**Hospitality Expenses**

Allowability & Appropriateness Training Handout - <http://www.controller.iastate.edu/accounting/allowability.pdf>

Required Documentation

* Who – the names of attendees and their business relationship with ISU
* What – a description of the event (business dinner, retirement reception, etc.)
* When – the date of the hospitality event
* Where – the name of the business (or campus location), the city, and state
* Why – the business purpose for the expenditure (how this benefits ISU)

Conditionally Allowable, Depending on the Funding Source

* Alcohol is allowable only on 206 or general support 497 funds
  + Purchases of alcohol on general support 497 funds are only allowable for hosting situations. When only ISU employees are present, only 206 funds can be used.
  + Other university funds may be allowed when the use is for cooking, research, course study, or catering provided by an ISU department that routinely provides catering services.
  + If an ISU department puts on a conference, and the fees paid by the conference participants include an event that serves alcohol, the non-sponsored fund account that received the registration fees may also be used to purchase the alcohol for the conference.

Employee Business Functions – Attended Only by ISU Employees

* Must represent a legitimate work-related business purpose, rather than a purely social purpose.
* Food and beverages for recurring meetings should be kept to a minimum.
* Having food served on campus vs. dining out is generally viewed as more businesslike and less social.
* Scheduling a meeting over the noon hour and providing lunch to increase attendance is generally appropriate.
* Only two employees meeting at a downtown restaurant, even if business is discussed, generally is not appropriate, except on 206 or other general support 497 funds.
* The restaurant used must be commensurate with the business purpose, and expenses must be reasonable.
* Upscale restaurants normally only appropriate only when non-ISU employees also are in attendance.

Employee Parties and Picnics

* Should only be charged to 206 or general support 497 funds.
* A business purpose, such as employee morale or appreciation, must be stated. “Fall Picnic” or “Christmas Party” are not sufficient business purposes.

Milestone Recognition

* Retirement, going away or other milestone recognition functions are generally considered to be appropriate from sources other than sponsored programs funding
* Costs must be reasonable and not include alcohol.
* Distinguished from a purely social function, since the primary purpose of the event is to recognize an employee for extended service to ISU or for specific achievement, such as receiving an award.
* Reasonableness of costs varies with the number of people with whom the honoree interacted, as well as years of services to ISU.
* Cake is an appropriate expense; greens fees would not be appropriate.

Attendance of Spouses or Significant Others

* Attendance of spouses or significant others usually does not fulfill a business purpose that benefits ISU, and therefore would not be allowable. When expenses for spouses or significant others are submitted, a justification for the exception must be provided.
* Possible allowable exceptions include:
  + When the interviewee's spouse (or significant other) also is attending the interview meal.
  + When the employee is being recognized at a staff recognition function, attendance of a spouse (or significant other) is generally permitted.
  + When a public reception is being held for campus visitors.
  + When meeting with a donor couple, the ISU employee may bring a spouse (or significant other).
  + When attending a fundraising event, sometimes it is expected that employees' spouses (or significant others) attend.