



ARIZONA GRANTMAKERS FORUM

Developing a Grantmaker Travel Policy

Legislators and regulators have increased their scrutiny of grantmakers' travel expenses in recent years, fueled in part by media reports of some isolated but troubling incidents of extravagant foundation travel. In 2003, the House of Representatives passed legislation that would have placed new restrictions on foundation travel. Although the bill never made it into law, grantmaker travel continues to be a congressional concern, and the philanthropy field is encouraging grantmakers to take their own steps to demonstrate that their travel is cost-effective—with one key step being the development of a travel policy.

In the latest draft of its principles for self-regulation of the nonprofit sector, Independent Sector recommends that all foundations and public charities develop and implement a travel policy that provides clear guidance on the rules and procedures for paying or reimbursing expenses incurred by anyone traveling for the organization. Travel policies can vary in content and detail, based in part on your size and the level of travel required of your board or staff, but here are some basic issues to consider and key questions to address when developing your own travel policy:

Policy Objective

A travel policy should begin with a general statement about its objective or purpose. This is where your organization communicates that you are making a good faith effort to incur travel expenses that are ordinary, necessary to further your mission and charitable purposes, and not lavish or excessive.

Persons Covered

Clearly state who is covered by the travel policy, which typically includes not just board and staff members but also volunteers, consultants, job candidates, or anyone else who may travel on behalf of your organization. The policy should apply equally to everyone in the organization, regardless of position.

Travel Expense Process

The policy should outline a clear process to follow in your organization to deal with all travel expenses, including the following:

- *Approving travel:* Identify the appropriate person(s) in your organization who are authorized to approve travel, review travel expense reports, etc. It is recommended that prior approval be required for all travel, unless it is impractical under certain circumstances.
- *Documenting travel expenses:* Describe the documentation requirements for travel expense reimbursement (expense report, original receipts), time limitations for submitting reimbursement requests, etc. Include instructions on how to document expenses when a receipt is not provided.
- *Making travel arrangements:* Describe the appropriate process for making travel arrangements. Should all travel be arranged through a designated travel agent or a single staff position, so that costs can be monitored and controlled? If people make their own arrangements, what steps can you put in place to help ensure that costs are kept as low as possible (purchasing airline tickets at least

three weeks in advance whenever possible, for example)?

- *Paying for travel expenses:* Describe the process travelers should use to pay for their travel expenses. If certain people in your organization have a corporate credit card, specify how the cards are to be used. If you provide travel advances, spell out the process for requesting and issuing them.
- *Determining meeting locations:* If you typically vary the location of your board meetings or other types of meetings, it is a good idea to describe the process you use to determine meeting locations, cost factors you will take into consideration, etc. You might also want to consider establishing an official policy for using telecommunications capabilities to cut down on the number of in-person meetings or to provide participants with an alternative to travel.

Types & Levels of Expenses

In general, the law allows public charities and private foundations to pay for or reimburse travel expenses of their staff and board members and others who travel for their organization, as long as the expenses are ordinary (common and accepted in your field), necessary (helpful and appropriate for your business) and not “lavish or extravagant under the circumstances.” The law also allows private foundations to include “reasonable and necessary” expenses, including travel expenses, in their 5 percent payout requirement. Unfortunately, terms like “lavish,” “extravagant,” “reasonable” and “necessary” are not well-defined in the tax code or in regulations. This makes it all the more important to clearly spell out in your travel policy what your organization

considers to be acceptable types and levels of travel expenses, including the following:

- *Air and train travel:* It is recommended that organizations pay for coach travel only (the 2003 House bill excluded from a foundation’s payout any private and chartered air travel and any commercial air travel beyond coach). However, you may want to specify circumstances under which travelers could be approved to fly other than coach, such as if a flight is longer than six hours or if it is an overnight flight that saves the cost of a hotel stay. Also think about outlining other measures that travelers should take to decrease fares, such as booking round-trip tickets whenever possible.
- *Lodging:* Your policy should indicate that you will pay for standard, reasonable hotel costs, and it is recommended that you exclude

Sample Travel Policies

A sampling of travel policies for foundations and other charitable organizations (many provided courtesy of the Council on Foundations):

- **Americana Foundation Travel & Expense Reimbursement Policy**
bestpractices.cof.org/files/ACFD6C5.doc
- **Community Foundation for Southeastern Michigan Travel and Expense Reimbursement Policy**
bestpractices.cof.org/files/expensereimbursement.doc
- **Independent Sector Travel Policy**
www.independentsector.org/about/ISTravelPolicy.pdf
- **Mary Reynolds Babcock Foundation Travel and Entertainment Policy**
bestpractices.cof.org/files/MRBFTravelEntertainment.pdf
- **Minnesota Attorney General’s Travel and Other Expense Reimbursement Policy Template**
www.ag.state.mn.us/pdf/charities/TravelPolicy.pdf

deluxe or luxury accommodations. You may want to consider setting a maximum hotel room rate, and indicate any reasonable exceptions (when staying at a conference hotel, for example). If you will cover

additional nights' lodging to save on airfare, describe in your policy when and how this determination will be made. It is also a good idea to list common hotel-related costs that you will not reimburse (in-room movies, mini-bar, etc.) and those that you will reimburse (perhaps Internet access for business purposes).

- *Meals:* Provide general guidelines to limit meals to reasonable rates or go further and include a maximum per diem rate. To determine a reasonable per diem cap for lodging, meal and incidental expenses, the federal per diem rates can sometimes be a useful guide (see Resources on page 4), although Independent Sector notes that there are many circumstances where it will not be reasonable or even possible to reimburse at these rates. You can also investigate the per diem rates used by other organizations of similar size, type and operations to come up with a good benchmark.
- *Ground transportation:* Specify the types of ground transportation that you will permit. Travelers should be encouraged to make good faith efforts to reduce costs (such as by using hotel courtesy cars or public transportation or sharing cab rides whenever possible).
- *Car rentals:* Since car rentals are usually the most expensive types of ground transportation, consider establishing clear ground rules for when this option might be appropriate and setting a maximum car class (midsize or standard, for example).
- *Personal automobile:* Will you pay for a person's use of a personal car for business travel, and if so at what rate? (The mileage rates provided by the IRS are a useful guide.) Consider including a provision to prevent a person's mileage reimbursement from exceeding the lowest available airfare to the same destination.

- *Parking:* When parking at airports, should travelers be encouraged or required to use less expensive off-airport facilities, especially for longer trips?
- *Phone calls:* Will you pay for only business-related phone calls when someone is traveling, or are personal calls also covered? Does your organization offer any preferred cost-saving methods for making calls while on the road, such as using a calling card or toll-free number? Will you reimburse travelers for calls made using personal cell phones, and if so, are there any limits?
- *Miscellaneous expenses:* List any other common travel-related expenses that you will typically pay, such as faxes, photocopies and tips.
- *Non-reimbursable expenses:* To avoid confusion, your policy should specify some common travel-related expenses that you will not reimburse because they are for a traveler's convenience but do not benefit the organization (such as spa or health club fees, airline clubs, personal entertainment, etc.).
- *Entertainment:* Your travel policy can also specify your organization's guidelines and required documentation for expenses incurred to entertain guests for business purposes, and you may want to consider listing the most common types of allowable entertainment expenses for your organization (buying lunch for a grantee, for example).

Non-Business Travel

A good travel policy will also describe how your organization handles common non-business travel expenses and issues, including the following:

- *Spouse/travel companion expenses:* In general, an organization cannot pay for the travel expenses of a spouse, partner, child or any other travel companion (except if the person is also an employee or is performing necessary services for the organization). Paying such travel expenses will in many cases be an act of self-dealing for a private foundation, unless it is treated as compensation to a foundation manager (and the resulting compensation to the manager is still reasonable). A travel policy should set forth circumstances in which it will be permissible to include spouses in your organization's events and how expenses will be handled.
- *Personal travel:* How will you handle the common situation where travelers incorporate some personal travel with a business trip? Your policy should include some provisions to ensure that business travel expenses are not increased due to combining personal travel, and that all personal travel expenses are covered by the individual.

After you have completed your travel policy, take some time to review and discuss it with your board and staff,

and routinely share it with anyone else who may travel on your behalf. Add the travel policy to your personnel manual and make it a standard part of any new board or staff orientation. Remember to review and update the policy at least every few years; if your policy includes per diem rates, update these figures annually.

For more information and guidance on developing a travel policy for your organization, consult the resources on this page and the sample travel policies on page 2.

Resources

- **Developing a Travel Policy**
by Jane C. Nober
Council on Foundations
www.cof.org/Action/content.cfm?ItemNumber=1173
- **IRS Publication 463: Travel, Entertainment, Gift and Car Expenses**
www.irs.gov/publications/p463
This publication can serve as a guide for avoiding travel expenses that the IRS considers lavish, extravagant or excessive.
- **IRS Publication 1542: Per Diem Rates**
www.irs.gov/publications/p1542
- **Self-Dealing: A Concise Guide for Foundation Board and Staff**
by John A. Edie
Forum of Regional Associations of Grantmakers, 2006
www.givingforum.org
- **Should Your Foundation Cover Travel Expenses of Family Members?**
Council on Foundations
www.cof.org/Action/content.cfm?ItemNumber=1752



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