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 directors of Procurement Services, Financial Services and Tax, and the Office of Research Accounting with substantive revisions forwarded to the assistant vice president for financial and managerial reporting services and the vice president for administration and finance and chief financial officer.

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, 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, entertainment, and similar expenditures) incurred in connection with 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 events for the purpose of institutional enhancement such as institutional receptions, retreats, training events, and annual galas.

   c. 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 must have a clearly stated business purpose and serve the mission of the university. The reasonableness of an expense depends on many relevant factors, but departmental and university 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.

2. 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. Sponsored Projects

Food and beverage expenses charged to sponsored projects must comply with federal regulations and TTU OP 65.08, Direct Charging to Sponsored Projects and Cost Share Funds. Generally, entertainment, tobacco, or alcohol expenses are not allowed on sponsored projects.

c. Institutional Funds

Institutional funds may only be used for expenditures for official functions, business meetings, or entertainment if such expenditure enables the university to carry out its educational 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.

d. Foundation and Gift Funds

Foundation and gift funds may be used for expenditures for official functions, business meetings, or entertainment; however, such expenditures must be appropriate and reasonable. Foundation and gift funds may be used for official functions, business meetings, and entertainment expenditures 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**

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<tr>
<td>Breakfast</td>
<td>$20.00</td>
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<tr>
<td>Lunch</td>
<td>$30.00</td>
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<tr>
<td>Dinner</td>
<td>$50.00</td>
</tr>
<tr>
<td>Light refreshments</td>
<td>$15.00</td>
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   The maximum per-person expenditure amount is as follows:

   The maximum per-person expenditure amount listed above includes the cost of the food and beverages, labor, sales tax (if applicable), gratuities*, delivery charges, and other service fees. If a reception before a meal includes beverages and hors d’oeuvres, the combined charges for the reception and the meal should be treated as a single event for purposes of calculating per person costs. The costs of room rental, room setup fees, media rental, and decorations, etc., are not included in the per-person costs unless those costs cannot be separated by the vendor.

   *Gratuities – gratuities are included in the maximum per-person expenditure limits. Gratuities will be limited to 20% of the cost of the meal and other charges detailed above. If mandatory gratuities are applied by the vendor are greater than 20%, then the vendor’s gratuity rate will be allowed.

   b. **No official function, business meeting, or entertainment expenditure that is considered taxable income to an employee will be reimbursed or paid by the university.** Business and entertainment meals are considered taxable income if:

   1. The activity is not directly related to the employee’s job
   2. The expense is lavish or extravagant under the circumstances
   3. The official host (or other designated host) is not present when the activity takes place
   4. The expense is not substantiated with supporting documentation
   5. Spouse/partner/dependent attendance is for purely personal or social purposes

   c. Costs associated with birthdays, wedding showers, baby showers, administrative assistants days, and other individual parties are considered personal expenses and are not allowable.

   d. Reasonable expenditures for parties to honor the service of long-term employees upon their retirement are allowable with institutional funds.

   e. Each department is allowed one annual party/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 provided to a spouse/partner, family member, or other person accompanying a university employee will be permitted only when there is a substantial and bona fide 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 (c).

To constitute a bona fide business purpose, the presence of the spouse/partner must be essential, not just beneficial, to the employee being able to carry out his/her business purpose for the university. The spouse’s/partner’s performance of incidental services of a social or clerical nature does not make it a bona fide business expense. The spouse/partner must perform substantive business related functions.

A determination of whether an employee’s spouse/partner serves as a bona fide business purpose is based on the following criteria:

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.

g. The sale and service of alcohol will be permitted only when the funding source is not otherwise restricted from such purpose and within reasonable amounts/limits.

1. Alcohol may only be sold or served on campus at appropriate events and functions with the prior written approval of the Office of the President or the Office of the Chancellor per OP 61.02.

   For events held off campus, permission is not required from the Office of the President or the Office of the Chancellor. Departments must utilize funding that allows the purchase and service of alcohol and must have a justified business purpose.

   Departments can provide alcohol at departmental events only in the following circumstances:

   a. When undergraduate students will not be present, unless an exception has been granted in writing by 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.

   d. Alcohol will not be allowed 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:

(a) Alcohol can be served or sold only by vendors properly licensed by the Texas Alcoholic Beverage Commission (TABC) to serve or sell.

(b) All servers must be TABC certified and follow the TABC rules concerning the serving and sale of alcohol.

(c) The vendor is required to provide proof of licensure and shall ensure all servers are TABC certified.

(d) 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 maintain liquor liability insurance that includes TTUS and its Board of Regents officers, employees, agents, and volunteers as additional insured. The vendor shall carry the following limits of liquor liability as required below:

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<th>Amount</th>
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<tbody>
<tr>
<td>Each Occurrence</td>
<td>$1,000,000</td>
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<tr>
<td>Aggregate</td>
<td>$2,000,000</td>
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The policy must be submitted and kept on file in the Procurement Services department. All policies must have a 30-day notice of cancellation provision.

(e) The event agreement from the vendor/caterer must contain a clause indemnifying TTU and TTUS along with evidence of insurance compliant with current TTU and TTUS standards.

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

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

4. Approvals

a. Required Approvals

To ensure proper internal controls, the approving authority should be the individual’s supervisor or someone at a higher-level classification than 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 entertainment event, the next administratively superior supervisor shall review and approve the transaction.
5. **Documentation/Substantiation Required**

a. Original, itemized invoices and/or receipts are required for each applicable purchase and for any official functions, business meetings, and entertainment expenses.

b. In accordance with IRS documentation codes, there should be adequate records and sufficient evidence for all official functions, business meetings, and entertainment expenses including:

   1. Type of event (donor entertainment, business dinner, etc.);
   2. Date and location of the event;
   3. Total cost of the event;
   4. Number of participants with a list of each guest’s name, title, and affiliation to the university, which establishes a business-related relationship (if the number of guests exceeds twenty-five, provide a list of the types of attendees and their affiliation to the university);
   5. Business-related nature of the occasion or purpose of the event;
   6. Signature and printed name of the approving authority; and
   7. Additional information as required by Procurement Services or Top Tier Catering.

c. Official functions, business meetings, or 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.

6. **Exceptions**

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.

b. The purchase of bottled water and coffee or tea for employee consumption is exempt from this policy and allowable on institutional funds only. These purchases must comply with university contracts found at http://www.depts.ttu.edu/afism/AFISMformrepository/ProcurementDept/PurchasingAndContracting/howToGuides/Purchasing%20Coca-Cola%20Products.pdf.

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