

## COMMUNICATION ALLOWANCE GUIDELINES

### Frequently Asked Questions

(Draft 08/26/08)

**1. Q: When do these guidelines take effect?**

A: These guidelines will go into effect on JUNE 1, 2009

**2. Q: Why must a communication allowance be implemented?**

A: IRS regulations regarding communication devices/services that are owned by the University and used by employees subject the University and the employee to significant compliance requirements. These requirements include detailed documentation, evidence of review to identify personal from business usage, and a method to ensure the employee is taxed on the amount of personal use. The IRS can declare that all undocumented use is personal and must be taxed, even if the calls were mostly business calls. Implementation of procedures to comply with these regulations would create a significant burden to both administration and the employee.

**3. Q: What does this change mean to me?**

A: Any communication device/service contract listed in the University's name and used by a single employee must be cancelled or converted to that employee's name. To convert a device/service contract to the employee's name, an Assumption of Liability Agreement form is required. Procurement Services can assist with this transition. After the device/service is converted to the employee, he/she will be directly billed and subsequently responsible for all charges related to the device/service. If the employee's job function requires the use of a communication device/service on a regular or frequent basis, the department may authorize a monthly allowance to cover the business portion of the costs of an employee-owned communication device/service.

**4. Q: How will I be compensated for a regular "business use" of the communication device/service?**

A: When the communication device/service is personally owned, the employee may receive compensation for business costs through a pre-determined allowance amount which will be added to the employee's monthly paycheck. The allowance amount is taxable to the employee; however, it does not constitute an increase to base pay.

**5. Q: Who is eligible for an allowance?**

A: To be approved, the employee must have an official business need for the communication device/service. Allowance criteria includes considerable time spent during work hours outside of the assigned office or work area and/or the regular or frequent need to be reached at all times with regard to campus issues. Simple convenience is not a criterion for receiving communication device/service allowance.

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**6. Q: Does everyone get an allowance for a personally-owned cell phone or mobile device?**

A: No - this is not an entitlement. If an employee believes that they are eligible for an allowance, they may submit a request to their supervisor, as outlined in the Procedures section of the Communication Allowance Guidelines. The supervisor will review the employee's request and determine if there is an adequate business justification to provide an allowance. Additionally, the applicable Administrative Leadership Group (ALG) member will have the final authorization to approve of the allowance.

**7. Q: How do I apply for an allowance?**

A: To apply for an allowance, an employee must first have a discussion with their supervisor to determine eligibility and amount of the allowance. The employee will then be requested to perform the following:

- Complete and sign the Communication Allowance Request Form
- Attach a copy of the current bill and/or documentation from the service provider that provides information regarding the employee's name, plan, and cost of plan.
- Complete an Assumption of Liability Agreement form if you are transitioning from a Carnegie Mellon owned device/service to an individual owned device/service
- Forward the documentation to the direct supervisor for review/signature
- Forward the documentation to the ALG member for review/signature.

**8. Q: If I receive an allowance, can I use the cell phone for personal calls and must the calls be documented?**

A: Because the employee owns the communication device/service, he/she may use the communication device/service for personal and business calls. Since the employee receives a monthly allowance to cover his/her business use of the phone, there are no additional IRS tax requirements to document any of the calls as personal or business.

**9. Q: Will I have to submit bills for the communication device/service to my supervisor/department?**

A: When the employee applies for an allowance, a copy of the current bill and/or documentation from the service provider that provides information regarding the employee's name, plan, and cost of plan must be submitted. Additionally, the employee may be asked to submit a current bill each fiscal year as proof of expenses and in order to continue the allowance. At other times during the fiscal year, a review of monthly phone bills may be requested to demonstrate that the level of the allowance for business use is appropriate.

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**10. Q: Can I receive an allowance for both a cell phone and a PDA? Home Internet, too?**

A: Yes, if it can be established through adequate documentation that a legitimate business need exists for more than one device/service. However, one allowance will cover all communication related expenses.

**11. Q: Can an allowance for a communication device/service be charged to a sponsored research grant/award?**

A: Per OMB Circular A-21, “direct costs are those costs that can be identified specifically with a particular sponsored project, an instructional activity, or any other institutional activity, or that can be directly assigned to such activities relatively easily with a high degree of accuracy. Costs incurred for the same purpose in like circumstances must be treated consistently as either direct or F&A costs.” Since communication devices cannot be reasonably limited to allow activity to only a specific project, such costs will typically not be allowed as a direct cost. If the accounting information on the “Communication Allowance Request Form” includes a sponsored research account string, then the form must be forwarded to the Office of Sponsored Project Accounting for their review and signature.

**12. Q: I continue to do research in an area (e.g. mobile commerce) which frequently requires me to purchase cell phones and similar devices, often using sponsored research funding. Will the new Guidelines allow me to continue to do so?**

A: The Communication Allowance Guidelines does not cover the purchase of cell phones and similar devices for research. Please contact the Office of Sponsored Project Accounting prior to the purchase of such devices to seek guidance and authorization.

**13. Q: Computing Services currently provides desktop support for University-owned devices (e.g. Blackberries) for services such as calendar synchronization and email exchange. How will this be handled in the future?**

A: This support will continue, provided the approval for support has been obtained from the University’s Chief Information Officer.

**14. Q: Will the employee’s allowance amount be equal to the cost of their device/service plan?**

A: No. Since the allowance is designed to compensate the employee only for the business usage of their device/service plan, the allowance amounts will differ from the cost of the plan. The allowance amounts also consider periodic equipment replacement costs.

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**15. Q: How are allowances for 9 month academic appointments paid?**

A: Allowances are paid monthly throughout the fiscal year. This means that employees with 9 month appointments will receive 12 monthly allowance payments during a typical fiscal year.

**16. Q: Do I need to reapply yearly to continue my allowance?**

A: No. However, employees may be asked to submit a current bill annually to provide proof of continuing need and expense. ALG members will be provided with a file on a yearly basis to validate and approve the renewal or termination of the current monthly allowances in their respective areas.

**17. Q: What is the process for employees to convert a CMU contract to a personal contract? Where can I obtain the Assumption of Liability Agreement form to initiate my personal responsibility for future bills for the communication device? What if there is a penalty for terminating a prior University-owned service and changing to a new provider?**

A: Effective with the date of this guideline, all communication devices or service contracts currently in the Carnegie Mellon name and used by a single employee must be transitioned to that employee's name. To start the process of transferring the liability from the University to your individual account, please have your account number available in addition to the mobile number and have other information that would be used in a credit application. To convert a device/service contract to the employee's name, an Assumption of Liability Agreement form is required. The form is available on the Procurement Services web site under Headline News at:

<http://www.cmu.edu/procurementservices/Forms/forms.htm>. Procurement

Services can assist in this transition.

The employee is responsible for the transition and has two (2) months from the establishment of this guideline to ensure the change is in place. Procurement Services has contacted the current service providers of the University-owned devices/services. Some providers have agreed to waive the termination fee, others have prorated the fee based on the term of the service agreement and some have continued to have a flat termination fee. Within the 2 month period, the university will cover up to \$200 in fees, however, after this time the employee will be responsible for all cancellation fees.

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**18. Q: When I travel, will hotel internet charges for connectivity be allowable?**

A: Yes. This will still be considered an allowable business expense under the Carnegie Mellon University Travel Expense Reimbursement Policy. These charges should be reimbursed by submitting an expense report with supporting documentation for the internet charges.

**19. Q: What is the recommended equipment that someone should buy if they travel internationally?**

A: Please check with your selected carrier or service provider and your DSP support person if you have a data requirement.

**20. Q: What should we do with all of the T-Mobile Blackberry devices if everyone switches to a different carrier?**

A: Sometimes the carriers are able to convert the devices and the individual could use the same one. Or, DSP (Desktop Support Program) might be able to sell the extra devices. Please consult with your new service provider and/or DSP.

**21. Q: What should I do if my job duties change and the allowance amount needs to be changed?**

A: The employee must complete and submit a new Communication Allowance Request form to their supervisor and applicable ALG member for review and approval. The employee may be asked for additional documentation to substantiate the change in allowance.

**22. Q. What level of detail should be provided to meet the substantiation requirement established by IRS tax regulations?**

A: Below is an example of the level of detail that is required to be furnished with the bill:

**Date:** 08/01/08

**Time:** 6:00 PM

**Names of all individuals participating in the phone call:** Suzie Smith and James Bond

**Detailed Business purpose of call:** Discussion on discount structure available to CMU faculty and staff with regards to the new Communication Allowance Guidelines that are being implemented across campus.

**Detailed explanation of business relationship with all participating parties on the call:** S. Smith is the University's point of contact at Verizon for wireless services and J. Bond is the Associate Director of Procurement Services who handles the relationship between CMU and Verizon.

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**23. Q. How will the allowance appears in my paycheck?**

A: The allowance will appear in the earnings section of the ADP pay statement as Communication Device Allowance.