
TRAVEL POLICY DEVELOPMENT

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Written Travel Policy Development

Scope and Reach

With the reduction in airline commissions, travel managers in the past few years have been forced to more carefully scrutinize their budgets and accept new financial situations. Now, in this slowing economy, travel managers are under increasing pressure to find new tactics to reduce costs and encourage policy compliance. Many are revising policies to be more comprehensive and clear, and are including stricter enforcement mechanisms to ensure that market share agreements are met and agency relationships are maximized.

A successful travel policy encourages compliance among travelers by setting reasonable guidelines, explaining the rationale behind them and describing the penalties for noncompliance. A strong policy also provides negotiating leverage for a company to indicate to a potential supplier its ability to move volume and market share.

Travel managers also increasingly are reviewing corporate T&E policies as part of globalization efforts. A global policy can mean different things for different companies. For a U.S.-based company increasing its overseas travel, it can mean establishing new rules for air travel, lodging arrangements, rental cars and other travel expenses when employees leave the country. For a multinational firm, creating a global policy can mean consolidating multiple policies to improve negotiating ability and expense management worldwide. In either case, great care must be taken to address all T&E issues, including all modes of travel, methods of reservation, use of preferred vendors, allowable methods of payment, expense reimbursement, meal spending guidelines, limits and per diems, and Internet and other telecommunications costs, among other areas.

If consolidation of domestic and overseas policies is the goal, companies must create a basic umbrella policy addressing corporate-wide guidelines, while creating local policy addenda that reflect regional cultural differences, local laws and acceptable business practices. Those establishing a policy must take a holistic approach to the entire program. A review of processes and costs should be undertaken in a collaborative environment with internal employees and industry partners.

Increasingly, companies are implementing online booking and expense management systems to help defray agency costs and enforce company policy. In order to drive online adoption, it is essential for a policy to enforce the use of a self-booking product and discourage the use of live agents.

Corporations are taking advantage of corporate intranets, which offer an ideal venue to market policy to employees and communicate any updates. A policy hosted on the intranet easily can be adapted and changed as necessary.

A written corporate travel policy is an expression of the company's culture as it relates to travel. Invariably, it is aimed at fulfilling three motivations:

- Helping travelers accomplish their missions by putting in place structures and procedures designed to save them time and effort.
- Providing employees who must travel as part of their jobs with an acceptable level of service and comfort so as not to make travel a harsh experience.
- Enhancing the overall productivity of the travel process, from planning to the submission of an expense report .

What changes from company to company--indeed, from year to year--is the particular mix of the three motivations. While to some, saving money is the highest priority, others believe that employees will be less productive if they are uncomfortable. As the economy slows, the pendulum seems to be swinging toward greater cost savings through choosing less expensive vendors or even reducing the number of trips.

What follows is not a list of dictates, but a rundown of the options a company could consider. A policy development process that addresses many or all of the elements outlined below should provide a solid foundation.

Questions To Answer

A. Who should write and update the travel policy?

1. One person, such as a travel manager, who has extensive knowledge of the travel industry or world regions should do this. The individual should be the sole publisher of the document with collaboration from various entities in the company. The travel manager also may wish to consult with a travel management company or an independent travel consultant, who can provide perspective on accepted industry standards or benchmarks.
2. A committee of people from various departments within the company: accounting, administration, finance, human resources, purchasing, sales and marketing. Rather than writing the policy, the committee should make recommendations to a policy writer for implementation. The travel committee should seek input from travelers, who can help interpret the real-world impact of policy decisions.
3. A high-ranking executive, such as a key department head, the CFO or the CEO: This is often the case in smaller companies. As companies get larger, the executive's role more often is to sign off on policy formulated by others.
4. Different people at different sites or divisions: For global policies, having reps of all the countries involved often helps win support and improves compliance in the long run.
5. A combination of the above: At many companies, the travel manager writes the policy for approval by a committee and senior management.

B. Who should be subject to the policy?

1. Employees at headquarters (or whatever location is issuing the policy) only.
2. Employees at any domestic location, division or branch: This offers greater cost control, but could interfere with a philosophy of favoring autonomy for individual units and locations.
3. All employees, including those overseas: This choice should take into consideration that travel expenses are more difficult to track overseas, and that differences in international laws and cultures could make it impractical or inadvisable to mandate adherence to various policies. It may be best just to coordinate with one country or region at a time for an initial global policy. Also, it may not be feasible to get every country into the policy parameters at this time.
4. Transient travelers and travelers to meetings and group events should be subject to the same policy. The policy should stipulate that both types of travelers are subject to identical policies. Some companies may want to cover groups, conferences and meetings in a separate policy section. It also may be necessary to include instructions on event site selection responsibilities and how these expenses are to be documented and paid.
5. Institute an umbrella policy for all employees that enable divisions to tighten it individually if necessary.
6. The policy should include consultants, job candidates, customers and subcontractors as well.

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

1. *Yes:* This sends a message to employees that management is serious about controlling costs and that no one is above pitching in to help.
2. *No:* It might not be in a company's best interests, for example, for its president to waste time changing planes to save on the cost of a ticket rather than applying his expertise to achieving company goals. Special consideration should be given to vice presidents and above.

When policy does not apply equally, some corporations do not make this apparent in their travel manuals, so as not to affect the morale of rank-and-file employees or their willingness to adhere to policies. But others feel that employees are accustomed to senior management having special perks, and that travel manuals should be forthright about the differences, lest travelers assume that superiors are ignoring policy and conclude that this is acceptable for them as well.

3. Because of concerns for orderly succession in case of a common disaster, many companies restrict the number of key executives who may travel together on a single aircraft, ground transport or ship.

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

1. Wording can clarify that policies are company mandates and that violators will be dealt with harshly, including denial of reimbursement, up to and including termination.
2. Policies can be presented as guidelines, with explanations required when the guidelines aren't followed. Considering the amount of money T&E now represents at most corporations, many policies are moving away from language like guidelines, recommendations and suggestions and simply making everything policy.
3. Policies can be presented as standard procedures carrying the company's official stamp of approval, under the signature of the CEO or CFO.
4. Policies can be of different force for different company units or locations. For example, policies may be mandates for headquarters employees, but offered merely as suggestions or guidelines to units or locations elsewhere.
5. Proponents of automated expense reporting systems have said that a primary advantage to such a process is that the systems can be programmed to spit out reports that are not in compliance with policy, shifting the responsibility for non-reimbursement from a human to a computer.

E. Should there be an international policy or should individual countries have separate policies?

Bringing overseas locations into a worldwide consolidated travel program is one of the most difficult aspects of travel management because of the major differences in travel purchasing from one country to another. While a comprehensive policy should be consistent worldwide, it also needs to take into consideration different cultural nuances. Changes are very difficult in overseas locations because uniform and standard policy procedures typically are not viewed with any sense of urgency in non-U.S. locations. Additionally, there usually is not a great deal of T&E or MIS data available to develop any sound policies. If there is data available, then the umbrella policy with individual country addenda is the best choice.

F. Because international travel is both more expensive and more demanding of travelers 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 trip. Whether or not a separate travel policy has been established, the primary policy should cover such important international travel issues as passport and visa acquisition, health certificates, security and where to turn in an emergency.

Making Travel Arrangements

A. Should travelers have a range of choices or none at all when making travel arrangements?

1. If travelers have broad discretion, transactions will take longer and cost more, and less policy control can be exerted. Be careful not to insist on a single carrier, especially for international travel. Reservationists have principal responsibility for selecting services that are less costly, yet compatible with policy.

B. How should travel arrangements be made?

1. Through one or more designated travel agencies. Most companies are consolidating with one agency. This not only provides a cost-control mechanism, because quotations are more uniform and policy is monitored and interpreted more consistently, but also produces integrated management reports on all corporate travel, which can be used in negotiating volume-based discounts with suppliers.
2. Through company travel staffers who, in turn, contact the agency to make the actual arrangements, or else make the arrangements themselves through computerized reservation system terminals
3. Companies will want to develop policies that address the increasing availability of online booking systems.
 - a) Policies might prohibit the use of public Internet sites, or allow such bookings, considering the cost of an employee or executives time booking on the internet.
 - b) Companies can consider investing in an automated booking system, as well as management reporting and expense reporting systems. Such systems can be designed to encourage the use of preferred suppliers by highlighting their names or by offering travelers no other options.
 - c) Policy may specify that anyone planning a meeting with 10 or more employees report the event to the company's meeting department, travel department or agency to take advantage of negotiated group discounts.
 - d) Travelers who take at least one trip a year should be encouraged to complete a travel profile to be included in the designated agency's GDS or online. Profiles should be updated regularly.

C. Is pre-approval by an employee's superior necessary?

1. Yes: Requiring supervisory approval allows the opportunity for someone to rule that a particular trip is unnecessary, too expensive or that it is unnecessary to send so many people.
2. No: Depending on a company's circumstances and philosophy, it might consider that requiring pre-trip approval, at least for some levels of employees, might detract from individual initiative, creativity and spontaneity that can be valuable in achieving business goals.
3. Many companies compromise by relying on pre-trip exception reports from their agency that list travelers who have made reservations that are not in compliance. These reports can be sent to travelers themselves, their supervisors and/or senior management. Often, just knowing that such reports exist improves compliance.
4. Approval should not be required from someone so high up the corporate ladder that important executives are spending valuable time on administrative details.

D. How far ahead of time should trips be planned?

1. As far in advance as possible: For most companies it is difficult to have precise rules covering this, but if a traveler books as soon as he knows he will be making a trip, the chances of obtaining a lower advance-purchase or a capacity-controlled fare are enhanced.
2. Encourage a certain minimum number of days in advance--say, 7 or 14 days--in order to take advantage of advance-purchase airfares, or approval of a supervisor for booking later. Advance purchase generally is done by companies with conservative spending orientations and whose business does not depend on spontaneous face-to-face contact with clients or colleagues.

E. What is the procedure for making emergency travel plans during hours when the agency is not open, and for changing plans en route?

1. Many travel agencies have a 24-hour reservation service or have a tie-in to such services. Travelers should use this option only in emergencies.
2. The policy may encourage or require travelers to adjust their schedules to minimize costs.
3. These adjustments may include arranging day trips when feasible to avoid hotel costs, or requiring Saturday night stays for less-expensive airfares. Policies of this sort need to balance cost savings with work productivity, convenience and traveler morale.

Air Travel Policies

A. What are the parameters for airfare expense?

1. Use preferred airlines on applicable city pairs where they are price competitive.
2. Coach is the preferred class of service for domestic travel; this statement has the advantage of being easy to understand.
3. The fare booked must be the "lowest available fare," or some other phrase describing the company's view of appropriate pricing levels for air transportation.
4. Because fares change so often, many companies prefer to stipulate economy as the guiding principle, rather than a class or category of service. Define what is meant by lowest logical fare; the definition may differ for domestic and international travel. In creating a comprehensive definition, detail under what conditions or at what savings levels 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 to find greater savings are becoming more prevalent.
 - b) The chance that the trip will be canceled or changed to different dates must be balanced against achievable savings from using penalty and nonrefundable fares. As a general rule, using nonrefundables saves money. Travelers should be reminded to track and keep unused non-refundable tickets, which still have a value and often can be used for other trips after paying a change fee.
 - 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 the savings are truly significant. If that is the case, indicate a minimum dollar figure.
 - d) Alternate airports often require traveling greater distances. The inconvenience of lengthier travel times and the cost of getting there must be weighed against the potential savings you can gain.
5. Some policies stipulate that senior managers may fly first class, or that they may fly first class only if a discount coach seat is not available.
6. First class or business class travel for rank-and-file employees may be permitted in one or more special circumstances, such as:
 - a) On flights of a certain 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. Specify whether this includes Canada, Mexico, Caribbean and Central America.
 - c) When employees are traveling with a client.
 - d) For employees with physical disabilities.
 - e) When employees are willing to pay the difference.
 - f) For frequent international travelers after their second or third trip overseas.
7. For global policies, distinguish between certain policy terms that we take for granted in the United States, such as international, domestic, transcontinental, stateside, foreign air travel, etc. Also, be aware that the

terms coach and business are not universal. Be prepared to address single class aircraft overseas, some of which can be designated as all business class. Also, determine the appropriate class for lengthy flights in other regions of the world, such as Tokyo to Sydney, flights across the Indian Ocean and flights across the Atlantic from South America to Europe.

8. When upgrades are allowed by time window, beware of travelers manipulating their schedules to qualify.
9. Employees may be restricted to traveling at certain times of day when airfares are lower due to business travel convenience. 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.
10. Policy may state conditions under which the company will pay for an upgrade to business class to permit working on flights.
11. Policy may explain that the travel agency will book travel for employees in accordance with corporate policy, and search for the best price within the given parameters. Ask travelers to advise the agency when they are flexible about their departure times, so agents can search more broadly for lower fares.
12. Policy may indicate that the company will reimburse senior-level travelers for the cost of frequent flyer upgrades, if their original ticket is within policy guidelines.

B. If the company or its agency has negotiated discounts with preferred airlines, to what extent is use of such airlines superior or subordinate to the other factors in this section?

1. The company may need to attain a certain total volume or city-pair market share in order to maintain its 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 with one or more carriers, usually for at least 10 people traveling to the same destination on the same day, with various restrictions attached. Policy should state that such fares should be used whenever possible.
3. Policy may establish preferred supplier relationships with multiple airlines or airline alliances to cover multiple city pairs. This strategy often can enable fewer segments that involve stops or connections.

C. Does the company consider frequent flyer awards earned by employees while on company business to be company property? Whatever the answer, there are pitfalls.

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 needlessly lengthy itineraries in order to pad mileage. This problem can be mitigated through tight policies on what fares and carriers must be used, and specific language stating that employees may not book a higher fare for the purpose of collecting more points.
2. No
 - a) The administrative burden and cost to track the accumulation of points and collect awards can reduce or negate savings.
 - b) Collecting awards can have an adverse effect on employees' 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). 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 the likelihood of delays, missed connections and missed deadlines and meetings is increased with each takeoff and landing. The policy should specify in detail the circumstances under which exceptions are allowed.
2. The safety of flying some airlines, particularly to volatile international destinations, is among the most sensitive issues in policy. Consult legal counsel before insisting that employees fly a carrier they feel endangers their safety.
3. Allowing exceptions opens the possibility that unwarranted exceptions will be made. A company can be most confident of its policies and practices in this area by reviewing the airlines' on-time records, evaluating delay statistics for key connecting cities, as well as analyzing the cost differences of nonstops, connections and alternative carriers.

E. Other factors to consider:

1. Corporate policies should be updated to address the use of electronic tickets for air travel.
 - a) Policy may state how e-tickets can reduce costs to establish it as a preferred practice, or mandate their use in given circumstances.
 - b) Policy may state procedural and documentation requirements to obtain a refund if a ticketless trip is canceled after the charge was processed.
2. 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.
3. If the company will pay for airline club memberships, and for what level of employee.
4. Whether the company will pay for travel or luggage insurance beyond what is provided automatically by airlines, and by company insurance policies and company charge cards. Most companies do not pay for additional optional insurance.
5. A statement that employees should not travel to countries for which the State Department has issued a travel warning or advisory.
6. If a traveler can secure a low fare by booking an itinerary that includes a Saturday night stay, the company usually agrees to reimburse the traveler's weekend hotel and meal expenses, if they amount to less than what is saved on airfare.
7. Instructions for handling unused airline tickets.
8. Use of a helicopter or other high-cost services for quick airport-to-downtown or airport-to-airport travel.
9. Who can fly in company-owned aircraft and under what circumstances.
10. A statement about the company's procedure for denied boarding compensation. Clarify ownership of the voucher and whether travelers should be permitted to volunteer for compensation.
11. Appropriate alternatives to air travel, such as Amtrak along the East Coast, or using personal or rental cars for trips within a certain distance. Car costs may be capped by expense or distance.
12. Use of alternative airports where combined air/ground cost is less than flying into the primary city.

Hotel Policies

A. How should hotel rooms be booked?

1. Through a designated travel agency: This funnels all bookings through a single source, enhancing the capture of usage data that can facilitate future negotiations.
2. By calling hotels directly: On occasion, this type of booking can result in lower rates. However, it:
 - a) Provides no front-end booking information
 - b) Undermines negotiated rate agreements by diluting the true corporate market share figures via an internal or external online booking system.

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 clearly by brand to travelers to show the company's philosophical 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) Using too many hotels will impact your performance contracts
3. Travelers 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 or consulting firms, such as Runzheimer International.
 - b) Per diems ordinarily are used only for travelers' personal expenses, such as hotel, food and ground transportation, as opposed to business entertainment expenses.
4. Different hotel rates are set for different lengths of stay. Policy may require a limited service hotel for one-night stay and an extended stay hotel for 30 days or more.
5. Policy regarding the use of business class rooms, executive floors, concierge levels and suites, which offer business amenities and services and often complimentary breakfast, at a premium rate.

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

1. Encourage or mandate the use of hotels with which the company has negotiated rates or, failing that, hotels with which the company's travel agency has preferred rates. Many companies and agencies have extensive hotel directories, so this does not have to be a restrictive policy, although in some cities the policy may mandate the use of a particular hotel.
2. Outline the circumstances under which preferred hotels do not have to be used, as when attending a meeting or conference or when preferred properties are farther than a given distance from the business destination.
3. Consider including the corporate account ID number, so travelers can give it to hotel reservationists to ensure that your company's contracted rates are applied and that room nights are credited toward any volume agreements.

D. Under what circumstances can employees stay in better-quality properties or book higher-rated rooms than ordinarily would be 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 in the room.
3. If the only hotels that conform to policy are too far from where the traveler's business will be taking place, the use of a more expensive, nearby hotel to avoid time loss and costly ground transportation 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, when they are canceling a reservation, to record a cancellation number or the name of the hotel employee taking the cancellation to help resolve any billing disputes.
2. Whether to reimburse employees for early checkout fees when they overestimate their length of stay.
3. Whether charges for personal items, such as in-room movies, minibar purchases and dry cleaning, are reimbursable and, if so, under what circumstances.
4. Whether room service charges are reimbursable.
5. Whether tips to hotel personnel are reimbursable and, if so, guidelines on how much to tip.
6. When hotel stays are expected to last a week or longer, employees should inquire about 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. A policy regarding reimbursement of telephone expenses during hotel stays.
 - a) The use of in-room telephones may be prohibited because of costly hotel surcharges.
 - b) Employees may be required to use company-sponsored charge cards for telephone calls.
 - c) Parameters for personal calls during business trips, such as one call to a spouse per day and for how long (i.e., one 15 minute call per day).
9. For cases in which a spouse or other family member accompanies the traveler, policy may specify that the traveler will be reimbursed only for a single room rate (or if that is not known, a specified percentage of the rate actually charged).
10. The allowability of "appreciation gifts" when free lodging is provided by another employee, a business associate, friend or relative.
11. Hotel frequent stay programs: The ownership issue is the same as airline frequent flyer mileage awards.

Car Rental Policies

A. Which car rental suppliers should be used?

1. Travelers should use a single supplier with which the company has negotiated rates.
 - a) This directs a maximum amount of rental business to a single supplier, supporting future rate negotiations.
 - b) For smaller corporations, the best rates available might be negotiated by their travel agencies.
2. When necessary, secondary suppliers, contracted to provide service in circumstances and locations where the designated supplier cannot, may be used.

3. Alternatively, local suppliers may be used, to the extent that they provide rates that are lower than any of the company's contracted rates, as determined by the agency. This takes advantage of limited-term promotional rates. However, it may dilute total volume being directed to a contracted supplier--a potentially more significant cost savings opportunity. Negotiated extras, such as free "Collision Damage Waiver" and unlimited mileage, might not apply with a promotional rate.
4. In cases where a company has multiple suppliers, employees may be directed to use specific ones in specific cities where favorable terms have been negotiated.
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 drop-off rate with one supplier.

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

1. Compact cars: This provides the greatest savings, but substantially less comfort as well.
2. Intermediate-size cars: This gives travelers reasonable comfort at a reasonable cost. Most policies list a midsize or intermediate size car.
3. Full-size or luxury cars: These 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: Policy may need to provide some rental policy parameters about employees traveling together. Depending on how many employees and clients are traveling together, or on what equipment or supplies a traveler is transporting with him, policy may specify that multiple employees traveling together must share rental cars.

C. How should car rentals be booked?

Unless a car is needed on an emergency or last-minute basis, bookings through a designated travel agency or company travel arranger offer the best guarantee that the negotiated corporate rates will be booked, received and credited toward a volume agreement. Add preferred vendors to the online booking tool if one is used. Corporate culture and individual e-booking systems can motivate employees to book cars directly. To capture data, require employees to use the corporate payment system.

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

1. Use when a rental car is determined to be less expensive and safer than the use of personal automobiles (usually for trips of more than 150 miles).
2. Do not use when:
 - a) Less expensive means would not detract from the efficient conduct of a 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 car is available.
 - d) A personal car is less expensive.
 - e) Many companies discourage the use of rental cars in foreign countries, especially if the local market drives on the left side of the road, or there are concerns about road conditions or traveler safety.

E. Accept optional damage waiver coverage?

1. No. If the company is self-insured, it receives free damage waiver under terms of its contracts with car rental suppliers or feels that it is adequately protected by company insurance provided under a corporate credit card program: The policy may contain specific language stating that employees will not be reimbursed for purchasing such insurance 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, in the United States, 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 specifically that employees may purchase additional coverage only at their own expense.

G. What should the traveler do following an accident?

1. Notify the rental car supplier.
2. Notify local authorities.
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 rental cars whenever possible, as the car companies charge a premium to refill it for you. There can be costly refueling charges (although some vendors have programs allowing payment of an upfront fee for gas and eliminating refueling charges).
2. Ask that travelers not drop off rental cars at a location other than the one where it was picked up, to avoid costly one-way drop-off charges.
3. Policy may address the circumstances in which use of limousines is 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). Most limousines charge by car or hour, not by number of passengers. Very often a sedan service for airport transfers to a company's location can be less expensive and more convenient than a car rental.
4. Travelers may be instructed to inspect the rental car upfront for damages and make a record of their observations, to protect against the supplier making unwarranted claims for damages.
5. Policies for use of company-owned, company-leased and personal cars for business travel, to the extent that they differ from policies on the use of rental cars.

Meals And Entertainment

A. How much are traveling employees allowed to spend on personal meals?

1. Up to a set per-diem amount: With per diems – which may vary by city or region of the country – travelers are provided a daily allowance.
 - 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. Up to a set daily spending limit, or a fixed amount of actual expenditures per meal beyond which travelers will not be reimbursed: This practice, which also may vary by city, requires employees to document their actual expenses.
 - a) Individual limits may be set on allowable expenditures for breakfast, lunch and dinner.
 - b) A trip's particular spending limit may be adjusted based on whether a free meal is served in-flight.
3. Expenditures should be actual and reasonable up to the daily per diem.
4. Allowable daily expenditures may vary by category of employee. For instance, a company may set per diems for lower-level employees but not executives, or may have more liberal definitions of "reasonable" expenditures for certain higher-ranking officials.

B. Specify what personal meal expenses may not be reimbursable.

1. Expenses for meals purchased when travel does not involve an overnight stay.
2. Expenses for entertainment.
3. Between-meal snacks.
4. Hotel room service.
5. Alcoholic beverages with meals.

C. If more than one employee is present at a meal, the highest ranking employee should pay. Policy should specifically state this.

D. What guidelines apply for meals and entertainment? In the meals and entertainment section of any travel policy, it helps to provide an explanation on personal meals, business meals and entertainment meal expense.

1. The meal or entertainment must be for a legitimate business reason. This is crucial for purposes of tax deductibility. The policy may spell out what constitutes "legitimate" business reasons.
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 be allowed to entertain business guests, others may need approval.
4. In accordance with IRS regulations, employees should be required to furnish names, titles and company affiliations of each person present at the meal or entertainment and, the business purpose served by each person's presence, the name and location of the establishment where the meal or event took place, the exact amount of the expense and the specific business topics discussed. Also, in the case of entertainment events, the specific time the business took place (i.e., before, during or after the event).
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 the employee and the guest may be reimbursable.

6. Expenses for certain types of entertainment--such as golf or tennis fees--may or may not be reimbursable. Certain types of activities may be listed as unsuitable for company-sponsored entertainment.
7. The policy may list circumstances under which employees may host business meals or entertainment in their homes.

E. Other factors to consider:

1. Whether policies apply differently to different groups or levels of employees, for example, different per diem levels may be set.
2. A policy on tipping.
3. Conditions under which meal expenses are reimbursable when an employee works early or late at his or her regular work location.
4. Whether to require that expense reports break down meal expenses by breakfast, lunch and dinner.
5. The types of events that are not reimbursable: For instance, a birthday celebration may not be reimbursable, but a dinner at which employees are receiving an award may be reimbursable.
6. The reimbursability of 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. Circumstances in which meal expenses of an employee's spouse are reimbursable: A typical example would be one in which an employee hosts a business guest whose spouse also is present, in which case the employee may be reimbursed for expenses incurred by his own spouse.
8. Circumstances in which liquor expenses are and are not reimbursable.
9. It is critical to include input from your human resources, legal and tax departments on this issue.

Payment Methods

A. How should employees pay for travel and entertainment 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 travel vendors to form a comprehensive picture of your company's travel patterns and volume. Such a picture may be the most useful tool for vendor negotiations and 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 compilation of a complete database of expenses.
3. With cash or travelers' checks (not recommended)
 - a) With the proliferation of automated teller machines, the trend is away from cash operations at corporate headquarters. Many companies have discovered that elimination of cash advances can reduce travel expenses faster and more recognizably than any other action.
 - b) The company should consider what limit it wants to make on the size of advances for domestic and international travel and whether to vary that limit by category of employee. The greater the amount of advances made, the greater the "negative float," or income lost by prematurely depleting corporate funds. Whenever employees are allowed to take cash advances, they tend to

take far more than they need and spend all of it. Any company that provides cash advances should periodically compare the amount actually being spent by travelers to the cash advances being accessed.

- c) Policy may state who is responsible for authorizing advances, and also that employees must return their unused advances within 120 days of receipt.
- d) Permanent advances may be extended to employees who travel continuously in order to prevent such employees from being owed money almost perpetually for out-of-pocket expenses. Usually, employees who receive permanent advances still file expense reports and are reimbursed for incidental expenses incurred on individual trips. The employee typically keeps the advance until he/she leaves the company or ceases being a frequent traveler.

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

1. Direct 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 for charge card bills when they arrive, rather than reimbursing employees who turn in expense reports sooner.
3. Central pay/direct 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 they can review all charges for accuracy. Some companies use this option for airline tickets only.
4. Centralized billing from an agency for air, and direct billing to employees for all other types of expenditures: The advantages of direct billing still apply, and significant float still is achieved because air travel is the single largest corporate travel expense. This also removes the responsibility for the largest share of charges from individual employees.
5. Direct billing to individual cardholders for all expenses, but the air travel portion is paid from a centralized account: This is similar to item 3, except it puts the administrative burden of reconciling air expenses on the employee rather than the corporation.
6. For global policies, corporate card payment systems and available services vary by country. For example, individual payment (individual liability) is not always permitted in every country (i.e., Russia, China, Eastern Europe, etc.) on corporate cards. In some countries, central billing or "ghost card" accounts are not available. Also, certain countries have restrictions on the so-called "no spending limits" aspect featured by many corporate card vendors.
7. Other factors that need to be looked into when issuing company-sponsored corporate cards overseas are cards billed in local currency, foreign language billing statements, ATM fees, card fees, CDW insurance (which used to be illegal in Japan as part of corporate card service), etc.

C. Which employees should receive corporate cards?

1. Only those employees who travel a certain minimum number of times per year.
2. Those employees regularly incurring T&E expenses.
3. Every employee.

D. May corporate charge cards be used to pay for personal expenses? Never, it offers potential liability.

E. Determine at what level senior executives should receive executive/VIP/gold 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.

Expense Reporting And Reimbursement

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

1. Most companies specify that only expenses over a certain threshold--usually \$25--require an original charge card receipt. It is important to be specific about the acceptability and requirements for receipts in this section of the policy.
2. Few companies have raised their threshold to match IRS regulations that require receipts only for expenses of \$75 or more.

B. *What receipts are acceptable?*

1. Policy may specify different types of receipts for different services, such as a passenger coupon for air, a folio, plus proof of payment for hotel and the rental agreement for car rental or the corporate card record of charge.
2. The policy may discourage or prohibit the submission of "tear-off" receipts from the bottom of restaurant bills, and mandate that 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 IRS has begun to accept electronic data from corporate cards in lieu of paper receipts.

C. *When must travelers file expense reports?*

1. As soon as possible after the completion of each trip, which normally is within seven days after completion.
2. For frequent travelers, at certain intervals of time--for example, weekly, biweekly or monthly.
3. The company may specify that employees will not be reimbursed if they do not file expense reports by the required day.

D. *On what form 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 trip.
2. If an automated expense reporting system is available, policy should state that it is mandatory for all travelers.

E. *Will the traveler be reimbursed if the mandated agency or online booking system is not used.*

F. *Other things to consider*

1. Should expenses incurred overseas be reported in local currency or converted to the U.S. currency equivalent?
2. Procedures for when receipts are lost or stolen.

3. Procedures for filing expense reports in cases where expenses are shared by two or more travelers.
4. Including with policy a completed sample expense report accompanied with step-by-step instructions.

Miscellaneous

A. Distributing travel policy

1. How should policy be distributed?
 - a) Via an intranet or travel Web site where applicable, supported by a written document.
 - b) In a user-friendly summary document.
 - c) In multiple documents covering different modes and classes of travel.
 - d) Electronically via e-mail.
 - e) During employee orientation.
 - f) Newsletters.
 - g) Travel policy seminars.
 - h) Ticket jacket stuffers.
 - i) With a cover letter from the company's CEO.
 - j) Accompanied by an acknowledgement statement that needs to be returned to the travel manager.
2. To whom should the policy be distributed?
 - a) All employees who are eligible for travel, or assist in securing travel arrangements.
 - b) All frequent travelers (definition needed).
 - c) Managers above a certain level.
 - d) All company-employed travel arrangers and expense report approvers.
 - e) Designated travel agency (this should be done regardless of who else receives copies of policy).
 - f) Company expense auditors.

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

1. Reminders, such as memos.
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 policy violators fund their own trips and then seek reimbursement.
8. Travelers must get exception approval from CEO or CFO in order to be reimbursed.
9. In some extreme cases, termination of employment.

C. Additional items that may be addressed in policy

1. A statement of scope, goals and purpose, describing the advantages to the corporation of supporting preferred vendors and describing the general comfort level the company feels is appropriate for employees from the CEO.
2. A precise rundown of which company officials are responsible for enforcing aspects of travel policy and to what degree they are authorized to do so.
3. Information and instructions on safety.
4. Instructions on what to do in the event of medical and other emergencies, especially when traveling overseas: Policy also may outline company-sponsored safety training and awareness programs.
5. Procedures, policies and restrictions for use of taxis, including receipt requirements and tipping.
6. Procedures and requirements for borrowing company-owned computer equipment to use during trips, or circumstances under which the company will buy or lease equipment for travelers.
7. Circumstances in which the use of company-owned or leased video conferencing equipment is preferable to travel.
8. Procedures for use of corporate-owned aircraft.
9. Parking expenses and tolls.
10. Train and bus travel.
11. Use of a personal car for business, including a per-mile reimbursement rate for gas, repairs, depreciation, etc.
12. Babysitting fees.
13. Dry cleaning and laundry expenses.
14. Traffic and parking tickets.
15. Airline or other travel club fees.
16. Currency conversion fees.
17. Spousal travel when spouse's attendance is required for business purposes.
18. Kennel fees.
19. Mobile phone rental for international trips.

D. The company should specify that arrangements for travel to meetings should be directed through the same channels and suppliers as transient travel.

Policy should be reviewed at least once a year.