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1. Purpose. To set forth the regulations and procedures governing the direct payment of or reimbursement for entertainment expenses.

2. Definitions. For the purpose of these regulations and procedures the following definitions apply:

2.1 “Entertainment expense” means meal or other entertainment type expense, including tips up to 20% of the pre-tax charge or actual vendor required gratuity/service charges associated with large group events, incurred when hosting Employees and/or a non-Employee(s) for business-related reasons. This term includes entertainment expenses paid by or billed to the University on the Employee’s behalf.

2.2 “Reimbursable” means the expense is eligible for reimbursement by the University.

2.3 “Reimbursement” means payments made to an Employee by the University for substantiated entertainment expenses.

3. General.

3.1 Authority. Authority to administer these regulations is assigned to the Assistant Vice President, Finance.

3.2 Reimbursable Expenses. In general, only those entertainment expenses which are reported as non-taxable to the Employee may be reimbursed.

3.3 Additional Department Rules. Departments may implement more restrictive internal regulations.

3.4 Special Situations. These regulations are not expected to cover every possible situation. Discuss items of an unusual nature with the Assistant Vice President, Finance before submitting requests for payment or reimbursement.

3.5 Restricted Exceptions. Area Heads and/or Major Academic Unit Deans may make exceptions to these regulations in extenuating circumstances, subject to approval by the Assistant Vice President, Finance.

3.5.1 Submit documentation for exceptions to the Assistant Vice President, Finance before entertainment takes place, if possible, or with the request for reimbursement.

3.5.2 An exception shall be overruled when, in the judgment of the Assistant Vice President, Finance:

- It violates applicable laws or regulations;
- It violates University regulations; or,
- There is insufficient justification.

3.5.3 When the Controller/Director overrules, the Controller/Director will notify the Employee and the individual who made the exception.

3.5.4 In some circumstances, an exception may result in taxable income to the traveler, and reported as noted in 3.6.1 below.

3.6 Accountable Plan. The University's entertainment expense policies and regulations are intended to be an "accountable plan." This means some entertainment expense reimbursements and direct payments are reported as non-taxable to the Employee, while others are reported as Employee compensation. To be reported as non-taxable, payments and reimbursements for entertainment expenses must meet four requirements:

- Advances and reimbursements made must be for deductible entertainment expenses;
- The amount of any cash advance for entertainment expenses must be reasonably related to the expenses expected to be incurred;
- A statement substantiating the amount, date, and business purpose of the expenses must be submitted by the Employee within 60 days after the entertainment takes place. A properly completed and approved entertainment expense report meets this requirement; and,
- Any portion of an advance in excess of expenses shall be returned to the University within 60 days after the entertainment takes place.

3.6.1 Expenses not substantiated and/or excess advances not returned within 60 days will be treated as Employee compensation. These amounts are subject to payroll tax withholding, and are reported on the Employee's W-2 form. The amount shall be shown on the Employee's pay stub as non-cash compensation and payroll taxes withheld will reduce the Employee's net pay.

3.7 Requirements. To be reimbursable, entertainment expenses must be ordinary and necessary and must meet the guidelines described in Section 3.8 or 3.9.

3.7.1 An ordinary expense is one that is common and accepted in the academic or administrative areas of higher education.

3.7.2 A necessary expense is one that is helpful and appropriate, although not necessarily required, for the University.

3.8 Directly-related to University Business.

3.8.1 This guideline considers whether the:

- Entertainment took place in a clear business setting; or,
- Main purpose of entertainment was the active conduct of business.

3.8.2 The guideline considers whether the Employee:

- Engaged in business with the person during the entertainment period; and,
- Had more than a general expectation of getting income or some other specific business benefit.

3.8.3 It is not necessary to devote more time to business than to entertainment in order to meet this guideline. However, the business discussion must be substantive. A token mention of business-related topics does not meet the directly-related guideline. Example situations are:

- Jane dines with a potential University donor. Before, during, and after the meal, there is no discussion of the potential contribution. Discussion about University-related matters are brief and of a general nature. This meal does not meet the directly-related guideline.
- Jane dines with a potential University donor. Before the meal is served, there is discussion about endowment funding alternatives. This meal meets the directly-related guideline, because the business-related discussion was substantive in nature.

3.8.4 Entertainment expenses are not directly-related if the Employee is not present, or in situations where there are substantial distractions that generally prevent the active conduct of substantive business. Examples of such situations include, but are not limited to a meeting/discussion:

- At a nightclub, theater, or sporting event; or,
- During what is essentially a social gathering.

3.9 Associated with the University's Business.

3.9.1 This guideline considers whether the entertainment:

- Is associated with the University's business; and,
- Directly precedes or follows a substantive business discussion.

3.9.2 The key factor is whether there was a substantive business discussion. If there was no substantive business discussion, reimbursement of the expense is reported as Employee compensation. To be considered substantive the Employee must be actively engaged to elicit income or some other specific benefit for the University.

3.10 Additional Guidance for Determining if Expense is Reimbursable.

3.10.1 Expenses must be to entertain a former, current or prospective donor, vendor, student or Employee.

3.10.2 The host Employee's meal cost cannot be reimbursed as an entertainment expense if claimed as a travel expense.

3.10.3 The Employee cannot be reimbursed for expenses considered lavish or extravagant under the circumstances.

3.10.4 Entertainment occurring on the same day as the business discussion is deemed to have been held directly before or after such discussion. If the entertainment occurs on a different day the specific facts and circumstances must be evaluated. Consult with the Assistant Vice President, Finance prior to submitting an expense form and prior to the entertainment, if possible.

3.10.5 Entertainment expenses for spouses are not normally reimbursable. However, if a clear business purpose can be shown for the spouse's presence, the expenses are reimbursable. For example:

- Jane dines with a potential University donor. Both spouses are present, but there is no clear business purpose for their presence. Only Jane's and the donor's meals are reimbursable.
- John dines with a potential University donor. Both the donor and donor's spouse are visiting Topeka, so it is impractical to entertain the donor without the spouse. All three meals are reimbursable as entertainment expense. If John's spouse joins the party, because the donor's spouse is present, all four meals are reimbursable.

3.10.6 When an expense includes entertainment and other services, it must be allocated between entertainment and non-entertainment expenses. A reasonable basis for the allocation must be used. For example:

- Jane stays in a hotel while attending a conference. She entertains a banker in the hotel's restaurant, charging the meal to her room. Jane's credit card is charged for the entire hotel bill. She must submit an entertainment expense report for the meal with the banker. The other expenses are reported on a travel expense report.

3.10.7 When business and non-business individuals are present at an event, the expense must be divided between business and non-business. Only the business portion is reimbursable. An expense not specifically identifiable as pertaining to each individual must be allocated on a pro rata basis.

3.10.8 Only the face value of an admission ticket is reimbursable. Service fees, shipping and handling charges, or any other amounts over the face value of the ticket are not reimbursable.

3.11 Non-reimbursable Entertainment Expenses. Non-reimbursable expenses include, but are not limited to:

- Dues and/or initiation fees for membership in any club organized for business, pleasure, recreation, or other social purpose;
- Dues and/or initiation fees for any membership organization if one of its principal purposes is either:
 - ❖ To conduct entertainment activities for members or their guests; or,
 - ❖ To provide members or their guests with access to entertainment facilities; and,
- Dues paid to country clubs, golf/athletic clubs, airline clubs, and hotel clubs.

4. Requesting Reimbursement. Entertainment expenses are reported by the Employee on the “Entertainment Expense Report.” This form is available in Excel format on the Finance Office web site. The spreadsheet has several formulas to simplify calculations and summarizations. Do not change any of these formulas, or the spreadsheet may not work properly.

4.1 Expense Report Purpose. The purposes of the entertainment expense reports are to:

- Provide a method to request reimbursement;
- Provide a format for reviewing and approving the expenses; and,
- Comply with reporting rules and regulations.

4.2 Supporting Documentation. Documentation for entertainment expenses shall be submitted with the report.

4.2.1 Original receipts are required for all expenses noted on the report, regardless of amount.

4.2.2 No reimbursement will be made on the basis of a credit card statement, or other statement of account, unless the Employee submits a signed memo giving a full explanation for the absence of original receipts.

4.2.3 Documentation requirements for the expense categories on the report follow:

- **Meals** – detailed receipt showing items purchased, tips or required gratuity/service charges paid, and proof of payment. Purchases of alcoholic beverages must be shown separately; and,

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- **Other** – original bill or receipt, and proof of payment.

4.2.4 Receipts shall show, at a minimum, the:

- Name of payee/vendor;
- Date of the purchase;
- Amount of the purchase; and,
- Amount of tip or required gratuity/service charge.

4.2.5 Submission of receipts for all entertainment expenses is required. Expenses not supported by appropriate receipts will not be reimbursed.

4.2.6 Reimbursed entertainment expenses not adequately documented shall be reported as Employee compensation in box 1 of the Employee's W-2 Form.

4.2.7 The Employee must sign and date the entertainment expense report. The Employee's signature certifies all expenses reported are valid and were incurred in accordance with University policy.

4.2.8 Appropriately approved expense reports shall be submitted to Accounts Payable. Approval indicates:

- The report was examined in detail;
- Expenses were determined to be valid and incurred in accordance with University regulations; and;
- The reviewer approves the amount to be reimbursed.

5. Direct Deposit Reimbursement.

5.1 Employees with Payroll Direct Deposit. If the Employee has payroll direct deposit, the reimbursement shall be made by direct deposit to the same account unless the Employee contacts the Assistant Vice President, Finance and requests:

- Direct deposit to a different bank account; or,
- Reimbursement by check.

5.2 Employees without Payroll Direct Deposit. These Employees may request direct deposit of entertainment reimbursement by contacting the Assistant Vice President, Finance.