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Princeton University

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4 New South Building*

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TO: Members of the University Community

DATE: November 1, 2004

FROM: Christopher McCrudden

SUBJECT: University Guidelines for Non-Compensation Expenses

In meeting its mission as a residential academic institution, the University incurs a wide variety of expenses. Clear guidelines exist for the compensation of faculty, staff, and students and for casual workers for services performed and for student aid in the form of scholarships and fellowships. Should you have questions in these areas you should consult directly with the Dean of the Faculty, the Office of Human Resources, the Dean of the College, or the Dean of the Graduate School. Salary payments to such individuals must be paid following the appropriate appointment procedures and may not simply be treated as an expense or reimbursement.

The following sections of this package are designed to give guidance for non-compensation expenses, including reimbursement to members of the University community. These policies and procedures are needed for a number of reasons. Among them are: the protection of the University's tax exempt status as both a recipient of gifts and a borrower of funds; the protection of our exemption from sales tax; the ability to meet restrictions imposed by sponsors (particularly the federal government); and the preservation of our ability to reimburse faculty, staff, and students on a tax-exempt basis for expenses incurred in pursuit of University business. In order to achieve the last of these objectives, we have followed IRS regulations wherever applicable. *Repetitive expenses for an individual's routine food, lodging, and*

commuting to the Princeton Campus are considered taxable by the IRS and cannot be paid by other than authorized salary disbursements.

Guidelines and policies cannot anticipate every possible expense or circumstance surrounding those expenses. *The basic litmus test for the allowability of a charge (excluding compensation and student aid) to any institutional account is that the primary purpose for the expenditure is to further the fulfillment of the University's responsibilities.* Many of the specific items cited in what follows help to clarify the appropriateness of expenses that reimburse or otherwise involve an individual member of the University community. While our policies attempt to insure that individuals neither gain nor lose when acting or traveling on the University's behalf, there will be instances when an individual may gain an incidental or perceived benefit from an expenditure whose primary purpose is furtherance of the University's mission. Charges in such situations are allowable and non-taxable so long as the benefit to the individual is *de minimis* and the preponderance of the benefit accrues to the University.

Requests for reimbursements must be accompanied by detailed original receipts and the departmental or University purpose must be clearly stated. If original receipts are not available, there must be a signed statement of explanation by the requesting individual explaining the circumstances preventing the submittal of the original receipts.

The primary test for the reasonableness of a permitted expenditure is whether the expenditure is the minimum necessary to achieve an acceptable institutional result. Where possible, we have tried to include more specific guidance.

The Purchasing Department is responsible for buying on behalf of the institution, and departments should use the Purchasing System (PeopleSoft), or an approved alternative method, such as a departmental credit card. The documentation for each of these methods is designed to help provide clarity on the vast majority of expenditures that departments typically make. However, if there is any doubt about whether an expense will be reimbursable, prior guidance should be requested from the Treasurer's Office (via jwyncza@princeton.edu or ext. 3067).

In no cases will the availability of funds in a departmental account be considered a sufficient reason to incur what would otherwise be a prohibited charge.

This package contains the following sections:

- I. Guidelines for all University Project/Grants
 - A. Permitted Expenses
 - B. Prohibited Expenses
 - C. University Travel Expenses (Summary)
 - (1) Permitted
 - (2) Prohibited
- II. Personal Expense Reimbursement Requests
- III. Departmental Credit Card Procedures
- IV. Special Considerations for Government Accounts and Administrative Charges

- A. General Criteria for Allowability
- B. Charges Specifically Prohibited from Federal Grants and Contracts
- C. Proper Segregation of Expenses in Administrative Accounts
- D. Material and Supply Policies
- E. Capital Equipment

Chairs of Departments, Heads of Offices, and Departmental Managers
Page 2

- V. Individual Faculty Research Accounts
- VI. Purchase of Computers
- VII. Leases of Residential Real Estate
- VIII. IRS Determination of Workers' Status for the Purposes of Federal Employment Taxes and Income Tax Withholding
- IX. Treatment of Advances
- X. Status of Automobile Insurance Coverage
- XI. Moving Expense Policy
- XII. Travel Policies and Procedures

I. Guidelines for All University Project/Grants

A. PERMITTED DEPARTMENTAL EXPENSES:

The list below is not intended to identify every allowable University transaction. It focuses on those expenses that are more “personal” than most University activities and that historically have raised questions. If there is any doubt about whether an expense is reimbursable, prior approval should be requested from the Treasurer. When incurring expenses, care should be taken to avoid purchases that are in conflict with institutional core values or that would cause embarrassment to the University.

*Because of IRS regulations, cash or cash equivalents (such as gift certificates or points on a University card) are **not** appropriate as gifts or awards. Cash **or cash equivalent** awards made as part of official University programs are treated as taxable compensation and paid through payroll.*

Advertisements: Recruiting employees, acquiring goods and services, and disposing of surplus equipment are examples of ads that are appropriate for advancing the interests and visibility of the University.

Awards to Employee Groups: It is occasionally permitted to provide modest awards (e.g., shirts, cups, caps) to members of a working group to recognize membership in a team effort and to encourage camaraderie among team members.

Awards to Student Athletes: Allowability is defined by Athletic Department policy and authorized by the NCAA as, “awards, benefits, and expenses for enrolled student athletes.”

Business Meeting Meals: If schedules require that meetings be held over a meal time, the cost of the meal is an allowable expense. Often such meetings will most logically take place on campus. However, whether occurring on campus or off campus, the normal guideline for allowability would be the average cost of a comparable meal at a University facility, such as Frist or Prospect, or from catering. A list of people with their functional titles or affiliation (individual or group) attending should accompany the reimbursement request. *In those cases where a meeting involves a group of individuals who are defined by their membership in the group; and whose names may be easily identified because of their membership it is not necessary to list each name. The total number of attendees should be included. The University’s policy on business meeting’s reflect minimum requirements. If individual departments wish to apply additional restrictions or reporting requirements they may do so.*

Cash Payments (or cash equivalents) to study or survey participants: These are allowable only if approved by the Human Subjects Committee.

Car Service: Public transportation or use of private auto is often the most convenient and cost-effective means of transportation to airports and similar destinations of intermediate distance. However, other logistical considerations can make use of basic car service an acceptable alternative.

Cell Phones and Pagers: For individuals with extensive travel or emergency response assignments, these may be authorized at the departmental chair or office head level. However, care should be taken that any excess costs caused by extensive personal use are not incurred by the University.

Coffee Service, Soft Drinks, and Bottled Water: When made available to all members of a department and to visitors, these are expenses that may be incurred at the discretion of the department.

Common Area Appliances: These are allowable if they are available to all in the department and do not require special installation conditions.

Conferences and Meetings: Expenses for food and beverages during such events are allowable when associated with business activities. The cost should be reasonable, based on the number of people attending. Request for payment for such meetings should include the names of participants and their functional titles or affiliation (individual or group).

Connection to Home Offices: If there is a significant departmental or University need, connecting costs may be authorized by the department chair or office head at the lowest cost to satisfy the institutional requirements.

Contributions to Outside Organizations: These are allowable only if they further the mission of the University or are in lieu of a sympathy gift. Questions should be directed to the Provost's Office.

Employee Achievement Awards: The items awarded must be of nominal value and consistent with the contribution that the award is intended to recognize. Such programs must be approved in advance by the Office of the Dean of the Faculty or the Office of Human Resources depending on the staff involved.

Gifts for Departing Employees:

These may be given to terminating or retiring employees. The amount should be reasonable, equitable and commensurate with length of service and the nature of the position and conditions of the departure. An amount of \$25 per year of service would be reasonable. This amount can be increased gradually to \$50 per year of service for thirty or more years. For service of thirty or more years, \$1,500 to \$2,000 would be considered a reasonable gift limit. In addition to a gift, it may be appropriate to have a celebratory recognition event (Please refer to the Social Events guideline in the Expense Policies). In the case of transferring employees, a special recognition event would be considered the appropriate form of recognition. In special situations, the appropriate Cabinet officer should be consulted. These gift limitations pertain to University funds only, and are not intended to limit the amount of voluntary co-worker participation.

Gifts for departing employees should not be charged to government sponsored accounts or accounts subject to applicable restrictions.

Because of IRS regulations, cash or cash equivalents (such as gift cards or certificates) must be treated as compensation and are not considered appropriate as retirement gifts.

Gifts to Employees Associated with Professional and Personal Events: A modest memento is appropriate to recognize a significant professional accomplishment such as a promotion, transfer or professional award. Gifts such as flowers or fruit baskets are appropriate to recognize a personal event such as the birth of an employee's child, an extended illness, or the death of a family member (as defined by Human Resources Leave Policy). In the latter case, a donation of equal value may be made to a charitable organization in lieu of flowers or a fruit basket. *This includes gifts to educational accounts established for the benefit of children of a deceased employee.*

Gifts to Non-Employees: Gifts of modest value may be given to individuals not employed by the University in recognition of events. These would most typically be to students, alumni, and friends who have provided volunteer service and leadership to the University. It would also include gifts to hosts when traveling. *Shows of appreciation should be consistent with University guidelines.*

PDA's: If necessary to carry out departmental responsibilities, these are allowable. However, they remain the property of the University.

Licenses: All licensing fees required to perform the duties of one's position at the University are covered expenses. *These may be paid at the discretion of individual departments.*

Memberships - Individuals: Memberships in professional associations related to one's position at the University are covered expenses. *These may be paid at the discretion of the individual departments.*

Memberships - University: These are allowable but require the approval of the Provost's Office.

Moving Expenses: These are allowable to the extent they comply with the detailed Moving Policy (Section XI-Moving Expense Policy). *A recent change to this policy for faculty now permits payment for the shipping cost of one automobile if the new faculty member lives more than 500 miles from Princeton.*

Payment to Other Institutions: Expenses incurred by another institution involved in collaborative activity may be reimbursed based on an invoice or formal request for payment which specifies the purpose and nature of the expenditures. Such payments must be approved by the Office of Research and Project Administration (ORPA) if charged to a sponsored research account.

Prizes: Awards based on established criteria for academic achievement are allowable if approved by the Dean of the College or Dean of the Graduate School, as appropriate.

Services Purchased and Consultant Costs: Payments may be made to outside individuals for services secured on a contract basis. If the provider is not a member of a firm or otherwise incorporated as a business, you must review the IRS guidelines (See Section VIII) in order to ensure it is appropriate to pay the individual as a consultant and not via payroll as an employee. This is especially important if this person has ever been an employee of Princeton. Questions should be referred to ORPA.

Social Events: *Occasional office parties, picnics or other social gatherings for faculty, staff, and students are acceptable. The cost of food should be reasonable. The catering rates established by Dining Services are the appropriate benchmark. Door prizes or favors to a maximum value of \$10.00 may be distributed. A favor is defined as "a small gift given to each attendee at a party".*

Subscriptions: Appropriate publications and journals relative to the employee's responsibilities and intended to increase business/ educational knowledge are appropriate.

Thesis or Study Grants for Students: These are permitted but must be submitted on the Princeton Student Voucher. Such grants *may be* taxable and do not require the submission of receipts.

Training: Training expenses on, off site, and utilizing online strategies are appropriate.

Vehicle Lease/Rental for Local Use: These are allowable but must be procured through the Purchasing Office.

Visiting Fellows: *Departments may provide visiting fellows with a framed photo of all visiting fellows at the end of the academic year. The framed cost of each photo should be in the range of \$250.00 to 300.00.*

B. PROHIBITED DEPARTMENTAL EXPENSES:

The listing of prohibited expenses is not intended to be all-inclusive but rather to reflect examples of invalid expenses that have been inquired about in the past.

Advertisements – Personal: Expenses for advertisements relating to individuals (e.g., congratulatory notices or notices that can be reasonably viewed as personal rather than departmentally oriented) should not be incurred.

Commuting: Employee travel to and from work. *Airline club memberships are not permitted under any circumstance. Employee room fees if an employee stays overnight.*

Credit Card Fees: Annual fees on personal credit cards are not reimbursable even if the card is used for business purposes.

Gifts to Employees and Non-Employees: Gifts for any reason except those previously identified as being permitted are prohibited. This includes gifts given on a holiday or other basis to employees, vendors, or others. Gifts to employees from other departments for performance of routine support activities are prohibited.

Goods for Personal Use: These would include such items as individual coffee makers or similar small appliances.

Late Payment Penalties or Interest Charges: Late charges or interest on credit cards provided under an authorized University program or a personal credit card that has been used to pay University related expenses are not a covered expense and are not reimbursable.

Memberships - Personal, Recreational, or Athletic: Absent an approved business justification made at the level of senior Dean or Vice President, these are not allowable.

Parking Tickets or Traffic Violations: These are not allowable even if incurred while conducting University business.

Personal Services for Employees and Non-Employees: These include child care, pet care, or similar activities.

Political Contributions of Any Type: Both cash and other forms of support are prohibited.

Sales Tax: The University reserves the right to not reimburse sales tax for a transaction that would have qualified for a sales tax exemption if it had been properly processed through the appropriate University channels.

Sponsorship of External Teams or Other External Groups: Both cash and other forms of support are prohibited.

Stolen, Lost, or Damaged Personal Property: These are not reimbursable even if incurred while on University business or property.

C. **UNIVERSITY TRAVEL EXPENSES (Summary):**

Some policies applicable to University travel are specific to that activity and are, therefore, reported as a separate category. See the detailed Travel Policies and Procedures, Section XII, for more detail.

1. **PERMITTED TRAVEL EXPENSES**

Airline Tickets: The University standard provides for coach class, utilizing the “lowest logical available fare.” Whenever possible, efforts should be made to book far enough in advance to secure the most advantageous fare. Frequent flyer miles, which are retained by the employee, may be used at the employee’s discretion to upgrade seating or service. If there are other special health or business reasons for traveling other than coach class, the request must be endorsed by the Department Chair or Office Head and prior approval must be obtained from either the Dean of the Faculty (9 Nassau Hall) or the *Executive Vice President* (320 Nassau Hall) depending on the employee’s staff status. When appropriate and with the approval of the Department Head, travel in advance of or subsequent to a business event may be authorized in order to take advantage of savings available because of airline ticket length-of-stay requirements so long as the total expenses of food and lodging for the individual are less than the amount of fare savings.

Air Phone Usage: These should be incurred in exceptional circumstances only.

Auto Rental: Unless there are three or more employees traveling together, or the employee is transporting sizeable equipment, midsize or smaller cars should be used. Collision damage waiver or personal liability coverage offered by the rental company to cover deductible amounts are to be declined during domestic travel. Use of preferred providers (Hertz, Avis, and Enterprise) is anticipated when available because in our negotiated fee they automatically provide additional insurance coverage to the University. The rental fee, gasoline, parking, and tolls are all reimbursable. When renting vehicles in a foreign country the collision damage waiver or personal liability coverage option should be accepted (See Section X).

Bus/Rail Fares: Standard or coach service is expected. Premium class rail service must be approved by the Dean of the Faculty or the *Executive Vice President* depending on the employee’s staff status.

Business Use of Personal Car: Reimbursement will be made at the IRS rate per mile for mileage in excess of the regular commuting distance (Section XII – Travel Policies and Procedures). However, towing, repair or insurance costs are not reimbursable.

Cancellation Fees: If tickets or reservations were made on the basis of lowest available cost, cancellation fees occasioned by a change in circumstances would be allowable.

Computer Connection Fees: These are allowable to the extent necessary to accomplish business purposes.

Conference Fees: These may be paid by the traveler and reimbursed by the institution if not charged directly to the University.

Excess Baggage Fees: These are allowable to the extent that they are required to transport University equipment or materials

Fax Expenses: These would normally be limited to business purposes.

Laundry and Dry Cleaning: These services may be utilized for a trip in excess of 3 days when necessary to reuse business clothes during the trip.

Lodging: Selection of a luxury hotel should be avoided. Reasonableness and prudence should be important considerations when accommodations are made. Reimbursement will be based on the hotel's standard, single room rate. Gifts to hosts in lieu of lodging expense are allowable if consistent with standard lodging cost.

Meals: Reimbursement will be made for actual and reasonable expenses for meals and tips for which receipts are submitted. Travelers may choose the alternative of a flat per diem rate of *\$36.00* for which receipts are not required. By IRS regulations, this per diem rate includes all incidental expenses, including tips and transportation to meals. In certain high cost areas and overseas, the IRS provides reimbursement at higher rates *which are permitted expenses*. These can be accessed on the Travel Section web site. Per diem amounts must be prorated for travel less than a full day or when meals are provided by a conference or host.

Overnight Deliveries/Postage, Freight, Baggage Transfer, and Similar Expenses: These are allowable when necessary to accomplish the business purpose of the trip.

Spousal/Partner Travel: For non-employees, such travel is permissible if necessary for Departmental or University purposes. Such travel most frequently occurs in the context of recruiting an individual but could also occur if an invited speaker needed assistance when traveling or was expected to attend a function where University spouses and guests would be present. For University employees, such travel would be permissible in the rare instances when the University requires the presence of a spouse/partner to further an institutional purpose. Such cases must be approved in advance by the Dean of the Faculty (9 Nassau Hall) or the *Executive Vice President* (320 Nassau Hall) depending on the employee's staff status.

Taxis and Similar Transportation Charges: These would normally be incurred to/from airport or other public transportation hub to business event location.

Telephone Calls: All business and reasonable calls home, normally expected as one per each day of travel, are allowable.

Tips: Are allowable if modest in nature, for items such as baggage handling.

Tolls and Parking: These are reimbursable expenses.

Travelers Checks Fees, Currency Conversion Fees, Passport/Visa Fees, and Inoculations for Foreign Travel: These are allowable for employee only.

2. PROHIBITED TRAVEL EXPENSES

Airline/Airport Club Membership Dues

Airline Seating Upgrades at University Expense

Excess Baggage Charges for Personal Luggage

Expenses Related to Vacation or Personal Days Taken Before, During, or After the Business Portion of the Trip

Hotel Recreational Activities

Insurance (Life or Domestic Auto Collision/Liability)

Meals: If meals are included in the cost of airfare or conference/meeting fees, the traveler may not be reimbursed for substitute meals at another location.

Personal Items: Toiletries, clothing, etc., are not allowable.

Personal Entertainment or Recreation: These include movies, athletic events, concerts, plays, and in-flight movies.

Souvenirs, Personal Gifts

Travel with a Companion: If an employee decides to have a companion accompany them when on University travel, it is expected that the employee cover all incremental additional costs incurred.

II. Personal Expense Reimbursement Requests

For each expense reimbursement being requested, the nature and purpose of the expense must be stated, and *two signatures will be needed*: the individual who has incurred the expense and is requesting the reimbursement and the Department or Office Head approving the expense.

- A. When the individual requesting reimbursement is a Departmental Chairman or Program Head, the second signature will be that of the Dean of the Faculty (9 Nassau Hall).
- B. When the individual requesting reimbursement is the head of an administrative office, the second signature will be that of the appropriate Vice President or Senior Dean.
- C. When the individual requesting reimbursement is a Vice President or Senior Dean, the second signature will be that of the *Executive Vice President* (320 Nassau Hall) or Treasurer (4 New South Building).
- D. The authorization for the second signature (approval) may be delegated in writing to an individual in a management position. Such delegations must be approved by the Treasurer on an annual basis. When the Department or Office Head, as well as the individual's supervisor is not available, the second signature will be that of the appropriate Vice President or Senior Dean.
- E. Individual personal reimbursements of \$25 or less may either be forwarded for the required second signature as incurred or accumulated and reported on an annual basis to the responsible authorizing party (second signature). This includes both petty cash and reimbursements by check.
- F. Original receipts are required for all reimbursable expenses except for flat per diem meal rates and tips.
- G. Under no circumstance may a person authorize reimbursement, or payment of any type, to a family member. Family should be interpreted in the broadest sense and includes blood, marital and other significant relationships.*

III. Departmental Credit Card Procedures

Credit cards are issued to assist departmental employees in carrying out their purchasing responsibilities in a way that provides both adequate documentation and ease of use. The following procedures must be used for all University issued VISA departmental cards.

- A. The request for the credit card must be signed by the Department Chair or Office Head.
- B. There will be one responsible departmental individual assigned to each card.
- C. For audit purposes, it is the responsibility of the departmental individual to keep a record of each purchase made using the card. These individual original records must be reconciled on a monthly basis to the VISA summary statement of charges on the card.
- D. The preferred method for approving card purchases is for the supervisor of the individual responsible for the card to add a second electronic approval using the card management software “Works.”
- E. An alternative approval method would be for the departmental individual responsible for each card to prepare a paper reconciliation each month and forward it to their supervisor for approval. The reconciliation (and all supporting documents), signed by both the individual and supervisor, must be forwarded to the Controller’s Office (6th Floor, New South Building) for review. In the case where a chair of a department or project or an office head is the card holder, the reconciliation would go to the Dean of the Faculty (9 Nassau Hall) for counter signature or the appropriate Cabinet level officer for non-academic departments.
- F. A third method is a combination of the first two. It is intended to accommodate senior staff by allowing them to meet their control/authorization responsibilities without having to learn to use the computer application. In this case the reconciliation (and all supporting documents) are signed by both the individual card holder and supervisor and retained by the department. The supervisor may delegate authority to a designee to complete processing via the system by “authorizing” the approved transactions.*

ALL PURCHASES MADE ON UNIVERSITY ISSUED CARDS MUST BE FOR ALLOWABLE UNIVERSITY EXPENSES. NO PERSONAL EXPENSES MAY BE INCURRED ON A UNIVERSITY ISSUED CREDIT CARD.

Detailed information on allowable expenditures can be found on the Treasurer’s Web site:
<http://web.princeton.edu/pusites/TreasurersOffice/Purchasing/PrincetonOnly/pncbankpolicies.html#reconcilemonthlstatements>

**Non-compliance with these procedures will result in the
loss of credit card access.**

IV. Special Considerations for Government Accounts and Administrative Charges

INTRODUCTION

While Section I deals with expenses that are allowable for University purposes, federally funded contracts and grants carry a specific list of rules and prohibited costs which cannot be directly charged to a sponsored account nor indirectly included in the facilities and administrative (indirect costs) rate charged to such agreements.

A. GENERAL ALLOWABILITY GUIDELINES:

The underlying criterion for allowability of a cost charged to a federally sponsored project is reasonableness. The quite specific government guidance quoted below must be applied to costs incurred on federal grants and contracts, although these principles are generally applicable in determining the appropriateness of any University cost.

“A cost may be considered reasonable if the nature of the good or services acquired or applied, and the amount involved therefore, reflect the action that a prudent person would have taken under the circumstances prevailing at the time the decision to incur the cost was made. Major considerations involved in the determination of the reasonableness of a cost are: (a) whether or not the cost is of a type generally recognized as necessary for the operation of the institution or the performance of the sponsored agreement; (b) the restraints or requirements imposed by such factors as arms length bargaining, federal and state laws and regulations, and sponsored agreement terms and conditions; (c) whether or not the individuals concerned acted with due prudence in circumstances, considering their responsibilities to the institution, its employees, its students, the government and the public at large; and (d) the extent to which the actions taken with respect to the incurrence of the cost are consistent with established institutional policies and practices applicable to the work of the institution generally, including sponsored agreements.”

B. CHARGES SPECIFICALLY PROHIBITED FROM FEDERAL GRANTS AND CONTRACTS:

By regulation the following are costs specifically identified by the federal government as not being allowable charges to their funds:

- Advertising, except for recruitment, procurement of goods or disposal of scrap or surplus materials
- Air travel by other than commercial carrier shall not exceed the costs of allowable commercial air travel

Alcoholic beverages
 Alumni activities
 Amounts claimed as cost sharing on research projects may not be included
 in overhead pools.
 Bad debts
 Commencement & convocation costs
 Commercial airfare in excess of lowest available discount or standard,
 except on documented case-by-case basis
 Contingency reserve or provisions (i.e. amounts set aside for unknown events but
 not actually expensed)
 Defense & prosecution of criminal & civil proceedings, claims, appeals,
 and patent infringements resulting in a conviction, determination of
 liability or penalty
 Donated services and property except as depreciation
 Donations or contributions made by the institution
 Entertainment costs
 Executive and legislative lobbying
 Fines and penalties – except with authorization from a sponsoring agency
 Foreign travel without prior authorization and foreign airfare on non US Flag
 carriers.
 Fund raising and investment management costs
 Goods and services for personal use
 Housing and personal living expenses
 Institution-furnished automobiles for personal use
 Insurance against defects
 Legal retainer fees without support of services rendered
 Lobbying – except for technical and factual presentations related to performance
 of a grant, contract or agreement (and these costs are to be separately
 identified)
 Losses that insurance could have covered
 Losses on sponsored agreements or contracts
 Medical liability (malpractice) insurance, except for research programs
 involving human subjects
 Memberships in civic, community, country club, social or dining club or
 organization
 Pre-agreement costs
 Public relations, except in relation to sponsored agreements
 Rare books – museum type
 Selling or marketing of goods or services
 Severance pay in excess of institutional policy
 Travel costs of lodging and subsistence exceeding normal institutional policy

C. *CRITERIA FOR SEGREGATING COSTS UNALLOWABLE FOR GOVERNMENT FUNDS BUT ALLOWABLE FOR UNIVERSITY FUNDS:*

The types of costs cited in B, above, as unallowable as direct charges to federal contracts and grants are also unallowable for purposes of indirect cost

recoveries. This means that for administrative accounts in academic departments and programs, and accounts for central general business functions, special segregation is necessary for cost items allowed under University policy but prohibited under federal guidelines. Such a distinction need not be made for any department whose sole purpose is student services alumni or public affairs, development related or associated with auxiliary activities such as athletics, real estate, dining, housing, conference or visitor services. All other units should charge such costs to the departmental project grant with the last four digits of 1038. These accounts are all entitled “Unallowable Cost: for our government indirect cost purposes.”

D. MATERIAL AND SUPPLY POLICIES:

Government rules provide that title to supplies and other expendable property vests with Princeton on purchase. If there is a residual inventory of unused supplies of a particular good or raw material (such as a chemical or electronic part) exceeding \$5,000 on completion of the project, we may use them on another federally supported project. If not, we must compensate the government for the unused surplus. In order to avoid this administratively cumbersome situation, the following practices should be followed:

1. Supplies of consumable goods should be bought in quantities expected to be necessary to complete the work of the project.
2. When possible, without in any way interfering with the course of the research or adversely affecting the price, such supplies should be ordered on such a schedule as to allow for adjustments to quantities based on actual research experience.
3. Should consumable supplies exist at the end of a grant or contract, whenever possible they should be utilized by other government research activities within the department. If the value is more than \$5,000 and the department is not able to utilize these supplies on government supported projects, supplies may be transferred to a departmental non-government account by initiating an interdepartmental invoice. If the excess supplies cannot be utilized by the department, the Purchasing Office should be contacted. They will attempt to dispose of them either to other University departments or to external buyers. The proceeds from the sale of the residual supplies will be applied to the original grant or contract.

E. CAPITAL EQUIPMENT:

There are two classifications of capital equipment:

Research Equipment - The purchase, lease, rental, installation or other acquisition of capital equipment, with a unit acquisition cost of \$5,000 or more and a useful life of at least one year, or of components with a lesser unit cost, that are used to conduct research, scientific, or technical activities.

General Purpose Equipment - The purchase, lease, rental, installation or other acquisition of all items, with a unit acquisition cost of \$5,000 or more and a useful life of at least one year, that are not used for other than research, scientific, or technical activities. Examples include: computers, office equipment and furnishings, air conditioning equipment, filing cabinets, refrigerators, motor vehicles, etc.

Purchases of equipment on sponsored research awards must be approved by ORPA and in some cases, the government sponsor. Unless charged to a sponsored agreement designed solely to provide facilities and equipment, all items must be purchased early enough in the agreement's life to provide clear benefit to the research objectives of the agreement. Equipment expenses in the last six months of an award require additional justification.

V. Individual Faculty Research Accounts

I. General Guidelines

To assist faculty members with their research, the University will, on occasion, grant individual faculty members a research account to be used to reimburse qualifying research expenses. Funds in these research accounts are intended to pay for research related expenses such as the purchase of books and other research materials including data-bases and software, the employment of research assistants, payment of subventions, payment of translation expenses for research materials, research-related travel and other research-related expenditures.

Expenditures from these University-funded faculty research accounts are expected to directly tie to the faculty member's research activities. These accounts should never be used as a catch-all to cover research-unrelated expenditures made by faculty members. For example, funds may not be used to purchase personal computers and similar devices that would remain in possession of the faculty member. Any personal computer or other durable equipment that is purchased from a research account remains the property of the University. Research-related books and computer software are considered to be nondurable. Funds may not be used to purchase home-office equipment such as desks, chairs, book cases, wastebaskets and so forth. These are considered personal expenditures and reimbursement will not be permitted.

A good rule of thumb for faculty members to follow in requesting reimbursement from their individual research account is that the same general guidelines cover reimbursement of expenditures from individual research accounts that cover expenditures from any University account.

THE BASIC TEST FOR THE ALLOWABILITY OF A CHARGE TO AN INDIVIDUAL FACULTY MEMBER'S RESEARCH ACCOUNT IS THAT THE PRIMARY BENEFICIARY OF THE EXPENDITURE MUST BE THE UNIVERSITY.

Requests for all reimbursements from individual research accounts must be accompanied with detailed original receipts and the purpose of the expenditures must be clearly stated on the invoices.

II. Travel Expenses

The same University policies apply to travel expenses charged to individual faculty research accounts that apply to travel expenses charged to any other University account. Individual research accounts cannot be used to fund first class-travel. Business class travel may be permitted with prior approval under very limited circumstances. If there are overriding health considerations or some other considerations for traveling other than coach class, the request must be endorsed by the faculty member's chair and prior approval must be obtained from the Office of the Dean of the Faculty. These exceptions will be made on a case-by-case basis. Please contact Associate Dean Sandy Johnson concerning requests for exceptions at sandyj@princeton.edu, extension 8-5230.

III. Allowable research expenses

Faculty members undertake a wide variety of activities as they engage in their research. As with the criteria governing sponsored research, the underlying criteria for allowability of a cost charged to an individual faculty member's research account is reasonableness and benefit to the University.

As a general rule, the guidelines for determining permitted University expenses also apply to those expenses from individual faculty research accounts. These guidelines are in Section 1.A. of the Treasurer's guidelines.

1. Allowed research-related expenses:

When directly related to a faculty member's research work, the following expenses are allowed:

- Research-related books and periodicals (*not personal books and periodicals*)
- Books authored by the faculty member purchased to give to others, limited to 10 copies when purchased with University-funded research funds
- research materials such as data bases
- xeroxing or copying of research materials
- subventions to publishers to allow the publication of research books or monographs
- creation of drawings, maps or other materials that will be included in a research publication
- employment of research assistants
- payments to research subjects (*in all cases where the faculty member is engaged in such work, the University human subjects committee must approve the project beforehand*).
- Research-related travel including travel to conferences, travel to research locations, cost of living while at research locations (supported by receipts)
- Membership fees for professional societies
- Conference registration fees
- Software that will assist the faculty member in undertaking their research

University policies attempt to ensure that individuals neither gain nor lose when acting on behalf of the University. There will be instances when a faculty member may gain an incidental or perceived benefit from an expenditure whose primary purpose is the furtherance of the University's mission. Charges in such circumstances are allowable and non-taxable so long as the benefit to the individual is *de minimus* and the preponderance of the benefit accrues to the university.

2. Allowed if approved by the Department Chair and/or Dean of the Faculty:

Some research related expenditures are allowed only when approved by the Department

Chair or Dean of the Faculty:

- a. **Payment for a DSL Line** to home office: These lines are as common as telephones today and as a rule should be considered a personal expense unless there are extenuating circumstances that clearly link these expenditures to a faculty member's research. These expenditures must be approved by the Department Chair.
- b. **Purchase of cell phone** and/or associated monthly charges. The purchase of cell phones and payment of the monthly charges should be considered a personal expenditure unless there are overriding business-related circumstances that have been approved by the Chair. The University reimburses business calls through a variety of mechanisms (phone card, direct reimbursement). The Telecommunications Office has a mobile phone loaner program to provide business-related cell phone coverage during both US and international travel.
- c. **Purchase of a "blackberry"** or other remote device must be approved by the Dean of the Faculty. The portion of the monthly connection fee that relates to personal use must be paid by the individual. The "blackberry" remains the property of the University.
- d. **Gifts to host.** In some circumstances a token gift to a host may be reimbursable as a recognition of an event. A token gift to a host in lieu of lodging expenses is acceptable if the cost is consistent with standard lodging costs.
- e. **Other questionable expenditures.** Some expenditures associated with research are unique and resist easy classification. University research funds are intended to benefit Princeton University so in cases where faculty members are scheduled to terminate their employment at Princeton, special care should be taken to ensure that the primary beneficiary of all expenditures is Princeton and not the institution to which they will soon be taking up employment. Should you have any question concerning the reimbursability of a research expenditure, please contact Associate Dean Sandy Johnson, sandyj@princeton.edu, extension 8-5230.
- f. Any expenditure not directly related to the faculty member's research must be approved by the Dean of the Faculty before it can be charged to the University funded research account.

3. Food and Entertainment Costs

The following criteria should apply to all food and entertainment expenses submitted for reimbursement on a University-funded research account:

- a. The primary beneficiary of expenditures for food and entertainment should be the University. (If the food/entertainment is used as a reward or morale booster, these situations must be non-repetitive in nature.)
- b. In all cases, a list of attendees *or identification of a discernable group* and the purpose of the meeting needs to be provided along with the original receipts in order to be reimbursed.
- c. The concept of reasonableness should apply to all food costs.
- d. If the schedule for a research-related business meeting requires that the meeting be held over meal-time, the cost of the meal is allowable.
- e. As a rule, spouse/guest meals are not reimbursable. However, there are some circumstances where a spouse's (or guest's) meal would be reimbursable as a

business expense in those rare circumstances where the University requires the presence of a spouse/partner to further an institutional purpose.

IV. Prohibited Research Expenses

Research accounts are not “expense accounts” to cover personal expenses. The below listed expenses are disallowed. Please note that any item that is prohibited by the University Expense Reimbursement Policy as a departmental expenditure (Section I.B.) is also prohibited from University-funded research accounts.

Personal expenses

Commuting: Employee travel to and from work.

Credit Card Fees: Annual fees on personal credit cards are not reimbursable even if the card is used for business purposes.

Gifts to Employees and Non-Employees: Gifts for any reason except those previously identified as being permitted are prohibited. This includes gifts given on a holiday or other basis to employees, vendors, or others.

Goods for Personal Use: This would include such items as individual coffee makers or similar small appliances.

Late Payment Penalties or Interest Charges: Late charges or interest on credit cards provided via an authorized University program or a personal credit card that has been used to pay University related expenses are not a covered expense and are not reimbursable.

Memberships - Personal, Recreational, or Athletic: Absent an approved business justification made at the level of Dean or Vice President, these are not allowable.

Membership in Airline Club

Moving and storage of personal goods while on leave

Moving of automobiles to leave locations

Parking tickets or traffic violations: These are not allowable even if incurred while conducting University business.

Personal Services for Employees and Non-Employees: These include child care, pet care, or similar activities.

Political Contributions of Any Type: Both cash and other forms of support are prohibited.

Sales Tax: The University reserves the right to not reimburse sales tax for a transaction that would have qualified for a sales tax exemption if it had been properly processed through the appropriate University channels.

Sponsorship of external teams or other external groups

Stolen, Lost, or Damaged Personal Property: These are not reimbursable even if incurred while on University business or property.

V. A word about Expenditures Charged to Federal Grants and Contracts:

A good general guideline in determining which expenditures are allowable charges to University-funded research accounts is that expenditures charged to these research account should be those which contribute to, and are generated by, that research program. The more direct the link between the expenditures and the research, the better. The guidelines for expenditures charged against government grants and contracts are very good guidelines for expenses charged against individual research accounts. The only exception I

would note is that foreign travel can be charged against a faculty member's individual research account as long as that travel serves to benefit the faculty member's research program. Please refer to Section I.B. of the Treasurer's policy for a listing of those charges which are prohibited from being charged to Government-sponsored research accounts.

VI. Examples to clarify policies:

1. Meal examples: When a meal is charged to an individual research account, the faculty member needs to think how this meal directly relates to her/his research activities. Non-repetitive meals purchased for staff to raise morale or celebratory in nature are allowable if tied with some event directly related to the research. If meals are repetitive in nature such as periodic research group meetings over a pizza lunch, to be reimbursable, it needs to be clear that these meals are research related and not social in nature. If a meeting must be scheduled over lunch or dinner because of scheduling or time constraints, the meal would be allowable.
2. Research material examples: The purchase of books and periodicals should tie directly to research programs. The concept of who benefits most, the individual or the University should be used for questionable cases. Therefore, the purchase of a Wall Street Journal subscription for individual use would in most cases be considered personal use and not reimbursable unless the research agenda of the faculty member directly related to the content of the Journal. While some article very rarely might relate to research, over the course of the subscription it is the individual who benefits most and hence the expenditure should be considered personal. This does not preclude the purchase of a department copy of newspapers such as the WSJ from a general (not research) University account.
3. Gift example: In some circumstances in the course of research travel, a gift to the host might be appropriate. If a host has provided free accommodation in their home or business facility, a modest gift in lieu of the lodging cost would be considered appropriate. In some foreign cultures, the giving and receiving of modest gifts in business related settings is customary and expected. In such cases, it may be appropriate to give a modest gift. These expenditures must be carefully documented and must be approved by the department chair. The expenses for these gifts must be modest and reasonable.
4. Travel to resort area for conference: In some cases, University employees might combine business travel with vacation travel. For example, if a research-related conference is held in a resort area, a faculty member might bring family and stay on for a few extra vacation days. Care must be taken to appropriately segregate expenses so that the University pays for only the employee's business-related expenses. The travel, food and lodging expenses of family members are personal expenditures and cannot be charged to research accounts. The extra days spent at the resort location, beyond the conference dates are personal expenditures and cannot be paid by university funds.
5. Moving and storage of personal goods during leave: The moving and storage of personal goods while on a leave of absence is considered a personal expenditure and cannot be charged to individual faculty research accounts *or departmental*

accounts. If a faculty member ships research-related books or other research materials that are intended to be used and referenced during the leave to the leave-location, these shipping expenses may be reimbursed from the research account. The University will not pay for automobile shipping from individual research accounts.

VI. PURCHASE OF COMPUTERS

Computers should be purchased using established University procedures. They should not be bought by individuals using personal *or departmental* credit cards. Because computer purchases outside University procedures have been a frequent problem in the past, it is appropriate to discuss in more detail why such procurements are prohibited.

- A. The University has favorable contracts with Dell, Apple, and IBM. With Dell and Apple there are integrated Web applications to facilitate the actual purchase/delivery of computers and this methodology is consistent with the University's objectives.
- B. Purchases made directly by individuals outside University contracts often include sales tax and shipping costs, which add to the cost without adding value.
- C. Purchases bypass made directly by individuals ORPA's review, which can be an important consideration depending on the source of funds. While this may affect only a limited number of purchases, when it does, it can be significant.
- D. Purchases that do not use the University's purchasing applications are not integrated into the University's system for managing capital equipment. While most computer purchases are now below the \$5,000 capital threshold, there are transactions that exceed that level.

The most common explanations for direct purchase have been:

- A. The buyer needed to see/operate the computer first.
- B. The buyer was in a hurry.
- C. Good pricing was available.

In addition to the established contracts with Dell, Apple, and IBM, the University has established contracts with CompUSA, Micro Warehouse, Computer Discount Warehouse, and Global Computer, which make it possible for one to be more directly involved in selecting a computer while still following the University's buying policies.

Computers acquired under University standing contracts can generally be shipped the next day. Computers can also be picked up at the vendors identified earlier if speed is essential. With modest advance planning by the buyer, any of these approaches will guarantee delivery when the equipment is needed.

Prices from non-University vendors lower than that available through the University are almost always for older model computers or ones that have lower technological capability.

It is also important to understand that University contracts provide benefits that are not always obvious when doing comparisons:

Dell

- a. There is a pre-designed “image” specific to University applications.
- b. The University Dell Systems are “Optiplex” meaning they have been certified and tested for compatibility with our systems. Their “Dimension” series of computers does not provide this consistency, e.g., they may use Toshiba floppy drives in one manufacturing run and TEAC’s in the next run.
- c. We receive a three-year warranty plus inside and outside sales support.
- d. Only Dell sells Dell computers. Any Dell sold by a distributor or other source is a reconditioned unit.

Apple

- a. Princeton’s contract provides computers that are specifically bundled and priced below the Higher Education Pricing that is generally available.
- b. These systems have been tested for compatibility against various platforms in use on campus.
- c. A 3-year warranty is provided plus inside and outside sales support is available.

Support is available from the Office of Information Technology’s Help Desk to configure and order computers within the Dell and Apple environments. The Purchasing Department will provide support for the purchase of other manufacturers and/or with other contract distributors.

VII. Leases of Residential Real Estate Property

It is a general expectation that individuals associated with the University are responsible for arranging their own residential living situations. This is certainly the simplest arrangement and the least time consuming from a departmental point of view. However, there may be certain instances where the academic structure of the instructional and research program is such that the housing of visitors becomes a responsibility that a department or program wishes to undertake. Since the authority to enter into leases and subleases of real estate is restricted by Trustee resolution to a limited number of corporate officers, departments wishing to lease or sublet residential units outside of the University system must follow the following procedures and conditions:

- A. Proposed leases must be approved by the Director of Real Estate Finance. Such leases must be at market rates and meet all University criteria including the provision for adequate insurance and indemnity clauses acceptable to Office of Risk Management. A standard lease form is available from that office.
- B. Because most departments and programs do not normally have management expertise in this area, an outside property manager, chosen from a list provided and approved by the Office of Real Estate Finance, must be engaged. Any exceptions must be authorized by the Office of Real Estate Finance.
- C. The Departments must be able to demonstrate to the Director of Real Estate Finance that adequate financial resources exist in case rental income renewals do not cover the cost of the lease.
- D. The rental or direct purchase of furnishings must be made through Purchasing, which has approved vendors for these purposes, or via a buying method authorization by Purchasing. For purchased items the department must maintain an inventory of items placed in the apartment. Furnishings no longer needed for an apartment must be disposed of through the University Surplus Program unless they fill a need in the departmental office.
- E. The visitors must sign a standard University Use and Occupancy Agreement.
- F. If the unit rental charge to any visitor is less than the full market value, then the differential constitutes imputed income and must be approved, in advance, by the Dean of the Faculty's Office and reported to the Payroll Department.
- G. Departments may not directly sublet University rental units from faculty staff or students.
- H. Departmental residential units may not be rented to faculty and staff on regular appointments without prior written approval.
- I. Departmental units may not be used without charge by faculty, staff, students, families or associates.

- J. Special care should be taken to ensure that the visitor adequately reimburses the department for such items as long distance phone calls. This could be done by requiring cash deposits or by having access to the visitor's personal credit card.

VIII. IRS Determination of Worker's Status for the Purposes of Federal Employment Taxes and Income Tax Withholding

<http://www.irs.gov/pub/irs-pdf/fss8.pdf> - Form SS-8

<http://www.irs.gov/pub/irs-pdf/p334.pdf> - Definition of Small Business – Scroll to Page 3 - Introduction

<http://www.irs.gov/pub/irs-pdf/p533.pdf> - Are You Self-Employed? Scroll to page 4.

<http://www.irs.gov/pub/irs-pdf/p1779.pdf> - To determine whether a worker is an independent contractor or an employee

IX. Treatment of Advances

Each department will be assigned a project/grant against which all advances made to departmental personnel will be charged. The vast majority of such advances are made for travel expenses. These may take the form of travel tickets or hotel accommodations charged to a departmental travel credit card, an invoice issued to an outside vendor or a cash advance to the individual. When the trip or other event requiring an advance is completed, the *Business Expense Report* or event invoice should include the detail required to allow the advance to be liquidated from the program/grant suspense account.

The use of a personal credit card to purchase airline tickets or to register for a conference is not reimbursable until the trip is completed and all expenses incurred are submitted to Travel Accounting. Tickets bought in advance should be bought with a departmental credit card. If a traveler chooses to use a personal credit card, the traveler accepts/recognizes that payment may be due before reimbursement is made.

Each department will be required to verify the validity of each transaction constituting the account balance at the end of each quarter. Invalid transactions, such as tickets issued for a cancelled trip, should be corrected promptly upon discovery.

X. Status of Automobile Insurance Coverage

<http://web.princeton.edu/sites/TreasurersOffice/RiskManagement/insuranceguidelines.html#automobile>

XI. Moving Policy

Refer to:

<http://www.princeton.edu/hr/policies/employment/230.htm>

XII. Travel Policies and Procedures

Refer to:

<http://web.princeton.edu/pusites/TreasurersOffice/PayrollPayablesTax/AccountsPayableTravel/Princetononly/travelpolicies.html>