



Travel Policy Considerations for Not-for-Profit Organizations

According to the [2016 Report to the Nations on Occupational Fraud and Abuse](#) by the Association of Certified Fraud Examiners (ACFE), 14 percent of all asset misappropriation schemes were from expense reimbursement. That percentage, however, jumps to 25 percent for religious, charitable, or social services organizations. Although general expense reimbursement policies and procedures with related training are good anti-fraud controls, many organizations do not have a written travel policy in place. Even when they do, those organizations might not review it annually or train staff accordingly.

Whether you're creating a new travel policy or reviewing your existing one, here are some components to consider:

- Application/Scope – The opening section of the policy should discuss its scope and application. You may want to consider the following:
 - To whom the policy applies and in what circumstances. For example, staff, new hire relocation, board members, volunteers and/or contractors.
 - Whether the policy covers both in town and out of town travel.
 - If there are different requirements when travel is conducted for educational purposes.
 - How travel is arranged. For example, if a travel agency is used, if it must be booked by a specific employee or department, or if it can be arranged by an individual.
 - Indicate who can approve exceptions and what will happen if the policy is violated.

- Type of Plan/Documentation Requirements – Some of the most important considerations in a travel policy are the types of documentation that will be required for reimbursement, when the documents must be turned in for reimbursement, and the consequences for not adhering to these requirements. Many of those requirements will be determined based on whether the organization is following an accountable plan or a non-accountable plan. [CLICK HERE](#) for a refresher on the IRS Accountable Plan Requirements.

Another resource to review when developing the organization's travel policy is [IRS Publication 463 \(2016\), Travel, Entertainment, Gift, and Car Expenses](#). It's important to ensure the organization's record retention policy is aligned with these requirements.

- Personal Travel – Indicate whether personal travel may be combined with business travel. Specifically, define what personal travel includes, such as extended stays, preferred routes and airlines, preferred seating, upgrades, and so on. Specify how the personal portion of travel will be calculated, such as by percentage of total travel time or another basis.
- Travel Advances – Specify whether the organization allows travel advances and, if so, the limits and the process to follow.
- Air Travel – Spell out whether advance purchase is required for domestic and international flights; if so, consider specifying a time period. Indicate if the organization requires the traveler to book the least expensive flight or if there are preferred airlines that must be used. Specify any requirements for certain classes (e.g., economy, business, or first) as well as nonstop flights versus layovers.

For international travel, identify countries' security considerations and specify any countries that should be avoided when traveling. Consider how you will deal with fluctuations in currency exchange rates for reimbursements.

- Lodging – Indicate whether the organization requires travelers to stay at a preferred hotel chain or if there is a dollar limit. If the hotel where a conference or event is being held costs more than the organization's policy allows, indicate whether the employee may stay there regardless of price.
- Transportation Costs – Specify how various methods of travel to and from destinations will be reimbursed, such as when an employee rents a car, drives his or her own car and requests mileage reimbursement, or utilizes a taxi. Include information about how transportation costs around town at the destination will be handled. Indicate how the organization will reimburse these costs, such as using the IRS rates for employees and volunteers or some other basis.
- Meals – Indicate whether the organization provides a per diem allowance for meals not to exceed a per-day amount, or will reimburse based on actual expenses.
- Entertainment – Stipulate whether entertainment expenses are acceptable for staff when accompanied by clients, donors, vendors, and so on.
- Non-reimbursable Expenses – Make it clear what expenses will not be reimbursed. Some organizations specify alcohol, non-client entertainment, newspapers, toiletries, spousal travel (amounts paid for spousal travel are reportable as income to the recipient), and the like.

Once you've drafted or updated your travel policy, it's important to get feedback. If finance staff does not have the expertise to understand tax implications for employee expenses, consult with the organization's tax advisor. A review of the policy by selected staff is an important step for buy-in, alignment with culture, and compliance. If the policy isn't clear and easy to follow or is seen as unfair to staff, they won't adhere to it.

Once the Board of Directors or Trustees have approved this policy, include it in the list of policies to review annually and to keep current. If your policy covers contractors or vendors, make sure to refer to it in your contracts and agreements. Finally, put a training program in place that includes all staff when it is a new policy, new hires as part of the onboarding process, and periodic all-staff refresher training.

Having a clear and effective travel policy in place helps keep employees safe, ensures the organization's compliance with any legal or regulatory requirements and may potentially save the organization money.

For other [governance and management resources](#), visit the AICPA's Not-for-Profit Resource Library.