

1301.00 | Hospitality, Payment or Reimbursement of Expenses

Effective Date: 10/31/2000 | **Revised Date:** 12/15/2011

POLICY OBJECTIVE

It is the policy of the California State University (CSU) that hospitality expenses may be paid to the extent that such expenses are necessary, appropriate to the occasion, reasonable in amount and serve a purpose consistent with the mission and fiduciary responsibilities of the CSU. This policy applies to activities that promote the CSU to the public and the provision of hospitality in connection with official CSU business and specifies the university and auxiliary funds that may be used for such purposes. Each campus and its auxiliaries are required to develop written procedures, consistent with this policy, regarding the payment of ordinary and necessary hospitality expenses.

POLICY STATEMENT

100 PURPOSE

This policy governs the manner and extent to which the CSU and its auxiliaries may provide hospitality to employees, students, donors, guests, visitors, volunteers, and other individuals as part of a business meeting; recreational, sporting or entertainment event; or other occasion that promotes the mission of the CSU. The policy also addresses meals served to employees as part of a morale-building function and meals provided to prospective students and employees. **Each campus may establish more restrictive procedures for the reimbursement of the expenses authorized under this policy, which may also apply to its auxiliaries.**

200 SCOPE

This policy governs the appropriate use of CSU Operating Fund (485), university trust funds, enterprise funds and auxiliary funds unless legally exempted or otherwise restricted; e.g. documented trust agreements. The CSU and its auxiliaries will comply with additional restrictions when established by funding sources.

300 AUTHORITY

Authority for this policy is pursuant to California Education Code section 89044. This policy is issued under delegation of authority from the Chancellor to the Executive Vice Chancellor and Chief Financial Officer, and implementation and compliance with the policy is further delegated to the campus Chief Financial Officer. California Education Code sections 66600, 89030, 89035.

400 DEFINITIONS

401 Approving Authority – a person to whom authority has been delegated in writing to approve expenses for meals, light refreshments, and other amenities described within the policy.

402 Awards and Service Recognition – something of value given or bestowed upon an individual, group or entity in recognition of service to the university or achievement benefiting the university; e.g. financial prizes, trophies, plaques, and flowers.

403 Employee Meetings and Recognition Events – meetings which serve a CSU business purpose and are generally administrative in nature such as CSU systemwide meetings of functional offices, meetings of the Academic Senate, campus meetings of deans and directors, employee morale functions, extended formal training sessions, conferences, extended strategic planning sessions, and meetings of appointed workgroups and committees.

404 Entertainment Services – expenditures incurred in connection with events or activities that are primarily social or recreational such as equipment and venue rental, décor, music, and performers. Service expenditures related to showcasing the talent of students or employees are considered a regular business expense and are not governed by this policy.

405 Federal Officials – federal government employees, elected representatives of the House and Senate, the president of the United States, presidential appointments, and other representatives of the Executive branch. Federal officials are subject to complicated and extensive ethics rules which should be reviewed before any exchange of an item of value.

406 Fundraising Event – events conducted for the sole or primary purpose of raising charitable funds where participants make a charitable contribution and a purchase for the fair market value of goods or services. Fundraising events may include dinners, dances, door-to-door sales of merchandise, concerts, carnivals, golf tournaments, auctions, casino nights, and similar events. Fundraising events do not include the following:

- Activities substantially related to the accomplishment of the CSU’s educational purpose, including such activities that receive sponsorship.
- Unrelated trade or business activities that generate fees for service.
- Fundraising solicitations and related prospecting activities intended to generate only a contribution (no purchase of goods or services).
- Raffles in which the prizes have only a nominal value and do not require reporting as taxable income.

407 Gift – something of value given or bestowed upon an individual, group, or entity with the expectation of benefit accruing to the university or for other occasions that serve a bona fide business purpose.

408 Hospitality – the provision of meals (catered or restaurant) or light refreshments (beverages, hors d’oeuvres, pastries, cookies), entertainment services, promotional items, gifts, awards and service recognition. Hospitality includes expenses for activities that promote the university to the public, usually with the expectation of benefits accruing directly or indirectly to the CSU.

409 Membership in Social Organizations – university clubs, athletic clubs, civic organizations and other membership organizations that provide a venue for hosting hospitality events or a means for promoting goodwill in the community. Memberships in business leagues, chambers of commerce, trade associations and professional organizations are considered a regular business expense and are not governed by this policy.

410 Official Host – a CSU trustee, auxiliary governing board member, or university or auxiliary employee who hosts guests at a meeting, conference, reception, activity, or event for the active conduct of CSU business.

411 Promotional Items – items that display the name, logo or other icon identifying the university such as a keychain, coffee mug, calendar, or clothing.

412 Official Guest – a person invited by an official host to attend a CSU meeting, conference, reception, activity or event. Examples of official guests include employees visiting from another work location, students, donors, recruitment candidates, volunteers, members of the community, or media representatives.

413 Operating Fund (CSU Fund 485) – state appropriation of general tax revenue and student fee revenue for state-supported instruction and related programs and operations.

414 Other University and Auxiliary Funds (Other Funds) – with the exception of the CSU Operating Fund (485) and trust and agency funds held in a custodial capacity for third parties, all other funds controlled by the CSU or its auxiliaries including, among others, donor funds, grant and contract funds, reimbursed programs, Continuing Education Revenue Funds, Lottery Education Funds and Enterprise Funds.

415 Trust or Agency Funds – fiduciary funds held by the university or an auxiliary in purely custodial capacity (assets equal liabilities) for individuals, private organizations or government units. Trust or agency funds held by the university or its auxiliaries on behalf of third parties are subject to applicable laws and a written agreement.

416 Work Location – the place where the major portion of an employee’s working time is spent or the place to which the employee returns during working hours upon completion of special assignments.

500 ALLOWABLE EXPENDITURES AND OCCASIONS

Hospitality expenses must be directly related to, or associated with, the active conduct of official CSU business. When an employee acts as an official host, the occasion must, in the best judgment of the approving authority, serve a clear CSU business purpose, with no personal benefit derived by the official host or other employees. In addition, the expenditure of funds for hospitality should be cost effective and in accordance with the best use of public funds.

Specifically, employee business meal or entertainment expenses must conform to IRS regulations. No employee business meal or entertainment expenditure that is considered taxable income under IRS regulations will be reimbursed or paid (See Tax Guideline link below). An employer’s reimbursement of an employee business meal or entertainment expense may be considered taxable income to an employee if:

- The activity is not directly related to the employee’s job.
- The expense is lavish or extravagant under the circumstances.
- The expense is not substantiated with supporting documentation.

When determining whether a hospitality expense is appropriate, the approving authority must evaluate the importance of the event in terms of the costs that will be incurred, the benefits to be derived from such an expense, the availability of funds, and any alternatives that would be equally effective in accomplishing the desired objectives. Following are examples of occasions when the provision of hospitality is permitted when:

- The CSU hosts or sponsors business meetings that are directly concerned with the welfare of the CSU;
- The CSU hosts official guests, including employees visiting from another work location, students, donors, visitors, volunteers and other individuals with an interest in the CSU;
- The CSU is the host or sponsor of a meeting of a learned society or professional organization;
- The CSU hosts: receptions held in connection with conferences, meetings of a learned society or professional organization, meetings of student organizations and groups, student events such as commencement exercises, and events or meetings of other CSU related groups such as alumni associations;
- The CSU hosts community relations or fundraising events to promote goodwill, recognize distinguished service, or cultivate donors;
- The CSU hosts receptions for the benefit of employee morale, employee recognition, length of service awards, or retirement presentations;
- Representatives of the CSU participate in community outreach to enhance partnerships, promote goodwill, recognize distinguished service, or cultivate donors.

501 Employee Meetings and Recognition Events (see 403 for definition)

Meals or light refreshments provided to employees may be permitted if the expenses occur infrequently and are reasonable and appropriate to the business purpose. Meals or light refreshments provided to employees on a frequent or routine basis are considered taxable income by the IRS and are therefore not permitted under this policy.

- Meals or light refreshments should be limited to no more than twelve times per year, per group.
- Meals or light refreshments provided to a group should be counted on an event basis, e.g., a two-day meeting should be counted as one event in determining compliance with these guidelines.

Meals or light refreshments provided in the course of a business meeting must be modest and reasonably priced. When a meeting takes place over an extended period of time and the agenda includes a working meal, there may be justification that the meal is integral to the business function, examples include:

- A meeting where there is a scheduled speaker during the meal period;
- A meeting where the participants work through the meal period;
- Circumstances where it would be too time-consuming or disruptive for participants to take a meal break away from the meeting location.

Campus procedures should identify authorization and documentation requirements as well as a maximum per person rate for breakfast, lunch, dinner and light refreshments inclusive of the total cost of food, beverages, labor, sales tax, delivery fees or other service fees. The maximum rates should be reviewed annually by the Chief Financial Officer. High level authorized authorities at the Vice Chancellor/Vice President level or above may approve limited exceptions to the maximum per person rate with a documented explanation.

502 *Spouses and Domestic Partners*

Hospitality provided to the spouse or domestic partner of an employee may be permitted when it serves a CSU business purpose. Such an individual's presence is considered to serve a CSU business purpose if he or she has a significant role in the proceedings or makes an important contribution to the success of the event. Official functions to which spouses or domestic partners are invited as a matter of protocol or tradition such as ceremonial functions, fundraising events, alumni gatherings, athletic games, and community events may be considered business related. An agenda, invitation or similar documentation should be included with the payment record.

503 *Students and Prospective Students*

Hospitality provided to students or prospective students may be permitted when it serves a CSU business purpose. Permissible activities may include recruitment efforts, student activities, student programs, student organization events, student recognition events and commencements. Students may be hosted to attend fundraising and other community relations events that enhance their learning experience, in recognition of their student achievement, to engage with alumni and donors, or as representatives of elected student leadership. Hospitality provided to student athletes and recruits must be in accordance with the rules, regulations, guidelines, standards and procedures of the intercollegiate athletic association's national governing board; e.g., National Collegiate Athletic Association.

600 UNALLOWED EXPENDITURES

601 *Personal Benefit*

Hospitality expenses that are of a personal nature and not related to the active conduct of official CSU business will not be paid or reimbursed. Examples include, but are not limited to, employee birthdays, weddings, anniversaries, and baby showers. Memorial services, celebrations of retirement, and farewell gatherings for employees separating with at least 5 years of service are permissible.

602 *Discrimination*

Hospitality expenses will not be paid or reimbursed for membership in social organizations, activities or entertainment services that discriminate based on race, color, religion, national origin, ancestry, age, gender, sexual orientation, marital status, veteran status, or disability.

700 FUNDING SOURCES

Hospitality expenses may be paid from various fund sources, subject to the rules outlined below and the restrictions identified in Table 1.

701 Operating Fund (CSU Fund 485)

The following restrictions apply to the use of the Operating Fund:

- Operating Fund may not be used to pay for any expenditure prohibited by applicable laws, regulations, or agreements including the California Budget Act.
- Operating Fund may not be used to pay for food and beverages for business meetings attended only by employees of the same work location.
- Operating Fund may not be used to pay for alcoholic beverages, entertainment services, memberships in social organizations, or tobacco products.
- Operating Fund may not be used to pay for gifts. To most effectively comply with federal regulations, there is a limited exception permitting the use of Operating Fund for gifts to federal officials.
- Operating Fund may be used to pay for promotional item expenditures, except when the recipients of the promotion items are employees.
- Operating Fund may be used to pay for the participation of employees or official guests at CSU fundraising events to the extent that such expenditures do not exceed the projected net revenue of the activity.

702 Other University and Auxiliary Organization Funds (Other Funds)

Hospitality expenses may be charged to Other Funds controlled by the university or its auxiliaries provided the expense serves a bona fide business purpose. The following restrictions apply to the use of Other Funds controlled by the university or its auxiliaries:

- Other Funds may be used to pay for alcoholic beverages, awards and service recognition, entertainment services, gifts, membership in social organizations and promotional items to the extent these purchases are not restricted by other applicable laws, regulations, or funding source agreements.
- Federal or local government contract and grant funds may only be used to pay hospitality expenses specifically authorized in the contract or grant, or by agency policy. In the event of a conflict between agency and CSU policy, the stricter of the two policies shall apply.
- Federal Funds may not be used to purchase alcoholic beverages.
- Other Funds may not be used to purchase tobacco products.

703 Trust and Agency Funds Held for Third Parties

Trust or agency funds held by the university or its auxiliaries in a purely custodial capacity (assets equal liabilities) on behalf of third parties are subject to applicable laws and written agreement.

Table 1.
Funding Sources for Payment of Hospitality Expenses

| Hospitality Expenses | CSU Operating Fund (485) | Other University and Auxiliary Funds | Trust and Agency Funds held for Third Parties |
|---|--------------------------|--------------------------------------|---|
| Alcoholic Beverages | No | Yes | Written Agreement |
| Awards and Service Recognition | Yes | Yes | Written Agreement |
| Entertainment Services | No | Yes | Written Agreement |
| Gifts (other than to federal officials) | No | Yes | Written Agreement |
| Meals and Light Refreshments (other than alcoholic beverages), for meetings and events attended by only employees of the same work location | No | Yes | Written Agreement |
| Meals and Light Refreshments (other than alcoholic beverages), for meetings and other events attended by official guests | Yes | Yes | Written Agreement |
| Membership in Social Organizations | No | Yes | Written Agreement |
| Promotional Items | Yes | Yes | Written Agreement |
| Tobacco Products | No | No | Written Agreement |

800 APPROVAL OF TRANSACTIONS

Each campus and auxiliary must develop and document appropriate approval processes including:

- Requirements that individuals with delegated approval authority may not approve their own expenses and individuals may not approve expenses of their supervisor. The exception is approval of Chancellor or President’s expenditures by the Chief Financial Officer.
- Requirements that payment or reimbursement for attendance at a community relations activity or fundraising event include documentation of the individual names, affiliations, and direct or indirect benefit to the CSU to be derived from the expense.
- Requirements for high-level authorization of Vice President/Vice Chancellor or above for payment or reimbursement of hospitality expenditures for recreational, sporting or entertainment events.
- Requirements for high-level authorization of Vice President/Vice Chancellor or above for payment or reimbursement of hospitality expenditures for a spouse or domestic partner of an employee.
- When appropriate and necessary, the Chancellor or President may make a limited exception to the hospitality policy. The purpose of the exception must be documented and signed by the Chancellor or President.