

Guidance on Supporting Documentation for Employee Expense Reports

Introduction:

The purpose of this document is to provide assistance from an audit perspective as to what constitutes adequate supporting documentation for travel and conference expenses reported on Employee Expense Reports.

Expenses incurred personally which are reimbursed by the University are subject to University policies and procedures. The University is subject to IRS guidelines for the proper classification of its business expenditures. This document provides guidance for helping ensure compliance with applicable University policies and procedures and IRS regulations, as well as providing best practice recommendations for ensuring supporting documentation is sufficient.

▪ **Form Revisions:**

- The Controller's Office makes periodic revisions to their forms. Best practice is to ensure use of the most current version by regularly checking Finance's webpage.
<http://www.rochester.edu/adminfinance/finance/finforms.htm>

▪ **Business Purpose Explanations:**

- The business purpose section of the employee expense report should provide an explanation of the underlying reason for the submitted expenses and should address the question "why are these expenses being charged to a University account?" Simply restating "what" the expenses are does not constitute a properly completed business purpose section.
- All acronyms should be spelled-out.
- Expense reports for meals other than for the employee being reimbursed requires additional documentation, including: the names of the individuals attending, their affiliation to the University and the business purpose for the additional meal expense.

▪ **Receipt Guidance:**

- Every attempt should be made to obtain receipts regardless of dollar amount or type of expense.
- Obtain original itemized receipts (i.e. Hotel bills, airfare receipts, detailed restaurant receipts, etc.).
 - Credit card statements or credit card transaction receipts are insufficient documentation as they do not provide adequate detail to support the business expense.
 - Detailed hotel receipts substantiate the daily charges and provide documentation to determine that any incidental expenses submitted for reimbursement are appropriate business expenses.
 - Detailed / itemized meal receipts are necessary so that alcohol purchases can be appropriately recorded under sub code 2059. Alcohol is an unallowable cost for government sponsored program and therefore must never be charged to any sub code on any ledger 5 account.
- All expenses submitted for reimbursement must be based on actual cost.
 - Daily "per diem" rates should not be used unless a special approval has been granted by the Controller's Office.
 - The "\$25 meal rule" relates only to when a meal receipt is required. All amounts requested for reimbursement must be based on actual cost, including meals costing \$25 or less.

- **Guidance for Determining Whether an Expense Is Reasonable and Appropriate:**
 - Obtaining “proof of attendance” is a best practice for documenting that a traveler attended the conference or seminar for which they were traveling. Ideally this could include a copy of a Certificate of Completion (if provided) or a copy of the certificate awarding Continuing Professional Education credits (if applicable). This could also be accomplished by including the conference brochures or other agendas distributed at the event.
 - Boarding passes are recommended as a best practice to be included with receipts for air travel.
 - When extra days are added to a trip for personal reasons, it is important to remember that only the business portion of travel related expenses may be reimbursed by the University. This also precludes reimbursement of unnecessary expenses incurred while traveling, such as a car rental that is not logistically required for the business event.
 - Meals, hotels and similar expenses submitted for reimbursement and charged as University expenses should be at a reasonable cost in consideration of the University’s business purpose for the specified event.

- **Approvals:**
 - As per University policy, employee expense reimbursements should be approved by the employee’s next-level up supervisor. The employee’s supervisor is typically in the best position to question expenses that may seem inappropriate or excessive. This includes all Principal Investigators, department chairs, directors, vice presidents and other senior management.
 - In addition to the next-level up, the approver for faculty and staff reimbursements should also include the individual who is fiscally authorized/responsible for the ledger account to which the payment is being charged or their delegate. For sponsored programs, the fiscally responsible person is the PI. (Note: In some cases the fiscally responsible person may also be the next-level up supervisor).
 - Often times the fiscally responsible person and / or the next-level up supervisor is not familiar with the policies and procedures for the proper and accurate completion of the Employee Expense Report form. In these cases a third person such as an administrator may need to review the form to ensure proper supporting documentation and accurate calculation prior to obtaining the formal approval from the fiscally authorized/responsible and / or ‘next level’/supervisor.
 - See **Appendix A** for acceptable signature authorization options for faculty and staff in supervisory roles.

- **Document Flow:**
 - Document Flow - Upon approval of any expenses, the authorized approver should submit a copy of all approved documentation (i.e. travel and conference reports, etc.) directly to the individual reconciling the ledger. Allowing the requestor to submit the approved documents directly to the Reconciler breaks the chain of approval as it enables individuals to submit forged or altered documents. Document flow in conjunction with financial analysis, ledger review and ledger reconciliation create a basis for adequate oversight and monitoring to help ensure the proper approval of documents.
 - The Reconciler should not accept copies of documents directly from the requestor. If the Reconciler has a ledger charge without matching paperwork, they should request that documentation from the approver.
 - If the Reconciler obtains the documentation from the requestor, they should validate the authenticity of the document with the approver.

▪ **Missing Receipts and Documentation:**

- University policy states that “the University traveler should neither gain nor lose financially”. In some instances original receipts are misplaced or not obtained. In these circumstances, the traveler can still be reimbursed with the submission of a written explanation accompanying the expense report. However, this allowance should be the exception and not the rule. Expense reports with missing original documents justified by written explanation should be submitted via intramural mail to Accounts Payable for review and reimbursement, and not be presented at any of the cashiering locations.

▪ **University Travel & Conference Policy:**

- Below is the link to the University’s Travel & Conference Policy. All faculty and staff that travels, or that is responsible for reviewing and / or approving expense reports, is encouraged to review it.

<http://www.rochester.edu/adminfinance/finance/trvlpolicy.htm>

APPENDIX A: Approval Options for Supervisor 'Employee Expense Reports'

Purpose:

The following are acceptable options for obtaining review and approval of the Employee Expense Reports of faculty and staff who are in supervisory positions.

Acceptable Options:

Option 1 – Next Level-up Approval for all Expense Reports

(This would be considered the ideal control environment)

1. The supervisor could have an Administrative Assistant (AA) or other staff member perform the following:
 - ◇ Prepare the expense report on behalf of the supervisor, listing the supervisor as the payee / requestor.
 - ◇ Provide a preliminary review of the expense report from a completeness and policy compliance perspective, ensuring that:
 - All supporting documents, including receipts, invoices, packaging slips, purchase orders, etc are attached.
 - Account numbers and sub codes are accurate.
 - The expense report is mathematically correct.
 - The correct/current form is being used.
 - The Business Purpose section is complete (details would be needed from the supervisor).
2. The supervisor would then review and sign the expense report, as the requestor, and submit it to his manager for approval.

Option 2 – Next Level-up Approval Authority Fully Delegated to an Independent Staff Member

(There is a *moderate level of risk* assumed by the supervisor's manager when choosing this option)

1. The supervisor could have his AA or other staff member perform the following:
 - ◇ Prepare the expense report on behalf of the supervisor, listing the supervisor as the payee / requestor.
 - ◇ Provide a preliminary review of the expense report from a completeness and policy compliance perspective, ensuring that:
 - All supporting documents, including receipts, invoices, packaging slips, purchase orders, etc are attached.
 - Account numbers and sub codes are accurate.
 - The expense report is mathematically correct.
 - The correct/current form is being used.
 - The Business Purpose section is complete (details would be needed from the supervisor).
2. The supervisor would review and sign his expense report, as the requestor, and submit it to a direct report of his manager for approval. (This individual would be designated by the manager).
3. This designated approver would have the responsibility to bring any inappropriate items to the manager's attention and these items would be resolved directly by the manager with the supervisor.

4. The individual who delegates authority must establish a periodic monitoring process to ensure that the transactions approved by the delegate are appropriate business expenses for the department and account charged.
5. This approver could also prepare a periodic summary (frequency to be determined by the manager) of all of the supervisors' expense reports detailing date, summary description of the expense and dollar amount. The manager could receive this report and review it to determine if further inspection of any one or more reimbursements is necessary.

Option 3- Next Level-up Approval Authority Partially Delegated to a Non-Independent Staff Member Using a Dollar Amount Threshold

(There is a *higher level of risk* assumed by the supervisor's manager when choosing this option)

1. The supervisor could have his AA or other staff member perform the following:
 - ◇ Prepare the expense report on behalf of the supervisor, listing the supervisor as the payee / requestor.
 - ◇ Provide a preliminary review of the expense report from a completeness and policy compliance perspective, ensuring that:
 - All supporting documents, including receipts, invoices, packaging slips, purchase orders, etc are attached.
 - Account numbers and sub codes are accurate.
 - The expense report is mathematically correct.
 - The correct/current form is being used.
 - The Business Purpose section is complete (details would be needed from the supervisor).
2. The supervisor would then review and sign the expense report, as the requester.
3. Depending on a pre-determined dollar amount threshold, the supervisor would submit his expense report to either his direct report for signature approval, or (if the total reimbursement exceeded the threshold), to his next level-up manager for signature approval.
4. The manager would have an understanding with the supervisor's direct report that he/she would have the responsibility to bring to the attention of the manager anything that appeared inappropriate for expense reports below the stated limit. These items would be addressed directly by the manager with the supervisor.
5. The individual who delegates authority must establish a periodic monitoring process to ensure that the transactions approved by the delegate are appropriate business expenses for the department and account charged.
6. The direct report could also prepare a periodic summary (frequency to be determined by the manager) of the expense reports under the stated dollar amount which details date, summary description of the expense and the total dollar amount. The manager could receive this report and review it to determine if further inspection of any one or more reimbursements is necessary. The manager could also determine if there is a need to adjust the dollar limit threshold.