



TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER EL PASO

Operating Policy and Procedure

HSCEP OP: 72.16, Official Functions, Business Meetings, and Entertainment

PURPOSE: The purpose of this HSCEP 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 HSCEP OP and the IRS, any rules set forth by the IRS which are more restrictive than this HSCEP OP will prevail.

REVIEW: This HSCEP OP will be reviewed on February of every odd numbered year by the Director of Payment Services and Director of the Tax Compliance or his/her designees, with recommendations for revisions submitted to the chief financial officer (CFO) or his/her designee by March.

POLICY/PROCEDURE:

I. 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 Texas Tech University Health Sciences Center El Paso (TTUHSC El Paso). Examples include expenses for faculty recruitment and for cultivating potential donors or relationships.

II. General Policy.

A. **Responsibility-** The president, deans, and vice presidents are responsible for determining that expenses for official functions, business meetings, and entertainment on their funds are appropriate and reasonable.

Prior written approval- Expenses for official functions, business meetings and entertainment that aggregate to \$300 or more, or where no outside guest is present, must be approved in writing by the dean, both the CFO and chief operations officer (COO), events greater than \$5,000 will also require the president's approval. This policy applies to all sources of funds. Requests should be submitted at least thirty (30) days prior to the event and in advance of incurring any expense. The Pre-Approval Form (Attachment A) must be completed, signed, and attached to payment requests processed in TechBuy using the TTUHSC El Paso Direct Pay Form or, if paying with the purchasing card, attached to the monthly expense report that is sent to Payment Services.

Departments shall not materially deviate from the total estimated cost on the Pre-Approval Form. Prior written approval from the dean and both the CFO and COO will be required if the accumulated total of all costs of the event exceeds 10% of total estimated cost on the Pre-Approval Form.

Alcoholic beverages may be served on campus/off campus at appropriate events and functions with the prior written approval of the president or designee.

- B. **Appropriate and reasonable defined-** Expenses must have a clearly stated business purpose and serve the mission of TTUHSC El Paso. 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. 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-** 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 El Paso 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. Reimbursement request is submitted after 60 days from the date expenditure was incurred.
5. The expense is not substantiated with supporting documentation, or
6. Spouse/partner/dependent attendance is for purely personal or social purposes.
7. State of Texas Sales Tax and Mixed Beverage Sales Tax as TTUHSC El Paso is a tax-exempt institution.

- 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 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 El Paso, 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.

III. **Procedure/Process.**

A. **Official Functions**

1. Reasonable expenditures for parties to honor the service of long-term employees upon their retirement or termination with TTUHSC El Paso are allowable with local funds only.

The expenditure for food and beverage is limited to a total cost not to exceed the lesser of \$2,500 or \$35 per employee or \$70 for employee and spouse/guest.

2. Each department is allowed one annual event, usually at Thanksgiving or Christmas. The expenditure for food and beverage is limited to a total cost not to exceed \$35 per employee or \$70 for employee and spouse/guest.

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 \$20 each. This limitation is not intended to be interpreted that each employee must receive a value of \$20.

3. Resident graduation events may be paid for with local institutional funds only. The expenditure for the food and beverage is limited to a total cost not to exceed \$35 per employee or \$70 for employee and spouse/guest.
4. Departmental parties and gifts for special events such as Administrative Assistant's Day and Nurse's Appreciation 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 not be allowed unless an outside guest (excluding vendors) is present and a clear business purpose can be identified. The Food and Entertainment Form (Attachment B) must be completed, signed, and attached to payment requests processed in TechBuy using the TTUHSC El Paso Direct Pay Form or, if paying with the purchasing card, attached to the monthly expense report that is sent to Payment Services. A complete list of attendees, including title and department and/or company/institution, is required. Any exception will require prior written approval

by the dean and both the CFO and COO using the Pre-Approval Form (Attachment A). Requests must be submitted at least thirty (30) days prior to the meeting and in advance of incurring any expense.

2. Expenditures and reimbursement for alcohol will only be allowed at recruiting events.
3. 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 El Paso 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 El Paso. 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 El Paso'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 El Paso Sponsored Events

1. A sponsored event is any event paid or reimbursed from either TTUHSC El Paso or externally provided funds.
2. Alcoholic beverages may be served on campus/off campus at appropriate events and functions with the prior written approval of the president or designee, thirty (30) days prior to the event.
3. For 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) 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 El Paso and Texas Tech University System (TTU System) along with evidence of insurance compliance with current TTUHSC El Paso and TTU System standards. The details regarding standard insurance requirements can be found at: <http://www.texastech.edu/offices/risk-management/vendor-agreements.pdf>

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. Official function, business meeting, and entertainment expenditures must be processed in TechBuy using the TTUHSC El Paso 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.

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 El Paso 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.
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 El Paso 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 form is available at <http://elpaso.ttuhsoc.edu/fiscal/businessaffairs/paymentservices/Forms.aspx>. The credit card receipt and Attachment A is considered supporting documentation and must be attached to the monthly expense report that is sent to Payment Services.

Purchases for food and entertainment must be documented using the Food and Entertainment Substantiation Form (Attachment B) that is available on the purchasing card website located at <http://elpaso.ttuhs.edu/fiscal/businessaffairs/paymentservices/Forms.aspx>. 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 Office of the President has approved a social membership at the El Paso Club in the name of TTUHSC El Paso Expenses must be processed in TechBuy using the TTUHSC El Paso Direct Pay Form.
9. Department heads and fund managers are responsible for ensuring that food and entertainment expenditures on their funds are necessary business expenditures, properly documented, and reasonable in amount.