

University Corporation at Monterey Bay Hospitality Expense Guidelines and Procedures

OBJECTIVE

Under these Hospitality Expense Guidelines and Procedures (“Guidelines”) University Corporation at Monterey Bay (CORPORATION) agrees that hospitality expenses may be paid to the extent that such expenses are necessary, appropriate to the occasion, reasonable in amount and serve a purpose consistent with the mission and fiduciary responsibilities of California State University Monterey Bay (UNIVERSITY) and/or the CORPORATION. The Guidelines apply to activities that promote the UNIVERSITY/CORPORATION to the public and the provision of hospitality in connection with official UNIVERSITY/CORPORATION or California State University (CSU) business and authorizes appropriate CORPORATION funds to be used for such purposes. The Guidelines are written to be consistent with UNIVERSITY and CSU policies and procedures, including ICSUAM 1301.

POLICY STATEMENT

1. Purpose

The Guidelines govern the manner and extent to which CORPORATION 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 UNIVERSITY/CORPORATION. The Guidelines also address meals served to employees as part of a morale-building function and meals provided to prospective students and employees.

2. Scope

The Guidelines govern the appropriate use of CORPORATION 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.

3. Authority

Integrated California State University Administrative Manual (ICSUAM) §1301.

4. Definitions

4.1. Alcoholic beverages: Beer, wine or any beverage containing distilled spirits. Serving of alcoholic beverages may be appropriate depending on the event. The serving of alcoholic beverages at events using CORPORATION 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 Guidelines establish maximum per person rates for this expense inclusive of tax and tip.

4.2. Approving Authority: A person that has been designated as having authority to expend funds for hospitality expenses.

4.3. Awards and Service Recognition: Something of value given or bestowed upon an individual, group or entity in recognition of service to the UNIVERSITY/CORPORATION or achievement benefiting the UNIVERSITY/CORPORATION; e.g. financial prizes, trophies, plaques, and flowers.

4.4. Business Partners: Individuals or entities with whom the UNIVERSITY/CORPORATION has an established business relationship.

- 4.5. **Employee:** An employee of the UNIVERSITY, The California State University System or any auxiliary organization of either.
- 4.6. **Employee Meetings and Recognition Events:** Meetings which serve a UNIVERSITY/CORPORATION business purpose and are generally administrative in nature such as UNIVERSITY/CORPORATION meetings of deans and directors, employee morale functions excluding those of a personal nature (further defined in §9.1), extended formal training sessions, conferences, extended strategic planning sessions, and meetings of appointed workgroups and committees.
- 4.7. **Entertainment Services:** Expenditures incurred in connection with events or activities that are primarily social or recreational such as equipment and venue rental, décor, music, and performers.
- 4.8. **Federal Officials:** Federal government employees, elected representatives of the House and Senate, the president of the United States, presidential appointments, and other representatives of the Executive branch.
- 4.9. **Corporation Funds:** Includes all funds held by the CORPORATION for its authorized business purposes and those funds managed by the CORPORATION for others.
- 4.10. **Fundraising Event:** Events conducted for the sole or primary purpose of raising charitable funds where participants make a charitable contribution and a purchase for the fair market value of goods or services. Fundraising events may include dinners, dances, door-to-door sales of merchandise, concerts, carnivals, golf tournaments, auctions, casino nights, and similar events and are governed by CSU Policy found in ICSUAM 15701.00 Fundraising Events. Fundraising events do not include the following:
- 4.10.1. Activities substantially related to the accomplishment of the UNIVERSITY's educational purpose, including such activities that receive sponsorship;
 - 4.10.2. Unrelated trade or business activities that generate fees for service;
 - 4.10.3. Fundraising solicitations and related prospecting activities intended to generate only a contribution (no purchase of goods or services);
 - 4.10.4. Opportunity Drawings in which the prizes have only a nominal value and do not require reporting as taxable income.
- 4.11. **Gift or Prizes:** Something of value given or bestowed upon an individual, group, or entity with the expectation of benefit accruing to the UNIVERSITY/CORPORATION or for other occasions that serve a bona fide business purpose.
- 4.12. **Hospitality:** The provision of meals (catered or restaurant), alcoholic beverages and/ or light refreshments, entertainment services, promotional items, gifts, awards, and service recognition and travel. Hospitality includes expenses for activities that promote employee morale or promote the UNIVERSITY/CORPORATION to the public, usually with the expectation of benefits accruing directly or indirectly to the UNIVERSITY/CORPORATION.
- 4.13. **Light Refreshment:** Coffee and other non-alcoholic beverages, snacks, hors d'oeuvres, pastries, cookies, crackers, chips, fruit, cheese, etc. APPENDIX A of the Guidelines establishes maximum per person rates for this expense inclusive of tax and tip. See note, in §4.14, on combining per person maximums when one event includes

light refreshments and a meal.

- 4.14. **Meal:** A catered or restaurant-provided breakfast, lunch, or dinner at which employees, students, or other individuals are present for the purpose of conducting substantial and bona fide UNIVERSITY/CORPORATION business. Groceries and beverages purchased for an event may also be charged as meal/meals. APPENDIX A of the Guidelines establishes maximum per person rates for this expense inclusive of tax and tip.
- Note: If one hospitality event combines light refreshments with a meal, per person maximums maybe combined if a one-up approval (as defined in §12.1) is obtained. An example is a single hospitality event that includes a cocktail hour before the hosted dinner. In this case, the per person maximums maybe combined for light refreshments and dinner with one-up approvals.
- 4.15. **Membership in Social Organizations:** Private or university clubs, athletic clubs, civic organizations and other membership organizations that provide a venue for hosting hospitality events or a means for promoting goodwill in the community are allowable. Memberships in business leagues, chambers of commerce, trade associations and professional organizations are considered a regular business expense and are not governed by the Guidelines.
- 4.16. **Official Host:** A UNIVERSITY/CORPORATION employee who hosts a meeting, conference, reception, activity, or event for the active conduct of UNIVERSITY/CORPORATION business.
- 4.17. **Official Guest:** A person invited by an official host to attend a UNIVERSITY/ CORPORATION meeting, conference, reception, activity or event. Examples of official guests include employees and visitors from another work location, students, donors, recruitment candidates, volunteers, members of the community, academic peers, members of a learned society (formally organized or not) and media representatives. A UNIVERSITY/CORPORATION employee may be an official guest when the nature and purpose of the event is considered and specifically approved by the approving authority.
- 4.18. **Promotional Item:** items that display the name, logo or other icon identifying the UNIVERSITY such as a keychain, coffee mug, calendar, or clothing.
- 4.19. **Travel:** The CORPORATION's travel policies apply to hospitality events that include travel of the official guest(s) or the official host(s).
- 4.20. **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. (The main campus is a single work location including CORPORATION property near campus).
5. **Allowable Expenditures and Occasions:** Hospitality expenses must be directly related to, or associated with, the active conduct of official UNIVERSITY/CORPORATION business. When an employee acts as an official host, the occasion must, in the best judgment of the approving authority, serve a clear UNIVERSITY/CORPORATION business purpose, with no 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 CORPORATION funds.

6. **Conformation to IRS Regulations:** All hospitality expenses must conform to IRS regulations, including employee business meal or entertainment expenses. An employer's reimbursement of an employee business meal or entertainment expense may be considered taxable income to an employee if:
- The activity is not directly related to the employee's job.
 - The expense is lavish or extravagant under the circumstances.
 - The expense is not substantiated with supporting documentation.
7. **Evaluation by Approving Authority:** 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.
- 7.1. **Examples of Permitted Activities:** Occasions when the provision of hospitality is permitted include when:
- 7.1.1. The UNIVERSITY/CORPORATION hosts or sponsors business meetings that are directly concerned with the welfare of the UNIVERSITY/CORPORATION or in promoting a UNIVERSITY/CORPORATION program or activity;
- 7.1.2. The UNIVERSITY/CORPORATION hosts official guests, including employees visiting from another work location, students, donors, visitors, volunteers and other individuals with an interest in the UNIVERSITY/CORPORATION, including individuals being recruited for faculty or staff positions;
- 7.1.3. The UNIVERSITY/CORPORATION is the host or sponsor of a meeting of a learned society or professional organization. This includes symposia organized to share current knowledge on a specific topic, discipline or question.
- 7.1.4. The UNIVERSITY/CORPORATION hosts receptions held in 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 UNIVERSITY/CORPORATION related groups such as alumni associations;
- 7.1.5. The UNIVERSITY/CORPORATION hosts community relations or fundraising events to promote goodwill, recognize distinguished service, or cultivate donors, collaborators and/or sponsors of UNIVERSITY/CORPORATION programs and activities.
- 7.1.6. The UNIVERSITY/CORPORATION hosts receptions for the benefit of employee morale, employee recognition, or memorials. Length of service awards and retirement celebrations are limited to employees who have served 5 or more years. Positive employee morale is a valuable resource. Therefore, the Guidelines allow for expenditures supportive of employee morale (other than those identified as "unallowed"). The UNIVERSITY/CORPORATION relies on the judgment of the approving authority in this area as they are most capable of assessing the benefit to the UNIVERSITY/CORPORATION of such expenditures;
- 7.1.7. Representatives of the UNIVERSITY/CORPORATION participate in community outreach to enhance partnerships, promote goodwill, recognize distinguished service, or cultivate donors, collaborators and sponsors of projects.
- 7.2. **Business Partners:** Entertainment of business partners to solicit donor support should be restricted to those situations where (1) the UNIVERSITY/CORPORATION already has, through contract or purchase order, established the business relationship with the

vendor; or (2) the UNIVERSITY/CORPORATION 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.

7.3. Special Rules for Employee Meetings and Recognition Events: 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 the Guidelines. Some general guidelines follow:

- 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.
- 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, 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:
 - A meeting where there is a scheduled speaker during the meal period;
 - A meeting where the participants work through the meal period;
 - Circumstances where it would be too time-consuming or disruptive for participants to take a meal break away from the meeting location.
- In general, the CORPORATION 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.
- 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 §§4.16-4.17 of the Guidelines. Expenditures for alcohol outside of hosted events are personal expenditures and are not reimbursable.
- The Guidelines establish maximum per person reimbursement rates for meals, alcoholic beverages and light refreshments, inclusive of tax and tip. See APPENDIX A.

7.4. Special Rules for Spouses and Domestic Partners: Hospitality provided to the spouse, domestic partner or other family member of an employee may be permitted when it serves a UNIVERSITY/CORPORATION business purpose. Their presence is considered to serve a UNIVERSITY/CORPORATION business purpose if they have a significant role in the proceedings or makes 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.

7.5. Special Rules for Students and Prospective Students: Hospitality provided to students or prospective students may be permitted when it serves a UNIVERSITY/CORPORATION 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.

7.6. Special Rules for Federal Officials: Federal officials are subject to complicated and extensive ethics 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).

8. Awards and Prizes

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

8.2. Cash equivalent items such as gift cards and gift certificates, no matter how small, are always tax-able 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.

9. Unallowed Expenditures (expenditures that may not be charged to CORPORATION funds)

9.1. Personal Benefit: Hospitality expenses that are of a personal nature and not related to the active conduct of official UNIVERSITY/CORPORATION 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 UNIVERSITY/CORPORATION functions. Official campus functions do not include offsite 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 Guidelines.

9.2. Discrimination: 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.

9.3. Tobacco: No expenditures under the Guidelines are allowed for the purchase of 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 a CORPORATION sponsored program are not covered by the Guidelines.

10. Funding Sources

- 10.1. **Grant/Contract Projects:** 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 agency policy. In the event of a conflict between agency and CORPORATION policy and Guidelines, the stricter of the two policies shall apply. Federal Funds may not be used to purchase alcoholic beverages or tobacco products.
- 10.1.1. Expenditures for food and related items integral to a grant (e.g., a training grant that includes lunch for students) are not considered hospitality expenses for purposes of these Guidelines and policy. These expenses should be processed as regular expenses following current CORPORATION procurement and accounts payable policies and procedures.
- 10.2. **Trust and Agency Funds Held for Third Parties:** Trust or agency funds held by CORPORATION in a purely custodial capacity (assets equal liabilities) on behalf of third parties are subject to applicable laws and the written agreements.

11. Approving Authority Documentation

- 11.1. All hospitality expenditures and reimbursements must be approved by an Approving Authority as defined in §4.2.
- 11.2. 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 expense of their direct or indirect supervisor. The approving authority must be the supervisor or above of the official host. The exception is approval of President's expenditures by the Chief Financial Officer.
- 11.3. In addition, delegated individuals may not approve expense of their spouse, registered domestic partner, significant other, child, parent, or other near relative.

12. Additional approval Required

- 12.1. Corporation 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 stated benefit to the university.
- 12.2. 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 or dean.
- 12.3. These types of events require one-up approval or higher:
- 12.3.1. A single hospitality event that includes both light refreshments and a meal requires one up approval. See §4.14.
- 12.3.2. Any single hosting event that exceeds \$1,000 requires one up approval.
- 12.3.3. Any single hosting event that exceeds \$3,000 requires approval from the applicable vice president's office.
- 12.4. The following specific activities are sensitive areas and may be determined by CORPORATION to require one-up approval to assure that the expenses are necessary, appropriate to the occasion, reasonable in amount and serve a purpose consistent with the mission and fiduciary responsibilities of the UNIVERSITY/CORPORATION:
- Reimbursement of hospitality expenditures for alcohol.
 - Reimbursement of hospitality expenditures for recreational, sporting or entertainment events.

- Reimbursement of hospitality expenditures for a spouse, domestic partner or other family member of an employee or official guest.
- Reimbursement of hospitality expenditures for memberships in social organizations as defined in §4.15 of the Guidelines.
- Reimbursement or payments or hospitality expenditures for federal officials.

13. Exceptions

- 13.1. When hospitality expenditures will exceed the per-person maximum, a written justification must be provided and an exception must be approved by the appropriate dean, vice president, or the president. The approved justification must include why adherence to the guidelines and procedures was unavoidable and necessary to achieve a UNIVERSITY/CORPORATION business purpose.
- 13.2. When appropriate and necessary, the University President may make a limited exception to the Hospitality Guidelines and Procedures; the purpose of the exception must be documented and signed by the President.

14. Documentation Requirements

- 14.1. For payment or reimbursement complete and submit the appropriate request form along with documentation of the following:
- 14.1.1. The benefit to the campus. Given that judgment is very often an intangible but nonetheless critical basis for expenditure (such as employee morale), administrators are encouraged to be as specific as reasonably possible when stating the benefit to the UNIVERSITY/CORPORATION.
- 14.1.2. Itemized receipts or invoices are required (establishes audit trail for type of expenditure and number of employees).
- 14.1.2.1. If itemized receipts cannot be obtained or have been lost, a signed statement to that effect is required. On a selected basis, venues may be called to verify if itemized receipts are not available.
- 14.1.2.2. Credit card receipts (in addition to the original itemized receipt or invoice) are preferred (establishes that expense was incurred and paid by the employee and not some other individual). Payment in cash should be avoided, if possible.
- 14.1.3. The individual names and affiliations of attendees. If a specific organization or group of attendees numbering more than 20 are attending, you may note the number of attendees and the name of the group.

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

Note:

- The above rates are inclusive of meals, sales tax, equipment fees, and delivery and service fees.
- The combination of light refreshments and a meal requires a one-up authorization.
- The rates will be increased on July 1 of each year (excluding July 1, 2019) by 3%, and will be issued by the Corporation business office. The Vice President of Administration & Finance will review the rates periodically and re-set the rates as they deem prudent.

Common Types and Allowable Sources for Payment of Hospitality Expenses

General Hospitality Expenses that may include meals and light refreshments, alcohol, membership in social organizations	
Allowable expenditures and/or occasions	Auxiliary Funds to the extent there are no restrictions by laws, regulations or funding source agreements
Alcoholic Beverages, including tax, gratuity, 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 - minimum 5 years' service	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 - minimum 5 years	Yes
Spouses and Domestic Partners who attend a hospitality event and serve a CSU business purpose	Yes
Student Recognition events & commencement	Yes
Student Recruitment Efforts	Yes
Tobacco products	No
University hosts Official Guests, including employees visiting from another work location, students, donors, visitors and volunteers	Yes

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

See Guidelines for conditions on particular types of expenses.