Policy for Payment or Reimbursement of University Hospitality Expenses

Procedure Guidelines and Business Process Guide
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I. Common Types and Allowable Sources for Payment of Hospitality Expenses

<table>
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<tr>
<th>General Expense Type Category</th>
<th>General Hospitality Expenses that may include meals and light refreshments</th>
<th>Other University and Auxiliary Funds to the extent there are no restrictions by laws, regulations or funding source agreements</th>
<th>Alcohol or Memberships in Social Organizations</th>
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<tr>
<td>Allowable expenditures and/or occasions</td>
<td>CSU Operating Fund</td>
<td>CSU Operating Fund</td>
<td>CSU Operating Fund</td>
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<tr>
<td>Business Meetings employees only (1)</td>
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<td>No</td>
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<tr>
<td>Business Meetings with official guests (1)</td>
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<tr>
<td>Employee Morale/Recognition (1)</td>
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<td>Yes</td>
<td>No</td>
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<tr>
<td>Community Relations/Fundraising</td>
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<td>Yes</td>
<td>No</td>
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<td>Entertainment Expenses</td>
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<td>No</td>
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<tr>
<td>Gifts with expectation of benefit or other bona fide business purpose</td>
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<tr>
<td>University hosts official guests, including employees visiting from another work location, students, donors, visitors and volunteers</td>
<td>Yes</td>
<td>Yes</td>
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<td>Professional Organization Meeting (1)</td>
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<td>Promotional Items Non-Employees</td>
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<td>Receptions (2)</td>
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<td>Service Recognition - minimum 5 years</td>
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<td>Spouses and Domestic Partners who attend a hospitality event and serve a CSU business purpose</td>
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<td>Student Recruitment Efforts</td>
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<td>Student Recognition events &amp; commencement</td>
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<td>Memorial services</td>
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(1) Meals or light refreshments (limited to no more than twelve times per year, per group) provided in the course of an event may not exceed the maximum per person rate for breakfast ($30), lunch ($50) and dinner ($90). These rates are inclusive of beverages, labor, sales tax, delivery fees, and other service fees.

(2) Hospitality permitted when the University holds receptions held in connection with conferences, meetings of learned society or professional organizations, meetings of student organizations, student events such as commencement and meetings of other CSU related groups.
II. Purpose

It is the policy of California Polytechnic State University (Cal Poly) and its auxiliaries (Auxiliaries), unless otherwise noted and together referred to as 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 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 and serves a bona fide business purpose. The policy also addresses meals served to employees and meals provided to prospective students and employees.

III. Scope

This policy governs the appropriate use of CSU Operating Fund (485), state 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. This policy is in conformance with the Trustees of the California State University for campuses and auxiliaries, and per Education Code §42402 each auxiliary shall operate in conformance with the policy of the Board of Trustees and its campus. The University will comply with additional restrictions when established by funding sources.

IV. Definitions

**Approving Authority** – a person to whom authority has been delegated in writing to approve hospitality expenses for meals, light refreshments, and other amenities described within this policy. The approving authority must hold a minimum employment classification of Department Head, Department Chair, Management Personnel Plan (MPP) or higher. See section VIII for more information on approval of transactions.

**Auxiliary or Auxiliaries**-- the recognized auxiliary organizations at Cal Poly include Cal Poly Corporation, California Polytechnic State University Foundation, and Associated Students Inc.

**Auxiliary Funds** – funds maintained by each Auxiliary for its authorized business purposes and those funds managed by the Auxiliary for others.

**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 bona fide 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. Service expenditures related to showcasing the talent of students or employees are considered a regular business expense and are not governed by this policy.

**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 with anticipated gross receipts of greater than $5,000 must comply with the [CSU Policy on Fundraising Events](#) and require prior approval from University Advancement.

Fundraising events do NOT include the following:

- Activities substantially related to the accomplishment of the mission of the University, 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** – an item 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 University business purpose. Gifts should not exceed a value of $100.

**Hospitality** – activities such as Employee Meetings, Entertainment Services, service recognition, and Fundraising Events intended to promote the mission of the University to the public with the expectation of benefits accruing directly or indirectly to the University. Hospitality expenses include, but are not limited to such things as the provision of meals (catered or restaurant) or light refreshments (beverages, hors d’oeuvres, pastries and cookies), Promotional Items, Gifts, and Awards.

**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 University employee or Auxiliary governing board member who hosts guests at a meeting, conference, reception, activity, or event for the active conduct of University business.

**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 another work
location, students, donors, recruitment candidates, volunteers, members of the community, or media representatives.

**Operating Fund (CSU Fund 485 e.g. SL001)** – state appropriation of general tax revenue and student fee revenue for state-supported instruction and related programs and operations.

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

**Promotional Items** – tangible items that display the name, logo or other icon identifying the University such as a keychain, coffee mug, calendar, or clothing. The value of promotional items should not exceed $100.

**Trust or Agency Funds** – fiduciary funds held by the University in a purely custodial capacity (assets equal liabilities) for individuals, private organizations or government units. Trust or agency funds held by the University 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.

V. Allowable Hospitality 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. 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
  - Supporting documentation must include an itemized receipt

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, verification that no personal benefit to University employees will be
derived, the availability of funds from allowable sources, and any alternatives that would be equally effective in accomplishing the desired objectives. Additionally, the Approving Authority should authorize hospitality expenses via a Hospitality Authorization Form in order to ensure in advance that the amount and funding source are appropriate for the type of hospitality being conducted.

Following are examples of occasions when the provision of hospitality is permitted in accordance with allowable funding sources. All such occasions must serve a bona fide University business purpose:

- The University hosts or sponsors business meetings that are directly associated with the mission of the University, in promoting a University program or activity
- The University hosts Official Guests, including employees visiting from another work location, students, donors, visitors, volunteers and other individuals with an interest in the University, including individuals being recruited for employment
- 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, professional organization or student organizations and groups, student events such as commencement exercises, and events or meetings of other University related groups such as alumni groups
- The University hosts community relations or fundraising events (as defined) 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 under certain circumstances if the expenses occur infrequently and are reasonable and appropriate to the business purpose. Meals or light refreshments provided to employees solely for their convenience or where a personal benefit is derived are considered taxable income by the IRS and are therefore not permitted under this policy.

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

Meals or light refreshments provided in the course of a business meeting must be modest and reasonably priced. Where meals are involved, they must be necessary and integral part of the business meeting, and not a matter of personal convenience, e.g., the cost of meals for employees from the same work location may be reimbursed if a working lunch is included as part of a scheduled meeting.
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

**Maximum Per-Person Rates for Meals and Light Refreshments**

The University sets a maximum per person rate for breakfast, lunch and dinner, inclusive of the total cost of food, beverages, labor, sales tax, delivery fees or other service fees. 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. See Section I for the maximum per person rates for meals.

**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 include ceremonial functions, fundraising events, alumni gatherings, athletic events, and community events. An agenda, invitation or similar documentation should be included with the payment record. Hospitality expenses for spouses and domestic partners require additional approvals (see section VII B.).

**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 National Collegiate Athletic Association.
VI. Prohibited 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 regardless of the University or auxiliary funding source. Examples include, but are not limited to, bottled water or coffee service for employees (an exception may be made when drinkable water is not available), and employee birthdays, weddings, anniversaries, and baby showers, as these are not official University functions. 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.

Gifts, Promotional Items or Awards under $100

Gift cards or gift certificates for general merchandise are considered cash equivalents regardless of dollar amount or funding source and are always taxable and should not be purchased for hospitality purposes. In most cases any Gift, Award, or Promotional Item is taxable if it exceeds $100 and will be included in the recipient’s income. Departments are encouraged to use Promotional Items (as defined in this policy) with a value of less than $100 to reward or incentivize individuals. Alternatively, gift cards or certificates redeemable for a specific item of property or merchandise may be used and will not be considered taxable income to the recipient as long as the value does not exceed $100, and it is infrequently provided to an individual.

Based on Chancellor’s Office guidance, general merchandise or cash equivalent gift cards should not be purchased for hospitality purposes regardless of dollar amount or funding source. However, gift cards not to exceed $100 may be purchased from the University Store. University Store gift cards exceeding $100 are considered taxable to the employee and are included in the employee’s reportable wages.

Tobacco

No expenditures under this policy are allowed for the purchase of cigarettes, cigars, chewing tobacco, smokeless tobacco or any other product or concoction that may be considered a tobacco product by a reasonable and prudent person. Expenditures for tobacco products for the purposes of conducting an Auxiliary externally sponsored program are not covered by this policy.
Operating Fund (CSU Fund 485)
The following restrictions apply to the use of the Operating Fund:

- Operating Fund may not be used to pay for any expenditure prohibited by applicable laws, regulations, or agreements including the California Budget Act
- Operating Fund may not be used to pay for food and beverages for business meetings attended only by employees of the same work location
- Operating Fund may not be used to pay for alcoholic beverages, entertainment services, memberships in social organizations, or tobacco products
- Operating Fund may not be used to pay for gifts. There is a limited exception permitting the use of Operating Fund for gifts to federal officials under certain circumstances
- Operating Fund may be used to pay for promotional item expenditures, provided that the recipients of the promotional items are not employees
- 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 Funds (Cal Poly and Auxiliary Funds) (Funds other than CSU Fund 485)

Hospitality expenses may be charged to Other Funds controlled by Cal Poly or its Auxiliaries provided the expense serves a bona fide University 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 (excluding Federal funds), 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 in a purely custodial capacity (assets equal liabilities) on behalf of third parties are subject to applicable laws and the written agreements applicable to the funds with regard to any hospitality expenditures.
VII. Approving Authority Levels required for Hospitality Expenditures

A. In order to pay or reimburse hospitality expenses the following approvals are required. All requests for purchases and reimbursements that include hospitality related expenses shall be approved by an employee at least one level up the administrative reporting line (“Next Level Approving Authority”) with a minimum classification level commensurate to Cal Poly Department Head (depending on the funding source), Department Chair, manager, division head, Auxiliary manager or MPP, using existing Cal Poly and Auxiliary business processes and delegations of authority*. Note to requestors: each method of procurement (e.g. purchase requisitions, procurement card and Direct Buy Form) has specific restrictions and limitations. The Next Level Approving Authority must be an authorized signer on the fund.

In order to ensure best business practices with regards to the approval process, those delegated Approving Authority cannot approve transactions reimbursing themselves, expenses of a person to whom they report, or approve expenses of a spouse or family member. An exception is that the Chief Financial Officer of the University shall have the authority to approve the expenses of executive level employees.

* Hospitality events that total less than $250 can be approved by the requestor and do not require a minimum employment classification. Hospitality event with expenses totaling $250 or more require approval from an approving official with the minimum employment classification listed above (Section VII. A.)

B. Additional Approving Authority such as a Vice President or Auxiliary executive director or above is required for the following types of hospitality expenditures. University retains the authority to request the approval of a Vice President or Auxiliary executive director or above for any hospitality expense.

1) recreational, sporting or entertainment events with a value greater than $100 (per recipient)
2) any hospitality expenditure for a spouse or domestic partner of an employee
3) exceeding the maximum per person rates as defined in Section I. sub-bullet (1)

C. Requests for payment of Gifts, Awards, or Promotional Items with a value of $100 or more that are provided to state employees from state funds must be reviewed in advance by the Director of Fiscal Services/University Controller or designee, or by the Auxiliary financial administrator if paid from Auxiliary funds to Auxiliary employees, for conformance with this policy and to determine the income tax reporting requirements, if any.

D. Requests for payment of Gifts, Awards, or Promotional Items valued at $600 or more that are provided to non-employees must be reviewed in advance by the Director of Fiscal Services/University Controller or designee if paid from state funds or by the Auxiliary financial administrator if paid from Auxiliary funds for conformance with this policy and to determine the income tax reporting and withholding requirements, if any.
E. Payment or reimbursement for attendance at a community relations activity or fundraising event must include documentation of the individual’s names, affiliations, and direct or indirect benefit to the University to be derived from the expense.

F. When appropriate and necessary, the President or their designee may make limited exceptions to the hospitality policy. The purpose of any exception must be documented and signed by the President or their designee.

VIII. Approval and Payment Request Process

A. The Hospitality Authorization Form should be reviewed and approved by the fund signatory and the Next Level Approving Authority prior to the expenditure.
B. For payment, submit the payment request or requisition form along with the Original Itemized Receipts and the approved Hospitality Authorization Form.
C. The payment request or requisition form requires the approval of the fund signatory and the Next Level Approving Authority.

Note: Purchases of hospitality related goods or services from the Cal Poly Corporation that will be billed to the University using a chartfield should include submission of a Hospitality Authorization Form at the time goods or services are ordered. For example, if a department is buying lunch at Sage restaurant they should submit a Hospitality Authorization Form to Sage. This requirement should apply to all Cal Poly Corporation providers of hospitality goods and services, including but not limited to the following:
   i. Plant Shop
   ii. Campus Dining locations
   iii. Campus Catering
   iv. Cal Poly Meats

IX. Authoritative References

- California Education Code on the authorities of the Trustees (Sections 66600, 89030, and 89035)
- California Education Code and Title 5 regarding campus community relations fund (Section 89044 and Sections 41600 and 41601, respectively)
- Title 5 regarding the authority of the campus president to require auxiliary organizations to operate in conformance with campus policies (Section 42402)
- Integrated CSU Administrative Manual Policy Number 1301.00 – Hospitality, Payment or Reimbursement of Expenses
- IRS Publication 15 on fringe benefit income (www.irs.gov)
Revisi on History

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