

# Establishing A Corporate Travel Policy

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Perhaps the most fundamental building block of a corporate travel program, travel policies are living documents that are as varied as the companies that implement them. Whether they are mandates or suggestions, homogenous or varied by region, fit to a single page or span several, the travel policy serves as the primary conveyance of corporate culture to business travelers.

Before travel buyers can structure deals with travel suppliers and establish preferred relationships, they must institute the guiding principles that build the foundation for corporate traveler behavior and corporate travel programs.

Rising travel costs and slimming corporate travel budgets are moving many travel professionals to reevaluate company policies and how they are enforced. However, travel policies are merely words on a page until travel managers serve the key functions of evangelizing policy, tracking traveler action and correcting noncompliant behavior.

Though rigidly mandated policies with such severe penalties as nonreimbursement for non-compliance remain the exception, many travel buyers continue to put teeth into their travel policies and grow vigilant in righting maverick corporate activity.

Policies, and their enforcement, will vary from company to company, based on the size, industry and amount of travel, but the following outline will help establish a policy to help streamline the travel process:

## I. QUESTIONS TO ANSWER

A. Who should write and update the travel policy?

1. One person with extensive knowledge of the travel industry should be the sole publisher of the document, but collaboration from various company entities will improve buy-in and support its usage.

2. A committee of people from various depart-



ments within the company: accounting, administration, finance, human resources, strategic sourcing, sales and marketing and any department with a high frequency of travel. The committee should make recommendations to a policy writer for implementation. The travel committee should seek traveler input on the impact of policy decisions.

3. A high-ranking executive: a key department head, the CFO, CEO or chairman. It always is helpful to include a letter of support from the CFO or CEO when communicating company travel policy.

4. Different people at different sites or divisions: For global policies, having representatives from all of the countries involved often helps win support and improves compliance.

5. A combination: The travel manager writes the policy for approval by a committee and senior management.

B. Who should be subject to policy?

1. Only employees at headquarters or whichever location is issuing the policy. This is

easiest to administer, but differentiating travelers based on location can be difficult for companies subject to Sarbanes-Oxley regulations.

2. Employees at any domestic location, division or branch: This offers greater cost control, but could interfere with autonomy for individual units and locations.

3. All employees, including those based in international locations: This should take into consideration that travel expenses are more difficult to track internationally. Differences in international laws and cultures could make it impractical or inadvisable to mandate adherence to various policies. It may not be feasible to get every country into the policy parameters.

4. The policy should stipulate that individual travelers and groups are subject to identical policies. Some companies, however, may want to cover groups, conferences and meetings in a separate policy or department.

5. The policy should apply to anyone traveling on the company's expense. This includes consultants, job candidates, customers and subcon- →

tractors as well as all employees.

6. Institute an umbrella policy for all employees that divisions individually can restrict, if necessary, but not relax.

C. Should policy apply equally to all levels of employees?

1. Yes: This sends a message that management is serious about controlling costs.

2. No: Special consideration should be employed for high-ranking executives and others whose time is most valuable from a financial perspective and who have specific security issues. Some companies also may allow special handling of frequent flyers, usually defined as those traveling over a certain mileage threshold during a 12-month period. It can be good for morale to recognize road warriors, but such programs require more administration and are subject to the risk that some travelers may take unnecessary trips.

3. To ensure business continuity in the event of a common-carrier disaster, many companies restrict the number of key executives (no more than two or three) who may travel together on a single aircraft, ground transport or ship. Many consider such a practice best in class and one therefore that should be part of every corporate travel policy. Some corporations also restrict the number of employees at any organizational level on one aircraft. This is particularly crucial when traveling to meetings.

D. How forceful should the policy be? This is a major company-culture consideration and completely subjective.

1. Wording can clarify that policies are mandates and that violators will be dealt with harshly, including denial of reimbursement, up to and including termination. If this option is chosen, the policy specifically must address how to treat exceptions to policy to cover unplanned occurrences.

2. Present policies as guidelines, with explanations required when the guidelines are not followed. Many policies are moving away from referring to guidelines, recommendations and suggestions and simply saying "policy." The word "should" may be less appropriate than the word "will."

3. Present policies as standard procedures carrying the official stamp of company approval, with the signature of the CEO or CFO.

4. Under Sarbanes-Oxley, policies pre-

sented as mandates should be enforced to avoid the risk that control procedures could be misleading or not measurable.

E. Should there be an international policy or should individual countries have separate policies? A comprehensive policy should be consistent, but also should consider cultural nuances. If travel expense or management information system data is available, then an umbrella policy with individual country addenda could be best. Companies often institute regional policies where there are common travel requirements and culture.

F. Because international travel is both



more expensive and demanding than domestic travel, should there be a separate policy covering it? International travel policies can differ, depending on which countries are visited and the length of the business trip. Whether or not a separate policy has been established, the primary policy should cover such issues as passport and visa acquisition, health certificates, security and emergency services. This information should be readily available to all travelers and provided by your travel management company or third-party security provider on a per-trip basis.

## II. MAKING TRAVEL ARRANGEMENTS

A. Should corporate travelers have choices or none at all when making travel arrangements? If travelers have broad discretion, transactions may take longer, cost more and less policy control can be exerted. Yet, it is not always wise to insist on a single vendor, especially for international travel. Reservationists and online reservation tools are geared toward selecting the least costly services compatible with policy and preferred supplier relationships. Check with your legal department regard-

ing liability in limiting options to one preferred carrier. More companies are relying on agency-generated booking data to track business travelers for safety and security and finding it easier to accomplish by using a single agency globally.

B. How should employees make travel arrangements?

1. Through one or more designated travel agencies. Most companies continue to consolidate with one agency. This provides a cost-control mechanism because quotations are more uniform and policy is monitored and interpreted more consistently. It is easier to manage the safety and security aspects of policy through the use of a single provider that can produce integrated management reports, which also can be used in negotiating discounts with suppliers.

2. Through company travel agents who make arrangements through global distribution system terminals, or designated Web sites, or contact the agency to make arrangements

3. Through online booking systems, which can be designed to encourage the use of preferred suppliers by highlighting them or by offering travelers no other options. Consider prohibiting use of public Web sites or allow such bookings as long as tickets are charged to the corporate card and purchasing patterns can be reported. Place strict controls on this process to avoid intentional bypass of booking policies and access to preferred, negotiated pricing from vendors.

4. Policy may specify that anyone planning a meeting with 10 or more employees report the event to the company's meetings department, travel department or agency to take advantage of negotiated group discounts and ensure the proper application of the travel policy.

5. Policy should encourage travelers who take at least one trip a year to complete a profile to be included online or in the agency's global distribution system. Integration between human resources, finance and other sources of personnel and corporate information is preferred. Some corporations have established an electronic data feed from the human resources department to the travel management company to maintain profiles. The travel management company should provide tools to alert travelers of expiring credit card, pass- →

port and visa information, etc.

C. When should trips be planned?

1. As far in advance as possible: It may be difficult to have precise rules on this, but booking as soon as travelers know they'll make the trip improves chances of obtaining lower advance purchase or capacity-controlled airfares.

2. Consider encouraging a minimum number of days in advance—for instance, seven or 14 days—to take advantage of advance purchase airfares, or require approval of a supervisor or other manager for booking within seven or 14 days of departure.

3. Many companies send automated notifications to travelers and their managers indicating the money the traveler could have saved by planning and booking a trip in advance.

D. Is pre-approval by an employee's supervisor necessary?

1. Yes: Requiring supervisory approval enables someone to rule that a particular trip is unnecessary or too expensive. However, for an online reservation, beware that requiring pre-approval normally may qualify as a touched booking. This could add cost to each transaction if the

associated pricing within each tool is not well understood.

2. No: Requiring pre-trip approval, at least for some levels of employees, might detract from individual initiative, creativity and spontaneity valuable for achieving business goals. Monitor management reports to determine if there is a culture of booking at the last minute before considering a pre-approval process. The cost of implementing the procedure could outweigh the perceived benefits.

3. Many companies compromise by relying on either pre-trip exception reports from their travel management company that list travelers who have made reservations out of policy, or employing the use of verbal approval from the traveler's managers prior to booking a trip. Reports can be sent to travelers, supervisors and/or senior management. Often, knowing such reports exist improves compliance.

4. Approval should not be obtained from so high up the corporate ladder that important executives are spending valuable time on administrative details.

Pre-trip exception reporting can be effective

in managing travel exceptions, essentially forcing individuals to apply business reasons for exceptions in real time. Providing monthly or quarterly exception reports and managers' approval by department can highlight problem areas. Exception rules must be spelled out so travel agency or independent third-party audit services can manage effectively.

E. What is the procedure for making emergency travel plans during hours when the agency is not open, and for changing plans en route? Many agencies have a 24-hour reservation service or a tie-in to such services. These services frequently have additional surcharges and only should be



used during non-business hours, and only for emergencies or when doing so will avoid larger cancellation penalties. Use of an online booking tool can provide round-the-clock access, but guidelines given to travelers should indicate clearly whether 24/7 ticket fulfillment is available.

F. The policy may encourage or require travelers to adjust their schedules to minimize costs. These adjustments may include arranging day trips when feasible to avoid hotel costs and making advanced bookings to secure less-expensive airfares. Alternative pricing and costing options should be provided to the traveler to encourage their participation in cost-saving opportunities. Policies of this sort need to balance cost savings with work productivity, convenience and traveler morale.

### III. AIR TRAVEL POLICIES

A. What are the air travel parameters to which your policy should require corporate travelers to adhere?

1. Use preferred airlines on applicable citypairs where price-competitive.

2. Coach is the preferred class of serv-

ice domestically.

3. The fare booked must be the "lowest available or applicable airfare," or some other phrase that describes the company's view of appropriate airfare pricing levels. Define precisely what is meant by lowest logical or applicable fare. The definition may differ for domestic and international travel. Because fare availability changes so often, many companies prefer to stipulate coach/economy class as the guiding principle. Create a comprehensive definition, detailing conditions or savings levels at which the following are required, encouraged, permitted or prohibited:

a. Policies often stipulate finding the lowest fare within a defined travel window—typically two hours—although policies with larger windows are becoming more prevalent.

b. The chance that the trip will be canceled or changed to a different date must be balanced against achievable savings from using non-refundable fares. Usually, nonrefundable airfares save money. Travelers should be reminded to track and keep unused nonrefundable tickets, which often can be used for other trips after paying a change fee. Your

travel management company should have an automated system for tracking unused tickets.

c. Excessive transit time and delay hazards associated with connecting and one-stop flights must be balanced against potential savings. Most policies do not require travelers to change planes unless savings are significant. Indicate a minimum dollar figure, typically savings of at least \$100 to \$200 per segment and no more than two hours total elapsed time.

d. Alternate airports often require traveling greater distances. Inconvenience and additional cost of travel must be weighed against potential savings. Be mindful of the total cost of the trip when alternate airports are involved.

4. Some policies stipulate that senior managers may fly business or first class, or that they may fly in premium class only if a discount coach seat is not available. Some airlines offer premium economy class, business class or executive class seating as cheaper alternatives to first class. Usage of airline upgrades should be defined clearly here. →

5. Premium class (first, business or premium economy class) travel for rank-and-file employees may be permitted in such circumstances as:

a. On flights of a minimum mileage or time. Mileage is a better parameter, as setting a time window encourages travelers to manipulate schedules (e.g., select longer connection times) to upgrade.

b. On international flights. Does this include Canada, the Caribbean, Central America and/or Mexico?

c. When employees are traveling with a client

d. For employees who have physical disabilities

e. For employees expected to work a full day on arrival

f. When employees are willing to pay the difference

g. For frequent international travelers after their second or third international trip within a defined period of time

6. In global policies, distinguish between such policy terms as international, domestic, transcontinental, stateside, foreign air travel, etc. Be aware the terms coach and business are not universal.

7. Employees may be restricted to traveling at certain times of day when airfares are lower. If this is the case, specify the dollar-savings parameters and communicate them to travelers. Such a policy could restrict the trip's business objectives.

8. The policy may state conditions under which the company will pay for an upgrade to business or first class to facilitate work.

9. Policy may explain that the agency or online tool will restrict booking options for employees in accordance with corporate policy and search for the best price within the given parameters. Travelers should advise agents when they are flexible about departure times.

B. If the company or its travel management company has negotiated discounts with preferred airlines, is use of such airlines superior to the other options?

1. The company may need to attain a certain volume or citypair marketshare to maintain preferred fares. This motivation must be balanced against opportunities to secure lower fares for individual trips.

2. The company might have arranged for group airfares, usually for at least 10 peo-

ple traveling to the same destination on the same day, with various restrictions attached. Policy should state that such fares should be used whenever applicable.

3. Policy may establish preferred supplier relationships with multiple airlines or airline alliances to cover multiple citypairs. This strategy can reduce connections.

C. Does the company consider frequent flyer awards earned while on business to be company property?

1. Yes

a. Collecting awards is a potential source of savings.

b. Not collecting frequent flyer awards



exposes the company to potential employee abuses, such as booking expensive seats, unnecessary trips or lengthy itineraries to pad mileage. This can be mitigated through tight policies on fares and carriers, and specific language prohibiting employees from booking a higher fare to collect more frequent flyer points.

2. No

a. The administrative burden and cost to track the accumulation of frequent flyer points and collect awards can reduce or negate savings.

b. Collecting awards can have an adverse effect on employee morale, particularly at companies that historically have allowed employees to keep the awards.

3. Some companies buy awards from employees with a percentage of the savings obtained from reusing the awards for business trips (usually 50 percent). When choosing this option, include tax and payroll, as buyback could be considered taxable income and reportable. The trend, however, is away from collecting awards.

D. Will exceptions to air travel policy be allowed in response to travelers' concerns about service or safety?

1. Many travelers are reluctant to take connecting flights because of the likelihood of delays. The travel policy should specify circumstances for exceptions.

2. Consult legal counsel before insisting that employees fly a carrier they feel endangers their safety. Many companies will not list preferred carriers or, likewise, carriers that are specifically not approved for company travel, because of legal concerns that in the event of a disaster, an employee's family can allege that the company had involvement in the tragedy.

E. Other factors to consider

1. Whether to allow aircraft to be chartered, under what circumstances and who must approve it: Charters might be appropriate when there is no other convenient way to get a group to a certain place at a certain time. Insurance and security departments should be involved in making this decision.

2. If the company will pay for airline club memberships or Registered Traveler memberships for certain employees

3. Whether the company will pay for excess baggage or luggage weight overages, and under what circumstances. Be mindful that carriers increasingly are charging fees for a second checked piece of luggage when traveling coach.

4. Whether the company will pay for insurance beyond what is provided by airlines, company insurance policies and company charge cards. Most companies do not pay for additional insurance unless a traveler is transporting company goods.

5. A statement that employees should not travel to countries for which the U.S. Department of State has issued a travel warning or advisory. The company should provide advisories as a matter of course.

6. Instructions for handling unused paper and paperless airline tickets

7. Use of a helicopter or other high-cost services for quick airport-to-downtown or airport-to-airport travel

8. Who can fly in company-owned or company-leased aircraft and under what circumstances and procedures

9. A statement about the company's procedure for denied boarding compensation. Clarify ownership of the voucher and/or monies and whether travelers can volunteer for compensation.



10. Alternatives to air travel, such as train, or using personal or rental cars for trips within a certain distance. Car costs may be capped by expense or distance.

11. Use of alternative airports where the combined cost of air and ground transportation is less than the cost of flying into the primary city

12. Employees who are licensed pilots should not be allowed to fly passengers or themselves on their own or other rented aircraft.

13. Exceptions to using the agency, such as low-fare carriers' Web sites and direct connections. Some policies state that for tickets that cost less than a certain amount of dollars, travelers can book through those Web sites. However, this compromises the company's ability to manage spending, negotiate discount agreements with airlines and accurately track travelers.

14. Whether the company will reimburse employees to purchase carbon offsets for air travel.

#### IV. LODGING POLICIES

A. How should employees book hotel rooms?

1. Through a designated agency:

This funnels all bookings through a single source, enhancing the capture of booking data that can facilitate future negotiations. This also ensures that negotiated corporate rate or agency rate is used and the correct corporate identification numbers are applied to ensure that room nights are credited toward volume agreements. Many travel management companies and hotels have begun to offer dynamic hotel rates and are limiting last-room availability. Oversight and audits should be employed to ensure the lowest and best rates are achieved.

2. It is recommended that travelers do not call hotels directly or use Web sites: On occasion, this type of direct booking can result in lower rates. However, it also:

a. Provides no front-end booking for data consolidation

b. Undermines negotiated corporate rate agreements by diluting marketshare figures (unless a tracking mechanism is established up front)

c. Reduces commission income

d. Reduces travel management company global distribution system productivity, possibly resulting in financial penalties

e. Reduces the ability to locate employees en route

3. Via an internal or external online booking system. Policy should state what travelers should do if they find rates lower than those of the travel management company or booking tool.

B. How much should employees pay for hotel rooms?

1. Hotels used by company employees should be, for example, "moderately priced." This should be defined to travelers by brand to show the company's view of what is appropriate to spend.

2. Hotel rates should be below certain defined levels.



a. This establishes a cap on expenses. However, it could encourage employees to spend up to their limit.

b. Policies may address the vast disparity in rates from place to place by setting different levels for each city.

c. Remember that using too many hotels will impact performance contracts.

3. Travelers can receive a maximum daily amount, a per diem, to spend on hotels, meals and incidentals, depending on the cost of doing business in each city.

a. Per diems can be based on the firm's historical hotel expenses or published indices prepared by the federal government, *Business Travel News (BTN)*, March 3) or consulting firms.

b. Per diems ordinarily are used only for travelers' personal expenses, such as hotel, food and ground transportation, not business entertainment expenses. These standards may vary by country.

4. Different hotel rates or categories of property are set for different lengths of stay, such as limited-service hotels for one-night stays and extended stay hotels for more than seven nights.

5. Establish a policy regarding the use of room categories above standard, such as business-class rooms, executive floors, concierge levels and suites, which offer business amenities and services and complimentary breakfast, at a premium rate.

C. What other limits should be placed on hotel usage?

1. Encourage or mandate the use of hotels with which the company has negotiated rates or with which the company's travel agency has preferred rates. Many companies and travel management companies have extensive hotel directories, but may mandate the use of particular hotels in a given city. Directions to use preferred hotels should stipulate that stays should be at the company negotiated rate.

2. Outline the circumstances under which preferred hotels do not have to be used. For example, when travelers attend a meeting or conference, or when preferred properties are farther than a given distance from the business destination

3. Include the corporate account identification number to ensure your contracted rates are applied and room nights are credited toward volume agreements.

D. Under what circumstances can travelers stay in more expensive properties or rooms than ordinarily are permitted?

1. Companies may offer high-ranking executives the option of staying in luxury hotels or on executive floors.

2. Better accommodations or a suite might be appropriate if a traveler has to entertain clients or meet with staff.

3. If the only hotels that conform to policy are too far from where the traveler's business will take place, more expensive, nearby hotels may be warranted.

E. Other factors to consider

1. Whether to charge employees for no-show billings if they neglect to cancel a reservation: Policy may instruct travelers who are canceling a reservation to record a cancellation number or the name of the hotel employee taking the cancellation to help resolve billing disputes. Where possible, corporate travelers should cancel through the travel management company for a better paper trail.

2. Whether to reimburse employees for early checkout fees when they overesti- →

mate their lengths of stay

3. Whether charges for personal items, such as in-room movies, mini-bar purchases and dry cleaning, are reimbursable

4. Whether room service charges are reimbursable

5. Whether tips to hotel personnel are reimbursable and, if so, how much to tip

6. When stays are for a week or longer, employees should consider weekly rates or extended stay properties.

7. If the company has corporate apartments in a city, a policy may suggest or mandate their usage.

8. For cases in which a spouse or other family member accompanies the corporate traveler, travel policy may specify that the traveler will be reimbursed only for a single room rate, or a specified percentage of the rate actually charged.

9. Whether appreciation gifts when free lodging is provided by another employee, a business associate, friend or relative are permitted

10. Hotel frequent stay programs: The ownership issue is the same as for airline frequent flyer mileage.

11. Conference hotels should be identified in the travel policy as acceptable for company business.

12. Companies should consider avoiding properties with external guest room entrances and conduct security audits.

## V. GROUND TRANSPORTATION POLICIES

A. In what circumstances might policy suggest or require that rental cars be used or not used?

1. Use a rental car when:

a. It is less expensive and safer than the use of personal automobiles, usually for trips of more than 150 miles.

b. Less expensive means would detract from the efficient conduct of a traveler's business objectives.

2. Do not use when:

a. Such means would significantly detract from the efficient conduct of a corporate traveler's business objectives.

b. Transportation is needed only between the airport and the hotel, and a shuttle service is available or a taxi or car service is less expensive.

c. A company-owned or leased automobile is available.

d. A personal car is less expensive.

e. Many companies discourage the use of rental cars in foreign countries, especially if there are concerns about road conditions or traveler safety.

B. Which car rental suppliers should a company traveler use?

1. Travelers should use a single supplier or a limited number of suppliers with which the company has negotiated rates.

a. This directs a maximum amount of rental business to preferred suppliers, supporting future rate negotiations.

b. For smaller corporations, the best rates available might be negotiated by trav-



el management companies.

2. When necessary, secondary suppliers—contracted to provide service in circumstances and locations where the designated supplier cannot—may be used.

3. Alternatively, local car rental suppliers may be used, to the extent they provide rates lower than the company's contracted rates as determined by the travel management company. This takes advantage of limited-term promotional rates. However, it may dilute total volume directed to a contracted supplier.

4. In cases where a company has multiple suppliers, employees may be directed to use specific ones in specific cities.

5. Employees may be directed to use specific suppliers under certain other conditions. For instance, for one-way rentals, if the company has negotiated a free or inexpensive dropoff rate.

C. What size or class of cars should be rented?

1. Compact cars provide the greatest savings, but less comfort and capacity.

2. Intermediate-size cars give travelers reasonable comfort at a reasonable cost. Most policies allow for the use of a midsize

or intermediate size car.

3. Full-size or luxury cars often are restricted to company officials of a certain designated rank, those hosting clients or those of a certain height or size.

4. Varying sizes of cars: Depending on how many employees and clients are traveling together, or what equipment or supplies a traveler is transporting, corporate policy may specify that employees traveling together must share rental cars.

D. How should car rentals be booked? Unless a car is needed on an emergency or last-minute basis, bookings through the online booking tool, a designated agency, supplier portal (if linked to the travel program) or travel arranger should offer the best guarantee that the negotiated corporate rates will be booked, received and credited toward a volume agreement.

E. Should you accept damage waiver coverage?

1. No. If the company is self-insured, it receives free collision damage waivers under its contracts with car rental suppliers or determines it is protected by company insurance provided under a corporate charge card program. The policy may specify that employees will not be reimbursed for purchasing such coverage.

2. Yes, if no other coverage applies. A company might not want to expose itself to the risk of paying for rental car damages or the paperwork involved.

3. No, for domestic transportation; yes, in foreign countries, due to differences in insurance laws and other regulations

F. Should travelers buy other insurance products, such as personal accident insurance, supplemental liability insurance and personal effects coverage? In general, no. Most companies already have insurance that provides such coverage for employees. If not, they are not likely to reimburse employees for buying them. Policy may state that employees may purchase additional coverage only at their own expense.

G. What should the traveler do following an accident?

1. Notify local authorities.

2. Notify the rental car supplier.

3. If the rental car is damaged, notify the company insurance department of the details and instruct the supplier to submit a bill for repairs to the same department, →

which will handle settlement.

4. Notify the travel department.

H. Other factors to consider

1. Encourage travelers to refill the gas tank of the rental car whenever possible, as car rental companies charge a premium to refill it. Some vendors allow payment of an upfront fee for fuel, eliminating refueling charges, though often charge for a full tank of gas, regardless of gas level upon return, when such a fee is taken.

2. Ask that corporate travelers not drop off rental cars at a location other than the one where it was picked up, to avoid costly one-way dropoff charges.

3. Travelers should be instructed to inspect the rental car for damages and make a record of their observations to protect against the car rental company making unwarranted claims for damages.

4. Policies that cover the use of company-owned, company-leased and personal cars for business travel purposes.

5. Use of an employee-owned car for business purposes, including the per-mile reimbursement rate the company will allow for gas, repairs, depreciation, etc.

I. Car Service

1. Policy may address the circumstances in which use of limousines are authorized (e.g., when travel time is used for business by a number of travelers or when per-person cost is close to that of other forms of ground transportation).

2. Most limousines charge by car or hour, not number of passengers. Often a sedan service for airport transfers to a company's location is less expensive and more convenient than a car rental or taxi/cab.

J. Other items that may be addressed under ground transportation:

1. Procedures, policies and restrictions for use of taxis, including receipt requirements and tipping

2. Parking expenses and tolls

3. Train and bus travel

4. Traffic and parking tickets

## VI. INCIDENTALS, MEALS AND ENTERTAINMENT

A. How much can employees spend on personal meals and incidentals?

1. Up to a set per diem amount, which may vary by city or region of a country

a. This provides cost control and eliminates the administrative costs associated with reviewing receipts.

b. Per diems still can boost administrative costs because expense reports may need to be audited to identify proportional per diems (i.e., partial payment due to a late-day departure from the trip or an early-day return).

2. A set daily spending limit or a fixed amount of expenditures per meal beyond which travelers will not be reimbursed.

a. Individual limits may be set on allowable expenditures for breakfast, lunch and dinner. Some companies do not reimburse lunch expenses on the assumption



that travelers would be paying for lunch even if they were not traveling.

b. A trip's particular spending limit may be adjusted based on whether a free meal is served inflight, if breakfast is included in a hotel stay or if meals are provided at a conference or event.

3. Expenditures should be actual and reasonable up to the daily per diem.

4. Allowable expenditures may vary by level of employee.

5. Analyze current average meal costs within your company before establishing standard rates. Based on your negotiations (i.e., hotels with free breakfast), if you set the amount too high, you could expose your company to higher costs.

6. A policy regarding telephone expense reimbursement

a. The use of in-room phones may be prohibited because of costly fees.

b. Employees may be required to use company-sponsored charge cards or their mobile phones for phone calls.

c. Parameters for personal calls during business trips, such as one call to one other person per day, and for how long (i.e.,

one 15-minute call per day)

B. Specify what meal expenses may not be reimbursable.

1. Expenses for meals purchased when travel does not involve an overnight stay

2. Expenses for entertainment

3. Expenses for meals depending on when travel begins and ends

4. Between-meal snacks

5. Hotel room service

6. Alcoholic beverages with meals

C. Specify that the highest-ranking employee present should pay for the meal and document attendees, etc.

D. State guidelines for personal and business entertainment and meal spend.

1. The meal or entertainment must be for a legitimate business reason. This is crucial for purposes of tax deductibility.

2. Policy may state that the average per-person cost of a business meal should not exceed a defined limit.

3. Only certain categories of employees may entertain business guests, others may need approval.

4. In accordance with U.S. Internal Revenue Service regulations and Sarbanes-Oxley processes, employ-

ees should be required to furnish names, titles and company affiliations of each person present at the meal and/or entertainment event and the business purpose served and business topics discussed, the name and location of the establishment where the meal and/or event took place and the exact amount of the expense. For entertainment events, the specific time the business took place (i.e., before, during or after the event) should be provided.

5. While lunch expenses at an employee's place of work ordinarily are not reimbursable, if the employee has a business luncheon guest, the expenses of both may be reimbursable.

6. Meal or entertainment expenses incurred at a hotel and included on the folio should be broken out on expense reports.

7. Entertainment expenses, such as golf or tennis fees, may be reimbursable. Certain activities may be listed as unsuitable for the company to sponsor.

8. The policy may list circumstances under which employees may be reimbursed for hosting business meals or entertainment in their homes. →

E. Specify reimbursable incidental expenses and detail the parameters for reimbursement.

1. Dry cleaning and laundry expenses
  2. Foreign currency conversion fees
  3. Mobile phone rentals for international travel
  4. Internet access fees
  5. Passport, visa and medical inoculation costs
  6. Business center charges, including facsimile and copy expenses
  7. Mini-bar charges
  8. Health club/fitness center fees
  9. Spa services
  10. In-room movies
  11. Additional flight or rental car insurance
  12. Fines for any traffic or parking violations
  13. Automated teller machines and cash advance fees
  14. Lost, stolen or damaged personal property
  15. Package shipping charges
- F. Other factors to consider

1. Whether different per diem levels apply to different groups or levels of employees
2. A policy on tipping
3. Conditions under which meal expenses are reimbursable when an employee works early or late at the office
4. Whether to require that expense reports break down meal expenses by breakfast, lunch and dinner
5. Types of business events that are not reimbursable: For instance, a birthday celebration may not be reimbursable, but a dinner at which company employees receive an award may be reimbursable.
6. The feasibility of reimbursing expenses that are incurred when an employee from one office who has supervisory authority over another office pays for meals of personnel from the second office
7. When meal expenses of an employee's spouse or guest are reimbursable
8. When liquor is reimbursable
9. Include input from human resources, legal and tax departments.

## VII. PAYMENT METHODS

A. How should employees pay for T&E expenditures?

1. With a company-sponsored charge card whenever possible: This allows the

company to build a travel expense database, which can be incorporated with usage analyses of other vendors to form a comprehensive picture of your company's travel patterns and volume for negotiations. It also provides a mechanism to detect instances of exception to policy.

2. With employees' personal charge cards (not recommended): This eliminates the time and costs of administering a corporate card program, but hinders compiling a complete database of expenses.

3. With cash or travelers' checks (not a recommended practice)
  - a. With the proliferation of automat-



- ed teller machines and growth in the number of merchants that accept charge cards, cash advances almost completely have disappeared. In rare instances, companies still may use them for travel to developing countries or for other exceptions. Elimination of cash advances can reduce corporate travel expenses.

- b. Consider what limit you want to make on the size of advances for domestic and international travel and whether to vary that limit by category of employee.

- c. Policy may state who is responsible for authorizing advances and that employees must return their unused advances within 120 days of receipt.

4. With a centrally billed lodged account for air and rail purchases.

5. In defined cases, via direct billing arrangements with preferred suppliers for lodging and ground transportation.

B. How are corporate charge card expenses to be billed?

1. Direct, individual billing to employee cardholders: The employee has liability. This puts the responsibility of auditing and paying card charges on employees, reducing the administrative burden on the company

and providing an inducement for travelers to file timely reports.

2. Centralized billing to the corporation: The company has liability. Float is enhanced if the company pays charge card bills when they arrive, rather than reimbursing employees who turn in expense reports sooner. Central billing can ensure approval processes are in place to comply with Sarbanes-Oxley requirements.

3. Central pay/direct individual bill: The company has liability. The corporation pays all bills centrally, but the company also has card vendors send individual bills directly to employees, so that they can review all charges for accuracy.

4. Centralized billing of airline expenses and direct, individual billing to employees for all other types of expenditures: The advantages of individual billing still apply and significant float is achieved. This removes responsibility for the largest share of charges from individual employees.

5. Corporate card payment systems and available services vary by country. For example, individual payment and liability is not always permitted in every country (i.e., Russia, China, etc.) on corporate cards. Also consider cards billed in local currency, foreign-language billing statements, automated teller machine fees, card fees, collision damage waiver insurance, etc.

C. Which employees should receive corporate cards?

1. Those who travel a minimum number of times per year

2. Those who regularly incur travel expenses

3. Every employee

D. Corporate charge cards should never be used to pay for employees' personal expenses, as such use offers potential corporate liability and skews data.

E. Determine at what level senior executives should receive executive, VIP, gold or platinum corporate cards.

F. Advise travelers on procedures for how to obtain a card and what to do in the event of a lost or stolen card.

## VIII. EXPENSE REPORTING AND REIMBURSEMENT

A. What are the requirements for attaching receipts to expense reports?

1. Most companies specify that all air, →

car rental and hotel receipts be provided and/or expenses over a certain threshold, often \$25, require an original charge card receipt.

2. Some companies have raised their thresholds to match U.S. Internal Revenue Service regulations requiring receipts only for expenses of \$75 or more.

B. Which receipts are acceptable?

1. Corporate policy may specify types of receipts for different services, such as an itinerary copy or electronic receipt and boarding pass for air, hotel folio plus proof of payment and the rental agreement for car rental or corporate card charge record.

2. The policy may discourage or prohibit submitting "tear-off" receipts from restaurant bills and mandate proof of payment be presented in the form of a charge card billing statement or cash register receipt for any non-chargeable item.

3. The U.S. Internal Revenue Service accepts electronic data from charge card suppliers in lieu of paper receipts.

C. Other reimbursement requirements to consider

1. The agency itinerary, which should identify:

- a. Electronic or paper ticket
- b. Hotel: approved or non-approved
- c. Lowest hotel rate available and booked based on company policy
- d. Form of payment: Card type and last six digits
- e. Booking origination: telephonic or electronic
- f. Whether the contracted travel management company handled the reservation process

2. For expenses incurred in a foreign currency, specify the acceptable conversion rate(s) used on the report.

- a. The rate supported by a currency exchange receipt
- b. The rate reflected on the credit card statement for charges made during the same trip
- c. The rate for the day of the transaction from a published source; e.g., *The Wall Street Journal*

D. When must travelers file their expense reports?

1. As soon as possible after the completion of each trip, often within seven days of the completion of the trip

2. For frequent travelers, periodically—weekly, biweekly or monthly

3. Immediately upon the purchase of an advance purchase ticket, or upon receipt of the statement

4. The company may specify that employees will not be reimbursed if they do not file expense reports on time.

E. How should employees report their expenses?

1. Require all employees to keep detailed logs of when, how and why expenditures were incurred and list on the expense report dates, locations visited, names and titles of persons visited and purpose of the business trip.



2. If an automated expense reporting system is available, the policy should state that use is mandatory for all travelers.

3. Require separate expense reports for each trip.

F. Establish whether the traveler will be reimbursed if the mandated agency or online booking system is not used.

## IX. MISCELLANEOUS

A. Communicating a travel policy

1. Via the corporate intranet or travelWeb site where applicable, supported by a written document
2. In a user-friendly summary document
3. In multiple documents covering different modes and classes of travel
4. Electronically via e-mail
5. During employee orientation
6. Newsletters
7. Travel policy seminars
8. In an employee handbook, along with other corporate policy guidelines

B. Policy may state specifically what steps will be taken when employees violate policy.

1. Reminders, copied to the manager

2. Reprimand
3. Delay or denial of reimbursement
4. Informing supervisors
5. Placing documentation in employees' personnel files

6. More pre-trip authorizations or post-trip audits

7. At companies where air travel is billed centrally, a requirement that violators fund their trips and then seek reimbursement

8. Travelers must get exception approval from the CEO, CFO or division head to be reimbursed.

9. In extreme cases or for repeat offenders, termination

C. Other items that may be addressed in the travel policy

1. A statement of scope, goals and purpose from the CEO describing the advantages to the corporation of supporting preferred travel vendors

2. A precise rundown of which company managers and officials are responsible for enforcing aspects of policy

3. Information and instructions on safety and security

4. Instructions on what travelers should do in the event of medical and

other emergencies, especially when traveling overseas

5. Procedures and requirements for borrowing company-owned computer equipment to use during trips or circumstances in which the company will buy or lease equipment for travelers

6. Circumstances in which use of videoconferencing or Webconferencing capability is preferable to travel

7. Babysitting fees

8. Airline or other travel club fees

9. Rules applying to airport wireless Internet usage

10. Spousal travel when spouse's attendance is required for business purposes

11. Kennel fees

12. Responsibilities of travelers, travel arrangers and managers

13. Credit card late payment fees and interest charges

D. Review policy at least once a year and reissue as necessary. ■

**Assistance was provided by Consulting Strategies principal David Hillman and TRW Travel Consulting president Tom Wilkinson.**