October 31, 2000

MEMORANDUM

TO: CSU Presidents

FROM: Charles B. Reed
      Chancellor

SUBJECT: Executive Order No. 761 – Hospitality, Payment or Reimbursement of Expenses

The attached Executive Order No. 761 assigns responsibility to the campus to develop written policies and procedures, consistent with this executive order, regarding the payment of hospitality expenses.

In accordance with the policy of the California State University, the campus president has the responsibility for implementing Executive Orders where applicable and for maintaining the campus repository and index for all Executive Orders.

Should you have any questions regarding this executive order, please contact Mr. Bradley Wells, Assistant Vice Chancellor, Financial Services, phone (562) 951-4540.

CBR: bww

Distribution: Chief Financial Officers
              Chancellor’s Office Staff
Executive Order No. 761

THE CALIFORNIA STATE UNIVERSITY
Office of the Chancellor
401 Golden Shore
Long Beach, California 90802-4210

Executive Order No.: 761
Title: Hospitality, Payment or Reimbursement of Expenses
Effective Date: October 31, 2000
Supersedes: No previous executive order

Policy
Hospitality expenses may be paid with university funds to the extent that the purchase and use of these services and items is consistent with the mission and fiduciary responsibilities of the university. This policy applies to activities that promote the university to the public and the provision of hospitality in connection with official university business and specifies the university funds that may be used for such purposes. Each campus is required to develop written policies and procedures, consistent with this policy, regarding the payment of hospitality expenses.

Authority
California Code of Regulations, Title 5, Division 5, California Code of Regulations; Section 41600, 41601; California Education Code Sections 66600, 89030, 89035, 89044; HR 96-11.

Definitions
Approving Authority - a person to whom authority has been delegated in writing to approve expenses in accordance with university policy.

Auxiliary Organization Funds – funds held by a recognized auxiliary organization.

Award - a gift of tangible personal property in recognition of service or achievement directly benefiting the university.

General Fund Appropriations - funds approved to the university by the state legislature for support expenditures of the university.
Gift - something of value given or bestowed upon an individual, group, or entity with the expectation of benefit accruing to the university.

Hospitality - the provision of meals (catered or restaurant) or light refreshments (beverages, hors d'oeuvres, pastries, cookies, etc.), promotional materials, gifts, and travel expenses of official guests of the university. Hospitality includes expenses for activities that promote the university to the public, usually with the expectation of benefits accruing directly or indirectly to the university and may include the provision of gifts, awards, and promotional materials.

Official Host - a university employee who hosts a meeting, conference, or event.

Official Guest - a person invited by an official host to attend a university meeting, conference, reception, or event. Examples of official guests include employees from another work location, members of the community, or media representatives. Employees of the university are not considered official guests.

Promotional Materials - a gift of tangible personal property that is distributed to promote the name or image of the university, to provide information, or enhance university productivity. Promotional items are of minor value and bear the logo or other icon or information identifying the university such as a pen, folder, calendar, or clothing.

Special Funds - funds authorized for support of activities that are supplemental to the primary mission of the university and are paid for by fees and revenues other than general tax revenues. Special funds include, among others, Reimbursed Programs, Continuing Education Revenue Funds, Lottery Education Funds, Auxiliary Enterprise Funds, Trust Funds, and Special Project Funds.

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.

Allowable Expenses and Occasions

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

Hospitality expenses, including awards and gifts, must conform to IRS regulations. 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:

- When the university hosts official guests, including university employees visiting from another work location, donors, and prospective donors;
• When the university is the host or sponsor of a meeting of a learned society or organization;
• When the university is the host or sponsor of meetings of an administrative nature that are directly concerned with the welfare of the university and the provision of hospitality is a necessary and integral part of the business meeting and not solely a matter of personal convenience;
• When the university hosts receptions held in connection with conferences, meetings of a learned society or organization, fundraising events, meetings of student organizations and groups, student events such as commencement exercises, and meeting of other university related groups such as alumni organizations;
• When the university hosts receptions for the benefit of employee morale, employee recognition or length of service awards or retirement presentations.

Payment of or reimbursement for hospitality expenses are not permitted when these expenses are related to employee birthdays, weddings, anniversaries, and farewell gatherings that are not related to the active conduct of official university business.

**Funding Sources**

Hospitality expenses may be paid from various university fund sources, subject to the rules outlined below and the restrictions identified in Table 1. There are three types of funds available for the payment of hospitality expenses, General Fund Appropriations, Special Funds, and Auxiliary Organization Funds.

*General Fund Appropriations*

The following restrictions, in addition to those identified in Table 1, apply to the use of General Fund Appropriations:

• General Fund Appropriations may not be used to pay for alcoholic beverage or tobacco products, gifts, or awards.
• General Fund Appropriations may not be used to pay for food and beverages for business meetings attended only by employees of the same work location.
• Any expenditures prohibited by statute including the California Budget Act.

*Special Funds*

The following restrictions, in addition to those identified in Table 1, apply to the use of these Special Funds:

• Special Funds may be used to pay for alcoholic beverages, tobacco products, gifts, and awards to the extent these purchases are not restricted by other applicable laws, regulations, or agreements.
• Special Funds may be used to pay for food and beverages for business meetings attended only by employees of the same work location.
• Trust Funds and Special Project Funds may be used to pay hospitality expenses only to the extent permitted by the statute under which the funds are established and maintained and any trust agreement or special project agreement.

• Federal or local government contract and grant funds may be used to pay hospitality costs only if such expenses are specifically authorized in the contract or grant, or by agency policy, and only to the extent and for the purposes authorized. In the event of a conflict between agency and university policy, the stricter of the two policies shall apply.

• No alcoholic beverage or tobacco products may be charged to Federal funds.

Auxiliary Organization Funds

Auxiliary Organization Funds may be used to fund hospitality but only within the restrictions established by the auxiliary organization.

Expenses for alcoholic beverages, tobacco products, gifts, and awards may be charged to Auxiliary Organization Funds subject to the policies and restrictions established by this policy and the auxiliary organization.

Table 1.
Funding Sources For Payment of Hospitality Expenses

<table>
<thead>
<tr>
<th>Hospitality Expenses</th>
<th>General Fund Appropriations</th>
<th>Special Funds</th>
<th>Auxiliary Organization Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food and Beverages (other than Alcoholic Beverages) for Meetings Attended by Only by Employees of the Same Work Location</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Food and Beverages (other than Alcoholic Beverages) for Meetings Attended By Official Guests</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Alcoholic Beverages and Tobacco Products</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Gifts</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Awards</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Promotional Items</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Travel</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
</tbody>
</table>

Approval Of Transactions

Each campus must develop 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.

Charles B. Reed, Chancellor

Date: October 31, 2000