



05.107

Business Entertainment Expenditures

Authority:	Vice Chancellor of Business Affairs
History:	Effective February 13, 2001; Updated July 1, 2006 supersedes former Administration Policy No. ACG2.40, "Business Entertainment Expenditures"
Source of Authority:	Internal Revenue Code; Office of State Budget & Management
Related Links:	Internal Revenue Code; Discretionary Trust Funds Spending Policy
Responsible Office:	Comptroller

I. Purpose

To provide guidelines for business entertainment expenses for compliance with Internal Revenue Service regulations, university requirements and the subsequent reimbursement of business entertainment expenses.

II. Scope

This policy applies to all university departments and employees and defines the type of business expenditure, approval and documentation requirements and the allowable funding sources for business expenditures.

III. Policy

A. Types of Expenditures Governed by This Policy

Cost of meals, theater tickets, golfing privileges or any other costs of a personal nature related to a business activity taking place off-campus and is not directly related to a university program or formal workshop are subject to special documentation rules.

B. Entertainment Associated with University Business

Entertainment costs that are paid or reimbursed by the university must meet the following tests:

1. Expenses are directly related to university business.
2. Expenses preceding or following a university-related discussion, the expenditures are associated with the conduct of university business.

3. Expenses which include a business meal and requires the university employee or designee serving as the official host be present when the food and/or beverages are provided.

C. Required Approvals

Business entertainment is not considered a normal operating expense; therefore, each occurrence requires additional scrutiny from university management. Before approving any entertainment expenditure, senior officers determine what entertainment expenditures are deemed "reasonable" and "justified." All entertainment costs reimbursed are subject to state audit review.

1. **Prior Verbal Authorization**

Prior to incurring entertainment expenditures, the university employee needs to obtain verbal authorization from their respective dean, vice chancellor, or chancellor.

2. **Written Approval**

Prior to reimbursement of business entertainment, written approval signature is required from the respective dean, vice chancellor, or the chancellor in addition to the approval of the budget authority which the business entertain expense is charged.

D. Required Documentation

The Business entertainment form is designed to meet IRS requirements for proving that the expenses are related to university business. All requests for business entertainment expenditures to be paid or reimbursed by the university must be supported by completion of this form.

E. Required Receipts

Original receipts and/or invoices to equal the total entertainment expense are required as supporting documentation for reimbursement. However, in lieu of an actual receipt for tips, an itemized list is acceptable, providing the tips are reasonable and customary considering other expenses incurred.

F. Allowable Funding Sources for Business Entertainment

Business entertainment expenses may be paid from the following types of funds:

1. Agency funds.
2. Unrestricted endowment income, such as discretionary accounts established for the chancellor or vice chancellors.
3. Unrestricted trust funds such as unrestricted gifts to the university, or income available for general program enhancement.

4. Grants or contracts that specifically provide for the payment of business entertainment expenses.

(Prior approval from the Office of Sponsored Programs is always required for funding from contract and grant funds, regardless of the recipient.)

5. Enterprise funds (such as, Housing, Food Services, Parking) whose revenue is derived primarily from sources other than university departments.

Business entertainment expenses must be charged to the business entertainment account code.

G. Non-Allowable Funding Sources for Business Entertainment

Business entertainment expenses are strictly prohibited from the following funding sources:

1. General funds (state appropriations).
2. Grants or contracts that do not specifically provide for the payment of business entertainment expenses.
3. Restricted gifts to the university designated for scholarships, endowments or a specific purpose other than business entertainment. Federal indirect costs.
4. Enterprise funds (such as, Printing Services, Telecommunications), if the sales or service is directed primarily to university departments.

H. Timely Submittal of Requests

Requests that the university pay or reimburse business entertainment expenses will need to be submitted within thirty days after the expense is incurred. At fiscal year end, reimbursement requests must be submitted for reimbursement prior to June 30.