

SECTION: **PROCEDURE STATEMENT - GENERAL AND ADMINISTRATIVE**

SUBJECT: **HOSPITALITY**

PURPOSE: Establishes a procedure that ensures hospitality expenses incurred on Otter Student Union business are done so in an appropriate and reasonable manner.

EFFECTIVE DATE: [Date]

HISTORICAL:

HOSPITALITY PROCEDURE

I.

A. This procedure governs the manner and extent to which Otter Student Union funds may be used to provide hospitality to employees, students, donors, guests, visitors, volunteers, and other individuals as part of an academic symposium; business meeting; meeting of a learned society, recreational, sporting or entertainment event; or other occasion that promotes the mission of the Otter Student Union. The procedure also addresses meals served to employees as part of a morale-building function and meals provided to prospective students and employees.

II. Scope

A. This procedure governs the appropriate use of Otter Student Union funds including sponsored program administration funds for hospitality activities unless legally exempted or otherwise restricted. Hospitality expenses (including memberships) may not be charged to grants and contracts accounts unless the expense has been approved by the sponsoring entity.

III. Authority

A. Integrated California State University Administrative Manual (ICSUAM) (symbol)1301

IV. Allowable Expenditures and Occasions

A. Hospitality expenses must be directly related to, or associated with, the active conduct of the Otter Student Union business. When an employee acts as an official host, the occasion must, in the best judgment of the 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 Otter Student Union funds.

V. Conformation to IRS Regulations

A. All hospitality expenses must conform to IRS regulations, including employee business meals or entertainment expenses. An employer's reimbursement of an employee business meal or entertainment expense may be considered taxable income to an employee 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 expense is not substantiated with supporting documentation.

VI. Evaluation by Approving Authority

A. 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, acceptable industry practice under like or similar circumstances and any alternatives that would be equally effective in accomplishing the desired objectives.

B. Examples of Permitted Activities:

1. The Otter Student Union (OSU) hosts or sponsors business meetings that are directly concerned with the welfare of the OSU or in promoting a OSU program or activity;
2. The OSU hosts official guests, including employees visiting from another work location, students, donors, visitors, volunteers and other individuals with an interest in the OSU, including individuals being recruited for faculty or staff positions;
3. The OSU is the host or sponsor of a meeting of a learned society or professional organization.
4. The OSU hosts receptions held in a connection with conferences, symposium, 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 OSU related groups such as alumni associations;
5. The OSU hosts community relations or fundraising events to promote goodwill, recognize distinguished service, or cultivate donors, collaborators and/or sponsors of OSU programs and activities;
6. The OSU hosts receptions for the benefit of the employee morale, employee recognition, or memorials. Positive employee morale is a valuable resource. Therefore, the guidelines allow expenditures supportive of employee morale (other than those identified as "unallowed"). The OSU relies on the judgment of the approving authority in this area as they are most capable of assessing the benefit to the OSU of such expenditures;

7. Representatives of the OSU participate in community outreach to enhance partnerships, promote goodwill, recognize distinguished service, or cultivate donors, collaborators and sponsors of projects.

C. Business Partners

1. Entertainment of business partners to solicit donor support should be restricted to those situations where (1) the OSU already has, through contract or purchase order, established the business relationships with the vendor; or (2) the OSU does not intend to do contractual business with the vendor. At the judgment of the approving authority, entertainment of vendors to establish or improve relationships dependent on personal interaction is allowable.

D. Special Rules for Employee Meetings and Recognition Events

1. Meals, and/or light refreshments provided to employees may be permitted if the expenses occur infrequently and are reasonable and appropriate to the business purpose. Meals, alcoholic beverages, and/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 procedure. Some general guidelines follow:
 - a) Meals, and or light refreshments should be limited to no more than twelve times per year, per group. The official host and approving authority are responsible for monitoring the frequency of events.
 - b) Meal or light refreshments provided to a group should be counted on an event basis, e.g., two-day meeting should be counted as one event in determining compliance with this procedure.
 - c) Meals, and/or light refreshments provided in the course of a business meeting must be modest and reasonably priced. 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:
 - (1) A meeting where there is scheduled speaker during the meal period;
 - (2) A meeting where the participants work through the meal period;
 - (3) Circumstances where it would be too time-consuming or disruptive for participants to take a meal break away from the meeting location.
2. In general, the OSU will not pay for or reimburse costs for meals taken with individual colleagues at the same work location unless a clear business purpose can be established and is specifically approved by the approving authority.
3. It is noted that employee events where it is appropriate to serve alcoholic beverages are very rare and should be carefully reviewed by the approving authority. Alcohol may be allowed when the Official Host is providing hospitality for an Official Guest(s) as defined in Expenditures for

alcohol outside of hosted events are personal expenditures and are not reimbursable.

4. This procedure establishes a maximum per person reimbursement rates for meals, alcoholic beverages and light refreshments, inclusive of tax and tip. See Appendix A.

E. Special Rules for Spouses and Domestic Partners

1. Hospitality provided to the spouse, domestic partner or other family member of an employee may be permitted when it serves a Otter Student Union business purpose. Their presence is considered to serve an OSU business purpose if they have a significant role in the proceedings or make 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 such as ceremonial functions, fundraising events, alumni gatherings, athletic games, and community events may be considered business related. An agenda, invitation, or similar documentation should be included with the payment record. Hospitality for the spouse, domestic partner or other family members of an employee should be carefully reviewed by the approving authority.

F. Special rules for Students and Prospective Students

1. Hospitality provided to students or prospective students may be permitted when it serves an Otter Student Union 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 intercollegiate athletic association's national governing board; e.g., National Collegiate Athletic Association.

G. Special Rules for Federal Officials

1. Federal officials are subject to complicated and extensive rules which should be carefully reviewed before any exchange of an item of value including meals and entertainment. It is the responsibility of the hosting official to disclose to the approving authority that federal officials will be present at the hosted event. Both the hosting official and approving authority are responsible for determining the appropriateness of hosting federal official(s).

VII. Awards and Prizes

- A. Otter Student Union wants **supervisors** to find meaningful ways to recognize faculty, staff, and student employees while also complying with IRS regulations. Property gifts (flowers, trophies, apparel, plaques, etc.) to employees are not taxable if de minimis (up to \$100).

- B. Cash equivalent items such as gift cards and gift certificates, no matter how small, are always taxable to an employee on their W-2. Cash equivalents or miscellaneous payments to students may impose restrictions on receipt of other financial benefit from the University or US Government funds and/or may have tax implications. The department approver is ultimately responsible for ensuring that any prizes or gifts are reported to the appropriate department as required.
- VIII. Unallowed Expenditures (expenditures that may not be charged to Otter Student Union funds)
- A. Personal Benefit
 - 1. Hospitality expenses that are of personal nature and not related to the active conduct of official Otter Student Union business will not be paid or reimbursed. Examples include, but are not limited to, employee birthdays, weddings, anniversaries, baby showers, and employee farewell gatherings that are not official Otter Student Union functions. Official campus functions do not include off site parties, dinners, or similar events organized by co-workers and friends. Retirement events are distinct from “farewell gatherings” and are allowed if they meet the conditions specified in 7.1 of the procedure.
 - B. Discrimination
 - 1. 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.
 - C. Tobacco
 - 1. No expenditures under this procedure is allowed for the purchase of cigarettes, e-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 Otter Student Union sponsored program are not covered by this procedure.
 - D. Funding Sources
 - 1. Grant/Contract Projects
 - a) Federal, State, or Local government contract and grant funds may only be used to pay hospitality expenses specifically authorized in the contract or grant, or by the agency policy. In the event of a conflict between agency and Otter Student Union policy and procedures, the stricter of the two policies or procedures shall apply. Federal funds may not be used to purchase alcoholic beverages or tobacco products.
 - (1) Expenditures for food and related items integral to a grant are not considered hospitality expenses for purposes of this procedure. These expenses should be processed as regular expenses following the current Otter Student Union procurement policy.
 - 2. Trust and Agency Funds Held for Third Parties

- a) Trust or agency funds held by Otter Student Union in a purely custodial capacity (assets equal liabilities) on behalf of third parties are subject to applicable laws and the written agreements.

IX. Approving Authority Documentation

- A. All hospitality expenditures and reimbursements must be approved by an approving authority as defined in the definitions.
- B. In order to ensure the independence of the approval process and avoid conflict of interest issues, individuals delegated this authority cannot approve their own expense or expenses they had personal benefit and cannot approve expenses of their direct or indirect supervisor. The approving authority must be the supervisor or above the official host.
- C. In addition, delegated individuals may not approve expenses of their spouse, registered domestic partner, significant other, child, parent, or other near relative.

X. Additional Approval Required

- A. The Otter Student Union retains the authority to request a one-up approval of a hospitality expense if the documentation is insufficient to demonstrate a clear connection between the activity and the state benefit to the university.
- B. One-up authorization is up the administrative reporting line. One-up authorization cannot be another authorized signer on the fund. For a faculty member or project staff person, the one-up authority will be the department chair.
- C. These types of events require one-up approval or higher:
 1. A single hospitality event that includes both light refreshments and a meal requires one-up approval.
 2. Any single hosting event that exceeds \$1,000 requires one-up approval.
- D. The following specific activities are sensitive areas and may be determined by the Otter Student Union to require one-up approval to assure that expenses are necessary, appropriate to the occasion, reasonable in amount, and serve a purpose consistent with the mission and vision of the Otter Student Union.
 1. Reimbursement of hospitality expenditures for alcohol.
 2. Reimbursement of hospitality expenditures for recreational, sporting, or entertainment events.
 3. Reimbursement of hospitality expenditures for a spouse, domestic partner, or other family member of an employee or official guest.
 4. Reimbursement of hospitality expenditures for memberships in social organizations as defined in definitions.
 5. Reimbursement or payments of hospitality expenditures for federal officials.

XI. Exceptions

- A. When hospitality expenditures exceed the per-person maximum, a written justification must be provided and an exception must be approved by the appropriate approving authority. The approved justification must include why adherence to the procedure was inevitable and necessary to achieve an Otter Student Union business purpose.

- B. When appropriate and necessary, the Otter Student Union Director may make a limited exception to the Hospitality Procedure; the purpose of the exception must be documented.
- XII. Documentation Requirements
 - A. Need to go over this section
- XIII. Definitions:
 - A. Alcoholic beverages
 - 1. Beer, wine, or any beverage containing distilled spirits. Serving alcoholic beverages may be appropriate depending on the event. The serving of alcoholic beverages at events using Otter Student Union funds shall be reviewed carefully by the approving authority to assure that it is reasonable and appropriate to accomplish the business purpose of the event. Appendix A of the procedure establishes the maximum per person rates for this expense inclusive of tax and tip.
 - B. Approving authority
 - 1. A person that has been designated as having authority to expend funds for hospitality expenses.
 - C. Awards and service recognition
 - 1. Something of value given to an individual, group, or entity in recognition of service to the Otter Student Union or achievement benefitting the Otter Student Union; e.g., financial prizes, trophies, plaques, and flowers.
 - D. Business partners
 - 1. Individuals or entities with whom the Otter Student Union has an established business relationship.
 - E. Employee
 - 1. An employee of the Otter Student Union.
 - F. Employee meetings and recognition events
 - 1. Meetings which serve an Otter Student Union business purpose and are generally administrative in nature such as Otter Student Union meetings of directors

Common Types and Allowable Sources for Payment of Hospitality Expenses:

General Hospitality Expenses that may include meals and light refreshments, alcohol, and membership in social organizations.

Allowable expenditures and/or concerns	Auxiliary Funds to the extent there are no restrictions by laws, regulations, or funding source agreements
Alcoholic beverages, including tax, gratuity, and service charges	Yes
Business meetings attended by employees from other campus work locations or official guests	Yes
Business meetings attended only by employees from your work location	Yes
Commencement exercises	Yes
Community relations/fundraising	Yes
Employee morale/recognition	Yes
Employee meetings	Yes
Entertainment expenses	Yes
Entertainment services	Yes
Gifts with expectation of benefit or other bona fide business purpose	Yes
Memberships in social organizations	Yes
Personal benefit: memorial services, get well expenses, retirement celebration, farewells	Yes
Personal benefit: weddings, anniversaries, baby showers, and birthdays	No
Professional organization meeting	Yes
Promotional items employees	Yes
Promotional items non-employees	Yes
Receptions ¹	Yes
Service recognition	Yes

¹ Hospitality permitted when the University holds receptions held in connection with conferences, meetings of learned societies or professional organizations, meetings of student organizations, student events such as commencement, and meetings of other CSU related groups.

Spouses and Domestic Partners who attend a hospitality event and serve an OSU purpose	Yes
Student recognition events and commencement	Yes
Student recruitment efforts	Yes
Tobacco products	No
OSU hosts official guests including employees visiting from another work location, students, donors, visitors, and volunteers	Yes

See procedure guidelines for conditions and particular types of expenses.

Appendix A

Per person Rates for Meals, Light Refreshments, and Alcoholic Beverages

Maximum rates for meals, light refreshments, and alcoholic beverages for on-campus and off-campus meetings and events, including employee meetings.

Meal Type	Maximum per Meal Rates
Breakfast:	\$30
Lunch:	\$40
Dinner:	\$75
Light Refreshments:	\$30