



NORTHWESTERN UNIVERSITY

Responsible University Officials:
Associate Vice President for Financial
Operations and Treasurer
Controller

Responsible Offices:
Office of Financial Operations

Origination Date:
October 2, 2000

Entertainment & Courtesy Policy and Procedures

Policy Statement

The University entertainment & courtesy policy is based upon a shared understanding that entertainment & courtesy expenses are permissible when clearly required to advance the academic mission of the University. Entertainment is defined as the provision of meals, activities, or events whose purpose is to promote and further the educational mission of the University. Courtesy is defined as the provision of services or acts which acknowledge the service and contributions of faculty, staff, students, and visitors to the University.

Thoughtful consideration in making decisions that represent the optimal use of University resources is expected. On this basis, it is the policy of Northwestern University (NU) to reimburse NU faculty and staff and to pay outside vendors for necessary, appropriate, and approved entertainment and courtesy expenses.

More restrictive policies may be specified by certain programs, schools, departments, centers, or divisions, and will be applicable in those cases. Employees are responsible for following this policy and, if applicable, the specific policy of their particular program, school, department, center, or division.

The policies and procedures herein apply to all sources of funds, including gifts, endowment income, sponsored programs, designated income, released funds, and University appropriations. More restrictive policies and procedures may apply to certain sources of funds.

Per federal regulations, no expenditure of funds for entertainment & courtesies may be recovered as either direct or indirect costs from sponsors. This excludes travel, meal, and event expenses related to the performance of work for a sponsored program, as long as these are allowable by the sponsored program.

Changes in University entertainment & courtesy policy and procedures may be made from time to time, and will be communicated via broadcast E-mail. Amendments will be available electronically through the World Wide Web and will be effective on issuance.

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The information herein supersedes all previous documentation on entertainment & courtesy policy and procedures.

Reason for Policy/Purpose

The University exists to conduct teaching, research, and public service. Expenditures of University funds for entertainment & courtesies must occur in furtherance of this mission, and a business purpose must exist for each instance of expenditure. Each person responsible for making decisions concerning these expenditures should always ask, first and foremost, whether an expense represents a worthy use of University funds.

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Who Approved this Policy

Provost
Senior Vice President of Business and Finance

Who Needs to Know this Policy

All individuals responsible for making entertainment and courtesy expenditure decisions or purchases in furtherance of the University's mission.

Website Address for this Policy

The Entertainment & Courtesy Policy and Procedures are located on the Financial Operations website <http://www.northwestern.edu/financial-operations/policies-procedures/policies/entertainment.pdf>.

Related University policies and procedures may be found for purchasing at <http://www.northwestern.edu/userservices/purchasing/policy.pdf> and for travel at <http://www.northwestern.edu/financial-operations/policies-procedures/policies/travel.pdf>.

Contacts/Responsibilities

Entertainment & Courtesy Guidelines

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Payments, Refunds & Reimbursements

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2020 Ridge Avenue, 2nd Floor
Evanston Campus
847-491-4445
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Reimbursement Special Requests

Accounts Payable
847-491-7339

Sponsored Programs

Evanston Accounting for Research and Sponsored Programs (ASRSP)
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Definitions

Identified throughout this policy document.

Northwestern University Entertainment & Courtesy Policy

1. Entertainment & Courtesy Policy

a) Authority and Responsibility

University relies upon individual judgment at all levels of the organization in determining whether entertainment & courtesy expenses are necessary and reasonable. Persons responsible for University expenditures in the areas of entertainment and courtesies are urged to be thoughtful when considering making these expenditures and to exercise discretion and good judgment in the use of University funds regardless of their source. Nothing substitutes for thoughtful judgment as the first line of review. Resources expended for entertainment and courtesies are resources unavailable for other important purposes within a program, school, department, center, or division. Therefore, each unit gains from a careful and thoughtful application of resources, avoiding frivolous expenditures which waste University resources.

Beyond this first line of review, entertainment and courtesy expenditures must be authorized in advance by the employee's supervisor. A process should be established within each school/unit as to how authorizations for entertainment and courtesy expenses will be documented. It is the responsibility of each school/unit to determine how it chooses to implement the authorization process (e.g. e-mail, authorization form). Employees must be authorized to commit the University's resources to entertainment and courtesies, and are subject to disciplinary action up to and including the termination of employment if proper authorization is not obtained. Employees must verify that the planned expenditure is eligible for reimbursement before making arrangements. The faculty or staff supervisor is responsible for reviewing the payment request for compliance with policy and for providing proper payment authorization. A supervisor is required to review expenditures, submitted on the employee's NUFinancials Expense Report, and in cases where there is reason to believe the expenditures may be inappropriate or extravagant, withhold approval for reimbursement.

Each school and area is responsible for ensuring that individual employees and their supervisors properly implement and administer this policy.

Entertainment & courtesy expenditures are reviewed for compliance with these guidelines and are tested for reasonableness by Deans and central administrative units, including through review and approval of expense policy exceptions submitted via an Expense Policy Exception Request.

To obtain reimbursement for personal funds expended for approved entertainment & courtesy expenses, all expenses must be documented on a NUFinancials Expense Report. Within 30 days after the event or purchase, the Expense Report should be completed and signed by the employee and the employee's supervisor. The immediate supervisor must always review and

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approve a reimbursement request. This is a basic financial control, required by generally accepted accounting and audit principles, and it should always be observed.

The ultimate responsibility for the review and approval of transactions lies within the school/unit. Accounts Payable (AP), upon receipt of the completed Expense Report, will verify that it has been signed by the employee and the employee's supervisor, that all attached Expense Policy Exception Requests have been signed by the Dean, Vice President or his/her designee, and that the Expense Report has received all required approvals via electronic workflow. If the Expense Report does not contain the proper signatures and exceptions are not accompanied by an Expense Policy Exception Request, the Expense Report is returned to the school/unit for revision. AP will, at its discretion, review expenses for reasonableness and compliance with policies and guidelines. Items that are not returned by AP should not be construed as acceptance for future practice. AP does reserve the right to seek additional information when deemed warranted and there are post audit procedures to assist in evaluating transaction data.

b) Entertainment & Courtesy Expenses

This section outlines categories of entertainment & courtesy expense that are allowable and categories that are unallowable. These categories are not meant to be exhaustive in addressing the myriad of circumstances that may arise. Rather, the lists are meant to be both illustrative and prescriptive regarding the University's standard of reasonableness. The University reserves the right to review any singular expenditure presented for payment or reimbursement and to judge its reasonableness and conformance with this policy.

1) Allowable Entertainment & Courtesy Expenses

a) Meals

In-town meal reimbursement is allowable if there is a legitimate business purpose involving non-University personnel. The inclusion of University employees should be moderated as much as possible (e.g., no more than 2-3 other employees in attendance). In planning entertainment for University guests, all efforts should be made to provide reasonable meal arrangements. Reasonably priced restaurants or catering services should be used. For group meals, the most senior employee should assume the responsibility of paying the bill.

The recommended standard for reimbursement for dinners hosted by faculty or staff members for University guests is \$65 per person (including tax and tip). See Evanston restaurants with fixed price

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dinner menus that meet this reimbursement standard at <http://www.univsvcs.northwestern.edu/travel/fixedmenu.html> .

With the approval of the appropriate Dean or Vice President, in special recruiting or donor circumstances for vice presidents, deans, department heads and tenure line faculty, the maximum recommended standard for dinner reimbursement is \$90 per person (including tax and tip), but schools and units may establish lower amounts consistent with the budgetary allocations available for overall recruiting or fundraising efforts.

Taxes and gratuities on meals are reimbursable for approved business and entertainment services.

b) Refreshments

Coffee service and water for reception areas where there is public traffic is allowable.

Modest refreshments at school-wide or department meetings are allowable at either monthly or quarterly intervals. For example, box lunches for chairs' meetings can be purchased in the range of \$8-10 per person. Morning meeting refreshments should be kept to a minimum.

c) Events & Gifts

Annual holiday parties are allowable if they are reasonable in scope, with only one party per department, school, or unit, supported by unit funds. The current standard for maximum cost per person is \$27. Schools or units may establish per person guidelines consistent with the availability of resources, but should not exceed the guideline established above (\$27/person). Also, school and units are permitted to limit reimbursement to only faculty, staff, and student participants. Faculty, staff, and students may be asked to defray the costs of guests, including spouses. Also, other incidental costs incurred by faculty, staff, and students in order to participate in such events such as parking or babysitting, are not allowable for reimbursement. See "Travel Expenditures not Reimbursable by the University" in "Travel Policies and Procedures" at <http://www.northwestern.edu/financial-operations/policies-procedures/policies/travel.pdf>.

One general appreciation party or event during an academic year for staff, faculty, or students is also acceptable. Schools or units may establish per person guidelines consistent with the availability of resources, but should not exceed the guideline established for holiday events (\$27/person). Also, school and units are permitted

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to limit reimbursement to only faculty, staff, and student participants. Faculty, staff, and students may be asked to defray the costs of guests, including spouses. Also, other incidental costs incurred by faculty, staff, and students in order to participate in such events such as parking or babysitting, are not allowable for reimbursement. See "Travel Expenditures not Reimbursable by the University" in the Travel policy at <http://www.northwestern.edu/financial-operations/policies-procedures/policies/travel.pdf>.

Events to recognize retirement of University employees, when authorized by a Dean or the senior area administrative officer are allowable.

With the approval of the Dean or senior administrative officer of an area, modest contributions or flowers in recognition of the death of an employee or immediate family member of an employee are allowable.

Retreats to analyze school or unit issues are allowable if approved in advance by the most senior officer (Provost, Vice-President, or Dean). Ideally, such meetings should be held on campus.

Judgment is required in planning social events for the purpose of introducing new faculty and staff to employees. Where such events are deemed to be appropriate, efforts should be made to ensure that the expenditures are reasonable.

2) Unallowable Entertainment & Courtesy Expenses

a) Meals

The cost of meals during normal working hours, when not traveling, are generally unallowable. Specifically: Meal reimbursement while visiting either the Chicago or Evanston campus for work-related purposes. Reimbursement for "social meals", defined as two or more individuals from within the University eating together.

Reimbursement for "working meals", where one employee takes another employee to breakfast, lunch, or dinner. Formal meetings to discuss legitimate University business normally can be held during regular business hours.

Certain exceptions are granted to Vice-Presidents and Deans who must arrange meetings during mealtime to facilitate scheduling constraints or confidentiality of deliberations. This also applies to

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Dean-initiated meetings of a quarterly or monthly interval in which light refreshments are served, and/or program-based working events which are pre-planned. A guideline of \$8-\$10 per person should be used in planning such events.

b) Refreshments

Purchase of food on a continual basis for employees or students is unallowable. Food purchased for a regularly scheduled weekly meeting or for daily consumption within an office or classroom is an inappropriate use of University funds. Contributions should be sought to cover such expenses.

The cost of alcoholic beverages is prohibited on all sponsored projects and should be discouraged in all settings. When purchased on a non-sponsored project, the correct account should be used (76769 Domestic Alcoholic Beverages for expenses incurred in the U.S. for alcoholic beverages or 76774 Foreign Alcoholic Beverages for expenses incurred outside of the U.S. for alcoholic beverages). Every effort should be made to segregate out alcohol from other costs and use the established account. Employees are reminded to be in compliance with the University's Policy on Drugs and Alcohol.

c) Events & Gifts

Gifts and flowers to any University employees for any purpose other than those provided through the official University Human Resource employee recognition programs are unallowable. Deans and Vice-Presidents have discretion to determine whether flowers are appropriate in certain cases where institutional representation is important.

Holiday gifts for faculty and staff are unallowable. Personal contributions among colleagues should be the method of providing such gifts.

Parties, gifts, and flowers in celebration of other major life events--weddings, birthdays, births, promotions, dissertation defenses, or recognition of colleagues separating from the University are unallowable. Contributions should be solicited from friends and fellow workers to cover the expenses of these occasions.

The cost of events that do not have a clear purpose or are of general nature ("uplifting of morale") should be borne by the participants or management personally, on behalf of the participants.

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Costs of other activities, including amusement, diversion, and social activities, are also prohibited on sponsored accounts.

Club memberships of any type are generally not allowable; exceptions must be approved by the Provost or Senior Vice-President for Business and Finance. For approved exceptions, club induction dues and any capital assessments are reportable as income to the employee. Meals and events are reimbursable only to the extent that such costs relate to discrete, bona fide entertainment expenses that are documented with guests' names and the University business purpose of the entertainment.

Travel, lodging, meal, or other travel expenses for spouses or other dependents will not be reimbursed. Please consult with the Office of Financial Operations personnel if special consideration is requested. Although spousal travel is not generally allowable; exceptions are made when the University requires the spouse to attend an event as a condition of one's work assignment. It is generally limited to Deans and senior officers and should occur infrequently. IRS regulations outline the requirements for reimbursements for spousal travel; failure to meet this test can result in the reporting of additional taxable income to the employee.

2. Entertainment & Courtesy Expenses Procedures

a) Completing the NUFinancials Expense Report

The Expense Report must include the business purpose of the event or purchase. All original detailed receipts should be attached to the Expense Receipts page. The Expense Report must be signed by the employee and the employee's supervisor and approved via the electronic workflow process. The complete Expense Report and the Expense Receipts page with all original receipts should be forwarded to Accounts Payable. Reimbursement will be made via the employee's normal payroll payment method, either direct deposit to the employee's primary payroll bank account or by check. For special situations, an employee may contact Accounts Payable at 847-491-7339 to request a check rather than a direct deposit reimbursement.

Occasionally, the amount claimed on the Expense Report is more or less than the amount of attached receipts. In this case, a signed written statement explaining the differences should accompany the Expense Report.

b) Meals

The original itemized receipt must be submitted on the Expense Receipts page of the Expense Report. If meals for other individuals are included in the total, their names and relationship to the University as well as the business purpose of the meal must be provided on the Expense Report.

This documentation requirement also applies to dining services at the Allen Center and Norris Center, events catered by outside vendors and events where food is purchased from the grocery store or bakery, or other source. The Allen Center and Norris Center will provide billing services for departmental groups of ten or more for functions with a legitimate University business purpose. Individual meals must be paid for in advance and reimbursement sought after the fact with proper receipts and justification.

c) Food Purchases

All food purchases should be submitted for reimbursement with an Expense Report stating the business purpose of the purchase, with original receipts attached. When food is arranged through a caterer, a requisition should be created in advance specifying the One Time Service option and an invoice received upon delivery of services. Note that tax will not be reimbursed for purchases of food and incidentals from local vendors or grocers.

Petty Cash funds may be used for food purchases under \$50 with proper documentation provided, including the business purpose of the event.

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Food purchases are not an allowable use of cash advances. They should be purchased using a purchase order, or paid in advance by an individual with reimbursement sought after the fact. If you have special circumstances, contact your area administrator in advance to coordinate with Controller's Office an arrangement for payment of the food purchase using a cash advance. Coordination at this level assures another level of review and control over the billing arrangement, and that the Controller's Office will have a record of this exception.

d) Special Circumstances (Expense Policy Exception Request)

In those instances where requests for entertainment & courtesies do not conform to stated University policies and guidelines, an Expense Policy Exception Request, available on the NUPortal Purchasing & Payments tab, must be submitted with the Expense Report, explaining the reasons for not conforming to stated University policies and guidelines, signed by the Dean, Vice-President or their designees.

The employee's immediate supervisor's signature on an Expense Policy Exception Request is not adequate unless that person has been assigned as designee.

e) The 90-day Rule

All University expenditures must be charged to the appropriate chart string no later than 90 days following their occurrence. Expenditures and costs over 90 days will be posted only on an exceptional basis and only with a 90-Day justification letter submitted with the Expense Report. See http://www.northwestern.edu/financial-operations/policies-procedures/policies/90-Day_Rule_Policy_and_FAQs.pdf for additional information.

History/Revision Dates

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