

**Earlham College
and
Earlham School of Religion
Business Expense Policy**

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Introduction

The Business Expense Policy, written by the Earlham accounting department in consultation with the Budget Advisory Committee, attempts to standardize procedures across the campus and ensure that Earlham remains in compliance with IRS regulations, as well as providing for conscientious spending among Earlham employees. This policy begins with the premise that financial resources are precious and finite, but it also values the autonomy of the members of the Earlham community. The goal is to clarify the environment in which budgetary decisions are made in order to help members of our community put into practice the fourth principle in *Principles and Practices*:

There are limits to one's own time and energy, others' time and energy, and the resources so unequally distributed throughout the world. We each aspire to make only just and reasonable demands on the time and resources of others, to model a balanced life for those around us, and to work toward a more just distribution of resources.

This policy qualifies as an “accountable plan” for IRS purposes because Earlham requires proper substantiation of expenses, a bona fide business purpose, and timely settlement of any funds advanced. If an employee incurs expenses that do not comply with this policy, those expenses must either be paid by the employee or they must be reported to the IRS as taxable income to the employee.

Part I: Travel Expenses

Earlham pays for travel expenses for employees who travel on institutional business. Employees are asked to use common sense and plan ahead to keep travel costs reasonably low. In addition, employees should assess the amount of travel required and use a method that is appropriate both for their needs and for the expense to Earlham. If you have any questions about travel expenses, please ask your supervisor or the controller before you leave.

Employees who travel on institutional business should pay their expenses using an Earlham credit card whenever possible so that Earlham can earn rebate income. The form to request a credit card can be found here: <http://earlham.edu/wp-content/uploads/2021/03/credit-card-request-form.pdf>. Earlham requires dated and itemized original receipts for all travel expenses, except as noted in Section XII, along with a statement of the specific business purpose of the trip. If a trip includes both business and personal travel, only the portion of the expenses directly related to business travel will be paid by Earlham. In general, any expenses incurred by a spouse or other family members accompanying the employee will not be paid, with the exception of faculty who lead semester- long off-campus programs. If an employee believes the presence of a spouse is required for business reasons, advance permission for an exception to this policy should be obtained from the Senior Vice President for Finance and Administration.

Private Automobiles

In some departments, the use of private (personal) automobiles for Earlham business is not permitted. Otherwise, Earlham pays a flat rate per mile for official institutional travel by private automobile based on the actual driving distance or the most direct route, whichever is less. Earlham's mileage rate is equal to the IRS mileage rate, which is the maximum nontaxable amount allowed, and will be announced annually by the Finance office. The mileage rate is in lieu of all actual vehicle expenses such as fuel, oil, tires, depreciation, insurance, towing charges, physical damage to the vehicle, repairs, etc. In addition to the standard mileage allowance, Earlham pays travel-related expenses such as tolls, ferries, and parking, but not traffic tickets, parking tickets, and other vehicle fines.

Employees may choose to be reimbursed for the purchase of gasoline instead of the flat rate times the miles driven, but only if they also track their miles and show that the cost of the gasoline is no greater than the mileage reimbursement amount.

Mileage paid for driving long distances should not exceed the comparable cost of airfare plus local transportation for the same trip.

Employees who drive their own vehicles on Earlham business should be aware that if they are in an accident, they are covered only by their personal insurance. In this case, Earlham's insurance does not apply and the employee will be responsible for paying the deductible. Employees driving passengers, whether students, employees, or guests of Earlham, in their own vehicles are also personally liable for any injuries to their passengers.

College Vehicles

Earlham leases a fleet of vehicles that may be used for business travel in lieu of a private automobile. To lease a fleet vehicle, you need to be certified through the Public Safety office. For information on becoming certified, fleet vehicle rental and use policy or the fleet reservation form please visit: <https://earlham.edu/public-safety/fleet-vehicle-information/>. Contact the Public Safety Office for more information about rules and availability. Charges for the use of a fleet vehicle are billed directly to the appropriate Earlham department. Employees using a fleet vehicle are provided with a gasoline card so that fuel may be purchased and charged directly to the institution.

Rental Vehicles

Employees may rent a vehicle from a commercial agency for business travel after a flight or as an alternative to private or Earlham fleet vehicle transportation. Use of airport shuttles, taxis, or an Uber/Lyft is preferred when subsequent transportation needs are minimal. Earlham has a preferred provider relationship with National Car Rental (use when renting at an airport) and Enterprise Rent-A-Car (use when renting from a standalone business), so be sure to provide the Earlham discount code XZ08699 when asking those two providers for quotes. Other agencies may have even lower rates, however, so please compare prices. When renting locally, if Enterprise does not have available vehicles, Wetzel also gives discounts to Earlham employees.

Employees are responsible for arranging their own rental cars. Rental cars outside of Earlham's fleet vehicles do not come with a gas card, and therefore fuel purchases are the responsibility of the department renting the vehicle(s).

As a general rule, rental cars should be compact or standard-size. Upgrades to full-size cars may be necessary, however, to include a larger number of persons or extra luggage. Vehicles larger than 12 passenger vans cannot be rented and are not covered by Earlham's insurance policy. The car rental agreement should, for insurance reasons, include both "Earlham College" and the name of the individual. Employees should not purchase insurance through the rental agency, because Earlham's insurance covers rental vehicles. Regardless of driving an Earlham fleet vehicle or a rental from another car rental agency, all Earlham employees must complete driver certification through Public Safety in order to be covered by Earlham insurance. The Human Resources office makes available Earlham insurance cards for employees who rent vehicles. For rental vehicles, Earlham pays for the cost of fuel as well as the rental charge and automobile-related expenses such as tolls, ferries, and parking. Traffic tickets, parking tickets, and other vehicle fines will not be reimbursed.

Air Travel

Travelers should make reservations as soon as possible to obtain advance purchase discounts. Employees should strive to purchase the lowest-priced tickets available for coach-class air travel. A somewhat more expensive flight may be purchased if the lowest-priced fare would:

- Require circuitous routing
- Require travel during unreasonable hours
- Greatly increase total travel time
- Result in increased costs that would offset transportation savings
- Be inadequate for the medical needs of the traveler

Please do not purchase travel insurance. If a change of plans becomes necessary due to circumstances beyond your control, Earlham will pay a reasonable change fee to adjust your ticket.

Earlham does not pay the cost of upgrades for preferred seating or boarding (including business class or first-class seating) unless the upgrade is approved by the Vice President for Finance and Administration for a unique business need, or if the upgrade is an ADA accommodation. Earlham also does not pay the cost to enroll in the TSA PreCheck or similar programs.

If you choose to use personal frequent flier miles to obtain free tickets for business travel, you will not be reimbursed for the value of those tickets.

In general, Earlham will pay for one checked bag per flight. If additional luggage is required due to an extended period of travel, the transportation of institutional materials or for international travel, Earlham will pay that cost as well.

Lodging

Employees needing overnight accommodations while on business trips should use good judgment in finding reasonably priced lodging. When traveling to a conference, look for nearby alternatives that may be more reasonably priced than the hotel that is hosting the conference. It is acceptable to stay at the hotel hosting the conference if a nearby alternative is unavailable, or the schedule of the conference makes it unreasonable to stay elsewhere.

Reasonable and necessary lodging expenses such as tips or fees for internet connection will be paid by Earlham. Earlham will not pay for personal expenses such as in-room movies or mini-bars.

If an employee lodges in a private residence in lieu of staying at a hotel while traveling on institutional business, Earlham will pay for actual expenses incurred (not exceeding \$50 per night) in extending appreciation to the host for the hospitality.

Meals

When overnight travel is necessary for institutional business, Earlham will pay for all meals. If an employee is traveling on Earlham business but not staying overnight, Earlham will pay for lunch only, unless the trip extends beyond that employee's normal work hours.

Employees can choose to save receipts and have actual meal costs covered, or they can choose to receive a meal per diem and avoid the hassle of receipts. When using the receipt method, the following dollar amounts are suggested as guidelines for domestic meals: breakfast \$10, lunch \$15, and dinner \$25 (or \$50 per day), plus a 15-20% tip. In some cities, or when dining with donors, a higher amount may be necessary and in such cases the IRS guidelines will be used. Itemized restaurant receipts showing the individual meals and beverages must be submitted for these meals. If alcoholic beverages are purchased for the employee's own consumption, the employee is expected to pay for them personally. That said, in special circumstances, such as when meeting with a donor or a special guest or when it is culturally appropriate during an off-campus program, a glass or two of alcohol may be purchased with institutional funds, but employees are expected to be prudent with Earlham funds in these circumstances.

If an employee chooses to use the per diem method of paying for meals or did not keep receipts for every meal, in the U.S. the employee is permitted to claim expenses of \$10 for breakfast, \$15 for lunch, and \$25 for dinner, or \$50 per day, without saving receipts. This per diem method may also be used when traveling with a group of students. If meals are provided as part of a conference registration fee at no additional cost, meal expenses may not be claimed using the per diem method. If the per diem method is chosen, it must be used for all meals on a trip and cannot be combined with the receipt method for some of the meals.

The cost of meals in other countries may vary considerably. Employees are encouraged to use good judgment, plan ahead, and consult with the Center for Global Education (CGE) to determine how much is reasonable to spend on meals abroad. As with meals in the U.S., employees may save receipts and have actual meal costs covered by Earlham or they can

use the per diem method without needing to keep receipts. Per diem rates for international travel will be set by the accounting office in consultation with the CGE.

Part II: Local Meals

Earlham will pay for meals eaten locally or on campus only if there is a bona fide business purpose for the meal. Bona fide business purposes may include:

- Meeting with advisees or other students to discuss student matters
- Providing hospitality to guest lecturers or job candidates
- Meeting with donors, potential donors, or local leaders to discuss Earlham matters
- Hosting out-of-town Earlham guests
- Meeting with colleagues when an on-campus meeting is not feasible due to scheduling conflicts or the need for confidentiality
- Occasionally (once or twice a year) rewarding or recognizing a group of employees for their achievements

Suggested guidelines for local business meals are: breakfast \$8, lunch \$12, and dinner \$20 per person, plus a 15-20% tip. The per diem method is not an option for local meals. Itemized restaurant receipts must be submitted for all local meals paid for by Earlham. The receipt should include the names of all attendees, or, if there are more than 10, the number of attendees and a description of the group. If alcoholic beverages are purchased for the employee's own consumption, the employee is expected to pay for them personally. That said, in special circumstances, such as when meeting with a donor or a special guest or when it is culturally appropriate during an off-campus program, a glass or two of alcohol may be purchased with College funds, but employees are expected to be prudent with Earlham's money in these circumstances. The business purpose of the meal should be explained in writing and submitted with the receipt. Meals with primarily social reasons do not satisfy the requirement for a legitimate business purpose.

Meals purchased for on-campus meetings also require the same business purpose justification. Employees should be aware that Metz by contract has an exclusive right to cater all meals for Earlham on our campus. If a different caterer is desired, permission must first be obtained using the catering exemption process. Employees and students who wish to provide pizza for group meals are permitted to purchase from an outside vendor; a catering exemption is not necessary in this circumstance.

Part III: Refreshments for Employees

Earlham will not make available for employees refreshments such as beverages or snacks on a regular basis. The occasional provision of such treats may be paid for with institutional funds, but if a supervisor wishes, for example, to provide donuts on a weekly basis at a staff meeting, that cost should be borne by the supervisor as a personal, not business, expense.

If an employee who has been at Earlham for five or more years leaves the institution, their supervisor may use Earlham funds to host a reception in their honor at the time of their departure. For employees leaving after a shorter term, Earlham will not cover the cost of a reception.

Part IV: Payments for Personal Services

Independent contractors are individuals who perform work for Earlham but are not employees, e.g., guest artists or lecturers, athletic event referees, and skilled tradespeople. The IRS has strict rules for who qualifies as an independent contractor and who must be classified as an employee. If you have any questions about the IRS rules, please contact the Controller or the HR Director.

Independent contractors who perform personal services for Earlham must submit an IRS Form W-9 to the accounting office before they will be paid. Earlham will prepare a 1099-MISC or 1099-NEC for independent contractors who earn \$600 or more from Earlham in a calendar year in order to report their earnings to the IRS.

If an independent contractor is to be reimbursed for out of pocket expenses not reported to the IRS on 1099-MISC as taxable income, the contractor must submit acceptable receipts to document those expenses. Otherwise, all payments to such individuals will be reported on Form 1099-MISC as taxable income.

All payments to individuals who are not U.S. citizens are subject to complex IRS rules regarding tax reporting and withholding. For this reason, Earlham requires employees who approve payments to individuals for personal services to either certify that the individual is a U.S. citizen or provide information so that the accounting office can calculate the appropriate tax withholding to be applied to the payment. Expense reimbursements paid to non-resident aliens may also be subject to tax withholding as mandated by the IRS.

Occasionally Earlham employees are hired to perform personal services for a campus office other than their home department, e.g., free-lance writing, photography, editorial or design work, or other special projects. If the work is outside normal job duties of the employee, extra pay for such services is appropriate. Any such payments to individuals who are employees of Earlham must be processed as supplemental pay through Earlham's payroll office rather than as independent contractor work paid through the accounting office.

Part V: Gifts for Employees

Non-cash gifts to employees purchased with Earlham funds may only be given by the Human Resources office in compliance with the regulations covering employee achievement and retirement awards. The HR office also provides flowers or a donation in the case of a death in an employee's family. Earlham funds should not be used for personal celebrations such as employee birthdays, weddings, or baby showers. Small tokens of appreciation should be purchased personally, not with institutional funds.

It is a violation of IRS regulations for Earlham to give monetary gifts, **including gift cards**, to any employee outside the payroll tax reporting system. The IRS considers gifts cards of any amount to be equivalent to cash and therefore requires us to tax any employee who is given a gift card using Earlham funds. Therefore, Earlham funds may not be used to purchase a gift card for any employee, for any reason. If you do give a gift card in violation of this policy, you must immediately report that transaction to the Human Resources office. The value of the gift card will be added to the recipient's taxable wages and appropriate taxes will be withheld from their next paycheck. There can be no exceptions to this policy due to the very strict IRS regulations regarding wages and benefits. It is within the IRS guidelines to give a Campus Store voucher, for a minimal amount, to employees.

Part VI: Gifts/Prizes for Students

Gift cards purchased with Earlham funds may not be given to students for any reason because the IRS considers gift cards to be the same as cash and requires that they be reported as taxable income to the recipient. Any monetary gifts made to students must be processed through the payroll office or financial aid office. There can be no exceptions to this policy due to the strict IRS regulations regarding wages and benefits and federal financial aid regulations.

Non-monetary gifts for students, such as graduation gifts, should be purchased using personal, not institutional, funds. Any item given as a prize to a student, with a value over \$15, will need to be reported on a Prize Receipt Form and turned into the Accounting Department when awarded.

Due to IRS rules for non-resident aliens, Earlham must submit tax on the cash value of a prize for non-resident alien students within three days of them receiving the prize. The department or club that awarded the prize will cover the grossed-up tax from their budgets. Domestic students who receive prize(s) whose cash value(s) totals more than \$600 will receive a 1099-MISC.

Part VII: Gifts for Non-Earlham Individuals

Any gift with a value greater than \$50 given to a non-employee must be recorded as taxable income to the recipient. A W-9 should be provided to the accounting office for inclusion in the recipient's Form 1099-MISC at year end. If the recipient is not a U.S. citizen, additional paperwork will be needed to determine whether taxes must be withheld from the gift.

Part VIII: Entertainment

Earlham will only pay for entertainment when there is a business purpose for the expense such as student outings or hosting Earlham guests. Earlham pays civic and professional club membership fees only when the membership specifically benefits the institution. The club's membership criteria also must be consistent with Earlham's non-discrimination policy. Be mindful of possible discounts for a group or institutional membership, rather than purchasing several individual memberships. Dues for clubs which are social in nature or which only benefit the individual member will not be paid for by Earlham.

Part IX: Purchase of Equipment, Supplies, or Other Goods

Earlham will pay for the purchase of equipment, supplies, or other goods that are needed for legitimate business purposes. Before purchasing any computer equipment or software, employees should always consult with the Information Technology Department. Earlham will only pay original, detailed vendor invoices, not monthly vendor statements that summarize all purchases during the month. In the case of vendors who neither accept credit cards nor provide invoices, a Request for Payment form should be used with supporting documentation attached to it.

All invoices and Request for Payments must be approved in writing by the person responsible for the budget or fund that will incur the expense, or that person's designee. A full signature on the document, rather than just initials, is required. The approver is responsible for verifying the following:

- The business purpose of the expense is valid
- The goods and/or services have been received as expected
- The total cost of the expense is within the approved budget
- Expenses are charged to the proper department and account(s)

Purchases of goods or services will be expensed during the fiscal year in which the goods or services are received, which may differ from the order or invoice date.

Earlham College and Earlham School of Religion are exempt from sales tax in the states of Indiana, Ohio, Michigan, Kentucky, Tennessee and Florida. Every effort should be made to declare our tax-exempt status when making purchases in these states so we save the additional expense. Our tax-exempt number is printed on all Earlham credit cards for easy reference. The Controller's office can provide tax-exempt forms for those who do not have an Earlham credit card or who need additional documentation. Note that in the state of Indiana, Earlham is not exempt from paying tax on meals or lodging.

Per Board of Trustees policy, externally contracted work in excess of \$50,000 must have competitive bids.

Part X: Purchases from Related Parties

It is considered a conflict of interest for an employee to purchase goods or services for the benefit of Earlham from a related party, including a business owned or controlled by that employee or a member of their immediate family or a close personal friend. If a purchase from a related party is deemed to be in the best interest of the institution, the employee should first obtain written approval from a supervisor and document that the cost is comparable to what could be obtained from an unrelated party.

Part XI: Cash Advances

Employees may request a cash advance when leading off-campus programs and should work with CGE and accounting for such requests. A cash advance is a temporary loan for those employees who will need cash while traveling and who are unable to cover the costs personally and wait for reimbursement after they return. Employees are responsible for accounting for the use of all cash advances and must submit receipts for expenses plus return any extra cash. Cash advances of \$200 or less are paid at the cashier window; larger amounts are paid by check through the accounts payable process. In either case, the employee's request must have supervisory approval.

Each employee receiving a cash advance is responsible for returning expense documentation as soon as possible, no later than 30 days after returning to campus. This documentation should include an explanation of the purpose of the expense, receipts to support all expenditures with the appropriate expense account coding, and a return of any unspent cash.

If an employee fails to report on the use of a cash advance and to return any unspent cash within 120 days after returning to campus, the cash advance will be reported to the IRS as taxable income. No further cash advances will be given to an individual with an overdue cash advance.

Employees choosing to pay for meals using the per diem method do not need a cash advance if they will have no other cash expenses during a trip. Instead, they may obtain meals money before their travels by completing a cash reimbursement form and documenting the number of days at the \$50/day per diem rate. This payment will be recorded as meals expense, not as a cash advance.

Part XII: Expense Reimbursement

Earlham will reimburse employees for personal expenditures for the benefit of the institution that comply with this Business Expense Policy. Expenditures up to \$200 may be reimbursed in cash at the cashier's window and amounts over that amount by check from accounts payable. Expenditures over \$200 may be reimbursed in cash with the approval of the Controller. In order to be reimbursed, an employee must complete a Request for Payment form, attach documentation for the expenses incurred, and obtain the written approval of the budget manager or their designee. Employees may not approve their own expense reimbursements, and administrative assistants may not approve reimbursements for their supervisors. Request for Payment forms may be found here: <https://earlham.edu/accounting-office/>. Original, dated, detailed receipts for all expenses must be submitted with a request for reimbursement, except in the following cases:

- small dollar expenditures such as tips and tolls, as long as the amounts are reasonable;
- mileage for use of a private vehicle, as long as the calculation is shown;
- meals paid using the per diem method; and
- purchases made in foreign countries for which receipts are not customarily given, as long as a contemporaneous log of cash expenses has been kept.

Guests of Earlham, job candidates, independent contractors, and other non-employees whose expenses are to be covered by the institution may submit expenses for reimbursement using these same procedures. If the individual is not a U.S. citizen, Earlham may be required by the IRS to withhold income tax from any such reimbursement.

Part XIII: Taxable Employee Benefits

Occasionally Earlham may decide to pay for employee expenses that the IRS considers to be personal, rather than business, in nature. Examples of such expenses include, but are not limited to, the following:

- Travel, meal costs, accommodations, and cultural excursions for a non-employee spouse or children to accompany a faculty member on an off-campus program. Faculty must track these expenses so they can be reported by CGE to Human Resources at the end of the program.
- Costs for purchasing Earlham-logo apparel for employees, including for coaching staff, that do not qualify as de minimis. Occasional purchases of Earlham clothing for employees is considered de minimis if the value does not exceed \$50 annually.
- Housing allowances for employees who are not required to live in campus housing.

In all such cases, the payment to or on behalf of the employee must be treated as taxable income to the employee per IRS regulations. The individual responsible for approving this payment is required to report the payment to the Director of Human Resources so that the required tax withholding and reporting can take place.

Part XIV: Charging Costs to Sponsored Projects

Sponsored projects include grants and contracts from federal or state agencies, private foundations, or industry sponsors.

Costs charged to sponsored project budgets must align with funder expectations and Earlham's institutional policies regarding expenditures, such as those outlined above.

For all federal awards, costs must conform to OMB's *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ([2 CFR §200](#)). Per this rule set, commonly referred to as the Uniform Guidance, costs must be:

- *reasonable*;
- *allocable* to the specific project;
- *consistent* with how expenses are typically charged by Earlham; AND
- *allowable* in accordance with applicable federal policies, funder's terms and conditions, and Earlham policies.

A cost is *reasonable* if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances pre-vailing at the time the decision was made to incur the cost.

A cost is *allocable* to a sponsored agreement if (1) it is incurred solely to advance the work under

the sponsored agreement; (2) it benefits both the sponsored agreement and other work of the institution, in proportions that can be approximated through use of reasonable methods, OR (3) it is necessary to the overall operation of the institution and is deemed to be assignable in part to sponsored projects. Where the purchase of equipment or other capital items is specifically authorized under a sponsored agreement, the amounts thus authorized for such purchases are assignable to the sponsored agreement regardless of the use that may subsequently be made of the equipment or other capital items involved.

A cost is *consistent* when charged in the same fashion regardless of funding source. This includes allocation as a direct or indirect cost as well as charging costs per institutional rates for such things as salaries, travel, etc.

A cost is *allowable* if it is (1) necessary for the success of the award; (2) adheres to applicable federal policies, funder’s terms and conditions, and Earlham policies; AND (3) is adequately documented.

Allowability of Selected Expenses for Sponsored Projects

Alcoholic Beverages	Unallowable
Entertainment	Unallowable
Equipment (items costing more than \$5,000 and having a useful life of more than one year)	In general, equipment must be included in the awarded budget and/or requires pre-approval from the funding agency. In general, funds awarded for equipment cannot be re-budgeted without approval from the funding agency.
Food	Allowability of food is dependent on funder guidelines, but is commonly unallowable for Federal grants unless associated with allowable “Travel” (see below).
Meetings, Conferences (includes transportation, meals, lodging)	The primary purpose of the meeting, or your participation at the meeting, must be “the dissemination of technical information” related to the project. This can be informal discussion of your ‘work in progress’. Reimbursement follows institutional policies for such expenses. See “Travel” below for specifics rules on transportation, meals, & lodging.
Memberships: Professional Organizations	Unallowable unless the membership is directly related to the grant work and is approved in the grant budget.
Office Supplies	Unallowable unless the expense can be allocated to a specific grant and is justified as being a direct cost of the project rather than routine institutional support.
Professional Services	Professional and consulting services rendered by Earlham employees are <i>unallowable</i> . Salary & fringes associated with employee time and effort should be charged as direct costs in the budget.
Subscriptions	Subscriptions to professional journal are generally <i>unallowable</i> since the expense can’t be allocated specifically to one project. Subscriptions are an expense built into the indirect cost (F&A) rate. If you can document that you need a new subscription in order to conduct the research or carry out the project AND would not otherwise subscribe then it may be allowable expense. Check with the Controller or Assistant Controller.

Telephone	Unallowable, <i>except</i> : long distance calls that can be allocated directly to a specific award and are required for performance of that award where the costs are not built into the indirect cost (F&A) rate may be allowable. Check with the Controller or Assistant Controller.
Travel	Costs related to performance of the specific award are allowable. See Part I: Travel Expenses for rules. Additionally, for Federal funds: Air Travel: You must use a U.S. air carrier unless pre-approved by the Controller or Assistant Controller. Foreign travel typically requires pre-approval from the funding agency.

Oversight Responsibility for Sponsored Funds

In the case of sponsored projects, the Principal Investigator (PI) is responsible for reviewing and approving all expenditure requests.

The PI is responsible for:

- ensuring compliance with OMB cost principles at all times, as well as compliance with any other award limitations or expectations.
- recording financial obligations in a timely fashion to prevent obligations in excess of available funds.
- monitoring spending for accuracy and completeness through review of monthly financial reports.
- tracking expenses in relation to the approved project budget.

The Controller or Assistant Controller is ultimately responsible for identifying unallowable direct and indirect costs. On an individual grant basis, each PI is responsible for identifying (and preventing the incurrence of) any unallowable cost in violation of the above criteria.

Unallowable direct costs should be identified before occurrence by the expenditure approval process. The PI is the first person responsible for reviewing expenditure requests and determining whether the cost is an allowable direct cost of the grant fund. Accounting reviews all credit card, invoice, and transfer requests before the expense is posted. The goal is to find and stop unallowable expenses before the expense is incurred.

If an unallowable direct cost is incurred despite these reviews, then it will be identified after incurrence when the Controller or Assistant Controller reviews the grant fund accounting and reconciles it with the PI's records. If an unallowable direct cost is found after the fact, then that cost will be transferred to another funding source, most likely the unrestricted operating budget out of which the PI normally operates.