

Hospitality Expenditure
Policy

POLICY II.1.1

Volume 2, Finances
Chapter 1, Accounting
Issuing Office: Office of the President
Responsible Officer: Comptroller
Responsible Office: Comptroller
Originally Issued November 1, 2003
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Statement of Policy

The mission of Purdue University is to serve the citizens of Indiana, the United States, and the world through discovery that expands the realm of knowledge, learning through dissemination and preservation of knowledge, and engagement through exchange of knowledge.

As a public institution, the University is entrusted with funds by various constituencies. With limited resources available to carry out its mission, the University must demonstrate prudent judgment when expending funds. Therefore, a valid business purpose must exist for expenditures of University funds.

During the course of business, it may be necessary to incur hospitality expenses. Hospitality expenses are defined as the provision of food, beverages, activities, or events for the purpose of promoting and furthering the mission of the University.

The University's hospitality expenditure guidelines are based upon an understanding that food and beverage expenditures are allowable only when clearly required to advance the mission of the University and appropriate to the occasion. Hospitality expenses should be reasonable in amount and necessary to fulfill the mission of the University.

While responsible judgment should be used when expending any University funds, particular care should be exercised for hospitality expenses. Individuals responsible for making decisions concerning hospitality expenditures should always question whether the proposed expense represents an appropriate use of University funds. Thoughtful consideration of each decision will ensure that University resources are expended appropriately.

Reason for Policy

The guidelines in this policy establish a framework for allowable hospitality expenditures. Within the parameter of the guidelines, departments or organizational units may specify more restrictive policies.

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Who Should Know This Policy

President	Deans
Provost	Directors/Department Heads/Chairs
Vice Provosts	Principal Investigators
Chancellors	Faculty
Vice-Chancellors	Administrative and Professional Staff
Vice Presidents	Business Office Staff

Related Documents

University Policy IX.1.1: Budgeting Campaign Expenses

Executive Memorandum Number B-47: Assignment of Responsibility and Authority for Conference and Short Course Activities Sponsored by Purdue University

Contacts

University Comptroller (765) 494-7536

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Definitions

Hospitality Expenses	The provision of food, beverages, activities, or events for the purpose of promoting and furthering the mission of the University.
General Fund Accounts	General fund accounts are used to record income and expense for general operating funds. The funding source is typically state appropriations.
Gift Accounts	Gift accounts are used to record income and expense for gifts received from donors.
Auxiliary Services Accounts	Auxiliary services accounts are used to record income derived from fees charged to external parties for goods and services (e.g. Intercollegiate Athletics, Housing and Food Services).
Sponsored Program Accounts	Sponsored program accounts are used to record income and expense for activities sponsored by external organizations. Sponsors may be federal agencies, state agencies, industry, etc.

Guidelines

Allowable Hospitality Expenses

Allowable hospitality expenses have been divided into three general categories. The categories include (1) meals or refreshments served during business meetings, (2) meals for prospective employees, visitors, guests, or donors, and (3) University receptions.

Allowable hospitality expenses may be charged to general fund accounts, gift accounts, or auxiliary services accounts. Sponsored program accounts may be used if the expense is specifically approved in the budget and is in accordance with sponsor and University policy. When charging hospitality expenses to the above funding sources, expenses for alcoholic beverages are prohibited.

Following is a description of each of the categories along with examples of allowable hospitality expenses. Faculty and staff should be aware that any hospitality expenditures

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that do not fall within the University policy or are exorbitant or unreasonable will become a personal liability for the faculty or staff member.

Meals or refreshments served during business meetings:

The University may pay or reimburse expenses for meals or refreshments served during business meetings when the purpose of the meeting is to conduct University business. Following are examples of business meetings where meal and refreshment expenses are allowable.

- Meals or refreshments served at University sponsored seminars, retreats, workshops, orientations, or other University functions.
- Meals or refreshments served during University sponsored meetings of advisory groups, outside reviewers, or other committees when the group is composed of both University employees and non-employees.
- Working breakfast, lunch, or dinner meetings, when groups of employees are giving up personal time to conduct University business. A formal business discussion must be the purpose of the gathering.

Meals for prospective employees, visitors, guests, or donors:

The University may pay or reimburse meal expenses when entertaining prospective employees or entertaining visitors, guests, or donors. Following are examples of meals for prospective employees, visitors, guests, or donors.

- Meals related to the individual recruitment of faculty or staff. When entertaining prospective employees, only meal expenses for the prospective employee and the principal individuals involved in the decision-making process will be considered allowable meal expenses. When the spouse/partner of the prospective employee is present at the meal, the University will also reimburse the meal expenses of the spouse/partner or guest of the principal individuals responsible for the recruiting.
 - Meals for individuals invited as academic visitors to contribute to the intellectual life of the University community. Normally, such visitors will deliver a seminar, colloquium talk, or other lecture or performance for the benefit of University faculty and/or students.
 - Meals related to marketing University facilities and services to secure potential conference business. When entertaining guests from external organizations that are considering conference arrangements with the University, only meal expenses for the
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guest and the principal individuals involved in the conference selection process will be reimbursed.

- Meals related to cultivation of donor prospects, whether prospective or previous donors. Meal expenses for donors and University staff involved in the fund-raising effort are considered an allowable University expense. If it is appropriate for the spouse/partner of the University staff member to be present at the meal, the University also will reimburse those expenses.

University receptions:

The University may pay or reimburse expenses related to University sponsored receptions. Following are examples of allowable receptions:

- Receptions for any employee who retires or terminates from the University, providing that the employee has 15 or more years of service with the University or is an official University retiree.
- Receptions for faculty, staff, and students/families when the predominant numbers of those in attendance are students.
- Receptions to present or to acknowledge awards to faculty, staff, students, and alumni for outstanding accomplishments.
- Receptions to honor visitors, guests, or dignitaries.
- Receptions for the opening of new exhibits at University galleries.

Unallowable hospitality expenses

Certain hospitality expenses are unallowable on University funds. Following are examples of unallowable expenses. *Please note:* This list is not intended to be exhaustive and does not list all unallowable expenditures on University funds.

Alcoholic beverages:

The purchase or reimbursement of alcoholic beverages is not allowable on University funds. Any bill that includes alcoholic beverages must be charged completely to Purdue Research Foundation (PRF) funds. Departments desiring to charge only the alcoholic beverages portion of the bill to PRF funds should obtain separate billings from the food provider.

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Holiday and other social functions:

Expenses related to holiday receptions, luncheons, etc., are not allowable on University funds. Additionally, expenses for functions related to secretary's week, staff birthday parties, and other social events are not allowable on University funds.

Flowers:

Purchasing flowers is not allowable on University funds unless the flowers serve as a decoration for an allowable event listed in this document.

Musicians:

Procuring the services of musicians other than PMO or University Band affiliates is unallowable on University funds.

Meals for employees:

Meals and refreshments for employees (except as allowed in this policy) are not allowable on University funds.

Items of a personal nature:

Expenses for items of a personal nature utilized by a University employee when entertaining University guests are unallowable on University funds. Examples include golf clubs, memberships in social organizations, etc.

Gifts and charitable contributions:

Gifts and benefits to employees are unallowable.

Donations to charities and/or civic fundraising campaigns (internal or external) are unallowable.

Special Situations

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Home entertaining:

The guidelines listed above provide the framework for allowable and unallowable hospitality expenditures. The guidelines have assumed that the majority of hospitality expenses will be incurred at a restaurant or catered event. However, it is likely that some official University events will occur in the home of a University employee. When a University employee chooses to host an allowable event in their home, reimbursement may be granted under the following guidelines:

1. Food, beverages, and disposable or rented service ware directly related to the event may be reimbursed.
2. All food and beverages served at the event must be purchased from a vendor that provides itemized receipts. The receipt should provide a listing of the items by name.
3. Allowable funding sources for home entertainment follow the guidelines specified for the various allowable events.

Miscellaneous entertainment purchases for receptions:

University receptions to honor employees, visitors, guests, or dignitaries may require additional expenses over and above food and beverages. Allowable miscellaneous expenses include the following:

1. Flowers may be purchased if serving as decorations at the reception. Flowers may be charged to general fund accounts, gift accounts, or auxiliary services accounts. Sponsored program funds may be used if the expense is specifically approved in the budget and is in accordance with sponsor and University policy.
2. Musician expenses are allowable for receptions, as long as Purdue Musical Organizations (PMO) or University Band groups are used (Varsity Glee Club, Purduettes, etc.). Musician expenses may be charged to general fund accounts, gift accounts, or auxiliary services accounts. Sponsored program funds may be used if the expense is specifically approved in the budget and is in accordance with sponsor and University policy.

Exclusions

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The following events, while similar to hospitality events, are governed by other University policies.

- 1) Fundraising events may include banquets for prospective donors or alumni, ground-breaking ceremonies for facilities, and building dedication events. There may be instances when expenses associated with ground-breaking and building dedication ceremonies are allowable charges to the facility's campaign gift proceeds. Please see University Policy IX.1.1 for a definition of allowable costs and approval processes.
- 2) Conference events may include meals, refreshments, and other hospitality expenses. Executive Memorandum Number B-47 assigns academic, administrative, and fiscal responsibility for all conferences and short course activities sponsored by a school, department, or other agency of the University and outlines those University-wide policies and procedures that govern the conduct of these activities.

Responsibilities

The roles listed below are responsible for the following tasks:

President:

- 1) Approving the University hospitality policy.

Executive vice president and treasurer (or designee):

- 1) Approving or denying exceptions to the University hospitality policy.

Provost:

- 1) Monitoring the hospitality guidelines established by the administrative officers reporting to the Provost.

Regional Chancellors:

- 1) Monitoring the hospitality guidelines established by the administrative officers reporting to the regional chancellors

Administrative officers reporting to the provost, the executive vice president and treasurer, or the regional chancellors:

- 1) Developing internal guidelines for allowable hospitality expenses within their areas of responsibilities.

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- 2) Communicating the internal guidelines to the Directors/Department Heads/Chairs within their area.
- 3) Approving or denying exceptions to the internal guidelines established for their areas. May only approve exceptions as long as the exceptions comply with University policy. Any exceptions not complying with the University policy must be forwarded to the Comptroller.

Directors/Department heads/Chairs:

- 1) Communicating internal hospitality expense guidelines to faculty, staff, and business manager.
- 2) Reviewing and approving hospitality expenses within the parameters of the internal guidelines. Hospitality expenses that do not fall within the parameters of the internal guidelines must be forwarded to the next administrative level with a written justification for the expense.

Faculty and staff:

- 1) Understanding the internal hospitality guidelines established for their area.
- 2) Complying with all guidelines.
- 3) Collecting all necessary receipts and completing reimbursement requests.
- 4) Ensuring that expenditures have been documented to include the purpose of the event, location, date, nature of the attendees (alumni, donors, etc.), and number of attendees.

Comptroller:

- 1) Reviewing exceptions to the University hospitality policy.
- 2) Recommending approval or denial of the exceptions.

Business managers:

- 1) Reviewing hospitality expenses to ensure compliance with departmental guidelines and University policy.
- 2) Recommending approval or denial of hospitality expenses to Directors/Department Heads/Chairs.
- 3) If inappropriate expenditures are found, recommend the authorizing administrative unit to recover the expenditures from the individual(s) involved.

History

This policy is the first to formalize guidelines for hospitality expenditures.
