



San Francisco State University

University Executive Directive 02-27

**UNIVERSITY POLICY
ON THE PAYMENT OR REIMBURSEMENT OF
HOSPITALITY EXPENSES
(Rev. 12/02/2002)**

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Effective Date: For expenses incurred on or after September 1, 2002

I. REFERENCES/AUTHORITY

Internal

- By approving this policy, the President is delegating authority to the Vice Presidents and Auxiliaries Chief Executive Officer / General Manager to approve exceptions to the University's policy;
- By approving this policy, the President is delegating authority to the Vice President for Administration and Finance to make appropriate revisions to the University's policy;
- Applicable Policies and Procedures:
 - Executive Order Number 761: Hospitality, Payment or Reimbursement of Expenses
 - HR 2001-02: CSU Internal Policy and Regulations Governing Travel
<http://www.calstate.edu/HRAdm/policies/HR2001-02.pdf>
 - UED 02-29: Employee Non-Cash Awards
 - UED 02-28: Gifts to Non-Employees

External

- California Constitution, Article 16, Section 6;
- California Code of Regulations, Title 5, Division 5, Chapter 1, Subchapter 5, Article 1; Section 41601;
- California Education Code Sections 66600, 89030, 89035, 89044;

II. PURPOSE

There are occasions when the judicious extension of hospitality in connection with official University business is in the best interest of San Francisco State University. This UED outlines University policy and procedures governing the manner and extent to which the University may extend hospitality and promote community relations *for business purposes only*, provides maximum per person rates authorized for meals and refreshments, and specifies the University funds that may be used for such purposes.

III. SCOPE

This policy applies to all hospitality expenses incurred by the University regardless of the source of funding. The policy provides guidelines and directions for the University Auxiliaries in developing their own hospitality policies. Auxiliaries may choose to implement more restrictive policies. The policy does not apply to an employee's meal expenses incurred while on travel status, e.g. attending an off-campus conference or business meeting, which are covered by the [CSU Policy and Internal Procedures Governing Travel and Relocation Expense Reimbursement \(HR 2001-02\)](http://www.calstate.edu/HRAdm/Policies/HR2001-02.pdf). <http://www.calstate.edu/HRAdm/Policies/HR2001-02.pdf>

IV. DEFINITIONS

- **Approving Authority** - a person to whom authority has been delegated in writing to approve hospitality expenses and to approve exceptions to the hospitality policy and the limitations outlined in this Directive.
- **Auxiliaries** – include the SFSU Foundation, Franciscan Shop, Associated Students, Inc., the Student Center and any other 501 C(3) Organization.
- **Exceptions** - include hospitality expenses that exceed the per-person maximum rates specified in the Appendix of this policy and any other type of hospitality expenses that are not specifically included in this policy.

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- **Funding Sources are:** *(Please refer to Funding Source Approval Matrix – Appendix B)*

General Fund Appropriations (Fund #001)

Funds allocated to the University to be used in conjunction with the University's instructional mission. Funds include both State General Fund Appropriations and Student Fees deposited in the General Fund.

Special Funds

All other funds maintained by the University, the Foundation, and Auxiliaries including:

Revenue Funds – Dormitory Housing (Fund #580) and Parking (Fund #583),

Trust Funds – Agency Trust Funds (Fund #948), including the Continuing Education Trust Fund, and Lottery Trust Fund (Fund #839),

Special Projects Fund (Fund #947)

Auxiliary Organization Funds

Include **Unrestricted Funds** maintained by Auxiliary Organizations, **Indirect Costs** on Grants and Contracts, and **Fund-Raising** accounts.

Notes:

1. *Financial Aid program funds and Capital Outlay funds are excluded from Sources of Funding. They may not be charged for hospitality expenses.*
 2. *Special Funds may be used to pay hospitality expenses only to the extent permitted by the statute under which the fund was established. Expenses must support the program(s) or purpose(s) for which the fund was established. For example, the Continuing Education Trust Fund may be used only for the support and development of self-supporting instructional programs.*
 3. *Federal or other government contract and grant funds may be used to pay hospitality expenses only if such expenses are specifically authorized in the contract or grant, or by funding agency policy, and only to the extent and for the purposes authorized. In the event of a conflict between agency and University policy, the stricter of the two policies shall apply. No alcoholic beverage or tobacco products may be charged to Federal, Housing, Parking or Health Facility funds.*
 4. *Hospitality expenses may be charged to a project or Trust Fund or Special Projects Fund only if authorized by the campus approved project agreement.*
- **Hospitality – for purposes of this UED**, hospitality includes expenses for activities that promote the University to the public, usually with the expectation of benefits accruing directly or indirectly to the University. Hospitality is broadly defined to include providing any of the following to University employees, guests, visitors, current and prospective students, prospective donors, and spouses:
 1. Meals (catered or restaurant)
 2. Light refreshments (beverages, hors d'oeuvres, pastries, cookies, etc.)
 3. Costs of attending civic, cultural, entertainment or sporting events
 - **Official Host** – an employee representing the University who hosts a meeting, conference, or event.
 - **Official Guest** – a person who renders a service to the University or is present at a University meeting, conference, or event at the invitation of the person authorized to host the activity, including CSU employees from another CSU campus or the Chancellor's Office. Employees of the University or its Auxiliaries are not considered official guests.

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- **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. UNIVERSITY POLICY

A. ALLOWABLE EXPENSES AND OCCASIONS

Expenses for hospitality must be directly related to, or associated with, the active conduct of official University business. The occasion must serve a clear University business purpose, with no personal benefit derived by the official host or other university/campus employees. In addition, the expenditure of funds for hospitality should be cost effective and in accordance with the best use of public funds.

The procedures set forth in this policy are intended to conform to the Internal Revenue Service regulations related to entertainment expenses. Accordingly, any payment made to an employee in connection with hospitality may not result in taxable income to the employee.

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, and any alternatives that would be equally effective in accomplishing the desired objectives.

Following are examples of situations where the provision of hospitality is permitted:

- **Host to Official Guests**

When the Campus is host to official guests, including visitors from other universities, members of the community, visiting dignitaries, donors, University employees visiting from another work location, etc., the cost of meals or light refreshments may be paid or reimbursed. In addition, such costs may be paid or reimbursed for prospective students or appointees for positions requiring specialized skills and/or experience of a professional, technical, or administrative nature. The hospitality expenses of the spouse (or equivalent) of a guest or the official host may be reimbursed provided such hospitality serves a bona fide University business purpose. Participation in official functions that *require* the attendance of a spouse may be considered a bona fide business purpose. Fundraising events, alumni gatherings, community and recruiting events are examples of activities that may require the attendance of a spouse.

- **Meetings of a Learned Society or Organization**

The cost of meals or light refreshments may be paid or reimbursed when the University is the host or sponsor of a meeting of a learned society or organization.

- **Retreats, Meetings and Business Meals**

The cost of meals or light refreshments may be paid or reimbursed when meetings of an administrative nature are held that are directly concerned with the welfare of the University. Where meals are involved, they *must be a necessary and integral part of the business meeting, 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*. The meeting should take place over an extended period of time and the agenda should include a working meal to satisfy the requirement that the meal is part of a business function. Reimbursement will *not* be allowed when two or more employees from the same work location choose to go to lunch together to continue their business as *an incidental* part of the meal, or when the meeting could have

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been scheduled during regular working hours. Reimbursement may be allowed when it is necessary for employees to conduct official campus business during a meal, the circumstances surrounding the meal are beyond the control of the employee, and it is impractical to complete the business during normal working hours.

- **Student-Oriented Meetings**

The cost of light refreshments may be paid or reimbursed when meetings between faculty or administrators and students are held for support of University sponsored student events and activities (e.g. leadership recognition ceremony) and student recruiting efforts.

- **Prospective University Donors and Donor Cultivation**

The cost of meals or light refreshments may be paid or reimbursed when the University hosts an event for the purpose of generating the goodwill of prospective donors.

- **Receptions**

The cost of light refreshments (and the cost of certificates/awards/plaques/promotional materials presented – see Gifts Presented to Non-Employees and Employee Non-Cash Awards) may be paid or reimbursed for receptions held in connection with:

- conferences,
- meetings of a learned society or organization,
- fundraising events,
- meetings of student organizations/groups,
- employee recognition or length of service awards or retirement presentations,
- celebrations of milestones in the University's history such as Founder's Day or the inauguration of a new president,
- ceremonies honoring achievements by students (e.g. commencement, honors convocation) or employees (e.g. emeritus faculty).

Restriction on the use of General Fund

The following hospitality expenses **may not** be charged to the General Fund. However, they may be charged to other funding sources as explained below:

- **Faculty/Staff Picnics, Holiday Gatherings, and Parties**

The cost of meals or light refreshments for employee morale functions such as faculty/staff picnics or holiday gatherings may be paid or reimbursed, provided it can be demonstrated that such functions serve a University business purpose. The cost may **not** be paid or reimbursed from the General Fund. They may be charged to other funding sources provided it can be demonstrated that such functions serve a University business purpose and there are no restrictions on the other funding sources that disallow these expenses.

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B. APPROVAL OF TRANSACTIONS

1. Delegation of Authority

Approval for all official University hospitality expenses must be obtained at the appropriate level. In order to ensure that the approval of hospitality is entirely independent, individuals with delegated approval authority shall not approve the expenses of a person to whom they directly report. The approving authority should be the supervisor (or higher level) of the official host. In addition, individuals with delegated approval authority shall not approve their own hospitality expenses. If the official host is the President, approval shall be by the Vice President for Business and Finance.

A Delegation of Signature Authority Form or an equivalent form must be on file for each individual to whom approval authority for hospitality payments has been delegated. Any delegation of authority must be in writing, with copies provided to the Office of the Associate Vice President – Fiscal Affairs/Controller.

2. Authority for Exceptions to the Policy

Exceptions to this policy must be approved by the President, a Vice President or an Auxiliary Chief Executive Officer / General Manager *in advance of the event/expenditure. In certain circumstances, however, when entertaining a guest at dinner, the exception may need to be approved after the expenditure has occurred by the appropriate authority.* Please use the [“Authorization For Exception To The Hospitality Policy”](#) form. The President and Vice Presidents have the authority to exceed the restaurant meal limits with certification that it is for development purposes. The authority in this section may not be delegated.

VI. PROCEDURES

A. AUTHORIZED RATES

Rates are recommended by the Associate Vice President – Fiscal Affairs/Controller and are authorized by the Vice President for Administration and Finance. *Maximum* rates allowed for hospitality, specified in Appendix A, include taxes and service. These rates do not include the rental of meeting or conference facilities, which may be charged as an additional expense.

The maximum rates will be reviewed periodically by the Office of the Associate Vice President-Fiscal Affairs/Controller and adjusted as appropriate.

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B. PAYMENT/REIMBURSEMENT PROCEDURES

General

- A. [“REQUEST FOR PAYMENT/REIMBURSEMENT OF HOSPITALITY EXPENSES”](#) must be submitted to the Fiscal Services Unit – Fiscal Affairs (ADM-358) or to the appropriate auxiliary business office. The completed request must include the following information:
- a. Official host’s name and department.
 - b. Type of activity (e.g. reception, staff picnic, retreat, meeting of committee, etc.).
 - c. Date of activity.
 - d. Location of activity.
 - e. Purpose of activity: explain how this is a necessary, business related expense that is appropriate to charge to/reimburse from the indicated account; e.g. business purpose/reason/benefit and how it contributes to achieving the University’s mission and the purpose of the project/account being charged; business topic(s) discussed.
 - f. Participants: who attended the activity and what is their business relationship to the University / department. The name, title and department (if a University employee), or affiliation /occupation / group (if a guest from outside the University) of each person should be shown on the request form or an attached guest list. For meetings of a group with an established participant list (e.g., Council of Deans, Board of Directors) or where the group is so large it would be very difficult to name all the attendees (e.g., staff appreciation reception), the persons entertained need not be individually identified by name and title. The group must be named or described and the estimated number of attendees provided.
 - g. Type and amount of expense(s): describe what was purchased, what it cost, and the total amount of the payment requested.
 - h. Number and title of the account being charged. **Use the new Hospitality Sub-Code: 4510 for all hospitality transactions.**
 - i. A certification signed by the official host that the expenses were incurred for official University business purposes.
 - j. Approval signature of the supervisor (or higher level) of the official host.
 - k. Approval signature of responsible person or project director authorized to approve disbursements from this account.
 - l. Approval signature for exceptional hospitality, if required.

All requests for reimbursement must be supported by original itemized receipts, or acceptable electronic receipts, which must be submitted with the request for payment. Requests for payment processed electronically must contain the same information as that required for paper processing. The level of detail contained in an electronic receipt must be equivalent to that contained in an acceptable paper record.

Note: All meals require an itemized receipt as proof of payment. A credit card receipt alone is not sufficient.

To ensure that adequate internal control standards are met, a payment issued to reimburse hospitality expenses *shall be delivered directly to the payee*. Such payments shall **not** be delivered to any of the individuals involved in the approval or payment preparation process. When contracting with an off campus vendor for catering, the information contained in the “Hospitality purchase order Request”

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must be submitted to the Procurement Department *before* the event, along with the requisitions and any vendor proposal or estimate. After the event, the official host and approving supervisor must request/authorize payment by submitting the “Request for Payment/Reimbursement of Hospitality Expenses” as outlined above, and the check would be mailed directly to the vendor(s).

Hospitality While on Travel Status

The Travel Policy and the Hospitality Policy are separate and distinct policies.

A University employee on travel status who incurs hospitality expenses *must* claim such expenses in accordance with the procedures specified in this UED. Such expenses should be documented on the “Request for Payment/Reimbursement of Hospitality Expenses” and submitted with the Travel Expense Claim to ensure that the meals for hospitality are separately justified from the meals for travel. In addition, a *per diem meal must not be added to the travel expense form when a hospitality expense for the same meal has been submitted for reimbursement.*

C. EXCEPTIONS TO THE POLICY

Approval of exceptions to the policy must be obtained at the appropriate level. The request for reimbursement of such expenses must include a written justification as to why the higher costs were unavoidable and necessary to achieve a University business purpose. *The fact that actual costs exceed the authorized rates is not in itself adequate justification for a higher reimbursement rate.* If adequate justification exists and provided such costs are deemed to be ordinary and necessary under the circumstances, an exceptional expense may be approved. Reimbursements of hospitality expenses shall be limited to the actual costs incurred.

D. TAX CONSIDERATIONS

Under Internal Revenue Service regulations, an entertainment (hospitality) expense will be considered taxable income to an employee if the entertainment (hospitality) activity is not directly related to the employee's job, the expense is lavish or extravagant under the circumstances, the official host (or another employee) is not present when the activity takes place, or if the expense is not substantiated with supporting documentation, as provided in this UED. In addition, business meals with faculty, staff, or other colleagues that are frequent (i.e., that occur on a regular or routine basis) and reciprocal are considered taxable income. Any expense that would be considered taxable income to the employee by the IRS is not allowable under this policy. For more information on what hospitality expenses are deductible, see the IRS Web site (<http://www.irs.gov>) and key in **entertainment** in the Search window or **publication 463** in the Forms and Publications Finder window.

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VII. RESPONSIBILITIES

**President
Vice Presidents
Auxiliary Chief Executive Officers / General Manager**

Are responsible for the justification and approval of all exceptions to this policy.

Associate Vice President for Fiscal Affairs-Controller

Associate Vice President for Fiscal Affairs-Controller is responsible for recommending the maximum rates to the Vice President for Administration and Finance. He is also responsible for periodic review of the maximum rates allowed for hospitality provided in Appendix A and making adjustments as necessary, and for issuing appropriate procedures for processing official hospitality expenditures.

**Associate Vice Presidents
College Deans
Department Heads (or Equivalent)
ORSP (for P.I.'s)
Auxiliary Chief Executive Officers / General Manager**

Associate Vice Presidents, College Deans, Department Heads (or equivalent authority), ORSP and the Auxiliaries Chief Executive Officers/General Manager are responsible for ensuring that hospitality expenses conform to the requirements of this UED, and that claims submitted for payment or reimbursement include the appropriate supporting documentation. They are responsible for restricting hospitality to allowable expenses and occasions, for submitting the appropriate host certification with claims for reimbursement, which have been signed by an authorized signer, and for ensuring that expenses incurred are appropriate to the fund source.

Fiscal Services Unit – Fiscal Affairs

It is the responsibility of the Fiscal Services unit to ensure that payment or reimbursement requests submitted by departments for hospitality expenditures using university funds are made in accordance with the policy and procedures set forth in this UED. (Similar personnel of Auxiliary organization must be charged with this responsibility.) The Fiscal Services unit is responsible for reviewing all supporting documentation to verify that the amounts claimed are allowable, that the appropriate funds are charged, that the documents were properly approved prior to payment, and for ensuring that payments are tax reported appropriately.

In addition, the Fiscal Services unit is responsible for ensuring that supporting documentation is being retained for review and audit in accordance with record retention and disposition requirements.

APPENDIX A
(Rev. 12/02/2002)

MAXIMUM RATES FOR HOSPITALITY

The maximum per person expenditures for individuals being entertained and for a University employee who is the official host or who is a participant at the request of the official host, shall not exceed the following amounts:

<u><i>Meal</i></u>	<u><i>Maximum Rates</i></u> (see footnotes)
Breakfast	\$15.00
Lunch	\$25.00
Dinner	\$40.00
Light Refreshment	\$10.00

Footnotes:

- (1) The reimbursement for a buffet reception cannot exceed the applicable meal allowance associated with the type of buffet, i.e., breakfast, lunch, or dinner.
- (2) These amounts include tax and service (i.e. tips).

APPENDIX B
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FUNDING SOURCE APPROVAL MATRIX

Official hospitality expenses may be paid from various University funding sources, subject to the rules outlined above. The following table summarizes funding sources for payment of Hospitality Expenses:

Hospitality Expenses	General Fund Appropriations <i>(See Footnotes)</i>	Special Funds <i>(See Footnotes)</i>	Auxiliary Organization Funds <i>(See Footnotes)</i>
Food and Beverages (other than Alcoholic Beverages) for Meeting Attended by Only the Employees of the Same Work Location	NO	YES	YES
Food and Beverages (other than Alcoholic Beverages) for Meeting attended by Official Guests and Official Hosts	YES	YES	YES
Alcoholic Beverages	NO	YES*	YES*
Tobacco Products	NO	NO	NO
Gifts (to Non-employees on behalf of the University)	NO	YES	YES
Awards (to University Employees)	NO	YES	YES
Promotional Items (to non-University employees)	YES	YES	YES
Transportation Expense (of official Guest and Spouse or Equivalent)	YES	YES	YES
Faculty/Staff Picnics & Holiday Gatherings	NO	YES	YES
Faculty/Staff recognition / length of service / retirement	NO	YES	YES
Faculty/Staff birthday, wedding, anniversary, farewell other than retirement	NO	NO	YES

General Rule

- The Approving Authority is responsible to determine whether hospitality expenses serve a bona fide University business purpose.
- In the event of a conflict between the terms of the fund (i.e. funding source) and the University policy, the stricter of the two policies shall apply.

Footnotes

Alcoholic beverages may be charged to Special Projects and Trust Funds only if they are permitted by the Trust Fund Agreement and are not restricted by the funding source or agency and there are no restrictions on the use of Auxiliary funding (e.g. Grants and Contracts) for these expenses. No alcoholic beverages may be purchased using Federal, Housing, Parking or Health Facility funds. No Tobacco products of any kind may be purchased, regardless of the funding source.

CSU Policy (HR 2001-02) prohibits reimbursement from State (i.e. University) funds for meal expenses “where attendance is primarily for public or community relations” purposes.