



TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

Operating Policy and Procedure

HSC OP: 72.16, **Official Functions, Business Meetings, and Entertainment**

PURPOSE: The purpose of this Health Sciences Center Operating Policy and Procedure (HSC OP) is to establish rules for expenditures for official functions, business meetings, and entertainment. It follows the tax rules set forth by the Internal Revenue Service (IRS) (see IRS Publication 463 for more information). In the event that the IRS rules change or there is a discrepancy between this HSC OP and the IRS, any rules set forth by the IRS which are more restrictive than this HSC OP will prevail.

REVIEW: This HSC OP will be reviewed on January 15 of each odd numbered year (ONY) by the Managing Director of Procurement Services and the Managing Director of Payroll and Tax Services, with recommendations for revisions forwarded to the Executive Vice President for Finance and Operations.

POLICY/PROCEDURE:

1. Definitions

a. Official Functions

Official functions are established events held for the purpose of institutional enhancement. Generally, they include institutional receptions, retreats, retirements, grand rounds, graduation events, and annual holiday events.

b. Business Meetings

Business meetings are directly related to the conduct of official university business. There must be a clear and specific business purpose identified.

c. Entertainment

Entertainment expenses occur to support a future benefit to TTUHSC. Examples include expenses for faculty recruitment and for cultivating potential donors or relationships.

2. General Policy

- a. Prior written approval** - The President, Deans, and Vice Presidents are responsible for determining that all expenses for official functions, business meetings, and entertainment on their funds are appropriate and reasonable.

Expenses for official functions, business meetings and entertainment must be approved in writing. Expenses aggregating to \$500 or more require approval by Department Head in advance of incurring the expense. When expenses aggregate to \$1000 or more, additional approval by the Dean, Regional Dean, Vice President or President when appropriate, is required in advance of incurring the expense. The Pre-Approval Form (Attachment A) must be completed, signed, and attached to all payment requests processed in TechBuy using the TTUHSC Direct Pay Form or, if paying with the Purchasing Card, the form is to be uploaded/attached to the monthly expense report in Chrome River.

Authorization for the service or sale of alcohol on TTUHSC premises or as part of an off-campus university hosted event, shall be by permission of the written approval of the President, or his/her designee as explained in Section 3(D) below. **The Authorization to**

Serve Alcohol form (Attachment B) is to be used to request Presidential approval and a completed copy should be included with the Pre-Approval form (Attachment A) when submitting payment requests.

- b. **Appropriate and reasonable defined** – Expenses must have a clearly stated business purpose and serve the mission of TTUHSC. Expenses must be appropriate and reasonable considering each area’s budget and financial priorities. Expenses must consider the fiduciary obligations of a public institution which can usually be defined in the context of sharing information publicly to taxpayers, donors, and the media. All appropriate expenditures may be paid on institutional funds only when not otherwise restricted from such purposes. State appropriated and most grant funds cannot be used for expenditures for official functions, business meetings or entertainment.
- c. **Expenses covered** – All official function expenses are aggregated as an event to determine approvals. Example events include a retreat, reception, holiday event, retirement, graduation, grand rounds, etc. Event expenses include all travel, meals, hotel, rentals, supplies, decorations, entertainment and other costs.

Grand rounds expenses are allowable and reimbursable only for the intended attendees of the meeting and not all departmental staff.

- d. **Expenditures not reimbursable to an employee** - TTUHSC will not reimburse expenditures that are considered taxable income to an employee. Business and entertainment meals (such as official functions, business meetings or entertainment expenditures) are considered taxable income if:

- (1) The activity is not directly related to the employee’s job,
- (2) The expense is lavish and extravagant under the circumstances,
- (3) The official host (or other designated host) is not present when the activity takes place,
- (4) The expense is not substantiated with supporting documentation, or
- (5) Spouse/partner/dependent attendance is for purely personal or social purposes.

- e. **Documentation/Substantiation Required** – Original, itemized invoices and/or receipts are required for each applicable purchase. In accordance with IRS documentation requirements, there must be adequate records of sufficient evidence for all official functions, business meetings, and entertainment expenses including:

- (1) Type of event (donor entertainment, business dinner, etc),
- (2) Date and location of the event,
- (3) Total cost of the event,
- (4) Number of participants with a list of each guest’s name, title, and affiliation to TTUHSC, which establishes a business-related relationship,
- (5) Business-related nature of the occasion or purpose of the event, and
- (6) Additional information as required by Payment Services.

3. **Procedure/Process**

a. **Official Functions**

- (1) Reasonable expenditures for parties to honor the service of long-term employees upon their retirement or termination with Texas Tech University Health Sciences Center are allowable with local funds only.
- (2) Each department is allowed one annual event, usually at Thanksgiving or Christmas. The expenditure for the food is limited to a total cost not to exceed \$35, not including tax and tips, per employee or \$70, not including tax and tips, for employee and spouse/guest.

A department may choose to provide employees with hams or turkeys in lieu of a meal.

Gift certificates cannot be purchased to distribute to employees that go to a supermarket to purchase a ham or turkey. Departments must coordinate with the vendor to allow employees to pick up the ham or turkey directly from the vendor's place of business with a vendor voucher. Departments are allowed to provide the meal or the hams/turkeys, but **not** both at the expense of the institution. The maximum cost for hams/turkeys is \$35 each. This limitation is not intended to be interpreted that each employee must receive a value of \$35.

- (3) Resident graduation events may be paid for with local institutional funds only. The expenditure for the food is limited to a total cost not to exceed \$35, not including tax and tips, per employee or \$70, not including tax and tips, for employee and spouse/guest.
- (4) Departmental parties and gifts for special events such as Administrative Assistant's Day and Nurse's Appreciation Day are not allowed and cannot be charged against institutional funds.
- (5) Costs associated with birthday and other individual parties are considered personal expenses and cannot be charged against institutional funds.

b. Business Meetings

- (1) Meals provided for employees at business meetings will be allowed when a clear business purpose can be identified. A complete list of all attendees, including title and department and/or company/institution, is required. Social meetings for lunch or dinner will not be reimbursed. **A clear business purpose of the meeting MUST be provided.**
- (2) When the business meeting is a recruiting event, the vendor payment or the reimbursement to an employee must be processed on account code 7L0600.

c. Entertainment

- (1) Entertainment expenditures must have a clearly defined business purpose and must be documented by a statement explaining the future benefit to the institution. A complete list of all attendees, including title and department and/or company/institution, is required.
- (2) Entertainment expenditures for a spouse/partner, family member, or other person accompanying a TTUHSC employee is only permitted when there is a substantial and bona fide business reason for that person's attendance. The employee must demonstrate a clear purpose (such as recruiting) for the spouse's participation, and only if the employee provides a statement explaining the benefit the institution derives from the spouse's attendance is the expenditure allowed.

To constitute bona fide business purpose, the presence of the spouse/partner must be essential, not just beneficial, to the employee being able to carry out his/her business purpose for TTUHSC. The spouse's/partner's performance of incidental services of a social or clerical nature does not make it a bona fide business expense. The spouse/partner must perform substantive business-related functions. A determination is based on the following criteria:

- (a) The degree to which the dominant purpose of the event is to aid the employee's business purpose of promoting TTUHSC's objectives,
- (b) Whether the spouse's/partner's presence at the event is necessary to effectively carry out the duties of the employee, and
- (c) The extent to which the spouse's/partner's presence at the event is to provide more than incidental business-related services to the employee.

d. Alcohol Beverage Service at TTUHSC Hosted Events

- (1) Any activities with alcohol on TTUHSC premises, whether paid or reimbursed from either TTUHSC or externally provided funds, are considered a TTUHSC hosted event with

alcohol. Activities with alcohol involving students or TTUHSC employees that are held off of TTUHSC premises are also considered a TTUHSC hosted event with alcohol when such activities are hosted by a recognized student organization or a TTUHSC school/department.

- (2) **Alcoholic beverages may only be served on TTUHSC premises or as part of an off-campus university hosted event with the prior written approval of the President, or his/her designee.** (Attachment B also states: Water and soft drinks must be available at any event where alcohol is being served.) Each department may determine whether alcoholic beverages consumed or served at business meeting or official functions off-campus are allowable and/or reimbursable.
- (3) For the Lubbock campus, Top Tier (TTU-Hospitality Services) and Skyviews are approved providers of alcohol at events held on either the TTUHSC or TTU campuses in Lubbock.
- (4) For all other events, vendors/caterers must at a minimum meet the following criteria:
 - (a) Alcohol can only be served by vendors properly licensed by the Texas Alcoholic Beverage Commission (TABC) to serve or sell.
 - (b) All servers must be TABC certified and follow the TABC rules concerning the serving and dispensing of alcohol.
 - (c) The vendor is required to provide proof of licensure and to ensure all servers are TABC certified.
 - (d) The event agreement from the vendor/caterer must contain a clause indemnifying TTUHSC and TTUS along with evidence of insurance compliant with current TTUHSC and TTUS standards. [Standard Insurance Requirements](#) shall be maintained by the vendor.
- (5) Each campus may institute additional requirements.

e. **General**

- (1) Auxiliary, designated, restricted, foundation, and gift funds may be used to purchase food and alcohol unless otherwise restricted. Criteria established by the Office of Management and Budget (OMB) Circular A-21 and Cost Principles for Educational Institutions must be followed for expenditures on grants and contracts. All official function, business meeting, and entertainment expenditures must be processed in TechBuy using the TTUHSC Direct Pay Form and can only be charged against local funds. Expenditure exceptions: Musicians, bands, or other independent contractors must be paid with a purchase order through TechBuy.

All employee reimbursements must have the original (physical) signature of the employee's supervisor on the requesting documentation form.

- (2) Occasionally expenditures for food are included in the registration fee for conferences, workshops, and similar events. These expenditures can be processed in TechBuy using the TTUHSC Direct Pay Form – Registration or by using the departmental purchasing card. The appropriate account code for registration and meals must be used.
- (3) Refreshments may be provided using institutional funds for employee meetings to encourage State Employee Charitable Campaign and Children's Miracle Network Campaign participation.
- (4) The use of institutional funds to purchase coffee and soft drinks for employee use is prohibited.
- (5) Water or water services may be purchased for use by employees. The Department is responsible for ensuring that the best possible price is obtained.

- (6) Meals for Residents and Guards while on duty are processed in TechBuy using the TTUHSC Direct Pay Form and appropriate account code, i.e., 7L0700 (residents) and 7L0701 (guards).
- (7) If an expenditure was processed using the departmental purchasing card, the [Pre-Approval Form \(Attachment A\)](#) must be completed. The credit card receipt and Attachment A is considered supporting documentation and must be uploaded/attached to the monthly expense report in Chrome River.

Purchasing Card purchases for Food and Entertainment (F&E) must be documented using the "[Food and Entertainment Substantiation Form](#)". These forms contain the necessary information to validate this business expense and must be attached to the monthly expense report that is sent to Payment Services.

- (8) The President's Office has approved three social memberships. These memberships are issued in the name of TTUHSC and expenses must be processed in TechBuy using the TTUHSC Direct Pay Form. The approved memberships are: Lubbock Country Club, Amarillo Club, and the Odessa Country Club. All other civic/social memberships and airline clubs, i.e., Lions Club, Rotary Club, Admirals Club, Texas Tech Club, country clubs, sporting clubs are prohibited.
- (9) Department heads are responsible for ensuring that food and entertainment expenditures on their funds are necessary business expenditures, properly documented, and reasonable in amount.