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

DATE: September 17, 2020

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 odd-numbered years by the Chief Procurement Officer, the Chief Payroll Officer, and the Chief Accounting Officer with substantive revisions forwarded to the Chief Financial Officer and Vice President for Administration & Finance (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.

Expenditures for business meetings, entertainment events, official functions, annual events, retirement/separation events, conferences, and recruiting events hosted by TTU (collectively referred to as “events” in this policy) must have a clearly stated business purpose and benefit the mission of TTU/TTUS. The reasonableness of an expenditure depends on many relevant factors, but departmental and TTU/TTUS budgets, the fiduciary responsibilities of being a public institution, and sharing information publicly to taxpayers, donors, and the media shall 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 are 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.

d. **Annual Events** – Each department is permitted one annual employee appreciation event (e.g., 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.

e. **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.

f. **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**

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

   b. **Sponsored Projects**

      Expenditures charged to sponsored projects must comply with state and federal regulations, TTU OP 65.08, Direct Charging 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 food and entertainment expenditures if such expenditures enable TTU to carry out its educational/research mission and serve to promote higher education; however, such expenditures must be appropriate and reasonable. Institutional funds may be used for 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.

e. Designated Funds

Designated funds may not be used for any food and entertainment expenditures, except for expenditures that primarily involve students (e.g., commencement, student recruitment, student job fairs, etc.).

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.

3. Allowed Expenditures

a. Expenditure Limits

The maximum per-person food and entertainment expenditure amount for any events is as follows:

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<tr>
<td>Breakfast (prior to 10:30 a.m. local time)</td>
<td>$25.00</td>
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<tr>
<td>Lunch (between 10:30 a.m. and 3:00 p.m. local time)</td>
<td>$40.00</td>
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<tr>
<td>Dinner (after 3 p.m. local time)</td>
<td>$75.00</td>
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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 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.

b. Expenditures considered taxable income to an employee in accordance with IRS regulations will not be paid by TTU. Expenditures 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 (except as permitted by this policy); and

(5) 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.

c. 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.

d. Other than the department’s annual employee appreciation event, food and entertainment expenditures provided to a spouse or partner, family member, or other person accompanying a TTU employee (“Guest”) will be permitted only when there is a justified business purpose for that person’s attendance. To constitute a bona fide business purpose, the Guest must perform essential business related functions and their attendance is necessary to carry out the duties of the employee. The Guests’ performance of incidental social or clerical services does not constitute a bona fide business expense.

e. Alcohol

* Substantive revisions to section 3.e. must be submitted to the Board of Regents for approval in accordance with section 08.07.5, Regents’ Rules.

Any sales or complimentary service of alcoholic beverages shall comply with this OP and any federal, state, and local laws regarding the possession, consumption, and distribution of alcoholic beverages. The requirements of this section apply to expenditures at events where alcohol is paid for by TTU or the TTU System.

Any event in which alcoholic beverages are to be served on a complimentary basis shall be pre-approved in writing by the head of the respective office or department sponsoring the event.
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 is within reasonable amounts and limits. Alcohol service and use must comply with the Texas Alcoholic 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.

All service of alcoholic beverages at any TTU or TTUS event shall be provided by a caterer or server(s) in compliance with Texas Alcoholic Beverage Commission ("TABC") requirements and in the following circumstances:

1. Alcohol must be served outside of normal business hours (8:00 a.m. – 5:00 p.m. local time – Monday through Friday);
2. Undergraduate students shall not be present at events where alcoholic beverages are served on any TTU campus, unless an exception has been granted in writing by the Office of the President prior to the event. Alcohol will not be permitted at any Student Government Association (SGA) events;
3. The purpose of the event is to enhance relationships or partnerships;
4. The vendor (caterer or server) must be a third-party vendor or Top Tier Catering or other approved, internal TABC permit holder and be properly licensed by the TABC to serve or sell alcohol and provide proof of licensure at all times;
5. The vendor must be approved by the Procurement Services department and must also be approved in writing by the head of the sponsoring office;
6. All vendor employees must be TABC certified and follow all local and state regulations concerning the serving and sale of alcohol;
7. 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;
8. 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:

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<th>Type</th>
<th>Amount</th>
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<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 and each renewal must be submitted to Procurement Services at Procurement.insurancecerts@ttu.edu;

9. 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;
(10) Any agreement to license the sale of alcoholic beverages by a third-party vendor at or in conjunction with any intercollegiate athletic event at a TTU facility shall be approved by the Board of Regents. Any other agreement to license sales of alcoholic beverages by a third-party vendor on a term or multi-event basis shall be approved by the president of the component institution that is responsible for the facility or facilities involved. Before any such approval is granted, the President shall notify the Chancellor and the board of the proposed agreement.

(11) No department or office of the TTU system shall be licensed to sell alcoholic beverages unless such sales activity is a necessary component of the department’s or office’s approved academic curriculum (for example, the Department of Hospitality and Retail Management in TTU’s College of Human Sciences). Before any such application is submitted, the written approval of the department chair or head of the academic unit involved, the dean of the college or school, and the president of the respective component institution shall be obtained.

(12) 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:

(a) Top Tier catered events hosted at McKenzie-Merket Alumni Center or Frazier Pavilion;
(b) Top Tier catered events hosted at the Museum or NRHC;
(c) Skyviews Restaurant;
(d) Troon Texas Holdings, LLC (Rawls Golf Course);
(e) Texas Tech Club at Jones AT&T Stadium; and
(f) Spectra catered events at United Supermarkets 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.

4. Approvals

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. Higher-level classification approval is not required on food and entertainment events/forms for events hosted by the Chancellor and the President.
b. Approval

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

5. Documentation/Substantiation Required

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

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) Time, date, and location of the event;

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

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

   (5) 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);

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

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

   (8) Additional supporting information as required or requested.

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 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.
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. The 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-guides/documents/purchasing/procurement-coke-products-purchasing.pdf

7. Reporting

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.