

## SECTION 11 - BUSINESS MEETINGS, ENTERTAINMENT & OTHER EXPENSES

### 11.1 Introduction

This Chapter outlines the College's policy and procedures related to the manner and extent the College may provide hospitality to its employees, students, donors, guests, visitors, volunteers and others as part of a business meeting, entertainment or an event when College Funds are used.

This policy is also intended to ensure consistent and fair treatment between departments throughout the College with regard to the treatment of College Funds and ensure the uniform reporting of financial data.

The primary guidance for this policy is the [Internal Revenue Code](#)<sup>1</sup>, the [University of California](#)<sup>2</sup> and industry standards and best practices. For sponsored projects, guidance within award documents as well as federal policies such as OMB Circular A-21 Cost Principles for Educational Institutions, 2 CFR, Part 220, NSF Award & Administration Guide and NIH Grants Policy Statement must be followed.

Each College division and/or department may establish more restrictive guidelines.

### 11.2 Policy Statement

The College recognizes that on occasion the hospitality it provides to the campus community and guests help support the College's educational mission. The College, therefore, in appropriate situations and subject to the provisions of this policy, allows its funds to be expended for the purpose of promoting its mission and conducting substantial and bona fide College business.

In order to promote prudent fiscal responsibility, expenses incurred for business meetings, entertainment, and events will be:

- reasonable, allowable, substantiated and beneficial to the College and
- subject to funds availability and
- authorized through the College's budget process and
- in compliance to the IRS rules including those prohibiting extravagant and lavish business expenses and
- cost effective, in accordance with the best and reasonable use of public funds.

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<sup>1</sup> IRC §§ 162 and 274 and related Treasury Regulations. IRS Publication 463, Travel, Entertainment, Gift and Car Expenses 2010 - <http://www.irs.gov/pub/irs-pdf/p463.pdf>

<sup>2</sup> UC Business and Finance Bulletin, BUS-79, Expenditures for Business Meetings, Entertainment, and Other Occasions - <http://www.ucop.edu/ucophome/policies/bfb/bus79.pdf>

This Policy is intended to meet the Internal Revenue Code (IRC) definition of an “Accountable Plan”. Reimbursements by the College for ordinary and necessary business expenses (that would otherwise qualify as a deductible expense if paid by an employee) under such an “accountable plan” will not be reported by the College to the IRS as compensation and therefore taxable income to the recipient. The College will not make reimbursements without receipts substantiating the business expense.

Absent a reimbursement policy, such as an “accountable plan”, the recipient may hold the burden of proof to the IRS that reimbursements received are not income.

Under an “accountable plan” employee advances and reimbursements must meet the following rules:

- Authorized employees, students, or others may pay or incur business expenses while performing services on behalf of the College. Such expenses must not be ones that would have otherwise been paid by the employee, the student or others;
- All expenses must be substantiated to the College within a reasonable period of time. Appropriate documentation for allowable expenses must be substantiated and submitted to Accounts Payable:
  - To clear an advance or any excess advance monies that are not returned will be reported as other income to the recipient or
  - Through the procurement card process or
  - For reimbursement to the requestor.

For purposes of this policy, 60 days from the date of the event is defined as a reasonable period of time in which the expenses must be substantiated.

- The College will not reimburse expenses for which it does not receive appropriate documentation to substantiate that the reimbursement requested is a business expense of the College
- All amounts in excess of substantiated expenses (unused money from advances) must be returned to the College within 30 days of the event.

Official host – It is the policy of the College that a designated official host will be in attendance at all College events or meetings. The Official host may be a College employee or other individual who has been authorized by the Department Head.

### 11.3 Scope

This policy governs all College Funds used for business meetings, entertainment functions, and other occasions when meal and/or light refreshments are served.

All staff, faculty and students who travel, entertain, or expend funds for business and entertainment related expenses are subject to this Policy. Others, who are not staff, faculty, or students, but who are official guests or volunteers of the College (in that their travel or other business expenses are paid directly by UC Hastings) are also subject to the guidelines described in this Policy unless otherwise noted.

The applicable award document and OMB Circular A-21 should be referred to for specific project and allowable expense guidelines such as National Science Foundation or National Institutes of Health. Funds received through contracts or non-federal grants may have additional requirements with regard to allowable expenses; those agreements should be consulted.

This policy applies to:

- All funds used for business and entertainment expenses, including state funds, non-state funds, donor funds, endowment payout funds, etc.
- Faculty business meetings, events and entertainment;
- Board of Directors business meetings, events and entertainment;
- Student business meeting, events and entertainment, not funded from funds managed by Student Organizations;
- All other business meetings, events and entertainment funded and sponsored by the College and paid for with College Funds.

Agency Funds, such as those managed by Student Organizations, are not subject to this policy other than expenses incurred must be substantiated with original, itemized receipts.

### 11.4 Definitions

Light Refreshments – Coffee and other beverages, snacks, hors d’oeuvres, pastries, cookies, crackers, chips, fruit, health bars etc.

Meals – Catered or restaurant provided food and/or beverage (alcoholic or otherwise) at which employees, students, donors, guests, speakers, volunteers or other individuals are present for the purpose of conducting the business of the College. Groceries and beverages purchases for an event are also defined as meals.

Official Host – a College employee or other individual who is the College’s representative at an official business meeting, entertainment event, or other activity. The individual arranging an event (e.g., making hotel arrangements, order food, etc.) is not the host unless he or she is physically present at the event and acting in the capacity as the official host<sup>3</sup>. The host is required in order that the event or meeting be considered to have a bona fide business purpose otherwise, the event may be perceived as party and not a legitimate business expense of the College. The College will not allow for expenses incurred to be reimbursed with College Funds for parties or events without a bona fide business purpose. Department Heads are authorized to designate the Official host.

Programmatic Activities – Programmatic activities are meetings and events that are in keeping with the College’s mission. As a tax-exempt organization, the College may incur “entertainment costs” that are in keeping with business purposes such as expenditures for meals or light refreshments incurred in connection with student enrichment, training programs, food provided as a necessary part of a community-support activity and similar activities.

Unallowed expenses – The following expenditures may not be reimbursed, recharged, or paid using College Funds:

- Expenses that are lavish or extravagant under the circumstances;
- Expenses that represent additional taxable income to an employee, student or other under IRS regulations;
- Monetary contributions to a political campaign or candidate;
- Expenses for employee birthdays, weddings, or anniversaries or farewell gatherings (excluding celebrations for retirement or for employees separating from the College as designated by the policies and procedures set forth by Human Resources);
- The purchase of property or services for personal use or for a non-business reason;
- Expenses that are not permitted under the terms governing restricted funds or contract and grant agreements;
- Refer to Section 11.6 for additional unallowable expenses, limits and restrictions.

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<sup>3</sup> IRS Rev Ruling 55-57 - Events or meetings that do not have an official host are not considered to have a bona fide business purpose. Unless there is a bona fide business purpose, the event or meeting will not be reimbursed or paid for by the College.

## 11.5 Covered Items

### 11.5.1 Business Meetings

#### a. Employees Meetings

The College may reimburse or pay for expenses for light refreshments or meals in connections with business meetings involving College employees, provided:

- 1- The expenses occur infrequently, and
- 2- The expenses so incurred benefit the College and are reasonable and appropriate to the purpose of the business meeting.

Examples of these meetings are faculty colloquiums, divisional meetings, meetings of the Dean and Directors and extended training sessions.

In general the College will not pay for or reimburse cost of meals taken by individual colleagues, unless the employees are prevented from having the same business related discussion during normal business hours.

#### b. Visitors, Guests and Volunteers

The College may provide meals or light refreshments to visitors, guests and volunteers if such hospitality is necessary for the conduct of the official College business. Some examples of this type of hospitality are:

- 1- Visitors from other institutions, members of the community, visiting scholars and similar guests.
- 2- Volunteers who are required to remain on the College location during a time where a meal is customarily taken.

### 11.5.2. Programmatic Activities

The College may provide students or others with meals or light refreshments furnished in support of the College's educational programs such as:

- Student orientation programs, student section gatherings and meetings;, commencement exercises and similar activities;
- Symposiums, conferences, workshops or other similar activities;
- Student government meetings, student organization meeting or other student meetings;

- A class, study hall, practice sessions, training, or other academic-based activity that occurs on an infrequent basis.

#### 11.5.2 Recruitment

The College may provide meals or light refreshment in connection with recruitment of prospective employees.

#### 11.5.3 Employee Morale-Building Activities

The College may pay for or reimburse for the cost of meals or light refreshments associated with morale-building and employee appreciation activities that serve the College's purpose, as approved by Human Resources.

Examples of these activities are: retirement parties for employees; College or department wide gatherings to recognize special events; special awards and recognition events held annually.

The College will not reimburse or pay for individual and personal events such as weddings, birthdays or anniversaries. Reimbursements for expenses incurred related to retirement or non-retirement separation from employment shall be made under the policies and procedures set forth by Human Resources. Such expenses shall require appropriate substantiation for reimbursement.

#### 11.5.4 On-the-Job Meals

The College may occasionally provide meals or reimburse the cost of such meals to an employee as a non-taxable benefit, when the employee is required to remain on site or on premise in connection with the College business purpose.

Under this policy, the occasional meal must be provided during the employee's working hours and that such working hours are extraordinary as to the employee regular work schedule.

#### 11.5.4 Entertainment

The College may provide meals or light refreshments at an event for the purpose of creating goodwill of prospective donors.

The College may also provide or pay for the cost of meals, or light refreshments provided to visitors guests, community members or employees where the purpose of the activities is social as long as there is an underlying business purpose in support of the College's mission.

The College may pay the cost of tickets to sporting, theatrical or musical events that are furnished to prospective donors or employees in connection with the conduct of the College business as long as an official host is present.

a. Spouse/partner of a College Guest or of the College Host:

The cost of meals or light refreshments provided to the spouse or partner of a guest or the official host may be paid for or reimbursed by the College, provided such expenses serves an appropriate business purpose for the College.

The presence of a spouse or partner of the College guest or official host is considered to be an appropriate College business purpose when his or her presence makes significant contribution to the success of the event. When spouses and partners are invited to official events as a matter of proper protocol, their attendances are deemed appropriate business purpose.

When the spouse or partner has only an incidental role in the official event, his/her presence is not considered bona fide business purpose, and the expenses incurred thereof may not be reimbursed.

b. The Chancellor and Dean and other authorized employees may provide meals or light refreshments at his/her home at an event as long as there is an underlying business purpose in support of the College's mission.

#### 11.5.5 Reimbursement of Commuting Expenses

Scope – Represented (Subject to Collective Bargaining) and Non-represented Employees

Purpose - At times, many UC Hastings employees are required to be at work after hours to perform special tasks. This may present safety issues if they have to walk in unsafe conditions. If an employee need to pay for a ride to get home safely, the Department Manager is authorized to approve reimbursement, subject to the following conditions:

1. The employee leaves the workplace after 9:00 p.m.; and

2. The employee has worked at least 10 hours on-campus (excluding lunch and work break, if applicable) that day; and
3. The Department Manager has approved payment *prior* to the ride being ordered and proof of such approval is attached to the Expense Reimbursement Form; and
4. The reimbursement is receipted and does not exceed \$30.

Notes:

- Expense reimbursements under this policy is treated as taxable income and will be reported as such on each recipients W-2.
- Reimbursements for transportation from work to home are not to become a routine practice, instead reserved for exceptional circumstances when the employee has received pre-approval to do work after hours on campus that could not have been done during regular hours.
- The reimbursement may come from state or non-state funds, but they must come from existing budgets. Budget will not be supplemented to cover these transportation reimbursements.

### 11.6 Restrictions on the Use of Funds

The following restrictions apply with regard to the use of College Funds when paying for entertainment expenses.

- State Funds: No alcoholic beverages or tobacco may be charged to State funds.

Additionally, State funds can only be used for business meetings and entertainment expenses when attendance by students and/or employees is mandatory and directly related to the academic mission of the College.

- Contract and Grant Funds: Including Federal or local government grants and contracts, funds may be used to pay for entertainment expenses only as specifically authorized in the contract or grant document or by agency policy. No alcoholic beverages or tobacco products may be charged against Federal funds.

When there is a conflict between the contract/grant and College policy, the more restrictive of the two shall apply.

- Other Funds: Business meeting and entertainment expenses shall conform to all other restrictions and policies of other fund sources. When there are conflicts

between the terms of the fund sources and the College policy, the more restrictive of the two shall apply.

- Political Contribution: The College does not permit contributions in connection with any events sponsored by an organization associated either directly or indirectly with a political party, campaign, candidate or group engaged in an attempt to influence legislations, elections, referenda or similar activities.
  
- Other Unallowable Expenses
  - Expenses for employee birthdays, weddings, anniversaries, or farewell gatherings (excluding celebrations for retirement or for employees separating from the College as designated by the policies and procedures set forth by Human Resources);
  - The purchase of property or services for personal use or for a non-business reason;
  - Expenses that are not permitted under the terms governing restricted funds;
  - Tips and gratuity greater than 20% of the total cost for food and beverage;
  - Tips and gratuity added beyond mandatory service fees;
  - Mandatory service fees greater than 18%;
  - Meals when two or more employees choose to go to lunch together to continue their business as an incidental part of the meal, when the meal is reciprocal in nature or when the meeting could have been scheduled during regular working hours;
  - Meals and light refreshments that are provided on a frequent basis or routine basis<sup>4</sup>.
    - Meals should be limited to no more than once a month or twelve times per year per group.
    - Light refreshments should be limited to no more than twice per month, per group.

Meals or light refreshments provided to a group should be counted on an event basis (e.g., a two-day meeting should be counted as one event in determining compliance with these guidelines).

Meals or light refreshments may be provided to non-employee students on a more frequent basis.

### 11.7 Allowable Amounts for Meals and Light Refreshments

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<sup>4</sup> IRS allows an exclusion of reportable income tax for de minimis fringes, including occasional cocktail parties, group meals or picnics for employees and their guests. Anything more than “occasional” shall be reported as income to the recipient. For purposes of this policy, the College has defined allowable frequency as described.

The maximum per-person rates for meals and light refreshments are specified below and include labor, sales tax, delivery charges and other service fees. These rates do not include any costs associated with rental of meeting or conference facilities, equipment rentals, invitations, decorations, transportation and other items which may be charged as an additional expense.

The maximum rates will be reviewed periodically by the CFO and adjusted as appropriate.

Breakfast	\$26.00
Lunch	\$45.00
Dinner	\$78.00
Light refreshments	\$18.00

## 11.8 Approvals

### 11.8.1 General Approval Requirements

In approving a request to reimburse or to make a direct payment for the business entertainment or other expense, the approving authority must assure the following:

- The expenditure promotes the College's mission and is a bona fide business expense;
- The disbursement of funds for the reason stated is reasonable and cost effective;
- Funds have been authorized and budgeted for such purposes;
- Funds are available to pay the expenditures in the allowable fund source.

### 11.8.2 Approval Procedures

The approving authority shall not approve his or her own reimbursement or the expense of a near relative (i.e., spouse, partner, child or parent).

Requests for reimbursement shall be substantiated with original, itemized receipts and shall be submitted on a check request and approved by cost center's designated authorized signer.

Requests for reimbursement must be submitted within 60 days of the event. Reimbursements made 60 days after the event may be denied.

The completed request must include the following information:

- Type of expense (i.e., lunch, dinner)
- Type of event (i.e. recruitment, programmatic event with description)
- Number of participants – attach a guest list including the name of the participant, title of the participant and their occupation or group affiliation in order to establish the business-related relationship to the College;
- Date and location of the event;
- Business-related nature of the occasion or purpose of the event;
- The printed name and signature of the department head or approving authority;
- The name of the official-host and if applicable, his/her designator;
- The signature of the host must be obtained for entertainment, recruitment and employee morale-building activities.

### 11.8.3 Requirement of Additional Approvals

The College recognizes that certain circumstances may require departments to have greater flexibility than this policy provides to carry out the educational mission and/or business of the College. The limits and restrictions set forth in this policy may be waived as outlined below.

In the event the Chancellor and Dean incurs a business meeting, entertainment or other expense in excess of the allowable amounts set forth herein, the Chair of the Board of Directors shall approve the reimbursement.

- The Division Head may approve reimbursement requests which exceed the total cost of the business meeting and/or entertainment events up to 200% of the maximum daily allowable amounts as set forth above in Section 11.8, *Allowable Amounts for Meals and Light Refreshments*.

Such approved exceptions shall be written and outline the facts and circumstances which were unavoidable or necessary to accomplish the College's business purpose beyond the established limits. The fact that actual costs exceeded the allowable amounts is not itself a justification for the higher cost.

- The College recognizes that certain circumstances may require greater flexibility to conduct the business of the College (i.e., fund raising with a high profile donor; securing the appearance of a high profile legal scholar or other individual). The maximum daily limits and other restrictions and prohibitions set forth in this policy may be waived by the Chancellor and Dean or his/her designee. Such waiver shall be written to include a description of the facts and circumstances warranting such a waiver. This document shall be attached to the other documents substantiating the business expense.

## 11.9 References

[Exhibit O – Travel Reimbursement Schedule](#)

[Exhibit Y – Qualified Caterers](#)