

[Show](#)

Travel Advances Operating Policy and Procedure

Objective:

To provide employees with funds in advance of a work assignment requiring travel, while performing official state duties, and ensure the prompt repayment of advances. Advances are issued for employees who have single or periodic travel assignments and recurring assignments.

Click the following:

Policy

Procedure

Forms:

[FI-00529 SEMA4 Employee Expense Report](#)



The above form is required for processing travel advances unless the employee is using Self Service business expenses. This form is available on the [Self Service Web site](#) and from the agency payroll (or accounting) office.

References:

None

Last Reviewed: September 2005

Last Updated: June 2013

Number PAY0020 - Travel Advances

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Travel Advances Policy

Travel advances are used to provide employees with funds, in advance of a work assignment, requiring travel while performing official state duties. A travel advance is available for necessary reimbursable expenses that will be paid in cash and must total at least \$50 or the amount specified in the applicable bargaining agreement or compensation plan. The advance must be requested in a reasonable period of time (10-14 days) before the first date of travel occurs. An advance is requested on a properly completed SEMA4 Employee Expense Report or is entered by the employee in Self Service business expenses. Travel advances cannot be issued earlier than one pay period before the start of the travel or occurrence of the purchase.

The amount of the travel advance request must not exceed the estimated allowable out-of-pocket expenses to be paid while the employee is traveling. Therefore, the amount of the advance must not include lodging, airfare, or other expenses that will be: 1) Billed directly to the agency, 2) Charged on a state agency's purchasing card, or 3) Charged on any type of state agency credit card. It must also not include any lodging or airfare expenses that are or will be charged on an employee's personal credit card.

The employee is responsible for the safekeeping of the funds and must use the travel advance only for the necessary reimbursable costs while performing official state duties.

Employees must submit the SEMA4 Employee Expense Report and all **itemized receipts** (see applicable collective bargaining agreements and compensation plans) to their supervisor within five working days after the last day of travel. If using Self Service business expenses, employees must submit receipts and enter expenses within the same time limit.

An employee may have only one outstanding advance at any given time; therefore, an outstanding advance must be settled before a new advance is issued.

An advance that has been issued but not settled is called an unsubstantiated advance. Unsubstantiated advances will be added to the employee's taxable gross earnings and withholding according to IRS regulations. This will be handled by Minnesota Management & Budget, Statewide Payroll Services. (Note: Even though an unsubstantiated advance is added to an employee's taxable gross earnings, the agency must collect the advance from the employee.)

Agencies must ensure that advances are settled/recaptured by the recapture date.



Minnesota Management & Budget strongly encourages the use of a state purchasing card approved by the Department of Administration, Materials Management Division, for lodging and airfare expenses. Currently, Minnesota Management & Budget allows only lodging and airfare to be charged on state purchasing cards due to tax implications on various expenses. (This purchasing card decision was effective June 25, 1998.)

Types of Travel Advances

There are two types of travel advances, short-term and recurring. Both types are processed using the same method, but the total amount of the advance is calculated differently for each.

Short-term advances are issued when an employee is required to travel in connection with official state duties that do not exceed one trip. The employee requests the advance amount needed to cover the necessary estimated expenses of the trip. The employee's supervisor must approve all short-term travel advances by

signing the SEMA4 Employee Expense Report prior to the advance being issued. If the employee is using business expenses in Self Service, the employee enters the advance and the supervisor approves it.

The full amount of the short-term advance must be recaptured by the agency 1) When the employee is reimbursed for the expenses for the trip, 2) When the advance recapture date is reached, or 3) When the employee's employment ends, whichever occurs first.

Recurring advances are issued when an employee is required to travel on a regularly recurring basis in connection with official state duties. The travel period could be for a fiscal year or a shorter period of time such as 3 months. The advance is requested to provide the employee with start-up funding to cover the necessary estimated expenses of an average month during the designated period of time. The employee uses the advance to pay for the first month of travel expenses. Then, at the end of the first month, instead of settling the advance, the employee claims reimbursement for the actual expenses of that month. The employee uses the reimbursement to pay for the second month's expenses. Expenses continue to be funded throughout the travel period by using the reimbursement of the preceding month's expenses to cover the current month's expenses until 1) The fiscal year end, 2) The advance recapture date is reached (end of the travel period), or 3) The employee's employment ends, whichever occurs first.

An appointing authority designee and the employee's supervisor must approve all recurring travel advances.

All advances must be settled by the end of the fiscal year. Employees are eligible for a new advance only after any prior advance has been settled. An advance is settled when both the final expenses and the advance recapture are entered and processed in SEMA4.

Payment of Travel Advances

Travel advances are normally processed during the payroll on-cycle and are issued to employees on paychecks. If the employee has direct deposit, the advance is direct deposited. Under exceptional circumstances, where time does not allow for on-cycle processing, advances may be processed on a payroll off-cycle. (Use of off-cycle payments is monitored by Minnesota Management & Budget, Statewide Payroll Services.)

In an emergency situation, where it is not possible to wait for the travel advance to be issued on this schedule, the agency's imprest cash account can be used. If an agency does not have an imprest cash account, Minnesota Management & Budget should be contacted at 651-201-8077. When imprest cash is used, the agency (or Minnesota Management & Budget) must require the employee to sign a statement stating that:

- The employee understands that the agency will deduct the amount of the imprest cash and issue an advance for the same amount on the employee's next on-cycle paycheck.
- The agency is authorized to recapture the full amount of the advance on the advance recapture date or if the employee's employment ends.

Settling/Recapturing Travel Advances

When the employee submits the SEMA4 Employee Expense Report or enters the expenses in Self Service business expenses, the expenses will either be 1) equal to, 2) greater than, or 3) less than the amount of the outstanding advance. When the total expenses for a trip are less than the advance amount, the employee's pay will be reduced by the difference between all expenses paid and the advance recaptured. The employee may not submit a personal check or cash for the amount owed. When the total expenses are greater than the advance amount, the employee's pay will include the difference between all expenses paid less the advance recaptured.

If an employee is no longer receiving a paycheck, or the last paycheck will not cover the outstanding advance amount, the agency payroll office must work with the employee and Statewide Payroll Services to settle the advance by making the appropriate adjustments.

The agency must contact the employee to initiate this process. If the employee does not respond or refuses to comply with the agency's request for repayment, the agency must notify Statewide Payroll Services. Statewide Payroll Services will act in accordance with the federal Internal Revenue Service (IRS) tax regulations. This

may include, but not be limited to, adding the amount of the outstanding advance to the employee's gross wages and subjecting the amount to the applicable withholding taxes.

If an employee uses a recurring advance for a few months, then does not need the advance for a month before traveling again, the agency must recapture the outstanding advance. When the employee begins to travel again, a new advance may be issued.



When recapturing any advance amount, verify with the agency payroll office that the employee's net pay is sufficient to cover the recapture of funds. If the employee's net pay is insufficient, recapture as much as possible, depending on the situation. Then set up a schedule with the employee to recapture the remaining funds. The additional recapture amount(s) should be as much as possible. If you cannot reach the employee (this should be seldom), the recommended recapture amount is \$150.00 or more per pay period, based upon the employee's net pay. (Agency fiscal management must decide on the amount to recapture, keeping in mind that they must remain fiscally responsible for state funds.) If the recapture amount is less than the full outstanding advance, an explanation of why the amount is less must be attached to the SEMA4 Employee Expense Report or documented on paper if the employee uses Self Service business expenses.

If a trip is canceled, the employee did not need the travel advance. Therefore, the employee must notify the supervisor and the agency payroll (or accounting) unit. The agency must recapture the full amount of the travel advance immediately.

Advances must be settled/recaptured by the recapture date.

Review of Outstanding Travel Advances

Each agency must assign agency staff the task of 1) monitoring the On-Demand report, FIHU0400 Employee Business Expense Outstanding Advances, biweekly and 2) recapturing all outstanding advances by the recapture date.



Relocation advances use different earn codes than other travel advances and are processed by Minnesota Management & Budget, Statewide Payroll Services. Refer to the relocation policy and procedure.

You may also refer to the following topic(s):

Employee Business Expenses

PAY0021 - Employee Business/Travel Expenses - Operating Policy and Procedure



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Travel Advances Procedure

Advance Request

1. Employee determines that an advance for cash expenses is needed for a work assignment. (Refer to your applicable collective bargaining agreement or compensation plan.)

Employee not using business expenses in Self Service

2. Complete the SEMA4 Employee Expense Report, which will indicate:
 - That you are requesting an advance
 - The amount of the anticipated expenses, not including those being paid through direct billing, credit cards, or purchasing cards
 - The start and end date of the travel period
3. Sign and date the SEMA4 Employee Expense Report.
4. Submit the SEMA4 Employee Expense Report to your supervisor. (For out-of-state travel, also attach the approved travel authorization form.)
5. For out-of-state travel, submit the approved travel authorization form as directed, to your supervisor or the payroll or accounting staff.

Employee using business expenses in Self Service

6. Enter the advance request in Self Service business expenses. The amount of the advance request should be for anticipated expenses, not including those being paid through direct billing, credit cards, or purchasing cards.
7. For out-of-state travel, submit the approved travel authorization form as directed, to your supervisor or the payroll or accounting staff.

Supervisor

8. Review the SEMA4 Employee Expense Report and make necessary adjustments.
9. Sign and date the SEMA4 Employee Expense Report or approve the advance request in Self Service if it complies with:
 - The employee's applicable collective bargaining agreement or compensation plan
 - Minnesota Management & Budget Special Expense, Travel and Advance policies and procedures
 - Agency policies and procedures, rules, and regulations

Agency Payroll (or Accounting) Unit

10. Monitor the status of Self Service business expenses to ensure the timely processing of the expenses.
11. Review the SEMA4 Employee Expense Report or the advance request entered in Self Service business expenses. Approve the advance request if it complies with:
 - The employee's applicable collective bargaining agreement or compensation plan

- Minnesota Management & Budget Special Expense, Travel and Advance policies and procedures
- Agency policies and procedures, rules, and regulations

12. Enter the advance request in SEMA4 if a paper form has been submitted. Approve the advance request if it was entered in Self Service business expenses.

Advance Settlement

Employee

1. Complete the SEMA4 Employee Expense Report or enter expenses in Self Service business expenses **within 5 days after the travel is completed**. Report only those expenses that comply with:
 - The employee's applicable collective bargaining agreement or compensation plan
 - Minnesota Management & Budget Special Expense, Travel and Advance policies and procedures
 - Agency policies and procedures, rules, and regulations
2. Sign and date the SEMA4 Employee Expense Report form or acknowledge agreement with the affirmation in Self Service business expenses.
3. Attach all required itemized receipts (see applicable collective bargaining agreement or compensation plan) and previously approved authorization form(s). Submit receipts and other forms or documentation separately if using Self Service business expenses.



If the travel is canceled, the employee must notify the agency business expense staff and submit a SEMA4 Employee Expense Report to their supervisor stating that the travel was canceled. If the employee uses Self Service business expenses, notify the payroll staff and supervisor on paper or by email. Agency payroll (or accounting) staff and the supervisor must be notified within 1 work day of finding out that the trip is canceled. If the employee's employment is ending, the employee must submit a SEMA4 Employee Expense Report or must notify the payroll or accounting staff on paper or by email if using Self Service business expenses. The notification must state that employment is ending and that the advance must be recaptured.

Supervisor

4. Review the SEMA4 Employee Expense Report or expenses entered in Employee Self Service business expenses and approve expenses that comply with:
 - The employee's applicable collective bargaining agreement or compensation plan
 - Minnesota Management & Budget Special Expense, Travel and Advance policies and procedures
 - Agency policies and procedures, rules, and regulations
5. Sign and date the SEMA4 Employee Expense Report. If using Self Service business expenses, approve expenses and agree to the affirmation that displays when the record is saved.
6. Forward the SEMA4 Employee Expense Report with all attachments to the agency payroll (or accounting) unit. If using Self Service business expenses, forward any receipts, forms or other documentation to the agency payroll or accounting unit.



If the travel is canceled, the employee must submit a SEMA4 Employee Expense Report or must notify on paper or by email if the employee uses Self Service business expenses, stating that the travel was canceled. Notify the agency payroll (or accounting unit) and supervisor within 1 work day. The supervisor must forward the notification to the agency payroll (or accounting) unit for immediate advance recapture. If the employee's employment is ending, the supervisor must make sure that a SEMA4 Employee Expense Report or other notification is submitted that states that employment is ending and that the advance must be recaptured. If the travel is canceled or the employee's employment ends and the employee does not submit a SEMA4 Employee Expense Report or other notification, the supervisor must notify the agency payroll (or accounting) unit requesting immediate recapture of the advance.

Agency Payroll (or Accounting) Unit

7. Monitor the status of Self Service business expenses to ensure the timely processing of the expenses.
8. Review the SEMA4 Employee Expense Report or expenses entered in Self Service business expenses and approve amounts that comply with:
 - The employee's applicable collective bargaining agreement or compensation plan
 - Minnesota Management & Budget Special Expense, Travel and Advance policies and procedures
 - Agency policies and procedures, rules, and regulations
9. If the employee is not using Self Service business expenses, enter the approved expenses in SEMA4. Enter the advance recapture regardless of whether the employee submitted an expense report or entered expenses in Self Service. (Use the same Expense Group ID number that was assigned to the advance request.)
10. Biweekly, monitor the outstanding advances using the SEMA4 On-Demand report, FIHU0400, Employee Business Expense Outstanding Advances.
11. Recapture the outstanding advances according to the policies and procedures.



If the travel is canceled or the employee's employment is ended, the advance must be recaptured immediately. The agency payroll (or accounting) unit must set up procedures to ensure that this happens.

Minnesota Management & Budget, Statewide Payroll Services

12. Monitor amounts to be recaptured for employees with outstanding advances, including employees who are separated or terminated.
13. Contact agencies that have not recaptured outstanding advances by the recapture date.
 - Ensure that agencies are following procedures to monitor and recapture outstanding advances
 - Verify that the agency has entered and processed the advance recapture during the payroll processing week
14. If necessary, add unsubstantiated (unsettled) advances to the employee's taxable gross earnings and withhold tax according to IRS regulations.

Minnesota Management & Budget, Internal Control Unit

15. Audit agencies' travel files periodically to verify compliance with:
 - Minnesota Management & Budget and all other applicable policies and procedures
 - Applicable collective bargaining agreements and compensation plans

You may also refer to the following topic(s):

Employee Business Expenses

PAY0021 - Employee Business/Travel Expenses - Operating Policy and Procedure



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