BACKGROUND / SCOPE:

The intent of this document is to outline a policy and procedure for business cell phone use by Cal Poly employees in the performance of their duties that complies with current IRS tax guidance (specific references can be found at the end of this document) and state property rules for business use of cell phones. Determination of the need for an employee to have use of a cell phone in order to perform the duties of their position is made by the employee’s manager. Employee use of a cell phone will be governed by one of the two options outlined below and determination of which option to use will be made by the manager. Note that Option 2, for reimbursement of the business use portion of a personal cell phone/plan, is only available for MPP and Confidential employees.

Since campus-funded cell phones are utilized for University business and transmit and/or contain University data, they must comply with the information and device security standards detailed at http://security.calpoly.edu/. Approved cellular service providers should be utilized; contact your local LAN Coordinator/Technical Support to ensure that the cellular provider being used and the phone being purchased are supported by your campus IT department.

Campus Cell Phone Usage Options:

The two options available for business cell phone usage: 1) University-owned cell phones and 2) reimbursements made to MPP and Confidential employees under an accountable plan for the cost of obtaining and maintaining a personal cell phone and plan that is sufficient to meet business needs of the employer.

Option 1 – University-provided cell phones: University-owned cell phones may be issued to employees for business purposes. Information Technology Services (ITS) is responsible for
managing University cellular service contract phones purchased on the Cal Poly government account (refer to ITS Cellular Telephone Guidelines).

- State rules for use of University-owned property require that employees reimburse the University for the cost of the personal use portion of an employer-provided cell phone.
- Departments are required to document by internal memo the business purposes for which University-owned cell phones are to be used, and establish a regular review process to ensure that any incremental cost for personal use of University-owned cell phones is being reimbursed by the employee to the University in a timely manner.
- Issuance and monitoring of University-owned cell phone usage will include a consistent, documented and auditable process.

**Procedure:** Determination of need and subsequent issuance and monitoring of a University-owned cell phone will be as follows:

1. Manager will determine the need for the employee to have a University-provided cell phone in order to perform the duties of the position. Determination is made as to the device and plan necessary to meet the business needs of the employer. University cellular plan options and rates can be found at: [http://www.servicedesk.calpoly.edu/content/telephone_support/index](http://www.servicedesk.calpoly.edu/content/telephone_support/index)

2. The Department Head submits the cell phone request to the departmental Telephone Coordinator. The Telephone Coordinator submits the Cellular Service request form to ITS and retains another copy of the form in the department for as long as the employee is using the cell phone.

3. Campus department administrators/supervisors will establish an internal process for monthly departmental review of University-provided cell phone billing statements.

4. Departments are responsible for ensuring that employees make payment at the University Cashier’s Office for the incremental costs associated with personal use of the employer-provided cell phone. The University shall be reimbursed for incremental costs resulting from personal use, which may include, but is not limited to the following:
   a. The cost of excess minutes at the excess minute rate for calls
   b. The costs associated with personal text usage that exceed the plan set by the employer for business purposes
   c. Pay-by-minute or pay-by-text plans, reimbursement is for personal calls at per minute cost and texts at the cost per text
   d. Increased data plan charges as a result of personal use

5. Departments will review and adjust cell phone plans annually to reflect average business use.

**Option 2 – Reimbursement to employees for the business use portion of maintaining a personal cell phone plan (for MPP and Confidential employees only).**

This option is designed to reimburse MPP and Confidential employees on a recurring monthly basis for the business use portion of their cell phone expenses based upon a reasonable “monthly tier rate” allowance that closely matches their business cell phone expenses (both plan allowance, and device cost allowance if deemed appropriate) in accordance with the accountable plan allowing for reimbursement of cell phone business expenses in the ordinary and necessary course
of university business operations. The personal use portion of monthly tier reimbursements that are determined to be in excess of allowable business reimbursement expenses under the accountable plan must be repaid to the university in a timely manner. Reimbursement tier levels will be reviewed by the approving authority and the employee on an annual basis to determine if the selected reimbursement tier continues to be appropriate for the required business needs of the university.

CSU review and consultation with the National Association of College and University Business Officers (NACUBO) on the intent of IRS Field Service Advice Memo SBSE-04-0911-083 has determined that regular set amount payments paid to employees as a reimbursement for business use of a personally owned cell phone may be excluded from the employee’s income if the following conditions are in place:

- The University has substantial non-compensatory business reasons for requiring the employee to maintain and use a personal cell phone for work-related purposes. Please note: A cell phone provided to promote the morale or good will of an employee, to attract a prospective employee or as a means of furnishing additional compensation to an employee does not meet this criteria.
- The employee will maintain a cell phone plan that is “reasonable for the business use needs of the University” and, when combined with personal use needs, does not cause the employee to seek a higher reimbursement rate from the University than they would require if the selected plan was for business purposes only. If the employee obtains a reduced plan at a lower cost then the agreed upon reimbursement rate will either be reduced to a lower reimbursement rate, or reimbursement will be suspended if it is determined that the plan is not sufficient to meet business needs.
- The reimbursement is intended to cover the business portion of cell phone expenses actually incurred. Reimbursement to the employee will be made on a monthly basis, based on the approved monthly reimbursement tier rate that is appropriate to cover the business use portion of the cell phone.
- Employees must certify that the cell phone reimbursement being submitted is consistent with the business use intention, and that they will notify the approving official should they modify, drop or change cell phone plans below the plan level identified for business needs. Cell phone reimbursements must be based on the cost incurred by the employee and include any discounts that reduce the employee’s cost.
- Authorized officials will review and approve the appropriate business reimbursement level at the time of initiating the reimbursement plan for the employee, and will review the reimbursement level on an annual basis thereafter.
- **Approving officials are encouraged to retain all necessary supporting documentation for a period of two years to substantiate the determination of the monthly reimbursement tier. Supporting documentation may be subject to audit and should be available for presentation upon request from the University Controller, or upon request from other authorities who are responsible for substantiating documentation in support of accountable plan requirements.**

Determining the Business Use Needs and Appropriate Monthly Reimbursement Tier:
Determination of the business use needs and monthly reimbursement tier for the cost of maintaining a personal cell device and plan for business use will be as follows:

- Approving authority of the MPP or Confidential employee ("Manager") will determine the need for said employee to have a cell phone in order to perform the duties of the position.
- The Manager will assess the plan, services and equipment needed utilizing the lowest rates available from approved service providers that are sufficient to satisfy the university business needs of the employee, taking into account all available discounts for state employees.
  - The agreed upon monthly reimbursement tier for the employee should be selected based on the most appropriate reimbursement level for the employee to be reimbursed for the expenses related to university business use of their cellular device.
- Since available plan rates by providers can change frequently, employees are encouraged to contact their provider periodically to inquire whether there are new plans or discounts available that would decrease the costs associated with the business use of the phone without adversely impacting the personal use portion of the employee’s cell phone plan.
- The employee obtains approval from their Manager to use a personal cell phone for business use and to be reimbursed for the business portion of the plan, including whether a reimbursement for equipment costs is part of the approval.
- The employee obtains a phone (if not using an existing phone) and submits a properly completed Cell Phone Reimbursement Form along with a bill supporting the monthly reimbursement tier that has been agreed upon. The cost for a new cell phone device (and related activation fees), if approved by the Manager as an allowable business expense, should be recorded on the Cell Phone Reimbursement Form as a separate one-time Equipment Reimbursement (attach receipt). Note: If employee already owns a device they previously obtained for their personal plan and usage, there will not be a retroactive reimbursement for that device. New device reimbursements can occur every two years.
- If an employee enters into a plan that includes a regular, recurring payment amount for the future purchase of a cellular device, and it is determined by the Manager that the recurring payment is allowable as an ordinary and necessary business expense of the university, then the cost of the monthly device payment should be taken into account when determining the appropriate monthly reimbursement tier that the employee is entitled to.
- **Under no circumstances is the employee entitled to receive a one-time reimbursement for a cellular device and to also receive reimbursement tier amounts that are elevated for the purpose of reimbursing the employee for the current use of the same cellular device. In other words, the Manager is obligated to apply great scrutiny to ensure that the employee does not receive monthly business use reimbursement for a cellular device that has already been reimbursed on a one-time basis.**
- Responsibilities of employees receiving reimbursement of cellular plan and device expenses:
  a. All employees receiving reimbursement of cellular device expenses are responsible for their legal and true representation of expenses related to the university required portion of cell phone business expenses.
  b. By signing and submitting the Cal Poly Cell Phone Reimbursement Form, the submitting employee is attesting that the information and supporting documentation is true to the best of their knowledge, and the business use expenses being submitted are reasonable and true, and any reimbursement beyond the
allowable business use expenses will be returned to the university in a timely manner.

c. Employees covered under this policy are also required to notify their Manager if their reimbursement tier is no longer reasonable under this policy, including changes to their cellular plan rate, changes to their business use of the cellular device, or any other changes to their allowance for business reimbursement as outlined in this policy.

- Responsibilities of Managers approving the reimbursement of cellular plan and device expenses:
  a. All Managers (approving authorities as defined in this document) are responsible for reasonable evaluation of the employee’s business needs and related expenses for use of a cellular device, as well as annual follow-up to review the needs on a recurring basis. Any changes to the department/fund being charged for the expenses, changes to the allowable reimbursement tier, or changes to the employee’s status as an MPP or Confidential must be immediately communicated to the Accounts Payable department in order to modify the employee payments appropriately.
  b. In the event of a reimbursement overpayment to the employee, managers are expected to assist with necessary collection efforts to recover the overpaid amounts in a timely manner. Approving departments are ultimately responsible for any reimbursement overpayment amounts that may be determined to be uncollectible.

- Completed and approved Cell Phone Reimbursement Forms are submitted via email to the Accounts Payable office for processing (accounts-payable@calpoly.edu).

References:
- IRS Notice 2011-72, *Tax Treatment of Employer-Provided Cell Phones*, removes cell phones and other similar telecommunications equipment (hereinafter collectively “cell phones”) provided by an employer to an employee from the definition of listed property for taxable years beginning after December 31, 2009.
- IRS Field Service Advice Memorandum SBSE-04-0911-083 provides guidance for reimbursing the business use of a personally owned cell phone, which is not addressed in Notice 2011-72.

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