

GUIDELINES ON HOSPITALITY
Prepared by the Controller's Department
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As stated in the Policy Library at <http://policy.iastate.edu/policy/business/expenditures/>, department chairs are responsible for ensuring that charges to accounts are allowable and appropriate and in the best interest of the department and the University as a whole. The following guidelines are provided as *assistance* for making those determinations. This is not an attempt to address every circumstance nor is it intended to be a blanket approval or disallowance of a particular situation—the facts and circumstances of your particular situation must always be examined.

A good rule of thumb is the “front page of the newspaper test”. How would you feel if a particular expense payment was media coverage’s lead story and your name was listed as the authorizer? If that prospect makes you uncomfortable, reconsider the expenditure.

Type of procurement or payment. The procurement or payment system used does not affect allowability or appropriateness. The guidelines apply to all forms of procurement, payment, or reimbursement. P-card procedures will be modified to incorporate these guidelines. Keep in mind that financial records and payments are public records and in authorizing the transaction, the unit is supporting the payment as an appropriate expense.

Funding source. The type of account (701, Foundation, etc.) paying the expense does affect allowability and those differences are noted below.

- Sponsored funding in the 4xx (excluding 497) account series. Federal funds are the most restricted accounts. They not only must meet the business purpose standards but also must relate specifically to the award paying the charge and must meet Regent, University, and federal procurement standards.
- State funds in the 7xx and 1xx account series. These are the next most restricted since these are tax dollars that must be used for public purposes and must comply with Regent and University procurement policy.
- Foundation funds in the 497 account series. Since these are donated funds, there are generally fewer restrictions but spending must always conform to donor intent and have an ISU business purpose. Spending is subject to University procurement policies.
- Vending and other agency funds in the 206 account series. By definition, these accounts, while less restrictive, are public funds. Expenditures must be appropriate and reasonable. Some potential reimbursements are truly personal and should not be reimbursed in any situation. There must be a valid business purpose for all payments made by ISU.
- These guidelines should not be interpreted as entitlements, as units may establish more restrictive policies. Administering the more restrictive policy is the responsibility of that unit.

Employee functions. The greatest uncertainty regarding allowability often occurs for events in which only ISU employees are present. The associated costs must represent a legitimate business expense with a work-related purpose.

- Beverages and food items such as snacks, cookies, or donuts for recurring functions where participants are all from the same department should be kept to a minimum.
- A meal may be served when the function is pre-planned and a number of people are involved. Having food served on campus vs. dining out or serving a meal in one's home is generally viewed as more businesslike and less social. Examples:
 - If the most convenient time a *group* of people can schedule a work-related meeting is over the noon hour, providing lunch on campus is generally appropriate. Recurring committee meetings involving employees from many departments would fall into this category.
 - If two or more employees meet at a restaurant downtown, even if business is discussed, reimbursement is generally not appropriate since the individuals would normally have lunch. Under some circumstances where it is the only convenient meeting time, 206 agency funds or unrestricted Foundation funds may be used.
- The restaurant used must be commensurate with the business purpose of the meeting and expenses must be reasonable. Upscale restaurants are normally only appropriate when outsiders are in attendance and when making a positive impression on the guest is part of the business purpose. Business meeting expenses should generally fall within the in-state meal allowances established by the Board of Regents, State of Iowa currently \$6/\$9/\$16 for breakfast, lunch, and dinner.

Milestone recognition. Retirement, going-away, or other milestone recognition functions are generally considered to be appropriate from all funding sources as long as the costs are reasonable and no alcohol is included. These events can be distinguished from a purely social function since the primary purpose of the event is to recognize an employee(s) for extended service to ISU or for specific achievement such as receiving an award. Reasonableness of costs would vary depending on such issues as how many people the honoree interacted with as well as their length of service to the institution. In addition, the nature of the expense should be considered. Cake at a reception would be an appropriate cost but not greens fees at a golf outing honoring a retiree. Recognition of personal events such as employee birthdays or anniversaries is not an appropriate expense from any funding source. If a unit feels this is an important event, the expenses should be paid personally from the group or by the administrator involved. Recognition of personal events for donors or other external constituents may, in very unique situations, such as the 100th birthday of a major donor, be an appropriate expense from Foundation or agency funds.

Since building relationships with alumni and fundraising are integral parts of University administration, costs for these types of events can frequently be paid from any source except sponsored programs. However, any event where tickets are sold and the proceeds are used as fundraising should be coordinated with the Foundation so that appropriate tax reporting to the donors can occur. Without the proper gift receipt, no portion of the payment could be considered tax deductible by the donor.

Other gatherings such as holiday parties or employee picnics should only be expensed from 206 or unrestricted Foundation funds so long as the business purpose is properly documented. The business purpose for these type events is generally employee morale or appreciation which is not the same thing as milestone recognition which spotlights a specific achievement of an individual or unit. For example, an annual

employee picnic would be employee appreciation but a picnic to commemorate the 25th anniversary of the department would be considered milestone recognition.

Spousal attendance. Generally, expenses for spouses or significant others who attend meals related to candidate interviews are allowable if the spouse/significant other of the candidate is also in attendance. While allowable from other funds, expenses of this nature should not be charged to sponsored funding. Spousal attendance at staff recognition functions is generally permitted as is attendance at receptions for campus visitors if such events are typically attended by others from outside ISU. Generally the travel and meal expenses of spouses or significant others would not be an allowable expense unless there is specific administrative approval to include those individuals in the formal invitation to attend.

Gifts. Generally, gifts for recognition of employee achievements, such as those presented through formal awards programs, retirements, and going-away functions are appropriate except from sponsored funding. However, the cost of the gift must be reasonable and be the type of expense that could withstand public scrutiny. In addition, gifts to visitors, especially those from certain cultures, are frequently an expected courtesy and are considered an appropriate expenditure. Gifts of a more personal nature such as flowers sent for the funeral or hospitalization of an employee or their immediate family, or other key constituents such as donors, is only allowable from 206 funds or from unrestricted Foundation funds as long as the cost is relatively small. Cash gifts to a charity made in lieu of flowers are allowable so long as the cash gift does not exceed the amount that would typically be spent on flowers. Gifts to employees for holidays, birthdays, or wedding anniversaries are not appropriate from any university funding source. All gifts to employees, including gift cards given in lieu of compensation, are taxable if \$75 or more and must be reported to the Controller's Department.

Questions on allowability can be directed to Stephanie Fox at ssfox@iastate.edu or 4-2556 or Kathy Dobbs at kadobbs@iastate.edu or 4-6653.