

Responsibilities and Best Practices for the Higher Level Approver as stated in the Travel Policies dated May 1, 2009

Travel and Entertainment (T&E) Policies- Higher Level Approval Update 2/24/09

In response to increasing external scrutiny of non-profit and higher education activities, including expense reimbursements, "higher level approval" was required effective July 1, 2008. Higher level approval is a best practice reimbursement control that generally requires a supervisor to authorize the incurrence of the expense, ensure policy compliance, and sign and document their authorization and approval on the reimbursement form. In the case of academic staff, higher level approval is generally performed by the appropriate academic personnel that are most familiar with the business purpose of the reimbursement (e.g. Department Chairs, Deans).

Higher level approval is considered a strong business practice that will promote a control and cost conscious culture in which the travelers, administrators and the higher level approvers work collaboratively to:

- Ensure that reimbursements are limited to reasonable expenses that are necessary to meet Penn's academic mission requirements in accordance with Penn policies and procedures,
- Ensure timely submission of properly approved and documented reimbursement requests for processing
- Prevent fraud and abuse
- Meet external documentation requirements including those required for IRS compliance. Improperly documented reimbursements, including authorization and approval, could result in personal tax implications to the traveler and corporate tax implications to Penn.

Each school and center has been establishing a hierarchy of responsibility for preparation and approval of T&E reimbursements including requests for cash advances. This process has taken longer than originally anticipated. To avoid reimbursement delays, the Individual Disbursement Services Group (IDS), has been processing reimbursements without enforcing the new higher level approval requirement.

In addition, Individual Disbursement Services conducted an analysis of expense reimbursements and the average cost per reimbursement to determine if there was a way to reduce the additional administrative time required by higher level approvers. They determined that higher level approval can be limited to T&E expenses related to the same trip or event that equal or exceed \$500. The \$500 threshold is expected to reduce the number of T&E reimbursement forms requiring higher level approver signature by nearly two-thirds while still promoting the desired control and cost conscious culture.

As a general rule, reimbursements of \$500 or more will require three signatures: 1) the traveler, 2) the TAC holder, and 3) the higher level approver. If you are not sure about the approval hierarchy in your school or center, or the definition of the higher level approver please contact your senior financial officer.

The requirements for higher level approval on Advance Justification Forms (C-7A) and T&E Reimbursement Justification Forms (C-5) are not affected by this threshold and will still require higher level approver signature. Higher level approval of all cash advances is important to ensure that they are necessary (incidental reimbursable cash expenses should not be advanced) and are

limited to circumstances where other alternatives are not available and to mitigate the related high control risk. In addition reimbursements to Vice Presidents, Officers, Deans of the Schools and Directors of the Resource Centers, which are subject to a separate external audit, still require higher level approval regardless of the amounts involved.

This change to the policy is effective May 1, 2009. As in the past, school/center personnel must work collaboratively to ensure compliance with this and other policies before submission to IDS for processing. All Travel & Entertainment forms (C-1 and C-7) received after the effective date without the required higher level approval will be returned to the originating department.

Responsibilities of the Higher Level Approver as stated in Policy 2351

Schools and Center Responsibility

The head of the school or center (e.g. Provost, Deans, and Vice Presidents) have ultimate responsibility for their respective organizations to ensure that anyone traveling or entertaining on behalf of the University is aware of, and will abide by, all of the University's T&E policies and procedures for completing and documenting reimbursement requests.

Each school and center must assign a hierarchy of responsibility for the preparation and approval of travel and entertainment related reimbursement or advance requests. At a minimum, when travel and entertainment expenses related to the same trip or event equal or exceed an aggregate amount of \$500, review and approval must be documented by someone at a higher level of organizational responsibility familiar with the activity on each reimbursement request submitted. All reimbursement requests, regardless of the amount, must also be reviewed and approved by the appropriate Transaction Authorization Card (TAC) holder.

Higher Level Approver Responsibility

In conjunction with departmental financial administrators, the higher level approver must ensure that the:

:

- T&E expense was incurred while conducting authorized University business,
- T&E expenses were necessary, reasonable and consistent with University policies and the stated business purpose,
- supporting justification forms were reviewed and accepted as containing valid reasons, and
- the expenses meet any and all sponsored program guidelines, if applicable.

The Higher Level Approver must review and sign the reimbursement request(s) when travel and entertainment expenses related to the same trip or event equal or exceed an aggregate amount of \$500.

As stated on the Reimbursement Justification form, the higher level approver is someone at a higher level of organizational responsibility familiar with the activity and, with regard to specific expenses, the Higher Level approver must be the head of the school or center (or designated representative). (see page 6)

Best Practices for Higher Level Approvers

Travel is an essential part of meeting the University's objectives and represents a business expense that must be managed to meet operational needs and various compliance requirements. Travel and Entertainment expenses requested for reimbursement must be in support of University business, be reasonable, and be in accordance with established University policies and procedures. Higher level approvers are expected to work with and support TAC holders in their efforts to review expenses and enforce University policies and procedures.

Additionally it is important that these policies are consistently applied to all travelers. Expenditures should be sufficiently organized, documented, reviewed, and approved to ensure the traveler is being reimbursed on a timely and accurate basis. Compliance requirements include University policies and procedures (see the University of Pennsylvania Financial Policy Manual at <http://www.finance.upenn.edu/vpfinance/fpm/>), IRS accountable plan rules regarding documentation of expenses, timeliness of submission, and handling of advances, as well as specific requirements related to sponsored project funded travel.

Listed below are recommended "Best Practices" with regard to the review of T&E Reimbursement (C-1/C-1A) and Travel Advance Request (C-7) forms for faculty, staff, students and non-employees prior to submission for processing by the central processing organization. The following "Best Practices" have been developed to help ensure compliance and consistent application of University policies and procedures:

1. **Business Purpose of Trip or Event.** Is the explanation of the business purpose sufficient for external audit purposes? Are the expenses consistent with the business purpose? Explanations such as "University Business" or "Business Meal" are not sufficient. Appropriate supporting documentation for business purpose includes, but is not limited to, conference registrations, meeting agendas, invitations, etc.
2. **Business Meals.** Was the expense of the business meal in keeping with the guest and the stated business purpose? Review the business meal expense and guests invited. Ensure that the cost is appropriately incurred in keeping with the business purpose.
3. **Sponsored Projects.** If the domestic or foreign travel expenses are charged to a sponsored project, do they follow the guidelines set forth by the funding agency or the award document/contract? Does the Fly America Act apply to this reimbursement and, if so, were the proper domestic carriers used?
4. **Advances.** Since employees are expected to incur expenses on behalf of the University and request reimbursement, **advances are issued to employees under very limited circumstances.** All Advance Requests require an approval from the higher level approver on the Advance Justification form. (see page 5)
5. **Reimbursement Justification form.** The Higher Level Approver is responsible for reviewing any attached Reimbursement Justification forms. The Higher Level Approver should decline, modify or approve the request based upon the information provided.

University of Pennsylvania
Office of the Comptroller

Travel and Entertainment Reimbursement Policy
Advance Justification (C-7A) Form

The Travel and Entertainment Reimbursement Policy expects Penn travelers and entertainers to incur expenses on behalf of the University and seek reimbursement. Travelers and entertainers can request T&E Advances **only** when circumstances are such that other payment options (see Policy 2353 for more information) are not feasible. Travelers and entertainers must document in writing the circumstances that preclude the use of other payment options and obtain the necessary approval.

All Advance requests require an Advance Justification form that contains the

- reason for the request,
- signature of the Traveler and Entertainer, and
- approval of the advance request by the Higher Level Approver.

Advance requests that require the Higher Level Approver to be the head of the school or center (or designated representative):

- All Advance requests over \$1,000
- Any Advance request for an extended period of time (three months or longer)
- All Advance requests for non-employees

Traveler or Entertainer must provide an explanation of circumstances that preclude the use of standard payment options and support the need for funds advanced to this individual:

Date of Trip: _____ Destination: _____

Dated: _____

Original Signature of Traveler or Entertainer

Printed Name of Higher Level Approver

Original Signature of Higher Level Approver

University of Pennsylvania
Office of the Comptroller

Travel and Entertainment Reimbursement Policy
Reimbursement Justification (C-5) Form

Penn's Travel and Entertainment Reimbursement Policies are designed to reimburse travelers and entertainers for reasonable expenses incurred while conducting University activities in compliance with various external guidelines including the IRS. Written T&E policies cannot address all possible T&E scenarios and reasonable expense levels under all circumstances. The purpose of this form is to document the justification for expense reimbursements not contemplated by the written policies and the related required approval. To prevent unexpected reimbursement denials, documentation and approval should generally be obtained prior to the expense being incurred. To help ensure consistency in the application of business judgment to various facts and circumstances, it is important that higher level approval is obtained for designated items.

Reimbursement requests that require the HLA to be the head of the school or center (or designated representative):

- Higher class of service than the policy permits
 - Purchased airline international business class ticket
 - Purchased airline first class (domestic or international) ticket
 - First class Amtrak ticket
 - Sedan / limo service used by employees
- Unnecessary fees (i.e. Amex card late fees, hotel no-show fees, lost ticket fees, etc.)
- Reimbursement request that exceeds 182 days

The Traveler or Entertainer must provide a narrative description of business circumstances supporting the expense incurrence and reimbursement request for items that warrant further review. Examples include, but are not limited to, exceeding meal thresholds, local meals with colleagues and missing and/or incomplete receipt documentation. The Higher Level Approver should decline, modify or approve the request based upon the information provided.

Date of Trip: _____ Destination: _____

Dated: _____

Original Signature of Traveler or Entertainer

Printed Name of Higher Level Approver

Original Signature of Higher Level Approver