California State University, Sacramento

HOSPITALITY EXPENSES for ADM-0111

Procedures

It is the policy of the California State University, Sacramento (University) 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 University. This policy applies to activities that promote the University to the public and the provision of hospitality in connection with official University business and specifies the University and Auxiliary Organization funds that may be used for such purposes.

This policy governs the manner and extent to which the University and its Auxiliary Organization 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 policy also addresses meals served to employees as part of a morale-building function and meals provided to prospective students and employees.

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

It is the policy of California State University, Sacramento (University) to use University funds for qualified hospitality expenses in accordance with Integrated CSU Administrative Manual (ICSUAM) Policy 1301.00 Hospitality, Payment or Reimbursement of Expenses.

DEFINITIONS

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. The approving authority is the University employee who has been granted authority, by way of the University Common Financial System (CFS) Delegation of Authority process, to approve the use of funds.

Auxiliary Funds – Funds maintained by the Auxiliary Organizations.


Award 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.

Business Expense – an expense that has an appropriate business purpose and where a clear University related objective is demonstrated instead of a personal or social one.

Employee Meetings and Recognition Events – meetings which serve a University business purpose and are generally administrative in nature such as CSU system wide 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. Services expenditures related to showcasing the talent of students or employees are considered a regular business expenses and are not governed by this policy.
Exceptions – items that are not in accordance with these Procedures. Examples include but are not limited to expenses that exceed the per-person maximum rates specified in the table on page four of these procedures; missing appropriate documentation, and any other type of hospitality expense that is not specifically included in these procedures.

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.

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. Property gifts (flowers, books, trophies, plaques, etc.) to employees are not taxable if de minimis (up to $100). Gift cards, gift certificates and other cash equivalent items, no matter how small, are always taxable to an employee on their W-2.

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 University.

Itemized Receipt or Invoice - An itemized receipt or invoice must include the merchant or provider name, a detailed list of the service(s) or item(s) purchased, date, and amount of expense. Cancelled checks, handwritten receipts, bank statements, credit card statements, and/or credit/debit card transaction receipts cannot be used to verify a hospitality expense.

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

Official Host – a CSU trustee, Auxiliary Organization governing board member, or University/Auxiliary Organization 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. Sacramento State funds beginning with M, THS and TS except MDR01.
**Other University 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 including, among others, donor funds, grant and contract funds, reimbursed programs, Continuing Education Revenue Funds, and Lottery Education 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 Organization in purely custodial capacity (assets equal liabilities) for individuals, private organizations or government units. Trust or agency funds held by the University or its Auxiliary Organization 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. This is the Sacramento State Campus including off-site Centers and Locations.

**ALLOWABLE EXPENDITURES AND OCCASIONS**

Hospitality expenses must be directly related to, or associated with, the active conduct of official University business. When an employee acts 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 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:

- The University honors current employees or former employees with condolences, (e.g. Bereavement/Memorial reception, flowers, plants or cards);
- The University hosts or sponsors business meetings, commencement exercises or convocation events that are directly concerned with the welfare of the University;
- The University hosts official guests, including employees visiting from another work location (another campus), students, donors, recruitment candidates, interviewees, volunteers and other individuals with an interest in the University;
- The University is the host or sponsor of a meeting of a learned society or professional organization;
- The University hosts: receptions held in connection with conferences, meetings of student organizations and groups, student events, and events or meetings of other University related groups such as alumni associations;
- The University hosts community relations or fundraising events to promote goodwill, recognize distinguished service, or cultivate donors;
- The University hosts receptions for the benefit of employee morale, employee recognition, length of service awards, or retirement presentations;
- Representatives of the University participate in community outreach to enhance partnerships, promote goodwill, recognize distinguished service, or cultivate donors.
**Employee Meetings and Recognition Events**

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. It is the responsibility of the approving official to insure that the department stays in compliance with this limit.
- 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, interview process, award or service recognition event 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.

All catered food for events on campus must be provided by or approved by University Enterprises, Inc. (UEI) Catering. Food is not considered catered if it is picked up and delivered to the University by Department Staff per UEI policy 3005 (e.g. okay to bring off-campus bagels to a morning meeting).

<table>
<thead>
<tr>
<th>Meal type</th>
<th>* Maximum Per-Person</th>
</tr>
</thead>
<tbody>
<tr>
<td>Breakfast</td>
<td>$30.00</td>
</tr>
<tr>
<td>Lunch</td>
<td>$40.00</td>
</tr>
<tr>
<td>Dinner</td>
<td>$75.00</td>
</tr>
<tr>
<td>Light refreshment</td>
<td>$30.00</td>
</tr>
</tbody>
</table>

* The maximum per-person calculation is created by dividing the total amount charged for food, beverage, tax, gratuity and service charge by the total number of actual attendees. If food is being ordered, the estimated number of attendees should be used when choosing the appropriate menu items.

When a hospitality expense exceeds the per-person maximum provided in the chart above, the hospitality is considered exceptional. **Exceptions require a written justification** for the overage and the approval from a Vice President, or the Auxiliary Organization Executive Officer. **This authority may not be delegated any further.** The approved justification must include why adherence to the policy was unavoidable and necessary to achieve a University business purpose.

**Gifts to Employees**

Sacramento State wants supervisors to find meaningful ways to recognize faculty, staff and student employees while also complying with IRS regulations. Property gifts (flowers, books, trophies, plaques, etc.) to employees are not taxable if *de minimis* (up to $100). **Gift cards and gift certificates and other cash equivalent items, no matter how small, are always taxable to an employee on their W-2.** Gift card purchases must be preapproved by the Procurement Office. In addition, a disbursement log must be attached to the payment request for control and tax reporting purposes. Instructions, forms and a guide to identifying gifts card numbers are linked to the AP and Procurement websites under Hospitality Expense Procedures. Gift cards (or equivalents) to an individual employee may not exceed $200.00 in any calendar year; unless, approved by the Divisional Vice President/Provost.
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, retirement/farewell celebrations, and community events may be considered business related. An agenda, invitation or similar documentation should be included with the payment record.

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 (NCAA).

UNALLOWED EXPENDITURES

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. Please note the following “personal benefit” expenditures are permissible: memorial services, celebrations of retirement, and farewell gatherings for employees separating with at least 5 years of service.

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.

FUNDING SOURCES

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

CSU Operating Fund (CSU Fund 485) - The following restrictions apply to the use of the CSU Operating Fund (Sacramento State Funds beginning with M, THS and TS):

- CSU Operating Fund may not be used to pay for any expenditure prohibited by applicable laws, regulations, or agreements including the California Budget Act.
- CSU Operating Fund may not be used to pay for food and beverages for business meetings attended only by employees of the same work location (Sacramento State).
- CSU Operating Fund may not be used to pay for alcoholic beverages, entertainment services, memberships in social organizations, or tobacco products.
- CSU 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.
- CSU Operating Fund may be used to pay for promotional item expenditures, except when the recipients of the promotion items are employees.
- CSU Operating Fund may be used to pay for the participation of employees or official guests at University 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) - Hospitality expenses may be charged to Other Funds controlled by the University or its Auxiliary Organization 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 Auxiliary Organization:

- 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 University 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.

Trust and Agency Funds Held for Third Parties - Trust or agency funds held by the University or its Auxiliary Organization in a purely custodial capacity (assets equal liabilities) on behalf of third parties are subject to applicable laws and written agreement.

EXEMPTIONS

1. Officially Recognized Events Hosted by the President or University Advancement
   University events hosted by the Offices of the President or University Advancement including; but, not limited to galas, convocations, advisory meetings, board meetings, forums, town halls, Presidential addresses, business meals and fund raising meals have a permanent exemption from the maximum per person rates in these procedures.

2. Third Party Events Not Hosted by the University or Auxiliaries
   Payment or reimbursement for award banquets, recognition dinners, chamber of commerce events, special events or other celebrations not hosted by the University or Auxiliaries; but, in which employee attendance is considered appropriate as support to/from the community are not considered hospitality expenses for purposes of these procedures and policy. These expenses should be processed as regular expenses following current Procurement and Accounts Payable policies and procedures. Please remember these expenses may NOT be paid from the CSU Operating Fund.

3. Integral Grant Expenditures
   Expenditures for food and related items integral to a grant (e.g., a training grant that includes lunch for students) are not considered hospitality expenses for purposes of these procedures and policy. These expenses should be processed as regular expenses following current Procurement and Accounts Payable policies and procedures.

4. Supplies and Other Services
   Reimbursement or payment for items such as snack foods for the childcare center, food for lab animals, items used in research, service expenditures related to showcasing the talent of students (e.g. light beverages/food for a music recital), or beverages for visitors to the Office of the President are exempt from these procedures and policy. These expenses should be processed as regular expenses following current Procurement and Accounts Payable policies and procedures.
APPROVAL OF TRANSACTIONS

Delegated Approval Authority
Administrators and department chairs that can approve the use of University funds for the purchase of commodities and services are also delegated the authority to approve the payment and/or reimbursement of hospitality expenses. The approving authority is the University employee who has been granted authority, by way of the University Common Financial System (CFS) Delegation of Authority process, to approve the use of funds. It is their responsibility to insure the expenses serve a clear University business related purpose, have followed appropriate University or Auxiliary Organization purchasing policy, and that the employee who made the purchase or is being reimbursed derived no personal benefit. In order to ensure the independence of the approval process, those delegated by this authority cannot approve transactions reimbursing themselves. The supervisor or other manager above the person being reimbursed must approve these expenses. The exception is approval of President’s expenditures by the Chief Financial Officer.

Additional Approval Required - Authorization of Vice President or above (or Auxiliary Organization Executive Officer) is required for payment or reimbursement of hospitality expenditures:

- for recreational, sporting or entertainment events
- for a spouse or domestic partner of an employee
- above set per person maximum rates
- gift card/certificate amounts above annual maximum

Policy Exceptions (not noted above) - When appropriate and necessary, the President may make a limited exception to the hospitality policy and procedures. The purpose of the exception must be documented and signed by the President.

REQUIRED DOCUMENTATION

Payment Request
Submit an original itemized* receipt or invoice with an
Approved Direct Payment Request, or
Approved Petty Cash Form, or
Approved Detailed Invoice listing the Purchase Order number

*If an itemized receipt or invoice is unavailable, include a signed certification statement to be reviewed and approved by the approving official for this hospitality expense.

List of attendees (or invited groups) AND relationship to University (e.g. Staff, Faculty, Students, Alumni, Donors, Other CSU Employees, Local Business Leader, etc.)
Description of event and related business purpose
Date, time, and location of event
Completed 204 Vendor Data Record (for new vendors)
Employee information for reporting of taxable situations including EMPLID
Calculation of meal cost per person (if over maximum limits, need exception approval)
Gift Cards/Certificates
PreApproval form authorized by the Procurement Office
Disbursement Log
Attach both to Payment request (Direct Pay, Expenditure Transfer, Petty Cash or Pro Card)

Community Relations Activities - Payment or reimbursement for attendance at a community relations activity or fundraising event must include documentation of the individual attendee names, affiliations, and direct or indirect benefit to the University to be derived from the expense.

Accounts Payable is responsible for reviewing hospitality expense transactions to insure all are appropriately documented and approved. Additionally, Auditing Services will periodically evaluate hospitality activity to determine if transactions are qualified expenses and charged to appropriate funding sources.
REFERENCES

Policies and Web Links:

The University Policy Manual can be found at: http://www.csus.edu/umanual
The Chancellor’s Office Policy on Hospitality Expenses can be found at: http://www.calstate.edu/icsuam/sections/1000/1301.00.shtml
IRS publications can be found at:

Contact Information:

If you have any questions about Hospitality Expenses, please contact a University Accounts Payable representative at (916) 278-6476 or by email ABA-FIN-ap-travel@saclink.csus.edu

Questions or comments about Accounts Payable service should be directed to:
• Director of Accounts Payable and Travel, Susan Johnson, 916/278-7444, sjohns@csus.edu
• The University Controller, Kendal Chaney-Buttleman, 916/278-4679, kendalcb@csus.edu
• The Associate Vice President for Financial Services, Justine Heartt, 916/278-5992, hearttj@csus.edu
## Appendix A

<table>
<thead>
<tr>
<th>HOSPITALITY EXPENSES</th>
<th>CSU Operating Fund 485 (THS, TS &amp; M except MDR01)</th>
<th>*Special Funds (Other CFS)</th>
<th>*Auxiliary Organization Funds and MDR01</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alcohol beverages, including tax, gratuity and service charges</td>
<td>NO</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td>Bereavement gift expenditures - flowers, plants or card for employees or former employees</td>
<td>NO</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td>Commencement Exercises</td>
<td></td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td>Employee Awards and Service Recognition Gifts</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td>Employee Meetings and Recognition Events attended ONLY by employees of the same work location (campus) and if meal is not incidental and if meeting could not have been held during normal work hours</td>
<td>NO</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td>Employee Social Events (birthdays, anniversaries, weddings, or baby showers)</td>
<td>NO</td>
<td>NO</td>
<td>NO</td>
</tr>
<tr>
<td>Entertainment Services</td>
<td>NO</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td>Gifts (Gift cards and equivalents to employees are taxable and must not exceed $200 per calendar year; without VP approval)</td>
<td>NO</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td>Interview/Recruitment/Official Guest Expenses - Meals, Airfare, Lodging and car rental</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td>Light refreshments such as coffee, tea, soda, candy etc.; if available to the public</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td>Meals purchased during meeting with University Donors for Donors Cultivation</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td>Meals purchased for meetings with Official Guests</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td>Memberships in Social Organizations</td>
<td>NO</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td>Promotional Items for Non-Employees</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td>Retirement Celebrations (includes Farewells with 5+ years of service). Operating Fund okay with Official Guests attending.</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td>Spouses and Domestic Partners hospitality expense with bona-fide business purpose</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td>Student meetings and recognition events</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td>Tobacco Products</td>
<td>NO</td>
<td>NO</td>
<td>NO</td>
</tr>
</tbody>
</table>

*NOTE: To be allowed for a specific Fund, it must be allowed in this policy/procedure (YES) and also permitted by the Trust Fund Agreement or the Grant/Contract document.*