

1. Title

Entertainment Expenses and Guidelines on Other Uses of Institutional/Gift Funds

2. Policy

Sec. 1 Purpose and Applicability. The purpose of this policy is to govern the manner and extent to which funds of The University of Texas 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 U. T. System Administration, with the exception of the Chancellor, who, for purposes of entertainment expenses, is guided by the Board of Regents' *Rules and Regulations*, Rule 20205, Expenditures for Travel and Entertainment by Chief Administrators and for the Maintenance of University Residences.

Sec. 2 Authority. Authority is provided by Rule 20101 and Rule 20205 of the Board of Regents' *Rules and Regulations*.

Sec. 3 Policy on Entertainment Expenses.

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

3.2 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. 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 Associate Vice Chancellor, Controller and Chief Budget Officer and adjusted as appropriate.

Sec. 4 Guidelines on Other Uses of Institutional/Gift Funds.

4.1 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 U. T. System Administration business purpose.

- (a) Administrative Meetings. When meetings of two or more U. T. System Administration employees are held, or when a U. T. 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:
  - (i) the meeting is agenda driven and directly concerned with the business of U. T. System Administration;
  - (ii) the meal or light refreshment is an integral part of the meeting, not a matter of personal convenience; and
  - (iii) the meeting time encompasses a regular meal time and could not otherwise be scheduled during regular working hours (e.g., Business Management Council). For purposes of this section, regular meal times are defined as
    - (A) Breakfast: 6:00 – 7:30 a.m.
    - (B) Lunch: 11:30 a.m. – 1:00 p.m.
    - (C) Dinner: 5:30 – 8:00 p.m.
- (b) 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.
- (c) 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.
- (d) 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 U. T. 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 U. T. 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.

- (e) **Holiday Functions.** Annually, U. T. 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 would be considered a personal event and would not be reimbursable. Department heads with a primary office location outside the Austin area, Washington D.C., or Midland, may host a holiday reception provided it has been specifically authorized by the Chancellor.
- (f) **Holiday Greeting Cards.** Holiday greeting cards are sent each year from the Chancellor and U. T. System to U. T. System Administration employees, the institutions, and friends of the U. T. 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 U. T. System Administration or U. T. System. Exceptions exist for certain functional areas within U. T. System Administration where the majority of employees office outside Austin, Texas.
- (g) **Retirement Gifts and Functions.**
  - (i) **Retirement Gifts.** U. T. System funds may not be used for a retirement gift that would be taxable to the recipient. This includes a gift of cash, a cash equivalent, a gift card or certificate, bonds, and securities.

Due to the complexity of Internal Revenue Service (IRS) Guidelines, all proposed retirement gifts of tangible property must be reviewed by the Office of General Counsel before the gift is

purchased to determine whether the gift would be taxable to the recipient and therefore prohibited.

- (ii) Expenses for Retirement Functions and Retirement Gifts. Expenses incurred for retirement functions and retirement gifts may be paid or reimbursed according to the allowable rate in Appendix A.

#### 4.2 Nonallowable Expenses.

- (a) 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.
- (b) 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.

### Sec. 5 Procedures.

#### 5.1 Responsibilities.

- (a) Associate Vice Chancellor, Controller and Chief Budget Officer. The Associate Vice Chancellor, Controller and Chief Budget Officer officially interprets this policy and is responsible for revising it as necessary to meet the changing needs of U. T. System Administration and statutory requirements. Any exceptions to this policy should be addressed to the Associate Vice Chancellor, Controller and Chief Budget Officer.
- (b) Department Heads. Department heads (or equivalent authority) are responsible for ensuring that entertainment and other expenses conform to the requirements of this policy, 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.

- (c) 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 cost centers are charged, and for questioning those requests that do not appear to be in accordance with this policy. In addition, APS is responsible for ensuring that supporting documentation is retained in accordance with U. T. System Administration's Records Retention Schedule and for updating accounts (Appendix B) as appropriate. APS will also monitor the 60 day window for timely submission required by IRS Publication 463. Expenses older than 60 days when submitted to APS for reimbursement, if approved for reimbursement, will be treated as taxable income. An explanation for the delay in submission will be required.
- (d) Employee. Employee is responsible for submitting a request for reimbursement or payment of expenses to Accounting and Purchasing Services on a completed Employee Expense Report Form. In compliance with IRS Publication 463, the request for reimbursement or payment must be submitted to APS within 60 days of the expense in order to remain non-taxable.
- (e) The Chancellor. The Chancellor is responsible for approving club memberships for executive officers in advance. If the club membership is used for personal benefit, the charges incurred will be paid by the executive officer and the monthly dues will be prorated based on the personal use. The prorated amount will be added to the executive officer's taxable income reported on IRS Form W-2.
- (f) Office of General Counsel. The Office of General Counsel is responsible for reviewing all retirement gifts of tangible property to determine whether the gift would be taxable to the recipient.

## 5.2 Approval of Expenses.

- (a) 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 or Chancellor's designee, Executive Vice Chancellor, Vice Chancellor, or the General Counsel to the Board of Regents).

- (b) 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.

### 5.3 Funding Sources/Limitations.

- (a) 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.
- (b) 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.
- (c) Institutional Funds. Cost Centers specifically budgeted for official occasions and funded by institutional funds must be used for entertainment or expenses.
- (d) State Funds. State funds may not be used for entertainment expenses or other expenses covered by this policy.
- (e) 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. Institutional funds may be used for alcoholic beverages that are included with a meal and that are purchased and consumed in a business establishment as part of business entertainment.

- 5.4 Taxable Income. Under 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 policy.
- 5.5 Reimbursement Procedures. A request for reimbursement of expenses must be submitted to APS on a completed Employee Expense Report Form within 60 days of incurring the expense.
- 5.6 Direct Payment to Vendor. To issue a direct payment to a vendor for an entertainment expense, the expense must be in accordance with this policy, and must be documented by an itemized invoice and submitted to APS via a completed Vendor Expense Report Form. Entertainment expenses are typically exempt from purchasing guidelines. Entertainment expenses vary greatly, however, and APS 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.
- 5.7 Expense Coding. Employee expense reports are processed in PeopleSoft using accounts shown in Appendix B which may be revised from time to time.

### 3. Definitions

Entertainment - food or beverage expenses incurred directly related to, or associated with, the conduct of official U. T. System Administration business usually involving guests external to U. T. 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.

Gift Funds - institutional funds paid from a cost center beginning with "55."

Grant Funds - funds paid from a cost center consisting of monies from a grant.

Institutional Funds - for purposes of this policy, institutional funds (sometimes referred to as "local funds") are defined as cost centers specifically budgeted as official occasions by the Office of the Controller.

Light Refreshments - nonalcoholic 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.

State Funds - funds paid from any cost center beginning with "21," "25," or "33." These funds are appropriated by the *General Appropriations Act* or the *Texas Constitution*.

**4. Relevant Federal and State Statutes**

None

**5. Relevant System Policies, Procedures, and Forms**

[Board of Regents' Rules and Regulations, Rule 20101: Chancellor](#)

[Board of Regents' Rules and Regulations, Rule 20205: Expenditures for Travel and Entertainment by Chief Administrators and for the Maintenance of University Residences](#)

[Employee Expense Report Form](#)

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

[Appendix B: Account for Entertainment Expenses](#)

**6. System Administration Office(s) Responsible for Policy**

Associate Vice Chancellor, Controller and Chief Budget Officer

**7. Dates Approved or Amended**

January 1, 2006

March 23, 2010

Editorial Amendment, March 10, 2011

November 15, 2012



March 27, 2013  
May 27, 2015

**8. Contact Information**

Questions or comments about this policy should be directed to:

- [bor@utsystem.edu](mailto:bor@utsystem.edu)