

SOUTHWESTERN

LAW SCHOOL Los Angeles, CA

Credit Card Policy for Employees

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Related policies: Contract Approval and Signing Authority Policy; Expense Reimbursement Guidelines; Paycheck Deduction Agreement and Authorization; Missing/Inadequate Documentation Report Form

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A. Background and Purpose

This Policy applies to all employees who are issued a Southwestern corporate credit card (Card). Employees who are issued a Card should also read and be familiar with the Expense Reimbursement Guidelines.

Southwestern Law School offers eligible employees a Card, currently American Express, to pay for certain Southwestern business-related expenses. Participating in Southwestern’s corporate credit card program is a privilege and convenience that carries responsibilities. Inappropriate use of the Card may result in the loss of that privilege.

Southwestern may, at any time, suspend or cancel a cardholder’s privileges for any reason, and the cardholder must surrender the credit card to their supervisor or Human Resources upon request. An employee’s use of the credit card or account after receiving notice of its cancellation may be considered fraudulent, and Southwestern may take further action against the cardholder as outlined in Section M.

The Card is issued in the employee’s name but is considered Southwestern property and must be used with good judgment. For the privilege of being issued a Card, employees will enter into a Paycheck Deduction Agreement and Authorization.

Southwestern’s preferred payment method is through vendor invoices and corporate checks. However, in some cases, those payment methods are not feasible (e.g., purchases during travel, the urgency of a purchase, purchases from web-based vendors). Therefore, cardholders should familiarize themselves with this Policy and Southwestern’s various protocols for paying for goods and services.

B. Eligibility

Only personnel specifically authorized by the President and Dean may receive a Card. If a Department Head or Vice Dean desires that Southwestern issue a Card to an employee, the Department Head or Vice Dean will send their request to the President and Dean (“Dean”), copying the Chief Financial Officer. If the Dean approves, the Chief Financial Officer will obtain the required information from the prospective cardholder and take the necessary steps to acquire and issue the Card.

C. Cardholder Responsibilities

The cardholder is accountable for all transactions charged to their Card. The cardholder should make every effort to avoid using the Card for personal charges. If the Card is used for an employee’s personal expenses, the employee must promptly report the matter to the Chief Financial Officer and reimburse Southwestern by check by the time period set forth in Section H(3) below. Southwestern reserves the right to recover all personal charges from the cardholder. If a pattern of using the Card for personal charges emerges, the cardholder’s privileges may be suspended, and the cardholder may be subject to other provisions in Section M below.

The cardholder must review transactions billed to their Card monthly, allocate expenses to appropriate expense accounts, and substantiate all transactions with receipts and other documentation that the Accounting Office might require.

The cardholder is responsible for the Card's use and safekeeping. If the cardholder authorizes another employee to use the Card, the cardholder is responsible for all transactions charged to the Card by the cardholder's authorized designee. The Card is valuable property that requires proper treatment by the cardholder to protect it from misuse by unauthorized parties.

D. Allowable Uses

An employee may use the Card only to make purchases for legitimate and appropriate business purposes. The cardholder must ensure that a budget exists to support each purchase. A non-exhaustive list of appropriate business-related purchases includes the following:

- Advertising payments;
- Advertising services charges (e.g., Facebook Ads, Google Ads, and LinkedIn);
- Computers and related equipment;
- Software purchases and renewals;
- Hardware purchases and renewals;
- Subscription purchases and renewals;
- Air travel;
- Ground transportation;
- Business meals and entertainment;
- Lodging while traveling;
- Meals while traveling;
- Registration for business conferences;
- Consultant payments;
- Office supplies;
- Training;
- Utilities (e.g., DirecTV, Verizon, etc.); and
- Online services (e.g., captioning for videos, GotPrint for business cards).

E. Inappropriate Uses

The following is a non-exhaustive list of ways the Card should not be used:

- Cash advances, bank checks, traveler's checks, or electronic cash transfers;
- Items or services for personal use;
- Purchases that can otherwise be paid for using Southwestern checks;
- Purchases that the cardholder could not otherwise make under Southwestern's Contract Approval and Signing Authority Policy;
- Items identified as Non-Reimbursable Expenses under Southwestern's Expense Reimbursement Guidelines.

Any expense for which an employee cannot provide appropriate substantiation or documentation is considered an inappropriate use of a Card.

F. High-Risk Payment Processors

Southwestern does not encourage the use of high-risk payment processors, such as PayPal and Venmo, which allow electronic fund transfers to private parties (see the Expense Reimbursement Guidelines). In the unusual case, when a Card is used for payment via mobile or online payment processors (such as PayPal, Venmo, etc.), all transactions must be supported with receipts that meet Southwestern's receipt requirements, regardless of the transaction amount. Detailed transaction descriptions must be included with all transactions. Insufficient documentation may result in the suspension of a Card and revocation of Card privileges.

G. Other Policy Violations

Additional Policy violations include, but are not limited to:

- failing to return a Card when reassigned, terminated, or upon request;
- failing to submit properly completed reconciliation statements, with appropriate receipts, in a timely manner; and
- failing to report a lost or stolen credit Card to the Chief Financial Officer immediately after discovery.

H. Reconciliation Process

1. Statements

The Accounting Office receives Card statements from the Card issuer (American Express). Upon receipt, the Accounting Office scans the statements and emails a statement to each cardholder.

2. Receipts

The cardholder or another employee designated by the cardholder must gather all necessary approvals and receipts related to each Card purchase on the statement. As described in the next subsection, the employee performing this task must label all receipts with an accurate description of the expense to ensure proper coding by the Accounting Office. They may use an Excel file to detail all transactions and corresponding GL coding. The Card statement, Excel file, receipts, and approvals (the "credit card package") must be submitted to the Accounting Office. If a receipt is accidentally lost for any expense exceeding \$25, the cardholder must complete a Missing/Inadequate Documentation Report Form and submit it with the credit card package.

3. **Substantiation and reconciliation**

The IRS and Southwestern's external auditors require specific documentation to substantiate business-related expenses. Two requirements are that each receipt is dated and itemized.

For travel-related expenses, substantiation includes verification of the following:

- **What:** description of expense;
- **When:** date the expense was incurred;
- **Where:** location of the expense;
- **Why:** the business purpose of the expense; and
- **Who:** full name of the individual incurring the expense and the full name of each other individual in attendance.

For non-travel related expenses, substantiation includes verification of:

- **What:** description of expense;
- **When:** date the expense was incurred; and
- **Why:** the business purpose of the expense.

For Southwestern to comply with IRS regulations, the cardholder must substantiate expenses within 60 days of the statement date. Failure to substantiate expenses within 90 days will result in the suspension of Card privileges. Travel-related expenses related to travel and lodging not substantiated within 60 days of the trip return date and non-travel related expenses not substantiated within 60 days of the transaction date may be processed as taxable gross income and included on the cardholder's paycheck. The Accounting Office will notify Human Resources if a cardholder has failed to substantiate expenses within 60 days of the statement date, and Human Resources will contact the cardholder regarding next steps.

In addition to the IRS regulations, Southwestern's Accounting Office and outside auditors require that all Card expenditures be reconciled and submitted with receipts to the Accounting Office no later than the last business day of the month following the statement date. Cardholders who have not reconciled and submitted their monthly expenditure within this period will be asked by the Accounting Office, with a copy to Human Resources, to reconcile and submit their monthly expenditure immediately with a written explanation for the delay that the Accounting Office can have on file for inspection by the auditors.

4. **Disputed transactions**

If an employee disputes a charge made on the Card while in their possession, the issue must be brought to management's attention immediately. All disputed transactions must be resolved by the vendor, Accounting Office, and the bank. The cardholder must obtain and file all proof of payment documentation with the Accounting Office.

I. Extended Absences

If a cardholder takes a medical or parental leave or otherwise plans to be away from work at Southwestern for an extended period (e.g., more than 30 days), the employee should not use the Card during that period and may not give another employee permission to use the card during this period.

While the employee is on leave or away from work, another employee may prepare the substantiation. The employee may briefly contact the employee on leave if they have questions, need information, or need approval for recurring charges, if any.

Documentation accompanying the substantiation must include the dates of and an explanation for the cardholder's absence (e.g., "FMLA leave, 1/1/24-5/31/24").

J. New or Expired Cards

The cardholder is required to activate (as per instructions received with the Card) and sign the Card immediately upon receipt. The Card may be used upon activation. When the current Card has expired or when a new Card is issued to the cardholder, the cardholder must destroy the former Card (cut it into pieces) and discard the pieces.

K. Lost or Stolen Cards

The cardholder must report a lost or stolen Card to the Chief Financial Officer or, if the Chief Financial Officer is unavailable, to the Controller immediately. If this initial report is via phone or Zoom, the cardholder should follow up with the Chief Financial Officer or the Controller in writing.

L. Termination

When a cardholder's employment with Southwestern ends for any reason, Southwestern will cancel the card. A separating employee must return the Card to Southwestern with all other Southwestern property.

M. Consequences for Policy Violations

Violations of this Policy may result in disciplinary action for the cardholder or any other employee who violates this Policy. Disciplinary action could include a warning, loss of Card privileges, termination of employment, and referral to law enforcement.

Furthermore, cardholders may be subject to wage deductions. Without limiting the foregoing, failing to timely submit a complete and accurate reconciliation three times during any twelve-month period may result in the suspension of a Card and revocation of Card privileges.