5.4.2 BUSINESS AND TRAVEL EXPENSES

Last updated on: 04/29/2019

Formerly Known As Policy Number: 36.7

The university pays directly or reimburses individuals for expenses that are necessary and appropriate to conduct University business. This policy outlines the core responsibility, guiding principle, reimbursement policy and examples of business-related expenses at Stanford University. This policy applies to all fund types and business expenses, including travel undertaken for university business and purchases of items to be owned by Stanford. It should be used in conjunction with resources and procedural information on the Gateway to Financial Activities [1] (Fingate) website.

Authority:
Approved by the Senior Associate Vice President for Finance.

Applicability:
This policy is applicable to direct payments and reimbursements of:

- Business meals and entertainment expenses,
- Travel expenses (expenses incurred while travelling on University business)
- Purchases of items to be owned by Stanford (including purchases made by visitors and students)

Additional information on purchasing methods can be found in AGM 5.3: Purchasing Goods and Services. [2]

1. Core Responsibility: Stewardship of Resources

As stated in the Code of Conduct (AGM 1.1.1 [3]), members of the Stanford University Community are expected to employ sound business practices and exercise prudent financial management in their stewardship of University resources. As such, individuals using University resources for business, travel expenses, and/or are purchasing items to be owned by Stanford share the responsibility of ensuring that these resources are used appropriately, support the University mission, and comply with University policies, applicable laws and regulations, and sponsor and donor restrictions.

The university has established limits on maximum university reimbursement for specific types of business and travel expenses, including meals, air and ground transportation, and lodging. The limits, details and associated processes for these reimbursements are available on the Fingate website [4]. It is the responsibility of the individual incurring expenses, as well as those who assist others with incurring expenses and those involved in the preparation and approval of reimbursement requests or financial transactions to exercise good stewardship of university funds and to adhere to the reimbursement policies. For more information on these various roles and responsibilities, see AGM 3.2.1: Responsibility for University Funds [5].

Travel and business expenses that do not reflect good stewardship of University resources, are found to
benefit the individual at the expense of the University, and/or are deemed excessive or fraudulent will be subject to further review by the appropriate office (e.g. Office of Chief Risk Officer or School/Unit Office) as outlined in AGM 3.5.1 [6]. Consequences of substantiated financial irregularities include denial of reimbursement, future business expense or travel restrictions and appropriate disciplinary action up to and including termination of employment or other relationships with the University.

2. Guiding Principle: Spend Appropriately

Individuals using University resources and funds for Stanford business and travel are expected to spend appropriately. Specifically, expenses incurred in the course of University-related business must be reasonable and necessary.

   a. **Reasonable** means that the nature and amount of the expense does not exceed that which a prudent person would incur under the same circumstances. While these amounts may vary, a good test is whether the individual could defend the expense if it came under public scrutiny.

   b. A **necessary** expense is one that supports and furthers the University mission and its ongoing operation.

To facilitate appropriate spending on travel-related expenses, Stanford Travel [7] is the university’s program for purchasing travel. Use of Stanford Travel is expected, as it supports the guiding principle to spend appropriately and eliminates the administrative requirement to provide documentation demonstrating the expense is reasonable.

3. Reimbursement Policy: IRS Accountable Plan and Regulations Compliance

The University reimburses individuals under the IRS Accountable Plan when the IRS regulations are met. Under this plan, the reimbursement is not taxable as income to the employee. In addition to expenses being reasonable and necessary, the requirements for reimbursement under the IRS Accountable Plan include the following:

   a. **Business Connection and Substantiation of Expense**

      Expenses incurred must have a business connection; that is, they must have been paid or incurred while performing Stanford business. The business connection must be adequately explained and documented in the University’s records. Documentation must include:

      i. The **Business Purpose**, which should clearly and without need for interpretation:
         1. Explain how the business expense is connected to the University and supports its mission; and
         2. Include sufficient documentation to support the business purpose and alignment to the purpose of the funds, such as agendas or travel itinerary.

      ii. Documentation demonstrating that the amounts incurred are reasonable based on the facts and circumstances, and specific explanation when they have deviated from University guidelines.
b. Timeliness of Transaction

Expenses should be submitted immediately and no later than 60 days after being incurred (e.g., return date from trip), or a reasonable explanation must be provided for an exception to be granted. Reimbursable expenses that are submitted after 60 days will be reported as taxable income to the IRS.

c. Non-employee Travel: Students and Visitors

In addition, if the individual incurring the expense is not an employee of the university, additional requirements apply:

i. An undergraduate, graduate or post-doctoral student incurring the travel expense must be certified as traveling on University business by the appropriate signatory (insert link). Review Student Travel policy on Fingate [8].

ii. Expenses incurred by foreign visitors may only be reimbursed if the visitor enters the United States on an appropriate visa (see Guide Memo 2.4.1: Visas for and Employment of Foreign Nationals [9]).

4. Examples: Appropriate and Inappropriate Business Expenses

a. Examples of Appropriate Business Expenses

i. Business-related airfare, lodging, travel meals, transportation, and conference registration fees;

ii. Business meals at a restaurant or catered by an approved supplier, attended by those necessary to achieve a business outcome;

iii. Occasional employee morale activities, local retreat and team-building events.

b. Examples of Inappropriate Expenses

i. Spousal travel, unless approved in advance by the Provost;

ii. First class airfare, unless business class would be allowed under policy but is not available, in which case, it must be booked through Stanford Travel;

iii. Gifts to individuals, for example for birthdays and baby showers (excluding service awards);

iv. Personal membership and club fees, such as airline clubs and individual Stanford Faculty Club dues;

v. Personal items included in a purchase of items to be owned by Stanford.

5. Resources

a. Please visit the Travel Policy page [10] on Fingate for specific information on expense guidance and limits for travel and travel-related procedures.

b. SLAC travelers should contact the SLAC Travel Office [11] for more information.