UNIVERSITY OF HOUSTON SYSTEM
ADMINISTRATIVE MEMORANDUM

SECTION: Fiscal Affairs **NUMBER: 03.A.02**

AREA: General

SUBJECT: Entertainment Expenditures

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1. PURPOSE

The University of Houston System recognizes that business entertainment can be essential to the operation of the System. This document places this activity in proper focus, and issues guidelines to ensure prudent control of these expenditures. Certain conditions which must be met in the general categories of the System business entertainment are set forth in the following sections of this document. These guidelines shall apply to all funds of the System, except those funds appropriated by the state of Texas which cannot be expended for these purposes under any circumstances.

While University and System Support Organizations may have different thresholds, limitations, and allowable activities, the documentation and approval requirements set forth in this policy in sections 3.2, 3.3, 3.4, 3.5, 3.6, 4.3 are 4.7 applicable to expenditures paid by or reimbursed from funds in the custody of University Support Organizations as well as System campuses and departments.

2. DEFINITION

~~—~~Entertainment expenses: Expenditures for food, beverages, and tickets for shows or athletic events which involve one or more university employees and/or one or more guests, and services provided for entertainment purposes (e.g., musicians)~~.~~ that can be demonstrated to be of clear business purpose that advances the interests of the System.

3. GENERAL GUIDELINES

3.1. All reimbursement requests for entertainment expenses must be processed through the appropriate university accounts payable department.

3.2. Use of university funds for entertainment shall be restricted to occasions which can be demonstrated to provide clear business purposes and benefit to the university and shall be limited to those whose attendance provides benefit.

3.3. Authority to approve reimbursement requests for entertainment expenses of individuals subject to these regulations is delegated to the following System university officers.

3.3.1. Chancellor;

3.3.2. Vice chancellor;

3.3.3. General Counsel;

3.3.4. Internal Auditor;

3.3.5. President;

3.3.6. Vice president;

3.3.7. Associate/assistant vice-presidents;

3.3.8. Deans;

3.3.9. Associate deans;

3.3.10. Department chairs; and

3.3.11. Directors.

In every case, the entertainment reimbursement must be approved by the official in higher authority than the highest-ranking person of the sponsoring group who is in attendance at the event. This requirement will not apply to reimbursements to the Chancellor. Instead, the Internal Audit Department will review all entertainment reimbursements for the Chancellor at least annually. All reimbursements to the university presidents, whether the reimbursements are considered entertainment-related or not, will be reviewed and approved by the Chancellor or designee.

3.4. Entertainment expenditures must be documented to show the following:

3.4.1. Identification of the persons or group being entertained. If a small group is being entertained (ten or fewer), the names of all persons attending will be shown; for large groups, only the names of the honored guests should be shown along with the number of persons attending.

3.4.2. A statement as to the business purpose for such entertainment, clearly identifying~~A statement as to the reason for such entertainment, indicating~~ how the entertainment benefited the System and clarifying the relationship of the persons in attendance to the particular aspects of the System's programs or activities which will be benefited. (Titles, committee name, field of interest of person being entertained, reason for visitor being on campus, etc.).

3.4.3. The time, date, and place of entertainment. If alcoholic beverages were served, the time that alcohol was served is also required.

3.5. Receipts for entertainment expenses are required for reimbursement to faculty or staff members. If payment is to be made to a vendor, the original invoice or statement of cost is required.

3.6. Entertainment expenses of the Office of Governmental Relations may be reimbursed or expended on a University credit card without all of the documentation required in Section 3.4 provided that a stated business purpose for such expenses and itemized receipts are provided.

3.7. Payment will not be made for entertainment expenditures unless the documentation is complete. A request for required documentation will be forwarded to the appropriate authority when additional material is necessary. If appropriate action is not taken to properly document the expenditure, the individual faculty or staff member must bear the cost of the entertainment.

3.8. Each university chief executive officer will designate an appropriate office to disseminate guidelines and appropriate limits for all divisions of the university for reasonable entertainment expenditures. Such guidelines will give specific provisions for approval of entertainment reimbursement and other matters related to entertainment expenditures. They will also include provisions for approval by the employee's supervisor or appropriate authority for processing with the accounts payable system. In the absence of such campus guidelines, System guidelines will be used.

3.9. Entertainment expenses may only be charged to contracts or grants with the System if such entertainment is not prohibited by the terms of the contract or grant and provides a specific, documented benefit to the contract or grant. However, alcoholic beverages may not be charged to a contract or grant under any circumstances.

3.10. Expenditures for alcoholic beverages may be paid from authorized university funds, but must be itemized and charged to the appropriate Alcoholic Beverages expense account where the cost is known. Alcoholic beverages may not be paid from state-appropriated funds (Texas Government Code 2113.101) or from funds under the control of the Athletics Department (General Appropriations Act). Purchase of alcoholic beverages is also prohibited from sponsored project funds (under the terms of Uniform Guidance § 200.423), as well as indirect cost funds (funds 2072 and 2091) and designated tuition funds (funds 2064, 2160, and 2164).

3.11. Designated tuition funds may not be used for any entertainment expenses, except for events that primarily involve students (e.g., commencement, student recruitment, student job fairs, etc.) and for prospective employee business meals. However, any alcoholic beverages purchased for these events, where allowed, may not be charged to designated tuition, and must be charged to another, allowable fund.

3.12. Each university shall establish a process for ensuring that all entertainment expenses are consistent with this policy and serve institutional purposes.

4. CATEGORIES OF ENTERTAINMENT

4.1. Prospective faculty and staff: The System recruits in a highly competitive market for faculty and staff. It is the policy of the System to invite prospective faculty and staff, and on occasion both candidate and spouse, to visit the System. Appropriate entertainment of prospective faculty and staff will be reimbursed.

4.2. Official guests of the System: The System is not normally expected to reimburse official guests for travel and related expenses, except when guests travel to the System on specific invitation. However, it is recognized that entertainment of guests is essential. Examples of official guests would include: visitors from foreign countries, representatives of research organizations, visitors from other universities, individuals interested in System programs and problems, guests invited to assist in the development of new programs (both paid and non-paid consultants), and business and community leaders from Houston, the gulf coast region and the state at large. The relationship between the visitor and the System faculty and staff attending the function or their areas of responsibility must be clearly indicated, particularly for those visitors who are at the university on specific business on behalf of the System.

4.3. Spousal Involvement: Involvement of spouses in university official functions is generally not appropriate. When, however, there are reasonable expectations of third parties regarding attendance of non-employee spouses at university functions, the System will reimburse such expenditures. The appropriateness of inclusion of non-employee spouses is left to the discretion of the dean, director or executive administrator responsible for the event, who will indicate their approval by signing the voucher, P-Card expense report, or attachment. The business purpose must be clearly documented.

4.4. Conference, workshops, meetings, seminars, etc: In the case of conferences and workshops conducted by the System which are supported by income from registration fees, all expenses, including entertainment, must be covered with the revenue produced by the event.

4.4.1. There are other conferences, workshops, meetings, seminars, etc., which are not self–supporting. These are usually organized around: (a) System groups in combination with outside persons, or (b) groups limited to System personnel. Entertainment expenses associated with the combination groups will be handled in the same way as those for official guests of the System (Section 4.2).

4.4.2. Group meetings limited to System personnel only will be handled under this guideline but must have specific prior administrative approval. Appropriate

documentation shall be provided to the administration, indicating that the workshop or conference is essential to the operation of the System and that provision of meals and/or refreshments will expedite the proceedings of the conference or workshop. Approval of the request will be considered evidence of prior administrative approval.

4.4.3. While non-entertainment expenses associated with a conference, workshop, or meeting may be charged to designated tuition funds, entertainment expenses may not, except as noted in Section 3.11.

4.5. Receptions: Receptions held by the Chancellor, presidents and other designated System/campus senior officers shall be paid as entertainment. These officers may, from time to time, hold dinner meetings for faculty and staff of the System for the purpose of discussing items of general university interest. Such meetings shall be paid by the System as entertainment.

4.6. Club memberships: Certain officers, as part of the employment contract to carry out designated official responsibilities, have club dues paid in part by the System. A corresponding percent of the club dues, where applicable, will be considered a taxable fringe benefit and reported on the employee's Form W–2 (see SAM 03.D.06 , Taxable Fringe Benefits). Should there be charges of a personal nature, the employee shall deduct the amount from the bill and remit the portion directly to the club. No entertainment of a personal nature should be charged to university cost centers. Because no tax is imposed, these charges must be strictly of a business nature.

4.7. Business Meals: Business meals are a form of entertainment in which a System employee discusses university business with another System employee or non-employee over breakfast, lunch or dinner. The business meal must be considered an ordinary and necessary expense and meet the directly-related or associated test, as described in IRS Publication 463, Travel, Entertainment, Gift, and Car Expenses.

Individual travel meals are not considered business meals or entertainment, but should be paid or reimbursed as a travel expense.

Approved business meals should be accounted for by the employee who charged or paid for the expense by providing the documentation required in Sections 3.4 and 3.5 above to the appropriate department business office within 60 days of the event. Also, business meals may not be considered lavish or extravagant under the circumstances.

Business meals involving a prospective employee and a representative of the search committee should be charged to the Prospective Employee Business Meal expense account. Approved business meals not involving prospective employees should be charged to the regular Business Meals account.

5. REVIEW AND RESPONSIBILITY

Responsible Party: Associate Vice Chancellor for Finance

Review: Every five years

6. APPROVAL

Approved: ~~*/Raymond Bartlett/*~~
Senior Vice Chancellor for Administration and Finance

~~*/Renu Khator/*~~
Chancellor

Date: ~~November 11, 2021~~