

Effective September 1, 2005

The following will supercede the Introduction section of the current *Harvard University Travel and Entertainment Policy and Reference Manual* on ABLE.

Policy Statement

Harvard University will reimburse employees and approved non-employees for necessary and reasonable travel, entertainment and non-travel business expenses incurred while conducting authorized University business.

Reason for Policy

To ensure sound business practices and proper reporting of travel, entertainment and non-travel business expenses in compliance with external regulations, including tax regulations under the Internal Revenue Code, federal cost regulations under Office of Management and Budget (OMB) Circular A-21, and donor and sponsor guidelines.

Scope of Policy

This policy applies to the following individuals traveling, entertaining or incurring non-travel business expenses on behalf of the University, and who are seeking reimbursement for those expenses from the University, regardless of the funding source:

- Employees of the University.
- Undergraduate and graduate students whose travel, entertainment and non-travel business expenses are being reimbursed by the University.
- Non-employees (including stipended post-doctoral fellows, job applicants, guest lecturers, and invited guests) who have been invited to the University or have been authorized to travel, entertain or incur non-travel business expenses on behalf of the University.

This document outlines policies and procedures in general terms to allow reasonable discretion for travelers and administrators and is not expected to cover every possible situation. Federally funded projects may have additional requirements. Items of an unusual nature should be discussed with the University Travel and Reimbursement Office or the Office of Sponsored Programs, as applicable, before the submission of an expense for reimbursement.

Responsibility of the University

The University is responsible for ensuring that all reimbursements for travel, entertainment and non-travel business expenses are fair and equitable to both the individual and the University, and are made in accordance with this policy and external regulations.

The University has no obligation to reimburse employees, students and non-employees for expenses that are not in compliance with this policy.

Responsibility of the Schools and Departments

Schools and departments of the University are responsible for:

- Ensuring that anyone traveling, entertaining or incurring non-travel business expenses on behalf of the University is aware of, and will abide by, the policies and procedures outlined in this document.
- Assigning a hierarchy of responsibility with reference to the preparation and approval of requests for travel, entertainment and non-travel business expense reimbursements.

Schools and departments may, at their discretion, impose greater but not less control than required by this policy.

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Responsibility of the Authorized Approver

Authorized approvers have primary responsibility for ensuring compliance with this policy. Because they are more familiar with expenses incurred on behalf of their schools or departments than is the University Travel and Reimbursement Office, authorized approvers must verify that expenses (and related Receipt Reports or Universal Expense Forms) meet the following criteria:

- The expense was incurred while conducting University business.
- The information contained on the Receipt Report or Universal Expense Form and in accompanying documentation is accurate and in accordance with this policy.
- The expense meets applicable sponsor guidelines.
- The expenditure is charged to the proper general ledger account(s).

The approver must have authorization over the account being charged, cannot be the individual seeking reimbursement, and should not be asked to approve the travel, entertainment or non-travel business expenditures for an individual to whom they report.

Responsibility of the Employee, Student and Non-Employee

Employees, students and non-employees traveling on business or incurring entertainment or non-travel business expenses on behalf of the University are responsible for complying with University policy and procedures as described herein. Individuals should exercise the same if not greater prudence and care in incurring expenses for the University as they would for their own personal expenses.

Sponsored Project Travel

Domestic and foreign travel charged to sponsored projects should follow the guidelines set forth by this policy, unless the funding agency imposes greater restrictions. The terms of a particular grant or contract should be referred to for specific guidance on what expenditures are allowed. The authority for determining which travel expenditures are reimbursable under a particular grant or contract resides with the Office for Sponsored Projects.

Federally funded sponsored projects are subject to the guidelines set forth in the OMB Circular A-21, Section 48, Travel Costs.

Fundraising and Development Travel

The University recognizes the unique nature of certain travel, entertainment and non-travel business expenses incurred for fundraising and development activities. If these activities necessitate a deviation from stated policies, the individual should attach a brief explanation to the completed Receipt Report or Universal Expense Form. A letter from a Financial Dean is not required, except in the case of first-class air travel. The business purpose must indicate that the expenses are directly related to development activity.

Auditing of Travel, Entertainment and Non-travel Business Expenses Under the Accountable Plan

The University Travel and Reimbursement Office will audit Receipt Reports and Universal Expense Forms for compliance with University policy along with IRS and other external regulations. In certain instances, the University Travel and Reimbursement Office may require additional information supporting an expense or an additional approval at a higher level of authorization.

Travel, entertainment and non-travel business expenses will be included in the audit testing performed by the University's independent accountants in connection with their annual audit of the University's financial statements and their audit work required by OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Risk Management and Audit Services will also include reviews of travel, entertainment and non-travel business expenses in their work associated with department reviews.

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The following will supercede appropriate sections of the current *Harvard University Travel and Entertainment Policy and Reference Manual* on ABLE and the ACTTS Paper *Reimbursements – Travel and Non-Travel* dated January 1999 (revised 8/7/00; 12/6/01; 5/2/02; 2/3/03)

Expense Reimbursement – Employees

Accountable Plan

Harvard maintains an Internal Revenue Service (IRS) "accountable plan" under which reimbursements for travel, entertainment and non-travel business expenses are not required to be reported as income to the employee. Under the accountable plan, travel advances and reimbursement of expenses must meet three requirements:

1. Advances and reimbursements must be made only for travel, entertainment or non-travel business expenses that directly benefit the University.
2. Employees must provide a statement (with appropriate documentation) substantiating the amount, time, use, and business purpose of the expenses within a reasonable period of time.
3. Any amount paid to the employee that is more than the business-related expenses adequately accounted for must be returned within a reasonable period of time.

Any expenses that fail to meet all three rules for the accountable plan **must be treated as income** to the employee and reported to the IRS on Form W-2 (subject to withholding of employment taxes) or Form 1042-S (subject to section 1441 withholding), as applicable.

Reporting

The following procedures are intended to provide for the timely and accurate reporting of University travel, entertainment and non-travel business expenses and to ensure compliance with the accountable plan rules:

- Employee claims for reimbursement of approved travel, entertainment and non-travel business expenses, and the return of any advances in excess of substantiated expenses, must be received in the University Travel and Reimbursement Office **preferably within thirty (30) but no later than sixty (60) days after completion of a trip or the date on which an entertainment or non-travel business expense was incurred**.
 - To ensure the timely settlement of monthly GE Corporate Card charges, claims for reimbursement of prepaid expenses for airfare, hotels and conference fees that have been **charged to the GE Corporate Card** may be made in **advance** of the trip or the date on which an entertainment or non-travel business expenses will take place.
- Any claim for reimbursement received in the University Travel and Reimbursement Office **more than sixty (60) days** after the completion of the trip or the date on which an entertainment or non-travel business expense was incurred will be considered **income to the employee**, will be included on Form W-2 (and subject to withholding of employment taxes) or on Form 1042-S (and subject to section 1441 withholding), as applicable, and **should not be grossed up**. This includes both reimbursements made to an individual and those paid directly to GE Capital.
 - An additional thirty (30) days (up to a total of ninety (90) days after the completion of the trip or the date on which an entertainment or non-travel business expense was incurred) will be allowed in those cases where the employee has obtained an **approved** reasonable exception.
 - What constitutes a reasonable exception depends on the facts and circumstances of the situation and typically involves unforeseen circumstances or circumstances that provide reasonable cause for the submission of travel and expense reimbursements beyond the 60-day period.

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- Examples of reasonable exceptions include, but are not limited to:
 - Extended personal illness.
 - Death in the family.
 - Unanticipated leave of absence.
 - Travel outside of the country for an unexpected extended period of time.
- Reasonable exceptions must be documented, approved by the Financial Dean (or equivalent), and submitted along with the Receipt Report or Universal Expense Form.
- Claims for expenses left **unreported for more than six months (182 days)** after the completion of a trip or the date on which an entertainment or non-business expense was incurred **will not be reimbursed**.

Extended Business Trips

Full-time employees traveling for an extended period of time (in excess of 30 days but less than one year) must submit the following:

- An initial Receipt Report or Universal Expense Form preferably within 90 days but no later than 120 days from the beginning of the trip or the date that the first expense related to the trip was incurred, whichever is earlier.
- Subsequent Receipt Reports or Universal Expense Forms preferably every 90 days but no later than every 120 days thereafter for the duration of the trip.

In such cases, a Reasonable Exception Request Form is **not required**, and the Receipt Report or Universal Expense Form should include the term Extended Business Trip at the beginning of the business purpose section.

Expenses submitted for reimbursement that **exceed 120 days** from the date the expense was incurred will be treated as **income** to the employee, without exception. Expenses submitted for reimbursement that **exceed six months (182 days)** from the date the expense was incurred **will not be reimbursed**.

Allowance Reimbursements – Non-Travel

Certain **non-travel** reimbursements may be aggregated over time and submitted for reimbursement beyond 60 days from the date on which the entertainment or non-travel business expense was incurred, **without exception approval**, if they relate to reimbursements that are being **paid from an annual research or a professional expense allocation**. Examples of Allowance Reimbursements include any spending associated with:

- Annual budget allocations for research fellows' or students' books/supplies/copying/term projects.
- Annual faculty budget allocations for research materials or internet service provider charges.
- Budget allocations for telephone expenses for Harvard business for those staff that do not have on-campus office space.

Allowance reimbursement requests must be submitted no later than twelve months from the date the expenses were incurred.

In such cases, the Receipt Report or Universal Expense Form should include the term Allowance Reimbursement at the beginning of the business purpose section.

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Expense Reimbursement – Students

Undergraduate and graduate students (whether or not they are employees) may be reimbursed for expenses incurred on behalf of the University. Such reimbursements are **not reportable** to the IRS by the University as income to the student, provided documentation is submitted indicating that the travel, entertainment or non-travel business expenses relates to:

- Official University business;
- A faculty member's project or research program;
- Presenting at a conference on behalf of the University (a photocopy of the conference program indicating the student is a speaker/presenter is required); or
- The student's employment at the University.

To ensure the timely and accurate reporting of all University expenses, reimbursements should be substantiated, documented and reported by the student on an approved Receipt Report or Universal Expense Form **no later than sixty (60) days after completion of a trip or the date on which an entertainment or non-travel business expense was incurred.**

Expense Reimbursement – Non-employees

The University will reimburse non-employees (including stipended post-doctoral fellows, job applicants, guest lecturers, and invited guests) for approved travel, entertainment and non-travel business expenses incurred on behalf of the University.

IRS regulations require that non-employees who receive reimbursements for approved travel, entertainment or non-travel business expenses incurred on behalf of the University provide an adequate accounting of these expenses to the University. In such cases, the reimbursements are not reportable to the IRS by the University as income to the non-employee.

To ensure the timely and accurate reporting of all University expenses, reimbursements should be substantiated, documented and reported by the non-employee on an approved Receipt Report or Universal Expense Form **no later than sixty (60) days after completion of a trip or the date on which an entertainment or non-travel business expense was incurred.**

Expense Reimbursement – Foreign Nationals

Federal immigration laws impose a number of restrictions on payments made to foreign visitors, students, and scholars who are temporarily present in the United States. Without appropriate visa types, payments to nonresident aliens are prohibited. Additionally, nonresident aliens are subject to different tax laws than those that apply to US citizens. These include mandatory tax withholding and reporting requirements for certain transactions.

University Tax Services must review all requests by nonresident aliens for reimbursement of travel, entertainment or non-travel business expenses **prior to payment** to ensure that such expenses are reimbursable under IRS guidelines and/or INS regulations and that the reimbursement is not subject to tax withholding.