

Methodist University

Purchasing Policies and Procedures

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Section 1: Overview of Methodist University Purchasing Program

1.1 Introduction

Welcome to Methodist University Purchasing. Purchasing at the University is handled in a decentralized system as opposed to centralized purchasing. In a centralized purchasing system, a central department, or purchasing agent, coordinates and controls all of the purchasing undertaken within an organization. Conversely, in a decentralized purchasing system, various employees among the many departments are authorized to make purchases. There are advantages and disadvantages to both systems. Under current conditions, the University chooses to decentralize its purchasing, empowering its departments to make purchasing decisions in accordance with their specific needs, and in alignment with their budgets.

As a non-profit 501(c)(3) in the state of North Carolina, the University is exempt from federal income tax, however we are required to pay state sales tax. It is important to maintain all records and receipts showing all sales tax paid, as non-profits can request a refund of the sales or use tax paid to vendors, or indirectly to contractors', biannually. Refund claims must be substantiated with proper documentary proof, therefore all receipts must be itemized to show all taxes paid. The sales tax can then be deducted from the amount charged against the departmental budget, as the refunded sales tax is deposited into the University general fund.

In addition to complying with general University purchasing policies and procedures, all persons conducting purchasing on behalf of the University are obligated to employ ethical behavior, comply with government regulations, provide proper transaction documentation, and ensure fiscal responsibility and budget compliance. Services that are available through various University departments should be given priority when deciding whether to hire an outside contractor.

The steps in the Buying Cycle are:

- A. Identify the need for the purchase
- B. Identify the department requirements
- C. Determine the proper method of payment (P-Card, Corporate Card, or Check). See Sec. 1.2 for additional information.
- D. Identify the Supplier(s) - A list of all vendors that have been approved to do business with the University is maintained by the Accounts Payable department. New vendors must complete a form W-9, which must be verified through Procurement Services before services or goods are provided.
- E. Invite Supplier Offers - Competitive quotes and bid proposals from vendors handling the same or similar goods and services should be secured whenever possible to ensure the University receives quality merchandise and services at the best value.

For purchases in excess of \$5,000.00, at least three quotes should be obtained from comparable vendors.

- F. Evaluate the Offers (Negotiate) – All procurement of goods and services must be done in an open and competitive environment according to University policies. All signed agreements and contracts which involve a financial commitment of \$5000.00 or more, must be forwarded to an authorized employee for approval. Employees may not execute a contract of behalf of the University unless you have received written delegated authority. Generally, all contracts and agreements must be reviewed and signed by the Vice President of Business Affairs.

An “agreement,” a “memorandum of understanding,” a “lease,” a “license”, etc., may all create legally binding contracts even if the word “contract” never appears in the document. A contract does not have to involve money (i.e. internships, confidentiality agreements, academic exchange programs) but may involve other forms of consideration (i.e. something of value). University employees who sign contracts or agreements may incur a personal liability.

- G. Agree to Terms (Procure) - Every attempt should be made to use quotes from vendors for the pre-approval of expenditures in Jenzabar. Once the work is completed, a correct payment will be paid to the vendor, assuring that the work is complete and to the satisfaction of the University.
- H. Contract Delivery (Assure Compliance) – It is the responsibility of the requestor to maintain all records of the transaction to insure compliance with University policy. Failure to comply with Procurement policies and procedures may result in loss of purchasing authority and disciplinary action.

In all cases where purchases are made in connection with federal grants or other outside funding sources, the purchasing policies and procedures of the funding source must be followed (this may include competitive pricing and regulations relating to single source providers).

Procurement Services is here to assist you through the buying cycle. Feel free to contact us for help with your purchase.

1.2 Five Methods of Purchasing

All University expenditures are to be made using these five methods of University purchasing in order to institute proper internal controls, with documentation and verification of the up-front approval process, and review of budget availability before purchases are made. The purchasing methods are listed in priority order, with P-cards being the most preferred method and check requests being the least preferred method.

A. Procurement Cards (P-cards): The Procurement Card, or “P-card” is the most preferred method of purchasing at Methodist University. A P-card is a credit card issued in the name of the employee, with pre-assigned spending limits. The University is responsible for paying the monthly bill. PCards may not be used to make purchases with grant funds.

Purchases made with grant funds require upfront approvals and can only be made through the use of a University corporate card or purchase order (only when the vendor does not accept credit cards).

The procurement card provides a more efficient, cost-effective alternative means for departments to make purchases. University employees, who are issued a procurement card, as approved by their respective Vice President, are provided the ability to make purchases on behalf of their department up to the spending limits imposed by the card. Cardholders are expected to make sound business decisions in the best interests of the University, perform their duties competently, and comply with the policies and procedures governing the P-card.

The Department Head, however, retains ultimate responsibility for purchases with procurement cards and the administration of the program within his or her department. The Department Head, therefore, is expected to make reasonable efforts to select appropriate employees as cardholders and ensure employees use the cards in a proper manner and in compliance with university policies.

The Procurement card differs from the Corporate Card in that approvals for purchases are obtained at the back end of the transactions, versus the front. Once card holders allocate their charges through the [SunTrust Enterprise Spend Platform](#), they are reviewed by the Procurement Office for completeness and then approved by Department supervisors.

B. Corporate Credit Cards: Employees who are not issued a P-card, or have insufficient limits on their P-card to accommodate a particular purchase, may secure purchases via the Methodist University Corporate Credit Card. Use of the corporate card requires an approved request that is obtained through Jenzabar. Approvals for the purchase are obtained through electronic routing of the purchase request through Jenzabar. The number of approvals required is based on the specific department or project number. In addition, all purchases over \$5,000 are routed electronically to the VP for Business Affairs for approval.

Once all appropriate approvals are received, the request is routed electronically to the Corporate Card Administrator in the Procurement Service's Office who will "load" or "authorize" the credit card with an appropriate dollar amount of credit required. An electronic notification will then be sent to the requestor alerting that the card is ready for pickup from the Corporate Card Administrator. As the limit assigned to the card is based strictly on the approved request, IT IS IMPORTANT TO NOTE THAT THE REQUEST MUST INCLUDE ALL AMOUNTS TO BE CHARGED ON THE CARD. Attempting to charge amounts above the total amount on the request form is unauthorized, and if the limit assigned to the card is exceeded, THE CHARGES WILL BE DECLINED. Therefore be sure to estimate all costs to be charged, including sales tax and shipping. Contact your hotel or car rental agency to see if they require a deposit authorization on your card. If they do, please request this amount as a separate and additional line in your Corporate Card Request.

After completing all purchases, the corporate credit card and all itemized receipts substantiating expenses must be returned to the Corporate Card Administrator. The card manager blocks the card from further use. Using the [SunTrust Enterprise Spend Platform](#) website, the card manager

allocates all expenses charged on the Corporate Credit Card to the respective departmental budgets and proper general ledger codes based on the purchase request and receipts. A monthly reconciliation of the charges to the credit card statement is prepared in the Controller's office.

C. Purchase Orders: If a purchase needs to be made from a vendor who does not accept credit cards, an employee can request the purchase by way of a Purchase Order (and subsequent check payment). Purchase Order requests are also approved through Jenzabar. The University has established accounts with a number of vendors, and can add a vendor to the system if they do not accept credit cards and are willing to allow the University to purchase on account. Certain vendors require a credit application to establish an account, and all new vendors must submit a completed Form W-9 to the University for tax reporting purposes before purchases can be made. Thus, if you wish to add a vendor to the University's system, please allow additional time to complete your purchase request.

To initiate a purchase order, the requester must complete a requisition in Jenzabar. This system captures the requester's name and department, the vendor being utilized, a brief description of the order, and an estimated cost. If the vendor is not listed in the system, the University may not have an account with them. (To add a vendor to the system, contact Gina Thornton in the Controller's Office at ext. 7013. Please note, a completed IRS Form W-9 is required to add a vendor to the Purchasing System. See W-9 form requirement under Specific Topics. Documentation of the proposed purchase price must be included with the request, i.e. a quote.)

Approvals for the purchase are obtained through electronic routing of the purchase request through Jenzabar. The number of approvals required is based on specific departments or projects. Any purchases over \$5,000 are routed electronically to the VP for Business Affairs for approval. A Purchasing Approver Chart is available on the Business Affairs Website for further detail.

Once all necessary approvals are obtained, a purchase order number is electronically assigned to the request. The requester must provide this purchase order number to the vendor at the time of purchase. The vendor's invoice must reflect this Purchase Order Number for Accounts Payable to match the vendor invoice to the items "received".

Upon receipt of merchandise or services, the requester must email Accounts Payable and officially verify receipt of the order. With this confirmation of receipt and acceptance, Accounts Payable will match the vendor invoice to the request and receipt, and process payment to the vendor. Accounts Payable is not authorized to pay vendor invoices for which the requester has not acknowledged receipt of the item(s).

D. Check Requests: If a purchase cannot be made on a P-card, Corporate Card, or on a vendor account, a Check Request may be used as a last resort. The IRS Form W-9 is required to be completed for all vendors to whom we are paying by check (see further information below). Check requests are to be used in limited, emergency situations where there are no alternative means to make the purchase. Check requests are generally used for payments to individuals who do not accept credit card payments, such as honorariums.

Requests for checks are also made through Jenzabar. Employees requesting a check must give consideration to allow sufficient approval and processing time. It is recommended that check requests be entered at least one week prior to the needed payment in order to give approvers time to access and approve the request. Supporting documentation may be uploaded as a PDF file, which will remain attached to the request through the electronic approval process and to Accounts Payable for payment.

Please note, a completed IRS Form W-9 is required to be on file before the University can pay someone for goods or services with a check. Form W-9 can be downloaded from the IRS website at <http://irs.gov/pub/irs-pdf/fw9.pdf>. Before contracting with anyone to do business with the University, please have them complete IRS form W-9, and submit it with your check request, so they can be set up within the University's Accounts Payable System.

Checks are issued on Tuesdays and Thursdays and are available for pick up after 3 p.m. All check requests must be fully approved within Jenzabar no later than 12:00 p.m. the preceding day in order to be included in the next check run. Again, please be sure to allow ample time for approvers to forward your request to the Accounts Payable department for processing.

The University only provides personal reimbursements for employee mileage reimbursements and reimbursements for entertaining students in the home. Personal reimbursements increase purchasing costs to the University, both in processing costs and through the loss of sales tax and credit card rebates, and will only be made in emergency situations of University need, and must be submitted within 30 days of the original purchase.

E. Petty Cash: Certain departments have small Petty Cash funds for infrequent, small dollar purchases, generally less than \$25.

1.3 Approvals

P-card purchases have a unique approval system, separate from all other University purchases. P-card users have implied authorization to spend within the limits assigned to their card, and in the manner agreed upon with their supervisor and University policies. Therefore, upfront documented approvals are not required for P-card purchases. Instead, P-card holders must allocate their charges and attach their receipts to the transactions via the SunTrust Enterprise Spend Platform. Supervisors will approve each transaction via the SunTrust Enterprise Spend Platform to indicate their after-the-fact review and approval. Card statements and receipts are then 100% audited in the Procurement Services Department for compliance.

All Purchase Requests other than P-card are made through Jenzabar. Once reviewed and approved by the Controller's Office, this system routes each request electronically to the required approvers, based on the department or project charged for the purchase. University purchases may require up to 5 levels of approval, based on dollar amount, and department.

For Academic Department approvals, the Department Chair and Dean of the School are required for all requests. If the request exceeds \$2999, the Provost's approval is required. If the request is over \$5,000, the Vice President for Business Affairs' approval is required.

For Non-Academic Department approvals, the Department Director and respective Vice President's approval are required for all requests. If the request is over \$5,000, the Vice President for Business Affairs' approval is required.

Agency Accounts, Special Purpose Accounts, Community Activity Accounts, Athletic Camp Accounts, and Plant Projects route through separate approvers based on the project. A Purchasing Approver Chart is available on the Business Affairs Website for further detail.

Approval Override is a last-resort means of obtaining approval for a purchase. Approvals can be over-ridden by a system administrator in the Controller's Office, but only in the most extreme of circumstances. Approvals will not be overridden in circumstances where the requester has not allowed sufficient time (minimum of 24 hours) for the approver(s) to approve the purchase or simply because the approver is off campus (Jenzabar can be accessed off campus). The request will not be overridden without approval from the respective VP.

If a requester needs a request approved, and the dean, department director, or other approver is not available, they must obtain approval for override from the approver's respective VP, and submit it (in writing or via email) to the Controller (Carol Plummer). If the VP is also unavailable, they must contact the Controller. The Controller will determine the appropriate course of action.

If an approval is overridden by the system administrator, the system administrator's name will show on the approval line, and an electronic notification that the request has been fully approved will be sent by the Jenzabar system.

1.4 Resources (Funds) available for purchasing:

There are currently five funds at the University that have the potential to pay for purchases:

- A. Operating – The majority of all purchases at Methodist University are charged to the Operating Fund which is represented by the operating budgets of the various departments. The general ledger code representing the Operating Fund is 0000.
- B. Special Purpose – Certain groups and clubs have access to charge purchases to a Special Purpose Fund. Special Purpose funds are established to track funds either donated or designated for a specific purpose. Each group or club is assigned a project number which begins with the abbreviation SP to identify the particular fund. The Controller's Office reviews all requests for purchases from the Special Purpose Fund to ensure restricted funds are used for their intended purpose. See the *Agency and Special Purpose Accounts* section of this document for a more detailed explanation of Special Purpose Funds. The general ledger code representing the Special Purpose fund is 0010.
- C. Agency – Certain groups and clubs have access to charge purchases to an Agency Fund. Agency Funds are not University funds, but are funds held and disbursed for the benefit of various entities or student organizations, such as the Accounting Club, to maintain the club's bank activities and provide accounting functions. Each group or club is assigned a project number which begins with the

abbreviation AG to identify the particular fund. The Controller's Office reviews all requests for purchases from the Agency Funds. See the *Agency and Special Purpose Accounts* section of this document for a more detailed explanation of Agency Funds. The general ledger code representing the Agency fund is 0080.

- D. Community Activity – certain University employees charged with operating various camps and community events have access to charge community activity and camp related purchases to the Community Activity Fund. Each camp or activity is assigned a project number to identify the particular event. The Controller's Office reviews all requests for purchases from the Community Activity Funds. Each Community Activity or Athletic Camp begins with the abbreviation CA or AC.
- E. Plant – certain University employees charged with plant-related purchases have access to charge such expenses to the Plant Fund. Each plant-related activity is assigned a project number to identify the particular construction or improvement-related project. Dawn Ausborn, V.P. for Business Affairs reviews all requests for purchases from the Plant Fund. The general ledger code representing the Plant Fund is 0060.

1.5 Special Accounts

Certain employees, student groups, or other associations can establish an account with the University to which they can deposit and spend funds, as well as enjoy certain benefits of being recognized by the University, including use of University facilities, printing and postage services, etc.

Two different categories of funds exist to accommodate such groups, namely Special Purpose Funds and Agency Funds. Determining which fund a group qualifies for depends on various factors. To generalize, if the University has ownership and discretion over the use of the funds, a Special Purpose Fund is appropriate. If the University does not have ownership or discretion over the use of the funds, but simply acts in a fiduciary capacity in holding and dispersing funds for the benefit of the group, an Agency Fund is appropriate.

An application is required to establish and maintain a Special Purpose or Agency account with the University, and must be filled out completely in order to direct the Controller's Office as to which fund a particular group belongs, and to assign a *Project Number* to the group for coding deposits and disbursements. The application, *Methodist University Application for Special Purpose or Agency Account*, is located under the Forms section of the Controller's Office section of the MU website.

A. Agency Funds: An Agency Fund is limited to groups whose activities are indirectly related to the University's fiscal operations. Agency Funds are available for groups who are self-governed, and independent of the University. The receipts (resources) of Agency funds are deposited with the University for safekeeping, and basic review and reporting functions are provided by the Controller's Office. The University does not have discretion as to how funds are

spent, but acts as an agent to collect receipts and remit disbursements upon instruction by the group. However, all transactions must follow University purchasing policies and P-card guidelines.

Examples of Agency Funds include student organizations, fraternities and sororities, faculty projects, and other nonprofit groups. All University-recognized Agency Funds must have a faculty or staff advisor as their sponsor. All disbursements from agency funds will be reviewed by the MU sponsor.

Student Organizations are each governed by a constitution and have a purpose compatible with that of the mission of the University. All student clubs and organizations must be approved by the Student Government Association of Methodist University prior to establishing an Agency Fund. For an application to register as a club or organization, see the *Application for Registration of a Student Organization/Club (SOC)* on the MU website under Student Affairs/Clubs and Organizations.

Agency Funds are funds belonging to entities separate from the University, and therefore do not have access to the University's non-profit status. Agency Funds may not use the University's Federal Tax ID Number for any purposes.

Both Special Purpose and Agency Funds may receive gifts from donors, however to be considered a tax-deductible gift to the University, the gift must be given to the University for the purpose of fulfilling its mission, rather than for the University to distribute to a specific beneficiary, association, or student organization. Therefore, most gifts to Agency Funds are not tax deductible gifts to the University and are not recognized as such by the University. Charitable contributions to Methodist University are recorded in a Special Purpose Fund, and the University retains ownership and discretion as to the beneficiary of such funds.

Gifts made for specific individuals or associations, using the University as a conduit, are not considered charitable contributions to Methodist University, but belong to the individual or association, and are merely held by the University on behalf of the individual or association in an Agency Fund. Agency Fund income and expenses are the responsibility of the individuals/groups, and are not income and expenses of the University. Therefore donors making contributions to Agency Funds will not receive a charitable tax deduction from the University. The tax deductibility of gifts to Agency Funds is based on the tax status of the individual Agency organizations.

B. Special Purpose Funds: A Special Purpose fund is limited to groups whose activities are directly related to the University's fiscal operations. The University retains ultimate discretion as to the beneficiary of such funds. The fund is used primarily for two purposes:

1. To track the receipt and appropriate spend of contributions restricted by donors to various programs of the University. Examples would include donor contributions restricted to purchasing equipment for the Science Lab, contributions restricted to support the Music Department, or contributions to buy t-shirts for the Baseball Team. Restricted donor contributions are earmarked within the Special

Purpose Fund as *Temporarily Restricted*, as the funds are temporarily restricted by donors, until spent for the purpose for which they were contributed.

2. To track University funds designated by the University for its various programs. For example, if the Baseball Team sells candy, and is authorized by the President of the University to use the funds outside of the Baseball operating budget, the Baseball Team may deposit the candy sales in a Special Purpose Fund for future use, and spend from those funds without affecting the operating budget. These funds were provided by University operations, rather than donors, and are thus earmarked within the Special Purpose Fund as *Unrestricted* (University money) rather than *Temporarily Restricted* (donor money).

It is possible to have both *Unrestricted* (designated University funds) and *Temporarily Restricted* (donor restricted funds) in the same Special Purpose Fund, if both University money and donor money is granted to the fund.

1.6 Coding of University Expenses

As mentioned, various funds exist within the University's chart of accounts to pay expenses. The account structure of the University is comprised of 5 required segments, and a 6th segment in special situations. The required five-segment account code is represented as:

XXXX-XX-XXXX-XXXX-XXXX.

1. XXXX - the first segment contains the four-digit fund code (i.e. Operating, Special Purpose, or Agency). See the Explanation of Funds section of this document for further detail on each fund.
2. XX - the second segment contains the two-digit function code, and is based on the function of a particular department (i.e. Instruction, Student Services, Administration)
3. XXXX - the third segment contains the four digit department code (i.e. Sociology Department (3620), Vehicle Maintenance (4600), etc.)
4. XXXX – the fourth segment contains the four-digit gl (group) code, or object (i.e. supplies (5800), postage (5520), travel (5940))
5. XXXX - The fifth segment contains the four-digit sub-group code, or subobject. This code further explains segment 4 or the object. For example, a subobject for supplies may be minor equipment (5802) or medical (5803).
6. XXXXXX - The possible sixth segment is only required when a project number is necessary. Project numbers are generally associated with a particular fund or student club, special purpose fund, or improvement account. AG annotates an agency project number, SP annotates a Special Purpose project number, CA annotates a Community Activity, and AC annotates an Athletic Camp.

1.7 Budget Authorizations

All departments are assigned an operating budget for each fiscal year. Jenzabar performs a budget-check when a request is submitted. This budget-check feature checks the available funds for a department as a whole (rather than by individual line items, such as funds available for travel, for supplies, etc.). If a request exceeds the remaining available budget funds, the system will display an over-budget message. Purchases may only be made if budget funds are available. If a department exceeds their operating budget, they should immediately alert their appropriate VP or School Dean for additional guidance. Every department is expected to maintain their annual expenses within budget.

Budget to Actual Reports are available from the Jenzabar Web portal. The budget report shows both Encumbrances (which are *committed* funds) and Actual Expenditures compared to the Operating Budget, and shows the remaining budget funds available. Encumbrances are “estimates” applied against the budget for all approved Purchasing requests, for which the actual invoice has not yet been received. Actual Expenditures include actual vendor invoices and P-Card charges posted to the system. When a requisition is created, and budget funds are thus committed, the request is encumbered against the budget. After the item is received, the actual invoice is entered by Accounts Payable with a corresponding actual expense recorded, and the original encumbrance estimate is reversed.

Jenzabar also performs a check for available funds for the Special Purpose and Agency Project Funds. Requests will be denied by the Accounting Department reviewer if the Special Purpose or Agency account does not have sufficient available funds to pay for the purchase. Special Purpose and Agency funds must have available funds to cover their expenses. These accounts are not permitted to over spend the available balances.

1.8 Budgeting – Explanation of encumbrances and year-end purchasing cutoff

Encumbrances: An Encumbrance is the name given to funds that have been reserved when a purchase requisition is entered in the Accounting system. When a requisition is processed, funds are placed aside for that transaction. Those funds are no longer available for use in other transactions, but also have not been included in the Actual Funds balance because a payment has not yet been generated and the funds have not physically left the University. The purpose and main benefit of encumbrance accounting is avoiding budget overspending. These commitments are shown as *encumbrances* in a Department’s budget reports.

Actual expenses: When the vendor invoice is posted, the encumbrance is reversed and the funds will appear under the Actual funds balance instead of as an Encumbrance balance. P-card charges, corporate card charges, and vendor invoices posted to the system, are actual expenses that have already been incurred, and are shown as *actual expenses* in a Department’s budget reports.

A Department’s *actual expenses* and *encumbered/committed* expenses are compared to its Operating Budget to determine the *remaining* funds available for future expenditure or commitment.

A. Year-end purchasing cutoff:

1. P-Card and Corporate Card Purchases: The University's fiscal year ends on June 30. P-card and Corporate Card purchases that **post** before the 1st of July to the Credit cards statement will be recorded in the current year-end June budget. P-card and Corporate Card Purchases that **post** on or after July 1st to the July Credit cards statement will be recorded in the next-year July budget. When making purchases using the University P-Card, be aware that charges you make on one day, may not post to Credit cards until a day or two later. If it is important that credit card charges fall in the current year-end June budget, make the charges several days before the end of the month to ensure it posts on the June Credit cards P-Card statement.
2. Purchase Orders and Check Requests: Purchase Order and Check Requests that are FULLY approved within Jenzabar prior to noon June 30 will count towards the current fiscal year budget, as long as items are ordered, and vendor invoices are received and processed by Accounts Payable by July 31. Accounts Payable cuts off at July 31 for year-end audit purposes. Exceptions to this cutoff are extremely rare and only for very significant dollar items, so ensure your purchase order requests for items that should be in the current fiscal year budget are FULLY APPROVED before June 30 and ordered in time for the vendor to bill by July 31.

This process appears confusing on the budget reports between encumbered items and actual invoices. If an item that was fully approved and encumbered before June 30 is shipped or physically "received" after June 30, the actual invoice is keyed as a next-year July expense in the actual column of your next year/July budget report due to audit requirements. However an encumbrance reversal for the amount of your fully approved request will show as an offset in the encumbrance column of your next year/July budget report, so that the invoice does not affect your next year/July budget.

Occasionally, goods or services that are to be received in the next fiscal year, and charged to the next year budget, must be fully approved and ordered shortly before the current fiscal year end. An example might be the ordering of custom-made furniture or equipment that must be ordered in June to guarantee installment by the start of school in August. As Jenzabar will encumber the requisition in June, the purchaser will need to request an *encumbrance adjustment* from the Controller's Office to move the encumbrance to the next year's budget. Such adjustments are only made in limited circumstances when the dollar amounts are significant, and the order cannot wait until the next fiscal year. In order to make this adjustment, the Encumbrance Adjustment Request Form located on the Methodist University website under the Controller's office, must be submitted, with all required approvals, to the Controller's Office no later than July 15.

1.9 Conflicts of Interest

Employees are expected to conduct their affairs so as to avoid or minimize the potential for conflicts of interest. The purpose of this policy is to educate individuals about situations that generate conflicts of interests. A conflict of interest is a conflict between a person's self-interests and their professional duties in relation to the University. A conflict of interest exists when a University representative's direct or indirect personal interests are inconsistent or interfere in any way with the best interests of the University. A few examples of where a conflict of interest may occur include:

- A. Owning stock or holding debt or other proprietary interests in any third party dealings with the University.
- B. A director, officer, or trustee voting on a contract between the University and a business that is owned by the director, officer, or trustee.
- C. Receiving payment or compensation for services with respect to individual transactions involving the University.
- D. Using University time, personnel, equipment, supplies, or good will for other than University-approved activities, programs and purposes.
- E. Receiving personal gifts or loans from third parties dealing with, or competing with, the University. Receipt of any gift is disapproved except gifts of a value less than \$50, which could not be refused without discourtesy. No personal gift of money should ever be accepted.
- F. Departments are not to make University purchases from employee-owned businesses without prior, documented approval from the Vice President of Business Affairs.

The examples above are not exhaustive. Conflicts might arise in other areas or through other relations. It is assumed that employees will recognize such areas and relation by analogy.

Annually, all employees with purchasing responsibilities will be requested to complete a Conflict of Interest Disclosure Form in which any potential conflicts will be disclosed. These forms are submitted to the Procurement Services department for review and subsequently referred to the University Audit Committee for review and discussion. If a situation arises that raises questions of conflict of interest, employees are urged to discuss the situation with their Department Chair, Dean or the Vice President of Business Affairs. Also, see our *Conflict of Interest Policy and Disclosure Form* on the University's website for further information.

1.10 Bank Accounts

The opening and maintaining of any bank account for University purposes is strictly prohibited without the approval of the Vice President for Business Affairs. All student organizations must maintain their banking activities with the Controller's Office through use of an agency account. Use of personal accounts is not permitted.

1.11 Cell Phones

The University does not own cell phones for the use of individual employees, nor will the University pay invoices for services provided by vendors classified as cell phone providers. Payment to cell phone providers via a University corporate or procurement card is prohibited. If a supervisor determines a university employee's job duties include the frequent need for a cell phone, the employee may be eligible for an allowance to cover cell phone expenses, which may be requested using the *Cell Phone Allowance Request Form*. The request may be made any time during the year, but must be reviewed and renewed at the beginning of each fiscal year (July 1). The allowance will be paid monthly via payroll with the expense charged against the departmental budget. Supervisors and appropriate senior staff members must approve the cell phone allowance. In all cases for approval, the employee is required to be on-call (24/7). The following guidelines should also be considered when identifying the need for a cell phone allowance:

- Safety requirements indicate having a cellular phone is an integral part of performing duties of job description.
- More than 50% of work is conducted in the field.
- Required to be contacted on a regular basis.
- Critical decision maker.

More information about cell phone allowances is available within the *Cell Phone Allowance – Further Information* form.

1.12 Contributions to Others

As a general rule, Methodist University does not make contributions to outside agencies (charitable, educational or other). Methodist University is a 501(c)(3) educational organization, thus all of our revenues, whether from student tuition and fees, donor contributions or other sources, must be used to support the mission of the University.

University Agency and Special Purpose accounts may make contributions to outside charitable or educational organizations, provided that such contributions are funded from monies collected or raised by the members of the organization connected to the Agency or Special Purpose account. Monetary contributions may not be funded with SGA Grant funds, donor contributions, or any other University revenues.

1.13 Entertaining Students in Homes

The University encourages faculty and staff to entertain students in their homes. The home atmosphere broadens the university experience for students by providing an opportunity for conversation in a relaxed venue.

The University will reimburse meal-related costs up to \$8.25 per student entertained once each semester per course. This policy will also cover faculty/staff when they are entertained along with groups of students, but it does not reimburse for entertaining students in restaurants. In cases where it is warranted, events may be catered, but you must still adhere to the \$8.25 per student policy. Expenses for entertaining students in the home are paid for personally by the employee, and reimbursed by the University or purchased using the employee's p-card. This is a special exclusion from the University's policy prohibiting personal reimbursements. If you have a p-card, please use your p-cards to purchase meal-related expenses rather than requesting reimbursement for purchases made personally.

If you use your p-card, please complete the Interdepartmental Transfer Form to have the expenses transferred to the President's Discretionary Fund. Be sure to include copies of the receipts (keep your original receipt for your p-card statement), along with the number of persons entertained, supported by a list of names of the group entertained. However, any expenses in excess of \$8.25 per person must be reimbursed to the University immediately following the purchase.

If you personally purchase meal-related expenses, please send the receipts, which should include only the items purchased for the meal (no personal items), to the President's Office along with the number of persons entertained, supported by either a list of names or name of the group entertained. The expenses will be charged against the President's Discretionary Budget (they may not be charged to departmental budgets). You will be issued a check for reimbursement.

1.14 Hospitality, Promotional/Marketing, and Prizes and Awards Policy

As a private, non-profit institution, Methodist University is entrusted with funds from various constituencies. In order to carry out its mission, the University must demonstrate prudent judgment when expending funds. Therefore, a valid business purpose must exist for all expenditures of University funds.

Hospitality expenses (object 5200) are defined as purchases (other than food) such as entertainment services, promotional items, gifts, awards and service recognition (other than employee compensation), or other purchases for events with the purpose of promoting and furthering the mission of the University. Any purchases of food should be expensed to the Travel, Meals, and/or Conferences (object 5940). Hospitality expenses should be reasonable in amount, appropriate to occasion, and serve a purpose that is consistent with the mission and fiduciary responsibilities of the University.

When determining whether a hospitality expense should be incurred, the approver must

evaluate the importance of the event in terms of the costs, the benefits derived from such an expense, the availability of funds, and any alternatives which may be equally effective in accomplishing the desired objective. Alternate funding sources, if available, should be evaluated for use in lieu of departmental budget funds. Such alternate funding sources may consist of agency or special purpose funds or personal student/faculty/staff receipts.

The decision to provide department clothing, such as shirts, jackets, etc., to students should be carefully weighed to determine the effect on the operating budget. It may be necessary to cost share with the student to remain within the funded limits and purpose of the department operating budget.

Hospitality expenses that are personal in nature may not be paid with University resources. Examples include, but are not limited to: expenses related to employee or student birthdays, weddings, anniversaries, individual graduation gifts, and baby showers, etc. (see exceptions under C. Flowers below).

Examples of hospitality expenses include:

Gifts of appreciation or recognition to outside parties or persons other than employees of the University. For example, a guest lecturer for a special event for which an honorarium stipend is not provided but a thank you is warranted.

- A. Prizes and Awards – something given without an expectation of repayment for recognition for superior performance in a competition or contest. The prize/award must be given as the result of a contest or a random drawing for which chances to win do not have to be purchased (raffle). Raffles for which a chance to win must be purchased are illegal and prohibited by University Policy.
- B. Receptions sponsored by the University (i.e. Advisory Board meetings, special events)
- When determining whether to provide food for an event, consideration should be given to the various cost options associated with each type of meal, reception, lunch, or dinner, in addition to the cost of hosting the event on-campus versus off-campus and with regard to the financial impact on the departmental budget. The most cost effective option should be determined before financially obligating the University for such expenses. Meals or refreshments should be coded to Travel, Meals and/or Conferences in the allocation of these expenses (gl code 5940-5942)
- C. Flowers – Generally, the purchase of flowers paid with University resources is acceptable only if purchased by the President's Office (for employees), Student Affairs (for students), and Advancement (for development purposes). Flowers may be sent to outside parties in lieu of stipends or gift cards as an expression of thanks for those providing a service to the University. Other examples of honoraria that may be purchased in lieu of stipends or gift cards to outside parties are gift/fruit baskets and University giftware, etc. Honoraria to outside parties must be reasonable in that the purchase reflects a prudent decision to incur the expense on behalf of University business and is not extreme or excessive

- D. See Gift and Gift Card Policy – Section 4 of Methodist University Purchasing Policies and Procedures. (gl code 5200-5208)
- E. Promotional Items – Items that display the name, logo, or other icon identifying the University. To reduce per unit cost of promotional items and duplicate or excessive spending, departments are encouraged to collaborate with each other in consolidating orders to gain purchasing power and potential discounted pricing on when purchasing promotional items for special events, such as student orientation fairs.
- F. Giveaways - During special events, some employees may want to offer giveaways to those who attend the event. Please be aware that gift cards (see Gift and Gift Card Policy) are the same as cash and should be treated as such. Decisions concerning giveaway expenditures should always question whether the proposed expense represents an appropriate use of University resources. The recipient's name must be annotated on the purchase receipt or PCard statement.

1.15 Interdepartmental Transfers

The Interdepartmental Transfer Form, available on the Business Affairs website under forms, may be used to transfer purchases made by one department to another, with concurring approvals by both departments.

Approved transfers are reflected in budget reports after the original charge has been posted. After the transfer is processed, the transfer can be verified on the MyMU portal and within each department's budget reports.

1.16 IRS Form W-9 requirement for all vendors/payees

Before the University can pay someone for goods or services (excluding students and employees) IRS Form W-9 must be on file for the vendor/payee. This is a common business procedure, and all vendors should be familiar with this requirement. Form W-9 can be downloaded from the IRS website at <http://irs.gov/pub/irs-pdf/fw9.pdf>, or from the MU website under Business Affairs. The completed Form W-9 provides the University the vendor's taxpayer identification number, address and business name, and certifies whether the vendor is subject to backup withholding.

Before contracting with any vendor to do business with the University, please obtain a completed IRS Form W-9 from the vendor, and submit it to Procurement Services prior to your entering your check request with supporting documents, so they can be set up as a vendor within the University's Accounts Payable System. The Form W-9 should be submitted before any work is completed for the University. If just the Form W-9 alone or the supporting documents alone are sent, the request will not be processed until the missing forms are received. Both types of documentation must be sent at the same time to Procurement Services in order for the request to be processed in a timely manner.

1.17 Honorariums

An honorarium payment is a payment to a lecturer or a professional person outside of the University community (not a University faculty or staff member) as an expression of thanks. Honorariums are taxable income to the recipient and reportable to the Internal Revenue Service if the sum of annual payment(s) to the vendor is \$600 or more. As per Section 1-16 of the University purchasing policies and procedures, all vendors must provide a tax form W-9, completed and signed, to Accounts Payable before the payment will be processed. This form should be submitted to Accounts Payable PRIOR to services being rendered to prevent any potential payment conflicts.

A signed Methodist University Service Agreement form must also be provided to Accounts Payable to provide details of the service rendered to the University and the agreed upon payment information. Once the signed Service Agreement and W-9 have been verified by Accounts Payable, a check request must then be entered into Jenzabar, with the recipient's name and mailing address. Nonresident aliens doing business with the University are required to provide a completed and signed form W-8 to determine their country's tax status with the U.S.

While honorariums are taxable and will be reported to the IRS on a Form 1099 if annual payments are equal to \$600 or more, reimbursements are not taxable income. However, as a best practice, all persons receiving a check through Accounts Payable must provide a completed and signed W-9, even though a reimbursement is not reportable to the IRS. The recipient of an honorarium payment may not transfer the payment to another organization or individual. If the honorarium recipient wishes to transfer the payment to another individual or organization, they must receive the money and then donate it.

Payment to University Staff or Faculty must be processed through payroll as additional compensation.

1.18 Ordering Goods or Services on a Vendor Account

Certain vendors who do not accept credit cards, may grant an account "on credit" to the University. All purchases on account with vendors are made via Jenzabar, which provides the requester with a *Purchase Order Number* that must be provided to the vendor for reference on the vendor's invoice at the time of the order. The Purchase Order is required for payment to the vendor, as it is the only verification that the order was authorized by a University official.

Other than emergency situations, goods or services may not be ordered on account until the automated *Purchase Order Number* is obtained. The *Purchase Order Number* is assigned electronically upon final approval of the request by system-designated approvers, based on the department or project charged. The requester will receive an email through Jenzabar notifying him/her that the request has been fully approved, and providing the system-assigned Purchase Order Number.

1.19 Personal Reimbursements and Advances

The University only provides personal reimbursement of expenditures or advances for employee mileage and entertaining students in the home. Mileage reimbursements will not include mileage for on-campus travel. All other University expenditures are to be made using one of the five methods of University purchasing, in priority order, to institute proper internal controls, with documentation and verification of the up-front approval process, and review of budget availability before purchases are made.

Personal reimbursements increase purchasing costs to the University, both in processing costs and the loss of credit card rebates. Reimbursements will only be made in emergency situations of University need, must be submitted within 30 days of the original purchase, must include a written justification for the reimbursement, and must be approved by their respective Vice President and then the University Controller. Documentation of VP approval for personal reimbursement must be included with the original expense documentation at time of request.

Cash Advances may be approved under special circumstances in which there is a need for cash purchases or the Methodist P-card is not accepted, for example, foreign travel. All cash advances must be pre-approved within the Jenzabar system by the employees' budget manager. The employee has ten (10) days after receiving the cash advance, or returning from the travel event, to return any unused monies along with all itemized receipts for all expenses. Any unsubstantiated expenses or excess funds not returned within this time period are subject to inclusion as taxable income on the employees W-2.

1.20 Prepaid Expenses and Purchases made in the current fiscal year that benefit future fiscal year(s)

Occasionally purchases are paid in the current fiscal year that benefit the next or future fiscal years, such as purchasing an annual subscription covering the months of January through December. Six months of the subscription benefit the current fiscal year, and six months benefit the next fiscal year. Purchases that benefit the next fiscal year in excess of \$5,000 are *split-coded* to current year expenses for the current fiscal year portion, and *Prepaid Expenses* for the next fiscal year portion. Amounts coded to *Prepaid Expenses* will be reflected in the department's budget the next fiscal year.

1.21 Prohibited Purchases

The following types of expenses are considered inappropriate or prohibited purchases and may not be purchased with University resources.

- A. Personal use – Any expenses for personal use or items of a personal nature, or personal expenses utilized by a University employee when traveling or

entertaining University guests may not be charged against University Funds. For example, newspapers and magazines, health club fees, personal hygiene items, golf clubs, memberships to social organizations, etc.

- B. Purchases from vendors with a conflict of interest related to the University, unless specifically pre-approved by the Vice President of Business Affairs, including business owned/operated by MU employees. (see Conflicts of Interest)
- C. Alcoholic beverages, unless pre-approved by the President (see Purchases of Alcohol)
- D. Employee / Student appreciation/birthday/graduation/or condolence expenses, unless approved by and paid from President's Budget (i.e. luncheons, cards, gifts, flowers, etc). All requests for flowers to be sent to employees, business associates, etc, should be purchased by the Special Events Coordinator in the President's office. The Student Life department is responsible for purchasing flowers for students. The Advancement office may make appropriate and necessary purchases relating to cultivation of donors.
- E. Meals for employees: Meals and refreshments for employees purchased with University funds are limited to meals provided in connection with an on-campus working breakfast, lunch or dinner when employees are gathered to formally discuss University business.

Off-campus meals are permitted when conducting business with outside parties, such as university donors, private consultants, business representatives, or for the recruitment of prospective employees or students. Documentation must be provided to include the name, company, business relationship of all attendees and the business purpose of the expense.
- F. Expenses related to holiday receptions, luncheons, graduations, birthday celebrations, etc., should be paid with personal funds rather than University resources. Any department receptions should be restricted to once per year with expenditures not to exceed \$8.25 per person.

1.22 Purchases of Alcohol

University policy permits the purchase and payment of alcoholic beverages ONLY when such purchases are made in relation to official, off-campus, university related development and cultivation activities. In addition, all purchases of alcoholic beverages are subject to the pre-approval of the President.

1.23 Technology Related Purchases

All technology related purchases require the PRIOR consent of Computer Services to prevent risk to University systems and to determine the extent of Computer Services Support. Requests for computer and related purchases are submitted using Jenzabar. Technology related

purchases may not be secured through the use of the University PCard. See the [Technology Purchase Policy](#) for further information.

A detailed listing of items constituting “technology related” purchases will be maintained on the Business Affairs website and within the online system (MyMU portal).

1.24 Receiving

The University does not have a centralized receiving department. Purchases are received by individual requesters. The Accounts Payable Department requires documentation that goods have been received before the vendor is paid. ALL purchases on account with vendors are made via Jenzabar. Once purchases are received, the requester must acknowledge *receipt* of the items within Jenzabar to authorize payment to the vendor. All vendor invoices are to be sent directly to the attention of the Accounts Payable department, and not to any other University departments or employees. If you receive an invoice from a vendor, please forward to Accounts Payable immediately.

Section 2: Procurement Card Policies and Procedures

2.1 Application Process

Any Methodist University employee can complete an application for a P-card. The application, as well as all P-card forms and policies, are available on the Business Affairs section of the University website. No credit checks or personal information is required by the employee. The application must be approved by the Department Director or Chair, who will indicate the spending limitations to be placed on the card. Both the Vice President to which the employee reports and the Controller must approve the application. Before employees are issued a P-card, they must attend training and sign a cardholder agreement affirming their understanding of the P-card policies and responsibilities associated with use of the card. The Controller's Office is responsible for maintenance of the entire P-card program, and reserves the right to block or cancel any card if warranted.

2.2 Implied Authorization / Transaction Limits

For the employee, the P-card comes with an implied authorization to spend funds in a manner consistent with University policy and within the limits, agreed upon with their supervisor. When purchasing with a P-Card, employees do not need to submit a purchase order or check request and wait on the required approvals. Purchases may be accomplished immediately without the burden of the up-front approval process.

2.3 Transaction Limits

Unique controls have been developed for the P-Card program that do not exist in a traditional credit card environment. Limits are placed on the cards, as deemed appropriate by the Vice President, Department Head and the Controller, which establish certain restrictions, such as the maximum dollar amount for a single purchase and monthly maximums. Transactions may not be split to avoid the dollar limitations. Other restrictions placed on P-Cards prevent its use for certain types of purchases such as:

- Cash Advances/Cash Refunds
- Legal Services
- Controlled Substances
- Pawnshops
- Financial Institutions
- Non-business related Items
- Motor Vehicles
- Tax Services
- Technology Related purchases (See Technology Policy)
- Gift Cards (See Gift and Gift Card Policy)
- Purchases to be paid from Grant funding – Must meet the restrictions of the grant.
- Conflict of Interest vendors

These controls help ensure that the card is used only for specific purposes and within specific dollar spending limits.

Changes in credit limits can be requested by using the P-Card Change Request form available on the Methodist University website, under Business Affairs. This form must be approved by the Department Director or Chair, the Vice President to which the employee reports and the Controller before forwarding to the Procurement Services office.

2.4 Vendor (MCC) restrictions

Supplier restrictions apply through the use of MCC codes. All vendors who accept Credit cards are assigned a Merchant Category Code, or MCC code. Certain MCC codes are restricted from the P-card program, such as ATM machines, liquor stores, casinos, etc. A complete listing of MCC codes, is available on the MU Business Affairs website, including their acceptance of use by the University.

2.5 Allocating your Charges

All cardholders are required to allocate their charges on the SunTrust Enterprise Spend Platform via <https://enterprisespendplatform.suntrust.com>. Upon receiving their P-Card, new cardholders will receive a Username and Password for this website and will be provided training on how to allocate charges to General Ledger expense codes within their respective departmental budgets.

P-card transactions are uploaded daily to suspense accounts within the user's departmental budget. SunTrust Enterprise Spend Platform is the online application used to verify and allocate P-card transactions. P-card users, or their delegates, are required to allocate their charges to the proper general ledger expense and departmental budgets, using the SunTrust website. This allocation is performed, at a minimum, on a weekly basis. When allocated, all transactions should include a detailed description of the business purpose for the charge, to include such information as the reason for the purchase, conference titles, names of attendees, dates traveled, etc. Any employee allocating charges on the SunTrust website will receive separate training on the procedure.

For additional information about how to allocate, see the Enterprise Spend Platform User's Guide which gives the cardholder and/or delegate step by step directions. A copy can be requested by contacting Procurement Services at Ext. 7522. Failure to comply with this procedure may result in suspension of the Cardholders P-card privileges.

2.6 Review/Approval

Once the cardholder has allocated a charge in the SunTrust Enterprise Spend Platform, the Procurement Office will perform a review of the transaction. The transaction will be reviewed to ensure it has been correctly coded, includes a detailed description and that an itemized receipt

has been attached. Requests for any missing information will be emailed through the ESP platform to the cardholder for submission of the required information.

Once Procurement Services has completed the review process, the cardholder's supervisor will receive an email notification that the charge is ready for approval. The supervisor will approve or deny the charges in the SunTrust Enterprise Spend Platform via <https://enterprisespendplatform.suntrust.com>. The supervisor is responsible for assuring that the business purpose of each expense is valid and directly related to University business and that all expenses are documented with attached receipts. Any further documentation or explanation of expenses may be requested to verify compliance with University Purchasing Policy.

All allocations are to be completed by the 5th of the month in which the statement period ends. All approvals are to be completed by the 10th of the month in which the statement period ends. Any transactions that are not completed according to this timeline may result in the immediate suspension of the cardholder's PCard privileges.

2.7 Itemized receipts

Every charge must be supported by an original, itemized receipt. An itemized receipt shows the individual items purchased and any sales tax charged. The University is not sales tax exempt and therefore is required to pay North Carolina Sales and Use tax. The itemized receipt is required for the University to apply and receive a refund of the sales tax paid on a semi-annual basis. Any charge submitted through the SunTrust Enterprise Spend Platform without an itemized receipt will be returned to the cardholder as an incomplete submission. All purchases require an original, detailed, and itemized receipt.

2.8 100% audit

The Procurement Services Department performs a 100% audit of all P-card transactions for program compliance. Issuing credit cards provides a great convenience to University employees, but at the same time puts the University at greater risk for fraud and abuse. Using all the available limitations that can be applied to P-cards, and auditing 100% on the back-end helps provide the additional controls needed to ensure that spending is contained within appropriate limits, in accordance with departmental budgets, and that the card is used only for legitimate University purposes.

2.9 Problems with Purchases:

- A. Declined Purchase – if a purchase is not approved by SunTrust, the vendor or cardholder can call the bank directly using the number listed on the back of the card, 1-800-836-8562, to determine the reason.
- B. Returning an item – For a purchase made in person, return the item directly to the vendor and obtain a credit receipt. Cash refunds are prohibited. For purchases by

phone, mail, etc., contact the vendor for return instructions, and obtain a return reference number and receipt.

- C. Incorrect charges – The cardholder is responsible for resolving any problems with suppliers concerning erroneous charges. If the vendor does not resolve the discrepancy in a timely manner, you may dispute the transaction with the bank by calling the customer service number on the back of the card (1-800-836-8562).
- D. Fees for paying with Credit cards - when using Credit cards to pay invoices, vendors sometimes attempt to tack on a surcharge or fee for paying with Credit cards, rather than by cash or check. New regulations do allow the vendor to charge a fee between 1.5 and 4 percent of the purchase as a convenience fee. Deciding whether to use a P-card or requesting to pay by check must be considered by the purchaser before making the purchase and for the financial betterment of the University. Any questions regarding this purchasing decision can be forwarded to the Procurement Services department.
- E. Lost or stolen card – The credit card must always be kept in a secure location. The individual's name that appears on the card bears the responsibility for purchases made on their card. The individual to whom the card is issued is the only person permitted to make purchases with that card.

If the card is lost or stolen, the cardholder should contact the bank immediately at the customer service number on their monthly statement (1.800.836.8562). Then notify Sheila Keen in the Procurement Services office at extension 7522. The bank will block further use of the existing card and issue a new card and account number.

- F. Inactivity on P-card – All P-cards in which there has been no activity within a six month time span will be discontinued. The P-card Cardholder must contact the Controller with justification for the card to be reinstated.

If an employee incurs an extended absence due to illness, sabbatical, etc., their P-Card can be temporarily suspended to protect the University from fraudulent activity. Upon return, the employee should contact Procurement Services to reactivate their P-Card.

2.10 Misuse of the Card:

The following are examples of misuse of the University P-card:

- A. Personal Charge – The Methodist University P-card is not to be used for personal expenses for any reason. If the cardholder accidentally uses the University card for a personal purchase, they must reimburse the University immediately upon discovering the purchase. Reimbursement should be made in the Office of Student Accounts. After reimbursement, a copy of the deposit receipt must be presented to the Procurement Services department to attach to the transaction in SunTrust ESP. Delays in reimbursing the University may result in loss of P-Card privileges, a deduction from the employees pay by the payroll department, inclusion on the employee's W-2 as taxable income, or disciplinary action, up to and including termination of employment.

- B. Use of the P-card by someone other than the cardholder – Only the individual named on the card, is authorized to use the card. Cardholders who knowingly allow others to use their P-Cards are subject to revocation of their P-Card accounts.
- C. Splitting the transaction to avoid set limits – The spitting of a transaction to circumvent assigned spending limits on the cardholder’s account is a violation of the University Purchasing policies. All spending limits are preapproved by the cardholder’s Vice President, Department Head, and the University Controller. Any purchase above set limits may be completed with a request for a corporate card (see other purchasing methods).
- D. Employees may not accept cash on returned items. All credits for returns should be applied directly to the P-card account.
- E. Failure to allocate charges in SunTrust Enterprise Spend Platform (ESP) and provide a valid business purpose in a timely manner. All charges should be allocated, with itemized receipts attached, by the 5th of each month. Each transaction should have a description entered in SunTrust Enterprise Spend Platform disclosing the business purpose of the transaction and any other required information.

Methodist University Procurement Services reserves the right to revoke and cancel any P-card for failure to comply with the guidelines of the program. Repeated misuse of the University P-card can result in the suspension or revocation of the cardholder’s P-card. Once privileges are suspended by the Controller, the cardholder must attend a training session with the Procurement Services office and sign an updated cardholder agreement. The University Controller will make the ultimate decision of whether the cardholder’s privileges will be reinstated.

2.11 Late Allocations:

P-Card statements and completed allocations are due by the 5th of each month. Any cardholder who is unable to allocate their charges with itemized receipts by the 5th of each month is responsible for contacting the Disbursements Manager, Sheila Keen at X7522, and discussing when their allocations will be completed. All approvals are to be completed by the 10th of each month in which the statement period ends.

Any accounts from which the allocations and receipts are not completed by the 10th of the month, and no notice is provided, will automatically be suspended until the allocations are completed. Cardholders who continually do not allocate their charges, and provide itemized receipts, on the SunTrust Enterprise Spend Platform by the due date, may have their P-card privileges suspended or revoked as determined by the Controller.

Section 3: Travel Policy

3.1 Purpose and Scope

Purpose

This procedure is intended to support compliance with the Internal Revenue Service (IRS) regulations and Internal Revenue Code (IRC) definition of an “Accountable Plan” and University policies and procedures regarding travel expenses. The accountable plan rules determine which expenditures may or may not be reported as taxable income to employees, students, and other University guests. The accountable plan rules are defined and supported in the University’s financial procedures.

This Procedure provides guidance for expenses related to travel. Faculty and staff should use prudent business judgment, coupled with disciplined budgetary control, when expending University funds. Individual University departments may implement more restrictive policies and procedures, which the department should monitor and enforce.

The P-Card, Corporate Card or Check are the preferred methods of payment for University travel related expenses. For information on these payment methods, refer to the Section 1 of [Methodist University Purchasing Policies and Procedures](#). Reimbursements are only made on a limited basis and when in accordance with the University’s Reimbursement Policy.

Scope

All faculty, staff, and students who travel for business are subject to this Procedure. Travelers who are not staff, faculty, or students, but who are official guests of the University (in that their travel or other business expenses are paid directly by the University or reimbursed by the University) are similarly subject to the guidelines described in this procedure and the University’s accountable plan rules.

3.2 General Guidelines

Methodist University (MU) pays all necessary, appropriate, and reasonable business-related expenses incurred by faculty, staff, students, and other official University guests. Faculty and staff are responsible for carefully managing the University’s resources, including financial resources and should use prudent business judgement. Travel is defined by the IRS as when an employee is required to be away from their tax home (i.e. the main place of work) substantially longer than an ordinary work day and require sleep or rest to meet the demands of work. The University will pay for reasonable, appropriately documented, and properly authorized travel expenses that comply with this Travel Procedure. The sections below provide an overview of information that is applicable to any type of travel expense payment/reimbursement regardless of expense type.

3.3 Accountable Plan Rules

This Procedure is intended to meet the IRS regulations and the IRC definition of an “Accountable Plan.” Payments from the University for ordinary (a common expense that is accepted in one’s trade or business) and necessary (an expense that is helpful and appropriate; it does not have to be required) expenses, and those that are in compliance with this Procedure, can be paid or reimbursed tax-free (subject to the limitations of University reimbursement policy). Any expenses not in compliance with the University’s accountable plan, as documented in this Procedure, may be considered taxable income, subject to inclusion on the employee’s Form W-2, if not reimbursed by the employee. Under accountable plan rules, employee advances, reimbursement requests, invoices, and P-card transactions must meet the following standards:

- Faculty, staff, students, official University guests, or outside parties must pay or incur business expenses while performing services for the benefit of the University; the expenses must be business related and not personal in nature.
- All expenses must be substantiated within 30 days.
- All amounts in excess of substantiated expenses (unused money from advances) must be returned to the University within 10 days from return of trip.

3.4 Business Purpose

A complete, clear, and concise business purpose must be documented for each travel related expense to validate the need for travel. Additional documentation, such as receipts and itineraries should be provided to meet documentation requirements, and to support the business purpose.

A “bona-fide” business purpose should contain information to answer the following questions (it may not be necessary to provide answers to all questions depending on facts and circumstances):

Question to Answer Description of Information Needed	
Who	Who was present during the travel, if anyone was present other than the traveler, then document their relationship to the University. If the individual is a University employee, please document the title of the traveler(s).
What	What is the purpose of the travel?
Where	Where did the travel take place? If there are multiple locations, please list each location and the dates in attendance at each location.

When	When was the expense incurred? Please provide the dates for the overall trip and document any dates associated with multiple stops.
How	How did the travel benefit the University?

Lack of a clearly documented business purpose will result in the documentation being returned for additional information.

3.5 Documentation

Receipts- Receipts are defined as an article that shows:

- Transaction date
- Merchant/ supplier name
- Detail of items purchased or services provided
- Form of payment used (e.g., cash, check, or credit card)
- Amount
- Sales tax charged

Receipts are considered a form of substantiation (supporting documentation) to support a business expense by the IRS.

Proof of Payment- When seeking reimbursement for University related expenses (as applicable under Personal Reimbursement Policy), how the requestor paid for the goods or services is required documentation, that must be provided, before the reimbursement can be processed. Proof of payment can consist of the following:

- Canceled check—both front and back of the check
- Bank/Credit card statement—you may redact the information that is not pertinent to the transaction for which you are seeking reimbursement
- Receipt showing zero balance due with the payment method listed
- Receipt with signature of person receiving cash. Receipt must include person's name, amount and date that cash was exchanged. This is the minimal information for proof of payment only.

3.6 Responsibilities

The following information outlines the responsibilities of various parties under this Procedure:

Traveler

Those traveling on University business must abide by University policies and procedures relating to travel, as well as any department or sponsored program requirements.

The individual submitting travel expenses, whether for substantiation or reimbursement of expenses will:

- Verify that all expenses are valid and conform to University policies and procedures. Requests lacking required documentation and/or business purpose will be returned to the Traveler, Approver, Department Chair, or Dean, and may not be allowed or reimbursed.
- All Academic Faculty and Staff must complete the [Academic Faculty/Staff Travel Authorization Form](#) in its entirety, including signatures by the Department Chair and School Dean. This must be completed before any expenses are incurred for the travel event.
- Attest that expenses submitted for payment have not been previously paid, nor will be paid through another submitted expense report, cash advance, P-card transaction, or by any outside agency or other third party.
- Submit all applicable forms to the Procurement Services Office within 30 days from completion of trip. Please be advised that any reimbursements requested outside this timeline may not be reimbursed or may be considered taxable income, and reported on an employee's Form W-2.
- Remain accountable for ensuring that all expenses are incurred, and all requests for payment or reimbursement of such expenses are submitted, in accordance with this Procedure even though the employee may delegate responsibility for a form's preparation to another person.

Authorizer/Approver

Individuals authorized to approve the business expenditures of others will be responsible for administering this Procedure. Approvers must:

- Attest that the purpose of the expense is valid and directly related to University business.
- Request further documentation or explanation of expenses that appear to be excessive or unusual. Explanation of such expenditures must be submitted with documentation to Procurement Services.
- Be responsible for determining the appropriateness of expenditures or transactions charged on the University Procurement Card.

Procurement Services

Procurement Services is responsible for reviewing submitted documentation prior to processing an invoice, P-card transactions, or corporate card request, to verify that expenses are reasonable and meet the following criteria:

- Information submitted to Procurement Services is supported by accompanying documentation, which is both complete and in accordance with this Procedure.
- Expenses conform to requirements imposed by the Internal Revenue Service, or as applicable, other sponsoring agencies.
- Expenses have been reviewed and approved by the appropriate Authorizer/Approver.
- Expenses have been reviewed for compliance with other applicable University policies and procedures.

Internal Audit

University Accounting and Procurement personnel routinely examine invoices, receipts, P-card transactions, and Academic Faculty/Staff Travel Authorization Forms to monitor compliance with University policies, procedures, and regulatory agencies.

3.7 Travel Advances

University Policy prefers purchases be made through the use of corporate card, P-card, or issuance of an invoice; therefore, cash advances will be granted in the rare occasion when one of those methods cannot be used. If the expenses cannot be paid by invoice, P-card, or corporate card (i.e., taxis, tolls, tips), an employee may request a travel advance, to alleviate the use of personal resources.

Upon completion of travel, actual receipts must be submitted to Procurement Services within 10 days from completion of the trip. Failure to account for a travel advance within this time frame may result in the amounts being considered taxable income, reported on the employee's Form W-2, if a University employee, or charged directly to a student's account if a student.

3.8 Conference Registration

Documentation/Receipts—Conference agendas or schedules must be submitted with the documentation compiled for Procurement Services. The conference agenda is needed to support the business purpose and provides documentation for any meals provided by the conference. The entire conference agenda does not need to be attached. The parts of the agenda needed for verification is documentation that contains:

- Location of conference
- Dates of conference
- The schedule
- Information pertaining to the traveler's role at the conference, if speaking

University policy does not permit personal reimbursement or payment through daily per diem for meals (see Meal Per Diem Policy/Rates) included with conference registrations, as payment is tendered through the registration fee.

3.9 Air Travel

Travelers are expected to book the lowest available coach/economy class airfare consistent with the business requirements of travel.

Domestic Travel—Travel to the continental United States, Hawaii, Alaska and the United States' territories and possessions are considered domestic. Tickets should be economy/coach class tickets.

International Travel—Travel to countries outside the United States and its territories and possessions are considered international. Economy/coach class seats should be used for

international travel. Please be sure to check the United States State Department's website (http://travel.state.gov/travel/cis_pa_tw/cis_pa_tw_1168.html) for travel advisories to international countries. For specifics regarding allowability of expenses when traveling internationally, please refer to the International Travel Section of this procedure.

Documentation/receipts—In accordance with IRS regulations, detailed receipts are required for airfare. Detailed flight itineraries showing flight numbers, flight class, departure/arrival dates and times, total flight cost, and payment method (e.g. Visa *****1234) should be submitted as documentation of the flight. This documentation is required regardless of ticketing method (e.g. ticketless travel, e-tickets, etc.) The documentation must supply the agency (if applicable) used to purchase the ticket. A boarding pass or summary travel agent itinerary is not sufficient documentation to be submitted to Procurement Services for processing.

Additional Fees—When traveling coach/economy class, some airlines may charge additional fees for snacks, non-alcoholic drinks, food, checked baggage, blankets, pillows, Wi-Fi, early check-in, and preferred seating. Any additional fees must be justified with an adequate business purpose.

Snacks or food can be purchased, if in lieu of a meal and within the per diem limits. The University will pay for one checked bag; however, if there is business justification for additional bags, the University will pay for the additional bags with appropriate documentation and justification noted on the information submitted to Procurement Services.

If a portion of the trip is personal and additional baggage is needed for that portion of the trip, no additional fees are allowed or reimbursable.

Cancelled and Unused tickets—When travel plans change for unforeseen circumstances, the employee is responsible for contacting the airline or booking agency to request a refund (if a refundable ticket was issued) or apply the unused ticket to a future business trip. Flights must be canceled prior to the flight departure time. An adequate business justification must be documented and submitted to Procurement Services that supports the reason for cancelation. The unused ticket may not be used for personal travel.

Frequent Flyer Awards- The University will not reimburse the traveler for the value of any expenses purchased using frequent flyer miles or memberships.

Airport Airline Club/Lounge Memberships- Dues and memberships are not reimbursable expenses.

Lost Baggage- The airlines are responsible for compensating owners of lost baggage. The University will not reimburse travelers for personal items lost while traveling on business. The traveler must take all reasonable precautions to protect any personal property while traveling.

Employee-Owned or Employee Operated Aircraft- The use of employee-owned or employee operated aircraft on University related business is prohibited.

3.10 Automobile Rental

Automobile rentals may be used when justified as economical and a business necessity. Allowable rental costs include daily rental fees, fuel charges (actual fuel purchased, not miles driven), tolls, and rental company fees for miles used. When traveling in groups, sharing of cars is required to reduce costs, unless an adequate justification is documented. The use of a mid-size, 4-door vehicle or smaller is encouraged, luxury cars are prohibited.

Insurance—Employees should not purchase vehicle insurance, the University insurance policy will cover rental vehicles.

Documentation/Receipts—Documentation to support rental car expenses include a detailed receipt from the online travel service or auto rental agency reflecting individual costs, total cost, payment method (e.g., Visa*****1234), and evidence of full payment.

3.11 Other Means of Transportation

Personal Automobiles—The University will reimburse a traveler for business use of a personal vehicle when it is less expensive than other means of transportation. The University reimburses mileage at a rate set and communicated that is less than or equal to the published federal rate (currently 45 cents per mile). Mileage reimbursements do not apply to rental vehicles or other vehicles not owned by the traveler.

The supporting documentation for mileage reimbursement is the [Mileage Form](#), along with a printout showing the starting point and destination with total miles driven. This documentation can be obtained from websites, such as Google Maps and MapQuest.

Travelers are expected to maintain the appropriate insurance on their personal vehicles when they are to be used for University business travel.

The University will not reimburse employees for commuting expenses between home and work.

When a traveler chooses to drive instead of flying, the University will allow for the lesser of the cost of coach/economy airfare or the vehicle rental expense (or mileage if it is less expensive to use a personal vehicle). The University will allow travelers to drive to destinations that are within 400 miles each way (i.e. 800 miles round trip) without documentation of comparable airfare. Proper documentation of the total cost of the airfare alternative at time of booking are required to be submitted with the documentation of rental expenses or mileage reimbursement. If documentation is not provided that supports the most economical means of travel, Procurement Services will determine an appropriate amount based on rates available at the time of processing the requisition.

Tolls and Airport Parking Charges—the University will reimburse for these expenses.

Taxis and Private Car Services—the University requires the traveler to use the most economical mode of transportation. Limousine or sedan service is not a preferred method of transportation

and is only permitted when it is the most economical ground transportation, evidenced by supporting documentation.

Rail Travel—The University permits transportation costs using a rail service as long as it is the most economical means of travel. The original passenger receipt showing cost of service, date, type of seating is required documentation.

3.12 Lodging

The University will allow for actual and reasonable costs of lodging, as supported by the detailed hotel bill, for each day that lodging away from home is required for University business purposes. Travelers should choose good quality but reasonably priced hotels or motels whenever possible.

Choosing deluxe accommodations (i.e. suites) is not permitted, unless the business purpose requires such, or the accommodation is used by more than one employee and is the more cost effective option. A description of the business activity that necessitates rental of deluxe accommodations must be included on the documentation submitted to Procurement Services.

Charges for personal items such as movies, babysitting, recreational fees and in-room mini-bar charges, including alcohol and snacks, are not permitted and should be paid for separately with the traveler's personal funds. Mini-bar charges for snacks and beverages in lieu of meals are allowed; however, must be documented as such on the information submitted to Procurement Services.

Documentation/Receipts—Detailed receipts showing a \$0.00 balance due are required. Receipts should include: detailed breakdown of services with costs of each service, payment method (e.g., Visa *****1234), and proof of payment.

Hotel Frequent Guest Program—Many hotels have frequent guest programs that reward travelers with free or discounted accommodations in exchange for a specified number of paid room nights at the hotel. The University will not reimburse travelers for the value of any savings from using a frequent guest program.

Membership Dues for Frequent Guest Programs- Membership dues for joining these frequent guest programs are not allowable expenses or reimbursable.

Lodging in a Second Residence—Reimbursement will not be permitted for travelers who own the place of lodging.

Lodging in Private Residence—Travelers who stay in a private residence at no cost to the traveler will be permitted to present a reasonable non-cash token of appreciation (cost not to exceed \$50 per trip). The traveler must submit a receipt in support of the expense. Tokens of appreciation are not allowable expenses for sponsored projects (e.g. federal grants).

3.13 Meals While Traveling on University Business

The University provides for meals while traveling on University business when the trip requires overnight rest or stay. Travel meals should be purchased from moderately priced establishments, as they may not exceed per diem rates.

The per diem rate for employees is a daily limit for meals, which are purchased using approved University Purchasing methods (i.e. P-Card, Corporate Card). Any meals provided with a conference registration or other activity, will reduce the daily per diem limit. Meals purchased in excess of the daily limit must be immediately reimbursed by the employee. Meals purchased under the daily limit are not paid out to the employee.

Current Per Diem rates are:

- Employees: \$35 per day (Breakfast \$6, Lunch \$12, Dinner \$17)
- Students: \$24 per day (Breakfast \$5, Lunch \$7, Dinner \$12)

3.14 International Travel

When faculty and staff are traveling internationally, the University is subject to many different IRS tax regulations. If an employee's travel to an international location meets the following criteria, the transportation costs (e.g. airfare) and other costs may be considered taxable compensation, and reported on the employee's Form W-2:

- The travel, regardless of length, is mainly for personal reasons
- The time spent outside of the US exceeds one week (one week is defined as 7 consecutive days-do not count the day you leave the US, but do count the day you return to the US), **AND**
- The total time spent on non-business activities is more than 25% of the total time you spent outside the United States (for this purpose you may count both the day the trip began and the day it ended)

Conversions of foreign currency—The fluctuation in exchange rates makes reimbursing for foreign travel somewhat complex. While the University recommends and expects travelers use their University P-card for travel purchases, we understand that when traveling internationally, you may not be able to pay by credit card. Therefore, if seeking reimbursement, the expense reports must be submitted in US dollars with a translation of foreign receipt, explanation of the expense, if needed, and the conversion computation to US dollars.

For transactions paid in the local currency, Procurement Services suggests the following websites to find the average exchange rate: www.exchangerate.com , www.xe.com , or www.oanda.com/currency/converter.

3.15 Family and Guest Travel Expenses

In general, any expenses attributable to an employee's family member or guest will not be allowed by the University. However, in certain cases, a spouse, family member, or guest's attendance at a local professional function, involvement in fundraising activity, or other event, constitutes a University-related activity, and the cost of such activity may be considered a tax free "bona fide" business expense.

The University may pay for the properly documented and authorized expenses with a "bonafide" business purpose for family or guests. Approval by the VP for Business Affairs is required for all family or guest expenses for each trip.

Documenting a business purpose—When an employee's family member or guest's attendance at a non-local professional function or meeting serves a legitimate business purpose, their travel expenses will be allowed on the same basis as the employee's. A detailed itinerary should be submitted outlining the following: who, what, where, when, and why for the family member's or guest's activities for the duration of the trip. The family member's or guest's activities need to demonstrate a business purpose for the duration of the travel or activity that is not merely incidental. Any activity performed on behalf of the University should be documented and submitted with the appropriate documentation to Procurement Services.

Incidental Duties—When a family member or guest attends a meeting or conference as a companion and has no significant role or performs only incidental duties, the family member or guest's attendance does not constitute a "bona-fide" business purpose; therefore, their expenditures would not be paid by the University. According to the IRS, incidental duties, such as, but not limited to, note taking, goodwill, organizing schedules, or support during speaking engagements, are not considered to be a "bona fide" business purpose.

Family members traveling with Employees on international trips- Except to the extent that a "bona-fide" business purpose for a family member's presence is documented, travel and entertainment expenditures for family members while traveling abroad are not permitted.

3.16 Employee Recruitment Expenses

Travel expenses incurred in connection with prospective University employee interviews and recruitment are permitted when properly authorized. All expenses related to the prospective employee are considered job-hunting expenses to the prospective employee and can be reimbursed tax-free with original detailed receipts. Departments can pay third-party service vendors directly (hotel, airline, car rental agency, etc.) on behalf of the interviewee without tax consequences. Payment of expenses for the spouse, dependent, or other individual accompanying the prospective employee are not permitted. Once an offer of employment has been accepted, additional travel expenses incurred by the newly hired employee and family are considered "moving expenses" and have separate rules governing their taxability. Incentives negotiated during the recruitment process may not be considered "qualified moving expenses"; therefore, may be reportable on the employee's Form W-2 and taxable whether directly reimbursed to the employee or paid to a third party.

3.17 Speakers, Lecturers, and Other University Guests' Performing Services Travel Expenses

Travelers who are official guests of the University, and incur travel expenses that will be reimbursed by the University, must also abide by the provisions of this Procedure. Travel expenses must be substantiated with original detailed receipts. Any travel expenses not substantiated by original detailed receipts will be reported on a Form 1099-MISC if the \$600 threshold for such reporting is met.

Prior to payment for travel or service, the department must have the guest complete a W-9 Form (or W-8BEN for foreign nationals or Foreign National Information Form) and submit it to Procurement Services with supporting documentation. Any department procuring a speaker or contractor for a particular service or engagement is responsible for informing the visitor of the University's expense reimbursement policies prior to his/her incurring of expenses and collecting from the visitor the required vendor information for processing the reimbursement. Only expenses that are considered necessary, appropriate, and approved prior to travel will be considered for reimbursement.

3.18 Expenses Payable by Other Organizations

If the University pays for the employee's travel and that travel is sponsored by another organization, it is the employee's responsibility to ensure the University is properly reimbursed. An employee may not be reimbursed directly by the sponsoring organization for any travel paid for by the University.

Section 4: Gifts and Gift Card Policy

4.1 Purpose

The purpose of this Policy is to set forth the guidelines and procedures for the purchase and distribution of gifts and gift cards/certificates purchased with University funds to ensure compliance with the University's tax withholding and reporting obligations, and protect University assets from potential theft. Gift cards may not be purchased using a P-card or check requisition. All gift card purchases must be made with a Methodist University Corporate Card request made through Jenzabar in order to ensure compliance with this policy.

According to the rules of the Internal Revenue Service (the "IRS"), because cash and cash equivalents, such as gift cards/certificates, have a readily ascertainable value, they are considered taxable income regardless of the face amount of the gift card/certificates (see the Control of Gift Cards sections for proper security procedures related to gift cards). For employees, the value of gifts and gift cards/certificates is considered compensation subject to federal, state and employment tax withholding, and reporting on Form W-2. There is no de minimis fringe benefit amount relating to gift cards/certificates. For non-employees, the value of all gifts and gift cards/certificates in an aggregate amount of \$600.00 or more per calendar year must be reported to the IRS on Form 1099-MISC as other compensation. Finally, gift cards/certificates given to nonresident aliens are subject to immediate federal tax withholding, unless an exception applies (i.e. international tax treaty exempting taxation). Any required federal tax withholding will be an expense to the issuing department (in addition to the face value of the gift card/certificate).

4.2 Taxability of Gifts

Examples of allowable items (nominal value and infrequent ** in nature):

Cash	Taxable
Gift Certificate	Taxable
Gift Card	Taxable
**Flowers, fruit basket, books, MU logo items, Small trophy, plaque, memento, etc. And other tangible personal property	Not taxable

Self-funded gift (cash or non-cash)	Not taxable
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4.3 Gifts to Employees

IRS regulations require that most gifts given to employees be included on Form W-2 as taxable income to the recipient. Gifts of cash, including certain gift certificates and gift cards, are fully taxable to the recipient. Tax Regulations do not provide an exception for de minimis cash or cash equivalents. For the [de minimis](#) exclusion to apply, gifts must be of nominal value, [infrequently provided](#), and consist of [tangible personal property](#) or University provided services. The facts and circumstances of each gift will allow Procurement Services to determine whether the item, cash, or other benefit, is taxable income to the recipient and whether it must be included on the employee's Form W-2. When the gift is determined to be taxable, according the procedures herein, the recipient should be informed that the gift will be taxable. Therefore, with the acceptance of the gift, the recipient acknowledges its taxability.

4.4 Exclusions from Taxability

Employees may receive an item of [tangible personal property](#) or campus services (e.g. flowers, gift baskets, use of office copier, dining services, office event, etc.) on an [infrequent basis](#) with no tax effect when the item has nominal value or its provision qualifies as a de minimis fringe benefit. If any item or service is provided on the basis of employee job performance, then the de minimis exclusion will not apply and the value of the gift will be considered Form W-2 compensation. For this reason, the business purpose of the gift is required. Gift requests submitted without a specific business purpose will be deemed compensatory and added to Payroll.

There are generally different tax reporting and tax withholding regulations with respect to non-resident aliens (foreign nationals). It is advisable to contact the Payroll Office (630-7023) or Controller's Office (630-7013) for guidance prior to purchasing any gift. Gifts to foreign nationals must be reported directly to the Controller's Office at 630-7013 prior to issuing the gift to the recipient to ensure compliance with regulatory agencies.

4.5 Students who are also Employed by the University

Gifts given to students relating to services performed must be processed as compensation through the Payroll Office. For example, students performing work study and then receiving additional compensation for related services, would be paid through payroll. All applicable taxes will be withheld. Prizes and Awards that are considered compensatory and taxable will be reported on Form W-2 along with the applicable withholdings.

4.6 Students who are not Employed by the University

All prizes and awards which are not compensation, e.g. student organization prizes, survey incentives, etc., may be taxable to the student but not on Form W-2. The value of the non-compensatory prize or award is processed through Accounts Payable and reported on Form 1099 and subject to the IRS threshold for reporting.

4.7 Donors, Visitors, and other Non-Employees

Non-employees, donors, spouses, dependents, contractors, trustees, and other affiliated or unaffiliated persons who receive gifts will have any taxable amounts reported on Form 1099-MISC, if the total of annual gifts exceeds the \$600 IRS reporting threshold during a calendar tax year. Non employees may receive de minimis fringe benefits if they are (1) low in cost, (2) infrequent, and (3) consist of tangible personal property or University services such as tickets to sporting events, flowers, etc. Other fringe benefits, such as a spouse's invitation to a University dinner, will also not be taxable under the de minimis regulations. When gifts are proximal to or connected with charitable contributions, donors may realize a reduction in the amount they are allowed as a deductible charitable contribution.

4.8 Allowable uses for Gifts, Gift Cards and Flowers

Gifts and gift cards must have a value of \$50 or less. Individual gift cards may not have a face value greater than \$50 without prior approval from the Controller's Office. Gifts or Gift cards may be purchased under the following circumstances:

- A department may use a gift or gift card/certificate as a door prize.
- As a thank you for a volunteer as long as the volunteer is not a Methodist University employee, student, or a contractor currently under contract.
- Honorariums or donor/alumni acknowledgement.

Gifts and gift cards may NOT be purchased under the following circumstances:

- May **NOT** be purchased for Methodist University specifically identified active employees, students, or consultants employed by Methodist University. For example, a department may not purchase a gift card/certificate for an employee for achieving specific employment milestones.
- May **NOT** be purchased as gifts for graduating students.
- May **NOT** be purchased as holiday or other gifts to employees or students.
- May **NOT** be purchased to pay suppliers and consultants for goods and/or services received.

4.9 Procedures for the purchase of Gift Cards/Certificates

In order to purchase a gift card please enter a Requisition in Jenzabar for a corporate card and include a completed [Gift Card Purchase Authorization Form](#).

A separate authorization form must be completed for each program or activity - i.e. a specific study, a specific event, etc. and must be specified in the "Description of Intended Use of Gift Cards" section on the form.

4.10 Documentation & Gift Card Disbursement Log Instructions

Once all approvals have been obtained for the request, a corporate card will be issued. The department can then use the corporate card to purchase the requested gift cards. The department will be responsible for completing a [Gift Card/Gift Certificate Disbursement Log](#). The log is required to record all gift cards purchased - even if only one card is purchased for one individual.

The Gift Card Disbursement Log will require the department to collect the following information from the gift card recipients:

1. Name/Research Study Subject Number
2. Recipient Status (MU Employee, MU Student, Other)
3. MU Employee or MU Student Only – Employee or Student ID number
4. Tax Status: Nonresident Alien (YES or NO)
5. Amount of Gift Card Awarded
6. Recipient Signature/Initials

As stated in other Procurement policies, if there is any indication that an individual might receive \$600 during the calendar year whether it is the form of gift cards or other payments from MU, a Form W-9 should be requested at the time of gift card distribution.

The Department will need to be able to reconcile all gift cards purchased on the corporate card. For example, if a department purchases 5 Gift Cards for \$25 but only disburses 2 gift cards, their disbursement log should reflect that 3 gift cards still remain open. The remaining gift cards along with the disbursement log and corporate card receipts must be returned to Procurement Services.

Filling out the Log:

- Enter the Department Name that purchased the Gift Cards
- Enter the Name of the Contact Person who can be contacted if further information is needed
- Enter the name of the Event or Program

- Enter the Requisition Number which the gift cards were purchased on.
- Enter the Budget Code where the gift cards were charged
- Enter the Gift Card Total Purchase Amount
- Enter the name of the person receiving the card under Recipient Name
- Enter the date of distribution
- Indicate whether the individual is an MU employee, MU student, or no MU affiliation (Other)
- If the recipient is an MU employee or student , provide the last 4 digits of their Social Security Number
- Indicate if they are a Nonresident Alien by selecting YES or NO
- Enter the gift card amount. Once the amounts are entered in, the “Amount of Gift Cards Distributed” box will populate itself with the total distributed
- Ask the person receiving the gift card to sign their name in the signature field.
- Once the log is complete, the individual filling out the log should sign at the bottom
- The log should be completed during distribution and should be returned to Procurement Services to complete the reconciliation of the disbursement. A copy should be kept for departmental files.

4.11 Control of Gift Cards

Gift Cards should be kept under lock and key at all times to ensure proper physical security and to protect from theft and loss. Access to the gift cards and keys to the lock areas should be limited to the individual(s) responsible for safekeeping of the gift cards.

4.12 Summary

- **Tell recipient when a gift is probably taxable** (cash, gift certificate, and gift cards are ALWAYS taxable, unless the gift is self-funded)
- **Provide cash amount or fair market value of gift** on reimbursement request or procurement card transaction
- **Provide the Recipient’s name and relationship to the University**
- **Provide the last four digits of the Recipient’s social security number or the Employees/Student’s MU ID number.**

4.13 Definitions

De Minimis Fringe Benefit - Any property or service, provided to an individual, which is (after taking frequency into account) so small as to make accounting for it unreasonable or administratively impracticable. Examples would include local phone calls, a personal letter printed from a business computer, occasional personal copies, and similar items. Other

exclusions from taxable income would be occasional employee picnics or group meals. Because of the complexity of this exclusion, Procurement Services must look at the facts and circumstances surrounding each gift. Gifts that have a nominal value and are infrequent are usually excludable from gross income. For example, flowers, fruit basket, or other item of merchandise of similar nominal value given to an employee will be considered de minimis and not taxable. But cash or any cash equivalent, such as gift certificates or gift cards, are fully taxable to the recipient.

De Minimis University provided services include occasional university sports or theatre tickets, entrance into University events, infrequent use of university facilities, telephone, copiers or similar low value services.

Infrequently Provided – a non-compensatory gift, prize, or award that is provided no more than once or twice a year, depending upon the facts and circumstances, to any individual or individuals.

Intangible Personal Property – personal property that cannot actually be moved, touched, or felt, but instead represents something of value that does not depend on its physical existence, such as negotiable instruments, security; personal property having no physical substance that is apparent to the senses, often evidenced by documents (e.g. stocks, bonds, notes, judgments, franchises) having no intrinsic value. Cash is intangible and gift certificates are intangible because they have value over and above the cost of the plastic or paper. Vacations, meal coupons, lodging allowances, airline flights, etc. are all intangible. The de minimis exclusion covers only tangible personal property and university services.

Prize – a prize is cash or property that is won through a contest, competition, or game of chance that is unrelated to employment services. If the University held a contest that anyone could enter and the winner happened to be an employee, the prize would still be reported as a prize (Form 1099) rather than additional compensation (Form W-2). The only exception to this rule is when a “prize” won by a student is required to be used to pay tuition and other educational costs. In this case, the IRS allows the “prize” to be characterized as a scholarship and reported on Form 1098-T rather than Form 1099-MISC.

Self-funded - Means paid personally. Individuals may purchase gifts with either their own personal money or from a departmental “pass the hat” with no tax consequences. They may not seek reimbursement from the University. Self-funding the gift is the better choice when there is concern about the taxability of the gift to the recipient. Self-funded gifts are personal exchanges between colleagues/friends and, therefore, are not taxable events for the recipients.

Tangible Personal Property - An item which can be held, touched, seen, and whose entire value is the object or item itself. For example, a basket of fruit or flowers have no value other than as a basket of fruit or flowers; therefore, it is tangible personal property.