

## Business Affairs Office Newsletter

April 2006

Here are several items/issues of importance to the way HMC does business. Please keep this newsletter on file for reference; it will also be posted on our website

<http://www.hmc.edu/admin/bao/index.html>

### Financial Affairs Department

**Change in Request For Check (RFC) form:** The Office of Financial Services has developed a new RFC form that is to be used as soon as possible, but **not later than May 1, 2006**. The new RFC, in Excel and pdf form, is attached along with instructions. Please note that **HMADD users** will be required to use the new RFC **beginning July 1, 2006**. Cynthia Souza, in HMC's CIS department, is working to convert the RFC to an HMADD form so that HMADD users will not need to do duplicate entry. The new RFC form is also available as either a pdf or Excel worksheet file from the BAO website. There are **significant changes** to the RFC, so use of the old form will not be allowed after the above dates.

**Accountable Expense Reimbursement Program (AERP):** Please review the attached copy (pdf file) of the requirements for business expenses reimbursed under HMC's Accountable Expense Reimbursement Program, as it is extremely important that we comply with the standards established by the IRS. As previously communicated (Treasurer's email message of July 28, 2005), there are critical timeliness issues in submitting requests for reimbursement for travel and other business expenses. It is the responsibility of the person who incurred the expense to meet the timeliness test (e.g. an expense must be substantiated to the employer within 60 days after it is paid or incurred) **whether or not another person prepares the request for reimbursement**. Failure to meet the submission deadline requires the college to treat the reimbursement as W-2 taxable compensation.

In addition, please realize that because the business use of home office items that the college may reimburse or pay for is not easily substantiated, the IRS would consider the expense to be a taxable transaction. Therefore, effective May 1, 2006, such requests require special handling as they are to be processed through the payroll system. Please contact Laura Clark for assistance with such payments. These transactions are subject to budget constraints and supervisor approval.

***Why are we reviewing AERP, again? Simply put, because the cost of non-compliance is borne by the employee and can be substantial***

If non-accountable expense reimbursements are not added to an employee's W-2, and it is discovered during an IRS audit, agents are instructed to treat the reimbursements as "automatic excess benefit transactions" whether or not the reimbursements are reasonable. Internal Revenue Code 4958 excess benefit transaction penalties are severe. The employee would be required to repay the college **and** pay a penalty of up to 225% of the expense reimbursement. More information about Automatic Excess Benefit transactions under IRC 4958; is available through the IRS's Exempt Organization Department at <http://www.irs.gov/pub/irs-tege/eotopice04.pdf>.

**Reimbursement of Purchase Card Expenses:** Purchase card expenses should only be recorded on a **Journal Voucher**, not on an RFC. It is extremely important that purchase card expenses **not** be included in **RFCs** for reimbursement to faculty or staff. Please verify that receipts being submitted for reimbursement via RFC do not bear the last 4 digits of a purchase card number.

**Purchases using Federal funds:** All purchases using Federal funds must follow procurement regulations, including verification that the vendor has not be suspended or debarred from receiving Federal funds. This verification must take place at the time of **each** order, including contracts with other institutions. The listing of suspended/debarred parties may be found at: <http://epls.arnet.gov/>. **This requirement is not optional.** Proof of verification consists of a printout of a screen shot from the web page when the search was performed. The search is to be performed and the printout should reflect the date the order was placed since the listing is updated daily.

**Gift Cards/Certificates:** The Office of Financial Services has provided us with IRS regulatory information pertaining to the giving of gift cards/certificates to employees (including students who are on payroll). The IRS considers gift cards/certificates in any dollar amount to be a cash award and thus reportable on the employee's W-2, as taxable income. This includes Claremont Cash dollars added to an employee's ID account. Please be aware that these awards will be added as an adjustment to the affected employee's W-2 wages, and the appropriate taxes will be withheld.

**Prizes/Awards:** **All cash prizes or awards to employees** are taxable income and are to be processed through the Human Resources Department. **Non-cash prizes/awards (including gift cards/certificates mentioned above) are also taxable and reportable with limited exceptions.** Please contact either Debra Heavenston or Kimberly Rogers for assistance with these items.

**Exclusion of Purchase card use for cell phone services:** Please note that purchase cards may not be used to purchase college approved cell phone equipment or service. Senior staff approved a cell phone policy, which is being implemented through the Business Affairs Office with assistance from senior staff members.

**Sales/Use Tax on Internet Purchases:** Internet purchases are **not** exempt from California Sales/Use tax. The only types of purchases that are exempt from sales/use tax are those in which the buyer receives no tangible property (i.e. downloading purchased software where the buyer does not receive a hard copy manual, CD or other physical media). In order to satisfy the State Board of Equalization auditors, the invoice of a purchase under this exemption must be noted 'No tangible property received with this purchase.'

**Equipment inventory:** Each department is to annually update an equipment inventory log. This is especially important for equipment purchased from Federal grant funds. An example of an inventory log that contains the required information is attached in excel form.

**Departmental Claremont Cash Cards:** Effective immediately, requests to obtain and/or add funds to departmental Claremont Cash Cards will no longer be handled directly by the Claremont Cash Card Office. To enable the college to substantiate the appropriate business use of departmental cards, **the Business Affairs Office has been designated as the only HMC office authorized to approve departmental cards.** Purchases using a Departmental Claremont Cash Card should be handled in the same manner as a petty cash purchase. Each transaction must be documented with an original receipt, and if used to purchase meals, the name(s) of the employee(s) and guest(s), date and purpose must be noted on the receipt.

## Facilities & Maintenance (F&M) Department

**Outside contractors:** As a reminder to all, please discuss with the Facilities and Maintenance Department work you wish to have outside contractors perform on college facilities (wiring/phone changes, etc) to ensure the work being performed 1) is being done by approved vendors and 2) will not unduly interrupt the normal business operations of the college. A campus wide announcement of all scheduled work by outside contractors allows affected faculty/staff/students to arrange their work/study times accordingly. The college reserves the right to stop work activity of outside contractors if they have not first been approved by F&M.

If you are reading this sentence, you are to be congratulated for your stamina and perseverance. This newsletter is quite lengthy but contains some very important information. If you have any questions or concerns about any of the information conveyed in this message, please contact either Laura Clark at X72632, [laura\\_clark@hmc.edu](mailto:laura_clark@hmc.edu) or Erin Watkins at X 74667, [erin\\_Watkins@hmc.edu](mailto:erin_Watkins@hmc.edu).