



UT System Administration Policy Library -- Policy INT115

# **Administrative Policy on Entertainment Expenses and Guidelines on Other Uses of Institutional/Gift Funds**

**Responsible Officer:** Vice Chancellor for Administration

**Sponsoring Office:** Office of Administration

**Effective Date:** January 1, 2006

**Last Reviewed:** September 5, 2008

**Next Scheduled Review:** December 15, 2009

**Errors or changes to:** [policyoffice@utsystem.edu](mailto:policyoffice@utsystem.edu)

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## **POLICY STATEMENT**

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The purpose of this Administrative Policy and Guideline is to govern the manner and extent to which funds of The University of Texas System Administration (System Administration) may be expended for entertainment for business purposes, to specify the fund sources that may be used for such purposes, and to provide guidance for the reasonable expenditure of funds for other expenses often related to reimbursement from institutional funds. This policy applies to all employees of System Administration, with the exception of the Chancellor, who, for purposes on Entertainment expenses, is guided by the Board of Regents' *Rules and Regulations*, Rule 20205 titled *Expenditures for Travel, Entertainment, and Housing by Chief Administrators*.

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## **RATIONALE**

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Authority is provided by Rule 20101 and Rule 20205 of the Board of Regents' *Rules and Regulations*.

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## **SCOPE**

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All offices of UT System Administration

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## **WEBSITE ADDRESS FOR THIS POLICY**

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<http://www.utsystem.edu/policy/policies/int115.html>

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## **RELATED STATUTES, POLICIES, REQUIREMENTS OR STANDARDS**

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<b>UT System Administration Policies &amp; Standards</b>	<b>Other Statutes, Policies &amp; Standards</b>
<ul style="list-style-type: none"><li>• <a href="#">Board of Regents' Rules and Regulations, Rule 20101</a></li></ul>	

<ul style="list-style-type: none"> <li>• <a href="#">Board of Regents' Rules and Regulations, Rule 20205</a></li> </ul>	
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## CONTACTS

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If you have any questions about UT System Administration policy INT 115, *Entertainment Expenses and Guidelines on Institutional Gift Funds*, contact the following office(s):

Subject	Office Name	Telephone Number	Email/URL
	Office of Administration	512-499-4205	<a href="mailto:Administration@utsystem.edu">Administration@utsystem.edu</a>

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## DEFINITIONS

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### **Entertainment**

Food or beverage expenses incurred directly related to, or associated with, the conduct of official System Administration business usually involving guests external to System Administration. Examples include meals, a buffet line, sandwich line, heavy hors d'oeuvres, or similar fare served in connection with a reception, luncheon, dinner, or conference.

### **Light Refreshments**

Non-alcoholic and edible items commonly served between meals, but not intended to substitute for meals, such as tea, coffee, soda, bottled water, doughnuts, cookies, fruit, or similar items. A buffet line, sandwich line, heavy hors d'oeuvres, or similar fare is not considered to be light refreshments.

### **Gift Funds**

Institutional Funds paid from an account beginning with "55."

### **Grant Funds**

Funds paid from an account consisting of monies from a grant.

### **Institutional Funds**

For purposes of this Administrative Policy and Guideline, Institutional Funds (sometimes referred to as “local funds”) are defined as the accounts specifically budgeted as official occasions by the Office of the Controller.

### **State Funds**

Funds paid from any account beginning with “53,” “63,” or “54-0100.” These funds are appropriated by the General Appropriations Act or the Texas Constitution.

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## **RESPONSIBILITIES**

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### **Vice Chancellor for Administration**

- Reviews the maximum rates for entertainment expenses periodically and adjusts as appropriate.
- Approves any exceptions to this Administrative Policy and Guideline.
- Interprets this Administrative Policy and Guideline and is responsible for revising it as necessary to comply with statutory requirements and meet the changing needs of System Administration.

### **The Chancellor**

- Approves club memberships for Executive Officers in advance.

### **Office of General Counsel**

- Reviews and approves all retirement gifts or retirement honoraria of tangible property.

### **Department Head (or equivalent authority)**

- Ensures that entertainment and other expenses conform to the requirements of this Administrative Policy and Guideline.
- Ensures that claims submitted for payment or reimbursements include the appropriate supporting documentation (i.e., detailed itemized receipts for meal expenses).
- Restricts reimbursements to allowable expenses and occasions.
- Ensures that expenses incurred are appropriate to the fund source.

### **Accounting and Purchasing Services**

- Ensures that payment or reimbursement requests submitted by departments contain the signature of an authorized approver.
- Reviews all supporting documentation to verify that the amounts are accurate and that the appropriate accounts are charged.

- Questions those requests that do not appear to be in accordance with this Administrative Policy and Guideline.
- Ensures that supporting documentation is retained in accordance with System Administration's records retention schedule.
- Updates object codes (**Appendix B**) as appropriate.

### **Employee requesting reimbursement**

### **Employee requesting payment to vendor**

- Submits a request for reimbursement of expenses to Accounting and Purchasing Services on a completed Business Expense Reimbursement Form.

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## **PROCEDURES**

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### **1. POLICY ON ENTERTAINMENT EXPENSES**

#### **1.1. Allowable Expenses**

Expenses for entertainment must be deemed appropriate in the best judgment of the approving authority, be cost effective, and serve a clear System Administration business purpose.

#### **1.2. Maximum Permitted Amounts**

Maximum per person rates for entertainment expenses incurred are set forth in **Appendix A**. Reimbursements of expenses for entertainment cannot exceed the maximum per person rates specified in **Appendix A** without the approval of the appropriate executive officer (see Section 3.1.2). The rates in **Appendix A** are exclusive of taxes, service charges, gratuities, and rental of meeting or conference facilities, which are allowed as an additional expense. The maximum rates will be reviewed periodically by the Vice Chancellor for Administration and adjusted as appropriate.

### **2. GUIDELINES ON OTHER USES OF INSTITUTIONAL/GIFT FUNDS**

#### **2.1. Allowable Expenses**

Expenses from institutional or gift funds must be deemed appropriate in the best judgment of the approving authority, be cost effective, and serve a clear System Administration business purpose.

##### **2.1.1. Administrative Meetings**

When meetings of two or more System Administration employees are held, or when a System Administration employee attends an external meeting or formal training, the cost of meals or light refreshments may be reimbursed only if the following three criteria are met:

- a. the meeting is agenda driven and directly concerned with the business of System Administration,

- b. the meal or light refreshment is an integral part of the meeting, not a matter of personal convenience, and
- c. the meeting time encompasses a regular meal time and could not otherwise be scheduled during regular working hours (e.g., Business Management Council, System Council, etc.). For purposes of this section, regular meal times are defined as:
  - Breakfast: 6:00 – 7:30 a.m.
  - Lunch: 11:30 a.m. – 1:00 p.m.
  - Dinner: 5:30 – 8:00 p.m.

### **2.1.2. Club Memberships**

Club memberships are limited to Executive Officers and require advance approval of the Chancellor. Specific procedures for club membership reimbursements are provided directly to those executive officers who hold memberships.

### **2.1.3. Departmental Beverages**

Expenses for coffee, tea, bottled water, soda and related supplies used in departments may be purchased for the consumption of departmental visitors and employees.

### **2.1.4. Flowers**

Flowers may be purchased for memorial services or extended illnesses of an employee; an employee's spouse, child, or parent; or a retiree, and must be sent in the name of the department or office. Flowers may also be purchased for other occasions that serve a bona fide business purpose of System Administration. Cost for flowers may not exceed the amount listed in **Appendix A**. Flowers may be paid by reimbursement to the purchaser or by direct payment to the florist. Departments should collaborate with other System Administration units to minimize the duplication of sending flowers to a single recipient (i.e. four departments sending congratulatory flowers, or sending multiple arrangements for funerals). Flowers for decorative purposes may not be reimbursed or expensed unless purchased as a part of an official U. T. System business event.

### **2.1.5. Holiday Functions**

Annually, System Administration hosts a holiday reception to build camaraderie among staff, establish strong working relationships, and enhance morale. Officers/Department Heads wishing to host holiday events primarily for their own departments should remain sensitive to their responsibilities as stewards of the public trust. If they choose to host a holiday event for staff, total expenses must be limited to the maximum rates set forth in **Appendix A**. Creative and alternative ways to celebrate the season should always be considered (e.g., "pot luck" buffet or events hosted in the officer's home).

### **2.1.6 Holiday Greeting Cards**

Holiday greeting cards are sent each year from the Chancellor and U. T. System to System Administration employees, the institutions, and friends of the System. In the event that a department or office chooses to send holiday greeting cards to customers and constituents unique to that office, such cards must be issued in the name of the department or office. Cards are not to be sent to other offices within System Administration or U. T. System. Exceptions exist for certain functional areas within

System Administration where the majority of employees office outside Austin, Texas (e.g. Office of Facilities Planning and Construction, Workers' Compensation Insurance, and The Institute for Public School Initiatives).

### **2.1.7. Retirement Recognition Gifts/Receptions**

#### **2.1.7.1. Retirement Gifts**

Due to the complexity of Internal Revenue Service Guidelines, all gifts or honoraria of tangible property must be handled on a case-by-case basis and shall be pre-approved by the Office of General Counsel.

#### **2.1.7.2. Retirement Functions**

Payment or reimbursement of expenses incurred for retirement functions may be reimbursed according to the allowable rate in **Appendix A**.

## **2.2. Non-Allowable Expenses**

### **2.2.1. Employees Meals**

Reimbursement will not be allowed when two or more employees choose to have a meal together or conduct business as an incidental part of the meal, or when the meeting could have been scheduled during regular working hours.

### **2.2.2. Staff Meetings/Personal Celebrations**

Reimbursements for or payments of staff meetings, employee birthday celebrations, wedding showers, anniversaries, farewell gatherings (other than retirement), and other similar events are not permitted.

## **3. PROCEDURES**

### **3.1 Responsibilities**

#### **3.1.1 Vice Chancellor for Administration**

The Vice Chancellor for Administration officially interprets this Administrative Policy and Guideline and is responsible for revising it as necessary to meet the changing needs of System Administration and statutory requirements. Any exceptions to this Administrative Policy and Guideline should be addressed to the Vice Chancellor for Administration.

#### **3.1.2 Department Heads**

Department heads (or equivalent authority) are responsible for ensuring that entertainment and other expenses conform to the requirements of this Administrative Policy and Guideline, and that claims submitted for payment or reimbursement include the appropriate supporting documentation (i.e., detailed, itemized receipts for meal expenses). The department head is responsible for restricting reimbursements to allowable expenses and occasions, and for ensuring that expenses incurred are appropriate to the fund source.

#### **3.1.3 Accounting and Purchasing Services**

Accounting and Purchasing Services (APS) is responsible for ensuring that payment or reimbursement requests submitted by departments contain the signature of an authorized approver, for reviewing all supporting documentation to verify that the amounts are accurate and that the appropriate accounts are charged, and for questioning those requests that do not appear to be in accordance with this Administrative Policy and Guideline. In addition, APS is responsible for ensuring that supporting documentation is retained in accordance with System Administration's records retention schedule and for updating object codes (Appendix B) as appropriate.

### **3.2. Approval of Expenses**

#### **3.2.1. Required Approvals for Entertainment Expenses**

For reimbursement of entertainment expenses, the authorized approver must be the supervisor (or higher level) of the host or the individual requesting reimbursement. An individual may not approve the entertainment expenses of a person to whom he or she directly reports. When the authorized approver is a participant in the event, the person to whom the authorized approver reports (or a higher officer) must approve the expense or reimbursement. If the host is seeking reimbursement of an amount in excess of the maximum per person rates, as specified in **Appendix A**, the authorized approver must be the appropriate executive officer (Chancellor, Executive Vice Chancellor, Vice Chancellor, or the General Counsel to the Board of Regents).

#### **3.2.2. Required Approvals for Expenses from Institutional/Gift Funds**

Approval at the appropriate level must be obtained for all expenses. Proper delegations of signature authority should be completed and kept on file.

### **3.3. Funding Sources/Limitations**

#### **3.3.1. Gift Funds**

Gift funds that contain restrictions may be used for entertainment expenses only if the purpose is in compliance with the terms of the gift. Care must be taken to assure that the use of gift funds does not violate the donor's restrictions, if any, and the donor's intent. Some expenses in this policy require payment by gift funds only.

#### **3.3.2. Grant Funds**

When payment for entertainment is to be made from grant funds, such payment must be provided for by the terms of the grant, and care must be taken to ensure that the use of grant funds does not violate the grant's restrictions and the grant's intent. Otherwise, another source of funds must be identified.

#### **3.3.3. Institutional Funds**

Accounts specifically budgeted for official occasions and funded by institutional funds must be used for entertainment or expenses. Some expenses in this guideline require payment by gift funds only.

#### **3.3.4. State Funds**

State funds may not be used for entertainment expenses or other expenses covered by this policy and guideline.

### **3.3.5. Limitations Concerning Alcoholic Beverages**

Payment for alcoholic beverages that are purchased and consumed in a business establishment as part of business entertainment, but that are not part of a meal, must be from gift funds only. Local funds may be used for alcoholic beverages which are included with a meal and which are purchased and consumed in a business establishment as part of business entertainment.

### **3.4. Taxable Income**

Under Internal Revenue Service (IRS) regulations, an entertainment expense will be considered taxable income to an employee if the activity is not directly related to the employee's job, is lavish or extravagant under the circumstances, the official host (or another employee) is not present when the activity takes place, or the expense is not substantiated with supporting documentation. In addition, business meals with colleagues that occur on a regular or routine basis, and are reciprocal, are considered taxable income. Such expenses are not allowable under this guideline.

### **3.5. Reimbursement Procedures**

A request for reimbursement of expenses must be submitted to Accounting and Purchasing Services on a completed Business Expense Reimbursement Form (<http://www.utsystem.edu/act/BusinessExpense.doc>).

### **3.6. Direct Payment to Vendor**

To issue a direct payment to a vendor for an entertainment expense, the expense must be in accordance with the Administrative Policy and Guidelines, and must be documented by an itemized invoice and submitted to Accounting and Purchasing Services via a completed Business Expense Reimbursement Form. Entertainment expenses are typically exempt from purchasing guidelines. Entertainment expenses vary greatly, however, and Accounting and Purchasing Services personnel should be consulted regarding whether a purchase order is needed if the proposed items may reasonably be used for a purpose other than entertainment. *Requestors are encouraged to schedule adequate time prior to an event for any required bid processes.*

### **3.7. Voucher Coding**

Entertainment payment vouchers are processed via the DEFINE VPE electronic document and use the object codes shown (**Appendix B**) as may be revised from time to time.

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## FORMS AND TOOLS/ONLINE PROCESSES

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[Business Expense Reimbursement Form](#)

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## APPENDICES

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[Appendix A](#): Maximum Rates for Entertainment Expenses and Other Expenses from Institutional/Gift Funds

[Appendix B](#): Object Codes for Payment Vouchers

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Keywords: expenses, funds, grant funds, gifts, grants, state funds, entertainment, administrative, out of pocket reimbursements

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