

SOUTHEASTERN UNIVERSITY

GENERAL ADMINISTRATIVE POLICY

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TITLE: Department Hospitality Policy

POLICY NUMBER:

EFFECTIVE DATE: March 30, 2009

REVISION DATE: December 3, 2010

ACCREDITATION STANDARDS:

POLICY:

There are occasions when the University may provide hospitality to campus and/or community audiences to support the mission of the University. As with other University expenditures, the approving authority must exercise prudent business judgment in reviewing proposed expenditures for meals and light refreshments based on their reasonableness, allowability, benefit to the University, budget, and the availability of funds. In addition, such expenditures should be cost effective and in accordance with the best use of University funds.

To conform to Internal Revenue Service (IRS) regulations governing business expenses, the University will not reimburse costs to a University employee or student for meals and light refreshments or related services when the reimbursement results in taxable income to the individual.

PURPOSE:

This policy outlines University policy and procedures governing the manner and extent to which the University may provide hospitality to academic and staff employees, students, donors, guests, visitors, volunteers, and other individuals as part of a business meeting or entertainment event. The policy also addresses meals provided in connection with programmatic activities, meals furnished to employees who are required to remain on University premises during a meal period, meals served to employees as part of a morale-building function, and meals to prospective students and employees.

SCOPE:

This policy governs the appropriate use of University funds for business meetings, entertainment functions, and other occasions when meals and/or light refreshments are served.

DEFINITIONS:

Business Meeting Expenditures – expenditures for meals or light refreshments and related services (e.g. labor charges, room rental, equipment rental, and similar expenditures) incurred in connection with meetings of employees to conduct official University business. At least one University employee or other individual representing the University must be present at any business meeting that includes non-University persons.

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Entertainment Expenditures – expenditures for meals or light refreshments and related services (e.g. labor charges, room rental, equipment rental, decorations, flowers, and similar expenditures) incurred in connection with events that are primarily social or recreational activities in support of the University’s mission. Such activities must support an underlying University business purpose such as promoting goodwill, donor cultivation, etc.

Guest – a person who renders a service to the University or to whom the University wishes to extend goodwill and who is present at a University business meeting, entertainment event, or other activity at the invitation of a University official authorized to host the activity. *Guest* may also include an employee from another work location.

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

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 business. Groceries and beverages purchased for an event may also be charged as a meal(s).

Programmatic Activities – meetings and events that are in keeping with the University’s mission. As a tax-exempt organization, the University 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 (e.g. snacks at a blood donation event), and similar activities.

Unallowed Expenditures – The following expenditures may not be reimbursed:

- Entertainment expenses that are lavish or extravagant under the circumstances;
- Expenses that represent additional taxable income to an employee or student¹ under Internal Revenue Service (IRS) regulations;
- Monetary contributions to a political campaign or candidate;

¹ A taxable meal furnished to a student is not reimbursable unless the meal is provided as part of a scholarship or fellowship award.

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- Entertainment expenses for employee birthdays, weddings, or anniversaries. (Departmental hospitality for employees farewell celebrations is allowed up to a reasonable amount.);
- Personal expenses; and
- Expenditures that are not permitted under the terms governing restricted funds.

FORMS AND APPLICABLE DOCUMENTS:

Expense/Advance Reimbursement Form (found on SFNET under “Campus Services, Business Office)

Travel Voucher Form

Department Hospitality Card Policy

Expense Reimbursement Policy

Travel Reimbursement Policy

PROCEDURES:

ALLOWABLE EXPENSES

The University permits expenditures for meals and light refreshments provided to academic or staff employees, students, donors, guests, visitors, volunteers, and other individuals for the purpose of conducting substantial and bona fide University business. If the expenditure entails hospitality provided to spouses or other family members of the official host, or for particular categories of events, additional approval must be obtained before the expenditure will be reimbursed or paid

1. Business Meetings

a. Employee Meetings

- The University may pay for or reimburse expenses for meals or light refreshments provided in connection with business meetings involving University employees:
 - o If the expenses occur infrequently, and

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- o If the expenses benefit the University and are reasonable and appropriate to the purpose and nature of the business meeting.
 - Examples of business meetings that fulfill these criteria include meetings of the Board of Regents, University-wide meetings of functional offices, campus meetings of deans and directors, extended formal training sessions, conferences, and meetings of University-appointed committees. Business meetings may also include University-hosted or sponsored meetings of a learned society, a professional association, or another external organization. In addition, business meetings may include less formally organized meetings such as extended planning meetings and work groups.
 - In general, the University will not pay for or reimburse costs for meals taken with individual colleagues at the same work location unless the participants were unable to accomplish the business purpose during working hours. Also, the University will not pay for meals when the meal benefit is available (e.g., paying for a noon meal in Mi Casa Café when the restaurant is open).
 - Personal snacks and refreshments.
- b. Entertainment Costs Incurred While Traveling on University Business
- A University employee on travel status who incurs hospitality expenses must claim reimbursement for such expenses according to the policies specified in this policy. The expenses must be documented and submitted for approval on a Travel Expense Voucher. Meals associated with hospitality should be itemized.
- c. Visitors, guests, and volunteers
- The University may provide meals and light refreshments to visitors, guests, and volunteers if the hospitality is necessary to the conduct of official University business, such as:
 - o Visitors from other educational institutions, members of the community, University employees visiting from another work location, and similar guests; and

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- o Volunteers and research subjects who are required to remain on University premises during a time when a meal would customarily be taken.

d. Faculty-Student meetings

- The cost of meals or lights refreshments may also be reimbursed for occasional meetings between students and faculty or administrators. However, it is important to coordinate meals in the restaurant around the noon meal to avoid duplicate expenses.

2. Programmatic Activities

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

- Athletic teams, including training-table meals, game-related meals, and occasional meals provided in accordance with the rules of the NAIA;
- A class, study hall, or other academic-based activity that occurs on an infrequent basis;
- Student orientation programs and similar activities;
- Activities that serve refreshments as a crucial part of the program, such as blood donation events that offer juice and cookies to blood donors; and
- Campus volunteers and research subjects.

3. Recruitment

The University may provide meals or light refreshments in connection with the recruitment of:

- Prospective employees who are under consideration for positions that require specialized training and/or experience of a professional, technical, or administrative nature, and
- Prospective students.

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4. Employee morale-building activities

The University may pay for or reimburse costs for meals or light refreshments associated with official employee morale-building and appreciation activities that serve a University business purpose. Examples of such occasions include a gathering to honor a departing employee who is retiring or who is separating from employment after *at least* 3 years of University service, employee recognition receptions, annual faculty/staff banquets, new employee receptions, and holiday gatherings. Under no circumstances may University funds be used for occasions such as employee birthdays, weddings, anniversaries, or other occasions of a personal nature.

5. On-the-job meals

The University may provide meals to certain employees during work hours as a non-taxable benefit to the employee. The cost is not treated as taxable income when the University requires the employee to be on site in connection with a University business purpose. For example, a meal would be provided for benefit of the University when an employee is required to stay on-campus during his or her entire work shift either because the person is required to work during that period or is on-call.

There is no limit as to the frequency or number of on-the-job meals that are offered to employees who are required to remain on site.

The IRS gives the following examples of when meals are provided primarily for the convenience of the employer and not for a compensatory purpose:

- When an employee needs to be on emergency call during the meal period;
- When an employee needs to take a shortened meal period and cannot leave the workplace to take a meal (e.g. because peak workload occurs during a normal meal period); and
- When there are no food providers or eating facilities in the vicinity of the employee's workplace.
- When it is an employee meal benefit (e.g., noon meal while classes are in session).

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6. Entertainment

a. Prospective donors

The University may provide meals or light refreshments at an entertainment event for the purpose of generating the goodwill of prospective University donors.

b. Employees, guests, and volunteers

Meals or light refreshments may be provided to visitors, guests, members of the community, or employees where the purpose of the activity is primarily social or recreational, as long as there is an underlying business purpose in support of the University's mission.

c. Tickets to an entertainment event

The University may pay the cost for tickets to a sporting, theatrical, or musical event furnished to a prospective donor or employee in connection with the conduct of official University business.

d. Spouse of a University guest or University host

The cost of meals or light refreshments provided to the spouse or other guest of the official host may be reimbursed, provided the expenditure serves as a bona fide University business purpose.

When a spouse or guest attends a function, the individual's presence is considered to serve a business purpose if he or she has a significant role in the proceedings or makes an important contribution to the success of the event. Official functions to which spouses or guests are invited as a matter of protocol or tradition may be considered as bona fide business-related activities. Ceremonial functions, fundraising events, alumni gatherings, community, and recruiting events are examples of activities at which the presence of a spouse or guest may contribute to the mission of the University.

The reimbursement request should include documentation (e.g., an event or meeting agenda, or a letter of invitation requesting that spouses or guests

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attend the meeting or event) to show that the attendance of the spouse/guest meets the above condition.

If a spouse/guest has no significant role in the proceedings or performs only incidental duties of a social or clerical nature, his/her attendance does not constitute a bona fide business purpose. Such expenses are not reimbursable.

e. Cash contributions included in a fundraiser fee

If a non-profit community or charitable fundraising event includes a cash donation as part of the meal or registration fee, additional documentation must be furnished by the employee in accordance with this policy. The cost of a contribution must be reasonable in relation to the actual or expected benefits.

University policy does not permit contributions in connection with any event sponsored by an organization associated either directly or indirectly with a political party, campaign, candidate, or group engaged in an attempt to influence legislation, elections, referenda, or similar activities.

VI. TAX TREATMENT OF BUSINESS MEAL AND ENTERTAINMENT EXPENDITURES

Under the IRS regulations, an employer's reimbursement of an employee business meal or entertainment expense will be considered taxable income to the employee when:

- The activity is not directly related to the employee's job;
- The expense is lavish or extravagant under the circumstances;
- The official host (or other designated employee) is not present when the activity takes place; or
- The expense is not substantiated with supporting documentation.

An expense which is reasonable in light of all the facts and circumstances is not considered lavish or extravagant. Relevant facts may include general convenience and acceptable industry practice under the circumstances.

No expenditure that is considered taxable income to an employee or student under IRS regulations will be reimbursed or paid by the University.

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Deductible meal and entertainment expenses must be *directly related to or associated with* the active conduct of official business, as provided by Section 274 of the Internal Revenue Code. A business meal or business entertainment expenditure is *directly related* if the following four conditions are met:

- The taxpayer² has more than a general expectation of deriving income, or a specific business benefit, from the meal or entertainment. However, the taxpayer is not required to show that income or a specific business benefit actually resulted;
- The taxpayer did in fact engage in business discussions during the meal or entertainment (or if the taxpayer did not, it was for reasons beyond the taxpayer's control);
- The principal nature of the expense was the active conduct of the taxpayer's trade or business; and
- The meal or entertainment expense was for the taxpayer, the taxpayer's business guest or guests, and their spouses (Reg. §1.274-2(c)(3)).

A meal or other entertainment expense *is associated* with the conduct of a taxpayer's trade or business and therefore not taxable if there was a clear business purpose in making the expenditure and if it directly precedes or follows a substantial and bona fide business-related discussion.

Meal and entertainment expenses that are *directly related to or associated with* the active conduct of official business are not taxable to an employee if reimbursed by the employer or paid by the employer on the employee's behalf. However, business meals provided to an employee on a routine or frequent basis will be treated by the IRS as personal expenses includable in an employee's gross income (except for the noon-meal benefit).

VII. APPROVAL OF EXPENDITURES

A. GENERAL APPROVAL REQUIREMENTS FOR REIMBURSEMENT

² Taxpayer in this case is the University or University employee.

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- In approving a request to reimburse an employee or to make a direct payment on behalf of the employee to a third party for expenditures authorized under this policy, the approving authority must determine that:
 - The expenditure serves a clear and necessary business purpose or benefit to the University;
 - The expenditure of funds is reasonable, cost effective, and in accordance with the best use of University-administered funds;
 - The expenditure does not create taxable income for an employee or student;
 - Funds are available and the expenditure is allowable under the specified fund source; and
 - Any alternatives that would have been equally effective in accomplishing the desired objectives were considered.
- The department head (or equivalent authority) is authorized to approve the reimbursement of meals, light refreshments, and other expenses permitted under this policy.

B. APPROVAL OF ENTERTAINMENT EXPENSES

In addition to the general approval requirements listed above, the requirements set forth in this section will apply to the approval of entertainment expenses.

To ensure proper internal controls, an individual with delegated approval authority may not authorize payment of the entertainment expenses of anyone to whom he or she reports either directly or indirectly, i.e., the approving authority should be the supervisor of (or at a higher classification than) the person claiming the expenditure. In addition, individuals with delegated approval authority shall not approve their own entertainment expenses or the entertainment expenses of a near relative (e.g., spouse, child, parent, etc.).

C. EXPENSES REQUIRING ADDITIONAL APPROVAL

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- Certain expenses authorized under this policy require additional approval at a higher level. The following expenses require such approval:
 - Entertainment of the spouse, family member of the official host, or guest;
 - Tickets to a sporting, theatrical, or musical event;
 - A cash contribution which includes the cost of a meal or registration fee made to a non-profit organization in connection with an employee's attendance at a fundraising event; and
 - Employee morale building and employee recognition events.
- Expenses requiring additional approval shall be approved in accordance with this policy.

D. EXCEPTIONS TO POLICY

- Any request for approval of an exception to the per-person maximum rates must include a written justification for the expenditure prior to the expenditure. The request must document circumstances which are unavoidable or necessary to accomplish a University business purpose. The fact that actual costs exceeded the authorized rate is not in itself justification for the higher reimbursement rate.
- The following are examples of circumstances that would warrant reimbursement of expenses in excess of the standard rates for meals and light refreshments:
 - Meals or light refreshments must be obtained at the hotel or conference site where a meeting is being held;
 - Meals or light refreshments must be delivered by a caterer to reduce meeting interruptions or promote event continuity, or due to the location of the event where there are no nearby eating facilities; and

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- An event, such as a donor cultivation event or recruiting activity must be held at a prearranged place appropriate for the event or the expected business benefit.
- The individual delegated authority to approve exceptions to this policy must assure that the required written justification is adequate and that the expenses meet all other approval requirements contained in this policy before approving the expenses. Reimbursement of such expenses is limited to the actual documented costs incurred.

E. ADDITIONAL APPROVAL AUTHORITY AND AUTHORITY FOR EXCEPTIONS TO THIS POLICY

Expenses requiring additional approval and exceptions to this policy may be approved by the President or the Vice Presidents.

VIII. REIMBURSEMENT DOCUMENTATION

A. REIMBURSEMENT OR PAYMENT REQUEST

- A request for reimbursement, recharge, or payment of expenses for meals or light refreshments and related services must be submitted on the appropriate Expense/Advance Reimbursement form or Travel Expense Voucher form. The completed request must include the following information:
 - Type of expense (lunch, dinner, etc.);
 - Type of event;
 - Number of participants (attach a guest list containing the name and title of participants, and their occupation or group affiliation, in order to establish the business-related relationship to the University);³
 - Date and location of event;
 - Business-related nature of the occasion or purpose of the event; and
 - The signature, printed name, and department of the department head or approving authority. The signature of the host must also be obtained for *entertainment, recruitment, and employee morale-building activities*.

³ If it is impractical to list each guest based on the open nature of the event (e.g., the President's annual staff appreciation banquet, a retirement reception, and other similar events), the documentation need not include individual names and titles.

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Examples of expenditures requiring signature by the host and/or additional approval at a higher level are listed in this policy.

- A request to reimburse entertainment, recruitment, or employee morale-building expenses must include a written statement signed by the host and/or the approving authority certifying that the hospitality expenses were incurred for an official University business purpose. This written statement must be provided on the Expense/Advance Reimbursement form.
- Expenses of \$25 or more per occasion must be supported by original itemized receipts, which must be submitted with the request for payment. If a receipt cannot be obtained or was lost and all measures to obtain a duplicate receipt have been exhausted, the reimbursement must include a signed and approved Missing Receipt Affidavit form explaining why the receipt is not being provided. The statement must also include a certification that the amount claimed is the amount actually paid.

B. BUSINESS MEETING DOCUMENTATION

- University policy requires that meals or light refreshments provided in the course of a business meeting *must be a necessary and integral part of the business meeting, not a matter of personal convenience*, whether the meeting is for internal purposes or includes external organizations. 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 of such events include:
 - A meeting where there is a scheduled luncheon speaker;
 - A meeting where the participants work through the lunch period⁴, or;
 - Circumstances where it would be too time-consuming or disruptive to event continuity for participants to take a meal break away from the meeting locations.
- University policy does not permit reimbursement when two or more employees choose to go to lunch together to continue their business as an *incidental* part of

⁴ The parties should use the noon meal benefit when available which does not include Mi Casa Café.

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the meal, when the meal is of a reciprocal nature,⁵ or when the meeting could have been scheduled during regular working hours.

- The business purpose of meals or light refreshments provided as part of a meeting must be explained on the Expense/Advance Reimbursement Voucher or substantiated by other documentation (e.g., an agenda) attached to the form.

C. FREQUENCY OF MEALS AND LIGHT REFRESHMENTS

- Meals and light refreshments that are provided by an employer to its employees on a frequent or routine basis are treated by the IRS as taxable income and therefore are not reimbursable under University policy, except for the noon-meal benefit. The following guidelines should be followed in providing meals and light refreshments in connection with a *business meeting, entertainment event, or employee morale-building activity*:
 - Meals should be limited to no more than once a month, per group.
 - Light refreshments should be limited to no more than once 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.
- On-the-job meals provided to employees who are required to be at their work stations during normal meal time also may be furnished on a more frequent basis.

D. FINANCIAL CONTROLS

- To ensure prudent financial controls, payments for expenses authorized under this policy are to be made directly to the individual incurring the expense or the vendor providing the service. All relevant documentation should be attached to the request for payment. For example, a vendor contract for catering must be attached to a request that payment be made directly to the caterer, and must be

⁵ The parties reciprocate by paying for each others' meals.

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mailed directly to the caterer with the check (or separately for electronic payments).⁶

- No reimbursement may be made to or delivered for distribution to any individual who was involved in either the approval or payment preparation process, *unless an exception has been made in writing by an authorized official.*

IX. RESPONSIBILITIES

Controller's Office

The Controller's office is responsible for issuing appropriate procedures for processing official expenditures for meals and light refreshments and related services in connection with official business meetings, entertainment events, and other occasions.

The Controller's office validates the review and approval of the department head (or equivalent authority) to ensure that payment or reimbursement requests for meals, light refreshments, and related expenditures are made in accordance with the procedures set forth in this policy. The Controller's office reviews supporting documentation to verify that the amounts claimed are allowable and that payment documents have been properly approved prior to payment or that adequate post audit reviews are performed in accordance with reasonable risk factors. In addition, the Controller's office ensures that supporting documentation is retained in accordance with the documentation rules.

Department Heads

The department head (or equivalent authority) is responsible for ensuring that expenditures for meals, light refreshments, and related expenditures comply with University policy and fund source restrictions, that appropriate documentation is provided to substantiate such expenditures, and that the expenditures do not exceed the frequency limits set forth in this policy. The department head is responsible for ensuring the appropriate expense voucher is approved by the required individuals, and for maintaining an inventory of all quantity purchases. The department head is also responsible for maintaining proper control over the inventory of quantity purchases.

⁶ Expenses paid by a department recharge or journal are subject to the substantiation and documentation requirements of this policy.

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APPROVAL:

DISTRIBUTION:

AUTHOR:

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