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## 2352 – TRAVEL & ENTERTAINMENT POLICY – PROCUREMENT OF TRAVEL, ENTERTAINMENT AND OTHER MISCELLANEOUS GOODS AND SERVICES BY AFFILIATES

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Resp. Office: Purchasing Services  
Approval: Executive Director, Purchasing Services  
Effective: April 1, 2015  
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### PURPOSE

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The purpose of this document is to define the internal control objectives and associated responsibilities for the procurement of travel, entertainment and other miscellaneous goods and services (Reimbursable Procurement) by affiliates.

Reimbursable Procurement is the purchase of goods/services, including travel and entertainment (T&E), by individuals or entities on behalf of the University using non-University fund sources (e.g., cash, personal liability credit cards, personal checks and other entity disbursements) for which reimbursement or University payment is appropriate. Payment for any services performed, awards, honorariums, refunds, etc., are not reimbursable procurement. Payments to establish funds to pay human subjects are not reimbursable procurement. See Section 2300 for policies related to this type of procurement.

Affiliates are defined as employees (faculty and staff), students and postdocs. Employees and students are those individuals who are active in the University's HR/Payroll System and Bursar System, respectively. Postdoc status must be verified through associated school records.

Reimbursable Procurement by Non-Affiliates has additional control requirements, principally related to tax reporting, which are addressed in Section 2353. A Non-Affiliate is any person who is not an employee, student or postdoc (e.g., guests, consultants, independent contractors or corporations), and not on the University's payroll or bursar system.

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### INTERNAL CONTROL OBJECTIVES

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#### GENERAL

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In accordance with decentralized responsibility center management and "Financial Policy #2701– Internal Control Policy" (Policy 2701), the responsibility for and operation of a variety of controls must be integrated into the procurement activities performed in the Schools/Centers.

All procurement of goods and services requires some form of disbursement of University funds. The School/ Center front-end procurement control objectives (e.g., timely and proper procurement authorization, approval and account coding) are the same under all disbursement methods.

There are activities whereby Reimbursable Procurement is the most practical procurement method. However, Reimbursable Procurement generally occurs with limited prior independent authorization/review. This subjects the University to higher risks including:

- 1) Income imputation to employees and associated IRS reporting and withholding requirements;
- 2) Tax reporting and withholding compliance regarding student income;
- 3) Reputation risk associated with audit findings for purchases considered to be fraudulent, extravagant or not having a valid business purpose;
- 4) Higher costs due to sales tax incurred when not purchased directly by the University;
- 5) Weaker controls related to asset ownership; and
- 6) Potential circumvention of the University's procurement policy and preferred procurement methods (purchase order and purchasing card).

The IRS has established rules pertaining to Reimbursable Procurement that require the University to establish and consistently administer policies, procedures and guidelines that constitute what the IRS refers to as an Accountable Plan. This document and all related sections are considered the University's Accountable Plan in accordance with applicable IRS regulations and guidance.

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#### **ACCOUNTABLE PLAN ACTIVITIES**

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- Are performed on behalf of and authorized by the University;
- Principally benefit the University and not the employee/student;
- Enable the University to meet its operating goals and objectives;
- Support the generation of revenues or meeting-related service obligations.

#### **EXAMPLE ACCOUNTABLE PLAN ACTIVITIES INCLUDE:**

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- Representing the University by participation in conferences, seminars, etc.;
- Instructing at locations other than the normal place of employment;
- Fundraising activities in connection with potential donors; and
- Participation in training programs.

#### ***NON-ACCOUNTABLE PLAN ACTIVITIES* INCLUDE (BUT ARE NOT LIMITED TO):**

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- Employees or students performing services outside the scope of their employment (e.g., services typically performed by an outside vendor; for example: photographers and musicians);
- Students participating in study abroad programs or similar programs;
- Employee or student personal travel to the University from their home residence or other locations (i.e., commuting);
- Employees or students participating as subjects in research studies; and
- Expenditures specifically excluded by policy.

When assessing activities, it is important to realize that “connection with Penn” alone does not make it an **Accountable Plan Activity**. The nature of the expense, the activity and the benefit to the University must all be properly evaluated and documented.

T&E on behalf of the University is the primary activity whereby reimbursement is the most practical procurement method, as direct Penn payment is not generally available except in the case of airline or Amtrak service.

There are limited circumstances where business requirements necessitate reimbursement other than “T&E Reimbursement.” To mitigate the control risks noted above, this “Miscellaneous Reimbursement” must be carefully and completely documented to establish and provide evidence of proper authorization/ approval, the business purpose with emphasis on the benefit to and ownership by the University (not the individual), and circumstances that require procurement to be made outside the preferred purchase order or purchasing card methods. An example of a properly documented business explanation follows:

- A University-owned laptop battery had to be replaced while out of town participating in a University business-related activity. (Describe the specific activity and attach copies of brochures, agendas, etc.)

Reimbursement of sales tax paid is permitted when business conditions warranted “Miscellaneous Reimbursement” and it is properly documented and approved.

T&E Reimbursement and “Miscellaneous Reimbursement” in accordance with the University’s Accountable Plan do not have tax reporting requirements and must be processed using the Concur-TEM system.

Purchases made by faculty, staff, students and postdocs using personal funds for “Non-Accountable Plan Activities” are generally not reimbursable. In those situations where such reimbursement is properly authorized (See School/Center Responsibility below), additional review and processing, including potential tax reporting, are required. All reimbursements of this type must be processed using the appropriate Procurement/ Disbursement Authorization Form (PDA-ES) and related process.

“T&E Reimbursement” and “Miscellaneous Reimbursement” must also comply with any applicable third-party sponsoring agency regulations.

Non-compliance with these policies may subject the School/Center and/or the University and the individual to significant financial risks including tax assessments, penalties, interest or loss of project funding.

## RESPONSIBILITIES

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### SCHOOL AND CENTER RESPONSIBILITY

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The head of each School or Center (e.g., Provost, Deans and Vice Presidents) has ultimate responsibility for his/her respective organizations to ensure compliance with all of the University’s T&E Reimbursement and “Miscellaneous Reimbursement” policies and procedures including properly completing and documenting reimbursement requests.

Schools, centers or departments may, at their discretion, impose greater controls than required by this policy but never less.

Each School and Center must develop, maintain and adhere to a “Delegation of Procurement Authority” for the preparation and approval of T&E Reimbursement or “Miscellaneous Reimbursement” and related advance requests.

Approval responsibility, as outlined below, is very important, as it gives effectiveness to authority. Approvers are obligated to properly perform the tasks/controls assigned, including ensuring policy understanding and compliance by those seeking reimbursement. This includes denial of a request or a portion thereof, as well as ensuring appropriate supplemental approval is obtained.

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### DELEGATION OF PROCUREMENT AUTHORITY

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- Flows from the person with the highest authority in the organization (School/Center head or delegator) and entrusts others to properly perform the assigned procurement controls;
- Does not relieve the delegator of accountability; and
- Requires delegates to fully understand the scope of the delegated authority, be capable of performing the assigned control functions and be held accountable for any improper utilization of the delegated authority.

Written policies cannot address all situations where reimbursement is appropriate and can be justified and substantiated. In these situations, the business judgment of the delegator or School/Center level Senior Business Administrator designee is necessary, and approvers must obtain and document this additional approval.

All reimbursement requests, regardless of the amount, must be reviewed and approved by designated approvers pursuant to the “Delegation of Procurement Authority.”

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### PURCHASING SERVICES

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Purchasing Services develops and communicates T&E Reimbursement and other “Miscellaneous Reimbursement” policies and procedures, and coordinates the development of centralized training and related training materials to assist Schools and Centers.

Previously approved and properly documented reimbursement requests are processed through the Concur-TEM system. Purchasing Services can assist with School and Center compliance/documentation questions prior to submission of reimbursement requests in the Concur-TEM system but cannot substitute for School/Center approvers. Purchasing Services is not part of the School/Center “Delegation of Procurement Authority” or related Approver Responsibility and cannot approve or audit specific reimbursement requests.

Purchasing Services’ principal control responsibility is to develop and implement post-processing measurement tools to assist Schools/Centers in monitoring their travel and expense management processes and to continually improve compliance, policies and procedures, and/or centralized training.

In accordance with Policy 2701, Purchasing Services will collaborate with the Office of the Comptroller and the Office of Audit, Compliance and Privacy to ensure that the University’s procurement-related internal control responsibilities are effective, efficient and operating as intended.

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### FACULTY, STAFF, STUDENT AND POSTDOC RESPONSIBILITY

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Faculty, staff, students or postdocs (“travelers”) requesting T&E Reimbursement or “Miscellaneous Reimbursement” on behalf of the University should exercise good judgment with respect to the related purchases and spend the University’s funds prudently.

Each traveler requesting reimbursement is responsible for ensuring that the costs are for “Accountable Plan Activities” that have been properly authorized and are supported with required receipts and/or other applicable documentation in compliance with all applicable policies. The submission of the reimbursement request by the traveler using the Concur-TEM system affirms that these responsibilities have been met.

Reimbursement requests should be submitted through the Concur-TEM system within ten (10) days of the end date of the business-related activity or “Miscellaneous Procurement” dates.

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### **APPROVER RESPONSIBILITY**

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Approvers perform a critical control function for the University. Collectively, approvers ensure that reimbursement requests are properly authorized, documented, appropriately funded, compliant with policy, and are for valid and necessary “Accountable Plan Activities.” Designated approvers also assist faculty, staff, student or postdoc, as necessary, with understanding their individual responsibilities for compliance and the requestor affirmations.

The Concur-TEM system includes three approver roles for T&E Reimbursement and “Miscellaneous Reimbursement.” Reimbursement requests must be reviewed and approved by a minimum of two approvers, and at least one approver must not be subordinate to the requestor. Schools and Centers may add additional requirements or approvers as needed.

The Concur-TEM system reviewer/approver roles and corresponding responsibilities are defined as follows:

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### **DEFAULT REVIEWER**

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- Reviews all documentation to ensure completeness and compliance with all policies. This includes well-documented descriptions of the business-related activities and the necessity/purpose of the related purchases. Documentation includes any required receipts to verify expenditures/policy compliance and documents such as meeting or conference agendas and brochures to document “Accountable Plan Activities” and properly segregate or exclude any personal expenditures;
- Ensures the costs are charged to the proper funding source;
- Verifies that appropriate supplemental approval has been assigned where required; and
- Ensures that reimbursement requests are not submitted for further approval until all requirements have been met.

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### **COST OBJECT (FUNDING SOURCE) APPROVER**

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- Reviews all documentation to ensure compliance with all policies and tax requirements;
- Ensures the costs are charged to the proper funding source(s);
- Must have authorization over the funding source(s) being charged;
- Ensures that reimbursements claimed were necessary, reasonable and were incurred while conducting authorized University “Accountable Plan Activities”;

- Verifies that “Accountable Plan Activities” have been appropriately described, **that any personal expenses have been marked as non-reimbursable**, and that supporting documentation is complete and acceptable;
- Verifies that supplemental approval has been correctly assigned where appropriate; and
- Ensures that reimbursement requests are not submitted for further approval until all requirements have been met.

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#### SUPPLEMENTAL APPROVER

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- Principal role is to further ensure policy compliance, necessity of the procurement and business purpose;
- Must be at a higher level of organizational responsibility and must be familiar with the “Accountable Plan Activities” to ensure it is authorized for reimbursement;
- Must review and approve all reimbursement requests with an aggregate value equal to or greater than \$500;
- Ensures that supporting documents have been provided and reviewed which clearly document:
  - 1) The “Accountable Plan Activities”;
  - 2) The necessity and reasonableness of the T&E Reimbursement or “Miscellaneous Reimbursement”;
  - 3) Compliance with applicable policies including any and all sponsored program requirements;
  - 4) The exclusion of any personal items or services;
  - 5) Review and approval by the delegator or School/Center level Senior Business Administrator designee in those situations where their business judgment is necessary.

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#### EXECUTIVE-LEVEL RESPONSIBILITY

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The Executive Vice President (EVP) – Administration must approve the reimbursement requests of the President. The Office of the President must approve the reimbursement requests of the Provost, Executive Vice President and EVP for the Health System and other direct reports in the President’s Center. The Office of the EVP will approve the reimbursement requests of the Vice Presidents and other direct reports in the EVP Center. The Office of the Provost will approve the reimbursement requests of the Deans, Resource Center Directors and other direct reports in the Provost’s Center.

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#### AUDIT RESPONSIBILITY

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Faculty, staff, student and postdoc reimbursements are included in the audit testing performed by the University’s independent accountants in connection with OMB Circular A-133, Audit of Federal Awards.

The Office of Audit, Compliance and Privacy includes reimbursement reviews in connection with School, Center and department audits.

The Office of Audit, Compliance and Privacy will review periodically the reimbursements of the four highest-ranking University executives (President, Provost, Executive Vice President and Executive Vice President for the Health System) and will share its findings with the Chair of the Board and Chair of the Trustee Committee on Audit and Compliance.

**The Office of Audit, Compliance and Privacy will review periodically the T&E reimbursements of Vice Presidents, Officers, Deans of the Schools and Directors of the Resource Centers and share their findings with the Executive Vice President – Administration and the Chair of the Trustee Committee on Audit and Compliance.**