

## Expense Guidance for Business Meals

### Background

In light of the generous public support Stanford receives from its donors, the significant federal contribution to its research mission and the many valuable tax benefits granted under law, Stanford recognizes its responsibility to be a good steward of the public trust. Accordingly, members of the Stanford community are held to the highest standards of stewardship for the funds that are placed in their trust. Individuals should employ the highest standard of care in disbursing University funds.

Additionally, we must comply with Internal Revenue Service rules which prohibit the tax-free treatment of lavish or extravagant meals or entertainment. Excessive expenses could lead to tax penalties, additional taxable income to the employee, and required reimbursement to the institution under IRS rules.

### Scope of This Guidance

This guidance applies to all funds, including gifts, endowment income, sponsored programs, designated income, unrestricted funds, and University general funds. **This guidance applies to all business meals, whether or not conducted in the context of promoting employee morale or business entertainment.** More restrictive policies and procedures may apply to individual accounts. This guidance applies to all payment mechanisms, including direct invoice from provider, Purchasing Card (PCard), petty cash and direct reimbursement.

### Stanford's Payment Policy

Stanford policy ([Administrative Guide Policy 5.4.3](#)) allows business meals when:

- There is a bona fide and substantial Stanford business purpose
- The participants are actively engaged in Stanford business during the meal or entertainment or immediately before or after
- Appropriate and permissible funding sources are available
- The purpose and amount of the expense demonstrate good judgment
- The expense is properly documented (who, what, when, where, why)
- The expense has been appropriately approved at a local level in accordance with the requirements of the policy.

### Documentation Required for Payment

Documentation of business meals must include:

- Receipts for transactions of \$75 or more
- The date of the expense and name and address of the location of the meal
- An itemized receipt if the meal included alcohol

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- The business purpose
- The names of the participants and their titles or other information establishing their business relationship with the individual incurring the expense.

### Guidelines

The following guidelines are provided to help faculty and staff determine what is reasonable within the broad array of events and situations that occur on campus.

#### Reasonableness Test

University policy does not define specific dollar guidelines for what constitutes a *reasonable* meal expense, because the reasonableness of an expense depends upon many relevant factors including the business purpose of the event and its attendees.

*“Reasonable”* means the amount that normally would be spent in that specific situation. The amount will vary depending upon circumstances: lavish or extravagant meals will not be paid for by Stanford. Expenses for meals may be subject to additional approvals. Vice Presidents, Vice Provosts, Deans and Directors are encouraged to establish a review process for extraordinary or questionable expenses.

In the course of spending University funds, consider these questions to ensure that resources are being used appropriately and that we are being good stewards of the funds entrusted to us:

- Is the expenditure in line with the guidance provided in this document?
  - If not, is there a good explanation as to why the expenditure is appropriate?
  - Has it been adequately documented?
- Could the amount spent be comfortably defended under public scrutiny?
  - Would you be free from worry if the expense was selected for audit?
  - Would you be comfortable reading about it in the newspaper?
  - Would you be comfortable explaining to a donor that you used his/her money this way?

#### University Funds

All meal expenditures are subject to University policies and this guidance regardless of funding source or intended recipient, unless more restrictive guidance applies.

#### Alcoholic Beverages

The University will pay the cost of alcoholic beverages up to a reasonable amount. Such costs must be separated out on the request and an itemized receipt must be provided for

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payment to assure accurate reporting and cost recovery. Prudence should be used in the purchase of such beverages as they may comprise a significant portion of the cost of the meal. **We suggest limiting such expense to the average cost of approximately \$10-15 per person.**

Wine is often the most expensive cost in a meal. When pre-planning a meal, in order to control this cost, the host may wish to 1) arrange in advance what wine will be ordered and the number of bottles that will be opened; or 2) buy wine and pay the corkage fee. (Even with a \$25 per bottle corkage charge, it may be cheaper than purchasing wine at the restaurant.) In only the rarest of circumstances should Stanford's expense exceed \$25 per person for wine. The policy, of course, does not preclude the host from paying out-of-pocket for amounts above this level.

### Dollar Guidelines

The federal per diem amounts for meals serves as a starting point for guidance as to the suggested maximum amount of expense allowable for a business meal. Listed below are ranges based on approximately one to two times the per person allowances in effect for the San Francisco Bay Area (October 1, 2014 through September 30, 2015). Costs in other areas may vary and are subject to change. Current per diem rates are available from the [Domestic Per Diem Rates](#) page at the U.S. General Services Administration web site. The [Expense Requests system](#) will provide the current per diem rates based on city or location.

Meals	Suggested Maximum Amount Per Person (Including tax, tip and alcohol)
Breakfast	\$12-20
Lunch	\$18-35
Dinner	\$36-80

Amounts in excess of these guidelines may be permissible based upon circumstances such as the business purpose of the meal, the guests present and other factors. Meetings involving senior recruitments and donor relations may involve a higher cost. Certain events, particularly those honoring or cultivating donors may fall outside of these guidelines. These special events are not meant to set the style for events that are solely for University employees (faculty and staff) and students. We also recognize that typical meal expenses can range widely depending on circumstances. A breakfast meeting in a hotel restaurant will be far more expensive than coffee at a local coffee shop. Hence, the above guidelines are presented as a range rather than a single amount. In all cases, fiscal prudence and good judgment should be exercised. Schools and departments may set specific limits and suggest guidelines that are more restrictive than the guidance presented here.

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When noted, costs appearing to be excessive by local (departmental) or central approvers will be referred to senior management for review. In all cases, University management reserves the right to refuse payment of a cost deemed excessive.

### Occasional Work Group Events

Occasional group events, including holiday gatherings, may be held by a department or work group (such as an administrative team or research laboratory team) to celebrate extraordinary individual or group accomplishments, or the retirement or departure of a key, long-term staff or faculty member. Departments should make every effort to consolidate such activities to ensure the total cost of such events is held to a reasonable amount. For all such activities, the above guidance should be heeded.

**Example:** *One of Professor X's students receives his Ph.D. and is leaving Stanford. Professor X takes other students and research staff closely associated with the graduate student's research for a group lunch and charges an appropriate funding source. The per head cost of the meal is within the dollar guidelines suggested above. Such an expenditure would be a proper use of Stanford funds.*

### Location of the Business Meal

Where possible, business meals should be conducted on campus. Stanford eating and catering facilities provide a wide variety of appropriate venues to conduct most business meetings. Travel to and from off campus sites creates additional traffic in the local surroundings, consumes additional time and may create additional risks.

When the meal is provided in the home of an employee, only actual out-of-pocket costs relating to that specific affair (e.g. catering, set up/take down, floral arrangements, rentals, cleaning) will be paid by Stanford.

For parties of less than twenty individuals, dining at a local restaurant may be more cost-effective than catering such a meal. However, it is recognized that there are small events for which a dinner in a home is exactly what is required to suit the occasion.

### Meals Provided to a Spouse and Others

Meals provided by Stanford to a spouse, family member or other person accompanying a University employee will be permitted only when there is a substantial and bonafide business reason for that person's attendance. The IRS does not permit tax-free treatment when the spouse or other person is present merely for a social or personal purpose.

There are events, however, where spouses or others are appropriate and necessary for

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building the sense of community that has characterized this university. Some examples of these include: departmental annual faculty gatherings such as beginning of the year or end of the year celebrations, holiday parties, staff recognition dinners, endowed professorship dinners, and award dinners. While permissible, such situations should be kept to a minimum.

Additional examples of appropriate business events including spouses or others:

- A Stanford employee provides a meal to a business client as part of a meeting. That client's spouse attends the meeting because it is impractical to provide the meal to the client without the spouse. The spouse of the Stanford employee attends the meeting, because the client's spouse is in attendance. Then, the meals of both spouses will be paid for by the University as a bonafide business expense.
- Annual University reception for new faculty
- Staff recognition dinners/events; award dinners for faculty or staff, endowed professorship dinners/receptions
- Conferences, workshops, symposia, where attendance of spouses or others is customary.

### Frequency of Business Meals

Business meals require a significant commitment of time and financial resources. Accordingly, the number of such events should be limited. It would be an extraordinary circumstance for an individual to participate in Stanford business meals on a daily or several days per week basis. Where possible, meetings should be conducted during the remaining hours of the workday.

### Proper Accounting

It is important to properly distinguish between business meals, entertainment and employee morale when recording the cost of events contemplated in this guidance.

Please consult the Chart of Accounts for the complete definitions of the expenditure types listed in the examples below.

#### Examples:

- **Employee Morale (Expenditure Type 52240)** All costs of a holiday gathering, meant as a celebration and acknowledgement of the efforts of the entire work group,

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including meals, entertainment and a token gift should be charged to Employee Morale.

- **Entertainment (Expenditure Type 52315)** As part of an effort to recruit a faculty member from another institution, an Associate Dean takes the individual to a basketball game on campus followed by dinner at a local restaurant where the merits of the School are presented. The meal should be charged to Entertainment.
- **Food (Expenditure Type 52355)** Unable to meet at another time of day due to scheduling conflicts, two faculty members meet over lunch to discuss the development of an interdisciplinary curriculum. This should be charged to Food.

### Responsibilities of Senior Management and Other University Units

It is the responsibility of the officers and deans to periodically advise faculty and staff of requirements of this guidance. Deans' offices should properly advise new employees of this guidance and any related local policies and procedures.

### Questions Regarding These Guidelines

Questions regarding these guidelines should be directed to the [Financial Support Center](#) of the [Financial Management Services](#) at 1-650-723-2772 or online through [HelpSU](#).