



## Personnel Policies & Practices

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### TRAVEL AND BUSINESS EXPENSES

#### COVERED EXPENSES

All associates will be reimbursed for the ordinary and necessary expenses incurred in traveling away from home on company business in accordance with the following guidelines:

1. Cost of commercial transportation. The mode of travel should be consistent with time requirements. All refunds due to change in travel plans are returnable to the company. Standard-size cars are to be rented unless a special situation requires a larger vehicle.
2. Use of personal car. When personal cars are authorized for company business, mileage is to be charged at the current rate allowed by Internal Revenue Service regulations.
3. Taxi or limousine fares or other costs of transportation between the airport or station and home or hotel.
4. Transportation to and from the place where meals and/or lodging are obtained and the temporary workplace.
5. Meals and lodging.
6. Registration fees for seminars or conferences, and organized group activities during these meetings coordinated by the sponsoring organization.
7. Other travel-related expenses, such as dry cleaning and laundry expenses, but only if the trip extends beyond five (5) working days. A reasonable number of telephone calls to home are considered business-related.
8. Associates are urged to use personal credit cards for out-of-pocket expenses such as hotel bills. When an annual maintenance fee is assessed, the company will reimburse the associate for the amount of one such fee applicable to the associate (not the spouse), not to exceed the minimum assessment for the credit card of the associate's choice. The company will not reimburse the annual fee charged for private airline club memberships as these facilities are not essential for travel purposes.
9. Associates who are not normally engaged in business travel away from the office but who take occasional business trips shall be reimbursed a reasonable meal allowance when it is necessary to eat en route.

Associates will be reimbursed for the following ordinary and necessary expenses incurred at their principal business locations:

1. Parking, tolls, and other costs of local travel, not including to and from home and place of business.
2. Dues, luncheons, dinners, and incidental costs related to membership in service clubs, professional associations, and other community organizations.
3. Dinner when required to work through or beyond the normal dinner hour.
4. Business meals.

Associates will also be reimbursed for ordinary and necessary expenses incurred when hosting individuals who are not employed by the American Water System and with whom a business relationship exists.

Expenses of a personal nature are not reimbursable (i.e., refreshments, spa, golf, movies, sporting events, shows, etc.).

When traveling with other company associates, associates are expected to pay their own expenses. When this is not practical and an associate pays expenses for a group, the highest ranking person is responsible for payment.

### ADVANCES

Before each business trip, an advance may be drawn at the associate's place of business for the amount of estimated out-of-pocket expenses to be incurred (any advance in excess of \$200 requires the approval of a Senior Vice President or a Company President). All such advances are to be made by the use of an approved Form 44 (Check Authorization). In no case is petty cash to be used either for advances or for reimbursements of travel expenses.

Advances are not to be requested on a routine basis for local out-of-pocket expenses. Associates are to obtain advances only from their assigned place of business. All advances are to be accounted for by an expense statement prior to obtaining any additional advance.

### DOCUMENTATION

White Form 49 (Expense Statement) is to be used to account for all travel and business expenses not charged or billed directly to the company. These forms are to be submitted after the conclusion of each business trip or at the end of the calendar month if the trip extends beyond that date. Associates incurring expenses only at their principal place of business may submit statements at convenient intervals but no less than at the end of each month in which expenses are incurred.

A settlement of accounts is to be made between the associate and the company. If any balance of an advance remains unexpended, the associate's personal check or an equivalent cash payment must accompany the statement. The company for its part will, upon proper approvals, make prompt reimbursement for any amount due the associate.

Balances, even minor in nature, are not to be carried forward from one statement to another with one exception. If interim month-end statements are submitted in the course of a single business trip, settlement may be deferred until the trip is concluded.

Yellow Form 49A (Expense Statement) is to be used to account for airline tickets, car rentals, and other travel expenses that are charged to a company issued credit card or billed directly to the company.

Whenever a company-issued credit card has been used to purchase an airline ticket or to rent a car for personal use, Form 49A is to be promptly submitted upon completion of the trip. The form is to clearly indicate that usage was personal and must be accompanied with a personal check in full reimbursement of the charges incurred.

Expenses must be accurately reported on a daily chronological sequence. It is of the utmost importance that the following four elements be substantiated for travel and business expenditures.

1. DATE.
2. ITEM/AMOUNT. Description and amount of each separate expenditure (transportation, lodging, meals, etc.). Documentary evidence is required for all expenditures of \$25 or more. Documentary evidence includes a receipted bill for cash payments, or the original of a credit card charge ticket. In instances where daily expenditures are charged directly to your lodging bill, such expenditures need not be shown daily on Form 49, provided that adequate description of the expenditure is indicated on the lodging bill attached to the Form 49. The original airline passenger coupon or car rental agreement must be attached to the Form 49A.
3. LOCATION. By the name of city and state.
4. BUSINESS PURPOSE. Summarize the business reason for the expense.

Where expenses are incurred when hosting individuals who are not employed by the American Water System and with whom a business relationship exists, substantiation is required with respect to the business relationship. State the names, official titles, and such other information about the persons present so as to sufficiently establish a business relationship.

When traveling with other company associates and an associate pays expenses for the group, documentation (including names) in support of the payment must be provided.

#### SERVICE COMPANY SYSTEM OF ACCOUNTS

Associates of American Water Works Service Company, Inc. must always complete the first five columns (associate number, office, associate department, service company account number, and expense department) of the distribution of charges section on Forms 49 and 49A.

Travel code (80) is applicable for all travel and travel-related expenses (hotels, meals, and car rental). Other code (83) is applicable to all non-travel items (dues, fees, memberships, registrations, moving, etc.).

The remaining columns are to be used in connection with distribution of charges in order to effect one of the following:

1. Direct company charge.
2. Direct company charge with water company account number.
3. Direct company charge with work order number.
4. Direct company charge with water company authorization number.
5. Formula charge.
6. Formula charge with special authorization number.
7. Charge to overhead (OH).

Note: In the case of Items 1, 2, 3, and 4 above, a company number must be shown. On the other hand, company numbers are never used when distribution is to a formula or overhead.

Expenses are to be charged directly to a company or region when appropriate. Complete details regarding company numbers, basic and group formula numbers, special authorizations, etc., can be obtained by referring to the latest revised Service Company System of Accounts.

#### DISTRIBUTION OF CHARGES

The following guidance provides the account numbers that will generally be used by System associates who incur travel and business expenses. Certain operating company personnel will

instead charge work orders or functional operating expense accounts as directed by their company's comptroller. Regardless of which accounts are charged, the rules concerning expenses that are not deductible for taxes must always be complied with.

Travel expenses are generally tax-deductible and should be charged to Account 921.1 (Associate Expenses). Half of meal expenses are not tax-deductible and must be charged to Account 930.26 (Associate Expenses - Non-Deductible), with the other half charged to Account 921.1.

Fifty percent of the costs of organized group activities during seminars or conferences coordinated by the sponsoring organization, and of the costs incurred to host non-company business personnel, are not tax-deductible. These costs should be recorded below-the-line by charging half of the cost to Account 426.41 (Non-Operating Associate Expenses) and the other half to Account 426.42 (Non-Operating Associate Expenses - Non-Deductible).

Spousal business travel expenses are not tax-deductible. Form 49S is to be attached to any expense statements on which spouse expenses are being reported. (See Exhibit 1.)

Organizations for which dues are deductible include trade associations, chambers of commerce, professional organizations (such as bar associations), and civic or public service organizations (such as Kiwanis, Lions, and Rotary). These tax-deductible dues are to be charged to Account 921.13 (Dues & Memberships), or Account 426.41 if they must be recorded below-the-line.

Dues for clubs organized for dining, recreation, or other social purposes are generally not tax-deductible and are to be charged to Account 921.11 (Dues & Memberships - Non-Deductible). However, in states where dues for these clubs must be recorded below-the-line, these non-deductible club dues should be recorded in Account 426.42. Clubs are organized for dining, recreation, or other social purposes if their principal purpose is to provide members with facilities to host guests.

The personal-use portion of country club dues that an associate will be taxed on through payroll input should be charged to Account 426.41. The balance of country club dues should be charged to Account 426.42 as these dues cannot be deducted for tax purposes.

Expenses incurred for lobbying activities are generally not tax-deductible and also may have other specific reporting requirements. Associates who incur lobbying expenses should consult with their company's comptroller on how to properly report these expenses.

### APPROVAL AND PAYMENT

All expense statements are to be signed by the associate submitting the expense. The person approving an expense statement will verify that all four elements for travel and business expenditures have been properly substantiated (and when applicable that the business relationship is indicated), and that the charges are both reasonable and correctly distributed. Although not limited, minimum approvals should at least be maintained as follows:

EXPENSES OF  
Voorhees Office:  
 Officers - Parent and Service Company  
 All Others

Regional/Corporate Offices:  
 Company Presidents

APPROVED BY  
 President  
 Officer of Parent Company, Service  
 Company Senior Vice President and  
 Functional Vice President, as appropriate.

President-Service Company

All Others

Company President

Local Offices/Districts:

Managers, Business/Operations Managers

Company President

All Others

Manager/Operations Manager,  
Company Vice President

Note: In all instances, expense statements pertaining to relocation expenses for all personnel (Service Company, Operating Company, etc.) will be counterapproved by the Vice President of Human Resources or Administration prior to reimbursement.

No payment is to be made until proper approvals, as previously described, have been secured.

Upon completion of processing (approvals, accounting, etc.) of an expense statement, the original with all attachments and other substantiation should be securely filed by individual and by year at the Voorhees, regional/corporate, or local office facility, so they can be readily made available for internal, independent, or Internal Revenue Service audits.

Expense statements are to be retained at least until completion of the Internal Revenue Service audit of the consolidated tax return for the year in question or the expiration of the statute of limitations for an audit, and longer if required by other regulations regarding retention of accounting records.

TRAVEL INSURANCE

Travel insurance benefits are provided, at no cost to associates, for death or injury while traveling on company business under certain limited conditions. In connection with such coverage, each associate who travels should have a "Designation of Beneficiary" form completed and on file. In the absence of specific instructions, the group insurance beneficiary will be used.

