

UNIVERSITY of HOUSTON
MANUAL OF ADMINISTRATIVE POLICIES AND PROCEDURES

SECTION: Finance and Accounting
AREA: Expenditure Management

Number 05.02.02

SUBJECT: Official Functions and Discretionary Expenditures

I. PURPOSE AND SCOPE

The administration of the University of Houston recognizes that refreshments, business entertainment, and other discretionary expenditures can be important to the operation of the university. It is, however, critical to place these activities in proper perspective; to prevent abuses; to ensure prudent control of these expenditures; and to ensure compliance with all university, state, and federal regulations governing these expenditures and use of university funds. This policy defines the events which qualify as official functions, prescribes expenditure limits for official functions and discretionary purchases using university funds, and specifies lines of authority for approval of all such expenditures.

This policy is written to comply with applicable federal and state laws and regulations and with [System Administrative Memorandum \(SAM\) 03.A.02](#). It applies to all expenditures for the functions, goods, and services described herein by all university departments from all university funds, with restrictions and exceptions as defined.

II. POLICY STATEMENT

Certain university funds may be expended for official functions and discretionary purposes not directly related to the educational process that can be demonstrated to be of clear benefit to the university, subject to the limits outlined in this policy. All requests for payment or reimbursement of such expenditures will be subject to individual review and approval, must be paid from available and qualifying departmental funds, and must be fully documented and authorized in accordance with this policy.

In most cases, designated (fund group 2) funds or certain unrestricted auxiliary (fund group 3) funds shall be used for payment of expenditures for official functions and discretionary items. However, designated tuition funds (funds 2064, 2160, and 2164) may not be used for discretionary items, as indicated in the [Account List](#) on the Finance References page. Also, indirect cost (fund 2072 and 2091) may not be used to purchase alcoholic beverages. Payment may be authorized from restricted (fund group 4) or sponsored project (fund group 5) funds only where allowed by the donor or the terms of the contract or grant. State-appropriated (fund group 1 and some fund group 7) funds cannot be expended for entertainment expenses, alcoholic beverages, gifts, service awards costing over \$50, etc. ([General Appropriations Act; Article 3, Section 51](#), Texas Constitution). Agency (fund group 9) funds, which are not owned by the university, are not subject to the requirements of this policy. However, departments that administer agency funds should expend those funds prudently and in accordance with the fund owner's wishes.

Expenditures not included in the definitions and limits provided and/or approved and documented according to these guidelines will be considered personal expenditures and will be the responsibility of the person incurring the expenditure.

III. DEFINITIONS

- A. Award: A prize or reward for professional achievement, outstanding service, or other exceptional contribution to the university. Such awards normally shall be in the form of lapel pins, plaques, certificates, trophies, or watches.
- B. Dean or director: When the policy or procedure requires approval of the dean or director, it refers to that level reporting directly to the vice president. In academic units, this approval level will always refer to the dean.
- C. Discretionary expenses: Those expenditures not directly related to the university educational, research, and public service mission. For the purposes of this directive, discretionary expenses include, but are not limited to, all expenditures specifically addressed in this policy.
- D. Entertainment expenses: Expenditures for food, beverages, tickets for shows or athletic events, and related supplies for events which involve one or more university employees and/or one or more guests.
- E. External events: Those events sponsored by organizations not directly affiliated with any university of the University of Houston System.
- F. Gift: Item of a personal nature provided by a university employee to another employee, student, or individual outside the university. For the purposes of this policy, a gift excludes token gifts, incentives, promotional materials, prizes, or official university tokens to visiting dignitaries.
- G. Gratuity: For transactions that normally require gratuity, employees may be reimbursed for gratuity up to 20% of the transaction on local only. Only the President may be reimbursed for more than 20% gratuity based on actual expenditures.
- H. Internal events: Those events sponsored by any college or department of the university or any university of the System.
- I. Official functions: Those social functions, entertainment events, quasi-social functions, meetings, special events, and conferences that can be demonstrated to provide clear benefit to the educational, research, or community service missions of the university. An event must meet the definition of an official function under this policy for its related expenditures to be paid from university funds.
- J. State funds: Funds appropriated by the legislature from the General Revenue Fund or other funds in the State Treasury. The latter includes, but is not limited to, ATP, ARP, HEAF, and locally collected funds in the State Treasury.
- K. Token gifts, incentives, promotional materials, prizes, trinkets: Items of insignificant value – often with university insignia – given to employees, donors, students, or other contributors to the university as gestures of appreciation or to enhance university loyalty or spirit.
- L. Tuition funds: Cost centers funded by tuition revenue, including tuition and designated tuition.
- M. Vice president: For the purposes of this policy and procedure, includes those associate vice presidents reporting directly to the president.

IV. PROCEDURES

- A. Expenditures for meals; alcoholic beverages; or tickets to cultural, athletic, or social events may not be reimbursed through the petty cash process ([MAPP 05.01.01](#)). These expenses require reimbursement through the Accounts Payable process.
- B. Official university functions may involve procurement of goods and services through a number of methods available to the university. Each expenditure is subject to the relevant institutional procurement and expenditure policies and procedures, as well as to this policy. Those directives most applicable include the following:

- [MAPP 04.01.01](#) Purchase of Goods, Materials, and Supplies through the Purchasing Department
- [MAPP 04.01.03](#) Vouchers
- [MAPP 04.03.01](#) Service Center and Auxiliary Purchases
- [MAPP 04.01.11](#) Procurement Card
- [MAPP 05.02.01](#) Expenditures and Expenditure Authority
- [Contract Administration Guide](#)

- C. Official function expenditures incurred as a part of travel on behalf of the university are subject to institutional travel policies and procedures, primarily:

- [MAPP 04.02.01A](#) Travel Paid from State-Appropriated Funds
- [MAPP 04.02.01B](#) Travel Paid from Local Funds
- [MAPP 04.02.04](#) Student Travel
- [MAPP 04.02.05](#) Travel Card

- D. Expenditure documents for official functions shall use the accounts listed in the [Food and Entertainment-Related Accounts](#) document on the Finance References web page.

V. REQUIRED DOCUMENTATION

Expenditures related to official university functions and discretionary items may be paid or reimbursed only if accompanied by the complete documentation listed below. All documents will be reviewed by the responsible processing department prior to processing and will be returned to the college or division administrator if there are inadequacies or irregularities.

- A. Itemized receipt (reimbursements) or a detailed invoice (payments).
- B. A detailed description of the nature and purpose of the official function, noting honoree(s).
- C. Date(s) and location of the function.
- D. Names of the participants – both guests and employees – and their titles, institutional affiliations, and/or relation to the university for groups of 10 or fewer. For larger groups, the name(s) of the honored guest(s) must be provided, together with the number of persons attending and the general relationship of the guests to the university.
- E. A specific, clear, and meaningful statement of the benefit of this function to the mission of the university. A general and broad statement will not be accepted.

- F. An [Official Functions - Approval Form](#) if expenditures are anticipated to exceed \$5,000 approved in advance by the appropriate vice president.
- G. Signature of or e-mail from person requesting reimbursement.
- H. Signature of or e-mail documenting required approvals (see Section VI, Required Approvals).
- I. Employees who make out-of-pocket official function and discretionary expense purchases must provide receipts and any additional information required to their business office within 60 days of the transaction.

VI. REQUIRED APPROVALS

- A. In accordance with [SAM 03.A.02](#), requests for reimbursement of entertainment expenses require all the following approvals (although this may not involve three different individuals), which may be documented through workflow or by uploaded document with signature or e-mail:
 - 1. That of the supervisor of the employee incurring the expenditure;

Note: Faculty member reimbursements must be approved by their academic supervisor, regardless of funding source.
 - 2. That of one or more of the following university officials: department chair, director, associate dean, dean, assistant/associate vice president, vice president, President, or Chancellor; and
 - 3. That of the official in higher authority than the highest ranking person hosting the event.
- B. Expenditure documents for official functions and discretionary items will be approved by the appropriate certifying signatory, or department approver for electronic workflow, in compliance with university expenditure policies and regular college or division procedures.
- C. Refreshments or meals for meetings limited to university employees require the approval of the dean or director.
- D. Official functions, the total cost of which is anticipated to exceed \$5,000, require the advance approval of the dean or director and the responsible vice president. The [Official Functions - Approval Form](#) is provided for this purpose.
- E. In cases where the event is approved in advance via the [Official Functions - Approval Form](#), individual expenditures related to that event do not require additional approval, as long as a copy of the signed approval form is attached to the expenditure document.
- F. Requests for approval of any expenditure not allowed by this policy require the approval of the dean or director, the responsible vice president, and the Senior Vice President for Administration and Finance.

VII. GENERAL PROVISIONS

- A. Expenses for business meals, including beverages, tax, and gratuity, shall not exceed \$100 per person. Business meal expenses within the limit may be reimbursed from

permitted university funds if they are supported by the required documentation (see Section V, Required Documentation) and required approvals (see Section VI, Required Approvals). The only exception to the \$100 per person limit is business meals involving the President, since it is sometimes necessary to exceed that amount when the President meets with distinguished guests. Business meals involving the President will be paid or reimbursed based on actual expenses, including gratuity, that are supported by receipts.

- B. Official functions, the total cost of which is anticipated to exceed \$5,000, require the advance approval of the responsible vice president on the [Official Functions – Approval Form](#).
- C. Official functions and discretionary expenditures may be paid or reimbursed from university funds only if the expenditure document is accompanied by the complete documentation outlined in this document.
- D. Entertainment expenses may only be charged to contracts or grants if such entertainment is expressly permitted by the terms of the contract or grant and provides a specific, documented benefit to the contract or grant.
- E. Involvement of spouses, whether the spouse of an employee or a non-employee, in university official functions is generally not appropriate. However, when there is a clear bona fide business purpose for the spouse to attend in accordance with [IRS publication 463](#), rather than just a personal or social purpose, the university may 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.

VIII. SPECIFIC PROVISIONS RELATED TO AUTHORIZED CATEGORIES OF OFFICIAL FUNCTIONS AND DISCRETIONARY EXPENSES

- A. Entertainment of prospective faculty and staff and official guests of the university: Expenses within the limits provided may be paid for official functions described as follows:
 - 1. Entertainment expenses for recruitment of prospective faculty and staff, limited to the president, vice presidents, dean, associate dean(s), department heads, and other faculty and/or staff considered by the president, vice president, dean, or director to be key to the search process.
 - 2. Expenses related to events involving official guests of the university such as donors and potential donors, visiting lecturers and scientists, visitors from foreign countries, representatives of research organizations, visitors from other universities, individuals interested in university programs and problems, guests invited to assist in the development of new programs or evaluate existing ones, alumni, business and community leaders.
- B. Conferences, workshops, seminars, meetings, or retreats for university employees:

In accordance with [SAM 03.A.02](#), expenditures for meals or refreshments related to group programs that are limited to university employees may be paid from appropriate university funds under the limits and provisions of this policy, if the benefit to the university can be clearly demonstrated and the provision of refreshments is authorized in

advance by the dean or director. (Refreshments for regular meetings may be authorized annually.)

Such expenditures require the prior administrative approval of the responsible vice president if the expenditure, exclusive of costs of speaker fees and expenses, is anticipated to exceed \$5,000. Vice president approval is documented on the [Official Functions – Approval Form](#).

- C. Receptions or functions of a social nature for university employees: Such expenditures require the prior administrative approval of the responsible vice president if the expenditure is anticipated to exceed \$5,000. Vice president's approval is documented on the [Official Functions – Approval Form](#).
- D. Tickets to concerts, plays, athletics events; entrance fees to golf tournaments, etc.: There may be limited occasions where tickets may be purchased with appropriate university funds for events to be attended by employees and their external guests, but only if such purchases involve fund-raising activities for potential university donors, recruitment of faculty or administrative staff, or other official guests of the university where benefit to the university can be clearly demonstrated.
- E. Flowers (cut flowers, floral arrangements, potted plants, corsages): Flowers for centerpieces or decorations for official functions or as awards or part of award ceremonies may be purchased with appropriate university funds subject to all the provisions of this policy. The purchase of flowers for university employees or family members of employees should be made from personal funds and in no case may be made from university funds.
- F. Gifts and awards: University funds may not be expended for gifts or other items of a personal nature as defined in this policy, other than those expended for employee service and/or safety awards or for awards to donors, potential donors, and other contributors to the university mission. Staff award programs require the prior approval of the Human Resources Department. Selection of recipients requires the approval of the appropriate dean or director.
- G. Club memberships: University-paid memberships may be approved by the president or designee for certain officials as required to carry out their designated responsibilities. Expenditures for business purposes incurred through these memberships may be approved for payment from university funds – subject to the limits provided herein. Individuals are responsible for all personal expenditures incurred and taxes resulting from these memberships.
- H. Alcoholic beverages: Expenditures for alcoholic beverages may be paid from authorized university funds, but must be itemized and provided with the appropriate account (53113) where the cost is known. Under the terms of the [General Appropriations Act](#), alcoholic beverages cannot be paid from state appropriated funds or from funds under the control of the Athletics Department. Purchase of alcoholic beverages is also prohibited from most sponsored project funds (under the terms of the Uniform Guidance §200.423), and indirect cost funds. This university policy also prohibits purchase of alcoholic beverages with tuition funds. Official functions where alcohol is served and students are present are subject to the University of Houston Student Alcohol Policy published in the [Student Handbook](#).

IX. APPROVALS

- A. [SAM 03.A.02](#) requires that all requests for reimbursement to an employee for official function expenditures be approved by the employee’s supervisor and by the responsible official in higher authority than the head of the unit hosting the event. One of the approvals must be at the level of department chair or higher.
- B. Expenditure documents for official functions and discretionary items will also be certified in compliance with university expenditure policies and regular college or division procedures.
- C. Refreshments or meals for meetings limited to university employees require the approval of the dean or director.
- D. Official functions involving a total cost of more than \$5,000 and other extraordinary expenditures require the advance approvals prescribed elsewhere in this policy.

X. OFFICIAL FUNCTION EXPENSES EXCLUDED FROM COVERAGE BY THIS POLICY

The functions listed below are allowed under the terms of this policy and do not require submission of the Official Function Approval Form if over \$5,000. However, they must still be approved by the department chair or higher authority.

- A. Entertainment and meal expenses associated with conferences, workshops, or camps conducted by the university for the external community that are supported by income from registration fees and/or donor or sponsored project funds, as long as all expenses related to the event are covered from the revenues and other restricted funds budgeted for the event.
- B. Expenses for events sponsored by and/or oriented toward the student or potential student community.
- C. Food and discretionary items used directly in teaching or research activities.
- D. Food served to children in the University of Houston Children’s Learning Centers and the University of Houston Charter School.

XI. REVIEW AND RESPONSIBILITY

Responsible Party: Associate Vice President for Finance

Review: Every five years

XII. APPROVAL

/Raymond Bartlett/

Senior Vice President for Administration and Finance

/Renu Khator/

President

Date of President's Approval: November 11, 2021

XIII. REFERENCES

[General Appropriations Act](#)

[Article 3, Section 51](#), Texas Constitution

[SAM 03.A.02 – Entertainment Expenditures](#)

[MAPP 05.01.01 - Cash Handling](#)

[MAPP 05.02.01 - Expenditures and Expenditure Authority](#)

[Section 4 - Procurement MAPPs](#)