



## **Policy for Travel, Entertainment and Other Business Expenses July 1, 2026**

### Policy Statement

Where allowable under IRS guidelines, Harvey Mudd College (the College) will reimburse an employee for, or pay directly to a College vendor, or pay via College purchase card, actual College-related travel, entertainment or other business-related expenditures that are necessary in the performance of his/her assigned responsibilities.

### IRS Guidance

To qualify for tax-free reimbursement of business expenses, the Internal Revenue Service (IRS) requires all of the following conditions be met:

- The employee must have paid or incurred deductible expenses while performing services as an employee of the College.
- The employee must adequately account to the College for expenses within a reasonable period of time.
- The employee must return any excess reimbursement or allowance within a reasonable period of time.

### Guiding Principles

- The IRS does not allow for tax-free reimbursement of lavish or extravagant expenses. Employees are expected to use prudent judgment and ensure all expenses submitted for reimbursement are reasonable based on the facts and circumstances.
- Employees should verify that sufficient budget funds are available in advance of any purchase by reviewing account information online via Workday, or by contacting a department supervisor or the Business Affairs Office. Reimbursement requests in excess of budget funds available may not be reimbursed. Advance approval for any such expenses must be obtained.
- The College-related business purpose of all expenses submitted for reimbursement should be thoroughly documented. Reimbursement requests submitted with insufficient documentation of the College-related business purpose may be returned to the employee who is requesting reimbursement.
- Reimbursement requests should be submitted within 30 days of when the expense was incurred or return from travel to allow time for review and approval. Requests submitted beyond 30 days may not be reimbursed. Due to IRS requirements, any expense reimbursement granted beyond 60 days of when the expense was incurred or return from travel will be added to the employee's taxable income and is subject to applicable taxes/withholdings (or in the case of non-employees, reported as miscellaneous income on the IRS form 1099).
- Unless otherwise noted below, you must have documentary evidence of the expense such as receipts or invoices to be reimbursed.

- In some cases, failure to follow IRS regulations may result in significant IRS penalties to both the employee and the College.

Authorization

Expenses processed through Workday will automatically be routed to the appropriate individual for approval. Employee expenses are approved by the respective employee’s supervisor and the manager of the account being charged. Expenses greater than \$10,000 also require the approval of the Vice President and purchases greater than \$25,000 also require the approval of the Treasurer, provided a contract is not required. No such expenses should be incurred without advance authorization.

The table below summarizes the expense approval process:

Expense Amount	Approval
≥ 0	Supervisor of Employee
≥ 0	Manager of Account
≥ \$10,000	Department’s Vice PResident
≥ \$25,000	Treasurer

Contracts and agreements of \$25,000 or more and any vehicle purchase agreement (to ensure timely update to insurance coverage) should be signed by the Treasurer. Please refer to the College’s Contract Review Procedures for purchases requiring a contract found at <https://www.hmc.edu/bao/forms-and-policies/>.

Authorization Responsibilities

It is the responsibility of those approving reimbursements to ensure that:

- expenses are incurred for the benefit of or are in the interest of the College;
- expenses are reasonable, are not extravagant and are incurred as outlined in this Policy; the business purpose of each expenditure is clearly documented;
- reimbursement claims are submitted no later than 30 days of when expense was incurred;
- are allowable under grant awards (if applicable); and
- documentation is complete, with receipts or invoices:
  - required for all transactions \$75 and above, except for cash reimbursements and external grant funded expenses which require receipts for all transactions;
  - must include the name and business relationship for each person entertained and the nature of the business discussion, meeting, etc., resulting in the reimbursable expense.

Reimbursable Expenses

Traveling Away from Home: According to the IRS (Publication 463), an employee meets the IRS definition of traveling if the employee’s duties require the employee to be away from the general area of his/her tax home substantially longer than an ordinary day’s work, AND the employee needs to sleep or rest to meet the demands of the employee’s work while away from home.

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Certain categories, as identified below, require that employees meet the IRS definition of traveling to be eligible for reimbursement. In general, the mode of transportation used should be the most economical one suitable for the purpose of the trip. For reporting purposes, all expenses relating to international travel should be charged to a spend category or expense item that includes "International" in its title.

**Airline:** The College will reimburse coach/economy airfares (the College may reimburse for economy plus or business class if pre-approval is obtained from the employee's supervisor and appropriate Cabinet member). An invoice/travel itinerary is required for reimbursement. For ticket-less travel, the printout of the internet confirmation should be provided. Additionally, documentation that demonstrates the trip took place should be provided (e.g., boarding pass, rental car receipt, conference badge, lodging receipt). The College does not provide reimbursement for frequent flyer miles used for business purposes as the frequent flyer mileage accrues to the employee.

Please review the Federal Grant Expenditure section below for specific rules relating to travel charged to Federal grants/contracts. Additionally, see further discussion below in the Travel Advances section regarding airline purchases made in advance of the trip.

**Personal Automobile:** The College will reimburse employees for mileage when a personal vehicle is required to be used on official College-related business that is properly authorized, reasonable and appropriately documented. This does not include mileage for an employee's standard commute when traveling between their residence and the College. The College will reimburse employees at the IRS mileage allowance in effect on the date of travel. The current standard mileage rate can be found at <https://www.hmc.edu/bao/forms-and-policies/>.

In the event a private vehicle is used in lieu of commercial transportation (air, bus, rail), the lesser of the costs between a coach/economy class ticket combined with other related ground transportation and the mileage will be reimbursed. The College will not reimburse vehicle operating, maintenance, or repair costs for personal vehicles (the IRS mileage rate is intended to incorporate these types of costs). Employees should contact the Human Resources Office (extension 79700) prior to operating a personal vehicle for a trip to ensure they are on the College's Approved Drivers List. The employee's personal automobile liability insurance is the primary coverage when using a personal vehicle on College-related business.

**College-Owned Vehicles (including electric carts):** These vehicles are subject to additional rules pertaining to use. Gasoline purchases with receipts are reimbursable, but mileage is not. Employees should ensure they are on the College's Approved Drivers List prior to operating a College-owned vehicle. Approved Drivers List information is available by contacting the Human Resources Office (extension 79700).

**Rental Vehicles:** Employees may rent a vehicle when driving is more convenient than airline or rail travel; driving is necessary to transport large or bulky materials; driving is more economical than public transportation modes due to multiple locations to visit in the destination city; or other surface transportation is not practical. Employees should ensure that they are on the College's Approved Drivers List prior to renting a vehicle. Approved Drivers List information is available on the Driver Authorization page on the HR Website at <https://www.hmc.edu/human-resources/driver-authorization-for-staff-and-faculty/>.

Rental Vehicle Insurance Coverage: The College's automotive insurance policy provides primary liability coverage (or secondary coverage behind the rental car company in certain states). It is not necessary for employees to purchase additional liability insurance from the rental car company. Comprehensive and collision losses (damage to rental car) are not covered by the College's automotive insurance policy. When the College purchase card is used to rent a vehicle, it provides primary comprehensive and collision coverage on the rental vehicle. Thus, employees are encouraged to use a College purchase card for rental vehicle purposes, when available. Employees not using a College purchase card should purchase comprehensive and collision coverage from the rental car company when renting a vehicle. Employees not on the Authorized Drivers List expose their personal liability insurance to primary insurance coverage status.

Other Insurance Issues Pertaining to Personal and College Owned Vehicles: Additional information can be found at <https://www.hmc.edu/bao/forms-and-policies/>.

Ground Transportation, Parking Fees and Toll Charges: Preferred choices for ground transportation are shuttle service, public limousine service, or other forms of public transportation. Travelers should use their best judgment in choosing ground transportation. Taxi fares require a receipt for reimbursement. Tolls and reasonable parking costs are reimbursable with a receipt.

Lodging: The College will reimburse lodging accommodations for employees traveling on College-related business. Prudent judgment should be used when selecting lodging accommodations. The original copy of the detailed hotel folio is required as substantiation for reimbursement.

Telephone: The College will reimburse reasonable expenses incurred for required use of a personal telephone, or a fax or teleconference system required to be used for business communication for employees traveling on College-related business. Employees who receive a cell phone allowance are expected to use their personal cell phone to the extent possible. Employees generally have work telephones available for all work purposes. Employees who, due to their job duties, may be required to use a personal telephone, as designated by the College, generally are provided with a cell phone allowance, which must be approved by the employee's supervisor, the area VP and HR. Employees who believe they are required to use a personal cell phone for College business who have not been provided with an allowance, or those who have an allowance but believe their costs of required business use exceed the allowance, should contact HR with proof, to discuss potential reimbursement.

Personal Meals while Traveling: Personal meals are meal expenses incurred by an individual dining alone while traveling overnight on College-related business. The College will either reimburse actual expenses or provide a per diem allowance for meal and incidental expenses for employees traveling on College-related business based on the guidance below. Employees can choose either method. However, the IRS requires consistent application of the per diem method within a day. Thus, an employee may not choose to use both the per diem and actual receipt methods for the same travel day.

**Actual Expenses:** The College will reimburse reasonable expenses incurred for meals when traveling on College-related business. The amounts requested may not be considered extravagant; an employee should speak with his/her supervisor if there are questions as to the extravagance of any reimbursement request. An itemized receipt (displaying all items ordered) and evidence of payment in the form of a credit card sales draft or cash receipt shall be submitted for reimbursement. If an itemized receipt is not available, a reasonable explanation shall be provided. Additionally, for reporting purposes, purchases of alcohol must be segregated from other food items and charged to "Alcoholic Beverages," regardless of whether the meal is a travel meal or business meal.

If two or more employees are dining together while traveling and one employee pays the bill, they must seek reimbursement for all meals that day based on actual costs (due to IRS requirements for consistent application of the per diem method each day). As an alternative, employees may seek full reimbursement according to the per diem rates if they split the bill or reimburse the paying employee themselves.

**Per Diem Allowance:** In lieu of submitting actual receipts for meal and incidental (M&I) expenses while traveling, employees may request daily reimbursement at the approved Federal per diem M&I rate established by the IRS for each day while traveling on College-related business. The reimbursement allowed for the first and last day of travel is limited to 75% of the daily rate, as prescribed by the IRS. Employees are required to reduce their daily per diem reimbursement request for meals provided by another source (i.e., meals included at a conference, provided by another individual, etc.) using the allocation of the daily per diem based on the GSA schedule as published at [www.gsa.gov/mie](http://www.gsa.gov/mie). No receipts are required when requesting reimbursement under the per diem allowance.

**Approved Per Diem Rates:** The M&I per diem rates differ by travel location. Please visit [www.gsa.gov/perdiem](http://www.gsa.gov/perdiem) to view the current M&I per diem rates by travel location. An updated table for subsequent years is available at [www.gsa.gov/mie](http://www.gsa.gov/mie). Foreign travel per diem will be reimbursed at the rates stated within the State Department's website in lieu of original receipts. Foreign per diem rates can be obtained at [https://aoprals.state.gov/web920/per\\_diem.asp](https://aoprals.state.gov/web920/per_diem.asp).

**Business Meals and Entertainment Expenses:** As defined by IRS regulations, entertainment expenses include any activity that provides amusement, entertainment, or recreation and includes meals, in which the main purpose is to promote or provide future College benefit. In general, a written statement of the amount, time, place/description, business purpose/benefit gained or expected to be gained and business relationship needs to be documented and attached to the receipt(s). Business relationships include the occupation, name, title, or other description about the recipient. Both a detailed statement displaying all items ordered and evidence of payment in the form of a credit card sales draft and cash register receipt should be provided.

Note that individual meals (dining alone) can only be reimbursed if the meal is incurred while traveling (spending the night) based on IRS guidelines. In other words, dining alone while not traveling (spending the night) does not constitute a reimbursable business and entertainment expense per IRS guidelines.

**Purchase of Alcohol:** It is important to remember that Federal regulations consider all entertainment costs (including meals at which alcohol is purchased) as unallowable for either direct grant expenses or in calculating the facilities and administrative overhead rate that is negotiated with the Federal government for indirect cost recovery on Federal grants/contracts. In order for the College to calculate the correct administrative overhead rate, purchases of alcohol must be segregated from other food items and charged to “Alcoholic Beverages,” regardless of whether the meal is a travel meal or business meal.

**Payments for Services:** Due to IRS reporting requirements, payments for services should not be made by an employee using personal funds on behalf of the College. The purchase of services can be processed through various options, including a requisition via Workday, a purchase order via Workday, a supplier invoice via Workday, or the use of the College’s purchase card.

Instructions and forms can be obtained from the following website:  
<https://www.hmc.edu/bao/workday-financials/forms-and-job-aids/>.

**Federal Grant Expenditures:** It is the College’s policy that all business expenses, including grant and contract transactions, adhere to all applicable Federal, State, or other governmental regulations in effect at the time of the transaction. As a general principal, the College is responsible for the efficient and effective administration of Federal grants and contracts.

**Reasonable, Allowable and Allocable Costs:** Federal law imposes particular requirements on the procurement of goods or services using funds from Federal grants or contracts. Costs must be necessary and reasonable, allowable and allocable. Please review the Policy and Procedures for Federal Grant Allowable/Unallowable Costs, on the Grant Administration website, for more information on the Federal requirements of cost principles as well as general provisions for specific cost types.

**Procurement:** Federal regulations place great emphasis on securing the best value for each Federal dollar and on promoting free and open competition concerning procurement. Please refer to the College’s Procurement Policy and Procedures for more information on Federal requirements concerning procurement.

**Debarment and Suspension Regulations:** Non-federal entities, including the College, are subject to the non-procurement debarment and suspension regulations implementing Executive Orders 12549 and 12689, 2 CFR part 180. These regulations restrict awards, subawards, contracts and payments with certain parties that are debarred, suspended, or otherwise excluded from or ineligible for participation in Federal assistance programs or activities. As such, payments may not be made to contractors, suppliers, or individuals that have been debarred or suspended from receiving Federal funds pursuant to the System for Award Management (SAM). Prior to engaging in business with a contractor, supplier, or individual, search the SAM website (SAM.gov), for the contractor, supplier, or individual by name, tax identification number, or another characteristic to make sure the person or entity has not been suspended or debarred from performing Federally funded work. Supporting documentation of search results of the person or entity must be attached to the purchase order, supplier invoice, or expense report. If work has been performed by a prohibited contractor, the Federal awarding agency could refuse to reimburse the costs or request the return of previously awarded funds.

Foreign Travel: Consistent with Federal regulations of the Fly America Act, 49 U.S.C. 40118, foreign air travel that is financed with Federal funds must be booked on U.S. Flag Air Carriers, regardless of cost or convenience. Exceptions to the Fly American Act are as follows:

- A foreign air carrier may be used if the transportation is provided under an Open Skies agreement with the United States Government and the government of a foreign country. There are currently four Open Skies agreements with the European Union, Australia, Switzerland and Japan. Please note, there are limitations to the use of non-US carriers under an Open Skies agreement such as, the current Open Skies agreement does not apply to Department of Defense supported activities and there is a prohibition against non-US carriers if a City Pairs agreement exists. For more information about Open Skies agreements, please refer to the GSA website.
- No U.S. Flag Air Carrier provides service on a particular leg of the route.
- A U.S. Flag Air Carrier involuntarily reroutes travel on a foreign air carrier.
- Service on a foreign air carrier is three hours or less, and use of a U.S. Air Flag Carrier doubles the travel time.
- Air travel is between the U.S. and another country and use of a U.S. Air Flag Carrier on a nonstop flight extends travel time by 24 hours or more.
- Use of a U.S. Air Flag Carrier increases the number of aircraft changes outside of the U.S. by two or more.
- Use of a U.S. Air Flag Carrier extends travel time by six hours or more.
- Use of a U.S. Air Flag Carrier requires a connecting time of four hours or more at an overseas interchange point.

When one or more of these circumstances apply, please provide an explanation indicating the appropriate exception with your expense reimbursement.

Equipment Purchases-Asset Inventory: The College recommends that each equipment purchase costing \$5,000 or more be inventoried in each department's records for both insurance and auditing purposes – an equipment asset inventory is required for any equipment costing \$5,000 or more that is purchased with Federal funds. Maintaining an inventory of equipment assets is valuable in the event an insurance claim needs to be filed due to theft or damage to College equipment. Equipment inventory records should include the date of purchase, amount of purchase (including sales tax, delivery charges and/or installation costs), physical location of equipment (building and room number), the model/serial number of the equipment, the account number(s) charged for the purchase (if purchased with a grant, the name of the grant and Principal Investigator is required) and a unique departmental ID tag number (this should also be attached to the equipment). All documentation of equipment purchases on the inventory log must be kept until the disposal of the equipment. Please contact the Business Affairs Office when disposing of College equipment (either capitalized or non-capitalized) for proper accounting. If disposal consists of selling the equipment, sales tax may apply.

Each department is responsible for annually verifying and updating its own equipment inventory records. A copy of the department equipment inventory record should be submitted annually to the Business Affairs Office as part of the year-end closing process. This documentation will enable the College to comply with the Federal audit requirements.

Gifts: Gifts to third parties - As required by the IRS, the following information should be provided for gift expenses: the cost of each separate expense/gift, the date of gift, a description of the gift and the business purpose. The College does not make contributions to other institutions, in lieu of speaker fees or for other services provided to HMC, unless expressly approved as noted below. Additionally, IRS regulations do not allow for the College to contribute to other 501(c) (3) organizations unless the organization also fulfills HMC's 501(c) (3) purpose. Gifts to other 501(c) (3) organizations need to be approved by the President's Cabinet. Gifts to The Claremont Colleges consortium and its affiliated 501(c) (3) organizations need to be approved by the Business Affairs Office.

Gifts to employees must qualify as a de minimis benefit\* in order to be processed through expense reports. If the gift does not qualify as a de minimis benefit or is paid to an employee in the form of cash (this includes gift certificates/cards of any dollar amount), the value of the gift must be processed as a wage/tax adjustment in the payroll system. The Human Resources Office should be contacted for assistance when giving gifts to employees. Gifts to student employees provided in relation to their employment service are subject to the requirements above.

\* A De Minimis benefit is defined by the IRS as "any property or service you provide to an employee that has so little value (taking into account how frequently you provide similar benefits to your employees) that accounting for it would be unreasonable or administratively impracticable."

#### Non-Reimbursable Expenses

As noted above, expenses must be reasonable and have a legitimate College-related business connection – that is, the individual must have paid or incurred deductible expenses while performing services as an employee of the College. The following is a list of examples of non-reimbursable expenses; this list is not all-inclusive/exhaustive:

#### Day-To-Day Expenses:

- personal vehicle expenses (e.g., car washes, maintenance, fuel, etc.) • traffic or parking violations
- library fines
- lost or damaged personal items (e.g., cell phone, PDA, briefcase, calculator, computer, etc.)
- reward or gift card reimbursements (e.g. an employee uses a gift card to pay for office supplies)

#### Travel:

- additional expenses of a spouse or person accompanying an employee while traveling – unless approved by the Chairman of the Board for the President and the President or VP for Administration for all other travelers - for business related travel – approvals must be obtained prior to the trip
- babysitting fees
- travel insurance, limited exceptions (e.g. pandemic or other issues in the travel destination) with Supervisor and area VP's approval
- airline class upgrades

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- frequent flyer miles and gift card reimbursements (e.g., an employee uses frequent flyer miles to purchase an airline ticket or a gift card to pay for a hotel)
- memberships, clubs, or organizations (e.g., vehicle, airline, fitness, discount retailers, etc.) – unless approved by the President or the Chairman of the Board of Trustees
- kennel costs for pets
- lost or damaged personal items (e.g., cell phone, PDA, briefcase, calculator, computer, etc.)
- medical expenses(e.g., co-pays,prescription or over-the-counter medications,etc.)
- personal vehicle expenses (e.g., car washes, maintenance, fuel, etc.)
- traffic or parking violations
- sightseeingorother personalside trips
- personal care items (e.g., toiletries or haircuts/styling, etc.)
- personal entertainment (e.g., books, magazines, newspapers, hotel room movies, sporting events, etc.)
- mileage for travel between personal residence and the College
- laundry services on trips less than four consecutive business days
- expenses that have been, or will be, reimbursed to the employee by another organization

#### Timeliness of Reimbursement

As noted above, reimbursement requests should be submitted within 30 days of when the expense was incurred or upon return from travel to allow time for review and approval. Requests submitted beyond 30 days may not be reimbursed. Due to IRS requirements, any expense reimbursement granted beyond 60 days of when the expense was incurred or return from travel will be added to the Employee's taxable income and subject to applicable taxes/withholdings.

#### Travel Advances

An employee may request a travel cash advance to cover the anticipated expenses of travel no more than 30 days prior to commencement of the trip and generally should not exceed \$100. Cash advances greater than \$100 will require approval from the Business Affairs Office. Advances will only be made after travel is approved and will be based on a reasonable estimate of expenses to be incurred. To clear the advance, employees should submit a journal or an expense report with supporting documentation attached (e.g., receipts and evidence of travel), within 30 days after return from travel to allow time for review and approval. To avoid being taxable, an advance needs to be cleared within 60 days of return. Holdover of advance monies from one trip to the next is not allowed. Further, advances cannot be granted until the outstanding advance is cleared. In case of postponement or cancellation of the trip, the traveler should promptly refund the College for the advance.

Airline tickets may be reimbursed more than 30 days prior to travel in order to obtain the best fare possible. Airline tickets charged to a Federal grant or made via an employee's personal credit card that are reimbursed prior to the date of travel should be recorded as a travel advance. Airline tickets purchased in advance of the trip using a College purchase card and a Federal grant is not being charged, can be charged directly to Airfare.

#### Home Office or Home Deliveries

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Materials purchased with College funds or to be reimbursed by the College should be delivered to a College address. In the event this is not feasible (e.g., College-provided furniture for a home office), prior approval should be obtained from an appropriate supervisor and the transaction coordinated with the Business Affairs Office to ensure grant reporting requirements and taxability issues are addressed.

#### College Purchase Cards

The provisions of this policy (i.e., reasonable period, adequate documentation, etc.) are applicable to reimbursement of expenses made directly to an employee or paid via College purchase card.

#### How to Request Reimbursement

All Non-employees, including candidates, should be reimbursed through a supplier invoice.

Student employees and all other HMC students may request a reimbursement by completing an ad hoc form. Instructions for how to create an expense report or the ad hoc form can be found on the HMC Workday Resource website here:

<https://www.hmc.edu/bao/workday-financials/forms-and-job-aids/>.

A temporary, permanent, or visiting College employee would process an expense report via Workday to request a reimbursement for work-related expenses, reconcile purchase card purchases, or to clear most cash advances.