a University business trip includes at least one night of lodging, expenses for incurred meals and lodging are to be reported using actual lodging expenses and meal per diem.

Note the following important points:

- **START AND END DATE** -- Travelers are eligible to claim expenses, allowance, or per diem beginning on the date of departure and including the date of return. Departments may impose tighter restrictions, such as allowing only partial day allowances or per diems for the first and last days of travel. This type of restriction must be monitored through department-level controls.

Travelers will be reimbursed for lodging based on actual expenses and will receive a meal per diem amount. The per diem is on a per day basis and covers all three (3) daily meals, including all gratuities associated with the meal. If the traveler is responsible to purchase one meal, then the one meal per diem rate should be used. If the meals on a day are provided to the traveler at no cost, then the traveler may claim the fully entertained per diem.

- **RECEIPTS** -- This policy requires that all lodging expenses be supported by receipts, according to the receipt retention provisions stated in Section 3. Receipts are not required to substantiate the meal per diem;

- **TRANSPORTATION AND ANCILLARY EXPENSES** -- Transportation expenses (airfare, taxi, rental car, etc.) and ancillary expenses (hotel parking, hotel Internet connections, etc.) should be separately reported as actual expenses and are not considered part of a traveler’s actual lodging and domestic meal allowance or international meal per diem.
Business Purpose for Meals

In order for a meal to be reimbursed by the University and to be considered non-taxable to the individual, the Internal Revenue Service requires that the names of the persons attending the meal and the business purpose be clearly stated on the receipt. For groups larger than ten (10), the IRS will accept the approximate number of persons, group identity, and business purpose, in lieu of an itemized list of attendees (an example is provided in Section 2).

Hotel / Airport Internet Access

Hotel / Airport Internet access is reimbursable while on official business travel, if the Internet access is needed to facilitate University business.

SECTION 6 – MISCELLANOUS REIMBURSABLE EXPENSES (TRAVEL AND NON-TRAVEL)

○ OVERVIEW

This section identifies miscellaneous travel and non-travel expenses not addressed elsewhere in this policy document that, when incurred for University business purposes, are permitted. Certain expenses in this section are only permitted when the required approval is obtained before the expense is incurred.

○ AIRPORT PARKING

Costs incurred for parking at or near an airport while on travel status is reimbursable.

○ DRY CLEANING AND LAUNDRY (G/U)

Expenses incurred for personal dry cleaning and laundry are reimbursable for trips longer than seven (7) calendar days or when warranted because of unusual situations.

○ EVENTS OR ENTERTAINMENT EXPENSES (G/U)

Payment to or reimbursement by the University for event or entertainment tickets (e.g. athletic, cultural, social, etc.) must have a business purpose and must be approved by the applicable Dean or Vice President.

○ EXCESS BAGGAGE/AIRPORT FEES

Charges for excess baggage are reimbursable when the traveler is transporting University materials or when the extended period of travel necessitates excess personal baggage. Business related baggage fees (carry-on, check-in fees, etc.) will be reimbursable.
- **FEES FOR CANCELING OR CHANGING A RESERVATION**

  Fees for canceling or changing a reservation, such as those incurred at airlines or hotels, are permitted with approval from the Authorized Signer and when supported by a justification.

- **TIPS**

  Tips and gratuities, within reason, are reimbursable.

- **TRAVELER’S CHECKS**

  The University will reimburse the cost of traveler’s checks, including fees incurred when converting any or all portions of a cash advance to a traveler’s check.

- **VISAS AND PASSPORTS**

  Costs associated with obtaining or renewing visas and passports required for entry into certain countries or territories are reimbursable. Proof of the requirement should be submitted with the payment or reimbursement request.

- **CITATIONS**

  Violations that result in citations (parking, traffic or others) will not be paid for or reimbursed by the University.

**SECTION 7 – MISCELLANEOUS RESTRICTIONS**

- **CLOTHING AND ACCESSORIES**

  Clothing and accessories purchased for a University trip or event will not be paid for or reimbursed by the University, except for University uniforms.

- **COMMUTING EXPENSES**

  Expenses incurred when traveling between an employee’s residence and place of business are considered personal expenses and are not reimbursable by the University.

- **CREDIT CARD FEES AND INTEREST**

  Personal credit cards are considered the responsibility of the employee. The employee is responsible for making all payments to the credit card company, including any credit card participation fees.

  Late fees, and/or interest fees incurred on personal credit cards will not be paid for or reimbursed by the University.
○ LUGGAGE

Luggage purchased for a University trip or event will not be paid for or reimbursed by the University, except for luggage needed to transport University-owned items, such as trade show material.

○ PERSONAL CARE

Personal care expenses, such as but not limited to massages, hair care, manicures, etc., that may be incurred while on or in preparation for a business trip (or event) will not be paid for or reimbursed by the University.

○ PERSONAL TRAVEL COMBINED WITH UNIVERSITY BUSINESS TRAVEL

When an individual combines personal travel with business travel, the personal portion will not be paid for or reimbursed by the University.