OP 72.05: Expenditures for Official Functions, Business Meetings, and Entertainment

DATE: March 18, 2015

PURPOSE: The purpose of this Operating Policy/Procedure (OP) is to establish rules governing the appropriate use of university funds for official functions, business meetings, and entertainment.

REVIEW: This OP will be reviewed in July of even-numbered years by the managing director, the chief procurement officer of Procurement Services, the financial director of Payroll and Tax Services, and the chief payroll officer, and the Office of Research, the chief accounting officer of Accounting Services, the office of managerial reporting services, and the chief financial officer, and the Office of Research, the chief financial officer, and the chief financial officer (CFO/VPA&F).

AUTHORITY AND APPLICABILITY

This OP follows the tax rules set forth by the Internal Revenue Service (IRS) (see IRS Publication 463 for more information). In the event that the IRS rules change or there is a discrepancy between this OP and the IRS rules, any rules set forth by the IRS that are more restrictive than this OP will prevail.

POLICY/PROCEDURE

1. Definitions

   a. Expenditures for Official Functions, Business Meetings, and Entertainment

      Expenditures include food for meals or light refreshments, beverages, and related services (e.g., labor charges, room rental, equipment rental, decorations, flowers, business meetings, entertainment, and similar expenditures) incurred in connection with events, official functions, business meetings, and entertainment that are primarily in support of the university’s mission.

   b. Official Functions

      Official functions are established events held for the purpose of achieving the university’s mission. Generally, official functions include recognized annual events for the purpose of
institutional enhancement such as institutional receptions, retreats, training, retirement/separation events, and annual galas.

e. Business Meetings

Business meetings should be directly related to the conduct of official university business and generally should occur to support employee time and productivity. There must be a clear and specific business purpose identified. At least one non-Texas Tech University System employee must be present at any business meeting as an attendee. For example, a luncheon with a prospective faculty member would qualify, but a luncheon between two current faculty members would not. A clear business purpose of the meeting must be provided in order to be reimbursed.

d. Entertainment

Entertainment generally occurs to support a future benefit to the university. Examples include expenses for faculty recruitment and for cultivating potential donors or relationships.

e. Appropriate and Reasonable

Expenditures (as “events” in this policy) must have a clearly stated business purpose and benefit the mission of Texas Tech University TTU/TTUS. The reasonableness of an expenditure depends on many relevant factors, but departmental and university TTU/TTUS budgets, the fiduciary responsibilities of being a public institution, and sharing information publicly to taxpayers, donors, and the media should be considered. The purpose must be clearly documented prior to any reimbursement or payment.

This policy does not apply to personal meals and entertainment while an employee or student is in travel status.

POLICY/PROCEDURE

1. Definitions

a. Business Meetings must be directly related to the conduct of official TTU business and be reasonable. These events shall be coded as 7N4004.

b. Entertainment Events are social events generally to support a future benefit to TTU or cultivating potential donors or relationships (i.e. legislative, vendor, research). These events are typically coded as 7N4005, but the department should consult the account code guidelines.

c. Official Functions- Events held for the purpose of supporting TTU’s mission as classified as official functions. Generally, official functions include recognized events for the purpose of institutional enhancement such as receptions/banquets, retreats, recruitment, training events, student supporting events, and annual galas. These events shall be coded as 7N4005, except for recruiting events which are coded as 7N4009.
3. Annual Events - Each department is permitted one annual employee appreciation event (ex., holiday party, annual picnic, etc.) subject to this policy. A spouse or partner of the employee may attend the appreciation event. These events shall be coded as 7N4003.

c. Retirement/Separation Events - Reasonable expenditures for parties to honor the service of employees upon their retirement or for a separation with TTU for employees in good-standing and with service exceeding ten years are allowable if permitted on the funding type. Retirement events shall be coded as 7N4001 and separation events coded as 7N4003.

d. Conferences – Conferences hosted by TTU on any TTU campus must comply with the requirements of this policy. Conference expenditures shall be coded as 7N4002. Employee attendance at a conference not hosted by TTU shall follow the Travel policies and are not subject to this operating policy.

g. Recruiting Events – includes expenditures related to student recruitment. Recruiting event expenditures shall be coded as 7N4009.

h. Request for Food or Entertainment Expenditures Form is to be used to document compliance with and necessary approvals required by this OP. It can be found here: https://www.depts.ttu.edu/procurement/forms/documents/food/procurement-food-entertainment-expenditures-request.pdf

2. Sources of Funds

a. Appropriated Funds

According to the Texas Constitution and the General Appropriations Act, appropriated funds cannot be used for expenditures for official functions, business meetings, or entertainment.

b. Food and entertainment expenditures defined by this policy are prohibited on appropriated funds (11, 12, 13, & 14).

b. Sponsored Projects

Food and beverage expenses

Expenditures charged to sponsored projects must comply with state and federal regulations to Sponsored Projects and Cost Share Funds (21, 22, & 23). Generally, entertainment, food, tobacco, or alcohol expenses are not allowed on sponsored project funds.

c. Institutional Funds

Institutional funds may only be used for expenditures for official functions, business meetings, or food and entertainment expenditures if such expenditure enables the university expenditures enable TTU to carry out its educational/research mission and serves to promote higher education in the state of Texas; however, such expenditures must be
appropriate and reasonable. Institutional funds may be used for such expenditures only when not otherwise restricted from such purposes, and may not exceed any dollar thresholds established by TTU policies.

d. Foundation and Gift Funds

Foundation and gift funds may be used for food and entertainment expenditures; however, such expenditures must be appropriate and reasonable. Foundation and gift funds may be used for events only as specifically authorized in the gift agreement and only to the extent and for the purpose so authorized.

3. Allowed Expenditures

a. Maximum Rates

<table>
<thead>
<tr>
<th>Expenditure Type</th>
<th>Maximum Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Breakfast (prior to 10:30 AM)</td>
<td>$20.00</td>
</tr>
<tr>
<td>Lunch (between 10:30 AM and 3:00 PM)</td>
<td>$30.00</td>
</tr>
<tr>
<td>Dinner (after 3 PM)</td>
<td>$40.00</td>
</tr>
<tr>
<td>Light refreshments</td>
<td>$15.00</td>
</tr>
</tbody>
</table>

Further clarification on the funding restrictions for events can be found on the Expenditure Allowability Matrix. Exceptions must be reviewed and approved by the CFO/VPA&F or his/her designee to determine if the expenditures are appropriate and reasonable.
The maximum per-person expenditure amount listed above includes the cost of the food, beverages, alcohol, labor, and sales tax (if applicable). Gratuities, delivery charges, and other service charges are not included in the per-person amount but are subject to the limitations herein. The charges of room rental, room setup fees, media rental, decorations, and related expenses are not included in the per-person costs. If a reception before an event includes beverages/alcohol and hors d’oeuvres, the combined charges for the reception and the event should be treated as a single event for purposes of calculating per-person costs.

Food and entertainment expenditures for donors and distinguished guests hosted by the chancellor’s or president’s offices are not subject to the meal per-person rates listed above, but must support the related business purpose. Supporting documentation must be kept on file in the department for audit purposes and may be subject to open records policies.

Gratuities—gratuities are included in the maximum per-person expenditure limits. Gratuities will be limited to the greater of 20% of the cost on the ticket/receipt or the rate mandated by the venue/restaurant (if applicable). An exception form will not be required for gratuities that are within $5.00 of the gratuity limit.

Expenditures considered taxable income to an employee in accordance with IRS regulations will not be paid by TTU. Expenditures are considered taxable income if:

a. The activity is not directly related to the employee’s job;

b. The expense is lavish or extravagant under the circumstances;

c. The official host (or other designated host) is not present when the activity takes place;

d. The expense is not substantiated with supporting documentation (except as permitted by this policy); and

e. Spouse/partner/dependent attendance is for purely personal or social purposes (except as permitted by this policy).

Food and entertainment expenditures associated with personal events other than retirement and separation events do not support a university business purpose and shall not be paid or reimbursed by TTU.
b. Food and entertainment expenditures associated with faculty, staff, and student training events will be allowable to the extent the expenditures comply with TTU policies, there is a supporting training agenda, and the expenditures are allowable on the funding type. A food form must be submitted documenting the business purpose of the training.

Other than the department’s annual employee appreciation event, food and entertainment expenditures associated with faculty, staff, and student training events will be allowable to the extent the expenditures comply with TTU policies, there is a supporting training agenda, and the expenditures are allowable on the funding type. A food form must be submitted documenting the business purpose of the training.

e. Each department is allowed one Other than the department’s annual employee appreciation event. Spouses/partners will be allowed at the annual event. No additional guests may be present. The per person expenditure is limited to a total cost not to exceed the amounts provided in section 3.a. above.

f. Meals, food and entertainment expenditures provided to a spouse or partner, family member, or other person accompanying a University TTU employee (“Guest”) will be permitted only when there is a substantial and bona fide justifiable business reason for that person’s attendance. The exception form is required when a spouse is present except at an annual departmental event provided for in 3 (e).

g. To constitute a bona fide business purpose, the presence of the spouse/partner/Guest must perform essential, not just beneficial, to the employee being able to carry out their business-related functions and their attendance is necessary to carry out their business purpose for the university, the duties of the employee. The spouse/partner/Guest’s performance of incidental services of a social or clerical nature does not make it constitute a bona fide business expense. The spouse/partner must perform substantive business-related functions.

Alcohol

(1) The degree to which the dominant purpose of the event is to aid the employee’s business purpose of promoting the university’s objectives;

(2) Whether the spouse’s/partner’s presence at the event is necessary to effectively carry out the duties of the employee, and

(3) The extent to which the spouse’s/partner’s presence at the event is to provide more than incidental business-related services to the employee.

c. The sale and service of alcohol will be permitted only when the funding source is not otherwise restricted from such purpose, there is a justified business purpose, and the expenditure are within reasonable amounts and limits. Alcohol service and use must comply with the Texas Alcohol Beverage Code (2017). Employees compensated with appropriated funds may not consume alcoholic beverages during normal business hours in accordance with Texas Government Code §2113.012 and §2113.101. The requirements of this section apply to expenditures at events where alcohol is paid for by TTU.
The requirements of this section apply to expenditures at events where alcohol is paid for by TTU or the TTU System, where there is a cash bar, and/or where alcohol is served on a complimentary basis.

Departments may provide alcohol at events only in compliance with Texas Alcoholic Beverage law and in compliance with Texas Alcoholic Beverage Commission (“TABC”) requirements and in the following circumstances:

1. When the purpose of the event is to enhance business relationships or partnerships;

Alcohol must be served outside of normal business hours (8:00 AM - 5:00 PM local time - Monday through Friday):

(a) When undergraduate students shall not be present at events on any TTU campus, unless an exception has been granted in writing by the Office of the President prior to the event;

(b) When the funding source is not otherwise restricted from such purpose; and

(c) When the purpose of the event is to enhance business relationships or partnerships.

(8)(2)(d) Alcohol will not be allowed permitted at any Student Government Association (SGA) events;

(2) For the Lubbock campus, The Texas Tech Club, Top Tier, Ovations, The Rawls Golf Course (Troon Texas Holdings), and Skyviews are the only approved vendors for the sale and service of alcohol at events held on either the TTU or TTUHSC campuses in Lubbock.

For all other events, vendors/caterers must meet, at a minimum, the following criteria:

1. The purpose of the event is to enhance relationships or partnerships;

2. The vendor (caterer or server) must be properly licensed by the TABC to serve or sell alcohol and provide proof of licensure;

3. All vendor employees must be TABC certified and follow regulations concerning the serving and sale of alcohol;
The vendor must provide security services in accordance with TABC requirements and TTU policies for all events where alcohol is served on any TTU campus.

(6) The vendor is required to carry liquor liability insurance if the vendor is operating a business that distributes, sells, or serves alcoholic beverages or if its activities require a liquor license. They must provide security services in accordance with TABC requirements and TTU policies for all events where alcohol is served on any TTU campus.

(7) The vendor shall maintain liquor liability insurance that includes TTU System and its Board of Regents officers, employees, agents, and volunteers as additional insured parties.

The following minimum limits are required:

- Each Occurrence $1,000,000
- Aggregate $2,000,000

The policy and each renewal must be submitted to Procurement Services at insurance.certificates@ttu.edu.

There is a fully executed event agreement between the parties that contains a clause indemnifying TTU and/or TTUS along with insurance requirements and that is reviewed and approved by the TTU Contracting Office.

(8) It is inappropriate to expend funds for personal consumption during the routine day-to-day operations.

(9) The Sales and Service of Alcoholic Beverages Approval form should be submitted annually to the Office of the President for the following venues that conduct regular catered events where alcohol may be sold and serviced:

i. Top Tier catered events hosted at McKenzie Merket Alumni Center or Frazier Pavilion;
ii. Top Tier catered events hosted at the Museum or NRHC;
iii. Skyviews Restaurant;
iv. Troon Texas Holdings LLC (Rawls Golf Course);
v. Texas Tech Club at Jones AT&T Stadium; and
vi. Spectra catered events at United Spirit Arena or Jones AT&T Stadium.

Any areas supported by TTU funding desiring to obtain a TABC license must obtain written approval from the CFO/VPA&F before a TABC application is submitted. Any other agreement to license sales of alcoholic beverages by a third-party vendor on a term or multi-event basis shall be compliant with...
procurement and contracting policies and be approved in writing by the
President. Before the approval is granted, the President shall notify the
Chancellor and the Board of Regents.

Approvals: All alcohol purchases and consumption must comply with OP 10.04, Drug-Free
Schools and Communities Act.

4. Approvals

a. Required Approvals

4. 

a. Supervisor Approval

To ensure proper internal controls, the approving authority of all
food and entertainment expenditures must be the financial manager/approver of the FOAP
and the supervisor or someone at a higher-level classification of the person sponsoring
the event.

b. Department Review

Each department head or his/her designee is responsible for reviewing all transactions related
to official functions, business meetings, and entertainment and ensuring the expenditures are
appropriate and allowable on the funding source used and are properly documented. When
the department head is present at any official function, business meeting, or Higher-level
classification approval is not required on food and entertainment event. Events/forms for
events hosted by the next administratively superior supervisor shall review chancellor and
approve the transaction president.

b. 5. Approval

Food and entertainment expenditures must comply with Top Tier Catering requirements,
TTU PCard policies, TTU travel policies, or Operating Policy 72.09 Procurement of Goods
and Services, as applicable.

10.5 Documentation/Substantiation Required

a. Original, itemized invoices are required for
each applicable
expenditure.

b.
b. In accordance with IRS documentation codes, there must be adequate records and sufficient evidence for all food and entertainment expenditures including:

(1) Type of event (business meeting, entertainment, official functions, annual event, etc.);

(2) Date
(2) Time, date, and location of the event;

(3) If alcoholic beverages are served, supporting documentation for related expenditures;

(3)(4) Total cost of the event, with food, gratuity, other charges, and alcohol itemized separately;

(4) Number of participants with a list of each guest’s name, title, and affiliation to TTU, the business-related relationship (if the number of guests exceeds twenty-five, provide a list of the types of attendees and their affiliation to TTU);

(5) Business-related nature of the occasion or purpose of the event;

(6) Signature and name of the approving authority; and

(7) Additional supporting information as required or requested.

c. Official functions, business meetings, or

6. Exceptions and Limitations

a. Any expenditures that do not comply with this policy, regardless of funding source, must have written approval from the TTU CFO/VPA&F or the TTU System vice chancellor and chief financial officer or their designees prior to incurring the expense. Approval documentation must be submitted along with the requisition for vendor payment, reimbursement, pcard reconciliation, and/or travel voucher.

b. Food and entertainment expenditures while in travel status may be submitted on the employee’s travel voucher or procurement card with a completed Request for Food or Entertainment Expenditures. The form must list all attendees. Please note, participants will not be allowed to claim per diem or meal expenses for that meal on their travel voucher Request for Food or Entertainment Expenditures form (Exhibit A). TTU employees will not be permitted to claim per diem or meal expenses when an expenditure is submitted.
on a travel voucher. Expenditures while in travel status are not subject to this policy; however, the expenditures must be reasonable and compliant with travel policies. Itemized receipts will be required for reimbursement or pcard reconciliations.

Food and entertainment expenditures for a single individual are not permitted except those that occur:

a. Any reimbursements or expenditures that do not comply with this policy, regardless of funding source, must have written approval from the university vice president for administration and finance and chief financial officer or the TTU System chief financial officer prior to incurring the expense. Approval must be documented on the Exception Form for Food or Entertainment Expenditures.

c. Food and entertainment expenditures for a single individual are not permitted except those that occur in travel status.

d. Food and entertainment expenditures, benefitting four or more individuals, which do not exceed $20.00, are not subject to food form requirements or the other provisions of this policy, except for alcohol expenditures. All alcohol expenditures, regardless of dollar amount, shall comply with this policy. Department shall maintain receipts for these food and entertainment expenditures for audit purposes.

e. The purchase of bottled water, coffee, tea, or other beverages for employee consumption is exempt from this policy. These purchases will only be allowed on funds that permit this type of expenditure and must comply with TTU contracts found at https://www.depts.ttu.edu/procurement/resources/how-to-
https://www.depts.ttu.edu/procurement/resources/how-to-
https://www.depts.ttu.edu/procurement/resources/how-to-
guides/documents/purchasing/procurement-coke-products-purchasing.pdf

Attachments to this OP are located at http://www.depts.ttu.edu/procurement/forms under “Food Forms.”

7. Reporting

a. A quarterly report of food and entertainment expenditures for all departments will be sent to all vice chancellors, vice presidents, the provost, vice provosts, and deans.