Financial Management and Reporting Division

Agency Policies and Procedures

Special Expenses

Policy Objectives:

These agency policies and procedures for special expenses are designed to:

- Establish a clear definition for costs to be regarded as special expenses
- Ensure consistent, agency-wide review and approval of all special expenses
- Promote accountability for special expenses

Background Information:

Special expenses are those costs incurred in connection with legitimate business functions of the agency or assigned duties of an agency employee for which a higher level of scrutiny is deemed necessary, and which are not reimbursable through the normal expense reimbursement provisions of applicable bargaining unit contracts.

These special expense policies and procedures outline the required guidelines and processes for the documentation, review and approval of costs regarded as special expenses.

Authority:

- **Minnesota Statutes**
  M.S. § 43A.04, subd. 4 *Administrative Procedures* – This statute specifies the general powers of a state commissioner to prescribe procedures for the internal management of a department.
  M.S. § 15.0575, subd. 3 *Compensation* – This statute specifies the compensation of members of various boards.
  M.S. § 15.059, subd. 3 *Compensation* – This statute specifies the compensation of members of advisory councils and committees.
  M.S. § 15.059, subd. 6 *Advisory Task Force* – This statute specifies the compensation of members of advisory task forces.
  M.S. § 214.09, subd. 3 *Compensation* – This statute specifies the compensation of members of various licensing boards.
- **Minnesota Management and Budget Administrative Procedure 4.4** provides statewide policies and procedures for special expenses.
- **Collective Bargaining Agreements** provide the state's provisions for employee expense reimbursement.

Business Risks:

- Noncompliance and/or inconsistent application of these policies and procedures may result in inconsistent oversight of certain expense items and increases the likelihood for improper reimbursement of expenses.

Policies and Procedures:

PART ONE - DELEGATION OF AUTHORITY

1. Each division director (or designee) is authorized to approve special expense requests up to $500 unless the request is for the division director.

2. The appropriate Assistant Commissioner or the Deputy Commissioner is authorized to approve special expense requests in excess of $500 and special expense requests for his/her division directors or for division recognition expenses. These requests must be reviewed and approved by a division director or designee before review and approval of the Assistant or Deputy Commissioner.

3. The Commissioner (or designee) will approve special expense requests for the Deputy or Assistant Commissioners, for agency-wide recognition expenses, and for international travel. These requests may, if applicable, require review and approval by a division director or designee, Assistant Commissioner, and/or Deputy Commissioner before review and approval of the Commissioner.

4. It is the responsibility of any person approving a written request to incur special expenses to ensure compliance with this policy. The Financial Management & Reporting (FMR) division will review and approve all special expense requests as an internal control measure to ensure policy compliance. If FMR identifies requested items not permitted under this policy, the request form will be rejected and returned to the requesting division along with the reason the expense was not approved. Any employee expense reports relating to a rejected request will not be processed unless extraordinary circumstances are documented and approved at the same level(s) as described in 1-3 above.

5. If an expenditure item does not fit this policy's definition of a special expense, but the agency considers the item a legitimate, business-related expenditure, FMR will submit the request after all required agency approvals are obtained to MN Management and Budget (MMB) for its advance review and approval.

PART TWO - PROCEDURE & REVIEW PROCESS

1. The requestor must complete the *Request for Approval to Incur Special Expense* form to request approval for expenditures (including international travel) defined in this policy as special expenses.

2. Except in emergency situations and where prior approval is not possible, approval is required before special expenses are incurred. Requests received after the fact or too late to ensure prior review and approval must include an explanation for why the request was not initiated in a timely manner.

3. The requestor forwards the *Request for Approval to Incur Special Expense* form to the appropriate division director or designee and/or Assistant, Deputy Commissioner and/or Commissioner for review and approval. The form must also be submitted to FMR for review and approval as an extra control measure to ensure adequate documentation and policy compliance.

4. After all required approvals are obtained, FMR returns the *Request for Approval to Incur Special Expense* form to the requestor or requesting division and retains a copy. The requesting division is responsible for ensuring that proper purchasing policies are followed and funds are encumbered prior to an obligation being incurred.

5. After approved expenses have been incurred, the requestor or requesting division reviews vendor invoices or form FI-00529-04, the *SEMA4 Employee Expense Report*, attaches any required receipts, packing slips or other pertinent documentation, and forwards the documents to the appropriate division personnel for payment review and approval prior to submission to the appropriate division or agency personnel for payment processing.

6. The expense items identified below are defined as special expenses. The amounts of these expenses must be reasonable, and the expenses are subject to the approval requirements of this policy.

    A. The following special expenses can be approved within the agency:

        1. Full cost of a meal when it is a part of the structured agenda of a conference, workshop, seminar, or meeting which the appointing authority has authorized the employee to attend. This does not include routine staff meetings.

2. Registration and tuition fees for conferences, seminars, workshops, or education courses. Prior approval is required only if the cost exceeds $500 per participant. Each division bears the responsibility to ensure that requests of this type are for a legitimate business purpose and represent a reasonable means of obtaining the training. For tuition fees, follow the instructions in Admin's Human Resource Policy #10, *Education Assistance*, and submit the *Tuition Reimbursement/Release Time Authorization* form for advance approval rather than using the *Request for Approval to Incur Special Expense* form. For registration fees relating to an out-of-state trip (not including international travel), submit the Authorization for Out-of-State Travel form (FMR004-01) to show all anticipated travel expenditures including the registration fee(s); the Request for Approval to Incur Special Expense form is not needed in this case.

3. Refreshments for agency sponsored meetings, conferences or workshops where the majority of participants are not state employees.

4. Refreshments, meals and other conference costs for agency sponsored events where registration fees are charged and the majority of the participants are not state employees.

5. Refreshments and/or meals for meetings that consist primarily of state employees when the refreshments and/or meals are an integral part of the event and are necessary to sustain the flow of the meeting and to retain the captive audience, and if the event is:

   a. a meeting with participants from many geographic locations where the majority of the participants are in travel status;
   b. an agency-wide annual/quarterly staff meeting for all employees;
   c. an agency senior management/cabinet planning or organizational meeting;
   d. an agency-wide annual/quarterly staff meeting for all managers;
   e. an annual/quarterly staff meeting of all division/district/regional employees; or
   f. a structured training session, available to employees generally and conducted by persons outside the agency, provided it has been approved by the agency's Human Resources division.

   With the exception of structured training sessions, the meetings described above shall be held no more frequently than once each quarter. All meetings shall be scheduled to minimize inclusion of meals.

6. Refreshments and/or meals during official meetings of statutory boards, councils, task forces, advisory committees and commissions and during official meetings of external non-statutory councils, task forces, advisory committees and commissions for which expenses are authorized by statute or as a condition of a federal grant or contract. Official meetings include meetings of sub-committees provided that such meetings are authorized by the full board, council, task force, advisory committee or commission. All meetings shall be scheduled to minimize inclusion of meals.

7. Lodging for an employee who is not in travel status if:

   a. weather conditions or other unforeseen occurrences prevent the employee from returning home; or
   b. the appointing authority authorizes overnight participation in an approved event.

   Authorization should be based on the benefit of such participation to the State.

8. Expense reimbursement for lodging, travel and meals for one attendant for an employee with a disability who requires daily assistance in performing various personal tasks or who has special mobility needs.

9. Expenses as follows for employees assigned to work at the State Fair:

   a. fees for admission to the fairgrounds;
   b. one meal during each shift of fewer than ten hours or two meals during each shift of ten hours or more, subject to the meal amounts for in-state travel contained in the appropriate collective bargaining agreement or plan;
   c. taxi fare for employees with a disability who are unable to drive or use other means of public transportation between their normal work station and the fairgrounds or between the employee's residence and the fairgrounds, whichever distance is less.

10. Expenses as follows for individual employee awards and agency recognition events:

   a. awards for individual or group achievements which are limited to non-cash/nonnegotiable items of nominal value (not taxable wages or benefits) under IRS guidelines.
   b. reasonable costs for annual official agency/institution employee recognition events which may include up to 100% meal reimbursement for employees being recognized but shall not include reimbursement for other guests and travel.

B. The following special expenses require the approval of Minnesota Management and Budget:

1. Expense reimbursement for international travel authorized by the appointing authority. If not approved in advance by Minnesota Management and Budget, reimbursement limits for international travel will be the same as out-of-state travel provisions contained in the appropriate collective bargaining agreement or plan.

2. Employee recognition events beyond those listed in 6.A.10. above.

3. Other special expenses not identified in this procedure.

7. Special expenses may not be used to pay for:

   A. Private club memberships
   B. Alcoholic beverages
   C. Entertainment
   D. Employee parties (including holiday and retirement parties)
   E. Refreshments or meals for meetings consisting of a majority of state employees except as provided in 6.A.5. above. This includes ad hoc meetings and staff meetings, whether held periodically or on a call basis.

Forms:

MMB Form: FI-00529-04, *SEMA4 Employee Expense Report*

Admin Forms:
Request for Approval to Incur Special Expenses
FMR-004-01, Authorization for Out-of-State Travel
Tuition Reimbursement/Release Time Authorization

See Also:

FMR-4C-01, *Employee Travel Expenses*