



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 Texas Tech University Health Sciences Center El Paso (TTUHSC El Paso) Operating Policy and Procedure (HSCEP OP) is to establish rules for expenditures for official functions, business meetings, and entertainment events, annual events, retirement/separation events and recruiting events hosted by TTUHSC El Paso. The reasonableness of an expenditure depends on many relevant factors, but departmental budgets, the fiduciary responsibilities of being a public institution, and sharing information publicly to taxpayers, donors, and the media shall be considered. The purpose must be clearly documented prior to any reimbursement or payment.

This HSCEP OP 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.

This policy does not apply to personal meals and entertainment while an employee is in travel status.

REVIEW: This HSCEP OP will be reviewed on February 1 of every odd numbered year by the director of payment services and director of the tax compliance or their designees, with recommendations for revisions submitted to the chief financial officer (CFO) or his/her designee by March 1.

POLICY/PROCEDURE:

I. Definitions.

A. **Official Functions** – Events held for the purpose of supporting TTUHSC El Paso's mission are classified as official functions. Generally, official functions include recognized events for the purpose of institutional enhancement such as receptions/banquets, retreats, recruitment, training events, student supporting events, conferences, graduation events and annual galas.

1. **Business Meetings** – Must be directly related to the conduct of official TTUHSC El Paso business and be reasonable. There must be a clear and specific business purpose identified and stated. Maximum per-person limit \$20.

2. **Entertainment Events** – Social events generally to support a future benefit to TTUHSC El Paso or cultivating potential donors or relationships (i.e., legislative, vendor, research). Maximum per-person limit \$45.

3. **Annual Events** – Each department is permitted one annual employee appreciation event (e.g., holiday party, annual picnic, etc.) A spouse or partner of the employee may attend the appreciation event. Maximum per-person limit \$45.

4. **Retirement/Separation Events** – Reasonable expenditures for parties to honor the service of the employee upon retirement or for a separation with TTUHSC El Paso for employees in good standing and with service exceeding ten years are

allowable if permitted on the funding type. Maximum per-person \$45, not to exceed \$2,500.

5. **Recruiting Events** – Includes expenditures related to recruitment of donors, faculty and staff. Maximum per-person limit \$100.

Pre-Approval Form is to be used to document compliance and necessary approval required by this OP. The Pre-Approval Form can be found at: https://el Paso.ttuhs.edu/opp/_documents/72/op7216a.pdf. For more information regarding limits on events, review Section 2(B) below. Allowable Expenditures.

II. General Policy.

- A. **Prior written approval** – 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.

Written approval must be submitted at least 30 days prior to the event – Expenses for official functions, business meetings and entertainment that aggregate to \$500 or more, or where no outside guest is present, must be approved in writing by the primary dean of the school or, in the case of university support departments, by the responsible vice president, and the CFO. 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 following supporting documentation should be included: all quotes associated with the cost of the event, a breakdown of the expenses, attendees and, if the request is not being submitted at least thirty (30) days prior to the event, include a justification as to why the request is not being submitted within the time frame. 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 in Chrome River.

Departments shall not materially deviate from the total estimated cost on the Pre- Approval Form. Prior written approval from the primary dean of the school, or in the case of university support departments, by the responsible vice president, and the CFO 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.

Authorization for the service or sale of alcohol on TTUHSC El Paso premises or as part of an off-campus university hosted event, shall be by permission and with the written approval of the Managing Director for Payment Services and 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. **Allowed Expenditures**

1. **Expenditure Limits** – The maximum per-person food and entertainment expenditure amount for any event is as follows:

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| Business Meetings | \$20 |
| Entertainment Events | \$45 |

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| Annual Events | \$45 |
| Retirement / Separation Events *Event not to exceed \$2,500 | \$45 * |
| Recruiting (Donor/Prospective Employee) Event | \$100 |
| Resident Graduation **\$1000 per graduating resident for entire event | \$1000 ** |

The maximum per-person expenditure amount listed above includes the cost of the food, beverages, alcohol, gratuities, labor, and sales tax (if applicable). Delivery charges, and other service charges are not included in the per-person amount but are subject to the limitations herein. The charges of room rental, room setup fees, media rental, decorations, and related expenses are not included in the per-person costs. If a reception before an event includes beverages/alcohol and hors d'oeuvres, the combined charges for the reception and the event should be treated as a single event for purposes of calculating per-person costs. Food and entertainment expenditures for donors and distinguished guests hosted by the President's Offices are not subject to the meal per-person rates listed above but must support the related business purpose. Supporting documentation must be kept on file in the department for audit purposes and may be subject to open records policies.

Gratuities will be limited to the greater of 20% of the cost on the receipts or the rate mandated by the venue/restaurant if applicable).

Decorations will be limited up to \$500 at the discretion of the CFO or designee.

- C. **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.

- D. **Expenses covered-** Official function expenses are aggregated as an event to determine approvals. Event expenses include all food, alcohol, facility cost, decorations, supplies, rentals, speaker fees, travel, meals, hotel, rentals, entertainment and other costs.

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

- E. **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. The expense is a State of Texas Sales Tax and Mixed Beverage Sales Tax as TTUHSC El Paso is a tax-exempt institution.
8. Food and entertainment expenditures associated with personal events other than retirement and separation events do not support a university business purpose and shall not be paid or reimbursed by TTUHSC El Paso.

F. **Documentation/Substantiation Required** - Original, itemized invoices and/or receipts, proof of payment are required for each applicable purchase. In accordance with IRS documentation requirements, there must be adequate records of sufficient evidence for all food and entertainment expenditures including:

1. Type of event (business meeting, recruiting entertainment, official functions, annual event, etc.);
2. Date, time and location of the event;
3. Total cost of the event, with food, gratuity, other charges and alcohol itemized separately; and proof of payment;
4. If alcoholic beverages are served, supporting documentation for related expenditures;
5. Number of participants with a list of each guest's name, title, and affiliation to TTUHSC El Paso, which establishes a business-related relationship (if the number of guest exceeds twenty-five, provide a list of types of attendees and their affiliation to TTUHSC El Paso); and
6. Additional information as requested or 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 \$45 per employee or \$90 for employee and spouse/guest.

2. Each department is allowed one annual holiday event, usually at Thanksgiving or Christmas. The expenditure for food and beverage is limited to a total cost not to exceed \$45 per employee or \$90 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 \$30 each. This limitation is not intended to be interpreted that each employee must receive a value of \$30.

3. Resident graduation events may be paid for with local institutional funds only. The expenditure for the entire event including the gift for graduating resident(s) will be limited to \$1000 for every graduating resident maximum.
4. Departmental parties and gifts for special events such as Administrative Assistant's Day 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 Substantiation Form](#) 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 the CFO 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. When the business meeting is a recruiting event, the vendor payment or the reimbursement to an employee must be processed on account code 7L0600.
3. Expenditures and reimbursement for alcohol will only be allowed at recruiting events.

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. Any activities with alcohol on TTUHSC El Paso premises, whether paid or reimbursed from either TTUHSC El Paso or externally provided funds, are considered a TTUHSC El Paso hosted event with alcohol. Activities with alcohol involving students or TTUHSC El Paso employees that are held off of TTUHSC El Paso premises are also considered a TTUHSC El Paso hosted event with alcohol when such activities are hosted by a recognized student organization or a TTUHSC El Paso school/department.
2. Alcoholic beverages may only be served on TTUHSC El Paso premises or as part of an off campus university hosted event with the prior written approval of the Managing Director for Payment Services and President, or his/her designee. (Attachment B). 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 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 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 TTUS standards. [Standard Insurance Requirements](#) shall be maintained by the vendor.

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) Uniform Guidance 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 El Paso Direct Pay Form and can only be charged against local funds. Expenditure exceptions: musicians, bands, florist, photographers or other independent contractors must be paid with a purchase order through TechBuy and attach the [Independent Contractor Questionnaire](#).

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 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 if the event meets the criteria. The credit card receipt, and Attachment A is considered supporting documentation and must be attached to the monthly expense report in Chrome River.

Purchases for food and entertainment 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 in Chrome River.

8. 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.