

Section: GENERAL ADMINISTRATION
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Policy Number: 1301.00

Policy Title: Hospitality

Policy Effective Date: October 31, 2000

Last Revision Date: September 1, 2018

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 auxiliary organizations (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 and its auxiliaries may establish more restrictive procedures for the reimbursement of the expenses authorized under this policy.**

200 SCOPE

This policy governs the appropriate use of state, auxiliary organization, sponsored program administration, private-purpose trust and agency funds unless legally exempted or otherwise restricted; e.g. documented fund 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, and 89035.

400 ALLOWABLE EXPENDITURES

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.

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 under this policy, (fund restrictions still apply):

- The CSU hosts or sponsors business meetings that directly correlate with the operations of the CSU;
- The CSU hosts official guests 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 or participates in community relations or fundraising events to promote the university, enhance partnerships, recognize distinguished service, or cultivate donors;
- The CSU hosts receptions for the benefit of employee morale, employee recognition, official presentations for length or exceptional contributions of service awards, with at least 5 years of service are permissible

401 *Employee Meetings*

Food and beverage provided to employees may be permitted when it serves a CSU business purpose. Meetings that are carried out on a regular or frequent basis are not permitted under this policy. Additionally, public expenditures that are driven by **personal motives** are an impermissible use of public funds. **Meals or light refreshments provided to employees may be permitted if the expenses occur infrequently, are reasonable and appropriate to the business purpose.** When a meeting takes place over an extended period and the agenda includes a working meal, there may be justification that the meal is integral to the business function.

Campus procedures should identify authorization and documentation requirements as well as a maximum per person rate(s) 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 and documented periodically by the Chief Financial Officer or designee.

402 *Spouses, Domestic Partners and Significant Others -*

Hospitality provided to the spouse, domestic partner or significant other of an employee might be permitted when it serves a CSU business purpose such as ceremonial functions, fundraising events, alumni gatherings, athletic games, and community events. An agenda, invitation or similar documentation should be included with the payment record.

403 *Students and Prospective Students*

Hospitality provided to students or prospective students may be permitted when it serves a CSU business purpose. To justify the expenditures, one must determine that the expenditure is consistent with the mission of the CSU. 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.

404 *Awards and Prizes*

CSU Campuses may establish an award program to the extent that such expenses serve a purpose consistent with the mission and fiduciary responsibilities of the CSU and aligns with IRS regulations. Cash and cash equivalent items, such as gift cards and gift certificates, no matter how small, are always taxable to the employee as wages. A non-cash award or prize may have a taxable consequence to the employee if it does not meet the IRS definition of de minimis and infrequent. Refer to IRS for tax rules in resources and materials section. Campus' written procedures shall document the award program, including eligible awards and per person limits.

500 UNALLOWED EXPENDITURES

501 *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. The California gift of public funds doctrine set forth in the California Constitution, article XVI §6, prohibits the giving or lending of public [state] funds to any person or entity, public or private, unless there is a public purpose. Examples include, but are not limited to, employee birthdays, weddings, anniversaries, and baby showers.

600 ALLOWABLE FUNDING SOURCES

Hospitality expenses may be paid from various fund sources, subject to the rules outlined below.

601 *State Funds*

Unless specifically authorized in the local trust agreement (LTA), State Funds have the following restrictions and uses:

- State Funds may **not** be used:
 - To pay for any expenditure prohibited by applicable laws, regulations, or agreements including the California Budget Act.
 - To pay for food and beverages or entertainment services that do not serve a business purpose.
 - To pay for alcoholic beverages, memberships in social organizations, or tobacco products.
- State Funds may be used:

- To pay for awards and prizes to employees for exceptional contributions, to students for excellence, and individuals to participate in a research funded survey or study.
- For employee recognition, and official presentations for length of service awards or exceptional contributions, with at least 5 years of service.
- To pay for official employee morale-building and appreciation activities that serve a business purpose. Campus procedure to define official activities and approval levels.

602 *Auxiliary Organization Funds*

Hospitality expenses may be charged to auxiliaries provided the expense serve a bona fide business purpose. Auxiliary organization funds may be used to pay for alcoholic beverages, formal 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.

603 *Sponsored Programs Administration funds*

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 or tobacco products, unless alcohol and tobacco are part of the research.

604 *Private-Purpose Trust and Agency Funds*

Hospitality expenses may be charged provided the expense serves a bona fide business purpose and to the extent other applicable laws, regulations, or funding source agreements do not restrict these purchases.

700 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.
- The Chancellor, campus president, or designee must approve payment or reimbursement of hospitality expenditures for recreational, sporting or entertainment events.
- The Chancellor, campus president, or designee must approve payment or reimbursement of hospitality expenditures for a spouse, domestic partner or significant other of an employee.

800 DEFINITIONS

For the purpose of this policy, the following definitions apply:

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.

Auxiliary Organization Funds– CSU auxiliary organizations are separate legal entities authorized in the Education Code to provide essential services to students and employees. Auxiliary organizations operate in association with campuses pursuant to special written agreements, and are authorized to perform specific functions that contribute to the educational mission of the campus. These organizations are subject to applicable state and federal laws and regulations.

De Minimis – Small in value, relative to the value of total compensation. There is no set dollar amount in the law for nominal prizes or awards. (The IRS gave advice at least once, in 2001 that a benefit of \$100 did not qualify as de minimis.) ILM 200108042.

Employee Meetings – 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.

Hospitality – is defined to include the following elements:

- Entertainment Services – Reasonable expenditures as part of a public purpose event includes, but is not limited to, equipment and venue rental, décor, music, and performers.
- Food and Beverage - Reasonable provision of a meal (catered or restaurant) or light refreshments (beverages, hors d'oeuvres, pastries, cookies).
- Awards and Prizes- something of value given or bestowed upon an individual, group, or entity in recognition of service to the university or achievement benefiting the university with the expectation of benefit accruing to the university or for other occasions that serve a bona fide business purpose.
- Promotional Items – items that display the name, logo or other icon identifying the university such as a keychain, coffee mug, calendar, or clothing.

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.

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.

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,

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students, donors, recruitment candidates, volunteers, members of the community, or media representatives.

Public Purpose - or business purpose include expenses that serve a purpose consistent with the mission and fiduciary responsibilities of the CSU.

Private-Purpose Trust and Agency Funds - as defined by EO 1000.

State Funds – These are monies that are either appropriated by the legislature, as part of the budget process or continuously appropriated (e.g., tuition and fees).

Sponsored Program Administration Funds - Federal, state, local government, and private contracts.

Student Organizations - As defined in Executive Order (EO) 1068 – Student Activities, section titled “Formal Chartering and Recognition Policies.”

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. The employee’s department determines what constitutes an individual employee’s work location for the purpose of these procedures.



Executive Vice-Chancellor/Chief
Financial Officer
Approved: