



POLICY MANUAL

OPERATING POLICIES AND PROCEDURES

Number 516

Subject: Meals and Entertainment

Effective Date: January 27, 2006

516.1 MEALS AND ENTERTAINMENT

There are occasions when extending hospitality through meals and entertainment is in the best interest of the University. To be reimbursable, these meals (either on- or off-campus) and entertainment expenses must be essential to University business.

The University reimburses employees only for expenses that are related to the conduct of the University's business. We rely upon our employees to exercise restraint and good judgment in committing University funds.

1.1 Allowable Meal and Entertainment Expenses

Expenses for entertainment and meals as entertainment must be ordinary and necessary and meet one of the following two tests.

(1) Directly-related Test

To meet the directly-related test for meals and entertainment expenses, you must show that:

- The main purpose of the combined business and entertainment was the active conduct of business,
- You did engage in business with the person during the entertainment period, and
- You have more than a general expectation of obtaining some benefit to the University.

Entertainment expenses generally are not considered directly related if you are not present or in situations where there are substantial distractions that generally prevent you from actively conducting business.

(2) Associated Test

To meet the associated test for meals and entertainment expenses, you must show that the entertainment is:

- Associated with the active conduct of University business, and
- Directly before or after a substantial business discussion.

A business discussion will not be considered substantial unless you can show that you actively engaged in the discussion, meeting, negotiation, or other transaction to obtain some benefit to the University.

(3) Tax Considerations

Under Internal Revenue Service regulations (Publication 463), meal and entertainment expenses will be considered taxable income to you if you do not meet one of the tests noted above or if the expense is not substantiated with supporting documentation (see Documentation requirements 1.3).

1.2 Information on Specific Areas

(1) Beverages/Food Items

Supplies of coffee, water, soda, juice and similar items may be purchased and provided to University guests.

(2) Appreciation Events

Units may hold events during the year to show appreciation for employee efforts. The cost of the event should be reasonable. Approval of these events must be by one supervisory level above the department recognizing the employee.

(3) Retirement/Separation Functions

Departments may hold a reception for employees retiring or separating from the University (one per employee). Reasonable expenditures are permitted. Approval of these events must be by one supervisory level above the department recognizing the employee.

(4) Holiday Functions

Holiday functions are permitted. The cost of such functions must be reasonable and may not be charged against any contract or grant fund or reimbursed overhead (F&A).

(5) Alcohol

The purchase of alcohol is allowed upon approval of the Dean or Vice President. Charges for alcohol may not be paid from state appropriated funds or federal funds. Alcohol may not be purchased by using a purchasing card.

(6) Retreats and Workshops

Beverages/refreshments (coffee, juice, soda, donuts, rolls, etc.) for retreats and workshops are permissible. Meals may be provided when appropriate for the time and duration of the event.

(7) Allowable Costs

a. The cost of meals, where only USU employees are present, are generally not permitted. In situations where employees from multiple departments can only meet during a meal period it is permissible to charge the cost of the meal to University funds. Good judgment should be used when expending University funds in this manner.

b. The cost of individual meals to be reimbursed on a Travel Authorization does not apply here. The costs of those meals are reimbursable. However, group travel meals do fall under this policy and must have the Meals and Entertainment form completed.

c. Reimbursement will **not** be allowed when:

1. Two or more employees choose to go to lunch together to continue their business as an *incidental* part of the meal.
2. The meeting could have been scheduled during the normal course of business.
3. Business meals with faculty, staff, or other colleagues are frequent (occurring on a regular or routine basis) and reciprocal.

Such expenses are not allowable under this policy. Charges for these types of expenses on the University purchasing card must be reimbursed to the University. If not properly reimbursed, these will be considered taxable income.

(8) Spouse Expenditures

a. The entertainment expenses of the spouse of a guest, employee or the official host may be reimbursed as an *exceptional* expense provided such meals and entertainment serves a bona fide University business purpose. Participation in official functions that *require* the attendance of a spouse may be considered a bona fide business purpose. Fundraising events, alumni gatherings, community and recruiting events are examples of activities that may require the attendance of a spouse. Expenditures for spouse travel (meals, airfare, etc.) are generally not permitted.

1.3 Documentation

(1) Business meals and entertainment expenses must be documented (substantiated) to meet requirements of the Internal Revenue Services regulations and prudent business practices. [Documentation](#) required by these activities is as follows: Business reason for the activity; the individuals involved in the activity, including their title and affiliation; and the dates of the activity. All costs should be supported by the itemized actual receipts (not just a credit card receipt) and listed by the provider, location, date, and amount of the expense. Additional information may be provided as it is deemed necessary.

(2) This [documentation](#) is required if the employee is requesting reimbursement or if the expense is charged to the University by a credit card or other method.

(3) If the expense cannot be properly documented, the employee must bear the cost of the business meal and/or entertainment.

1.4 Activity Certification

The employee and one supervisory level above the employee will certify with their signatures that the expenses were correct for the business reason indicated for the activity. If this activity is an exception to this policy, then the Dean or Vice President must certify with their signatures giving their approval of the exception.

1.5 Processing

(1) Reimbursement

If requesting reimbursement, attach the Meals and Entertainment form along with the receipts to a check request for reimbursement.

(2) Purchasing Card Transaction

Any purchasing card transaction that includes items covered by this policy must have the Meals and Entertainment form attached to it and kept on file in the department.

(3) Requisition

If a requisition includes items that are covered by this policy, then the Meals and Entertainment form must be forwarded to Purchasing for the requisition to be processed.

1.6 Exceptions

There are occasions when it is in the University's best interest to make an exception to the above policy. In those cases, the Meals and Entertainment Expense form must be signed by the Dean or Vice President.

1.7 University Providers

Units are encouraged to consider University providers of meals and entertainment products and services.