

Business Meetings Cost Reimbursement Policy
For Employees, Subcontractors, and Consultants

SOUTHERN RESEARCH INSTITUTE(SR)

For Questions Contact Accounting

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Business Meetings Policy

BUSINESS MEETING POLICY PURPOSE AND ENFORCEMENT

Purpose

Business Meetings are an essential element to conducting the business of Southern Research (SR). Due to U.S. Government Contract Regulations and our fiduciary responsibility to the Institute, it is necessary that SR require that business meetings' expenses conform to specific guidelines and regulations. The policy provides guidelines and establishes procedures for employee expenses for business meetings including those during business travel and those onsite or offsite, but not during business travel. Subcontractors and consultants engaged by SR are responsible for complying with the SR business meeting policy; hence, subcontracts and consulting agreements must contain this provision.

Objectives

1. Ensure all employees have a clear and consistent understanding of policies and procedures for business meetings.
2. Maximize SR's ability to recover business meetings costs on U.S. Government Contracts while simultaneously minimizing the risk of issues stemming from noncompliance with contract terms and conditions.

Government Contract Clauses and Regulations

This policy incorporates the list of government contract regulations which define allowable or unallowable costs relative to government contractor travel and/or business activities including business/technical meetings and training. Additionally, the separate SR Selling, Marketing, Fund-raising and Lobbying Expenses Policy provides further guidance on activities which would potentially apply and affect the allowability of travel and/or business meetings. Although certain contractually unallowable and unbillable costs may be reimbursable by SR to the employee, it is critical that SR manage and minimize the incurrence of unallowable and non-recoverable business expenses as well as adequately documenting allowable business expense distinguished from similar unallowable business expenses (e.g. allowable direct selling versus unallowable advertising/broad based marketing). The allowability of business meetings expenses directly or indirectly charged to government contract(s) will be determined on a case-by-case basis giving consideration to the applicable regulations, other contract terms and conditions, and the policies of the government customer. In particular, the relevant regulations include:

- FAR 31.201-6(a) Accounting for unallowable costs including directly associated unallowable costs
- FAR 31.205-14 Entertainment costs
- FAR 31.205-33 Professional and consultant costs
- FAR 31.205-43 Trade, business and professional activity costs

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Responsibility and Enforcement

The employee is responsible for complying with the business meeting policy. The approvers are responsible for verifying the business meeting is sufficiently documented as business related, totals are correct, supporting documents and receipts are attached, and the expenses are in compliance with the SR Business Meetings Policy.

One level of approval authority is required for all expense reports, unless otherwise noted.

Approvers are defined as:

- Non-Project Business Meetings: Immediate Supervisor
- Project Business Meetings: Immediate Supervisor and Project Manager

SR will reimburse the employee for all reasonable and necessary expenses incurred for the benefit of SR subject to the criteria contained in the policy. SR assumes no obligation to reimburse employees for expenses that are not in compliance with the policy.

Expense reports \leq \$1,500 for direct reports to the CEO do not require supervisor approval.

Who to Call on Business Meeting Policy Issues

Please direct any questions or concerns to Accounting.

BUSINESS MEETING AUTHORIZATION

Obtaining Business Meeting Authorization

Employees must obtain written or verbal authorization from their supervisor for all business meetings, including local (non-travel day) and generally while in a travel status. Note that business meetings while an employee is in travel status will typically exceed government per diem; hence, these business meeting expenses are reimbursable separate and distinct from travel per diem/meals and must be submitted on a separate expense report. However, for a specific meal, an employee cannot claim both a business meeting expense as well as a travel per diem meal. In situations where an SR employee participates in a business meeting while in travel status, but the employee incurs no additional/unique expenses related to the offsite business meeting (i.e. the employee only pays for his or her meal), the expense should be reported as a travel expense.

Non-Employee Business Meeting Expense

SR will reimburse business meeting expenses incurred by an employee for non-employees to the extent the non-employee's participation is essential to the business purpose of the meeting and the non-employee is not separately reimbursed for the business meeting expense. To the maximum extent practicable, employees and non-employees should separately document and claim business meeting expenses with their respective employers. Business meeting expenses should exclude costs for individuals who are non-employees (including spouses of employees) and/or whose attendance is not

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essential to the meeting. SR reserves the right to adjust employee business meeting reimbursement for costs associated with non-employees whose participation (purpose) is not documented.

A spouse or other individual not integral to the business meeting should typically not be involved in business meetings which may involve discussions of SR proprietary information. Other non-employees who are integral to the business meeting should not be reimbursed by their employer for the business meeting (meal) costs if the SR employee pays for the entire cost of the meal. To the extent that SR employee pays the entire cost, the government regulations specifically state that the costs of attendance by non-employees essential to the meeting are allowable provided such cost are not also reimbursed by the employing company or organization (see additional discussion on allowable vs. unallowable/unbillable business meetings costs).

TRAVEL/EXPENSE CARD

Refer to SR Travel Expense Policy for information concerning SR furnished credit cards which may be used for properly authorized business meetings. The use of the credit card for business meetings does not negate the need to document the business purpose of the meeting as well as the reasons for attendance by non-employees.

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BUSINESS MEETING PROCEDURES

Use of SR Facilities or Other than SR Facilities

Employees in a non-travel status should utilize SR facilities to the maximum extent possible and/or utilize other facilities where there is no cost for the use of the facility or the offsite facility and the offsite facility cost is integral to the success of the meeting. To the extent practicable, employees in travel status should conduct business meetings where facilities costs are reasonable or otherwise not separately expensed (e.g. hotel meeting room provided on a complimentary basis).

AUDIO-VISUAL RENTAL

Audio-visual equipment for onsite meetings (SR Facilities) should be considered before incurring any expense for equipment. Noting that audio-visual equipment can be relatively expensive when rented, SR employees planning a business meeting (including a technical seminar) should coordinate with the SR IT Manager to determine the feasibility of using SR audio-visual equipment for offsite meetings.

Employees may use their personal audio-visual equipment; however, there is no SR reimbursement for the imputed rental value for personal audio-visual equipment. Employees who require audio-video equipment for a SR business meeting should contact the IT Department to obtain SR furnished audio-visual equipment and/or to determine its availability for an offsite business meeting. Employees are responsible for safeguarding any equipment provided by SR.

BUSINESS MEETING MEALS AND ENTERTAINMENT

Business Meetings Meals

Employees are reimbursed for reasonable, non-excessive meal expenses that include breakfast, lunch, and dinner while on business travel which can include business meetings (e.g. working lunch or dinner). For business meetings in travel status where all attendees are employees, the preference is for each employee to individually pay and obtain reimbursement under the SR Travel Policies. In such instances, there is no separate requirement for the purpose of a business meeting; the documented business purpose of the trip will suffice. For onsite business meetings (non-travel status), it is essential for cost recovery that the business purpose of the meeting is well documented to avoid the appearance of SR reimbursed meals with no apparent business purpose. In fact SR policy prohibits reimbursement of employee personal expenses including meals while in non-travel status unless the business purpose is documented and the employee complies with the requirements of this policy.

SR employees should also be aware of the policies of particular government customers concerning government contract cost reimbursement of meals while in non-travel status. If the SR employee is working directly on a government project/contract for which the

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particular government customer prohibits reimbursement of meals unless the SR employee is in a travel status, the SR policy is to limit or avoid non-travel meals which would otherwise be unbillable costs. If circumstances require a business meeting/meal while in non-travel status and it has been established that the specific customer will not reimburse the meal costs, it is essential that the SR employee obtain pre-approval for the business meeting cost which will not be billable to the customer.

Expenses for Guest (non-employee) Meals and Entertainment

Refer to SR Travel Policy concerning non-employee meals and entertainment when there is no documented business purpose other than entertaining a client or prospective client. For business meetings involving both SR employees and non-employees essential to the business purpose of the meeting, a single “check” may be paid by one SR employee who will claim the entire expense documenting/listing the attendees, their relationship to SR (employees or non-employees) and a statement that non-employees were not otherwise reimbursed by their employer for the cost of the meal.

Additionally as it relates to government customers, SR employees must avoid any activity which could be construed to be a gratuity offered or provided to a government employee. Although government policies typically allow nominal amounts (e.g. cost of coffee, sodas, bottled water), SR employees should refrain from paying for the meal of the government customer. In rare cases, such as the government employee participation in a SR sponsored technical seminar wherein the meal costs are embedded within the facility costs, SR may pay for the government employee meal. In those cases, the SR employee should discuss the meal costs with the government employee(s) to enable both SR and the government employee to avoid any action which could be construed to be a violation of the government contract clause (FAR 52.203-3) which expressly prohibits a contractor or a prospective contractor from offering gratuities to a government official or employee.

In any case, the cost of a business meeting including facilities rental and/or the cost of the meal (integral to the business meeting) must be reasonable. Alcohol and/or entertainment expenses are unallowable costs on government contracts although certain costs are reimbursable (refer to SR Travel Policy). However, if a business meeting involves a disproportionate amount of unallowable costs for entertainment and/or alcohol, the overall activity may taint the business purpose resulting in unallowable, hence, unbillable costs for the entire activity. Where an activity involves both allowable and unallowable costs, employees should, where practicable, obtain expense documentation (receipts) for the unallowable costs separate and distinct from the allowable costs. Note that entertainment expenses may be charged to commercial projects if acceptable to the customer.

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EXPENSE REPORTING

Timing for Expense Report (Completion, Submission, and Reimbursement)

Business meeting expense reporting for both travel and non-travel business meeting expense reporting is subject to the same basic procedures as delineated in the SR Travel Policy.

Documentation Requirements

The employee must provide itemized receipts for business meeting expenses in excess of \$75. For business meeting expenses paid directly by SR, such as pre-planned and pre-arranged technical seminars or similar business meetings, SR employees must not claim expenses which have already been paid by SR (e.g. meals which were provided by SR as a component of the technical seminar or business meeting). For project related business meetings which are allowable/billable in accordance with the contract or customer policy, receipts must be submitted in accordance with the terms of the contract/grant agreement.

To be considered an itemized receipt/invoice, it must contain the following:

- name of the company where the purchase was made
- date of purchase
- description of what was purchased
- price per item
- quantity of item purchased
- total amount charged

Expenses substantiated with an on-line receipt, such as an e-mail or page from the vendor's website, will generally not require a copy of the employee's credit card statement. The on-line receipt must provide cost, payment method, and evidence of full payment.

For foreign currency conversion there are several free tools available to substantiate the USD amounts claimed. Contact Accounts Payable if you need assistance. The conversion rate is based on the date of the receipt or a daily average for the time spent in the locale. Documentation of foreign currency conversion must be included with the reimbursement request. Significant variances in the amounts computed by Accounts Payable could result in the expense report being returned to the employee.

In summary, the emailed business meeting expense report (PDF format) will serve as the official SR documentation; therefore all attachments should be legible. Multiple pages must be combined into one (1) document and emailed to the address noted above; and only one (1) document is allowed per email. Incomplete documents or documents containing an erroneous General Ledger/Project charge number will be returned for correction. The entire document must be corrected and resubmitted.

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When a receipt is not available, a full explanation of the expense and the reason for the missing receipt is required and should be included in the submitted document. Please contact Accounts Payable for additional information. Employees will be reimbursed for certain miscellaneous business meeting expenses which are not duplicative of expenses reimbursed as travel expenses. Examples of employee reimbursable and non-reimbursable expenses are stated in the SR Travel Policy. Additionally, SR Policy on Selling, Marketing and Lobbying Costs provides further details and distinctions between costs reimbursable to the employee, but potentially unallowable and unbillable on government contracts.