



TEXAS TECH UNIVERSITY

Operating Policy and Procedure

OP 72.13: Reimbursement of Business Expenditures to Faculty, Staff, and Students

DATE: April 15, 2016

PURPOSE: The purpose of this Operating Policy/Procedure (OP) is to set forth institutional policy for reimbursement of business expenditures to faculty, staff, and students.

REVIEW: This OP will be reviewed in April of even-numbered years by the managing directors of Procurement Services and Accounting Services with substantive revisions forwarded to the vice president for administration & finance and chief financial officer (VPAF/CFO).

AUTHORITY AND APPLICABILITY

This OP follows the tax rules set forth by the Internal Revenue Service (IRS) [[see IRS Publication 463 for more information](#)]. In the event that the IRS rules change or there is a discrepancy between this OP and the IRS, any rules set forth by the IRS that are more restrictive than this OP will prevail.

This OP does not apply to any travel transactions (governed by the 79 series OPs), any transaction for personal moving services for an employee (OP 72.10, Payment for Employee Moving Expenses), or the payment of research participants (OP 62.25, Payments to Research Participants).

POLICY/PROCEDURE

1. Definitions

- a. Purchase Order – An official document required by the university and sent to a vendor authorizing the placement of an order for goods or services at the specified price and terms. The creation of a purchase order creates a legally binding contract, which cannot be changed without the written consent of both parties.
- b. PCard - The PCard is a MasterCard credit card, issued by Citibank either in an individual's or department's name. The card is to be used by Texas Tech University (TTU) and TTU System (System) faculty and staff for purchases of goods for business purposes that are allowable by the PCard guidelines.
- c. Original Receipt – The original merchant receipt issued by the vendor to document and substantiate the business transaction.

2. Policy

a. Reimbursement Policy

It is the policy of the university that goods and services (excluding travel), are procured with a purchase order or with a university-issued procurement card (PCard) in accordance with [OP 72.09, Purchase of Goods and Services](#).

In the event extenuating circumstances prevent the issuance of a purchase order or the use of a PCard, then employees may make a one-time payment directly to a vendor and be reimbursed in accordance with the provisions herein. Faculty, staff, and students repeatedly using the reimbursement system in order to circumvent the university's policies will be denied reimbursement. Use of personal funds or personal credit cards should be a rare occurrence necessitated by unforeseen or emergency situations. PCard suspension status does not warrant an approved condition for using personal funds/credit cards.

b. University Contracts

At all times, faculty, staff, and students must use university contracts when available in order to reduce costs for the university.

c. Business Purpose

Expenditures must have a clear business purpose, serve the mission of the university, and be appropriate and reasonable considering each department's budget and financial priorities. The reasonableness of an expense depends on many relevant factors, but departmental and university budgets, the fiduciary responsibilities of being a public institution, and sharing information publicly to taxpayers, donors, and the media should be considered. Documentation of the business purpose must be clearly apparent to an outside auditor.

3. Funds

a. Appropriated funds

Appropriated funds (funds beginning with 11, 12, 13, or 14) cannot be used for any type of reimbursement other than travel, as provided for in OP 79.01, Travel Guidelines for Texas Tech University and TTU Employees. Any travel reimbursement for a faculty member, staff, or student must be processed through the travel system.

b. Sponsored Project funds

Charges to sponsored project funds (funds beginning with 21, 22, or 23) and related cost share funds must meet the criteria established by the Office of Management and Budget (OMB) Circular A-21, Cost Principles for Educational Institutions, as summarized in OP 65.08, Direct Charging to Sponsored Projects. Sponsored project funds may be used for expenditures only as specifically authorized in the grant/contract budget or by agency policy and only to the extent and for the purpose so authorized. When there is a conflict between agency and university policy, the more restrictive of the two shall apply. Reimbursements related to sponsored projects will be allowed provided the documentation and the statement of benefit to the project are in accordance with federal regulations, agency guidelines, and institutional policy.

c. Institutional funds

Institutional funds may be used for expenditures only if such expenditure enables the university to carry out its educational mission and serves to promote higher education in the state of Texas.

d. Foundation and Gift Funds

Foundation and gift funds may be used for expenditures; however, such expenditures must be appropriate and reasonable.

e. Department Review

Departments are responsible for reviewing all transactions related to reimbursements and ensuring the expenditures are appropriate and allowable on the funding source used. Additional guidance is provided on the [Allowable/Non-allowable Expenses by Fund Type](#) document.

4. Allowed Expenditures/Restrictions

- a. If the service is continuous, the department will be required to establish a compliant purchase order before any reimbursement will be made.
- b. Under IRC Sec. 62(c), accountable plan rules, amounts paid must be substantiated by the employee within “a reasonable period of time” after the expense is paid or incurred. Under a safe harbor assumption, substantiation of an expense within 60 days after it is paid or incurred is reasonable [Treas. Reg. Sec. 1.62-2(d)(3)(ii)] Therefore, if written substantiation for the reimbursement is submitted within 60 calendar days of when the expenses were incurred, and if all other requirements of the university’s OPs are met, the reimbursement will be treated as a nontaxable reimbursement of a university business expense.

If written substantiation occurs more than 60 calendar days after the expenses were incurred, regardless of funding source, the expense reimbursement request must be sent to the VPAF/CFO) or his/her designee. The request should include an explanation for the delay. At the discretion of the VPAF/CFO or his/her designee, reimbursement requests beyond the 60-day limit may be approved. In all such cases, the reimbursement must be reported to the IRS as taxable income paid to the individual.

The transaction will need to be processed on the Employee One Time Payment System through the Payroll office (reference OP 70.16, Compensation in Excess of Base Salary). The transaction should be submitted with the OTB earn code.

- c. Any reimbursement greater than \$5,000 will be denied as a procurement violation since bids were not obtained first (reference OP 72.09, Purchase of Goods and Services). Any exception must be approved in writing by the managing director of Procurement Services.
- d. Because the university is exempt from Texas sales tax, any Texas sales taxes paid will not be reimbursed by the university.
- e. In order to be reimbursed, the faculty, staff, or student seeking the reimbursement must not be indebted to the state of Texas (OP 62.21, University Employees Indebted to the State of

Texas). In addition, the vendor that was paid by the faculty, staff, or student must be in good standing with the state of Texas and the System for Award Management (SAM).

- f. Faculty, staff, or students will not be reimbursed for personal funds distributed to workshop and/or research participants. Funds for workshop and/or research participants must be obtained through university policies governing this activity (reference OP 62.25, Payments to Research Participants).
- g. Reimbursements must comply with all other university policies including OP 72.09, Purchase of Goods and Services, and OP 72.05, Expenditures for Official Functions, Business Meetings, and Entertainment.

5. Documentation/Substantiation Required

- a. The department shall submit the *One Time Reimbursement* form in TechBuy to initiate the reimbursement process when a reimbursement is submitted within the required 60-day period.
- b. A copy of the scanned receipts must be attached to the Internal Attachments section in TechBuy.
- c. Original, itemized receipts (not copies) must be retained until the transaction has been paid in full. When the original, itemized receipt is not available or does not contain adequate information, a cancelled check or a credit card statement may be submitted along with the *Missing Receipt Form* (attachment). Scanned copies of a check or credit card statement should not be submitted in TechBuy in order to protect sensitive information.
- c. Evidence of payment –The original, itemized receipt or invoice must clearly document that the vendor received payment (evidence of a credit card payment or cash payment). The credit card statement or canceled check showing the expense and the date of the expense will also be required when an original, itemized receipt is not available.
- d. For all reimbursements, there should be adequate records and sufficient evidence of:
 - (1) Type of purchase;
 - (2) Date and location of the purchase;
 - (3) Total cost of the purchase (excluding sales taxes when the university is exempted);
 - (4) Business-related nature of the occasion or purpose of the purchase or statement of benefit to the project in the case of sponsored project funds;
 - (5) Evidence of payment to vendor;
 - (6) Approval of the financial manager/approver (the person being reimbursed cannot approve his/her own requisition in TechBuy, and a subordinate cannot approve a reimbursement of a supervisor); and
 - (7) Additional information as required by Procurement Services or Accounting Services.

6. **Reporting**

A report of all faculty, staff, and student reimbursements shall be provided to the VPAF/CFO on a quarterly basis in order to monitor non-compliance and repeat offenders. The university will reject reimbursements for any individual submitting more than three reimbursements a year unless an exception form was submitted and granted by the VPAF/CFO, the TTU System CFO, or his/her delegate.

[Attachment: Missing Receipt Form](#)