My name is Susan Storb and I am the Travel Administrator at the university.

The Travel policy is changing effective July 1, 2008 and in this training module, you will learn more about the changes.

Whether you are the travel form preparer, an authorizer or higher level approver, you need to know that the Travel Policies have been updated, a supporting procedure manual has been created and two new travel forms have been introduced.

This travel training module is entitled “Travel Policy Updates.” It is part of a larger travel training initiative whose goal it is to provide a consistent and clear message with regard to policies and procedures so that individuals can travel and entertain on behalf of the university and then get reimbursed in a quick and timely manner – having met all policy requirements.

This training module explains the policy changes, introduces the new forms and should answer any questions you may have about what is changing and why.

This training module also has an audio component so turn on your speakers and adjust your sound. During this presentation you can stop, pause, rewind or forward. If you stop and start later, you will start where you left off. If you don’t have the audio portion, you can always download a printable version of the training material including audio text.

Ready? Let’s get started.
Training Objectives

This training will make you aware of the upcoming changes to the Travel and Entertainment (T&E) policies and procedures

By the end of this training, you will know:
- The goals of the Travel Program at Penn
- Which key policies are changing
- When, how and why to obtain approvals
- How the policy manual is changing
- How the organization is changing

By the end of this training module you will know:
- The goals of the travel program
- The key policies that are changing
- You will know when, how and why to obtain approvals
- You will know how the policy manual has changed
- What new sections have been added, and
- How to access forms and procedural information

And finally you will know:
- How the Travel Office is being reorganized to best serve the needs of the Penn community
Travel Program Goals

• Ensure you use University resources prudently and Penn preferred suppliers are used
• Ensure the University conforms to IRS and Sponsored Program rules and guidelines and that the necessary documentation is provided so reimbursements are processed without delay
• Improve overall compliance by clarifying roles and responsibilities
• Foster the use of recommended payment mechanisms

The goal of the Travel Program remains the same....

• Provide guidelines to the Penn community to ensure that Penn’s resources are spent prudently while traveling or entertaining on behalf of the university and travelers are in compliance with external requirements.
• The use of preferred suppliers helps us obtain that goal by providing Penn travelers with the best value for their travel dollar.

The revised travel policies, the procedure manual and this training module are all designed to help the schools and centers create T&E Reimbursement forms that are properly documented, reviewed and approved for policy compliance before they are sent for processing.

The goal is to reduce or eliminate T&E forms that need to be returned because of:
  • Inadequate or unclear statement of business purpose
  • Additional information or documentation is needed, or
  • The required authorizations are missing

Simply stated, the goal is to help you know how to create travel forms that are complete and ready for processing. The goal is to have travel forms reviewed and approved by those individuals who are most familiar with the activity and/or business purpose. And finally, the policy revisions recommend preferred payment mechanisms when purchasing travel related expenses.
Why is it necessary to Comply?

• External Requirements
  - IRS compliance requires an “accountable plan”
  - Federal Travel Regulations and Sponsored Research requirements

• Internal Requirements
  - Internal control requirements as an outgrowth of Sarbanes/Oxley and SAS 112
  - Trustee interest in ensuring we have adopted strong controls for sound business practice

Why is it necessary to comply?
There are rules and requirements that we all have to follow that are larger than we are. To begin with, the IRS requires that we establish and consistently administer an “accountable plan.”

An accountable plan allows our travelers to be reimbursed without tax consequences as long as certain requirements are met:
1) Business connection – our travelers are expected to incur expenses that are business related and consistent with our academic mission
2) Expenses are adequately accounted for – the IRS expects our travelers to provide documented evidence substantiating their expenses within a reasonable period of time
3) Unused payments such as advances are returned in a timely manner.

Sarbanes/Oxley introduced additional internal control requirements in the private sector and similar accounting principals in the form of Statement of Auditing Standards (or SAS) 112 are beginning to be applied to the non-profit sector. Much of our travel is paid for by federally funded grants and contracts and the federal government brings its own requirements with respect to sponsored research. And, finally, our own trustees expect and support strong controls with respect to sound business practices and the prudent use of University funds.

So, by being familiar with and following the guidelines outlined in the travel policies, you should meet all the requirements listed above.
Who is Responsible for Policy Compliance?

- Travel Policies are more specific about:
  - Payment mechanisms
  - Timelines for submitting reimbursement requests
  - Required authorizations
- Introduction of a new level of approval for travel forms
- New procedure manual available for additional information

Who is responsible for policy compliance?

The revised travel policy reinforces the message that policy compliance rests mainly with the schools and centers, not with central administration. No one knows better than you, in your role as TAC holder or higher level approver, if an expense is legitimate or not. You know the traveler. You know the reasons for travel or entertainment and the business purpose for such expenses. Maybe it is someone being recruited by your department. Or someone attending a conference in their field of study. Or perhaps a student traveling on behalf of a club or team.

And with the policy and procedure manuals, you have the tools to determine if an expense has met the criteria of ---- reasonable, documented and appropriate.

If items that are considered beyond policy are approved at the designated approval level and include all the required documentation, then the forms are ready for processing and no additional review by the central processing office will be required. So, keep in mind, that properly completed, documented and authorized forms will flow smoothly through the reimbursement process and your travelers will be pleased because they have been reimbursed in a timely manner with your help.

The central processing organization will still make sure the necessary Payee designation materials are attached, documentation is complete and that the necessary reviews by central administration are conducted (such as Research Services for international travel on sponsored projects and the Tax office for non-resident alien and non U.S. student reimbursements). The central processing organization will also perform periodic reviews from time-to-time and communicate compliance matters to the schools and centers.

Now let’s review what policies are changing . . . . .
Key Policy Changes - General

• Policy #2351
  - Restates roles and responsibilities
  - Introduces new approval level called “higher level approver”
    • As a general rule, the higher level approver is a person at a higher level who is most familiar with the activity and the business purpose
    • Schools and Centers are responsible for creating their own approval hierarchy
  - Effective July 1st, travel forms will have two approver signatures

Key Policy Changes – General. The general policy outlines the roles and responsibilities for all the participants:

• The traveler and entertainer
• The schools and centers
• The higher level approver
• The Transaction Authorization Card (TAC) holder
• The Travel Administrator
• The central processing organization
• The executives

Beginning in July, there will be three levels of approval. The first one is the Transaction Authorization Card (TAC) holder. If you are the TAC holder your responsibility has not changed. In your role, you are expected to have authorization over the account being charged, are expected to review documentation as to policy compliance, ensure that costs are charged to the proper 26 digit accounting string and all the required signatures have been obtained.

The second approval level that is required for every travel advance or reimbursement request is the “higher level approver.” This person should be the person at a higher level who is the most familiar with the activity and/or business purpose. If you are that person, you are the person to whom the traveler or entertainer reports. If you are the higher level approver for faculty, then you could be the Chairman of the Department or some other designated individual. The schools and centers are responsible for creating their own hierarchy when it comes to the higher level approver designation. If you do not know who the higher level approver is, check with your senior financial officer.

The third level of approval is the head of the school or center (or the designated representative). This signature is required for certain types of advances and certain expenses that appear to be beyond what would be considered a reasonable expense. There can be extenuating circumstances where expenses, which may on their face seem to be beyond the normal policy but, once explained, are acceptable. These determinations as to what is appropriate based upon the information provided the approvers on a Reimbursement Justification form and an Advance Justification form rest with the schools and centers.

The revised T&E reimbursement (C-1) form and the Advance Request (C-7) form have an area for the three levels of approval. Click on the box above for the sample signature areas on the form. The signatures of
Key Policy Changes – Payment Methods

- Policy #2352 – Defines preferred payment methods
  - AMEX Airline Billing account for airline tickets and/or AMEX Corporate Credit Card
  - Travelers and entertainers are expected to personally incur T&E expenses
  - Use of preferred payment methods increases the University’s ability to leverage travel spending

The revised Travel Policy states the recommended payment methods for travel related expenses.

The preferred payment method for airline tickets is the airline billing account which resides at the Penn desk at American Express travel. This method allows travel costs to be billed centrally and the traveler does not have to incur the expense. This is also a great benefit when your department is bringing in visitors for lectures or recruiting purposes.

Here is how the process works: A traveler or travel arranger makes a reservation with American Express. American Express (or Amex) faxes the Travel Authorization to the designated TAC holder. Once the business purpose has been provided and the itinerary/invoice has been approved by the TAC holder and returned to Amex, the ticket and service fee are charged directly to the designated accounting string. No additional paperwork is required and the traveler does not have to submit paperwork for reimbursement purposes.

So be sure to encourage your travelers to use American Express Travel for their air, car and hotel needs.

For other travel expenses the policy recommends using an Amex corporate card. Although corporate cards generate statements that must be paid by the traveler, they assist the traveler in separating business expenses from personal. They also assist Penn in capturing travel data from which greater savings opportunities can be negotiated.

And, finally, the Travel Policy does expect Penn travelers to personally incur some expenses while traveling on behalf of Penn. Advances for anticipated out-of-pocket expenses should no longer be authorized except in certain situations where it is difficult for someone to incur expenses on behalf of the university.
Key Policy Changes – Advances

• Policy #2353 - Advances are funds (cash or check) advanced to an individual prior to a trip or event
  - Prepaid expenses will no longer be reported on Advance forms
  - Limit the use of advances based upon need and purpose
    • Introducing a new Advance Justification form
  - Best practices - account for advances within ten (10) days of the ending date of the trip or event
    • Unreconciled advances after 120 days become taxable income

What is an advance?..... An advance is the providing of funds to an individual prior to a trip or event.

When is it appropriate to request an advance? It is appropriate to request an advance when other payment mechanisms are not feasible, incurring out-of-pocket expenses can cause financial distress to the traveler or an employee is requesting allocated funding for a particular project or program.

A new form entitled the Advance Justification form has been created so that your travelers can state “I need an advance because . . . . You will learn more about the Advance Justification form on the next slide.

As the TAC holder and authorized signer, it is your responsibility to impress upon anyone who has been issued an advance, the IMPORTANCE of accounting for that advance in a timely manner. As a best practice, all advances should be reconciled within ten (10) days of the ending date of the trip or event. Failure to account for an advance within 30 days results in no more advances being permitted. Failure to account for an advance within 120 days results in the advance being processed as income through Payroll (or charged to a student’s bursar bill) and may be subject to collection and other follow-up actions.

The other change with regard to advances is that prepaid expenses will no longer be listed on the Travel Advance form. Prepaid expenses are different from advances in that the person has already incurred an expense. Many travel expenses have to be purchased prior to traveling such as airline tickets, registration and occasional hotel deposits.

Going forward, they should now be listed on a T&E Reimbursement form as long as the expense can be supported with documentation showing that the expense has been incurred.
Advance Justification Form

• Travelers and entertainers should only request an advance when other payment mechanisms are not feasible
  - Different types of advances require different levels of authorization
  - Advances require an explanation of circumstances that preclude the use of other standard payment mechanisms

Every advance requires a completed Advance Justification form and the type of advance dictates the approval level required.

The form provides a way for the traveler or entertainer to explain why they need a Travel Advance and why the use of standard payment mechanisms is not an option.

Some advances require only the approval from the higher level approver.....

If you have students who need advances for authorized student activity, people or employees who are not eligible for an Amex corporate card or when individuals are traveling or entertaining and the lack of an advance of funds would cause a financial hardship, have them complete an Advance Justification form and get the higher level approver’s signature on the Advance Request form.

However, there are some advances that require the signature of the head of the school or center (or their designated representative)......

If you have individuals requesting advances over $1,000, advances for extended periods of time (which are three months or longer) and any advance request for a non employee, then you need an approval from the head of the school or center (or their designated representative).

Once approved at the designated level, the central processing organization will process the advance request provided an Advance Justification form and a detailed breakdown of proposed expenses are attached.
The traveler and entertainer may be reimbursed following the completion of a trip or event if they have incurred expenses in compliance with the Travel policy, have provided a bona fide business purpose for the trip or event and have attached the required original receipts and other necessary documentation.

Any expense that requires an explanation should be listed on a Reimbursement Justification form.

The best practice recommendation is that expense reports be submitted within ten (10) days of the ending date of the trip or event so that Penn travelers and entertainers can be reimbursed in time to pay their credit card statements.

Expenses reported more than six months (or 182 days) after the ending date of the business activity will not be reimbursed. Some exceptions do apply but they are restrictive in nature and must be approved by the head of the school or center (or their designated representative).

It is a standard business practice to capture expenses within the same period the expenses were incurred as well as a requirement of the IRS accountable plan rules, so we urge you to remind and encourage your travelers to submit their reimbursements in a timely manner.
The second new form being introduced is the Reimbursement Justification form.

The purpose of this form is to provide a way for the traveler to explain any expenses which may, on their face, seem to be unusual in nature or beyond the scope of the policy. Written T&E policies cannot contemplate all possible scenarios or reasonable expense levels. Based upon the explanation provided by the traveler or entertainer, the authorized approver can determine if it is appropriate to reimburse that person for the expense or not.

For example, let’s say a Penn employee hires a sedan service to Newark Airport. Normally, that expense would be seen as inappropriate and non-reimbursable. However, let’s say that three other people from the department are flying out with this traveler. With four people in the vehicle, the expense now becomes a reasonable cost when split four ways. That would constitute a valid business reason for a car service and the expense could be approved for payment.

The form also determines what type of expenses incurred need the approval of the head of the school or center (or their designated representative).

Take a minute to review the exceptions listed on the form by clicking on the Reimbursement Justification Form link. This form does not constitute a change in policy. There have been and continue to be items that are “out of policy” from a reimbursement perspective and it is still the role of the school or center to acknowledge an exception, if appropriate.
Travel Policy Manual Format Changes

• Each travel policy now contains the following sections:
  - Purpose / Scope
  - Responsibilities
  - Policy
  - Links to forms and procedures

• Travel procedures moved to a new Procedure Manual

The format of the travel policy has changed to make the policies clearer and more precise.

Each policy contains a purpose and scope section. For example, the purpose of the Airline Travel policy is to provide travel guidelines with regard to the procurement of airline tickets when traveling on behalf of the university.

The scope of each policy speaks to the audience. Who does this particular policy apply to? Basically the policies apply to all individuals, including employees, students and non-employees, who travel or entertain on behalf of the university.

The responsibilities of the travelers as well as the approvers are outlined in each policy and then there are the policies themselves.

Procedures have been removed from the policy manual and links have been provided to the procedure manual for your use.

And, finally, the format is more consistent with other policies in the Financial Policy Manual.
Organizational Changes

• The following Organizational changes are being made in order to improve operational efficiency and enhance value-added services:
  - Travel reimbursements are now handled by the central processing organization which is part of the Payroll / Corporate Tax Office
  - Effective 7/1/08 Travel and Card Services will be located under the auspices of Purchasing Services

Finally, there are some organizational changes....

Effective April 1, 2008.... T&E reimbursement and advance processing transitioned to the Payroll / Corporate Tax Office in the Comptroller’s department. With the advent of direct payments of expense reports into people’s bank accounts and the complexity of the tax issues implicit with respect to T&E reimbursements, it was the logical move.

Along with this change, the Travel Administrator, Susan Storb, (that’s me) is transitioning over to Purchasing Services. This move allows me to focus more on travel procurement and the marketing of preferred travel providers and negotiating a savings opportunity on behalf of the Penn community. The goal is better information for those traveling or entertaining and greater savings for the schools and centers.

I will continue to manage the Amex corporate card program and Penn’s relationship with American Express Travel and be available if you have any policy questions.
Recap of Changes Effective July 1

• Introduction of a higher level approver responsibility
• Prepaid expenses are submitted on T&E Reimbursement Forms
• Preferred payment methods are being encouraged
• Two new forms introduced and old forms revised to support policy compliance
• Unreconciled advances after 120 days become taxable income
• Expenses will not be reimbursed after 182 days (6 months) of the ending date of the trip or event

Okay – let’s review what you have learned so far in this travel training module about the changes taking place on July 1st:

• You now know about the higher level approver requirement. If you are not sure who that would be in your area, we recommend that you contact your senior financial officer.

• You now know that prepaid expenses, which used to be listed on Advance forms, can now be listed on T&E Reimbursement forms provided supporting documentation showing that the expense has been incurred is attached.

• You now know the preferred payments methods which are Amex Travel and Amex corporate cards.

You have been introduced to new forms and understand when they are required. One is the Advance Justification form that has to be attached to every advance request and the other is the Reimbursement Justification form. The Reimbursement Justification form has been created for the traveler to use when an explanation is necessary to understand the nature of an expense or the extenuating circumstance prior to the approval process.

• You now know that the definition of a “Travel Advance” has changed. Going forward advances are monies or funds advanced to an individual prior to a trip or event. Every advance requires an Advance Justification form and the type of advance dictates the approval level required. And, remember, advances that remain unreconciled after 120 days will become taxable income to the individual.

• Finally, you know that all travelers and entertainers should submit their expenses within 10 days of the ending date of a trip or event and anything submitted after six months of the ending date will not be reimbursed.
Congratulations. You have completed the travel training module.

To make sure you remember the key points that were made during the training session, you will be required to successfully complete a “Quick Quiz.”

If you would like to review the material before proceeding, use the navigation bar to return to a specific topic.

The following slide will link directly to an on-line quiz. All quiz questions must be answered correctly for the successful completion of the quiz section of this training.

Again, thank you for your time and attention. You now know the travel policy and procedural changes that go into effect on July 1, 2008.