

March 17, 2004

Guidelines

for Meals/Incentive Awards/Flowers/Retirement Gifts

[<http://www.acs.utah.edu/adminserv/Guidelines3-17-04.pdf>]

All expenditures for meals, incentive awards, flowers, or retirement gifts must be reasonable and business related as defined below:

A. **Reasonable**¹: An expenditure is considered reasonable if:

1. The nature of the goods or services acquired and the amount involved reflect the actions of a **prudent person**² under the circumstances,
2. The expenditure is appropriate given the purpose of the University, and
3. Reimbursement for or direct payment of the expenditure is not otherwise prohibited by any University policy.

B. **Business-Related**: An expenditure is considered business-related if:

1. It reflects an ordinary and necessary transaction incurred to conduct University business³
2. The underlying activity is able to bear scrutiny⁴ that it is being made to further the mission of the institution, i.e., that it is necessary to carry out the objectives of instruction, research, or public service – or the supporting administrative functions surrounding these objectives⁵ and
3. A public purpose is served in expending institutional funds for such goods or services.

All expenditures should be properly documented.⁶ Those that may appear to an independent reviewer to be personal or non-business related must especially be supported by a complete written explanation of why and how they are reasonable and business related.⁷

Policy Reference

[<http://www.admin.utah.edu/ppmanual/>]

- 1 The University uses the term 'reasonable' ²² in a rational sense extensively in the financial section of the PPM. See policies: [3-6 DEVELOPMENT FUND RECEIPTS AND EXPENDITURES](#), Section III.B.7. Discussion of staff parties. [3-7 AUTHORIZATIONS AND APPROVALS REQUIRED FOR FINANCIAL TRANSACTIONS](#), Section III.B. Discussion of Principal Investigator accountability. Section IV.F.3. [3-10 TRAVEL POLICY](#), Section V.A.1., 5., 11., and C.7. [3-11 RECRUITMENT AND ENTERTAINMENT EXPENSE REIMBURSEMENT POLICY](#), Section III.B.1.a. [3-12 REIMBURSEMENT OR PAYMENT OF MOVING EXPENSES](#)
- 2 **The legal definition of 'Reasonably Prudent Person - The model of all legal behavior. This person does everything in moderation, follows the community ethic, and always exercises due care.'**
- 3 [PPM 3-7](#), Section IV.F.2. & [PPM 3-11](#), Section III.B.1.c.
- 4 [PPM 3-7](#), Section IV.F.4.
- 5 [PPM 4-4](#), Section IV. A.3 and B.2.
- 6 [PPM 3-7](#), Section IV.F.4; [PPM 3-11](#), Section IV.A.
- 7 [PPM 3-7](#), Section IV.G; [PPM 3-11](#), Section IV.A.2.

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More restrictive standards apply to expenditures from federal funds and/or state-appropriated funds. Many expenditures described in these guidelines are prohibited from federal funds and some are prohibited from state-appropriated funds. For instance, alcohol must not be purchased using either federal or state-appropriated funds.⁸ Where no specific prohibitions apply, there is nevertheless a strong presumption it is inappropriate to use these funds for meals, incentive awards, flowers, or retirement gifts. Where non-state appropriated funds are available, they should always be expended instead of state-appropriated monies. If there is no alternative to using state-appropriated funds, the circumstances and reasons must be carefully and fully documented.⁹

Business Meals:

- The purchase of business meals may be appropriate if the main focus of the activity is business and consumption of food is incidental to the purpose of the meeting and if the meal generally involves at least one external party to the University.
- The purchase of business meals using LPC's, LPO's or reimbursed using Check Requests may be allowed if documentation demonstrating that the expenditures are reasonable, necessary and are for legitimate University business is included and satisfies IRS tax requirements. These requirements are included on the instructions to each of these forms.¹⁰
- Business meals are not allowed on P-cards. However, exceptions have been granted in a very limited number of cases where there are documented needs demonstrating that such expenditures are reasonable, necessary and are for legitimate University business. In such cases, a formal exception request form must be submitted to Purchasing describing the need for the business meal exemption and must be approved by the dean, director, or department chair and by the director of purchasing. All documentation will be subject to audit and must be retained with the P-card statements.¹¹
- Business meals that are attended only by University employees should be infrequent, and must meet a higher documentation standard – demonstrating what other options were considered rather than meeting for lunch/dinner, etc.

8 [PPM 3-11](#), Section III.B.3

9 [PPM 3-11](#), Section III.C

10 [PPM 3-11](#), Section IV.A.2.

11 [PPM 4-3](#), Section IV. B. 8.
http://www.purchasing.utah.edu/pcard/pcard_how_to.html#restricted

Other Business Functions including Food:

- Food and beverage items purchased for extended training meetings, involving institutional teams or committees, or other business related functions may occasionally be necessary. Discretion should be used when purchasing these items to ensure that the costs are reasonable and necessary.¹²
- University funds should not be used for employee socials where the primary focus is on consumption of food, rather than conducting business, with the exception of one social per year as currently recognized by [University policy 3-6](#).¹³

12 [PPM 3-7](#), Section III.B.

13 And [PPM 3-11](#), Section III.C.

Retirement Gifts/Functions:

- The cost of retirement gifts should not exceed the approved cost of gifts for service awards recognizing years of service (i.e. if an employee retires after 20 years of service, the gift should not exceed the amount spent on the 20 year service award). Contact the Benefits Office¹⁴ for the authorized amounts for retirement/service awards.
- Reception costs related to employee retirement functions may be appropriate, but should be reasonable and should generally not exceed \$15 per attendee.¹⁵
- Retirement Gifts are not allowed on the P-card. Food and reception costs may be allowed on the P-card.¹⁶

14 <http://www.hr.utah.edu/ben/staff/> (581-7447)

15 While not necessarily related to a banquet, Travel policy states that \$15 is the allowable one-meal rate: see Schedule of Allowable Rates for University Travel <http://afs.admin.utah.edu/index.php/travel/travel-allowable/> section 'Extended Day Meal', which is the maximum in-state one-meal allowance by the State of Utah

16 http://www.purchasing.utah.edu/pcard/pcard_how_to.html#restricted – employee benefits

17 The University's Tax Services website provides additional guidelines for these types of expenditures <http://www.tax.utah.edu/> (581-5414).

Incentive Awards /Employee Recognition:¹⁷

- The University recognizes the need to recognize exceptional performance and/or achievement. Occasional tangible personal property may be given to employees as incentive awards/employee recognition benefits. The value of such benefits should not exceed the limits imposed by the University (currently \$75).¹⁸
- Documentation is required to be maintained for all expenditures related to awards/recognitions providing detail of the purpose of the expenditures.
- These types of expenditures are not allowed on the P-card.¹⁹

18 http://www.tax.utah.edu/employee_gifts_6-03.htm The IRS code supersedes University policy.

19 http://www.purchasing.utah.edu/pcard/pcard_how_to.html#restricted – employee benefits

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Other: The use of University funds to purchase food or related items for birthdays, showers, weddings, etc. is not permitted.²⁰

Floral arrangements and similar items may not be purchased for employees and their immediate family members²¹, except for funeral/condolence arrangements purchased using non-federal and non-state funds.

Additional Guidelines: Additional guidelines are provided at:

<http://www.ap.admin.utah.edu/PaymentMethod.pdf> and
<http://www.purchasing.utah.edu/purchase/index.html>

²² The following definition of ‘Reasonable Costs’ within the Utah Administrative Code applies to contract cost estimates and prices under proposals prepared by businesses bidding on State contracts. [<http://www.rules.utah.gov/publicat/code/r033/r033-007.htm#T3>] They may not appear to be applicable, but try to view this from the perspective that we are accountable to a higher authority for our business processes or decisions.

“Any cost is reasonable if, in its nature or amount, it does not exceed that which would be incurred by an ordinarily prudent person in the conduct of competitive business. In determining the reasonableness of a given cost, consideration shall be given to:

- (1) whether the cost is of a type generally recognized as ordinary and necessary for the conduct of the contractor's business or the performance of the contract;
- (2) the restraints inherent in and the requirements imposed by the factors generally accepted sound business practices, arm's length bargaining, federal and state laws and regulations, and contract terms and specifications;
- (3) the action that a prudent businessman would take under the circumstances, considering responsibilities to the owners of the business, employees, customers, the purchasing agency, and the general public;
- (4) significant deviations from the contractor's established practices which may unjustifiably increase the contract costs; and
- (5) any other relevant circumstances.”

20 These are personal expenses. See [PPM 3-6](#), Section III.B.1 and D. Exceptions must be approved by the department’s cognizant Vice-President as described in Section III.F.

21 [University policy 2-22](#) , Section III.