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Hospitality Policy

I. Policy

It is the policy of the California State University (CSU) that hospitality expenses may be paid to the extent that such expenses are **necessary, appropriate** to the occasion, **reasonable** in amount **and serve a purpose consistent with the mission and fiduciary responsibilities of the CSU**. This policy applies to activities that promote the CSU to the public and the provision of hospitality in connection with official CSU business and specifies the state and auxiliary funds that may be used for such purposes. **Each campus and its auxiliary organizations (auxiliaries) are required to develop written procedures, consistent with this policy (or more restrictive, if preferred), regarding the payment of ordinary and necessary hospitality expenses.**

II. Procedure

A. PURPOSE

This policy governs the manner and extent to which the CSU and its auxiliaries may provide hospitality to employees, students, donors, guests, visitors, volunteers, and other individuals as part of a business meeting; recreational, sporting or entertainment event; or other occasion that promotes the mission of the CSU. The policy also addresses meals served to employees as part of a morale-building function and meals provided to prospective students and employees.

B. SCOPE

This policy governs the appropriate use of state, auxiliary organization, sponsored program administration, private-purpose trust and fiduciary funds unless legally exempted or otherwise restricted (e.g. documented fund agreements). The CSU and its auxiliaries will comply with additional restrictions when established by funding sources.

C. AUTHORITY

Authority for this policy is pursuant to California Education Code § 89044. This policy is issued under delegation of authority from the chancellor to the executive vice chancellor and chief financial officer, and implementation and compliance with the policy is further delegated to the campus chief financial officer. California Education Code § 66600, 89030, and 89035.

D. ALLOWABLE EXPENSES

Hospitality expenses must be directly related to, or associated with, the active conduct of official CSU business. When an employee acts as an official host, the occasion must, in the best judgment of the approving authority, serve a clear CSU business purpose, with no personal benefit derived by the official host or other employees. In addition, the usage of funds for hospitality should be cost effective and in accordance with the best use of public funds.

When determining whether a hospitality expense is appropriate, the approving authority must evaluate the importance of the event in terms of the costs that will be incurred, the benefits to be derived from such an expense, the availability of funds, and any alternatives that would be equally effective in accomplishing the desired objectives. Following are examples of occasions when the provision of hospitality is permitted under this policy, (fund restrictions still apply):

- The CSU hosts or sponsors business meetings that directly correlate with the operations of the CSU;
- The CSU hosts official guests with an interest in the CSU;
- The CSU is the host or sponsor of a meeting of a learned society or professional organization;
- The CSU hosts receptions held in connection with conferences, meetings of a learned society or professional organization, meetings of student organizations and groups, student events such as commencement exercises, and events or meetings of other CSU related groups such as alumni associations;
- The CSU hosts or participates in community relations or fundraising events to promote the university, enhance partnerships, recognize distinguished service, or cultivate donors;
- The CSU hosts receptions for the benefit of employee morale, employee recognition, official presentations for length or exceptional contributions of service awards, with at least 5 years of service.

1. Employee Meetings

Food and beverage provided to employees may be permitted if the expenses occur infrequently, are reasonable, and when it serves a CSU business purpose. Food and beverage at meetings that are carried out on a routine or frequent basis are not permitted under this policy. Additionally, public expenditures that are driven by **personal motives** are an impermissible use of public funds. When a meeting takes place over an extended period and the agenda includes a working meal, there may be justification that the meal is integral to the business function.

Campus procedures should identify authorization and documentation requirements as well as a

maximum per person rate(s) for breakfast, lunch, dinner and light refreshments inclusive of the total cost of food, beverages, labor, sales tax, delivery fees or other service fees. The maximum rates should be reviewed and documented periodically by the chief financial officer or designee.

2. Spouses, Domestic Partners, and Significant Others

Hospitality provided to the spouse, domestic partner or significant other of an employee might be permitted when it serves a CSU business purpose such as ceremonial functions, fundraising events, alumni gatherings, athletic games, and community events. An agenda, invitation or similar documentation should be included with the payment record.

3. Students and Prospective Students

Hospitality provided to students or prospective students may be permitted when it serves a CSU business purpose. To justify the expenditures, one must determine that the expenditure is consistent with the mission of the CSU. Permissible activities may include recruitment efforts, student activities, student programs, student organization events, student recognition events and commencements. Students may be hosted to attend fundraising and other community relations events that enhance their learning experience, in recognition of their student achievement, to engage with alumni and donors, or as representatives of elected student leadership. Hospitality provided to student athletes and recruits must be in accordance with the rules, regulations, guidelines, standards and procedures of the intercollegiate athletic association's national governing board (e.g., National Collegiate Athletic Association).

4. Awards and Prizes

CSU Campuses may establish an award program to the extent that such expenses serve a purpose consistent with the mission and fiduciary responsibilities of the CSU and aligns with IRS regulations. Awards and prizes to employees for exceptional contributions, to students for excellence, and individuals to participate in research-funded survey or study as well as employee recognition and official presentations for length of service awards, with at least 5 years of service are examples of a bona fide business purpose.

Cash and cash equivalent items, such as gift cards and gift certificates, no matter how small, are always taxable to the employee as wages. A non-cash award or prize may have a taxable consequence to the employee if it does not meet the IRS definition of de minimis and infrequent. Refer to IRS for tax rules in resources and materials section. Campus' written procedures shall document the award program, including eligible awards and per person limits.

E. UNALLOWED EXPENSES

1. Personal Benefit

Hospitality expenses that are of a personal nature and not related to the active conduct of official CSU business will not be paid or reimbursed. The California gift of public funds doctrine set forth in the California Constitution, article XVI § 6, prohibits the giving or lending of public (state) funds to any

person or entity, public or private, unless there is a public purpose. Examples include, but are not limited to, employee birthdays, weddings, anniversaries, and baby showers.

F. ALLOWABLE FUNDING SOURCES

1. State Funds

Unless specifically authorized in the local trust agreement (LTA), state funds have the following restrictions and uses:

- State funds may not be used to pay for:
 - Any expenditure prohibited by applicable laws, regulations, or agreements including the California Budget Act;
 - Food and beverages or entertainment services that do not serve a business purpose;
 - Alcoholic beverages, memberships in social organizations, or tobacco products.
- State funds may be used to pay for:
 - Awards and prizes to employees for exceptional contributions, to students for excellence, and individuals to participate in a research funded survey or study;
 - Employee recognition, and official presentations for length of service awards or exceptional contributions, with at least 5 years of service;
 - Official employee morale-building and appreciation activities that serve a business purpose. Campus procedure to define official activities and approval levels.

2. Auxiliary Organization Funds

Hospitality expenses may be charged to auxiliaries provided the expense serve a bona fide business purpose. Auxiliary funds are subject to the same requirements as noted above, however may allow for the purchase of alcoholic beverages, formal awards and service recognition, entertainment services, gifts, membership in social organizations and promotional items to the extent these purchases are not restricted by other applicable laws, regulations, or funding source agreements.

3. Sponsored Programs Administration Funds

Federal or local government contract and grant funds may only be used to pay hospitality expenses specifically authorized in the contract or grant, or by agency policy. In the event of a conflict between agency and CSU policy, the stricter of the two policies shall apply. Federal funds may not be used to purchase alcoholic beverages or tobacco products, unless alcohol and tobacco are part of the research.

4. Private-Purpose Trust and Agency Funds

Hospitality expenses may be charged provided the expense serves a bona fide business purpose and to the extent other applicable laws, regulations, or funding source agreements do not restrict these purchases.

G. APPROVAL OF TRANSACTIONS

Each campus and auxiliary must develop and document appropriate approval processes including:

- Requirements that individuals with delegated approval authority may not approve their own expenses and individuals may not approve expenses of their supervisor. The exception is approval of chancellor or president's expenditures by the chief financial officer;
- Requirements that payment or reimbursement for attendance at a community relations activity or fundraising event include documentation of the individual names, affiliations, and direct or indirect benefit to the CSU to be derived from the expense;
- Requirements that payment or reimbursement of hospitality expenses for recreational, sporting, or entertainment events be approved by the chancellor, president, or their designee;
- Requirements that payment or reimbursement of hospitality expenses for a spouse, domestic partner, or significant other of an employee be approved by the chancellor, president, or their designee.

H. HOSPITALITY JUSTIFICATION FORM

All hospitality expenses must have a completed hospitality justification form submitted along with supporting backup documentation such as a quote, invoice, and original receipt when requesting payment or reimbursement. Information required on the justification form includes:

- The type of event (business meeting, department meeting, host of official guest, employee recognition, reception, fundraising or community outreach, etc.).
- If the meeting is reoccurring.
- The business purpose of the meeting or event. The business purpose must be specific and provide enough information to a third-party reviewer to understand the nature and purpose of the meeting.
- Type of hospitality (meals/refreshments, service recognition, etc.)
- Location and date.
- List of attendees and their business relationship to the campus.
- The cost of the meal per attendee.
- For a large group where the names of attendees are unknown, a description of the group and estimated cost of the meal per attendee is sufficient.

I. DEFINITIONS

For the purpose of this policy, the following definitions apply:

Approving Authority: A person to whom authority has been delegated in writing to approve expenses for meals, light refreshments, and other amenities described within the policy.

Auxiliary Organization Funds: Monies in auxiliary accounts. CSU auxiliaries are separate legal entities authorized in the Education Code to provide essential services to students and employees. Auxiliaries operate in association with campuses pursuant to special written agreements, and are authorized to

perform specific functions that contribute to the educational mission of the campus. These organizations are subject to applicable state and federal laws and regulations.

De Minimis: Small in value, relative to the value of total compensation. The IRS has ruled previously in a particular case that items with a value exceeding \$100 could not be considered de minimis, even under unusual circumstances.

Hospitality: Defined to include the following elements:

- Entertainment services - Reasonable expenses as part of a public purpose event includes, but is not limited to, equipment and venue rental, decor, music, and performers.
- Food and beverage - Reasonable provision of a meal (catered or restaurant) or light refreshments (beverages, hors d'oeuvres, pastries, cookies).
- Awards and prizes- something of value given or bestowed upon an individual, group, or entity in recognition of service to the university or achievement benefiting the university or with the expectation of benefit accruing to the university or for other occasions that serve a bona fide business purpose.
- Promotional items - items that display the name, logo or other icon identifying the university such as a keychain, coffee mug, calendar, or clothing.

Membership in Social Organizations: University clubs, athletic clubs, civic organizations and other membership organizations that provide a venue for hosting hospitality events or a means for promoting goodwill in the community. Memberships in business leagues, chambers of commerce, trade associations and professional organizations are considered a regular business expense and are not governed by this policy.

Official Host: A CSU trustee, auxiliary governing board member, or university or auxiliary employee who hosts guests at a meeting, conference, reception, activity, or event for the active conduct of CSU business.

Official Guest: A person invited by an official host to attend a CSU meeting, conference, reception, activity or event. Examples of official guests include employees visiting from another work location, students, donors, recruitment candidates, volunteers, members of the community, or media representatives.

Public Purpose: Or business purpose include expenses that serve a purpose consistent with the mission and fiduciary responsibilities of the CSU.

Private-Purpose Trust and Custodial Funds: As defined by [Delegation of Fiscal Authority and Responsibility](#).

State Funds: All monies in campus accounts (e.g., tuition and fees).

Sponsored Program Administration Funds: Federal, state, local government, and private contracts.

Student Organizations: As defined in [Student Activities](#), section titled "[Formal Chartering and Recognition Policies](#)."

Work Location: The place where the major portion of an employee's working time is spent or the place to

which the employee returns during working hours upon completion of special assignments. The employee's department determines what constitutes an individual employee's work location for the purpose of these procedures.

III. Guidelines

- Refer to the [CSU Travel and Business Expense Reimbursement Policy](#) for travel related reimbursements and payments.
- Refer to [Labor Agreements](#) for meal allowance for represented employees required to remain on premises during meal periods or working overtime.
- [IRS Publication 5137](#), Fringe Benefits Guide
- General instructions for Certain Information [Returns \(1099\)](#)
- [Government Code § 8314](#)
- [California Constitution, Article 16 Public Finance § 6](#)

IV. Authority

This policy is issued pursuant to [Section II of the Standing Orders of the Board of Trustees of the California State University](#), and as further delegated by the [Standing Delegations of Administrative Authority](#). The president may delegate authority and responsibility described in this policy to other campus officials pursuant to [Section VI of the Standing Orders of the Board of Trustees of the California State University](#).

All Revision Dates

6/27/2023, 9/8/2020, 9/14/2018

Approval Signatures

Step Description	Approver	Date
EVC	Steven Relyea: Executive Vice Chan & CFO	6/27/2023
Area Manager/Owner	Bradley Wells: Assoc VC, Business & Finance	6/23/2023
Area Manager/Owner	Tracey Richardson: Asst VC/ Controller	6/7/2023