HR Intervals - Sample Employee Expense Policy

Overview

Employee expense policies vary from organization to organization, but they typically include eligible expenses, how expenses are approved, reimbursement amounts, and the guidelines for claiming expenses. Having an employee expense policy helps approvers and claimants determine reasonable and appropriate expenses and promotes consistency and transparency across the organization.

The following issues should be considered when drafting an expense policy:

- What expenses are eligible and ineligible — and which require supporting documentation?
- Will managers have discretion to approve expenses?
- Do employees need pre-approval before incurring expenses?
- Are employees expected to use the most economical means of transportation? Train, plane, or car?
- Are employees expected to use economy or business class when traveling?
- Are employees expected to use their own vehicle?
- Are employees expected to rent cars or use taxicabs, ride sharing options, or public transit when traveling?
- Who approves travel?
- Who approves expenses?
- How are per diem rates set? How often are they reviewed? How are they benchmarked? For example, sometimes provincial directives inform travel and per diem rates.

Recommendation

In your policy/procedure, consider how you expect employees to make travel arrangements. Do they book on their own and submit expenses or will you have a designated travel coordinator?

See sample Expense Policy on next page.

Sample Employee Expense Policy

Note: This sample policy has been provided by an anonymous organization.

Purpose

This policy sets out the principles, accountability framework, and rules for reimbursing all travel, meal and hospitality expenses while undertaking business on behalf of the Organization.

Scope

This policy applies to:

- Claimants: Board members, appointees, committee and subcommittee members, advisory committee members, employees, and contract staff or external persons retained by the Organization that request the reimbursement of travel, meal and hospitality expenses that are eligible for and incurred on behalf of the Organization; and
- Approvers: Those with responsibility for approval of travel and expense reimbursement including the Board as a whole, the Board Chair, Board members, and the Chief Executive Officer, and those personnel with delegated approval authority.

Principles

Legitimate authorized expenses incurred during the course of the Organization's business shall be reimbursed.

The Organization is accountable for the funds used to reimburse travel, meal and hospitality expenses. These expenses support the Organization's business objectives, and must be prudent and responsible.

The requirements for incurring and reimbursing travel, meal and hospitality expenses must be clear, easily understood, and available to the public. Plans for travel, meals, accommodation and hospitality are necessary and must be economical, with due regard for health and safety.

Accountability Framework

Appropriate approvals must be obtained in writing before incurring expenses. If approval was not obtained, then a satisfactory written explanation must be provided.

Written approval is required before travelling.

Written approval of the Chief Executive Officer is required for hospitality events where alcohol will be served. If the event is being hosted by the Chief Executive Officer, the Board Chair must provide written approval.

Expenses incurred by the Chair will be approved by the Secretary/Treasurer of the Board.

Expenses cannot be self-approved.

Original, itemized receipts must be submitted with all claims — credit card slips are not sufficient. If an itemized receipt is not available, a satisfactory written explanation must be submitted. Approval of expenses missing a receipt is at the discretion of the approver.

Receipt is defined as an original document identifying the vendor with the date and amount of each expense item paid by the claimant.

Mandatory Requirements

Other options for meetings should be considered before travel is approved, including audio or video conferences.

Alcohol may not be claimed by an individual and will not be reimbursed as part of a travel or meal expense.

Hospitality may be extended by the Organization to people who are not engaged in work for the Organization if it can facilitate the Organization's core business and when it is considered desirable as a matter of courtesy or protocol. Food must always be served at hospitality events where alcohol is available, and the cost of any alcohol should not exceed the cost of the food.

Social events for the Organization's employees, such as luncheons, picnics, farewell functions and celebrations are not reimbursable. Food and beverages served at these events must be contributed by staff.

Consultants and other contractors will not be reimbursed for any hospitality, incidental or food expenses. However, where the contract between the Organization and a consultant provides for reimbursement of reasonable expenses for travel by air, rail or car or for hotel accommodation, the Organization shall reimburse these expenses in accordance with this policy, provided that they are approved in advance.

Claims must be submitted within 60 (sixty) days of the end of the month in which the expense was incurred. Failure to do so could result in disqualification for reimbursement.

Overpayments are to be considered a debt owing to the Organization which must be reimbursed.

Good record-keeping practices must be maintained for verification and audit purposes.

Eligible Reimbursable Expenses

The Organization will reimburse direct out-of-pocket expenses for business purposes. Expenses of a personal nature are not eligible for reimbursement.

Eligible expenses include but are not limited to:

- Use of privately owned vehicle for business purposes;
- Meals when travelling for business or business lunches/dinners;
- Food and/or refreshments for business meetings hosted by the Organization;
- Transportation and accommodation when travelling for business purposes; and
- Parking, taxi fare or public transportation when away from the workplace.

Non-eligible expenses include but are not limited to:

- Personal items, personal entertainment, personal care;
- Recreational items related to accommodation costs (mini-bar, video rental);
- Traffic, towing and parking violations;

- Travel costs for a regular commute between home and the Organization;
- Vehicle insurance on a privately-owned vehicle while on the Organization's business;
- Expenses incurred on behalf of family or friends; and
- Expenses not directly tied to conducting business of the Organization.

Reimbursement Records

Records must be maintained for verification and audit purposes. Expense claims must include original or scanned itemized receipts (credit card slips are not sufficient). In the absence of an itemized receipt, a written explanation of why the receipt is unavailable must be submitted and a description itemizing and confirming the expense must be provided.

Expenses for business meals require receipts and must adhere to the amounts allowed. The expense form is completed on a monthly basis and submitted to the approver for processing.

Other Items to Consider for Policy

Questions: Identify the person or position employees can approach if they have questions.

References: Reference any other policies, documents, or legislation that support the interpretation of this policy.

Effective Date: Indicate the date the policy came into effect and the date of any revisions.

Review Date: Indicate the date the policy is due to be reviewed. This will vary based upon the policy.

Approval: Indicate who approved the policy and the date of approval (for example, the board, the human resources policy committee, the executive director).

Recommendation

Visit our article on Drafting an HR Policy to learn more about developing HR policies.

Source: https://guide.hrintervals-intervallesrh.ca/hc/en-ca/articles/5970756111891-Sample-employee-expense-policy