

Molloy College Business Expense Policy

Effective: January 1, 2017
Issued by: Accounting and Finance
Approved by: Leadership Team

Policy Statement

The Molloy College business expense policy defines an allowable business expense as a necessary, reasonable, appropriate, and allowable non-compensation expense incurred for a valid business purpose to fulfill the mission of the College. The policy provides criteria for determining an allowable or unallowable expense, and provides lists of common expenses.

This policy also lists substantiation and original receipt elements required to pay allowable business expenses. In general, this policy ensures appropriate use of College funds in support of its mission, follows Generally Accepted Accounting Principles (GAAP), and complies with federal, state, local rules, and regulations.

Who is Affected by this Policy

This policy affects all employees, students clubs, and independent contractors purchasing goods or services for non-compensation business expenses. It also affects every employee or individual who reviews, approves, or records financial transactions on behalf of the College.

Policy

CRITERIA FOR DETERMINING AN ALLOWABLE EXPENSE

In order to be paid directly by the College or reimbursed to an individual, a business expense must be:

- **Necessary** to perform a valid business purpose fulfilling the mission of the College; and
- **Reasonable** in that the expense is not extreme or excessive, and reflects a prudent decision to incur the expense; and
- **Appropriate** in that the expense is suitable and fitting in the context of the valid business purpose; and

Necessary

An expense is necessary if there is a valid business purpose required to fulfill the mission of the College. The primary benefit of a necessary business expense is the College, not the individual. A necessary expense is a minimum purchase or service required to achieve a valid business objective.

Reasonable

Reasonable means the amount that normally would be spent in a specific situation. An expense is considered reasonable if it is not extreme or excessive and reflects a prudent decision and action to incur the expense. The Business Expense Policy does not define precise dollar amounts for what constitutes reasonable, because the reasonableness of an expense depends upon many relevant factors including the business purpose, the context, the source of funds, and the circumstances surrounding the expenditure.

Appropriate

Costs are appropriate if they are suitable or fitting for a particular business purpose. In order for a cost to

be appropriate it is also presumed that there is a valid business purpose, which is normally the responsibility of the department or program to determine.

The following questions should be considered when determining the appropriateness of costs:

- Could the cost be comfortably defended under public scrutiny?
- Would you be confident if the cost was selected for audit?
- Would you be comfortable reading about it in the newspaper?
- Would you be comfortable explaining to a donor that their donation was used this way?
- Has it been adequately documented?

ALLOWABLE EXPENSES

The list below highlights commonly allowable expenses, but is not intended to identify every allowable business expense:

1. Employment Opportunity Posting

The placement of advertising relevant to job opportunities is the responsibilities of Human Resources. Human Resources has identified the appropriate media channels to be used for the recruitment of new employees.

2. Marketing

The College has a centralized function to maximize efficiency of our marketing budget. Any marketing decisions and expenditures, including print and digital advertising, are to be made by the Marketing office.

3. Awards

- a. Employee participation and/or achievement: It is occasionally permitted to provide modest awards (e.g., shirts, cups, caps) to members of the College in recognition of a service or achievement.
- b. Gift cards for employees will no longer be permitted to be used for recognition.
- c. Cash or cash equivalent awards made as part of approved College programs are treated as taxable compensation and paid through payroll. Because of IRS regulations, cash or cash equivalents (such as gift cards or gift certificates) are not appropriate as gifts or awards.

4. Contributions to outside organizations

These are allowable only if they further the mission of the College and must be approved by the Office of Mission and Advancement. This includes external recognition of college employees.

5. Memberships and Licenses

Memberships and certain licenses for business purposes may be allowed if they are necessary to fulfill job description. Individual's professional licenses that are required upon hire are **not** an

allowable expense. College and individual memberships and/or licenses need to be pre-approved by the departmental vice president.

6. 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, refer to the [Independent Contractor Policy](#).

7. Subscriptions

Appropriate publications and journals relative to the department and intended to increase business or educational knowledge are appropriate, as are a reasonable number of general interest publications for use in departmental reception areas.

UNALLOWABLE EXPENSES

The listing of unallowable business expenses is not intended to be all inclusive, but rather reflects examples of unallowable expenses for College funds:

1. Gifts to employees and nonemployees

Gifts are not allowable except in the cases specifically identified in the Allowable list above. Gifts given on a holiday or other basis to employees, or others are prohibited. Gifts to vendors are prohibited. Gifts to employees from other departments for performance of routine support activities also are prohibited.

All gifts or flowers sent on behalf of the College for get well wishes, condolences, congratulations, or recognition should be sent from Human Resources for administrative and staff, the Office of Academic Affairs for faculty, the Office of Advancement for donor relations, the Office of Student Affairs for students, and the Office of the President for vice president and Board related affairs. Individual departments may take up a collection of personal funds to send on behalf of their home departments if desired.

Gift cards to employees are no longer allowable. Please refer to IRS guidelines regarding any and all payments to individuals.

2. Goods for personal/employee department use

These would include such items as individual coffee makers, small appliances, candles, candy, snacks, coffee and other similar items for employees. Offices that service students and/or donors may have certain needs, however, exceptions must be pre-approved by departmental vice president.

3. Social events

- a. Financial support for departmental community building and planning will be funded and allocated through a process to be determined by the supervising vice president.
- b. Cost of office/departmental parties and celebrations for birthdays, engagements, baby showers, etc. are not allowable business expenses.
- c. Costs of costumes, props, or favors are not allowable.

4. Late payment penalties or interest charges

Late charges or interest on personal credit cards that have been used to pay College related expenses are not reimbursable.

5. Parking tickets or traffic violations

These are not allowable, even if incurred while conducting College business.

6. Sales tax

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

7. Sponsorship of external teams or other external groups must flow through the Office of the President or the Office of Advancement.

8. Travel

1. Entertainment, including in-room movies
2. Toiletries and cosmetics
3. Personal travel insurance
4. Alcohol
5. Expenses incurred by spouse, including meals and or tickets

SUBSTANTIATION AND RECEIPTS

“Substantiation” describes the set of written documents that support an incurred business expense. Substantiation consists of the original itemized receipt, notation of business purpose, names of persons in attendance (when applicable), and expense report for the incurred cost. Allowable business expenses must be properly and adequately substantiated in order to be paid or reimbursed.

Forms

- [Business Expense Report](#)