

## RESOURCE TOOL

### DEVELOPMENT OF A TRAVEL POLICY

Governments allow travel for business and training purposes that benefit their governmental entity. A comprehensive travel policy is a useful tool to ensure that expenses incurred while on government business are reasonable and a prudent use of public funds. This document provides a high-level outline of the travel policy development process, and provides factors that may be deliberated when setting a travel policy. Each government is unique, however, and not all of the items may apply to your particular government.

- I. Purpose, principles, and scope
  - A. Purpose
    - i. State reasons for the policy.
    - ii. Define what constitutes travel for the purpose of this policy.
  - B. Principles
    - i. Expenses should be reasonable; i.e. is the travel request within the General Service Administration (GSA) limits, or whatever thresholds the government has established for travel?
      - 1. Are there exceptions? For example, is a full per diem allowed for children?
    - ii. Reason for travel must benefit the government or have a public purpose.
    - iii. Reference your ethics policy.
  - C. Scope
    - i. Clarify who is covered by the policy, i.e. employees, board, commissions, volunteers.
    - ii. Who is responsible for enforcement of the policy?
  - D. State source of rules (IRS, state law or policy, local law or policy, ethics policy, what office/official has authority to set policy, can there be waivers and/or exceptions).
- II. Authorization
  - A. Policy and procedures for preapproval of travel and approval of actual expenditures.
    - i. What are acceptable travel purposes (meetings, conferences, training/professional development, procurement-related, sister city, other)? For example, can we go look at the school an architect, whose firm we are considering using, just designed? Can we go see an ERP system in operation and speak with the team that implemented it?
    - ii. What documentation and cost estimates must be provided to the approver?
    - iii. What levels of approval are required and who is authorized to approve?
- III. Advances for travel expenses
  - A. Under what circumstances, if any, are advances allowed?
    - i. Policy and procedures for obtaining an advance

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- ii. Include a policy on a reasonable time period in which to receive an advance.
- iii. Adequately account for expenses that were incurred or paid and return excess. (Refer to IRS Publication 463 for the maximum time allowed.)  
Consider including the actual language from the IRS publication in your policy. For example, the following language is taken from IRS Publication 463, Chapter 6: "Actions that take place within the times specified in the following list will be treated as taking place within a reasonable period of time. 1) You receive an advance within 30 days of the time you have an expense. 2) You adequately account for your expenses within 60 days after they were paid or incurred. 3) You return any excess reimbursement within 120 days after the expense was paid or incurred. 4) You are given a periodic statement (at least quarterly) that asks you to either return or adequately account for outstanding advances and you comply within 120 days of the statement."
- iv. Who will track the reconciliation and return of excess advance?

#### IV. General procedures for payment

##### A. General guidelines

- i. Required documentation (include examples)
  - 1. Receipts guidelines:
    - a. Originals,
    - b. Photocopies,
    - c. Electronic copies
  - 2. Itemized hotel receipts
  - 3. Reimbursement guidelines for missing receipts
  - 4. Itemized meal receipts (if not using per diem)
  - 5. Allocation of receipt with both business and personal expenses
    - a. Allocate a percentage of the overall cost (i.e. meal receipt with food charges, liquor charges, and tip); or
    - b. Ask for separate receipts
- ii. Timeline to turn in final expense report for reimbursement.
  - 1. Include policy for reasonable time period in which to adequately account for expenses after they were incurred or paid. (Refer to IRS Publication 463 for the maximum time allowed.) Consider including the actual language from the IRS publication in your policy.
- iii. Types of travel, if different rules apply
  - 1. One day versus overnight travel
    - a. IRS Publication 5137 addresses the taxability of one-day travel expenses versus overnight travel. Consider including the actual language from the IRS publication in your policy.
  - 2. Out of state travel

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- 3. International travel
- iv. IRS regulations regarding fringe benefits; taxable versus nontaxable, as it relates to travel
  - 1. Include links to IRS Publication 15-B and Publication 5137.  
Consider including the actual language from the IRS publications in your policy.
- v. Payment methods allowed
  - 1. Personal credit cards
    - a. Are employees allowed to use personal credit cards to make major purchases, such as airfare and hotels?
  - 2. Government procurement card
    - a. What types of expenses may be paid with a procurement card?
  - 3. Check paid directly to the hotel – May avoid the payment of taxes
- vi. Use of preferred airlines, hotel chains, auto rental companies from which special discounts have been negotiated by government or travel agent.
  - 1. Is there a particular travel agency? Use mandatory or optional?
  - 2. Are travelers allowed to book airfare on their own?
  - 3. Address whether employees may retain bonus points for reward card flights or hotel stays.
- B. Reimbursable expenses
  - i. Include links to sources of laws and regulations
    - 1. General Services Administration (GSA) website
  - ii. Mileage
    - 1. Based on IRS guidelines or other, i.e. Google maps
    - 2. Is the mileage calculated from the employee's home or place of business, whichever is closer?
    - 3. When certain employees receive car allowances, does the mileage reimbursement apply to these employees?
      - a. Is there an exception based on length of travel (outside normal commutable/city business area)?
    - 4. Is mileage reimbursable if a government car is available for use, however, the employee chooses not to take advantage of the car?
    - 5. Is mileage reimbursable if an employee chooses to drive rather than fly?
      - a. Limit the mileage reimbursement to the lesser of the cost to fly or drive.
  - iii. Rental vehicles
    - 1. Are they permissible?
    - 2. Is it more economical to rent a vehicle versus using a personal vehicle?
  - iv. Meals
    - 1. Method for reimbursement

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- a. Based on per diem or reimbursement
        - i. If per diem, is it based on the GSA rates for the area?
        - ii. If reimbursement, is it based on actual receipts (with or without a limit)?
      - b. Based on state statutes
      - c. Based on something else
    - vi. Tipping
      - 1. Based on GSA incidental rates or other
      - 2. Limit or guidelines (i.e., will not reimburse tips of over 20% of the base cost)
      - 3. Is the cost included in the meal per diem?
      - 4. Provide examples of acceptable tipping
    - vii. Third party reimbursement
      - 1. What is your policy for third parties paying for all or part of your travel costs?
        - a. Document how it benefits the government; pre-approvals ahead of time, etc.
      - 2. How do you document those costs paid for by others?
  - C. Non-reimbursable expenses
    - i. Provide examples, i.e., personal expenses, dry cleaning, hotel movies
- V. Review, approval, and payment process
- A. Authorization level for review and approval. Does it agree with the preapproval?
  - B. Who is providing a review for:
    - i. Business purpose?
    - ii. Permissible expenditures?
- VI. Emergency situations
- A. Procedures for approval and reimbursement