



DEPARTMENT OF FINANCE  
CITY OF CHICAGO

**CITY OF CHICAGO**  
**EMPLOYEE REIMBURSEMENT POLICY**

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*July 5, 2011*

**CITY OF CHICAGO EMPLOYEE REIMBURSEMENT POLICY**

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## CITY OF CHICAGO EMPLOYEE REIMBURSEMENT POLICY

**Effective Date:** July 31, 2011

**Purpose:** The primary means of purchasing valid goods and services necessary for conducting City of Chicago business is the procurement process and the employee reimbursement process. This policy addresses the employee reimbursement process, including petty cash and procurement cards. The following protocols and related procedures need to be complied with; however, they are not intended to address every situation.

**Acknowledgement Agreement:** Employees are required to sign an Acknowledgement Agreement indicating that they accept the terms of this Employee Reimbursement Policy. Failure to comply with this Policy and the related procedures may make the employee accountable for any questionable expenditures and subject to disciplinary action up to termination of employment.

**Unallowable Types of Expenditures:** Below is a listing of expenditures that are not considered appropriate when conducting City business. This listing is not intended to be an exhaustive listing of all unallowable expenditures. If in doubt about a potential expenditure, the employee should discuss with his/her manager, or the Agency CFO or City Comptroller. If an Agency or Department believes that a certain type of expenditure is absolutely critical, prior written approval from the City Comptroller will be required and is to be included with the supporting documentation for reimbursement.

### Unallowable/Restricted Expenditure Types

- Local Business Meals (*within the 50-mile Chicago Metropolitan Area*)
- Refreshments/Food (*for meetings*)
- Food, Supplies or Other Costs (*for employee events/holiday parties/birthdays*)
- Gifts/Flowers/Gift Cards
- Alcoholic Beverages/Tobacco Products/Controlled Substances
- Personal Items
- Sponsorships/Donations
- Entertainment/Recreational Activities
- Appliances (*e.g., microwaves, refrigerators, coffee makers*)
- Kitchen Textiles (*e.g., napkins, cups, utensils used in break rooms*)
- Office Decor Items
- Traffic Citations/Parking Violations/ Fines and Penalties
- Sporting Goods
- Car Washes
- Cash Advances
- Capital Equipment/Construction

- Software and Related Licensing Agreements
- Professional or Trade Licenses Required for Employment (*unless expressly stated in bargaining agreement or approved in advance by the Agency CFO or the City Comptroller*)
- Supplies and Materials (*for which a City/Agency has a contract to purchase*)
- Any other item deemed inappropriate/unnecessary for conducting City business.

**Tax-Exempt Status:** Every effort needs to be made to ensure that expenditures do not include Sales Tax. Tax exempt certificates are available through Agency/City Law Departments.

## **I. Employee Reimbursement Policy and Procedures**

The Employee Reimbursement process is one of the primary means of purchasing goods and services necessary for conducting City of Chicago business. The other is the procurement process.

### **A. Expenditure Limits for an Individual Purchase**

- No individual purchases allowed for over \$250 without pre-approval by the employee's Commissioner/Department Head or the City Comptroller.

### **B. Funding Authorization**

- Expense Reimbursement Form must include the appropriate funding codes.
- It is the responsibility of both the employee and approver to verify available funding levels prior to submitting to the Finance/Payment Department for reimbursement.

### **C. Supporting Documentation**

Employees must submit a completed signed Expense Reimbursement Form and the supporting documentation for the allowable business expenditures within 30 days of purchase to his/her manager for approval (*prior to submission for payment*). Each expenditure shall be substantiated by the following supporting documentation:

- Reason and purpose of the purchase, as well as why the item was not purchased via the normal purchase order/procurement process.
- Original receipts, which include vendor name, date of purchase, individual items itemized with exact dollar amounts – no copies.
- Additional supporting documentation (*packing slips, etc.*) must also be original – no copies. This would include documentation of any pre-approval for expenditures over \$250.
- Employee signature (*either hard copy or electronically*), which also acknowledges the business appropriateness of the expenditure.

If original receipts and/or supporting documentation is unavailable (*one occurrence per year*), the employee must provide a written explanation and signed certification stating the reason the original is unavailable.

### **D. Review and Approval**

Approval of an Expense Reimbursement request is required from an employee's Manager (*first-line approver*), Deputy, and then Finance/Payment Department prior to reimbursement.

- The Approvers' signatures must be original – copies/stamped approvals are not acceptable, nor is delegation of the review.
- Approvers cannot approve own expenditures. If an Approver is part of a combined group expenditure, the highest-ranking employee in the group will submit the expenditure for approval to his/her Manager.

- Expenditures of executive management of the Agencies and City Departments are to be reviewed/approved by the Agency CFO and/or City Comptroller with original signatures. Approval authority cannot be delegated.
- City/Agency Finance/Payment Department review for completeness, supporting documentation, expenses in accordance with policy, and proper level of approvals prior to payment.

It is the responsibility of the first-line approver to ensure that an employee's Expense Reimbursement Form is complete and that adequate documentation has been provided to support that the expenditure is a valid City business expense. The first-line approver needs to review for:

- Timely submission of reimbursement request (*within 30 day from purchase*);
- Proper forms/documentation and reasons for purchase;
- Mathematical accuracy;
- Original receipts;
- Documentation of the pre-approval for expenditures over \$250, if applicable;
- Signed Reimbursement Form;
- Proper allocation of expense according to budget procedures and to the proper budget category; and
- Escalation to the next Approver of any expense that appear to be out of the ordinary (*i.e., abnormally large expenses, poorly documented expenses, purchases not generally required for normal City business*) for a more focused review.

When the first-line review and approval is complete, the Approver submits the reimbursement request and documentation to the next approver for signature, who will then forward the request to the Finance/Payment Department. This process needs to be completed within one week from the time that the employee submits the Expense Reimbursement Form to the first-line approver.

#### **E. Reimbursement/Payment Process**

- The expenditure is processed for payment after the supporting documentation has been properly reviewed and approved, and received by the Agency/City's Finance/Payment Department, as indicated in Section D above.
- In this section, each Sister Agency and the City will describe/develop the reimbursement process for processing approved requests for reimbursement at their Agency, subject to review and approval by the City Comptroller.
- After payment, the final approved supporting documentation is to be maintained by the Finance/Payment Department.

## II. Petty Cash Policy

Petty Cash funds (*including Contingency funds*) will no longer be allowed for either Sister Agencies or City Departments. The larger expenditures should be processed through normal procurement channels and, if necessary, small expenditures can be submitted for payment through the Employee Reimbursement process.

If an Agency or Department believes that a petty cash fund is absolutely critical, the City Comptroller will evaluate the need and decide accordingly. If a petty cash fund is deemed necessary, the following policies will be followed:

- Limit the amount of cash that may be held in an office at any given time;
- Develop clear guidelines for the physical security of cash;
- Prohibit petty cash bank accounts;
- Limit the number of individuals who have authority to make payments from the petty cash fund;
- Develop per-transaction limits for expenses that may be reimbursed from petty cash funds; and
- Conduct unannounced cash counts and voucher audits.

### III. Procurement Card Policy and Procedures

Although the City of Chicago does not use general credit or procurement cards, Sister Agencies will have limited use of Procurement Cards for emergency purposes, or large (>\$1,000) transactions where purchase orders are not accepted by the merchant. Procurement cards are not to be used as a regular vehicle with which to conduct City business. All non-emergency expenditures shall be submitted for payment through the regular Employee Reimbursement process (*refer to Section I above*). If it is determined that an expenditure purchased with a procurement card is not for emergency purposes, the Agency's access to procurement cards will be revoked.

Procurement Cards (P-Cards) will only be used for City business purposes; personal expenditures of any type are strictly prohibited. In addition to only being allowed for emergency purposes, the listing of Unallowable Types of Expenditures on Page 1 of this Policy also applies to P-Card purchases.

In addition to the signing and acknowledgement of the Employee Reimbursement Policy, a Cardholder Agreement/Acknowledgement will be signed by each Cardholder.

#### A. Limited Access

Access to P-Cards will be limited at each Sister Agency (*no more than 5 cards*) and controlled/administered by each Agency's Chief Financial Officer and registered with the City Comptroller.

- The CFO will justify the necessity of each P-Card.
- Guidelines will be developed for the physical custody of the P-Cards.
- Assigning or transferring the P-card to another individual is prohibited.
- The P-Card of a departing/terminated individual (*or if transferring to another position*) will be promptly collected and deactivated prior to his/her departure.

Limited P-Card access may have adverse effects on underbanked employees. Individual situations will need to be discussed with the Agency CFO and City Comptroller to determine one-time alternate procedures. Limited P-Card access may also cause an increase in reimbursement processing, which could stress current resources.

#### B. Expenditure Limits and Proper Approval

Each Agency will work with the City Comptroller to determine the appropriate total monthly credit limit for the Agency. A Matrix of the approved P-Card holders and their individual monthly card and transaction limits will also be developed by each Agency. The Matrix will include the necessary required Approvals for each Cardholder.

Additional limits can be placed on the types of purchases that may be made through Merchant Category Code (MCC) blocks. A merchant category code is a four digit number used by the bankcard industry to classify or limit businesses that accept charge cards. P-Card issuers have the ability to prevent a charge card from being used at any establishment with a particular MCC.



## **C. Procurement Card Procedures**

Each Sister Agency will develop/enhance their own detailed P-card procedures by using the standards and requirements indicated for each of the below control areas, subject to review and approval by the City Comptroller. These control areas are similar to the ones required for the employee reimbursement process in Section I.

### **1. Funding Authorization**

- P-Card Expenditure Reimbursement Form must include the appropriate funding codes.
- It is the responsibility of both the employee and first approver to verify available funding levels prior to submitting to the Finance/Payment Department for payment of the monthly charges.

### **2. Supporting Documentation**

Cardholders must submit a completed signed P-Card Expenditure Reimbursement Form and the supporting documentation for the allowable business expenditures on the monthly card statement within 30 days to the appropriate Approver prior to payment. Each expenditure shall be substantiated by the following supporting documentation:

- Reason and purpose of the purchase, as well as why the item was not purchased via the normal purchase order/procurement process.
- Monthly individual P-Card statement.
- Original receipts, which include vendor name, date of purchase, individual items itemized with exact dollar amounts – no copies.
- Additional supporting documentation (*packing slips, etc.*) must be original– no copies.
- Employee signature (*either hard copy or electronically*), which also acknowledges the business appropriateness of the expenditure.

If original receipts and/or supporting documentation is unavailable (*one occurrence per year*), the employee must provide a written explanation and signed certification stating the reason the original is unavailable.

### **3. Review and Approval**

Approval of a Cardholder's monthly expenditures is required from the appropriate Approvers (*per the Matrix*) prior to payment of the monthly expenditures.

- The Approvers' signatures must be original – copies/stamped approvals are not acceptable, nor is delegation of the review.
- Approvers cannot approve own expenditures. If an Approver is part of a combined group expenditure, the highest-ranking employee in the group will submit the expenditure for approval.
- Expenditures of executive management of the Agencies are to be reviewed/approved by the Agency CFO and the City Comptroller with original signatures. Approval authority cannot be delegated.

- Agency Finance/Payment Department to review for completeness, supporting documentation, expenses in accordance with policy, and proper level of approvals prior to payment to card company.

It is the responsibility of the first approver to ensure that the P-Card Expenditure Reimbursement Form is complete and that adequate documentation has been provided to support that the expenditures are valid City business expenses. The first-line approver needs to review for:

- Timely submission of reimbursement request;
- Proper forms/documentation and reasons for purchase;
- Original receipts - not just the card receipts, but digitally-printed detailed bills of sale;
- Documentation of any pre-approvals for expenditures, if applicable;
- Signed Reimbursement Form;
- Proper allocation of expense according to budget procedures and to the proper budget category; and
- Escalation to the next Approver of any expense that appear to be out of the ordinary (*i.e., abnormally large expenses, poorly documented expenses, purchases not generally required for normal City business*) for a more focused review.

When the first-line review and approval is complete, the Approver submits the reimbursement request and documentation to the next approver for signature, who will then forward the request to the Finance/Payment Department.

#### **4. Reimbursement/Payment Process**

- P-Card expenditures are processed for payment after the supporting documentation has been properly reviewed and approved, as indicated in Section 3 above, and received by the Agency's Finance/Payment Department.
- Each Sister Agency will describe/develop the P-Card reimbursement procedures for processing approved requests for reimbursement. These procedures are subject to review and approval by the City Comptroller.
- After payment, the final approved supporting documentation is to be maintained by the Finance/Payment Department.

#### **5. Disputed Charges**

Billing discrepancies can result from, but not limited to, failure to receive goods or services that were charged, duplicative or altered charges, defective merchandise, errors, misuse, and fraud. The cardholder is responsible for following up with the vendor and/or bank on any disputed charges. The bank must be notified of any disputed charges within the time limit as stated in the Agency's procurement card agreement with the bank. The cardholder will be held accountable for all charges unless the charges have been properly disputed.

#### **6. Lost or Stolen Card**

Lost or stolen cards must be reported immediately to the Agency.

#### **IV. QA/Monitoring/Audit Policy**

A QA/Monitoring/Audit process will be developed/enhanced by each Agency and the City to ensure compliance with the Employee Reimbursement Policy and that expenditures are being properly processed and paid/reimbursed accurately. The monitoring and analytical review of expenditures and individuals are also important controls. This multi-tiered review process will be performed by Agency/City Finance departments; the Agencies' individual Internal Audit departments, and the City of Chicago's Internal Audit department.

##### **A. Agency and City Finance Departments**

- Periodic random QA reviews of processed P-card and employee reimbursement transactions for compliance with the Policy's documentation and processing requirements.
- Expenditure Utilization - Review spending by type of expenditure and also by dollar amount to determine excessive spending and/or questionable categories of expenditures.
- Individual Utilization - Review spending by employee to identify any questionable expenditures and/or spending habits.
- Analytical Review - Compare P-Card and employee reimbursement expenditures for current time period to prior periods and actual expenditures to budgeted ones to identify unusual spending and/or unexpected trends.
- Asset Management - Review expenditures to ensure that any purchases of capital assets have been properly identified and recorded as such.

##### **B. Agency Internal Audit**

- Perform periodic audits for compliance with the Agency's current reimbursement process, including a detailed review of P-Card and employee reimbursement expenditures, utilizing the results of the procedures performed in Section A by the Agency's Finance department.

##### **C. City of Chicago Internal Audit**

- Review results of Agencies' audits and determine if there is a need for additional audit review by the City.
- Perform periodic audits for compliance with the City's current reimbursement process, including a detailed review of P-Card and employee reimbursement expenditures. Determine the need and frequency of this audit, for either all City departments or judgmentally-selected departments, utilizing the results of the procedures performed in Section A by the City's Finance department.
- Perform periodic reviews of the expenditures of the Senior Executives at both the Agencies and the City.

## **V. Recurring Expenditures**

Frequently recurring expenditures, such as office supplies, building materials and 'big box' store purchases, that are being consistently procured individually and not through a contracted purchasing agreement or the normal procurement procedures need to be reviewed to determine if there is an existing purchasing agreement for them. If not, purchasing agreements should be put in place in order to ensure that the Agencies/City are obtaining these expenditures as economically as possible. If a purchasing agreement is in place and these types of purchases continue to be made through the P-Card and/or Reimbursement process, reimbursement for the expenditures will be denied.

## **VI. Training**

Employees of all City Departments and Sister Agencies shall undergo training regarding the City-Wide Employee Reimbursement Policy at the time of implementation of the new Policy, or upon hiring for new employees. Additionally, for individuals whose jobs frequently require them to submit or manage expense reimbursements or use a P-card, refresher training should be considered on a yearly basis.

## **VII. Transparency**

The City and Sister Agencies shall upload their individual procurement card and employee reimbursement information to the City of Chicago website on a monthly basis, starting with an initial year-to-date upload at the time of adoption of the Employee Reimbursement Policy. Proactive transparency increases disclosure of and accountability for City Department and Agency expenditures. It also serves as a deterrence mechanism for those employees who might otherwise be tempted to engage in inappropriate conduct or spending.

## **VIII. Exceptions/Exemptions**

Any potential exception/exemption from any component of this Policy must be discussed with and submitted to the City Comptroller for consideration. Any approved exception/exemption will be considered part of the Policy and will need to be retained as part of the Policy.