

# BUSINESS TRAVEL POLICY

## POLICY STATEMENT

Medica pays for travel-related costs when there is a clear business need for such travel. Travel outside of Medica's service area or involving overnight stays must be pre-authorized.

## PURPOSE

It is Medica's objective to provide its employees with positive business travel experiences, consistent with reasonable cost. This policy provides guidelines to employees who travel on Medica-related business. It is expected that these guidelines will assure equitable treatment of employees and assist in controlling travel expenses.

## SCOPE

This policy applies to all employees of Medica. It includes Medica payment or reimbursement for approved travel with a clear business purpose. This policy includes travel by air or ground transport to the destination, and ground transport once there; lodging, parking, meals, and incidentals such as telephone calls. The policy excludes the cost of seminars and education that may be the reason for the travel.

## DEFINITIONS

The Date Expense Incurred refers to the date it was paid to the vendor by the employee (either by credit card, cash or check). *For example, if an employee prepaid for a seminar with his/her credit card, the Date Expense Incurred would be the date the employee's credit card was charged for the expense.* Expenses must be submitted to Accounts Payable on the Business Expense form within 30 days from the date the expense was incurred.

**Manager** means cost center and department managers, or other managerial or executive employees who approve expense reports.

**Medica Service Area** is defined as the states of Minnesota, Wisconsin, North Dakota and South Dakota.

## PRACTICE/PROCEDURES

The decision to authorize travel should be made on the basis of the benefit Medica will receive from the travel, weighed against the anticipated costs of the travel. Travel should not be authorized if the business purpose can be accomplished by less expensive alternatives, such as participation by telephone or video conference or attendance at local training programs. The same criteria should be used in deciding whether more than one employee should be included in the trip.

### 1) Decision to travel: approval process

- a) Travel out of Medica's service area will be paid or reimbursed only upon *advance* approval by the Vice President of the department making the request. See Medica Request for Prior Approval of Business Expenses Form.
- b) Overnight travel within Medica's service area must be approved in advance by the manager for employees up to the level of Vice President (Medica Officers). Medica Officers do not need prior approval for overnight travel within Medica's service area.
- c) Any purchase of airline tickets must be approved in advance by the employees Vice President.

### 2) Cost controls:

- a) **Choice of transport:**
  - i) Travel of less than 150 miles should generally be done by automobile.
  - ii) Air travel: Medica will pay or reimburse only the cost of the lowest coach class fare available for direct, non-stop flights from the airport nearest the employee's home or office to the airport nearest the destination. Medica will not pay or reimburse for ticket or seat upgrades. (Employees may upgrade at their own expense or by utilizing their own upgrade certificates.)

Air travel reservations should be made as far in advance as possible in order to take advantage of reduced fares.

- b) **Travel Agency:** In order to better manage the total cost of travel, Medica has entered into a contract with one approved travel agency. All Medica-paid travel must be booked and ticketed by this agency. (See Medica Request for Prior Approval of Business Expenses Form, Page 2.) The Accounts Payable department will not process airfare purchased from other sources and the cost of the tickets will become a personal expense of the employee who made such arrangements. The Chairman of the Board or his/her designee must approve exceptions in air travel purchases.
- c) **Discounts:** Wherever possible, Medica seeks to obtain discounts for travel and lodging.
  - i) Employees must make use of available corporate and discount hotel rates. "Deluxe" or "luxury" hotel rates will not be reimbursed.

### 3) Reimbursement:

- a) **Personal travel associated with the business travel:** Employees may incorporate personal travel with their Medica-related travel; however, any additional expenses incurred as a result of personal travel, including but not limited to additional lodging, stopovers, meals or transportation, are the sole responsibility of the individual and will not be paid or reimbursed by Medica. If the personal business results in additional time away from work, that additional time must be taken as paid time off.
- b) **Spousal or companion travel:** Medica will not pay or reimburse expenses associated with the travel of an employee's spouse, relative or friends. If a spouse, friend or relative accompanies an employee on a trip, it is the employee's responsibility to determine any added cost for double occupancy and related expenses and to make the appropriate adjustment in the reimbursement request.
- c) **Air travel:** see above. In addition:
  - i) Chartered flights should be considered only when the cost is less than commercial flights.
  - ii) Employees traveling on behalf of Medica may accept and retain frequent flyer miles, and compensation for denied boarding for their personal use. Individuals may not deliberately patronize a single airline to accumulate frequent flyer miles if less expensive comparable tickets are available on another airline.
  - iii) Personally owned or rented aircraft operated by employees are prohibited as a means of transportation for employees on Medica business.
  - iv) Employees are covered by the corporate Travel Insurance Plan when traveling on company business. Travel insurance premiums paid by the employee are not reimbursable.
- d) **Ground transport:** Employees are expected to use the most economical ground transportation appropriate under the circumstances.
  - i) Employees are compensated for use of their personal cars when used for Medica business. When individuals use their personal car for such travel, including travel to and from the airport, mileage will be allowed at the currently approved IRS rate per mile.
  - ii) Travel between home and office: Medica does not pay for travel between an employee's home and the office to which the employee is assigned. If an employee travels directly between home and a meeting or seminar, Medica will reimburse only the mileage that exceeds the distance between the employee's home and the office.

Example 1: Employee travels from home to an all-day meeting or seminar and back home at the end of the day. The round trip mileage between the employee's home and the meeting is 50 miles. The round trip distance between the employee's home and the office is 20 miles. Medica will reimburse the employee for 30 miles (50 miles – 20 miles).

Example 2: Employee travels from home to a meeting and then to the office. The one-way mileage is 25 miles from home to the meeting and 15 miles from the meeting to the office. The one-way mileage from the employee's home to the office is 10 miles. Medica will reimburse the employee for 30 miles (25 miles +15 miles –10 miles)

- iii) In the case of individuals using their personal cars to take a trip that would normally be made by air, e.g., Minneapolis to Milwaukee, mileage will be allowed at the currently approved rate; however, the total mileage reimbursement will not exceed the sum of the lowest available round trip coach airfare.
- iv) Travel at the out-of-town destination should generally use the following, in this order of desirability:

- (1) Hotel courtesy cars, to and from the airport at no charge.
  - (2) Airport shuttles or buses generally travel to and from all major hotels for a small fee.
  - (3) A taxi is often the next most economical and convenient form of transportation when the trip is for a limited time and minimal mileage is involved, if courtesy cars and airport shuttles are not available.
  - (4) Rental car reimbursement will be allowed provided that advance approval has been given by the employee's manager, and that the cost is less than alternative methods of transportation. Compact, mid- or full-size car rental will be reimbursed; no reimbursement will be given for SUV or luxury car rental. Employees are covered by the corporate Travel Insurance Plan when traveling on company business. Travel insurance premiums (including rental car insurance) paid by the employee are not reimbursable.
- v) Limousine travel will not be paid or reimbursed.
- e) **Parking / tolls:** Parking and toll expenses, including charges for hotel parking, incurred by employees traveling on Medica business will be reimbursed. On-airport parking is permitted for short business trips where the cost of parking will be less than the cost of alternatives; for extended trips, employees should use off-airport facilities or taxi from home, whichever is least expensive. The costs of parking tickets, fines, car washes, valet service, etc., are the responsibility of the employee and will not be reimbursed.
- f) **Lodging:** see above for discount requirement.
- i) Employees will be reimbursed at the single room rate for the reasonable cost of hotel accommodations. Convenience, personal safety, the cost of lodging in the destination city, and proximity to other venues on the employee's itinerary should be considered in determining reasonableness.
  - ii) When lodging accommodations have been arranged by Medica and the employee elects to stay elsewhere, reimbursement will not exceed the rate negotiated by Medica. The employee will not be reimbursed for transportation between the alternate lodging and the meeting or conference site.
- g) **Meals:** If travel includes an overnight stay, employees will be reimbursed for the reasonable and actual cost of meals (including tips) up to a maximum allowed by current IRS standards for the city in which you are staying (go to [www.gsa.gov/HP\\_01Trvl\\_perdiem](http://www.gsa.gov/HP_01Trvl_perdiem) to view current rates for your city). Employees will not be reimbursed for any remaining part of the maximum if meal cost is less than this amount. For travel not requiring an overnight stay, employees will be reimbursed for meals only if the travel is outside the normal scope of the employee's job.
- h) **Entertainment:** Reasonable expenses incurred for business meetings or other types of business-related entertainment will be reimbursed only if the expenditures are approved *in advance* by a Vice President. Medica will allow reimbursement of reasonable amounts of alcohol in connections with meals with brokers, customers or prospects. No golf or tennis fees, sporting event expense charges will be reimbursed for or paid by Medica or its affiliates unless approved *in advance* by the Senior Vice President (SVP) and determined to be a legitimate business interest. Activities are limited to one round of golf or one entertainment event (up to \$125) per year for each broker, customer or prospect.
- i) **Incidentals:** Reasonable Medica-related telephone, fax, postage, and hotel business center charges are reimbursable. Minimal personal calls (for example, to check in at home) will be reimbursed. Reasonable gratuities (for example, maid or porter tips) that are not covered under meals may be reimbursed. Employees who are traveling on Medica business may be reimbursed for reasonable use of personal cell phones. Employees are required to submit a copy of their cell phone bill to Accounts Payable that includes documentation that shows the employee was billed an actual charge associated with the call such as long distance or roaming fees. Expenses must be submitted to Accounts Payable on the Business Expense form within 30 days from the cell phone bill date. When traveling on Medica business, employees are encouraged to use cell phones whenever possible if they are less expensive than hotel or conference center phone charges.
- j) **Reimbursements specifically not allowed:**
- i) Travel insurance (including but not limited to air travel insurance and car rental insurance).
  - ii) First class tickets or upgrades

- iii) Medica does not expect employees to extend travel days beyond those required for business purposes, even though airfare savings may be realized. Therefore, any expenses incurred for additional travel days will not be reimbursed.
- iv) When lodging accommodations have been arranged by Medica and the individual elects to stay elsewhere, reimbursement is made at the amount no higher than the rate negotiated by Medica. Reimbursement shall not be made for transportation between the alternate lodging and the meeting site.
- v) Limousine travel
- vi) Parking or traffic tickets, or fines
- vii) Movies
- viii) Exercise, spa or personal care charges.
- ix) Membership dues at any country club, private club, athletic club, golf club, tennis club or similar recreational organization.
- x) Clothing or toiletry articles, replacement prescriptions or medical charges
- xi) Golf clubs or any other sporting equipment
- xii) Valet service, car washes, kennel or babysitting charges
- xiii) Expenses for spouses, friends or relatives. If a spouse, friend or relative accompanies an employee on a trip, it is the responsibility of the employee to determine any added cost for double occupancy and related expenses and to make the appropriate adjustment in the reimbursement request.

#### 4) Reimbursement procedures:

##### a) Before travel:

- i) Employee must obtain advance approval if required per Section VI, # 1 above.
- ii) If planned air travel is cancelled, changed or deferred for any reason, you must immediately advise your manager and Accounts payable of the change and the reason.
- iii) If traveling outside the North American continent, employee is to contact the Corporate Finance department for information on IRS requirements. The IRS requirements for travel outside North America are generally more stringent and reimbursement can become taxable income to the employee.
- iv) Cash advances are not encouraged at Medica. The IRS has strict guidelines regarding their use, and there may be tax consequences for the employee. However, to request a cash advance, a *Cash Advance Request Form* must be obtained from Accounts Payable, completed and approved by the employee's manager. The request should be forwarded to Accounts Payable, who will process the request and send the check to the employee. Cash advances must be settled within 30 days on the *Employee Expense Report*. See cash advance settlement procedure below.
- v) Employee is to make flight arrangements through the Medica-approved travel agency. Inform the travel agent of flexibility in travel times: consider using the lowest fares available two hours prior to or following the requested departure or arrival times. Travel agents will offer these flights at time of booking. Employee retains the passenger copy of the airline ticket or passenger receipt for e-ticket from the travel agency for the expense report submitted after the travel.

##### b) During travel:

- i) Obtain itemized written receipts showing the vendor's name, a description of the services provided (if not otherwise obvious), the date, and the total expense, including tips (if applicable) for all expenses (including meals) over \$25.00. A credit card receipt or statement alone is not acceptable as a receipt.
- ii) If using your personal car, keep a record of mileage including origin and destination locations. Mileage may be recorded on the *Mileage and Meals Reimbursement Form* or the *Employee Expense Report Form* (forms are located on the KN under Forms). Reimbursable miles will be reimbursed at the currently approved IRS rate per mile.

##### c) After travel: the employee completes *Employee Expense Report* with its documentation, and requests approval from the manager:

- i) Report air travel as "company paid".

- ii) If it is necessary to change reservations or reroute while out of town, note the reason for the change on the expense report in order to obtain reimbursement of any additional fees involved.
  - iii) If the employee used a personal car, record mileage on the expense report. Mileage may be recorded on the *Mileage and Meals Reimbursement Form* or the *Employee Expense Report Form* (forms are located on the KN under Forms). Reimbursable miles will be reimbursed at the currently approved IRS rate per mile.
  - iv) Complete the cash advance section if applicable. Cash advances must be settled within 30 days or Medica may report the excess unsubstantiated amount as income to the employee. Contact the Corporate Finance department for further information.
  - v) Expense reports must be submitted within 30 calendar days of completion of travel on the proper form, approved, signed and dated to certify that the report is correct and that the expenses were in the best interest of Medica. An expense report is considered to be submitted on the date the employee signs it and submits it to his/her manager for review.
  - vi) For expenses incurred near the end of the year, expense reports must be submitted to keep the expenses in the correct year. Contact the Corporate Finance department for further information.
- 5) Expenses will not be reimbursed unless the individual requesting reimbursement submits a written Expense Report. The Expense Report, which shall be submitted within 30 calendar days of the completion of travel, must include:
- a) The individual's name.
  - b) If reimbursement for travel is requested, the date, origin, destination and purpose of the trip, including a description of each Company-related activity during the trip.
  - c) The name, title and company affiliation of all people for whom expenses are claimed (i.e., people on whom money is spent in order to conduct Company business).
  - d) An itemized list of all expenses for which reimbursement is requested.
- 6) All requests for reimbursement related to business travel must contain the appropriate supporting documentation as defined by this policy. *Employee Expense Reports* not in compliance will not be paid and will be returned to the requestor with notification to the approving manager's supervisor. Business travel purchased outside of this process and submitted on an *Employee Expense Report* or a *Check Request* will not be processed for payment.
- 7) Exceptions to this policy involving entertainment expenses (e.g., golf or other sporting events) must be approved by the SVP and directly related to Medica's legitimate business interests. All other exceptions to this policy must be approved by the Chief Administrative Officer.

## **MONITORING AND AUDIT**

### **Monitoring**

- 1) The authorizing manager, director, or Vice-President must ensure that supporting and substantiating documentation is appropriately attached and expenditures are in agreement with this policy before authorization will occur.
- 2) Each month, the Accounts Payable department will obtain an activity report from the travel agency, which reports all Medica airline travel activities. On a quarterly basis these reports will be reconciled against employee expense reports, the prior authorization forms and the Diners Club invoice. Finance will also reconcile these reports and will include the results in their monthly report to the Audit Committee.
- 3) Auto Allowance Managers accountable for cost centers where travel is authorized to occur are to review their monthly *Administrative Expense Detail Reports* for reasonableness and against budget expectations. All significant deviations should be investigated and reported to the next level of management and Medica Corporate Finance.

### **Auditing**

- 1) The Chief Administrative Officer (CAO) will ensure that the Internal Audit department pulls a sample of paid expense reports and invoices periodically and audits against this and other relevant policies.

The results of this monitoring activity will be forwarded to the CAO and the Audit Committee of the Board of Directors.

- 2) The CAO is responsible for reviewing the audit results and implementing corrective actions such as education, additional policy clarification, employee discipline, etc. to resolve deviations from policy requirements identified in the auditing activity. The CAO, as necessary, may partner with the VP of Human Resources to implement corrective actions.

**DATE OF LAST POLICY REVISION:**

2/29/08

**CROSS REFERENCE**

Authorization of Administrative Expense Business Expense Policy

**POLICY OWNER**

EVP, CAO & CFO