

NAVIGATIONAL TOOLS:

Fiscal Guidelines for the President and Senior-Level Staff



UT THE UNIVERSITY OF TENNESSEE

Office of Audit and Compliance

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INTRODUCTION

The University of Tennessee provides the president and senior-level staff with operating funds and fringe benefits to help fulfill the duties and responsibilities of their positions.

The purpose of *Navigational Tools* is to help you use your fringe benefits wisely and thoughtfully. The guidebook covers taxable fringe benefits, expense allowance, entertainment, travel, wireless devices, IT resources, University aircraft, and housing, among other areas.

The chief business officer at your campus or institute can serve as a resource of information and guidance on UT's policies and procedures. UT's Office of Audit and Compliance (OAC) is also available to provide advice or assistance as you navigate UT policies.

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TAXABLE FRINGE BENEFITS

You are provided taxable and non-taxable fringe benefits in addition to your salary (and bonuses). **Taxable** fringe benefits are included in your gross income in the year received unless expressly excluded or deferred until a later year under the *Internal Revenue Code*. **Cash** fringe benefits are normally taxable, such as a technology allowance to offset the business use of a wireless device or home internet connection. The University has identified some taxable **non-cash** fringe benefits as being subject to employment tax and reporting, according to Internal Revenue Service (IRS) regulations.

Some examples of **non-cash taxable** benefits include:

- Club membership (value of University-paid club memberships and related expenditures that do not serve an official UT business purpose).
- Tickets (value of season tickets/passes to events for which there is no official UT business purpose or an exclusion does not apply).
- Spousal travel/meals (value of UT-paid travel and meals for your spouse when his or her attendance serves no documented official UT business purpose, i.e., is primarily social in nature), with an exception regarding spousal travel on UT-owned or chartered planes if 50 percent or more of the regular seating capacity is filled by employees flying for documented business purposes.

If you receive any of these benefits, consult your chief business officer to ensure they are reported properly. The UT Payroll Office must be notified to facilitate proper withholding and reporting of payroll taxes. Payroll can help determine whether your benefits are taxable and advise what documentation should be maintained for benefits excluded from taxable income.

EXPENSE ALLOWANCE

You are provided an allowance for expenses incurred in fulfilling your official obligations. Such expenses are either not allowable under UT policies or are not prudent to charge to the University.

The expense allowance is intended to cover business-related expenditures to benefit the University, as in the following examples:

- Meals, lodging, and entertainment expenses that are in excess of allowable amounts.
- Purchases of special items occasioned by your University position, e.g., flowers to thank an employee or friend of the University.
- Minor entertainment of official guests and/or staff (e.g., beverages, light refreshments).
- Local meals, parking, and similar items for official reasons.

The allowance is added to your monthly paycheck and reported as taxable income for IRS purposes. It is provided from unrestricted gifts, not from state appropriations or student fees, and you are not required to account for its expenditure to the University.

Any portion spent on such obligations may be deductible as a business expense on your federal income tax return. Consult your personal tax advisor before claiming a deduction.

ENTERTAINMENT

In your role as president or senior-level staff, you may need to host entertainment events. The University may pay for expenses related to entertainment, provided the following criteria are met.

- The entertainment is appropriate in the conduct of official University business.
- The expenses per person would be considered prudent and reasonable to the public.
- The entertainment is properly approved by you or the campus/institute chief business officer (CBO).
- The purpose and the individuals being entertained are identified, in addition to other required information as noted below.
- Documentation is obtained to support the entertainment expenses, as specified below.

Note: The CBO (or designee) must approve expenses over \$1,000 per function and expenses exceeding \$100 per person.

Restrictions

1. Events hosted primarily for UT faculty and staff include banquets, retreats, receptions, employee picnics and recognition events, group working meetings (not at a restaurant), committee or other statewide staff meetings, and training events.
2. When alcoholic beverages are part of entertainment events, the cost must be separately identifiable on the receipts and supporting documentation and charged to restricted funds, such as a gift fund.
3. Tips are a reimbursable expense but should not exceed 20 percent of the total.
4. Entertainment is not permitted on federally sponsored grants and contracts.
5. State law prohibits official University activities in facilities that use discriminatory practices. University employees may not be reimbursed for using these facilities.

Entertainment Budget

Your chief business officer is the best source to help determine the funds available for entertainment events and the amounts customarily spent.

Because UT is a state institution, entertainment expenses are subject to scrutiny and you should be prudent and conservative in planning events. The cost per person is a rule of thumb used to judge the acceptability of the cost of an event.

Consider using funds from your expense allowance to defray some of the cost whenever the location, event, or number of attendees make the cost per person appear excessive.

Catering Services

Food service contracts may prevent your campus or institute from using other caterers on UT premises. Because vendors and terms may vary, contact your CBO for guidance.

If your campus does not have a food services provider on contract, University policy requires such services to be obtained through a competitive process if the cost is \$10,000 or more per purchase or if you plan to spend \$10,000 or more annually with a particular caterer. The CBO or purchasing department can assist with this process.

You may not use University employees or materials for planning, catering, or conducting personal entertainment events, even if you offer to reimburse the University. Use of employees in this manner could result in tax liabilities for the University and may violate UT policies. If your campus has a contract with a food services provider, you may use the provider for personal catering services if the following criteria are met.

- The provider offers catering services to all employees.
- The fees and rates charged to you are not less than those charged to all other employees.
- Proper state sales taxes were applied.
- You pay the provider directly from personal funds.

Payment or Reimbursement of Expenses

1. Expenses for approved entertainment and group-arranged events are handled in the following ways:
 - UT procurement card for expenses up to \$1,000 per function (also for entertainment items exceeding \$1,000 but less than \$10,000 if pre-approval has been obtained from the CBO)
 - Petty cash
 - Direct bill to the University
 - Reimbursement of expenses
2. An official, itemized receipt issued by the vendor (restaurant, caterer, ticket office, etc.) should be obtained. Itemization includes the date, vendor, description of items purchased (meals/beverages), and total.

Non-itemized credit card receipts are not acceptable for reimbursement.

The following additional information should be included on the receipt, invoice, or an attachment:

- Purpose of function
- Date of function
- Number of individuals being entertained (list the names when fewer than 15 and estimate the number for larger groups if the actual number is unknown)
- Average cost per person, including beverages and tips (may estimate the number of attendees if the actual number is unknown)
- Cost center/WBS element/general ledger account to be charged

Note: The number of individuals being entertained and date of function are not required on invoices related to items maintained for guests and visitors to your office, e.g., coffee, soft drinks, and bottled water.

For more details on entertainment requirements, see **Policy FI0715**.

TRAVEL

You are authorized to travel on official University business at your discretion and to approve your own reimbursement requests. **Travel Supplement #1** applies to you as a senior-level staff member, with other requirements in **Policy FI0705**.

The University will pay travel expenses directly billed or as a reimbursement. The University will not pay a credit card statement issued to you even if it includes travel expenses incurred on UT business.

Original, itemized, dated receipts must be submitted with the signed Travel Expense Report for all expenditures of \$50 or more. Receipts are also required for lodging, registration fees, airline tickets, rental cars, and fuel purchases, regardless of amount.

Note: Gasoline convenience fees for rental cars are not reimbursable unless allowed by a UT contract.

The UT procurement card may **not** be used for travel expenses such as airline tickets, hotels, registration fees, automobile expenses, and meals.

Transportation

The University will reimburse you only for coach airfare. No exception may be made without advance approval of the state comptroller, and then only in an emergency.

Mileage Reimbursement

When you use your personal vehicle for official University duties, you may be reimbursed for UT business use. The following limitations apply when claiming mileage for reimbursement.

- Commuting (from home to business site) is **not** reimbursable, regardless of when or how often you commute.
- A trip itinerary should be included in the reimbursement claim. If using an indirect route, indicate mileage from the *Rand McNally Road Atlas*, Google Maps, MapQuest, or other comparable mileage table.
- Local mileage (within a 75-mile radius) should be logged and submitted for reimbursement monthly. (You may use the sample log at the end of this guide.)

Note: UT's travel reimbursement rate schedule in Policy FI0705 contains the most current information.

Lodging

1. Reimbursement for lodging expenses is allowed up to the federal CONUS/OCONUS rates.
2. Expenses for checking into lodging facilities, such as baggage handling and valet service, are allowed up to \$5.00 per check-in.

Exception

When attending conventions and conferences, you will be reimbursed for your room and taxes if you stay in the designated conference or overflow hotel. The conference brochure/agenda must be attached to the Travel Expense Report and contain the name of the conference/overflow hotel. In the absence of a brochure/agenda, you will be reimbursed the CONUS/OCONUS rate.

Meals

Reimbursement for meals is allowed up to the federal CONUS/OCONUS maximum daily rate, with partial per diems provided for days of departure and return.

Exceptions

- Meals on one-day trips with no overnight stay will not be reimbursed.
- Meal per diems must be reduced for meals provided as a part of a registration fee for a conference, seminar, or workshop or as part of entertainment. No meal per diem is available if the registration fee includes all meals for that day. Continental breakfasts included in a registration fee are not considered a meal.

Spouse Traveling with You

When your spouse travels with you to attend meetings of the Board of Trustees, Development Council, Alumni Board of Governors, and similar events, the University will provide transportation or reimbursement of transportation expenses to and from the meeting site. If your spouse's attendance serves no documented official UT business purpose (i.e., is primarily social in nature), the value of the travel expense is considered a taxable fringe benefit. Expenses incurred for meals, lodging, ground transportation, and other incidental travel expenses will be reimbursed in accordance with University travel policy. For questions about taxable benefits, contact the UT Controller's Office.

Exceptions to Travel Policies

The University's chief financial officer (CFO) or his or her designee approves exceptions to UT travel policies for senior-level officials. The president approves exceptions for the CFO, and the CFO or chair of the Audit and Compliance Committee of the Board of Trustees approves exceptions for the president and employees in the president's office.

All such exceptions must be in writing, submitted in advance of reimbursement, and reported to the Audit and Compliance Committee at its next meeting. The CFO is not authorized to approve any exceptions contrary to state law.

PERSONAL SERVICES

In your official role, you will interact with various University employees and students, including food services staff, security and police personnel, and custodial and carpentry staff. Asking staff members to help care for your personal needs or your family's needs is prohibited and can be considered abuse of University resources. Examples of prohibited activities for staff include running personal errands, picking up your children at events, and purchasing groceries, toiletries, or other personal items for you or your family members.

WIRELESS DEVICES AND IT RESOURCES

Wireless Devices

If you require a cellular telephone or other wireless device, including smartphones and air cards (for mobile internet access), or data plans to conduct University business, you may obtain a UT-provided device and wireless plan or use your personal device and plan and receive a monthly technology allowance (see below).

All costs associated with a UT device and wireless plan are charged to your department. You are responsible for the timely review and approval of monthly statements to substantiate the business use.

Information Technology Resources

The University will provide you with a computer (desktop, tablet, and/or laptop), e-mail account, and access to the internet to conduct UT business, including remote access if needed.

If you use a personal desktop, tablet, or laptop to conduct UT business or to connect to UT's IT resources, the same policy provisions apply as for University-provided resources (see below).

Technology Allowance

You may obtain a technology allowance to offset the business use of personal wireless devices as well as a home internet connection. The allowance will be paid every regular pay period through the payroll system and will be identified separately on your payroll remittance. You are responsible for purchasing your own device and/or service. The allowance is intended to offset the business use of the device or service and not as a reimbursement for its total cost. The allowance will be reported to the IRS as taxable income.

Privacy

You should have no expectation of privacy regarding information stored on, sent, or received through University wireless and IT resources or personally owned wireless and IT resources used to conduct UT business or connected to UT's IT resources. Any activity on systems and networks may be monitored, logged, and reviewed by University-approved personnel or may be discovered in legal proceedings. All documents created, stored, sent, or received on University computers and networks may be subject to monitoring by systems administrators.

Tennessee Open Records Act

Under the Tennessee Open Records Act, any record made or received in connection with the transaction of University business is a public record, including billing and other communications records (such as e-mail), unless confidential under federal or state law, regardless of whether the record was made or received on or through UT-owned wireless and IT resources or personal wireless and IT resources. Public records are subject to inspection by any citizen of Tennessee, including a representative of the media.

See **Policy FI0730** for more information on the use of wireless devices and requesting wireless service. See **Policy IT0110** for more information on acceptable use of the University's information technology resources and restrictions regarding UT-provided and personally owned IT resources.

UNIVERSITY AIRCRAFT

Your responsibilities may require frequent travel throughout Tennessee and occasionally travel outside the state. Because it is often necessary to travel when it is impractical or impossible to travel by commercial carriers, the University owns and operates its own aircraft and uses charter services when circumstances warrant.

University aircraft may be used only when official business cannot be conducted more economically using commercial aircraft. Specifically, it is appropriate to use UT aircraft when:

- The destination is not served by commercial carriers.
- The time required to use such a carrier interferes with other University obligations.
- The number of officials and employees traveling makes the use of UT aircraft cost effective.

Restrictions

The University's aircraft may be used only to conduct official business and in accordance with UT travel policy. Personal use and commuting are not allowed.

Charges for Using University Aircraft

The rate charged for using the University airplane varies based on the number of passengers, flight time, and empty return flights. Before scheduling flights on the UT plane, you should inquire about the cost of using it and compare with the availability and cost of commercial flights.

Scheduling Flights

All flights on the University's plane are scheduled through the Office of the President. Every effort will be made to accommodate all requests consistent with the most efficient use of the aircraft and flight crews.

Spouses and Guests

When you are required to attend an event, spouses are permitted to fly on the UT plane. If your spouse's attendance serves no documented official UT business purpose (i.e., is primarily social in nature), the value of the travel may be a taxable fringe benefit unless 50 percent or more of the regular seating capacity is filled by employees flying for documented official UT business purposes. Invited guests of the University who are involved in official functions of or on behalf of the University are also permitted to fly in UT aircraft.

Charter Service

Sometimes it will be impossible to accommodate a request for using the University plane. When commercial flights are not available, or if it is the most cost-effective option, the president's office can arrange for a charter flight. The user department is responsible for all such costs.

Donated Aircraft and Flight Services

When an aircraft and flight services are donated for official University business, the plane and flight crew must meet current Federal Aviation Agency regulations and have the appropriate liability insurance. Contact UT Flight Operations or the risk management office for more information.

For more details on using the University's aircraft, see **Policy FI0735**.

HOUSING

The University may provide a housing allowance to compensate you (the president and chancellors) for the use of your personal homes for conducting University business, including but not limited to, entertainment of alumni, faculty and staff, and other guests of the University, as well as for business meetings.

Housing Allowance

When receiving a housing allowance, you are responsible for the maintenance, groundskeeping, and custodial costs associated with maintaining your personal residence. Use of University resources to fund actual event costs is an acceptable use of funds if such expenditures are made in accordance with University policies and procedures.

Other University Housing

Policies for other University housing provided to staff in the performance of their duties shall be established by campuses and institutes, subject to the approval of the CFO.

For more details on University housing, see **Policy FI0630**.

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 THE UNIVERSITY OF TENNESSEE