Cell Phone Allowance Guidelines

The University of Vermont has implemented a business practice to ensure any cellular phone request, regardless of funding source, is completed in compliance with University policies and external regulations. This change allows the University to meet IRS regulations and its fiduciary responsibility to the taxpayers of the State of Vermont, by providing guidelines for the use of cell phones by university employees for business purposes.

By U.S. Internal Revenue Service directive, allowances for cellular phones are treated as taxable income even if the device is required for the employee's job.

The University will not own or pay for the usage of cell phones for use by individual employees. If the University requires an employee to carry a cell phone in order to perform his/her duties or their job duties include the frequent need for a cell phone, then the employee will obtain a personally owned cell phone device and access/service plan. The employee will receive compensation with approval from their immediate supervisor and appropriate senior administration officer or designee, in the form of a cell phone allowance, to cover business-related costs. The cell phone allowance is added to employee pay checks and is considered taxable income. No further reimbursement for cell phone costs is available to employees who have such an allowance.

Cell phones should not be selected as an alternative to other means of communication – e.g., land-lines, pagers, and radio phone – when such alternatives would provide adequate but less costly service to the university.

Cell Phone Transition

Beginning July 1, 2009, the University will no longer purchase any new cell phones, nor will any existing cell phone contract be renewed or extended. In order to avoid cancellation fees, and to allow for an orderly transition, anyone currently using a university-owned cell phone acquired prior to the establishment of this allowance has until October 1, 2009 to comply with this revised business practice. Individuals must work with their current provider to transfer ownership of the device and the service plan to a personal account. The University will no longer make direct payments to cell phone providers, using a purchase order, check, purchasing card, or any other means. Until the transfer of ownership is complete, university-owned cell phones are to be used for business calls only. Personal calls on university owned cell phones are prohibited. Inadvertent personal calls must be marked on the statement, and associated costs be refunded to the University.

Cell Phone Practices and Procedures

I. Frequent Use of Cell Phones for Business Purposes

A. Establishment and Payment of Allowance

If a University employee's job duties include the frequent need for a cell phone, then the employee is eligible for an allowance to cover cell phone expenses. It may be requested using the Allowance Request Form and may be made any time during the fiscal year.

Regardless of when they are established, allowances will cease at the end of the fiscal year - June 30th. A new Allowance Request Form must be sent to Payroll to continue the allowance, or to establish any new allowances.

This allowance does not constitute an increase to base pay, and will not be included in the calculation of percentage increases to base pay due to annual raises, job upgrades, bonuses, benefits based on percentage of salary, etc.

Allowance payments cannot continue beyond the end date of the cell phone contract during a fiscal year.

Directly Charging to a Sponsored Project is Unallowable

The cell phone allowance is <u>not allowed as a direct expense</u> on a sponsored grant or contract.

Due to the difficulty of allocating telecommunication costs such as a cell phone allowance to a sponsored project, Federal regulations (OMB Circular A-21) require the University to consistently account for telecommunication expenses as an <u>indirect cost</u>.

Except for telephone tolls, telecommunication expenses are included in the F&A (indirect costs) rates. A sponsored project is charged for telecommunication costs when the applicable F&A rate is applied to direct expenses on grants. By accounting for the cell phone allowance as an indirect cost, a sponsored project will be charged only once for telecommunication expenses.

B. Determination of Dollar Amount of Allowance

The dollar amount of the cell phone allowance should only cover the employee's projected business-related expenses. These expenses are the cost of basic equipment, and the cost of the employee's monthly cell phone plan. The plan chosen should be the least expensive that provides adequate business-related services. Upgrades from basic equipment (special cosmetic accessories or technical features, etc.) unrelated to business are at the employee's expense.

Pre-determined limits have been established, and can be found on the Allowance Request Form Determination of the dollar amount of the allowance is made at the departmental level.

C. Use of Phone

The employee must retain an active cell phone contract as long as a cell phone allowance is in place. Because the cell phone is owned personally by the employee, and the allowance provided is taxable income, the employee may use the phone for both business and personal purposes. The employee may at his/her own expense add extra services or equipment features, as desired.

Use of the phone in any manner contrary to local, state, federal laws, or university policies will constitute misuse, and result in immediate termination of the cell phone allowance.

Cell Phone device purchase, maintenance, and replacement will be the responsibility of the employee receiving the cell phone allowance.

D. Documentation and Review Requirements

A copy of the Allowance Request Form and the employee's related cell phone contract must be kept on file in the employee's university department. Department files are subject to audit at any time by Internal Audit, or external auditors engaged by the state and federal government.

The dean, director, department head or vice president is responsible for an annual review of employee business-related cell phone use to determine if existing cell phone allowances should be continued as-is, changed, or discontinued, and to determine if any new allowance should be established.

E. Fees for Contract Changes or Cancellations

a. If, prior to the end of the cell phone contract, a personal decision by the employee, employee misconduct, or misuse of the phone, results in the need to end or change the cell phone contract, the employee will bear the cost of any fees associated with that change or cancellation. (For example, the employee voluntarily leaves UVM, and no longer wants to retain the current cell phone contract for personal purposes.)

b. If, prior to the end of the cell phone contract period, a university decision (unrelated to employee misconduct) results in the need to end or change the cell phone contract, the University will bear the cost of any fees associated with the change or cancellation. (For example, the employee's job duties change and a cell phone is no longer needed for business purposes. If the employee does not want to retain the current contract, any cancellation fees will be reimbursed by the University).

F. Exceptions to the Allowance Method

The only exception to this practice is shared phones used by the departments. Shared phones are exempt and may be paid by way of approved University payment methods. Personal calls on university owned cell phones are prohibited. Inadvertent personal calls must be marked on the statement, and associated costs be refunded to the University.

II. **Infrequent Use of Cell Phones for Business Purposes**

A. Establishment and Payment of Allowance

If a University employee's job duties do not include the frequent need for a cell phone, then the employee is not eligible for an allowance to cover cell phone expenses. Such employees may request reimbursement for the actual expenses of business calls made using their own cell phone (reimbursement for per-minute "air time" is limited to the overage charge shown on the invoice, i.e., expenses for minutes included in the plan will not be reimbursed). The individual should make personal payment to the provider, and then submit an expense report for reimbursement in PeopleSoft. A copy of the itemized cell phone invoice should be attached to the printed expense report form with all the separate business-call charges clearly marked or highlighted.

B. Payment Allowance on Grants

If cell phone charges are incurred for infrequent use for grant purposes and are allowable on a grant, the individual should make personal payment to the provider, and then submit an expense report for reimbursement in PeopleSoft. A copy of the itemized cell phone invoice should be attached to the printed expense report form with all the business-call charges clearly marked or highlighted. An allowable amount charged to the grant should be determined by calculating the business minutes used divided by number of minutes in the plan. This percentage would be calculated against the monthly plan amount. The calculated amount would be the amount reimbursable to the employee and charged to the grant.