

|  |   |  |
|--|---|--|
| <b>Subject:</b><br>Hospitality Procedure | <b>Department Name:</b><br>Business & Finance | <b>Effective Date:</b> 5-5-17  |
|  | Revised Procedure<br><br>Revised 04/1/2017    | <b>Issue Date:</b> 5-5-17<br><b>Approval:</b><br><br>VP Business & Finance/CFO |

**A. Purpose**

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 procedure governs the manner and extent to which California State University, Stanislaus (University) 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 University. This procedure also addresses meals served to employees as part of a morale-building function and meals provided to prospective students and employees. This procedure complies with the Integrated CSU Administrative Manual (ICSUAM) policy number 1301.00 which superseded Executive Order 761.

**B. Scope of Procedure**

This procedure 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 University and its auxiliaries will comply with additional restrictions when established by funding sources. Implementation and compliance with the procedure is delegated by the CSU Chancellor to the campus Chief Financial Officer (Vice President of Business & Finance).

**C. Definitions**

*Approving Authority* – a person to whom authority has been delegated in writing to approve expenses in accordance with University policy and procedures.

*Auxiliary Organizations:* Legal and business entities that have been established and organized by the CSU pursuant to the California Education Code, Division 8, Part 55, Chapter 7, Section 89900 et seq. and pursuant to the California Code of Regulations, Title 5, Division 5, Subchapter 6

*Auxiliary Organization Funds* – funds held by a recognized auxiliary organization.

*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).

*Employee Meetings and Recognition Events* – meetings which serve a University business purpose and are generally administrative in nature such as 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.

*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 procedure.

*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.

*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 University’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.

*General Fund Appropriations* – funds approved to the University by the state legislature to support expenditures of the University.

*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.

*Hospitality* – the provision of meals (catered or at a restaurant) or light refreshments (beverages, hors d’oeuvres, pastries, cookies, etc.), 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 University.

*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 procedure.

*Official Guest* – a person invited by an official host to attend an official University meeting, conference, reception, 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.

*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 University business.

*Operating Fund (CSU Fund 485)* – state appropriation of general tax revenue and student fee revenue for state-supported instruction and related programs and operations. Most Operating Funds are identified as “G0106” and “GR106”.

*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 University or its auxiliaries including, among others, donor funds, grant and contract funds, reimbursed programs, Continuing Education Revenue Funds, Lottery Education Funds and Enterprise Funds.

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

*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.

*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.

#### **D. Procedure**

##### **Allowable Expenditures and Occasions**

1. Hospitality costs may be paid with University funds to the extent that the purchase and use of these services and items is consistent with the University’s mission and fiduciary responsibilities.  
Hospitality expenses must:
  - Be directly related to, or associated with, the active conduct of official University business. When a University employee serves as an official host, the occasion must, in the best judgment of the approving authority, serve a clear University business purpose, with no personal benefit derived by the official host or other University employees.
  - The expenditure of funds for hospitality should be cost effective and in accordance with the best use of public or auxiliary funds.
  - Employee business meals 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 [www.irs.gov](http://www.irs.gov)). 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.
  - 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.
2. The provision of hospitality is permitted when the University is host or sponsor to occasions that include, but are not limited to:
  - The University hosts official guests, including University employees from another work location, students, donors, prospective donors, visitors, volunteers, and other individuals with an interest in the University.
  - Meetings of a learned society or professional organization.
  - Meetings of an administrative nature that are directly concerned with the welfare of the University in which the provision of hospitality is a necessary and integral part of the business meeting and not solely a matter of personal convenience.
  - Reception held in connection with conferences, fundraising events, meetings of student organizations and groups, student events such as commencement exercises, and meetings of other University related groups such as alumni organizations.
  - Receptions for the benefit of employee morale, employee recognition or length of service awards, or retirement presentations.
  - The University hosts community relations or fundraising events to promote goodwill, recognize distinguished service, or cultivate donors.
  - Representative of the University participates in community outreach to enhance partnerships, promote goodwill, recognize distinguished service or cultivate donors.

3. **Employee Meetings and Recognition Events (see 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 procedure. Memorial services, celebrations of retirement, and farewell gatherings for employees separating with at least 5 years of service are permissible.
- 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 will 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 (see Exhibit C).** The maximum rates will be reviewed annually by the Chief Financial Officer. High level authorized authorities at the Vice President level or above may approve limited exceptions to the maximum per person rate with a documented explanation

4. **Spouses and Domestic Partners:** Hospitality provided to the spouse or domestic partner of an employee may be permitted when it serves a University business purpose. Such an individual's presence is considered to serve a University 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. **Payment or reimbursement of hospitality expenditures for a spouse or domestic partner of an employee must be authorized by a University Vice President or above.**
5. **Students and Prospective Students:** Hospitality provided to students or prospective students may be permitted when it serves a University 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.

#### **Unallowed Expenditures**

1. **Personal Benefit:** Hospitality expenses that are of a personal nature and not related to the active conduct of official University business will not be paid or reimbursed. Examples include, but are not limited to, employee birthdays, weddings, anniversaries, and baby showers
2. **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.

3. Tips in Excess of 20%: Hospitality expenses that include ordinary and customary gratuities such as meal tips should be limited to a maximum of 20% of the total bill.

### **Funding Sources**

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

#### **Operating Fund (CSU Fund 485):**

1. The following restrictions apply to the use of the Operating Fund ("G" and "GR" funds):
  - 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

#### **Other University and Auxiliary Organization Funds (Other Funds):**

1. 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.
2. Lottery funds may not be used for the purchase of food (Government Code Section 8880.5).
3. Trust funds and Grant funds may be used for hospitality expenses if so designated in the Trust Account Agreement or Grant contract.
4. Foundation Account (i.e., Campus Program) funds may only be used for hospitality expenses if so designated in the Foundation Account Application document.

*SEE EXHIBIT A FOR DETAILED LISTING OF ALLOWABLE FUNDING SOURCES FOR HOSPITALITY EXPENSES*

#### **E. Delegation of Authority**

The President delegates to the University Chief Financial Officer (Vice President of Business & Finance) responsibility for establishing and maintaining the Delegation of Authority database and the

procedures that govern all financial transactions, including hospitality expenses. The University's Delegated Authority for Financial Transactions Policy (Signature Policy) states that:

- Transactions under \$5,000 can be approved by the appropriate College Dean, Assoc./Assist. Vice President/equivalent level, or Vice President (exceptions for Grants and Trusts).
- Transactions \$5,000 or greater must be approved by the appropriate Vice President.
- Trust Fund transactions under \$5,000 can be approved by the authorized Trustee. Trust Fund transactions over \$5,000 must be approved by the appropriate Vice President.
- Campus Program transactions of any amount can be approved by the University Sponsor. No additional approval is required since the fund disbursements are defined in the program application.
- Grant Fund transactions of any amount can be approved by the Principal Investigator (PI). No additional approval is required since the fund disbursements are defined in the Grant contract.

**F. Approval of Hospitality Transactions:** In addition to the Delegation of Authority for Financial Transactions the following criteria will be complied with when approving financial transactions that include hospitality:

1. Individuals with delegated approval authority may not approve their own expenses. Individual employees may not approve expenses of their supervisor, with the exception of hospitality expenses incurred by the University President which are approved by the Chief Financial Officer.
2. Payment or reimbursement for a hospitality event must include documentation of the individual names, affiliations, and direct or indirect benefit to the University to be derived from the expense.
3. Authorization of Vice President or above is required for payment or reimbursement of hospitality expenditures for recreational, sporting or entertainment events.
4. Authorization of Vice President or above is required for payment or reimbursement of hospitality expenditures for a spouse or domestic partner of an employee.
5. When appropriate and necessary, the President may make a limited exception to the hospitality policy. The purpose of the exception must be documented and signed by the President.

**G. Approval Process**

1. Hospitality expenses must be **pre-approved** by the appropriate Approving Authority using the "Hospitality Food and Beverage Expenditure Form" (Exhibit B), Travel Request in Concur, or Request for On-Campus Interview/Recruitment Form. The approved documentation must be attached to the payment request (i.e. requisition, direct pay, PCard, or Concur) **prior** to the payment being processed.
2. 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, and the availability of funds.
3. With the exception of events hosted by the President, expenditures of Five Thousand Dollars (\$5,000.00) and over for a single event must be pre-approved by a Vice President.
4. Payment of hospitality expenses may be denied if the approval process is not followed.

| <b>Approval and Revision History Approved by</b> | <b>Title</b> | <b>Date Approved</b> | <b>Effective Date</b> | <b>Version</b> | <b>Description of changes</b> |
|--|--------------|----------------------|-----------------------|----------------|-------------------------------|
| Darrell Haydon                                   | VP B&F       | 4/10/2017            | 4/10/2017             |                | Revision of Procedures        |
|  |              |                      |                       |                |                               |
|  |              |                      |                       |                |                               |

**EXHIBIT A TABLE 1 – FUNDING SOURCES FOR PAYMENT OF HOSPITALITY EXPENSES**

| <b>HOSPITALITY EXPENSE</b>   | <b>OPERATING FUND (485) APPROPRIATIONS (G0106 and "GR106 funds)</b> | <b>TRUSTS (TMXXX) CAMPUS PROGRAMS (A9XXX)</b>                                      | <b>GRANTS &amp; CONTRACTS "C" FUNDS</b>                                   |
|--|---|--|---|
| Alcoholic Beverages (must comply with University Alcohol Policy)   | No  | If stated in fund set-up agreement and if compliant with University alcohol policy | Federal agency no. Otherwise, if stated in grant budget at time of award. |
| Awards & Service Recognition   | Yes   | If stated in fund set-up agreement   | If stated in grant budget at time of award.                               |
| Employee Social Events (birthdays, weddings, showers, etc.)  | No  | No   | No  |
| Entertainment Services   | No  | If stated in fund set-up agreement   | If stated in grant budget at time of award.                               |
| Food & Beverages (other than alcoholic beverages) for meetings and other events attended only by employees of the same work location.                | No  | If stated in fund set-up agreement.  | If stated in grant budget at time of award.                               |
| Food & Beverages (other than alcoholic beverages) for meetings and other events attended by official guests or employees from another work location. | Yes   | If stated in fund set-up agreement   | If stated in grant budget at time of award.                               |
| Gifts (other than Federal Officials)   | No  | If stated in fund set-up agreement   | If stated in grant budget at time of award.                               |
| Interview/Recruiting/Official Guest Expenses-Meals, Airfare, Lodging and Car Rental  | Yes   | If stated in fund set-up agreement   | If stated in grant budget at time of award.                               |
| Light Refreshments such as coffee, soda, candy, etc. if available to the public  | Yes   | If stated in fund set-up agreement   | If stated in grant budget at time of award.                               |
| Membership in Social Organizations   | No  | If stated in fund set-up agreement   | If stated in grant budget at time of award.                               |
| Promotional Items for Non-Employees  | Yes   | If stated in fund set-up agreement   | If stated in grant budget at time of award.                               |
| Retirement Celebrations (including Farewells with 5+ years of service.)  | Yes   | If stated in fund set-up agreement   | If stated in grant budget at time of award.                               |
| Spouses and Domestic Partners Hospitality with bona-fide business purpose  | Yes   | If stated in fund set-up agreement   | If stated in grant budget at time of award.                               |
| Student Meetings and Recognition Events  | Yes   | If stated in fund set-up agreement   | If stated in grant budget at time of award.                               |
| Tobacco Products   | No  | If stated in fund set-up agreement   | If stated in grant budget at time of award.                               |

**EXHIBIT B**  
**California State University, Stanislaus**  
**Hospitality Expenditures**

**In order to comply with ICSUAM Policy 1301.00 Hospitality, Payment or Reimbursement of Expenses, (revised date 12/15/2011), all information requested below must be submitted.**

Department Name: \_\_\_\_\_

Requestors Name and Title: \_\_\_\_\_

Requestors Telephone Number: \_\_\_\_\_

Chartfield String:

| Fund | Deptid | Account | Program | Project | Class |
|------|--------|---------|---------|---------|-------|
|      |        | 660837  |         |         |       |

Type of Expense (e.g.: breakfast, lunch, refreshments, gifts): \_\_\_\_\_

Amount of Expense: \_\_\_\_\_

Vendor's Name: \_\_\_\_\_

For purpose of completing this form, hospitality expense or food and beverage expense will be referred to as "event."

Date of Event: \_\_\_\_\_

Location of Event: \_\_\_\_\_

Purpose of Event: \_\_\_\_\_

List of names, titles, affiliations of event participants:

Provide explanation of benefit received by the University from event:

APPROVED BY (Signature required by Dean, AVP/Equivalent Level or Vice President): Name

(printed): \_\_\_\_\_

Name (signature): \_\_\_\_\_

Title: \_\_\_\_\_ Date: \_\_\_\_\_

**Please note that the hospitality form must be approved prior to the date of the event.**

Please attach this form to the original, itemized receipt. (For restaurants, the itemized restaurant bill, as well as the personal credit card receipt, is required). If the restaurant is unwilling or unable to provide an itemized receipt, a written statement to that fact, must be provided.

**EXHIBIT C**  
Maximum Rates for Employee Meetings and Recognition Events  
Fiscal Year 2016-2017

| <b>MEAL</b>        | <b>MEAL DESCRIPTION</b>   | <b>MAXIMUM COST PER PERSON</b> |
|--------------------|---|--------------------------------|
| Breakfast          | Continental or Buffet includes drinks, meal choice, and disposable utensils and plates. | \$20.00                        |
| Lunch              | Boxed lunch or Buffet includes drinks, meal choice, and disposable utensils and plates. | \$35.00                        |
| Dinner             | Buffet or Plated  | \$75.00                        |
| Light Refreshments | Party trays, pizza, cake, drinks, etc.  | \$20.00                        |