

TRAVEL AND ENTERTAINMENT EXPENSE POLICY

1. Introduction

The reimbursement of travel and entertainment (T&E) expenses must comply with IRS rules and regulations including intermediate sanctions. Non-compliance may subject the Foundation and the individual to significant financial risks including tax assessments, penalties, and interest.

While the rules are too voluminous and complex to detail, the IRS requires an employer to establish and consistently administer an "accountable plan." Under an accountable plan, individuals can be reimbursed for expenses incurred, without negative tax consequences, when the following conditions are satisfied:

- Advances and/or reimbursements are made for business expenses only
- Advances and reimbursements are made within a reasonable period of time before or after the expenses have been incurred
- Documentation, including original receipts, is obtained prior to reimbursement and retained for potential IRS review substantiating:
 1. the reimbursed amounts and reasonableness thereof
 2. the timing of the reimbursement and the incurrence of the expense
 3. the business purpose of the expenses
 4. the timely return of any advances in excess of incurred reimbursable expense

The Foundation, as a charitable organization, also has a fiduciary responsibility to ensure its resources are used prudently and that individuals do not incur inappropriate or excessive expenses, or gain financially.

Collectively the objectives of these policies, guidelines and procedures are to:

- Ensure that reimbursable expenses are paid to individuals in a timely manner,
- Ensure a clear and consistent understanding of the policies and procedures for the reimbursement of reasonable T&E expenses,
- Ensure compliance with applicable external rules and regulations including those promulgated by the IRS,
- Ensure that those who travel and entertain on behalf of the Foundation understand that the Foundation is not obligated to reimburse them for expenses that are not in compliance with these documents,
- Ensure that those who incur expenses on behalf of the Foundation understand that reimbursements that may be considered taxable are generally not permitted. Any exceptions must be properly identified, authorized and reported to appropriate taxing authorities.

These policies apply to all individuals who are employed by the Foundation or who incur travel and entertainment expenses on behalf of the Foundation who work at 3300 Metzert Road, Adelphi, MD or 21 DuPont Circle, Washington, DC.

2. Traveler and Entertainer Responsibility

Individuals traveling and entertaining on behalf of the Foundation must exercise good judgment with respect to incurring T&E expenses and are expected to spend the Foundation's funds prudently. The *individual requesting reimbursement* is responsible for ensuring that his/her incurrence of the expense and related reimbursement request complies with all applicable policies, is properly authorized, and is supported with required receipts and other documentation. The signature on the reimbursement form of the individual requesting reimbursement affirms that these responsibilities have been met.

3. Foundation Responsibility

The President and CEO of the Foundation has the ultimate responsibility to ensure that anyone traveling or entertaining on behalf of the Foundation is aware of, and will abide by, all of the Foundation's T&E policies and procedures for completing and documenting reimbursement requests.

The Chancellor of the University System of Maryland must approve all travel and entertainment expenses of the President and CEO. The President and CEO of the Foundation must approve all travel and entertainment expenses of Foundation employees and others who travel and entertain on behalf of the Foundation who work at 3300 Metzert Road, Adelphi, MD, and 21 DuPont Circle, Washington, DC. The Chief Investment Officer must approve all travel and entertainment expenses of the investment staff working at 21 DuPont Circle, Washington, DC.

When approving travel and entertainment expenses, the approver must ensure that the:

- T&E expense was incurred while conducting authorized Foundation business,
- T&E expenses were necessary, reasonable and consistent with Foundation policies and the stated business purpose,
- Supporting justification and documentation is attached.

4. Payment Option and Reimbursement Deadlines

Individuals are generally expected to use the Foundation's Diner's Club credit card (preferred method under most circumstances) or other personal credit cards to pay for T&E expenses subject to reimbursement. For expenses incurred using the Foundation's Diner's Club credit card, expense reports and receipts should be submitted as soon as possible after the expense is incurred.

For expenses incurred not using the Foundation's Diner's Club credit card, properly approved and documented reimbursement requests should be submitted to the Foundation within thirty (30) days of the end date of the business activity.

As a general rule, reimbursement requests submitted after six months (182 days) will not be paid.

Under limited circumstances T&E advances may be requested. Advances must be repaid within 30 days after the business activity.

5. Advance Approval for Travel

All travel, except travel within the State of Maryland or the Washington DC metropolitan area must be pre-approved by the President and CEO. The request should include:

- The purpose of the travel and the names of the persons or entities with whom you will be meeting,
- If the request is to attend a conference, the conference agenda should be included,
- The destination,

- The anticipated mode of transportation, and
- Whether or not an overnight stay is required.

Any travel expense incurred without prior approval, whether using personal resources or the Foundation Diner's Club credit card, shall be the responsibility of the traveler. If such expenses were incurred using the Diner's Club credit card, such amounts must be reimbursed to the Foundation by the traveler within 10 days of receipt of the credit card bill by the Foundation.

Notwithstanding the foregoing, any travel within the State of Maryland or the Washington, DC metropolitan area which requires an overnight stay should be pre-approved by the President and CEO.

For foreign travel, itineraries showing airfare, and lodging, at a minimum, should be submitted.

The request can be made by e-mail to the President and CEO, with a copy to the administrative assistant. A return e-mail from the President and CEO will either approve or disapprove the travel request. A copy of the e-mail exchange should be attached to the expense report submitted after the travel is complete.

Changes to the pre-approved travel, if substantial and known in advance of the travel, should be submitted for approval. Otherwise, changes to pre-approved travel should be reasonable and grounded in a substantial business purpose.

The President and CEO is exempt from this section.

6. Air Travel

The mode of air travel is expected to be the least costly option consistent with the itinerary and particular Foundation business involved.

- 1) Coach accommodations should be used at all times and travelers are expected to take advantage of advance purchase rates and the Foundation's or USM's negotiated discounts.
- 2) Business or first class travel will not be reimbursed or allowed, except in cases of international travel where the flight time is 6 hours or more and then only with specific pre-approval. Travel for short distances while abroad should be booked at coach fares.
- 3) Full coach fares that allow upgrade opportunities are unacceptable if a lower fare was available. Upgrades at the expense of the Foundation are not permitted.
- 4) If a traveler elects to fly business and/or first class and agrees to pay the difference between the two fares, the difference will be calculated from the least expensive logical airfare on that particular routing as determined by the President and CEO
- 5) Participation in frequent flyer programs must not influence flight selection which would result in incremental costs to the Foundation beyond the lowest logical airfare. The Foundation **will not** reimburse travelers for tickets purchased with frequent flier miles.
- 6) When a trip has been cancelled after a non-refundable ticket has been issued, the ticket can be applied to a trip in the future by that traveler on that airline less a change or cancellation fee. Travelers must apply any unused ticket value towards a business trip in the future, to mitigate any financial loss to the Foundation. In most cases the traveler has a year during which that ticket can be applied towards a new ticket.

- 7) When a trip has been cancelled after a non-penalty ticket has been issued, the ticket must be submitted for refund. If the traveler has already been reimbursed for this prepaid expense, the traveler must return the money to the Foundation once they have received the refund from the airline.
- 8) Expenses related to changed itinerary fees will not be reimbursed or allowed unless a clear business purpose necessitated the change.
- 9) Baggage fees are allowable and reimbursable for up to two bags.

7. Rail Travel

The mode of rail travel is expected to be the least costly option consistent with the itinerary and particular Foundation business involved. Except as otherwise provided herein, only coach tickets will be reimbursed or allowed. Acela tickets will be reimbursed or allowed only if the tickets are obtained using the University of Maryland discount.

If a traveler elects to take the Acela or upgrade to business class (except in cases where the tickets are obtained using the University of Maryland discount) and agrees to pay the difference between the two fares, the difference will be calculated from the least expensive logical rail fare on that particular routing as determined by the President and CEO.

8. Rental Cars

The size of the rental car should be consistent with the number of travelers and the business purpose of the trip. Generally, rental of a full size vehicle, such as a Toyota Camry or Chevrolet Malibu, is allowable and reimbursable.

- Travelers are authorized to use rental cars when other transportation is not available or when their use results in a cost savings.
- Legitimate car rental costs include daily rental fees, local and state taxes, concession fees, mileage fees and drop-off fees. Non-reimbursable costs include, but are not limited to, unnecessary upgrades, car repairs, tickets and fines. Travelers renting cars on behalf of the Foundation are expected to refuel the car prior to returning the car to avoid excessive refueling fees.
- Travelers should decline the loss damage waiver (LDW/CDW) option, supplemental liability coverage, personal accident insurance (PAI) and other additional insurance options when renting a car for business purposes. None of these costs will be reimbursed or allowed.
- All individuals who intend to drive the rental vehicle must be listed on the rental agreement for insurance purposes.

9. Ground Transportation

Employees can elect to use their personal cars for business purposes if such use is less expensive than other options, such as rental cars or taxis, or if such use saves time.

- 1) When driving a personal vehicle, drivers are reimbursed for the actual miles traveled. The mileage reimbursement rate will be the same as is used by the University System of Maryland and covers all transportation and operating costs of the vehicle, including gasoline.
- 2) Additional allowable expenses include turnpike tolls, bridge tolls and reasonable parking fees.
- 3) A driver will not be reimbursed for parking tickets, fines, moving violations or vehicle towing charges. No reimbursement will be made for vehicle repair costs regardless of whether it results from the traveler's acts or acts of others.
- 4) Travelers who choose to use their own automobiles on a trip where air travel is more appropriate will be reimbursed an amount not to exceed the lowest logical air fare to the destination.
- 5) Expenses associated with normal commuting between an employee's home and regular place of business are not reimbursable.
- 6) The most economical mode of transportation, such as shuttle service, is expected to be used to and from air, rail or bus terminals, subject to paragraph 8 below.
- 7) Taxis utilized while traveling on Foundation business are a reimbursable expense.
- 8) Sedan/limousine car services are authorized expenses only when the valid business purpose precludes the use of more economical modes of transportation.

10. Meals

Personal meals are defined as meal expenses incurred when traveling on an out-of-town business trip. Meal reimbursements will commence from the time you leave home until your return. Travelers will be reimbursed for personal meal expenses provided they are documented and reasonable. In general, meals should be taken at the most economical restaurant fitting the occasion.

- Travelers have the option of using the per diem rates allowed by the University System of Maryland or actual costs. If actual costs are used, they are reimbursable as follows: Breakfast-\$25, Lunch-\$25, Dinner-\$75. For any given day of travel travelers must use either the per diem rates or the actual costs, but not both. For either the per diem rates or the actual costs, travel must begin before 8:00 am to claim a breakfast expense and end after 7:00 pm to claim a dinner expense.
- When not using the meal per diem rates, any meal that costs \$25 or more must be supported by original itemized restaurant receipts.
- If a meal is provided by a conference as part of the conference fees and a traveler elects to purchase a meal independent of the conference, such meal will be considered a personal expense and will not be reimbursed, unless traveler can show a justifiable business purpose for purchasing the meal independent of the conference.

Business meals are meals with a clearly substantiated business purpose and are directly associated with the active conduct of Foundation business. At a business meal the business discussion is the primary purpose of the meal. Examples of business meals include meetings with business associates, professional colleagues, and others at which a bona fide business discussion takes place. Expenses for business meals, including a reasonable amount of alcohol, are allowable and reimbursable.

11. **Lodging**

When possible, travelers should stay at limited service hotels (e.g. Hampton Inns, Marriott Courtyards). Internet sites can often be used to find good hotel deals and use of these sites is encouraged. When attending a conference, travelers may stay at the hotel where the conference is being held. Travelers should avail themselves of the negotiated rates at these hotels whenever possible.

The cost of lodging should be kept to a minimum by requesting standard accommodations, whenever possible.

Legitimate lodging expenses include:

- Standard room rate
- Business telephone calls (reasonable calls home)
- Luggage storage and tips for service
- If traveler has a cell phone issued by either the Foundation or USM, the cell phone should be used instead of the telephone in the hotel room
- Internet access fees

The University will **not** reimburse travelers for the following expenses:

- In room video rentals
- In room alcoholic beverages
- Health club or exercise room fees
- Recreational charges such as golf, tennis and ski lift tickets
- Laundry and dry cleaning charges (unless traveling for more than five days)
- Costs incurred for failure to cancel hotel reservations

Lodging reimbursement must be done with actual costs. Per diems may not be used for lodging.

12. **Receipts**

The Foundation requires that travelers retain and submit any receipts that are \$25 or more for reimbursement purposes.

An acceptable receipt is a document that contains:

- Transaction date
- Name of merchant
- Transaction details (what was purchased)
- Form of payment used
- Amount of purchase
- Indication that the amount was paid

An acceptable receipt for an airline or Amtrak ticket is defined by the type of ticket purchased.

- An acceptable receipt for a printed ticket is the original passenger receipt coupon. Such receipts are provided to the traveler when a printed paper ticket has been purchased.
- An acceptable receipt for an electronic ticket purchased through an agency or on the web, is the printed itinerary/invoice. The itinerary/invoice should show the airline, flight numbers, times and destinations, class of service, amount and that a payment has occurred. In addition, boarding passes should be submitted to prove the traveler in fact took the flight.
- An acceptable receipt for a change or cancellation penalty is a document showing the additional charge accompanied by an explanation as to the business purpose for the change or cancellation.
- Service fees charged by travel agencies do not always have a receipt but they are a reimbursable expense.

No receipts are necessary for mileage reimbursement in a personal vehicle but an attached mileage log is recommended. If a traveler does not know the mileage, a printout from Map Quest is considered acceptable documentation of the distance.

An acceptable receipt from the rental car company is a receipt showing the breakdown of costs i.e. size of vehicle, daily rate, tax, concession fees, city surcharge, etc. A credit card receipt does not contain detailed information and is not considered adequate documentation.

An acceptable receipt for business meals is an itemized meal receipt along with the credit card payment receipt.

An acceptable receipt for hotel charges is the itemized hotel receipt provided at time of checkout showing the room rate, tax and other items.

A receipt in foreign currency must be accompanied with the US Dollar equivalent amount. The best and most accurate currency conversion is the conversion that credit card companies provide on statements.

13. Combining Personal and Business Travel

When personal travel is combined with business travel the traveler should demonstrate to the Foundation that no additional costs were incurred as a result of the combined travel. In the event that there are additional costs, the costs are the responsibility of the traveler.

Last revised December 2011. Effective date of revisions is December 12, 2011, except for the provision regarding Acela travel, which was effective July 1, 2011.