

## **Hospitality, Payments or Reimbursement of Expenses Policy**

<b>Policy Number:</b>	AF 01-003
<b>Policy Administrator:</b>	CFO & VP for Administration
<b>Policy Initiator:</b>	University Controller
<b>Authority:</b>	ICSUAM 1301.00 – Hospitality
<b>Effective Date:</b>	January 2015
<b>Revised Date:</b>	September 9, 2019
<b>Approved:</b>	President Thomas Cropper
<b>Approval Signature:</b>	/s/

### **Purpose:**

In accordance with ICSUAM 1301.00, this policy governs the manner and extent to which California State University Maritime Academy (University) 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. The policy also addresses meals served to employees as part of a morale-building function and meals provided to prospective students and employees.

### **Scope:**

This policy applies to and governs the appropriate use of California State University (CSU) Operating Fund (485), university trust funds, enterprise funds and auxiliary funds, unless legally exempted or otherwise restricted (e.g. documented trust agreements), for the payment of hospitality related expenses. The policy does not apply to an employee's meal expenses incurred while on travel status, e.g. attending an off-campus conference or business meeting, which is covered by CSU Travel Policy & Procedures.

### **Accountability:**

The Vice President and Chief Financial Officer of Administration and Finance is responsible for administering this policy and ensuring compliance.

### **Policy**

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 funds that may be used for such purposes.

## **1.0 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 University 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, 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.

## **2.0 Allowable Expenditures**

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.

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 University hosts or sponsors business meetings that directly correlate with the operations of the University;
- The University hosts official guests 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 a learned society or professional organization, meetings of student organizations and groups, student events such as commencement exercises, and events or meetings of other University related groups such as alumni associations;
- The University hosts or participates in community relations or fundraising events to promote the university, enhance partnerships, recognize distinguished service, or cultivate donors;
- The University 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.

## 2.1 Employee Meetings & Recognition Events

Food and beverage provided to employees may be permitted when it serves a University 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.

### 601.1.1 IRS Considerations

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 practice directive. 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.

## 2.2 Spouses and 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 University 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.

## 2.3 Students and Prospective Students

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

## 2.4 Awards and Prizes

State funds **may be** used for expenditures associated with:

- Employee recognition;
- Length of service; and
- Retirement awards.

State funds **may not** be used for expenditures associated with:

- Sympathy gifts;
- Get well gifts;
- Birthday, wedding, anniversary, and baby showers

Awards and gifts to employees are subject to Internal Revenue Service considerations. The maximum allowable value for any award or gift is \$200. Gift cards, gift certificates and other cash equivalent items, regardless of the value are always reportable and taxable to an employee. In addition, a disbursement log, identifying recipients and amounts must be attached to the hospitality reimbursement request for tax reporting purposes.

## **2.5 Awards and gifts to non-employees**

Reasonable gifts made on behalf of the University to non-employees and outside organizations are allowed when the gift benefits the University, is in furtherance of a University business purpose, and is clearly necessary to the University fulfillment of its mission.

The business reason for making the gift or the nature of the business benefit the University derives or expects to derive must be documented in writing. In most cases, the promotion of goodwill in the University community is an acceptable business purpose. The cost of such gifts must be reasonable in relation to the actual or expected benefits.

Example of individuals and organizations that may be presented an award or gift on behalf of the University include: a visiting dignitary or scholar, a donor or potential donor, a civic or cultural organization or a member of the local community.

Awards and gifts to non-employees exceeding \$200 must be approved by the Vice President for the associated department or by the President when a Vice President gives or directs the giving or an award or gift.

State funds may not be used to pay for gifts to non-employees unless the gift is justified by a University business purpose.

## **3.0 Unallowable Expenditures**

### **3.1 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.

### **3.2 Event Location**

University employees hosting a conference, meeting, or event must host these in an established business location. Hosting events at an employee's private residence is prohibited by this practice directive.

## **4.0 Allowable Funding Sources**

### **4.1 State Funds**

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

- 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.

- 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.

**4.2 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.

**4.3 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 University 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.

**4.4 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.

## 5.0 Approval

### 5.1 Delegation of Authority

Approval for all official university hospitality expenses must be obtained at the appropriate level. In order to ensure that the approval of hospitality is entirely independent, individuals with delegated approval authority shall not approve the expenses of a person to whom they directly report. The approving authority should be the supervisor (or higher level) of the official host. In addition, individuals with delegated approval authority shall not approve their own hospitality expenses. If the official host is the President, approval shall be by the Vice President and CFO of Administration and Finance.

High-level authorization of Vice President or above is required for payment or reimbursement of hospitality expenditures for the following:

- Recreational, sporting or entertainment events with a value greater than \$100 (per recipient)
- Spouse or domestic partner of an employee.
- Exceeding the maximum per person rate as defined.

### 5.2 Authority for Exceptions to the Policy

Exceptions to this policy must be approved by the President and Vice President *in advance of the event/expenditure*. The President and Vice President have the authority to exceed the meal limits with certification that it is for development purposes. **The authority in this section may not be delegated.**

## 6.0 Procedure

### 6.1 Approval and Payment Request Process

- For payment, submit a Direct Pay Request form payment or Requisition form along with the itemized receipts, list of attendees and business purpose. When using your procard for hospitality, follow appropriate procard procedures outlined in the Procard Manual.

Note: All meals require an itemized receipt as proof of payment. A credit card receipt alone is not sufficient.

To ensure that adequate internal control standards are met, a payment issued to reimburse hospitality expenses ***shall be delivered directly to the payee***. Such payments shall **not** be delivered to any of the individuals involved in the approval or payment preparation process. When contracting with an off-campus vendor for catering, the information contained in the Hospitality Form must be submitted to the Procurement Department ***before*** the event, along with the requisitions and any vendor proposal or estimate. After the event, the official host and approving supervisor must request/authorize payment by submitting the Hospitality Form as outlined above, and the check would be mailed directly to the vendor(s) or paid electronically directly to the vendor(s)

## **6.2 Exceptions to the Policy**

Approval of exceptions to the policy must be obtained at the appropriate level. The request for reimbursement of such expenses must include a written justification as to why the higher costs were unavoidable and necessary to achieve a university business purpose. ***The fact that actual costs exceed the authorized rates is not in itself adequate justification for a higher reimbursement rate.*** If adequate justification exists and provided such costs are deemed to be ordinary and necessary under the circumstances, an exceptional expense may be approved. Reimbursements of hospitality expenses shall be limited to the actual costs incurred.

## **6.3 Authorization of Hospitality Expenses**

The authorization for hospitality expenses follows the Delegation of Authority protocol for the funding sources used to pay for the expenses. Individuals may not approve their own expenses or expenses of their supervisor (with the exception of the President's expenses which must be approved by the Vice President and CFO of Administration & Finance).

## **6.4 Community Relations and Funding Raising Requirements**

Requests for reimbursements and payment for hospitality for the cost of attendance at a community relations activity or fundraising event must include the individual names, affiliations, and direct or indirect benefit to the University to be derived from the expense.

## **6.5 Recreational, Sporting, and Entertainment Events**

Requests for reimbursement or payment for hospitality for the cost of recreational, sporting, and entertainment events must be approved by a Vice President, or in the case of the Vice Presidents' expenses, by the President.

## **6.6 Expenses for Spouses, Domestic Partners or Significant Others of an Employee**

Requests for reimbursement or payment for the cost of hospitality for spouses, domestic partners or significant others of an employee must be approved by a Vice President (or designee, or in the case of the Vice President's expenses, by the President).

## **7.0 Hospitality While on Travel Status**

The Travel Policy and the Hospitality Policy are separate and distinct policies. A university employee on travel status who incurs hospitality expenses ***must*** claim such expenses in accordance with the procedures specified in this policy. Such expenses should be documented on the Hospitality Form and submitted with the Travel Expense Claim to ensure that the meals for hospitality are separately justified from the meals for travel. In addition, ***a per diem meal must not be added to the travel expense form when a hospitality expense for the same meal has been submitted for reimbursement.***

## **8.0 Hospitality Rates**

### **8.1 Authorized Rates**

Rates are recommended and authorized by the Vice President and CFO for Administration and Finance. *Maximum* rates allowed for hospitality include tax and service. These rates do not include the rental of meeting or conference facilities, which may be charged as an additional expense. The maximum rates will be reviewed periodically by the Vice President and CFO for Administration and Finance and adjusted as appropriate.

### **8.2 Maximum Rates for Hospitality**

The maximum per person expenditures for individuals being entertained and for a University employee who is the official host or who is a participant at the request of the official host, shall not exceed the following amounts:

<b>Meal</b>	<b>Maximum Rates</b>
Breakfast	\$20.00
Lunch	\$35.00
Dinner	\$50.00
Light Refreshment	\$15.00