THE UNIVERSITY OF MICHIGAN

STANDARD PRACTICE GUIDE

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APPLIES TO:	All Faculty, Staff, Students, and University Guests		
ISSUED BY:	Financial Operations		

The following section is the new Travel and Business Hosting Expense Policies and Procedures effective 3/1/01. Please direct any questions to the telephone numbers or e-mail addresses listed within.

University of Michigan
Travel and Business Hosting Expense Policies and Procedures
for University Faculty and Staff

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I. INTRODUCTION

This Standard Practice Guide (SPG) section emphasizes general policies as opposed to specific procedures and details, thus allowing units to have more flexibility in their administration while at the same time conforming to overall University standards.

The University of Michigan reimburses faculty, staff, and others for reasonable and necessary expenses incurred in connection with approved travel or business hosting on behalf of the University. The University encourages faculty and staff to take advantage of University arranged travel discounts whenever possible. **University reimbursement is allowed only when reimbursement has not been and will not be received from any other source.** Reimbursement is also permissible for necessary and reasonable travel and Business Hosting Expenses of prospective faculty, staff, officers and students. A necessary and reasonable expense is one for which there exists a clear business purpose and is within University expense policy limitations. Individuals with delegated authority who are authorizing reimbursements are responsible for verifying funding and that expenses are necessary and reasonable.

Establishing policies and procedures for travel and business hosting expenses enables the University to effectively comply with Federal and State regulations. These policies and procedures apply to reimbursements from all University funding sources. The Accounts Payable and Travel Office will maintain current reimbursable rates in the form of a Travel and Business Hosting Expenditure Report checklist, which will be reviewed and updated on January 1 and July 1 each year**. More restrictive Travel and Business Hosting Expense policies and procedures mandated by specific programs, schools, departments or offices will take precedence over University policies.**

Faculty, staff and students whose expenses are funded by a grant or contract must adhere to the terms of that grant or contract for verification of allowable expenditures.

The per diem method of reimbursement for travel requires specific exception approval by the University Controller. A memo requesting approval should be sent to the Financial Manager within Financial Operations, of the fund area of the account to be charged.

The University reserves the right to amend or revise policies and procedures at any time. Changes in policies and procedures will be readily distributed throughout the University community and are to be considered effective on their date of issuance unless stated otherwise. These policies are intended to be guidelines for the reimbursement of all University approved travel and business hosting expenditures.

There are several key points to remember when incurring expenses on behalf of the University:

- Under no circumstance may an individual approve his/her own report or that of a person to whom he/she functionally or administratively reports.
- Accountability rests with the Dean or Department Chair when approval authority is delegated to their staff.
- The University will not pay for personal expenditures.
- Advances and reports should be submitted to the appropriate Accounts Payable and Travel Office for your unit as indicated on the Travel and Business Hosting Expense Report Checklists.

Refer to Appendices A and B for current information regarding phone numbers, e-mail and other Internet addresses, cost rates and dollar limitations.

II. POLICIES APPLYING TO ALL TRAVEL AND BUSINESS HOSTING EXPENSES

A. APPROVAL/AUTHORIZATION

A requester's immediate supervisor or higher administrative authority must approve a Travel and Business Hosting Expense Report, including any exception request memorandum (see Exception policy) before reimbursement will be issued. In addition, a Travel and Business Hosting Expense Report where the total expenses aggregate between $5,000-$10,000 requires approval by 1) the Department Chair, if an academic unit, or 2) the Department Manager, if a non-academic unit. Any Travel and Business Hosting Expense Report over $10,000 requires approval from a Chancellor, Vice-Chancellor, Vice President, Dean or Major Director.

For purposes of this section, a "higher administrative authority" is defined as the person to whom a requester reports, either functionally or administratively. Additionally, this can be a person at a higher level of administrative authority in the reporting chain, or a person who has been designated by the unit director or department head as authorized to approve these kind of expenses. If the requester is not a University employee, the designated authority mentioned above should review and approve the expense report.

Under no circumstances may an individual approve his/her own report or that of a person to whom he/she reports functionally or administratively.
The individual(s) who approve(s) a Travel and Business Hosting Expense Report is (are) certifying the following:

- Appropriateness of the expenditure and reasonableness of the amount.
- Availability of funds.
- Compliance with funding agency regulations and University reimbursement policies.
- Completeness of documentation and accuracy.
- Compliance with Policy on ICRX Expenditures

B. EXCEPTION POLICY

Although exceptions to normal reimbursement guidelines are strongly discouraged, there may be circumstances that warrant such exceptions. In cases where a request for a reimbursement does not conform to stated University policies, or if a receipt is lost or missing, an exception memorandum must be included with the expense reimbursement report explaining why this exception was necessary, and, if necessary, describe missing documentation. The individual's immediate supervisor or higher administrative authority must approve these exception requests. In addition, where noted in this policy, certain exceptions require additional approval by a Vice President, Dean, Chancellor, Vice-Chancellor or Major Director. This exception approval authority may be delegated to one specified person whose position is no more than one level removed from the approvers listed above. Approved exception requests may be reviewed by Accounts Payable and Travel Office for overall volumes, trends and appropriateness.

C. SEGREGATION OF CERTAIN COSTS – POLICY ON ICRX EXPENDITURES

External sponsors are critical to the University's mission of instruction, research, and public service. Sponsors such as the federal government, state government, foundations and corporations fund direct costs for the University's mission. Sponsors also reimburse the University for a portion of facilities and administrative costs (indirect costs).

Indirect costs are necessary for the general operation of the University and for the performance of sponsored projects. Most general operating expenses of the University become a part of the indirect cost rate calculations. Some costs, identified as Indirect Cost Recovery Excluded (ICRX) Expenditures, must be flagged to segregate the costs to ensure that they are not charged to sponsored projects as direct or indirect costs. ICRX expenditures are flagged by assigning the appropriate Class (formerly known as Subclass) ending in "X".

Refer to Appendix D for the University's "Policy on Indirect Cost Recovery Excluded (ICRX) Expenditures" for a thorough explanation of ICRX expenditures, examples, how to flag expenditures with an "X" Class, and to learn what University Funds to charge ICRX expenditures.

The following summary from the "Policy on Indirect Cost Recovery Excluded (ICRX) Expenditures" located in Appendix D, following, lists common expenditures that must be flagged with a Class ending in "X". **NOTE:** This summary does NOT contain all ICRX policy rules.

CATEGORY	COSTS THAT MUST BE FLAGGED AS INDIRECT COST RECOVERY EXCLUDED (CLASS ENDING IN "X")	EXAMPLES OF ACTIVITIES WHOSE COSTS DO NOT REQUIRE ICRX
Advertising	Advertising costs related to ICRX activities such as alumni, commencement, entertainment, fund raising, lobbying, public relations and student extracurricular activities. Advertising media includes such things as direct mailing, displays, exhibits, magazines, memorabilia, newspapers, promotional items, souvenirs, radio and television.	• Normal faculty and staff recruitment. • Normal acquisition of goods or services or disposal of scrap and surplus material associated with the performance of sponsored agreements.
Alcoholic Beverages	All purchases. Furthermore the costs must <u>not</u> be charged to the General Fund, Federal Fund or Sponsored Project.	• None
Alumni Activities	All, including the preparation of alumni newsletters and the maintenance of alumni mailing lists.	• Tracking of alumni of Public Health Service Training Grants.
Bad Debts	Actual or estimated losses from uncollectible accounts and other claims, including related collection and legal costs.	• None
Commencement	All costs related to graduation ceremonies.	• None
Entertainment	Unit-level holiday and retirement celebrations, concert tickets, football tickets, and other similar costs for hosting or recruiting may <u>not</u> be charged to the General Fund, Federal Fund or Sponsored Project.	• Costs related to University service awards.
Fund Raising	All costs related to soliciting gifts and bequests.	• Costs of soliciting research grants and contracts.

CATEGORY	COSTS THAT MUST BE FLAGGED AS INDIRECT COST RECOVERY EXCLUDED (CLASS ENDING IN "X")	EXAMPLES OF ACTIVITIES WHOSE COSTS DO NOT REQUIRE ICRX
		•
Lobbying	Attempts to influence any election, referendum, or initiative or any funding decision.	• Factual presentations in response to documented requests.
Meals and Travel	Meal and travel expenses related to alumni activities, commencement, entertainment, fund raising, lobbying, public relations and student extracurricular activities.	• Any expense acceptable under the University's travel and hosting policies and not otherwise required to be flagged.
Memberships	Membership in any civic or community organization.	• Memberships in business, technical and professional organizations acceptable under University policy. • A subscription that is bundled with membership in a professional organization.
Meetings and Conferences	Meetings and conferences, whose primary purpose is lobbying, fund raising, alumni activities, commencement or public relations.	• Scholarly/professional gatherings whose primary purpose are to disseminate technical information.
Public Relations	All public and community relations activities.	• Costs specifically required by sponsored agreements. • Costs to notify the public or press about specific activities or accomplishments that result from sponsored agreements. • Costs to inform news media and public relations staff of the government about matters of public concern, financial matters, notices of contract or grant awards, and similar general liaison.
Recruiting	Cost of help-wanted advertising that: • Fails the test of reasonableness. • Uses color. • Is of excessive size in newspapers and magazines. Includes advertising material for purposes other than recruiting.	• Costs to recruit faculty and staff, graduate student research assistance students and students. • Costs to maintain an employment office. • New employee relocation costs. • Travel costs of applicants to come for interviews. • Travel costs of employees to recruit personnel.
Selling and Marketing	All costs of selling and marketing products or services.	• None. • Note that recruiting, proposal development, and filing a patent application if the government will hold title to the patent are not "Selling or Marketing" for ICRX purposes.
Student Extracurricular Costs	Extracurricular costs such as intramural activities, student publications, and student clubs.	• Costs of student administration and services such as: -Academic or personal counseling -Admissions -Financial aid -Registrar

III. TRAVEL POLICY

A. INTERNAL REVENUE SERVICE REQUIREMENTS

In order for travel advances and reimbursements of travel expenses to be excluded from the traveler's taxable income, the University's travel policies must meet the IRS requirements for an "accountable plan". Therefore:

- Advances and reimbursements must be made for Business Hosting Expenses only and must be reasonable in amount.
- Travelers must provide a Travel and Business Hosting Expense Report substantiating the amount, date, use and **business purpose** of expenses within 30 days after the expenses are incurred. Required original receipts must be attached to the expense report.
- Employees must return any advance amount in excess of allowable substantiated expenses within 30 days after the completion of the trip.

B. DOCUMENTATION REQUIREMENTS

IRS requirements are met by completion of the Travel and Business Hosting Expense Report. Clearly state the overall, specific business purpose of the trip on the report. Business purpose should include information such as:

- People involved
- University affiliation
- Business topics covered.

Receipts for purchases greater than the threshold amount indicated on the Travel and Business Hosting Expense Report Checklist must be attached to the Travel and Business Hosting Expense Report and submitted to the Accounts Payable and Travel Office. Receipts for expenses costing less than the threshold amount **should not** be submitted to the University, with two exceptions: 1) all receipts for lodging and non-taxi transportation costs must be submitted regardless of amount, and 2) if an external project sponsor requires a lower documentation threshold, receipts should be submitted at the lower threshold. If an advance is necessary for a non-employee, the non-employee's University sponsor must approve the request. The request then requires the same approval procedures as if the University sponsor had requested the advance.

Appropriate receipts/documentation include:

- Business purpose:
  - Written explanation of business purpose or conference agenda/itinerary or schedule of events
- Transportation:
  - Air - Original passenger receipt, original e-ticket receipt/statement or Internet receipt/statement
  - Rail - Original passenger receipt
  - Rental Car - Original rental agreement receipt
  - Ground - Original bus, shuttle, or taxi receipt
- Lodging:
  - Hotel - Original bill/receipt (detailing all expenses)
- Meals:
  - Original credit card or cash register receipt (order stubs are not acceptable)
- Conference Fees:
  - Original receipt from conference sponsor or copy of registration form accompanied by proof of payment (original cancelled check or photocopy of both sides of cancelled check and/or checking account statement or credit card statement)
- Other - Original receipt or paid invoice

Travel and business hosting purchases made on University of Michigan P-Cards do not require receipts except in the case of hotel and non-taxi transportation expenses, where original receipts are required regardless of amount. Documentation of business purpose, destination, dates(s) of event or trip, and list of attendees with University affiliation are still required.

C. SPECIAL DISCOUNT RATES AND SALES TAX

When making travel arrangements, ask about any available discount hotel rates for state government employees. Many hotels have discount rates available for University employees with appropriate identification. The University has designated travel agents as listed in Appendix B that guarantee the lowest fares. The University is exempt from payment of the Federal Excise Tax and State of Michigan taxes on most transactions.

D. TRAVELING BY AIR

The University will reimburse for the cost of coach airfare. Airfare expenses exceeding this must be approved (see Exception Policy) by the Department Chair/Unit Director.

Federal regulations prohibit the use of Federal Funds for reimbursement of "business or first class" air travel and require that U.S. carriers be used for both foreign and domestic travel, unless one is not available. The University prefers that you use a U.S. carrier even when using non-Federal funds.

Attach the original airline ticket, e-ticket or Internet receipt/statement to the Travel and Business Hosting Expense Report. The original passenger ticket, e-ticket or Internet receipt/statement must include the dates and points of departure and arrival, the travel "class", and the total cost.

E. TRAVELING BY RAIL

The University will reimburse the cost of train fare not to exceed the cost of coach airfare.

Attach the original ticket for fares above the current required documentation limit to the Travel and Business Hosting Expense Report (see the Travel and Business Hosting Expense Report Checklist). The ticket or receipt must clearly show the date, the points of departure and arrival, as well as the total cost.

F. RENTAL VEHICLES

When a rental car is necessary, the Accounts Payable & Travel Office can supply rental discount cards that also waive the agency deposit requirement and information concerning a Loss Damage Waiver (LDW) and Liability Insurance Supplement (LIS) available through rental agencies. Reimbursement will also be made for reasonable charges for gasoline. Maintenance and oil changes are the responsibility of the rental company and will not be reimbursed by the University.

In the event of an accident while driving a rental vehicle, contact the Risk Management Office for claim handling.

Attach the original rental agreement to the Travel and Business Hosting Expense Report (see the Travel and Business Hosting Expense Report Checklist). The agreement must clearly show the date, the points of departure and arrival, as well as the total cost.

G. USE OF PRIVATE VEHICLES

At times a personal vehicle may be used in order to save time, transport equipment or reduce costs when several people are traveling together. Reimbursement is calculated per mile based on the current reimbursement rate, which can be found in the Travel and Business Hosting Expense Report Checklist. This reimbursement may not exceed the maximum allowable rate for federally sponsored programs, and is limited to the amount of coach airfare. Tolls and reasonable parking charges will be reimbursed in addition to the mileage allowance. The University does not reimburse commuting costs, i.e., the costs associated with driving a car between home and the normal place of work or business.

Note that fuel costs are included in the per-mile reimbursement rate. If you request reimbursement for mileage, you will not be reimbursed separately for fuel costs.

The University does not assume liability for damage to personal automobiles used on University business and does not assume liability for deductibles or any other uninsured loss to the vehicle. Liability insurance protection will be provided as excess coverage only after the private owner's personal liability insurance limits are exhausted when the vehicle is used for business purposes. Cost of repairs to a vehicle, whether or not they result from the traveler's acts or not, are not reimbursable.

Under no circumstances will the University reimburse parking fines or moving violations.

H. OTHER TRANSPORTATION COSTS

The University will reimburse for shuttle or taxi fares to and from airports and railroad stations plus reasonable tips when such service is not included in air and rail fares, and where public transportation is not practical. Round trip taxi fare from Ann Arbor and Dearborn to Detroit Metro or from Flint to Bishop Airport or Detroit Metro is reimbursable. Additionally, this policy includes transportation between hotels, restaurants, railroad stations, airports, or meetings, as long as they are reasonable in amounts and frequency.

University owned vehicles are available to employees with valid driver's licenses for University business. Students and temporary personnel are permitted to use University vehicles only when specific authorization is granted by a department representative who certifies as to the student's legal qualifications as a driver. The Transportation Services Department can supply details and regulations related to the use of University owned vehicles.

I. COST OF MEALS WHILE TRAVELING

Meal expenses incurred while on travel status should not exceed the maximum allowances listed in the Travel and Business Hosting Expense Report Checklist**. These amounts are not per diems and only the actual amount of the meal should be charged back to the University.** Reimbursement for alcoholic beverages is at the discretion of the department. Alcohol expense must be flagged with an "X" Class (see Appendix D) and charged to a non-General, non-Federal or non-Sponsored Fund, or alternatively, the cost may be covered with personal funds.

A traveler is considered to be on 'travel status' when required to be away from his/her 'tax' home overnight or substantially longer than a normal day of work.

J. LODGING

The University will reimburse lodging expense at reasonable single occupancy, standard business room rates which would be incurred routinely by a regular business traveler.

When the hotel or motel is the conference or convention site reimbursement will be limited to the conference rate, if available.

Attach the original, itemized hotel bill, regardless of amount, to your Travel and Business Hosting Expense Report.

K. MISCELLANEOUS EXPENSES

Reimbursable expenses include but are not limited to the following:
- Baggage handling and storage expenses
- Business office expenses (copy services, postage, etc.)
- Business-related phone calls and faxes, including those necessary to obtain transportation and hotel reservations and calls home that are reasonable in duration and amount (as defined by unit)
- Conference fees (include registration form with expense report)
- Costs of obtaining required visas and passports
- Currency conversion fees
- Gratuities to porters, bellhops and other service personnel
- Laundry or cleaning expenses on trips lasting seven (7) or more days

Non-reimbursable expenses include but are not limited to the following:
- Clothing or toiletry items
- Commuting between home and campus
- Corporate charge card delinquency assessments
- Country club dues
- Expenses related to vacation or personal days taken before, during, or after a business trip
- Flowers for non-University business
- Loss Damage Insurance when University agency is available and another auto agency is used
- Loss or theft of cash advance money or airline tickets
- Loss or theft of personal funds or property
- Lost baggage
- Luggage and briefcases
- Magazines, newspapers, personal reading materials
- Medical expenses while traveling
- Movies
- Personal entertainment
- Pet care
- Recreational expenses
- Saunas, massages
- Shoe shines
- Souvenirs or personal gifts
- Travel accident insurance premiums

L. SPOUSAL OR DEPENDENT TRAVEL AND BUSINESS HOSTING EXPENSES

Reimbursement for a spouse's or dependent's transportation, lodging or meal expenses requires submission of an exception memorandum approved by a Vice President, Dean, or Chair, explaining why an exception is warranted. Reimbursement of spouse or dependent's expenses, if those expenses do not have a clear University business purpose, are not allowable.

When a University representative (or approved business guest) shares lodging facilities with a non-University person, reimbursement will be the lesser of actual charge or single occupancy room rate.

M. NON-EMPLOYEE TRAVEL AND BUSINESS HOSTING EXPENSES

University travel and business hosting expense policies and procedures apply to all individuals such as guest lecturers or prospective faculty or staff who are not University faculty or staff but are to be reimbursed for University-approved transportation and related costs. In order to ensure compliance, it is the department's responsibility to inform a non-employee of the University's travel and business hosting expense policies and procedures prior to the non-employee's visit. Departmental budgets and/or the terms of contracts or grants may limit funding for non-employee travel. Whenever possible, travel and Business Hosting Expenses of non-employee students and University guests should be paid by University P-Card or corporate credit card.

N. TRAVEL AND BUSINESS HOSTING EXPENSE ADVANCES

Employees
Employees may request an advance within a reasonable period of time before an official business trip to cover out-of-pocket expenses that will be ultimately reimbursed by the University and that cannot reasonably be charged to the P-Card. The traveler/host's immediate supervisor or higher administrative authority must approve an Expense Advance Request Form before an advance will be issued. In addition, any advance request between $5,000 - $10,000 requires approval by 1) the Department Chair, if an academic unit, or 2) the Department Manager, if a non-academic unit. Any advance request for an amount over $10,000 requires approval from a Chancellor, Vice Chancellor, Vice President, Dean or Major Director. Submit the completed form to a University cashier. The traveler/host requesting the advance must sign a non-interest-bearing promissory note for the amount of the advance. Alternatively, ATM cash advances may be obtained using the P-Card, if the card has been approved for that function.

Non-Employees
Travel expenses of non-employee students and University guests should be paid by University P-Card or corporate credit card whenever possible. If an advance is necessary for a non-employee student, the student's University sponsor must approve the request. The request then requires the same approval procedures as if the University sponsor had requested the advance for him/herself. Students may receive cash from the University Cashier's Office. If the advance is for a non-employee University guest, the approval procedures are the same as for non-employee students. However, a guest must have a University employee pick up the cash or check at the Cashier's Office.

Requests for other than normal travel and business hosting expense advances, (i.e., Lump Sum Advances), must be arranged through Financial Operations at least two weeks prior to the date the funds are required. This procedure must be utilized when anticipated expenditures include items other than travel.

O. EXPENSE ADVANCE RECONCILIATION

To close out an Expense Advance, fill out a Travel and Business Hosting Expense Report and attach the original receipts, as required by the receipt policy, that account for the use of the advance. Any portion of an advance that was not used must be returned to the University as soon as possible, but not later than 30 days after completion of the trip or event. In cases where a planned trip or event is canceled, any advances must be reconciled and the funds returned as soon as possible. Submit by check or money order made payable to the University of Michigan, and attach to the Travel and Business Hosting Expense Report. Alternatively, the traveler may pay the amount to the Cashier's Office, and attach the Cash Receipt form to the report in lieu of a check.

A traveler must account for an outstanding expense advance before a new one will be issued, except when another trip begins within five working days of the previous trip or when multiple advances are issued for the same trip. Reimbursement due to the traveler will be made by direct deposit or check and sent to the address on the Travel and Business Hosting Expense Report. Any advance not reconciled within 30 days of completion of the trip or event will be payroll deducted from the requestor's next paycheck. Individuals who require payroll deduction will not be eligible for advances in the future.

Upon termination of employment, all employees must promptly account for and return any outstanding advances.

P. TRAVEL INSURANCE

As part of its benefits program, the University carries a Group Travel Accident insurance policy. This policy provides accidental death and dismemberment insurance for all University employees while traveling on University business. Accordingly, reimbursement will not be made for any supplemental insurance purchased by the traveler.

Questions regarding excluded methods of travel, definition of University business, or other aspects of this insurance should be directed to the Benefits Office.

IV. BUSINESS MEALS AND BUSINESS HOSTING POLICY

A. BUSINESS MEALS

University representatives may be reimbursed for approved, necessary and reasonable local business meal expenditures. Business meal expenses, including non-alcoholic beverages and tips, should not exceed the maximum allowances listed in the Travel and Business Hosting Expense Report Checklist. Reimbursement for alcoholic beverages is at the discretion of the department. Alcohol expense must be flagged with an "X" Class (see Appendix D) and charged to a non-General, non-Federal or non-Sponsored fund, or alternatively the cost may be covered with personal funds. Business meals are those taken with guests, colleagues, or donors, during which focused business discussions take place. Business meals with vague, unfocused purposes (such as to foster collaboration between departments) are not permitted.

An exception memorandum must accompany any requests for reimbursement of business meal costs exceeding the maximum allowances listed in the Travel and Business Hosting Expense Report (see Exception Policy). The expenses including tips that exceed these amounts must be segregated, and cannot be charged to General or Federal funds.

Use of the P-Card to pay for business meals is encouraged whenever possible. Clearly document the purpose of the meeting, the amount of the expense, the date of the event, the location, and a list of attendees with their University affiliation on the P-Card Business Hosting Documentation form. Attach this form to the department's/unit's P-Card statement.

B. BUSINESS HOSTING

The University will reimburse faculty, staff and students for approved, necessary and reasonable business meal and other business hosting expenses if such activities are directly related to University business and are conducted for the benefit of individuals outside the University who are present. See Appendix D on Indirect Cost Recovery Excluded (ICRX) Expenditures.

It is considered acceptable for University departments to recognize the efforts of their staff members with group recognition functions. However, discretion should be used, and all events should be reviewed for appropriateness prior to the occasion.

V. GIFTS, PRIZES AND AWARDS

General Information
It is consistent with University policy to recognize individual or team achievements with awards or gifts and to have prizes at University events. These types of costs should be flagged as ICRX expenses.
To comply with Internal Revenue Services regulations the University Payroll Office must:

a) Report the value of an employee's award/gift/prize to the IRS by including the value in that individual's taxable income on Form W-2, or
b) Report the value of a non-employee's award/gift/prize by issuing a Form 1099-MISC at calendar year-end when the total of awards/gifts is $600 or more, or
c) Issue a form W-2G for all raffle winnings, regardless of employment status. Specific procedures for requesting checks from the University Payroll Office or for calculating amounts to "gross up" are contained in Appendix E following this section.

Included in this policy are:

a) All awards/gifts/prizes that are given via cash or gift certificates, regardless of the dollar amount, and
b) All other types of awards/gifts/prizes that have a value over $25.

Awards, gifts, and prizes are included in this policy regardless of whether the award/gift/prize was purchased by the University or donated by another organization.

Students

Students are treated as staff in this policy if they have Graduate Student Assistant appointments or are working on a temporary basis, including Work Study. If a student has no employment relationship with the University, then any award/gift/prize will be processed using the procedure for individuals who are not faculty/staff.

Appendix E provides additional information on taxability and withholding taxes.

VI. CORPORATE CHARGE CARD AND P-CARD POLICY

The Corporate Charge Card Program at the University provides employees with a method for paying University-approved travel and business related expenses. For most employees, the card eliminates the need for University Expense Advances. The corporate card requires a credit review of the applicant, and approval is the sole responsibility and decision of the charge card company. University employees are responsible for payment of this card and must pay the charge card company directly.

The University also offers a Purchasing Card to employees if approved by their department. Unlike the Corporate Charge Card Program, the P-Card Program uses a University line of credit, and charges on the University P-Card are paid directly by the University. The cards are imprinted with the University's and the approved user's name. Statements must be reconciled and submitted to Accounts Payable (with appropriate receipts attached) within required time limits.

For additional details on the Corporate Charge Card program, contact the Bank Cards Section of Financial Operations. For additional details on the P-Card Program, contact the P-Card Section of Purchasing Services.

A. LOST OR STOLEN CARDS

Lost or stolen cards should be reported to both the issuing bank and Purchasing Services immediately.

B. TERMINATION OF EMPLOYEE PARTICIPATION

Employee participation in the University charge card or P-Card program will terminate under any of the following conditions:

- When the cardholder is no longer employed by the University.
- When guidelines are not followed for the use of and accounting for P-Card purchases.

Departments are responsible for revoking cards of terminated employees and notifying Purchasing Services of revocation.

VII. REIMBURSEMENT POLICY

A. THE TRAVEL AND BUSINESS HOSTING EXPENSE REPORT

Employees must use a Travel and Business Hosting Expense Report to obtain reimbursement for transportation, travel-related and business hosting expenses. The completed report with all required receipts must be signed by the employee, approved by their higher administrative authority and sent to the Accounts Payable and Travel Office within 30 days after completion of a trip. With the exception of mileage-only reports, an Event Identifier (formerly Trip Number) must be obtained for all travel. Its use is strongly encouraged for non-travel business hosting events. Its primary purpose is to document business purpose of the event and allow for aggregation of expenses related to one event. This identifying number may be obtained from the Accounts Payable and Travel website, or alternatively by contacting that office.

If you received a University Expense Advance, return the completed Travel and Business Hosting Expense Report with proper receipts to the Travel Office. If the amount of the advance exceeded the actual expenses, attach a personal check or money order payable to The University of Michigan in the amount of any reimbursement due the University.

Reimbursements to travelers are processed via direct deposit whenever possible. For this to occur, the traveler's regular paychecks must be processed via direct deposit. Direct deposit transactions are processed daily; a written notice will be sent to the traveler's address when the transaction is complete. Reimbursement checks for employees will only be processed when a traveler does not have payroll checks processed via direct deposit, or when a specific request is made on the Travel and Business Hosting Expense Report. Checks are printed daily and mailed to the traveler's home address. A delay in reimbursement may occur if the Travel and Business Hosting Expense Report is not correctly completed, if University guidelines have not been followed, or if an improper ChartField combination has been provided. Travel and Business Hosting Expense Reports are available on the web or through the Accounts Payable and Travel Office. Travel and Business Hosting Expense Reports should be submitted to the Accounts Payable and Travel Office at Wolverine Tower, with the exception of those units listed on the Travel and Business Hosting Expense Report Checklist.

B. RECEIPTS

1) Original Receipts

To prevent duplicate payments and to comply with IRS regulations and University policies, original documentation must be submitted including receipts and corporate credit card bills for all expenses exceeding the amount required on the Travel and Business Hosting Expense Checklist. **Do not** submit receipts for expenses below the required amount. See section III B, Documentation Requirements, above. By submitting valid receipts and documentation of business purpose you avoid the possibility of the IRS considering your reimbursement taxable income. If a required receipt is lost or missing, complete and attach an exception memo to your Expense Report explaining why this exception is warranted, and describing missing documentation in as much detail as possible.

2) Converting Foreign Currencies

Expense Reports must be submitted in U.S. Dollars with an explanation and translation of the foreign receipts and their conversions. Use of the P-Card, corporate credit card or other credit card is strongly encouraged when traveling abroad as the charges are automatically converted to U.S. dollars on the billing statement. If a credit card is not used, record the U.S. dollar equivalency on each receipt. Currency exchange rates are available on the Internet. See Appendix B for websites, and attach documentation to substantiate the currency conversion. Currency exchange rates fluctuate, and travelers must use the currency rates in effect when the travel took place. Therefore, currency exchange receipts should be saved and used for converting foreign currencies back to U.S. dollars on the Expense Report.

Travel and Business Hosting Expense Reports
Appendices

Appendix A – Checklists for Travel and Business Hosting Expenses

Appendix B – Contacts Directory

Appendix C – Forms and Instructions

Appendix D – Segregation of Certain Costs – Policy on ICRX Expenditures

Appendix E – Gifts, Prizes and Awards Procedures

APPENDIX A-1
TRAVEL EXPENSE CHECKLIST

NOTE: CHECK WITH YOUR DEPARTMENT ADMINISTRATOR TO DETERMINE IF YOUR UNIT'S REIMBURSEMENT LIMITS ARE LOWER THAN WHAT IS LISTED BELOW

Travel Information:
- Name and address
- Social Security number
- Department telephone
- Department contact

Trip:
- Indicate business purpose
- List conference or event dates
- Departure and return dates and times
- Destination (**Canada & Puerto Rico are considered domestic travel)**

Exceptions To Policy:
- A completed Travel and Business Hosting Expense Exception memo must be attached to the report when there is a departure from stated policies or dollar limitations, or for specific situations as outlined in the policy. The memo must be signed by the same approver as the report, and additional signatures are required if the total report expenses aggregate more than $5,000.

Airfare and Rail:
- Coach Fare
- Last page of ticket required.
- E-ticket/Internet – Original receipt/statement required indicating method of payment.

Lodging:
- Itemized hotel receipts required.
- Room charge and applicable taxes only.
- Reasonable single occupancy or conference rate.

Meals:
- Tear away meal stubs are not acceptable.
- Maximum allowable meal reimbursement for food and non-alcoholic beverages (domestic only):
  Breakfast - $25
  Lunch $25
  Dinner - $55

Car Rental:
- Original itemized receipt/rental agreement required regardless of the amount.

Alcoholic Beverages:
- Reimbursement for alcoholic beverages is separate from meal limits and is made at the discretion of the department. Alcohol expense must be flagged with an "X" class and charged to a non-General or non-Federal fund or alternatively, covered with personal funds.

Taxi/Shuttle:
- Actual and reasonable expense.

Other Expenses:
- Tips
- Registration Fees – original paid receipt required if over $75. If you claim lodging, the original registration is not needed, proof of payment is sufficient.
- Personal automobile mileage ($.445 per mile for trips effective 1/1/06). The mileage rate is subject to change. The mileage rate does include the cost of gas. Therefore, you cannot request both mileage and gas reimbursement.
- Parking.
- Business calls and calls home, reasonable in frequency and duration.
- Laundry expense (over one week stay)**.**
- Faxes, photocopies, conference materials.
- Personal aircraft mileage ($.45 per mile) not to exceed the cost of coach airfare.

General Information:
- Any item over $75 requires an original receipt except hotel and non-taxi transportation expenses where original receipts are required regardless of amount.
- No gifts are to be processed on Travel and Business Hosting Expense Reports.
- $500 minimum advance for faculty and staff. $100 for students and guests.
- See Travel and Business Hosting Expense SPG for complete instructions. See http://www.umich.edu/~finops/index_js.htm for forms.

Expense reports should be submitted to the appropriate Accounts Payable and Travel Office:

Accounts Payable & Travel Office
5091 Wolverine Tower – 1287
Telephone: 764.8212
Email: mailto:Travel.Office@umich.edu

University Hospitals
2500 Green Road, Suite 100
Ann Arbor 49105
Telephone: 763.9933

Institute for Social Research, Business Services
1201 ISR Building – 1248
Telephone: 764.8210

U-M Dearborn, Financial Services
1020 AB – 1491
Telephone: 313.593.5410

U-M Flint, General Accounting
213 UCEN – 2186
Telephone: 810.762.3480

APPENDIX A-2

BUSINESS HOSTING EXPENSE CHECKLIST

NOTE: CHECK WITH YOUR DEPARTMENT ADMINISTRATOR TO DETERMINE IF YOUR UNIT'S REIMBURSEMENT LIMITS ARE LOWER THAN WHAT IS LISTED BELOW

Host Information:
- Name and address
- Social Security number
- Department telephone
- Department contact

Hosting Activity:
- Indicate business purpose of event and date.
- Include list of attendees and their University affiliation.

Exceptions To Policy:
- A completed Travel and Business Hosting Expense Exception memo must be attached to the report when there is a departure from stated policies or dollar limitations, or for specific situations as outlined in the policy. The memo must be signed by the same approver as the report, and additional signatures are required if the total report expenses aggregate more than $5,000.

Meals:
- Tear away meal stubs are not acceptable.
- Maximum allowable meal reimbursement for food and non-alcoholic beverages (domestic only):
  Breakfast - $25
  Lunch $25
  Dinner - $55

Alcoholic Beverages:
- Reimbursement for alcoholic beverages is separate from meal limits and is made at the discretion of the department. Alcohol expense must be flagged with an "X" class and charged to a non-General, non-Federal or non-Sponsored Fund, or alternatively, covered with personal funds.

Methods of Incurring Expenses:
- When the University Purchasing Card is used to pay for the event, complete the Purchasing Card Hosting Documentation Form and turn it in with your Purchasing Card statement.
- When a personal credit card or personal funds are used to pay for the event, complete a Travel and Business Hosting Expense Report.
- When an expense advance is used to pay for the event, complete a Travel and Business Hosting Expense Report within 30 days of the event.
- University chartfields may be billed directly via the service unit billing system when using University facilities.
- University purchase orders may be obtained if the event is estimated to exceed $500. If alcohol is purchased, the order will be issued only to licensed vendors.
- A purchase order may be obtained for the acquisition of flowers (no dollar limit) for official ceremonial and development activities.

General Information:
- Any item over $75 requires an original receipt.
- $500 minimum advance for faculty and staff. $100 for students and guests.
- See Travel and Business Hosting Expense SPG for complete instructions.
- *See http://www.umich.edu/~finops/index_js.htm for form.

Expense reports should be submitted to the appropriate Accounts Payable and Travel Office:

Accounts Payable & Travel Office
5091 Wolverine Tower – 1287
Telephone: 764.8212
Email: Travel.Office@umich.edu

University Hospitals
2500 Green Road, Suite 100
Ann Arbor 49105
Telephone: 763.9933

Institute for Social Research, Business Services
1201 ISR Building – 1248
Telephone: 764.8210

U-M Dearborn, Financial Services
1020 AB – 1491
Telephone: 313.593.5410

U-M Flint, General Accounting
213 UCEN – 2186
Telephone: 810.762.3480

APPENDIX B

Contacts Directory

	Phone	E-mail or Web Site
Accounts Payable and Travel Office	734-764-8212	traveloffice@umich.edu
Airfare Discounts for Recruiting	734-764-8212	www.umich.edu/~purch/traveloffice/nw2000.html
Auto Rental Discounts	734-764-8212	www.umich.edu/~purch/traveloffice/carrent.html
Hotel Discounts (including Government Rates)	734-764-8212	www.umich.edu/~purch/traveloffice/hotel.html
Parking Discounts	734-764-8212	www.umich.edu/~purch/traveloffice/parking.html
Expense Report Forms	734-764-8212	www.umich.edu/~finops/index_js.htm
Event Identifier Number (formerly Trip Number)	734-764-7330	travel.office@umich.edu
Cost Reimbursement Office - ICRX Costs	734-764-6243	www.umich.edu/~finops/index_js.htm
Risk Management Office - rental car claims handling	734-764-2200	jjterry@umich.edu
P-Card	-	www.umich.edu/~purch/pcard/
General Questions and Information	734-647-3333	purchcard@umich.edu
Lost or Stolen Card - BankOne	800-316-6056 x7140	-
Designated Travel Agencies	-	www.umich.edu/~purch/traveloffice/agents.html
American Express	800-621-6517	www.americanexpress.com
Boersma Travel	800-325-5307	www.boersmatravel.com
Conlin Travel	800-426-6546	www.conlintravel.com
Huron Valley Travel	734-668-1300	www.huronvalleytravel.com
Jetaway Travel	800-994-7885	jetaway@ic.net
Landmark Tours and Travel	800-432-8636	www.landmarktravel.com
Lovejoy-Tiffany	800-968-8636	www.lovejoy-tiffany.com
Regency Travel, Inc.	800-223-6122	-
Transportation Services - University Vehicles	734-764-3427	www.plant.bf.umich.edu/park-transport
Financial Operations	-	-
Lump Sum Advances	Account Coordinator	-
Controller's Office - per diem approval	Account Coordinator	-
Corporate Bank Cards	734-763-7792	-
Benefits Office - Travel Accident Insurance	734-763-1214	-
Payroll Office - Awards, Gifts and Prizes	734-764-8267	-
M-Pathways Forms web site	-	www.umich.edu/~finops/index_js.htm
Currency Conversion web site	-	www.oanda.com/convert/classic

Travel and Business Hosting Expense Report

The University of Michigan

Voucher No.: _____

Name of Traveler/Host: _____ Vendor ID #: _____

Home Address: _____ Contact Name: _____

City, State, Zip: _____ Contact Phone No.: _____

Social Security No.: _____ Contact Unique Name: _____

Department Reference No.: _____ Event Identifier #: _____

If you do not want direct deposit, please initial in the space provided: ☐

Travel and Business Hosting Expenses Claimed

Description		Account Domestic	Account Foreign	Fund (5)	DeptID (6)	Program (5)	Class (5)	Budget Period (4)	Proj/Grant	Amount
Airfare	(a)	623500	623614							$0.00
Lodging	(b)	623514	623628							$0.00
Meals	(c,d,e)	623528	623642							$0.00
Hosting	(I)	623812								$0.00
Ground Transportation	(f,g)	623542	623656							$0.00
Travel/Hosting ICRX							X			
Other	(h)	623570	623600							$0.00
Total Expenses:										$0.00

Expense Advance # _____ 122400 _____ Less

Expense Advance # _____ 122400 _____ Less

Due to/from Traveler/Vendor: $0.00

I certify that I have not received reimbursement from another source (s) for any expenses claimed. In the event payment is received from another source (s) for any portion of the expenses claimed, I assume responsibility for repaying the University in full for those expenses.

Traveler/Vendor Name (printed)	Traveler/Vendor Title	Traveler/Vendor Signature	Date
Higher Admin. Authority (printed)	Higher Admin. Authority's Title	Higher Admin. Authority's Signature	Date
Dept Chair/Dept Manager (printed)	Title	Department Chair/Department Manager Signature **(Needed If Total Expenses are between $5000 - $10,000)**	Date
Chancellor, Vice-Chancellor, Vice President, Dean or Major Director (printed)	Title	Chancellor, Vice-Chancellor, Vice President, Dean or Major Director Signature **(Needed if Total Expenses are greater then $10,000)**	Date

Original receipts are required for both employee and non-employee expenditures. Return unexpended portions of expense advances by personal check made payable to the University of Michigan, and attach to this report. Please refer to the Standard Practice Guide section 501.4-1 for a complete description of the University's travel and business hosting reimbursement policy. For additional information, refer to the Travel Office website: **"http://www.umich.edu/~finops/TravelOffice/"**. This section must be completed in detail to ensure IRS compliance.

Purpose of Event: Departure: Date Time

Destination: Return: Date Time

Itemized Travel Expenses

All reimbursable expenses must be listed and appropriate original receipts attached. Expenses paid in advance should not be included in the calculations listed on the front of this form.

Date	Airfare	Lodging	Breakfast	Lunch	Dinner	Ground Transportation	Mileage
Total	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
	(a)	(b)	(c)	(d)	(e)	(f)	(g)

Other Expenses:

Date	Expenses Claimed	Amount
	Total Other Expenses:	$0.00
		(h)

Total each column (a-h) and carry the amounts forward to the appropriate section on the front of this form. For example: the total of column (a) above should be posted to the AirFare Amount category on the front of the form. Meals should be the total of column (c),(d) and (e). The total of columns (f) & (g) should be posted in the Ground Transportation category. The total of column (h) should be posted in the Other category.

Exception Policy: Where requested reimbursement does not conform to stated University policies or if a receipt is lost or missing, an exception memorandum must be included with the expense reimbursement report explaining why this is necessary, and describing the missing documentation. The memorandum must be signed by the approving officials as they appear on page one of this report.

This form should be attached to the Travel and Business Hosting Expense Report only when Hosting activities occur. If there are no travel expenses associated with the Hosting event, Page 2 does not have to be submitted.

Original receipts are required for both employee and non-employee hosting. Please refer to the **Standard Practice Guide section 501.4-1** for a complete description of the University's travel and business hosting reimbursement policy. For additional information, refer to the Travel Offic website: **"http://www.umich.edu/~finops/TravelOffice/".** This section must be completed in detail to ensure IRS compliance.

Itemized Hosting Expenses

All reimbursable expenses must be listed and appropriate original receipts attached. Expenses paid for in advance using a University purchase order must be listed in the appropriate location on this form. Expenses paid in advance should not be included in the calculations listed on the front the front page of the Travel and business Expense Report.

Date:	Description:	Amount:
		$0.00

Purpose of Hosting Activity:

List of Attendees (attach additional page if necessary):	University Affiliation or other Organization:

TRAVEL and BUSINESS HOSTING EXPENSE REPORT - INSTRUCTIONS

Name of Traveler/Host	Type the name of the traveler/host: last name, first name, middle initial.
Voucher Number:	This number is generated automatically when the data is entered into M-Pathways and the voucher is saved. Please enter the voucher number if the data was previously entered.
Vendor ID #:	Required - Enter the Vendor ID number. If the name is not in the Vendor Database, please contact the Vendor Maint. area in Purchasing to have the name added. Be ready to supply Vendor Maintenance with the name, address and telephone number of the vendor or individual. (E-mail: Vendor.Maintenance@umich.edu Phone: 936-8849)
Note	**Not providing a valid vendor number could cause a significant delay in processing.**
Home Address, City, State, and Zip:	University employees must use their home address.
Social Security Number:	Type the traveler/host's Social Security number. Please ensure that this information is accurate. This information must be provided for Internal Revenue Service purposes.
Department Reference No.:	For departmental use. (Optional)
Contact Name, Phone, and Unique Name:	Please supply the name of the individual within the department that Accounts Payable should contact in case of any questions with the Travel and Business Hosting Expense Report.
Event Identifier Number: (Formerly Trip Number)	Identifying number assigned to allow proper aggregation and recording of transactions on a per trip or event basis. The event identifier number is necessary for audit and IRS compliance. Event identifiers are required for all travel unless the travel reimbursement is for mileage only. Event identifiers are recommended for Hosting events. To obtain an event identifier number go to https://websvcx.itd.umich.edu/traveloffice-bin/travelmain/ You will need a unique name and Kerberos (or UMICH system) password. If you have any questions about this process, please e-mail travel.office@umich.edu or call 734-764-8212.
Direct Deposit:	The traveler/host must already have their payroll checks directly deposited to be eligible for this feature. Direct deposit transactions are processed daily. Initial in the space provided if you do not want this payment direct deposited.
Travel and Business Hosting Expenses Claimed:	This section summarizes the travel expenses from page 2 and the business hosting expenses from page 3.

TRAVEL and BUSINESS HOSTING EXPENSE REPORT - INSTRUCTIONS

ChartField Combination:

Account	Required - 6 digit numerical character field.
Fund	Required - 5 digit numerical character field.
DeptID	Required - 6 digit numerical character field. (Formally known as Organizational Code)
Program	5 digit alpha numeric character field.
Class	5 digit alpha numeric character field. (Formally known as SubClass)
Budget Period	Required - 4 digit numerical character field. (Formally known as Budget Year) (Ex. = 2001)
Project/Grant:	0-15 alpha numeric character field.
Amount:	Enter appropriate amount.

Indirect Cost Recovery Exclusion:	If the travel or hosting expenses should be excluded from the indirect cost recovery calculations as described in Appendix D, Policy on Indirect Cost Recovery Excluded (ICRX) Expenditures, then place the entire expense amount in the Indirect Cost Recovery Exclusion line on the front of the report. Do not split expenses between airfare, meals, etc.. The expenses should be itemized on the detail pages of the report as indicated, then the total of the expenses that should be excluded from the indirect cost recovery calculations should be listed in the space labeled Indirect Cost Recovery Exclusion. ChartField combinations should include the appropriate Class for Indirect Cost Recovery Exclusion.
Total Expenses:	Calculate the total of expenses listed above.
Expense Advances:	If the traveler/host obtained an expense advance prior to the trip, include the amount of the advance and the expense advance number in the area of the report that states "Expense Advance #".
Due TO/FROM the Traveler/ Host:	Calculate the total expense amount and subtract the expense advance amount. If the expenses were greater than the total of the advances, put the net amount owed TO the traveler/host in the space provided. If the advances were greater than the expense amount, put the net amount due FROM the traveler/host in the space provided. If the traveler/host owes the University money, please attach a personal check to the report for the amount owed made payable to The University of Michigan.
Traveler/Host's signature:	Please legibly print or type the traveler/host's name. The signature of the traveler/host is required.
Higher Administrative Authority Signature:	Please legibly print or type the name of the person to whom a requester reports either functionally or administratively. The signature is also required. Additionally, this can be a higher level of administrative authority in the reporting chain, or a person who has been designated by the department manager or department chair as authorized to approve these kinds of expenses. If the requester is not a University employee, the designated authority should review and approve the request. **Under no circumstances**

may an individual approve his/her own report or that of a person to whom he/she reports functionally or administratively.

Department Chair or Department Manager Signature:	This is required only when Total Expenses are between $5,000 and $10,000. Please legibly print or type the name of the Department Chair or Department Manager of the ChartField combinations being charged. The signature is also required.
Chancellor, Vice Chancellor, Vice President, Dean or Major Director:	This is required only when Total Expenses are over $10,000. Please print or type the name of the Chancellor, Vice Chancellor, Vice President, Dean or Major Director of the ChartField combinations being charged. The signature is also required.

Note: The individuals above that are approving the Travel and Business Hosting Expense Report are certifying the following:

- **Appropriateness of the expenditure and reasonableness of the amount**
- **Availability of funds**
- **Compliance with funding agency regulations and University reimbursement policies**
- **Completeness of documentation and accuracy**
- **Compliance with Policiy on ICRX Expenditures**

Use Page 2 for any travel-related expenses.

Purpose of Trip:	Clearly state the business purpose of the trip, include conference name if applicable, the departure date and time, the return date and time.
Itemized Travel Expenses:	On this section of the report, it is necessary to itemize all travel expenses and record by date in the appropriate space provided.

An original receipt is required for any item in excess of $75, and is required for *all* lodging and non-taxi transportation expenses, regardless of amount. Do not submit other receipts unless the project sponsor requires lower limits.

*** Your program, school, department or office may have more restrictive policies which take precedence**
*** over general University policies. You must check with your departmental administrator for these policies!**

Airfare:	The original passenger coupon must be provided. If the passenger coupon is lost, a duplicate can usually be obtained from the travel agency or airline. If the carrier uses a ticketless travel system, the original itinerary/receipt must accompany the Travel and Business Hosting Expense Report. All receipts must indicate the flight class, amount of ticket, dates of flight, destination city and departure city. The University reimburses for "Coach" fare. Federal regulations prohibit the use of Federal Funds for reimbursement of "business or first class" air travel and require U.S. carriers to be used for both foreign and domestic travel, unless one is not available. The University prefers that you use a U.S. carrier even when using non-Federal funds.
Lodging:	The University will reimburse lodging expense at a reasonable single occupancy, standard business room rate, that which would be incurred routinely by a regular business traveler. When the hotel or motel is the conference or convention site reimbursement will be limited to the conference rate, if

it is available. For a list of reasonable lodging rates, see http://www.umich.edu/~purch/traveloffice/averagerates.html . Attach the original itemized hotel bill, regardless of the amount, to your Travel and Business Hosting Expense Report.

Meals: All meal charges should be reported by day. Only meal expenses incurred on travel status are allowable and may not exceed the maximum allowances listed in the Travel and Business Hosting Expense Report Checklist. **These amounts are not per diems and only the actual amount of the meal should be charged back to the University.** Original credit card or cash register receipts (order stubs are not acceptable) should be included for meals that meet the current requirement for receipts. Reimbursement of alcohol expenses are at the discretion of the department. Alcohol expenses must be flagged with an "X" class and charged to a non-General, non-Federal or non-Sponsored fund.

Ground Transportation: Include any train, taxi, shuttle and/or car rental charges in the space provided by date. Attach the original rental agreement or train receipt to the Travel and Business Hosting Expense Report. The University will reimburse the cost of train fare not to exceed the cost of coach airfare. The train receipt must clearly show the date, the points of departure and arrival as well as the total cost.

Mileage: Include all personal car mileage in this column. The current rate per mile is included on the Travel and Business Hosting Expense Checklist. This reimbursement may not exceed the maximum allowable rate for federally sponsored programs and is limited to the amount of coach airfare. Tolls and reasonable parking charges will be reimbursed in addition to the mileage allowance. Note that fuel costs are included in the per-mile reimbursement rate. If you request reimbursement for mileage, you will not be reimbursed separately for fuel costs. Under no circumstances will the University reimburse parking fines or moving violations.

Other Expenses: Use this space to include any items that do not apply to any of the above categories: parking, tips, etc. List the date and provide a description of the expense in the space provided. Attach an additional schedule if necessary.

Use Page 3 for all Business Hosting Expenditures

*** Your program, school, department or office may have more restrictive policies which take precedence**
*** over general University policies. You must check with your departmental administrator for**
*** these policies!**

Itemized Hosting Expenses: On this section of the report, it is necessary to itemize all hosting expenses, which may not exceed the maximum allowances listed in the Travel and Business Hosting Expense Report Checklist. **These amounts are not per diems and only the actual amount of the meal should be charged back to the University.** Original credit card or cash register receipts (order stubs are not acceptable) should be included for meals that meet the current requirements for receipts. Reimbursement of alcohol expenses are at the discretion of the department. Alcohol expenses must be flagged with an "X" class and charged a non-General, non-Federal or non-Sponsored fund.

TRAVEL and BUSINESS HOSTING EXPENSE REPORT - INSTRUCTIONS

An original receipt is required for any item in excess of $75.

Purpose of Hosting Activity: Include the purpose of the event, including the conference name if applicable.

List of Attendees: Include list of attendees, describing their affiliation to the University.

For additional information, please refer to Standard Practice Guide section #501.4-1. Completed Travel and Business Hosting Expense Reports should be submitted to the appropriate office:

Accounts Payable & Travel Office
5091 Wolverine Tower 1287
734-764-8212

University Hospitals
2500 Green Road Suite 100
Ann Arbor, Mi 48105-0749
734-763-4501

Institute for Social Research
Business Services
1201 ISR Building 1248
734-764-8210

For questions concerning the policies above, please email accounts.payable@umich.edu or call 734-764-8212.

NOTE:

All Travel/Business Hosting Expense Advance forms must be numbered, prior to processing by the Cashier's Office, and are accountable by these numbers. If you are using a computer-generated form and do not have an assigned range of numbers, please call the Cashier's Office, Central Campus at (734) 764-8230 to receive an assigned range of numbers.

VOUCHER NUMBER. **THE UNIVERSITY OF MICHIGAN** **ADVANCE NUMBER**

CASHIER'S OFFICE

TRAVEL/BUSINESS HOSTING EXPENSE ADVANCE POLICY

The advance minimum is $500 for faculty and staff and $100 for students. All advance requests must be signed by the traveler/host. The immediate supervisor or higher administrative authority of the traveler/host must approve the advance request. Advances between $5000 and $10,000 require an additional approval by the department chair or department manager. Advances over $10,000 require the signature of a Vice President, Dean or major director of Hospital, ISR or Athletics. The traveler/host is the only signatory considered to be the obligor on the Request/Note. Advances must be accounted for within 30 days of completion of the event by submitting a Travel / Business Hosting Expense Report. The Travel /Business Hosting Expense Report is to be submitted by the Accounting Due Date to the appropriate Accounts Payable/Travel Office. For complete travel and business hosting information, see Standard Practice Guide 501.4 -1, Travel and Business Hosting Expense Policy and Procedures for University Faculty and Staff.

TRAVEL/BUSINESS HOSTING ADVANCE REQUEST/PROMISSORY NOTE

(Please Type or Print)

Name _____ (Last / First / MI) Short Code For Salary Charge _____

Vendor Number _____ Title _____

Department Name _____ Social Security Number _____

Room , Building, Zip _____ Office Telephone No _____

E-mail address _____ Event ID _____

Fund (5)	DeptID(6)	Program (5)	Class (5)	Project Grant

Purpose of Advance _____

Destination _____ Departure/Event Date _____

Return Date _____ Advance Date _____

Advance Amount $ _____ Accounting Due Date _____
(30 days after return/event date)

Cash _____ Check _____

I acknowledge the receipt of the Advance Amount and agree to account for it by submitting a Travel/Business Hosting Expense Report by the Accounting Due Date.
Should I fail to do so, I agree to repay the Regents of the University of Michigan and further consent to payroll deductions by the University to recover the Advance Amount.

_____
Traveler/Host Signature

I certify that the terms, restrictions, and qualifications set forth in this form's administration policy are met and that the payments are in compliance with all conditions imposed by the funding source.

Signature – Sponsor Signature for Students or Guests	Title	Unique Name
Signature – Higher Administrative Authority	Title	Unique Name
Signature - Department Chair/Department Manager If Advance is between $5000 and $10,000	Title	Unique Name
Signature – Dean If Advance is Greater Then $10,000	Title	Unique Name

AUTHORIZATION TO RELEASE ADVANCE TO OTHER THAN THE TRAVELER/HOST

I hereby authorize the Cashier to release my funds in check form only to _____
Type or Print

_____
Traveler/Host Signature

I hereby acknowledge receipt of advance funds in the amount of $_____ as authorized above.

Cashier's Office Use	Recipient's Signature

THE
UNIVERSITY OF MICHIGAN

POLICY ON

INDIRECT COST RECOVERY EXCLUDED (ICRX) EXPENDITURES

Issued by: The Cost Reimbursement Office
January 24, 2001

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PURPOSE

To provide you with the information necessary to comply with the University of Michigan's policy on **indirect cost recovery excluded (ICRX) expenditures** regarding A-21 compliance. To improve your understanding of the importance of tracking salary and non-salary ICRX expenditures. To teach you how to recognize and flag ICRX expenditures in the University's accounting system. And finally, to give you examples of how to apply the policy.

POLICY

Flag all indirect cost recovery excluded (ICRX) expenditures at the University of Michigan with the appropriate Class (formerly known as SUBCLASS) ending in "X." This document establishes practices to recognize, charge, and flag ICRX salary and non-salary expenditures to comply with this policy.

This policy applies to these Funds:

Fund Number	Fund Description
10000	General
20000	Federal Sponsor
25000	Non-Federal Sponsor
30000	Expendable Restricted Gifts
40000	Designated
50000-59999	Auxiliaries

CAUTIONS:

Individual departmental policies and procedures may be stricter than those of the University may.

Sponsored Funds (20000 & 25000)

- Do not charge ICRX expenditures to Funds 20000 and 25000 (sponsored awards). When an ICRX expense is included in the budget of a sponsored award the expense becomes a *'sponsored allowable cost'* and does not require an "X" Class (formerly known as SUBCLASS).

- Do not confuse *Indirect Cost Recovery Excluded expenditures* with '*Restricted Expenses on Federal Projects*.' Please refer to the following web site for the University's policy on '*Restricted Expenses on Federal Projects'*:
  http://www.umich.edu/~finops/SponsoredPrograms/a21.htm

Policy continued

General Fund (10000)

- Use caution when using General Funds for indirect cost recovery excluded (ICRX) expenditures.
- Whenever possible, use discretionary funds for ICRX expenditures.
- It is important to remember that the primary sources of revenue to the General Fund are State Appropriation and Tuition.

Auxiliary Activities (50000 – 59999)

- It is in violation of A-21 regulations to include ICRX expenditures in the recharge rates of recharge functions of the University.
- Recharge activities are typically reflected in the Auxiliary Activity Funds. Recharge rates are established based on operating expenditures of the recharge operation. If ICRX expenditures were charged to recharge activities, the ICRX expenses would become a direct expense on the sponsored awards through the recharge process.

GLOSSARY

These definitions are specific to this document.

A-21 Unallowable Costs
See *'Restricted Expenses on Federal Projects.'*

Class (Subclass)
A chartfield in the University of Michigan accounting structure that describes an activity supporting the University's mission. **Formerly known as SUBCLASS.** Examples: instruction, research, departmental administration, and student services.

Facilities and Administrative Costs
A-21 term for "Indirect Cost." The costs of resources provided by the University for sponsored awards. Examples of indirect costs are; utilities, asset depreciation, libraries, central administration, sponsored project administration, and departmental administration.

Facilities and Administrative (F & A) Proposal
Proposal prepared according to OMB Circular A-21 regulations and submitted to the federal government to determine the University's facilities and administrative rates.

Federal Government Office of Management and Budget Circular A-21
Federal regulation for charging expenses to sponsored awards and preparing the facilities and administrative proposal. Dictates proper classification of all University expenditures.

Indirect Cost Recovery Excluded (ICRX) Expenditure
A cost that cannot be charged (directly or indirectly) to sponsored awards, and **must be specifically identified for the Facilities and Administrative Proposal**. However, an ICRX cost may be a legitimate University cost.

Restricted Expenses on Federal Projects
Certain expenses required by A-21 to be reviewed for a "direct benefit" to a federal project, specifically: clerical and administrative salaries, supplies (consumable and office supplies), postage, telephone line charges, local calls, memberships and dues, journals and other subscriptions, books, and hosting and food expenses. These expenditures are sometimes referred to as "A-21 Unallowable Costs."

Sponsored Allowable Cost
A cost specifically identified in the budget of a sponsor award or permitted based on sponsor regulations.

COMPLIANCE and RESPONSIBILITY

Understanding the importance of complying with this policy at the University of Michigan

External sponsors are critical to the vitality of the University's missions of instruction, research, and public service. Sponsors such as the federal government, state government, foundations, and corporations provide direct costs for the University's missions. Sponsors also reimburse the University for a portion of facilities and administrative costs (indirect costs).

Indirect costs are real costs to the University. Examples of indirect costs are:

- Utilities
- Depreciation
- Building maintenance
- Departmental administration
- General office supplies
- Central administration
- Libraries

The federal Office of Management and Budget issued Circular A-21, *Cost Principles for Educational Institutions* (A-21), to regulate cost accounting practices at educational institutions, and the University must comply with these regulations.

A-21 includes the rules for computing the University's Facilities and Administrative rates that are calculated by the Cost Reimbursement Office staff.

A-21 defines certain expenditures as indirect cost recovery excluded (ICRX). Some ICRX expenditures are "necessary costs of doing business." However, ICRX expenditures must be segregated in the facilities and administrative rate calculations. For this reason, the Cost Reimbursement Office must be able to tell which expenditures are indirect cost recovery excluded.

This is where you come in: you must flag all indirect cost recovery excluded (ICRX) expenditures. The Cost Reimbursement Office can easily isolate flagged expenditures -- resulting in the University's compliance with A-21 for ICRX expenditures.

This document describes how to recognize and flag indirect cost recovery excluded (ICRX) expenditures as described in this document.

Why must you comply with this policy?

Federal regulations require the University to identify indirect cost recovery excluded (ICRX) expenditures. At the University of Michigan, indirect cost recovery excluded expenditures are identified by your use of the appropriate Class (formerly known as SUBCLASS) ending in "X."

When you flag indirect cost recovery excluded expenditures as required by this policy:

1. The Cost Reimbursement Office can identify ICRX expenditures because the transactions will have Classes that end in "X."

2. The University is in compliance with A-21 regulations when you assign the appropriate Class ending in "X" to transactions.

Unit Responsibility

If you have authority to use University funds, you must understand this policy and its application. The University's *Standard Practice Guide* addresses fiscal responsibility:

> **Standard Practice Guide, 500.01**
> **Fiscal Responsibility of a Project Director**
>
> "Because the University is a large and highly decentralized organization, the responsibility for many of the fiscal controls rests principally with Project Directors (Department Managers, formerly known as Org Managers*). Project Directors (Org Managers*) must be University employees, any exceptions must have the Controller's written approval.
>
> "The project director must follow the University's central fiscal procedures described in section 500, Business and Financial Services, of the Standard Practice Guide and the written policies and procedures if any, of his/her department. However, merely complying with these written policies and procedures is not enough. The Project Director (Org Manager*) must exercise reasonable care and judgment in the performance of fiscal duties. The project director must also adhere to the specific sponsor guidelines of projects supported by the Federal government, other government entities, industry, foundations, and the like."
>
> * The Department Manager (formerly known as Org Manager) is responsible when there is no Project Director for a chartfield combination.

Cost Reimbursement Office, Financial Operations Responsibility

1. Prepare the facilities and administrative cost proposal and analysis. We treat ICRX expenditures as A-21 dictates.

2. Provide training and advice to the University community on ICRX expenditures, cost accounting standards, and proper use of Class.

3. Review transactions for compliance and consistency of University policies and A-21.

FEDERAL REGULATION

OMB Circular A-21

The federal government Office of Management and Budget issued Circular A-21 (A-21), *Cost Principles for Educational Institutions*. A-21 sets cost practices for educational institutions that receive $25 million or more of federally sponsored awards.

OMB Circular A-21, Section J, discusses treatment of certain costs for educational institutions. This document explains how you must handle these costs at the University of Michigan.

A-21 is available at this web site:
http://www.whitehouse.gov/OMB/circulars/a021/a021.html

Who enforces A-21?

The federal government enforces A-21 at the University of Michigan in three ways:

1. The University must submit a disclosure statement to the federal government that details the University's policies and practices for complying with A-21.

2. Every federally sponsored award is subject to audit by its funding agency.

3. The Facilities and Administrative Cost Proposal and supporting documentation is audited by the Department of Health and Human Services, Division of Cost Allocation.

What are the penalties for failure to comply with A-21?

The University is subject to the following penalties for failure to comply with A-21:

1. Loss of facilities and administrative (indirect) cost reimbursement from sponsoring agencies. The University of Michigan recovers over $100 million annually in facilities and administrative costs.

2. Reduction of facilities and administrative rates.

3. Fines, interest, and penalties.

Identifying Indirect Cost Recovery Excluded Expenditures and Activities

INDIRECT COST RECOVERY EXCLUDED ACTIVITIES Expenditures for these activities are ALWAYS ICRX	• Alumni Activities • Commencement • Entertainment • Fund raising • Lobbying • Public relations • Student extracurricular activities
INDIRECT COST RECOVERY EXCLUDED EXPENDITURES These expenditures are ALWAYS ICRX	• Alcoholic beverages • Bad debts
SOMETIMES INDIRECT COST RECOVERY EXCLUDED EXPENDITURES Review practices for these expenditures to determine the appropriate Class. Depending on the purpose of the expense, it may be ICRX.	• Advertising • Hosting • Meals and travel • Meetings and conferences • Memberships • Recruiting • Selling and marketing

How do I flag indirect cost recovery excluded (ICRX) expenditures?

1. Determine the appropriate Class – refer to the document titled "Class Definitions," for definitions. Available at the Cost Reimbursement Office website http://www.umich.edu/~finops/index_js.htm

2. Replace the final digit of the appropriate Class with an "X."

3. CAUTION: Never assign an ICRX expense to a sponsored award, Funds 20000 and 25000.

4. Flag salary expenses for an individual only if he or she spends five percent or more of his or her time during a fiscal year on an ICRX activity.

5. Examples of appropriate use of Class ending in an "X":

   - Entertainment that supports instruction in an academic unit is an ICRX expense and must be classified with Class 1100X – Instruction-ICRX.

   - A professor takes his research assistants out for dinner as a good will gesture. The hosting expenditure was approved in advance. Expenditures for employee health and morale are ICRX. The transaction must be flagged with an "X" Class, and might be classified as 2100X – Departmental Research-ICRX.

   - A staff member spends 25% of his time maintaining an alumni database, and preparing and distributing an annual departmental newsletter for alumni and others. Alumni activity typically generates fund raising revenue. Fund raising and alumni activities are always ICRX. Academic units should also use 4600X for Alumni, development or fundraising expenditures. Therefore, 25% of the staff member's appointment must be charged to Class 4600X – Academic Administration-ICRX.

PRACTICES AND EXAMPLES

1. Advertising

Rule

Flag advertising costs associated with indirect cost recovery excluded (ICRX) activities, such as:

- Alumni activities
- Commencement
- Entertainment
- Fund raising
- Lobbying
- Public relations
- Student extracurricular activities

Examples of advertising media:

- Direct mailings
- Displays
- Exhibits
- Magazines
- Memorabilia
- Newspapers
- Promotional items
- Souvenirs
- Radio
- Television

Exception

Do not flag costs to:

- Recruit faculty and staff, see Recruiting, p. 23.
- Acquire goods and services for sponsored awards.
- Dispose of scrap or surplus materials created by work on sponsored awards.

Example 1.a
A research institute is celebrating its 75th anniversary. Management wants to give memorial paperweights to faculty, staff, and students.

Do the paperweight costs require an X Class?
Yes. The paperweights are public relations items and are ICRX.

Example 1.b
The Institute for E-Commerce Research received funding for an Organized Research Project/Grant (P/G). The P/G budget includes funding to produce a brochure. The brochure describes the institute's lab equipment, research facilities, and exceptional strengths in e-commerce research. The institute will distribute the brochure at a research symposium when the project ends. The brochure will also be distributed to potential sponsors and many other individuals and organizations.

Do the brochure costs require an X Class?
No. The brochure costs were specifically budgeted in a sponsored award. Charging the brochure costs to the sponsored award is correct.

1. Advertising continued

Example 1.c
The Department of Graphology ordered pens with the University logo to be used for normal business operations. The pens are a stock item available from University Stores.

Do the pens require an X Class?

No. The University logo is moot in determining whether the pens require an X Class.
Use the appropriate Departmental Administration Class.

Example 1.d
The Geography Department ordered pens with the University logo for a student recruiting fair. The pens are a standard item available from University Stores.

Do the wandering pens require an X Class?

No. Student recruitment is an allowable activity. The appropriate Class for the pens is 55000, Student Admissions.

Example 1.e
The Business School is having a homecoming reunion for alumni. Alumni will receive a mug at the sign-in table.

Do the mugs require an X Class?

Yes. The mugs related to an alumni event, which is an ICRX activity.

2. Alcoholic beverages

Rule
Flag all costs of alcoholic beverages.

Related University Policy, SPG 501.04-2, Hosting Activities

Helpful Hint
A University traveler or host should ask for an itemized receipt.

Example 2
A Department Chair asks Professor Clark to take a distinguished visitor to dinner. The Chair tells Professor Clark to charge the dinner to the department.

Professor Clark gives one credit card receipt to the departmental secretary for reimbursement. The professor tells the secretary that he and his guest drank wine at dinner, but he does not remember what the wine cost.

How should the secretary handle the wine cost?
Flag the entire meal cost with the appropriate X Class.
The secretary cannot separate the wine cost from the other meal costs.

3. Alumni Activities

Rule
Flag costs of alumni activities.

Exception
Do not flag the cost of monitoring alumni of Public Health Service Training Grants. Public Health Service Grants require tracking the program's alumni. Because these grants are sponsored awards, costs of tracking the program's alumni do not require an X Class.

Example 3.a
Your department sends a newsletter to alumni and others.

Do the newsletter costs require an X Class?

Yes. The newsletter costs are ICRX because they are an alumni activity.

Example 3.b
A departmental administrator spends half of her time for general departmental support. She spends the other half of her time on the department's alumni newsletter.

What funding line or lines does the administrator need on her appointment document? What Class(es) are appropriate and why?

What funding lines?
The administrator needs two funding lines: one for general departmental support and one for the newsletter activity. General departmental support requires a Departmental Administration Class. The newsletter activity is an ICRX activity, so this funding line requires the same Class ending in X.

Why?
A-21 requires the University to classify salaries of administrators and clerical staff as Departmental Administration. In this case, the administrator's general department support belongs in a Departmental Administration Class.

A-21 also requires the University to identify effort on ICRX activities. The University chose to identify ICRX expenditures with the appropriate Class ending in X.

4. Bad Debts

Rule
Flag actual or estimated losses from uncollectible accounts and other claims, including related collection and legal costs.

5. Commencement

Rule
Flag all costs of convocations and commencement ceremonies.

6. Employee morale, health, and welfare

Rule
Flag costs for the improvement of employer-employee relations, employee morale, employee performance, and working conditions WHEN the program is NOT offered to ALL employees of the University on an equitable basis. Examples:

- Retirement events
- Employee recognition

Exception
Do not flag costs of University Service Awards and University-wide workplace recognition Awards.

Example 6.a
An academic department holds a retirement reception for a retiring faculty member.

Do the reception costs require an X Class?

Yes, flag the expenses with the appropriate X Class because the retirement reception is at the unit level and not offered to all employees of the University equally.

Example 6.b
The University's Benefits Office has an annual employee recognition program, U MATTER. All employees are eligible to receive a monetary award.

Do the costs of running the U MATTER program and monetary awards require an X Class?

No. All employees are eligible for the U MATTER award.

Example 6.c
The dean purchased flowers on his P-Card for a staff member who is in the hospital.

Do the flower costs require an X Class?

Yes. The flowers are an ICRX employee morale cost and require an X Class. Not all departments at the University would pay for the flowers with University funds.

7. Entertainment

Rule

Flag costs of entertainment, including amusement, diversion, and social activities. Examples:

- Tickets to shows
- Tickets to sports events
- Unit-level holiday and birthday celebrations

Related University Policy, SPG 501.04-2, Hosting Activities

Example 7.a
An academic department receives a grant from the Taylor Foundation for an international research symposium. The grant includes amounts for food, wine, and musical entertainment.

Do the reception costs require an X Class?

No. The Taylor Foundation Grant includes funding for the reception costs. Charge the reception costs to the sponsored award.

Example 7.b
The Vice President and Chief Executive Officer rents a hospitality suite from Swank Hotels on football Saturdays.

Does the rental cost for the hospitality suite require an X Class?

Yes. The hospitality suite is an ICRX expenditure because it is related to entertainment.

Example 7.c
An academic department holds a holiday reception for faculty, staff, and students.
The department has approval from the dean to hold the holiday reception.

Do the reception costs require an X Class?

Yes, flag the expenses with the appropriate X Class because the holiday reception is an entertainment expense and is at the unit level.

8. Fund raising

Rule

Flag all costs of fund raising, including:

- Endowment drives
- Financial/capital campaigns
- Solicitation of gifts and bequests

Exception

Do not flag costs of soliciting research grants and contracts.

Example 7.a
Professor Scott makes several trips to the Datatech Company in California. The purpose of the trips is to solicit funds to support her research activities. Datatech agrees to Professor's Scott request. Professor Scott must provide Datatech with a report on her research findings.

Do Professor Scott's salaries and wages and travel costs for soliciting research funding require Class ending in X?

No. Costs of soliciting research grants do not require an X Class.

Example 7.b
Professor Scott makes several trips to the Datatech Company in California. The purpose of the trips is to solicit unrestricted funds for discretionary research. Datatech agrees to Professor's Scott request.

Do Professor Scott's salaries and wages for soliciting gifts require Class ending in X?

Yes. The 'unrestricted funds' are a gift. The costs of soliciting gifts are fund raising, which is an ICRX activity. The key word is *discretionary* research.

9. Hosting

Rule

Flag hosting costs associated with indirect cost recovery excluded (ICRX) activities, such as:

- Alumni activities
- Commencement
- Entertainment
- Fund raising
- Lobbying
- Public relations
- Student extracurricular activities

Related University Policy, SPG 501.04-2, Hosting Activities

Exception

Do not flag costs of light refreshments at University meetings (e.g., coffee and cookies or doughnuts).

Example 9.a
Your department is hosting Professor Lopez as poet-in-residence for a semester. The department Chair and spouse take Professor Lopez and spouse to dinner at Escoffier and to the theater. They drink two bottles of wine while waiting for their table.

What is the correct way to handle the dinner and theater costs?

9.a.i
Costs of the meal, theater, and alcohol for Professors Nobel and Lopez are budgeted in a sponsored award.

Expenses budgeted for Professors Nobel and Lopez were budgeted on a sponsored award. Charge the costs to the sponsored award and do not flag them. The expenses for the spouses are not allowable on the sponsored award. Use departmental discretionary funds as follows:

Meal costs: Flag all the meal costs because they fail the test of reasonableness.

Theater costs: Flag theater costs with the appropriate X Class because the theater costs entertainment.

Wine costs: Flag all costs of alcoholic beverages with the appropriate X Class.

9. Hosting continued

9a.ii
<u>None of the costs were budgeted in a sponsored award</u>

Meal costs:
Flag all the meal costs because they fail the test of reasonableness.

Theater Costs:
Flag theater costs for the Chair and the two spouses with the appropriate X Class because the theater costs are entertainment.

Wine:
Flag all costs of alcoholic beverages with the appropriate X Class.

Example 9.b
Your department Chair asks Assistant Professor Cross to have dinner with a potential faculty member.

Do the dinner costs require an X Class?

No. Faculty recruitment is an allowable cost.
Reminder**:** Alcoholic beverages are always ICRX and require an X Class.

10. Lobbying

Rule

Flag all lobbying costs.

Detailed definition of lobbying:

- Attempts to influence any member of Congress or the federal Executive Branch on a bill or report that would direct the funding of or indicate intent to fund a particular program, project, or activity.

- Attempts to influence the outcomes of any Federal, State, or local election, referendum, initiative, or similar procedure, through in-kind or cash contributions, endorsements, publicity, or similar activity.

- Establishing, administering, contributing to, or paying the expenses of a political party, campaign, political action committee, or other organization established for the purpose of influencing the outcomes of elections.

- Any attempt to influence:
  a. the introduction of Federal or State legislation,
  b. the enactment or modification of any pending Federal or State legislation through communication with any member or employee of the Congress or State legislature, including efforts to influence State or local officials to engage in similar lobbying activity,
  c. any government official or employee in connection with a decision to sign or veto enrolled legislation.

- Any attempt to influence the enactment or modification of any pending Federal or State legislation by preparing, distributing, or using publicity or propaganda, or by urging members of the general public, or any segment thereof, to contribute to or participate in any mass demonstration, march, rally, fund raising drive, lobbying campaign or letter writing or telephone campaign.

- Legislative liaison activities, including attendance at legislative sessions or committee hearings, gathering information regarding legislation, and analyzing the effect of legislation, when such activities are carried on in support of or in knowing preparation for an effort to engage in unallowable lobbying.

Exception

Grant administration is not lobbying.
Do not flag costs to provide information requested by a congressional committee or funding agency.

Example 10
Your department arranges for legislative aides who work for a Senator to visit the department's research program. The purpose of the invitation is to provide information that will convince the Senator to support funding for the department's research.

Do the costs of the aides' visit require an X Class?

Yes. The costs require an X Class because the purpose of the visit is lobbying, which is an ICRX activity.

11. Meals and travel

Rule

Flag meals and travel expenses associated with ICRX activities, such as:

- Alumni activities
- Commencement
- Entertainment
- Fund raising
- Lobbying
- Public relations
- Student extracurricular activities

Related University Policy, SPG 501.04-1, Travel Policy and Procedures

Exception

Do not flag meals and travel of visiting scholars.

Example 11.a

Professor Green takes his three graduate students to lunch each week for a limited time period of two months. The meetings are held during lunch because of schedule conflicts. The purpose of the meeting is to discuss research issues and the status of each student's research project. A typical lunch consists of sandwiches, fruit, and a beverage. Professor Green wants to charge the lunch costs to his research incentive funds.

1) Are the lunch costs legitimate University expenses?
2) Can Professor Green charge the lunch costs to his research incentive funds?
3) Do the lunch costs require an X Class?

1) Expenses are legitimate University expenses if they are reasonable, necessary, and support University business.

   The lunch costs are legitimate University expenses because the food provided is modest, the only time the meeting can be held is lunchtime, and the purpose is to discuss University research.

2) Yes, the expenses are an appropriate charge to research incentive funds.

3) No, the lunch costs do not require an X Class.

11. Meals and travel continued

Example 11.b
Two professors drive from Ann Arbor to UM-Flint for a 10 o'clock meeting with colleagues. They discuss submitting a research proposal to the National Science Foundation. The meeting ends at 11:30 and the professors return to Ann Arbor, stopping for lunch.

1) Are the trip costs legitimate University expenses?
2) Do the trip costs require an X Class?

1) The costs of the trip are mileage and lunch.

   The professors were not on travel status as defined by the Internal Revenue Service.

   The professor who drove can be reimbursed for the mileage, because the vehicle costs are legitimate University expenses.

   The lunch costs are not legitimate University expenses because the meeting ended before lunch and the professors were not on travel status.

2) No, the mileage does not require an X Class. The mileage is a legitimate University expense.

Example 11.c
Two professors drive from Ann Arbor to Flint for a 10 o'clock meeting with colleagues at UM-Flint. They discuss submitting a research proposal to the National Science Foundation. The meeting continues through the noon hour and a modest lunch is ordered and delivered. The meeting ends at 2:00.

1) Are the trip costs legitimate University expenses?
2) Do the trip costs require an X Class?

1) The costs of the trip are mileage and lunch.

   The costs are legitimate University expenditures because the professors conducted University business. The decision to continue the meeting through lunch was reasonable and the lunch expense was reasonable.

2) No, the trip costs do not require an X Class.

12. Meetings and conferences

Rule

Flag costs of meetings and conferences associated with ICRX activities, such as:

- Alumni activities
- Commencement
- Fund raising
- Lobbying
- Public relations

Example 12
A department holds an annual off-site retreat to give students a chance to present their research to the faculty and to each other.

Do the meal costs at the retreat require an X Class?

No. The primary purpose of the retreat is University business: to distribute technical information.

13. Memberships

Rule

Flag costs of membership in any **civic or community organization**.

Exception

Do not flag the costs of:

- Memberships in business, technical, and professional organizations
- A subscription that is bundled with membership in a professional organization

Example 13
Professor Richards needs to access a private library to gather data for her Organized Research project. The library belongs to the Springfield Preservation Society. Access to the library is limited to members. Professor Richards pays dues from the Designated Fund to become a member of the society.

Does the payment for society dues require an X Class?

No. The membership dues do not require an X Class. The society's library was the sole source of the data the professor needed to conduct Organized Research. The only way to access the data is to become a member of the society.

14. Public relations

Rule

Flag costs of public relations and community relations.

- Public relations activities maintain or promote understanding and favorable relations with the community, the public, or any segment of the public.
- Public relations activities also maintain or promote the University's image.

Exception

Do not flag these public relations costs:

- Costs specifically required by sponsored agreements.
- Costs to notify the public or press about specific activities or accomplishments that result from sponsored agreements.
- Costs to inform news media and public relations staff of the government about matters of public concern, financial matters, notices of contract or grant awards, and similar general liaison.

15. Recruiting expenses for Faculty and Staff: Advertising or Perks

Rule

Flag costs of help wanted advertising that:

- Fail the test of reasonableness.
- Use colors or is excessive in size in newspapers or magazines.
- Include advertising material for purposes other than recruiting.

Flag costs of perks to attract faculty or staff from other institutions.

Exception

Do not flag reasonable costs to recruit:

- Faculty and staff
- Graduate Student Research Assistants Students
- Students

Reasonable recruiting expenses include:

- Costs to maintain an employment office
- New employee relocation costs
- Travel costs of applicants to come for interviews
- Travel costs of employees to recruit personnel

Example 15
A department prints a brochure every year to profile faculty research. The brochure is a tri-fold using color. The department uses the brochure primarily to recruit graduate students and also to recruit faculty. All graduate students are graduate research assistants and are paid from Organized Research projects or research training grants.

Do the brochure costs require an X Class?

No. A brochure is a reasonable recruiting tool for prospective students and faculty. The use of color is not a factor because using color in a brochure is reasonable.

16. Selling and marketing

Rule
Flag costs of selling and marketing products or special services.

Related University Policy, SPG 601.03-0, Ownership and Use of Computer Software

Exception
Do not flag costs to:
- File a patent application if the government will hold title to the patent
- Prepare research proposals
- Recruit faculty, staff, or students

Example 16
A faculty member discovers a new compound that stimulates hair growth. The discovery was made under an Organized Research project. The sponsor has no claim or interest in a patent or in selling the new compound. The faculty member applies for a patent through the Technology Management Office (TMO). TMO also looks for a company to market the product.

1) Do the costs of applying for a patent require an X Class?
2) Do the costs of looking for a company to market the product require an X Class?

1) Yes. The sponsor has no claim on patents for discoveries that occur under the sponsored award. Costs of the patent application are ICRX expenditures.

2) Yes. Marketing expenditures are ICRX.

17. Student extracurricular costs

Rule
Flag costs for student extracurricular activities such as intramural sports, student publications, and student clubs.

Exception
Do not flag costs of Student Administration and Services, such as:
- Academic or personal counseling
- Admissions
- Financial aid
- Registrar

Resources

Cost Reimbursement Office, Financial Operations

Name	Job Title	Phone Number	e-mail address
Diane Winter	Manager	(734) 764-6243	diwinter@umich.edu
Dan Horal	Sr. Cost Accountant	(734) 647-3843	horal@umich.edu
Mary Gauthier	Sr. Cost Accountant	(734) 763-0522	madamsg@umich.edu

Other University Resources

Department	Phone Number
Sponsored Programs	(734) 764-8204
Controller's Office	(734) 764-7214
Travel Audit Office	(734) 764-8212
P-Card	(734) 647-7333
Procurement	(734) 647-0729

Internet Resources

Resource	Site Address
Cost Reimbursement Office	http://www.umich.edu/~finops/index_js.htm
OMB Circular A-21	http://www.whitehouse.gov/OMB/circulars/a021/a021.html
Procedures to Account for Certain Restricted Expenses on Federal Projects	http://www.umich.edu/~finops/SponsoredPrograms/a21.htm
Financial Operations home page	http://www.umich.edu/~finops/index_js.htm
DRDA home page	http://www.research.umich.edu/
Travel Audit	http://www.umich.edu/~purch/traveloffice/
Standard Practice Guide	http://www.umich.edu/~spgonlin/

This document is updated and distributed by Financial Operations, Cost Reimbursement Office. Direct questions to Diane Winter, Manager, Cost Reimbursement Office at (734) 764-6243, fax (734) 647-4262.

Date Issued: January 24, 2001

APPENDIX A

Charging Expenditures to Funds

Page Number	Expenditure Types:	Funding Sources: Designated	General	Expendable Gifts	Auxiliary Recharge	Sponsored Funds
	Fund Numbers:	40000	10000	30000	50000 - 59000	20000 - 25000
11	Advertising - Staff Recruiting	YES	YES	Maybe	YES	NO
11	Advertising - Student Recruiting	YES	YES	Maybe	NO	NO
11	Advertising - all other	YES / X	YES / X	Maybe / X	NO	NO
12	Alcoholic Beverages	YES / X	NO	Maybe / X	NO	NO
13	Alumni Activities	YES / X	YES / X	Maybe / X	NO	NO
13	Bad Debts	YES / X	YES / X	Maybe / X	NO	NO
14	Commencement / Convocation	YES / X	YES / X	Maybe / X	NO	NO
14	Employee morale, health and welfare	YES / X	YES / X (1)	Maybe / X	NO	NO
15	Entertainment	YES / X	YES / X (1)	Maybe / X	NO	NO
14	Flowers	YES / X	YES / X (1)	Maybe / X	NO	NO
16	Fund raising	YES / X	YES / X	Maybe / X	NO	NO
17	Hosting - Alumni, entertainment, fundraising, lobbying or public relations	YES / X	YES / X	Maybe / X	NO	NO
17	Hosting - All other activities	YES	YES	Maybe	YES	NO
19	Lobbying	YES / X	YES / X	Maybe / X	NO	NO
20	Meals and Travel - Alumni, entertainment, fundraising, lobbying or public relations	YES / X	YES / X	Maybe / X	NO	NO
20	Meals and Travel - All other activities	YES	YES	Maybe	YES	NO
22	Meetings and Conferences - Alumni, entertainment, fundraising, lobbying or public relations	YES / X	YES / X	Maybe / X	NO	NO
22	Meetings and Conferences - All other activities	YES	YES	Maybe	YES	NO
22	Memberships-Civic/Community Organizations	YES / X	YES / X	Maybe / X	NO	NO
22	Memberships-Business, technical and professional organizations acceptable under University policy	YES	YES	Maybe	YES	NO
11	Promotional Items	YES / X	YES / X	Maybe / X	NO	NO
23	Public relations	YES / X	YES / X	Maybe / X	NO	NO
23	Recruiting - Student	YES	YES	Maybe	NO	NO
23	Recruiting - Prudent costs for Faculty and Staff	YES	YES	Maybe	YES	NO
23	Recruiting - Faculty & Staff: If use color, large in size or for other purpose in publications	YES / X	YES / X	Maybe / X	NO	NO
24	Selling and marketing	YES / X	YES / X	Maybe / X	NO	NO
24	Student extracurricular activities	YES / X	YES / X	Maybe / X	NO	NO

CAUTION: It is important to understand the practices section for exceptions.

Legend:

NO	Expense cannot be charged to these funds, unless specifically approved by the sponsor.
YES	Expense can be charged to these funds and does not need to be flagged.
YES / X	Expense can be charged to these funds, but MUST be flagged with an ICRX Class.
Maybe	Expense may be charged to these funds ONLY if within the guidelines specified by the donor. Does not need to be flagged.
Maybe / X	Expense may be charged to these funds ONLY if within the guidelines specified by the donor. MUST be flagged with an ICRX Class.

(1) Use General Funds only if no discretionary funding source is available.

APPENDIX E

PROCEDURES FOR GIFTS, AWARDS AND PRIZES

The procedure to report gifts, awards and prizes as subject to federal and state income taxation is based on certain assumptions.

Generally, payments of gifts, awards and prizes to employees and independent contractors constitute taxable income that is reported on Form W-2, Wage and Tax Statement, for employees or Form 1099-Misc, Miscellaneous Income, for independent contractors. Also, the employee is subject to FICA taxes, however; an exception applies to certain student-employees (see SPG 201.57).

Importantly, an exception to taxation applies to gifts, awards and prizes that qualify as "de minimis" fringe benefits, length of service awards, safety achievement awards or traditional retirement gifts. For additional information, please see the following website: http://www.umich.edu/~finops/index_js.htm, then go to Tax Department; Tax Policies and Procedures Statements.

TAX WITHHOLDING ON GIFTS, AWARDS AND PRIZES

Payments to Faculty and Staff

Gifts, awards and prizes (excluding raffles) that are presented to University faculty or staff are generally subject to tax withholding. The value of the gift, award or prize will be included in the individual's Form W-2 in the tax year it was received.

Payments Made to Individuals Who Are Not Faculty or Staff

Gifts, awards and prizes (excluding raffles) who are presented to individuals that are not University employees are typically not subject to tax withholding. The payment will be reported on Form 1099-MISC if the aggregate amount of payments to that individual for the year is $600 or more.

Raffles

An individual receiving a prize as a result of a raffle is subject to federal and state income tax withholding, regardless of their employment relationship with the University, if the value of the prize is greater than $5,000 or 300 times the cost of the ticket.

Gross-Up

If the payment is made through the University Payroll Office, the department may decide to "gross-up" the amount to cover the applicable taxes.

Please consider the economic effect of a 'gross-up'. For instance, a gift of $100 results in a payment of $157.85 (assuming tax rates of Federal 25%, State 4% and FICA 7.65%).

University Funs Used

It is the employment or business relationship to the University that may trigger income tax consequences. Thus, to the extent that university funds are used to purchase an item, then generally the amount is taxable to the recipient.

Importantly, to the extent that non-University funds are used to purchase an item, no tax implications arise.

PROCEDURE TO NOTIFY THE UNIVERSITY PAYROLL OFFICE

If the gift, award or prize was not paid through the University Payroll Office, it is the responsibility of the University Department that is presenting the payment to report the following information, in memo format, within 10 days of the payment:

Recipient's name
Recipient's social security number
Recipient's home address
Recipient's employment relationship with the University
Description of the gift, award or prize
Market value of the gift, award or prize
University ShortCode to be charged for taxes, if applicable
Departmental contact's name and phone number

Send the memo to:

Director of University Payroll
G395 Wolverine Tower
3003 South State Street
Ann Arbor, MI 48109-1279
or fax to 734-647-3983

If the payment is not made through the University Payroll Office, the Payroll Office will charge the University Department that presented the gift, award or prize for the taxes that will be incurred by the recipient.

Questions on this policy can be directed to Tax Resources, Financial Operations 734-763-3282.