BUSINESS POLICY

TO: **All Members of the University Community** **2012:07**

DATE: **September 2011**

Business and Special Expenses

(Supersedes Policy 2002:06)

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Section 1 – Policy Statement

As a public institution, the University must ensure that all funds (general and non-general fund) are only used to support appropriate university business.

The following standards should guide all expenditure decisions:

- Exercise prudent judgment to ensure the use of University funds is appropriate and essential.
- Business meeting expenditures must support the University's academic, institutional or public service mission.
- The expenditure is not personal in nature.
- The expenditure is not additional compensation (e.g., bonuses, cash, gifts, prizes, awards, etc.) as determined by Internal Revenue Service (IRS) rules and regulations.

Additional information sources relative to allowable expenses:
- Purchasing Policy
- Transportation & Travel Policy

Section 2 – Scope

This policy applies to all Ferris State University:
- Employees
- Funds (general, non-general, and auxiliary; see separate note on Agency Funds below and at end of Quick Reference).

Expenditures funded by a grant or contract will be governed by the more restrictive of either the grant, contract or University policy.

Agency Funds are where the University is only the custodian of non-university funds, and as such are not required to follow the same policies noted herein.

Section 3 – Documentation Requirements

Supporting documentation is required for all expenditures, and includes:

1. <u>Original detailed receipt</u> (detailed receipt includes merchant name, date of purchase, description of items purchased, quantity, unit & total price, method of payment. For online orders, this will include verification of order placement and items purchased.
2. <u>Receiving documents</u>

3. Validation of business purpose – if not easily discerned from the items purchased, the business purpose of the expenditure should be documented. This could include: agenda, minutes, invitation, or other documentation that verifies the business intent of the expense. Documentation of expenditures for events, meetings, business meals, entertainment, etc. is to include a list of attendees and their specific business relationship.

Section 4 – Alcoholic Beverages

The purchase of alcoholic beverages with University funds (both general and non general funds) is generally prohibited. It is also recognized that there are times when such expenditures are necessary for business purposes:

- Employees who are required to work externally to promote the University may submit a request for exception to the respective Associate Vice President or Dean on the linked approval form. Exception requests for an Associate Vice President or Dean will require divisional vice presidential approval.

- The President and Vice Presidents have exception approval through this policy for small group, non-event, type alcohol purchases when required for business purposes.

The sale of alcoholic beverages on University property is prohibited, except when approved by the President or his designee and authorized by license or state law.

The following points apply whenever alcoholic beverages are served on University property:

1. The University shall comply with all applicable local, state, and federal laws related to the use, possession, distribution, consumption, and sale of alcoholic beverages.
2. Only those 21 years of age or older may serve, be served, or consume any alcoholic beverage.
3. Patrons or guests may not bring their own alcoholic beverages.
4. The term *Alcoholic beverage* or *Liquor* shall have the meaning provided by state law as defined in the Michigan Liquor Control Code, MCL 436.1111 (7) @ http://legislature.mi.gov.
5. The term *University property* or *campus* shall mean all real property, buildings, facilities, and grounds under the primary control of the University through ownership, lease or other means.
6. The term *Sale* shall have the meaning defined by the Michigan Liquor Control Code, MCL 436.1111 (7) @ http://legislature.mi.gov.
7. The University sponsoring organization or department will be responsible for the activity in its entirety, including related costs, such as crowd control, protection of physical properties, adherence to the established time limitation of the activity, and all applicable University Policies & Procedures.
8. The University sponsoring organization or department will be responsible to determine if a liquor license is required for the event (See Determining Hosted versus Non-Hosted

Event below). If questions on this issue, please consult with Financial Services at extension 3897.

9. The University sponsoring organization or department must complete the *Alcohol Exception Authorization Form* and obtain the proper approval(s) for the event prior to any commitment or contractual obligation to make a purchase or encumber University funds.

A. Determining Hosted versus Non-Hosted Event (monetary exchange)

Hosted Event – The event must meet all of the following five criteria.

1. The event is free of charge, there is no exchange of compensation, either monetary or non-monetary; and
2. The event is not open to the public (i.e. is by invitation only); and
3. No regular liquor inventory is kept at the event location or by the sponsoring department; and
4. The event is monitored by a designated responsible individual; and
5. All servers are certified and 21 years of age prior to the event.

Non-Hosted Event -- Any event where alcoholic beverages are sold, paid for by donation, donated, or included in the price of a meal, hors d'oeuvres, or registration fee requires a MLCC Liquor License. For events being held at a non-licensed location a Special (one-day) Liquor License is required; for on campus events FSU Catering will coordinate with Financial Services to obtain any required license or bonds, for off-campus locations the originating department must submit a copy of the completed and approved *Alcohol Authorization Form - Event* to the Financial Services Department, Prakken 252.

B. Event Location

There are three venues where it may be appropriate to use University funds to purchase alcoholic beverages and to serve them either on or off University property. These venues are:

- University property licensed to serve alcoholic beverages (i.e. Kendall College of Art & Design).
- Other campus locations if a Special (one-day) Liquor License is granted by the Michigan Liquor Control Commission (MLCC)
- Situations where alcohol is served as part of a social "hosted" event (as defined above).

It is recommended that events or functions, where alcoholic beverages are served (hosted or non-hosted,) be held at a facility licensed through the Michigan Liquor Control Commission (MLCC) to serve alcoholic beverages. The preferred location for these events in Big Rapids is the Holiday Inn.

1. On-Campus Events

A limited number of Hosted events may be authorized to serve alcoholic beverages on-campus in specified locations through FSU Catering. Non-hosted events held on-campus require a MLCC Special (one-day) Liquor License, which may be requested as part of the

Alcohol Authorization Form. The University sponsoring organization or department is responsible for all applicable licensing and bonding fees associated with obtaining the MLCC Special Liquor License.

The Kendall College of Art & Design (KCAD) may serve alcoholic beverages in compliance with the Liquor License held by that location.

2. Private Residence

Events, functions, or social gatherings held at a private residence and are paid from or reimbursed by University funds (general or non-general fund) require the use of FSU Catering or other professional caterer when serving alcoholic beverages. Events held in a private residence must meet the criteria for a hosted event.

Section 5– Taxable Benefits

Per IRS Publication 15B & Publication 463 certain expenses, where there is a benefit to the employee, may be considered as additional compensation (taxable benefit) to the employee and reported as such on the employee's W-2. This would include gifts in excess of $75, event/function tickets, gift cards, connectivity expenses and any spousal expense when authorized as an allowable expense by the appropriate University Vice President. Expenditures made under this category must be reported to the Disbursement Supervisor for reporting on employee W-2 as additional compensation. Questions relative to taxability may be directed to the Director of Accounting at extension 3908.

A. Event/Function Tickets

Tickets to either University or Community events are not permitted unless attendance/participation is considered part of the normal position responsibilities of the employee. There must be a documented direct business purpose related to FSU.

B. Spouse Expense

Meals, event tickets, and travel expenses of spouses are generally not permitted except for events in which the employee & spouse will be seated at the President's table.

Exceptions may be granted for events when the spouse of the employee attends a University sponsored event and works the event along with the employee for a specific valid business purpose. A valid business purpose is defined as performing tasks an employee would normally perform as part of their job. The employee must qualify under Section 5.A. above and the spouse expense must be approved via the *Spouse Expense Exception Authorization* form in advance of the expenditure by the divisional Vice President for local events, events outside of the local area require Presidential approval. Events involving the spouse of a Vice President require Presidential Approval.

The spouse expenses allowance may be extended to a significant other when approved by the divisional Vice President.

C. Connectivity/Home Office Expense

Expenses for a home office or connectivity at place of residence are not permitted except equipment issued thru FSU Telecommunications (see *Mobile Communication Device Policy*). Employees whose normal position responsibilities require connectivity outside of the normal workday or who are on-call may receive an allowance for such expenditures when approved by the divisional vice-president. Allowances are only payable thru University Payroll by using the Stipend – PAF. Direct payment to a provider, vendor, or reimbursement to the employee is prohibited.

D. Clothing & Apparel

Clothing & apparel is an allowable expense when it is appropriate for a University business purpose. Such purchases should use the official University logo and colors whenever possible. Clothing items with a unit cost (including all fees & shipping) in excess of $75 must be reported to the Disbursement Supervisor for reporting on the employees annual W-2. Only those clothing items that meet the IRS definition of a uniform are exempt from the taxable benefit requirement.

E. Gifts, prizes, and awards

All gifts, prizes or awards must meet the criteria as specified in Section 1 – Policy Statement.

1. Employees

Gifts (to include restricted or non-negotiable gift certificates), prizes and awards with a value of $75.00 or less presented to employees by University departments or as part of University sponsored events/functions are not taxable. Gifts, prizes or awards with a value greater than $75.00 and gift certificates of any amount are taxable to the employee and will be included in the employee's gross income.

2. Non- Employees

Expenditures for gifts, prizes and awards (cumulative retail value of $600 or more) presented on behalf of the University to non-employees must be approved by the division Vice President or his/her designee.

3. Students

Ferris State University students are treated as employees, for purposes of this policy, if they have Graduate Student Assistant appointments or are working on a temporary basis, including Work Study. If a student has no employment relationship with the University, then any gift, prize or award will be handled using the procedures for individuals who are not University employees.

Generally, all scholarships, grants or awards should be applied to the student's account unless the Financial Aid Office has granted an exception. Currently, the only exception granted by the Financial Aid Office covers scholarships, grants and awards presented to graduating seniors. Any questions regarding the handling of student scholarships, grants and awards should be directed to the Financial Aid Office.

4. Reporting

The University department presenting the gift, prize or award will assume responsibility for reporting information relevant to the recipient to the Accounting Office via memorandum or email, within 10 workdays after the presentation to ensure proper accountability and accuracy of income tax reporting.

Refer to Appendix A - Table of Gifts, Prizes and Awards for examples of the types of gifts, prizes and awards and tax implications. Also, the table shows whether the gift, prize and award is Taxable or Nontaxable, the IRS reporting requirements followed by the University, and a detailed list of what information must be reported by the University department for employees and non-employees.

Section 6– Exceptions

Exceptions to any section of this policy must be requested through the Vice President for Administration & Finance unless specifically defined elsewhere within this policy.

Expenditure Quick Reference

The following list is not a comprehensive list and is intended to provide guidance on known topics and examples that can be used to understand the spirit of the policy.

Type of Expenditure	Allowable	Minimum Level of Approval*
1 – Alcoholic Beverages (see section 4 for complete policy)		
PLEASE SEE SECTION 4 FOR COMPLETE POLICY. Prior approval is required. If a University sponsored event/function includes alcoholic beverages, the Alcohol Exception Authorization Form must be completed and approval obtained at least 30 business days before date of event/function.		
a. Employees working externally to promote the University (Advancement Officers) for non-event entertainment expense (small group 1 – 4 persons).	Yes	Divisional AVP
b. Hosted Event, functions or social gathering. (Private residence requires use of University Catering or other licensed caterer for insurance & liability purposes).	Yes	Divisional VP
c. Non-Hosted Function or Event: serving of alcoholic beverages at an event where they are sold, paid for by donation, donated, or included in the price of a meal, hors d'oeuvres, or registration fee held on campus requires a Special (one-day) MLCC Liquor License (obtained thru the Associate Vice President for Finance) in addition to required Approvals.	Yes	President
2 – Receptions and other events (retirements, going away, etc.)		
a. Retirements and Going Away for employees**.** Reimbursement or on-campus direct charges will be limited to hors d'oeuvres, finger food and non-alcoholic beverages. Expenditure must be for a reception vs a dinner. All exceptions must be approved by the divisional vice-president.	Yes	Account Manager
b. Employees transferring to another area of the university (non-retirees).	No	
c. Social Gathering for employees such as Holiday parties may be held and use of University funds is appropriate under the following conditions: 1) Limited numbers of Holiday gatherings / parties are authorized annually. 2) Cost associated with the Holiday gathering should be reasonable. The only exception to the above criteria is granted to the University President or his/her designee	Yes	Dean / Associate Vice President
d. Student Employee Appreciation may be held and use of University funds is appropriate under the following conditions 1) Limited number of events / functions are authorized annually. 2) Cost associated with the event/function should be reasonable.	Yes	Dean / Associate Vice President
e. Other social gathering (employees and non-employees) such as baby showers, wedding showers, birthday parties or similar types of activities.	No	
3 – Event/Function Tickets and Entertainment Expenses		
Tickets to University or Community events are **not** permitted unless attendance/participation is considered part of the regular position responsibilities of the employee, or the employee is responsible for hosting or organization/coordination of the event. There must be a documented direct business purpose related to FSU for each attendee.	No	Exception requires divisional VP or Presidential approval
Theater, golf, tickets, etc. to non-University sponsored events, functions or other personal amusements. Exception granted for university business only and must be approved by divisional Vice President or his/her designee (NOTE: may be considered a taxable benefit to the employee)	No	Exception requires divisional VP or Presidential approval
4 - Spouse Expense (event tickets, meals, travel)		
Meals, event tickets, and travel expenses of spouses or significant others is generally not permitted (see policy Section 5.B for exceptions).	No	

Type of Expenditure	Allowable	Minimum Level of Approval*
5 – Business Meeting & University-Sponsored Functions		
a. **Entertainment/Hosting events** where business meals are purchased for vendors, contractors and other non-Ferris employees if the activities contribute to, or result from, a University related business activity. b. **Business Meetings and University-Sponsored Employee events** (including Employee Achievement Awards programs, Student Academic/Athletic Awards programs and Faculty /Staff Academic Awards programs) may be held and use of University funds is appropriate under the following conditions: 1. If held on-campus, use of catering services, where possible; 2. Limited number of events / functions are authorized annually; 3. Limited to appropriate University faculty and staff; 4. Cost for honoree or student and their guest is authorized; 5. Attendance by other guests of the University faculty and staff will be at their own expense, unless invitation is extended to the spouse or guest; 6. Cost associated with the event / function should be reasonable; 7. University Recognition/Awards/Academic Programs 8. The per diem rates as outlined in the University Rate Schedule is in effect while traveling. Thus, a meal involving only employees traveling together may not be claimed as a business meal, but will be reimbursed at the appropriate per diem rate. If employee meals are provided by the host or included in the cost of the conference/registration fee, no additional reimbursement will be authorized.	Yes	Vice-President
6 – Entertainment Expense while on University Travel		
Entertainment expense (such as airline headsets, movies, sporting events, etc) for the employees while traveling.	No	
7 – Corporate Travel Card Late Fees, Interest or Penalties		
Corporate travel card (e.g., JPMorgan VISA) late fees, interest or penalties.	No	
8 – Child & Pet Care Expenses		
Child & Pet care expenses are the personal responsibility of the employee at all times, even while traveling or in completion of University duties outside of the normal work day/hours.	No	
9 – Recruiting Expenses for Faculty and Staff		
Recruiting for faculty and staff: airline, hotel, and rental car will be paid at actual; meals & mileage at University per diem rate.	Yes	Account Manager
10 – Repairs, Maintenance or Insurance on Personal Cars		
Repairs, maintenance or insurance on personal cars.	No	
11 – Vehicle Towing, Traffic/Parking Tickets, Washing and other related expenses		
Personal vehicle towing, traffic/parking tickets, car washes and other related expenses are not an allowable business expense.	No	
University owned vehicles: • Vehicle towing – during business hours, Motor Pool should be contacted first before making other arrangements. Expense is allowable in stranded or emergency situations. • Car washes – vehicles should be washed thru Motor Pool when possible – car wash expense when out-of-town may be allowable. • Satellite Radio • On-Star (exception: basic plan for emergency assistance) • Other vehicle expense (maintenance, repair service, tires) – should be coordinated thru Motor Pool • Traffic/Parking tickets are the PERSONAL responsibility of the driver	No – unless coordinated through Motor Pool	

Type of Expenditure	Allowable	Minimum Level of Approval*
12 – Gasoline/fuel/Fuel Cards		
Personal Vehicle: Mileage reimbursement covers the cost of gasoline/fuel if personal vehicle is used to conduct University business. Refer to Transportation and Travel Policy for mileage rates.	No	
University Owned Vehicle: Fuel cards are provided with all Motor Pool issued vehicles; President/Vice President may purchase fuel directly on University issued p-card while out-of-town with University vehicle. Departmentally owned vehicles are eligible for University issued fuel cards.	Yes - when University issued VISA card is used.	Account Manager
13 – Break Room/Kitchen Equipment & Supplies - Supplies to include coffee, pop, tea, juice, doughnuts and candy; paper products and utensils (e.g., cups, plates, napkins, plastic ware, etc).		
a. Office of the President and Vice Presidents	Yes	President
b. Locations with large meeting room, reception or waiting areas	Yes	Account Manager
c. Group meetings (e.g., monthly staff meeting) but purchases are on an occasion-by-occasion basis	Yes	Account Manager
d. Stocking of University faculty/staff break areas/rooms for employee use.	No	
e. Microwave ovens, refrigerators, coffee makers and fans.	Yes	Account Manager
f. Water coolers for employee use (bulk coolers only – no bottled water)	Yes	Account Manager
g. Hot plates and stoves	No	
14– Flowers/Plants/Balloon Bouquet/or other Arrangements.		
a. Bereavement flowers due to employee death or the death of the employee's immediate family member as defined in HRPP Funeral/Bereavement Policy. (When the family requests "no flowers," financial donations in an amount equivalent to what would have been used for flowers, may be made to organizations specified by the family in lieu of flowers.)	Yes	Account Manager
b. Flowers due to the death of a student or student family member. Coordinate with VP of Student Affairs to minimize multiple purchases by various University offices.	Yes	Vice-President for Student Affairs
c. Flowers due to the death of a major donor. Coordinate with VP of University Advancement & Marketing to minimize multiple purchases by various University offices.	Yes	Vice-President for University Advancement
d. Flowers in recognition of volunteers or those who advance the University through various methods.	Yes	President
e. Flowers for hospitalization of employees or official recognized university volunteer (in-patient only).	Yes	Account Manager
f. Flowers for emeriti must be coordinated through the President's Office.	Yes	President
g. Flowers for University-sponsored events/ functions such as: 1. Foundation fundraisers, donor events, individual donor development, Governmental Relations and University Adv & Marketing, as needed to foster University relations; 2. Employee receptions, convocations (e.g., graduations);	Yes	Account Manager
h. All other flower purchases for personal office/work area, other special occasions, holidays and non-university business.	No	
15 – Cards *(e.g. holiday,get well, condolences)*		
Holiday and other cards may be purchased when considered part of the University development or advancement strategy. Cards must be endorsed in such manner as to indicate they are from the University, i.e. College of xxxxx, Dean's Office.	Yes	Account Manager
16 – Decorations		
Holiday decorations for personal office / work area.	No	
17– Donations to Charitable and Non-Charitable Organizations		
Donations of University funds to a charitable or non-charitable organization. **Except in lieu of bereavement flowers as defined in 14.a above*	No*	
18– Political Contributions *(including Friends of Ferris)*		
Political contributions are illegal and not reimbursable.	No - illegal	

Type of Expenditure	Allowable	Minimum Level of Approval*
19 – Memberships & Dues		
Membership and country club dues (e.g., golf, tennis, airline clubs and others) in non-professional organizations.	No - personal	
20 – Subscriptions		
Subscriptions to magazines, trade journals and reading materials not related to University business.	No - personal	
21 - Gifts, Prizes and Awards (See policy section 5.E for additional information) *For Tax implications see Appendix A -Reporting of Gifts, Prizes and Awards.*		
Gifts, prizes and awards with a value greater than $75.00 presented to **EMPLOYEES** by University departments or as part of a University sponsored event/function are not appropriate.	No	
Gifts presented to EMPLOYEES or officially recognized University VOLUNTEERS with a retail value less than $75 must be reported to Accounting for tracking & may be taxable to the recipient.	Yes	Vice-President
Expenditures for gifts, prizes and awards with a cumulative retail value of $600 or more presented to **NON-EMPLOYEES** must be approved by the Vice President, his/her designee or account manager and reported to Accounting for tracking and potential 1099 issuance	Yes	Vice-President
Expenditures for gifts, prizes and awards presented to **FSU enrolled students** must be reported to Accounting for tracking of cumulative total value of gifts awarded over the calendar year (potential 1099 if cumulative total of all prizes received exceeds $600)	Yes	Vice-President of Student Affairs
Generally, all **STUDENT** scholarships, grants, awards, cash gifts or assistance should be applied to the student's account unless the Financial Aid Office has granted an exception. Currently, the only exception granted by the Financial Aid Office covers scholarships, grants or awards presented to graduating seniors.	No	
22 - Plaques		
Plaques unless related to a University sponsored award/recognition program.	No	
23 – Caps and Gowns		
Caps and gowns for University faculty/staff who are required to participate in a University commencement ceremony.	Yes	Account Manager
24 – Clothing or Apparel (See policy section 5.D for add'l information & taxability)		
Clothing or apparel is an allowable expense when it is appropriate for a University business purpose. Such purchases should use the University colors and logos whenever possible.	Yes	Account Manager
25 – Personal Laundry/Dry Cleaning		
Personal laundry/dry cleaning including while on university business travel. Exception granted if specified in a University contract and related to University business.	No	
26 – Loans to University Employees, Students and Organizations		
Loans to University employees, students and organizations administered by a College or Division.	No	
27 – Home Office/Connectivity Expenses		
Cell phone or other mobile communication device – see Mobile Communication Device Policy.	See **Mobile Communication Device Policy**	
High-Speed, satellite, or other internet connectivity at place of residence	No	
Landline (phone or fax) for home office	No	
Utilities for home office	No	
Lease of space for home office	No	
28 – App Store Purchases (apps)		
All apps must be purchased through the University Volume Purchase Program; employees will not be reimbursed for direct purchase of any app. (Contact Purchasing for further information on the Volume Purchase Program).	Yes	Apple App - Volume Purchase Program access

***Minimum Level of Approval –** The term "Account Manager includes Directors, Deans, Assistant or Associate Deans, Assistant or Associate Vice Presidents, Assistant or Associate Provosts, and Vice Chancellors. When the defined Level of Approval is the requestor or the recipient of the benefit of the expenditure the Approval must be obtained from the next higher level of authority. Account Managers may not approve their own requests, nor can a subordinate approve their requests.

Note 1: The above listed criteria and examples do not apply to Agency Funds (defined as those University Funds that generally account for non-University funds where the University is only the custodian of such funds).

Questions or Clarifications: If you have questions or need clarification regarding any expenditure listed or not listed on this table, contact the Financial Services Office at 231.591.3897 or the Accounting Office at 231-591-3919.