Applies to: Faculty, staff, students, visitors

Policy
Issued: 07/2004
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OBJECTIVE

As a major public institution, The Ohio State University is held to a high level of accountability for its business practices. Numerous constituencies (including students, taxpayers, alumni, the State of Ohio and the federal government) have an interest in how the University spends its money. Accordingly, every reasonable effort must be made to ensure that funds are used in a responsible and appropriate manner.

The University Expenditures Policy focuses on certain types of expenditures (including those for food, beverages, gifts and employee functions) that require employees to exercise particular caution. To ensure that expenditure decisions are consistent with the University's mission, applicable law and ethical practice, departments must comply with the policies and procedures in this document.

POLICY

I. Overview
   A. Applicability

   These policies apply to all types of University funds (general funds, earnings operations, restricted funds, agency funds, discretionary funds) and to all colleges and vice presidential areas. Individual fund restrictions imposed by donors, granting agencies and other resource providers may further limit allowable expenditures. Additional restrictions also apply to expenditures charged to sponsored projects administered by the OSU Research Foundation. Deans and Vice Presidents may choose to have more restrictive policies within their own areas, as long as such policies are documented.

   B. Approvals

   Approvals from the appropriate administrative authority should be obtained before expenses are incurred.

   Throughout this policy, there are specific references to "Dean or Vice President approval". At the discretion of the Dean or Vice President, this approval authority may be designated to one or more senior administrators in the Dean/VP area. The designation of approval authority should be documented in writing by the Dean or Vice President. When approving on behalf of the Dean or VP, a designee must sign his/her own name, followed by "for: NAME, TITLE".

   C. Dollar Limits

   The dollar limits set forth in these policies are not "entitlements"; rather, they are maximum limits. Individual colleges and vice presidential areas may choose to have more restrictive policies within their own areas.

   D. Exceptions to Dollar Limits
These are University-approved policies which supersede the November 1, 1995 “University Expenditure Policies”. Deans and Vice Presidents have the authority to approve exceptions to the dollar limits in these policies for their employees. A log of these exceptions, including the purpose and rationale for granting the exception, must be maintained and will be subject to annual review by Internal Audit. Exceptions related to Dean or Vice President expenses must be submitted to the Senior Vice President for Business & Finance for pre-approval.

E. Payment Methods

These policies apply to all payment methods, including University procurement cards, purchase orders, 100W’s, petty cash reimbursements, the OSU Request for Payment and any other payment mechanism.

F. Sales Tax

The University is exempt from paying State of Ohio sales tax. However, when employees purchase items on behalf of the University from personal funds, they usually are required to pay the sales tax. The employee may be reimbursed for the cost of the item as well as the sales tax, but the University has expended approximately 6% more for the item because of the sales tax. For this reason, personal reimbursements should be minimized, or the employee should provide a tax exemption certificate to the vendor whenever feasible. (Contact Accounts Payable to obtain a tax exemption certificate). Employees are encouraged to use a purchase order when procuring items for the University.

G. Spouses, Partners and Guests

As a general rule, meal and entertainment expenses for spouses, partners, and guests of University employees should not be charged to University funds. Exceptions to this general rule include:

1. Attendance at employee recognition events

2. Participation in recruiting, fundraising, promotion of the University and entertainment of guests of the University, if appropriate (see III. Recruiting and VIII. Entertainment)

3. Attendance at football bowl games and NCAA tournament games as a member of the University’s “official party”, as defined under bowl or NCAA rules

Expenditures for spouses, partners and guests require written documentation of business purpose and are subject to pre-approval by the Dean or Vice President.

H. State Funds and Discretionary Funds

For purposes of this policy, “state funds” are defined broadly, to include all University funds except for discretionary funds. Discretionary funds are defined as gifts made to a college or administrative area with only a broad restriction that they be used to benefit that particular area. It should be noted, however, that regardless of this broad restriction, University policies still apply to the use of discretionary funds.

II. Alcohol

The University is always at risk when alcohol is involved. Such events should be managed with common sense and due care. As a general rule, alcohol cannot be charged to state funds. However, in certain circumstances, alcohol purchases for business-related purposes (i.e. business meals or University events) may be justified.
These alcohol purchases must be charged to discretionary funds and must have documented approval (i.e. signature or direct e-mail) of a Dean or Vice President. Discretionary funds are gifts made to a college or administrative area with only a broad restriction that they be used to benefit that particular area. The above approval also certifies that the fund has been designated discretionary by a donor.

Amounts expended from discretionary funds for the purchase of alcohol must be reasonable. For purposes of this policy, “reasonable” is defined as no more than $20 per person (excluding taxes and tip).

Alcohol purchased for resale by areas with liquor permits (Unions, Golf Course, Fawcett Center, the Blackwell Inn) or for medical or research use is not subject to the above rules.

The costs of alcoholic beverages are unallowable on sponsored projects.

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<td>PeopleSoft GL Fund</td>
<td>Must be discretionary</td>
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<td>Questions on Liquor Permits</td>
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### III. Recruiting Expenses

The payment of recruiting expenditures may occur in one of the following ways:

1. Reimbursement to University employees
2. Reimbursement to the recruit
3. Direct payments to vendors (including use of University procurement cards)

Recruiting expenditures must be reasonable, prudent and commensurate with the position being recruited. The University will reimburse recruiting expenses incurred by University personnel, the person being recruited and other appropriate individuals. Travel expenditures may be paid or reimbursed in accordance with University Travel Policies.

Receipts are required for reimbursement of all recruiting expenses. For meals, IRS rules require documentation of the time, date, place, business purpose and attendees at the meal. Tips for business meals are allowed. The tip must be reasonable, not to exceed 20%. Alcohol may be reimbursed in accordance with the Alcohol policy.

#### A. Meals

Under this policy, expenditure amounts for meals will be deemed “reasonable” if they do not exceed three times the current federal per-diem rate for that city, pro-rated as follows:

- Breakfast: 25%
- Lunch: 25%
- Dinner: 50%

For example, assume that a department is holding a recruiting dinner in Columbus, Ohio, and the current federal per-diem rate for Columbus is $49. Under these assumptions, a total dinner cost (including alcohol and excluding tip) of up to $73.50 a person would be considered “reasonable” ($49 * 50% * 3 = $73.50).

#### B. Entertainment
For recruitment of certain high-level positions, it may be deemed appropriate by a Dean or Vice President to incur entertainment expenses. Meals and entertainment associated with recruitment should not be lavish or extravagant, regardless of the position. Meal and entertainment expenses in excess of $200 a person require documented pre-approval by the Dean or Vice President.

When a recruit accepts an offer of employment with the University, the guidelines on moving expense reimbursements apply (see Human Resources Moving Expense Policy).

### PeopleSoft GL Account
- 64409 (Faculty Recruiting)
- 64443 (Staff Recruiting)
- 64444 (Undergrad Student Recruiting)
- 64437 (Graduate/Professional Student Recruitment)

### IV. Employee Recognition

The University recognizes the contributions of its employees in achieving its overall mission and encourages departments to acknowledge these contributions through programs developed for employee recognition. Such programs include formal award programs, appreciation of service programs and other miscellaneous expenditures. Each of these is described in detail below.

#### A. Award Programs

Award programs may exist at a University-wide level or at the department or unit level. Documentation of each award program should include:

1. Purpose
2. Eligibility
3. Frequency
4. Nature of award (cash or non-cash)
5. Amount of award
6. Related events (luncheons, etc.)
7. Approval of Dean or Vice President

Awards may be given, in accordance with the Office of Human Resources Rewards and Recognition Policy. All cash awards, regardless of amount, and non-cash awards greater than $100 represent taxable income to the individual. The $100 limit for non-cash awards applies to the total value of all non-cash awards provided to an employee during a calendar year. Taxable awards must be reported to Human Resources for income reporting and withholding. Gift certificates and internal orders (100W's) are non-cash awards (non-taxable up to $100) if they cannot be converted into cash.

Special IRS rules apply to non-cash awards for length of service and safety achievement. Contact the University Tax Compliance Specialist in the Controller’s Office for further details.

### Non-Cash Awards with Value Less Than or Equal to $100

Process through Accounts Payable or on University Procurement Card and use PeopleSoft GL account (64411 Employee Recognition)
### B. Appreciation of Service Programs

Occasionally, it may be appropriate to recognize an individual or group of individuals for extraordinary performance in a certain situation relating to their current position or to "thank" them for their service when departing the University (this includes retirement). Expenditures related to such recognition events should be limited to those which are work related and should not include those events which are of a personal nature such as birthdays, wedding or baby showers, graduation, etc. Expenditures for work-related recognition events may be made at the discretion of the Dean or Vice President and should be reasonable in light of the particular situation.

Gifts given in conjunction with appreciation of service programs are subject to the same IRS rules as awards (see previous section for details).

| PeopleSoft GL Account (Recognition Events) | 64411 (Employee Recognition) |
| PeopleSoft GL Account (Gifts)             | 64430 (A-21 Entertainment and Gifts) |

### C. Miscellaneous Expenditures for Employees

The University may offer support to its employees in the event of the birth or adoption of a child, a death of an immediate family member (as defined by the Office of Human Resources Family and Medical Leave Policy), or to extend get well wishes to the employee. The acknowledgement may include flowers, a fruit basket or other similar items and should be initiated at the department level to avoid duplication. If so requested by the family, a charitable contribution may be substituted and made to only named, not-for-profit charities with a public service mission.

The above-mentioned expressions of support are considered de minimis fringe benefits from an IRS perspective, and therefore do not represent taxable income to the employee. The value of the acknowledgement may not exceed $100.

| PeopleSoft GL Account | 64430 (A-21 Entertainment and Gifts) |

### V. Meals

The University may pay for properly documented meal expenses that fall into one of the following categories:

1. Overnight travel meals
2. Business meals
3. University functions
4. Non-University functions
The following paragraphs set forth policies for each type of meal. Tips for business meals are allowed. The tip must be reasonable, not to exceed 20%. Alcohol may be reimbursed in accordance with the Alcohol policy.

A. Overnight Travel Meals

See the Travel Policy for details.

B. Business Meals

The University may pay or reimburse properly documented meals whose primary purpose is a business discussion. Business meals must include at least one non-University employee whose presence is necessary to the business discussion. Expenses may be incurred only for those individuals whose presence is necessary to the business discussion.

In addition to an itemized receipt, IRS rules on substantiation of business expenses require documentation of the time, date, place, business purpose and attendees at the meals. Please note that the documentation requirements apply to all on-campus or off-campus business meals, regardless of payment method. Accordingly, all on-campus dining facilities (including the Faculty Club) require this documentation for all meals charged to departmental accounts.

The University will not pay or reimburse meal expenses that lack documentation or a clear business purpose. Meetings attended solely by University employees and gatherings that are primarily social in nature do not qualify for payment or reimbursement as business meals. However, occasional meals provided as part of a University function may be permitted (see policy on University Functions below).

Expenditure amounts for business meals must be reasonable. For purposes of this policy, expenditure amounts for meals will be deemed “reasonable” if they do not exceed three times the current federal per-diem rate for that city, pro-rated as follows:

- Breakfast: 25%
- Lunch: 25%
- Dinner: 50%

For example, assume that a faculty member has a business dinner in Columbus, Ohio with a colleague from another university, and the current federal per-diem rate for Columbus is $49. Under these assumptions, a total dinner cost (including alcohol and excluding tip) of up to $73.50 a person would be considered “reasonable” ($49 * 50% * 3 = $73.50).

Any deviation from this policy requires documented pre-approval by the Dean or Vice President.

C. Business Meals on Sponsored Projects

Subject to specific award restrictions, business meals may be charged to sponsored projects if food and beverages are brought into the meeting room while the business discussions continue. However, if a meeting is interrupted so that participants can travel to a restaurant, the meal is no longer considered to be a “business meal” and may not be charged to the sponsored project.

D. University Functions

University funds may be used to provide food at a seminar, retreat, workshop, orientation or other University function. Invoices, payment requests or procurement card receipts for these expenditures must include a brief description of the business purpose of the gathering and a list of attendees. Under this
policy, the University may provide food and/or refreshments at Board meetings, meetings with external stakeholders (alumni, state government, community groups, etc.), activities involving volunteers, and activities in which a majority of the participants are students.

Provision of food to gatherings of University employees on a daily or similar ongoing basis is not considered to be an appropriate use of state funds. However, food may be provided at meetings of University employees on an occasional basis. For example, it may be appropriate to provide food at a “working” breakfast, lunch or dinner, particularly when the employees are giving up personal time to conduct University business. A formal business discussion must be the primary purpose for the gathering. For purposes of this policy, “occasional” is defined as no more than six times during a fiscal year.

If a college or vice presidential area wishes to provide food to gatherings of University employees on a more frequent basis, it may so do with discretionary funds. Discretionary funds are gifts made to a college or administrative area with only a broad restriction that they be used to benefit that particular area. These expenditures require documented pre-approval by the Dean or Vice President. A formal business discussion must be the primary purpose for the gathering.

E. Non-University Functions

University funds may be used to pay for registration fees for conferences, seminars or other meetings that provide lunch and/or refreshments during the program. However, if a non-overnight program specifies that lunch is “on your own”, the University will not pay for or reimburse that meal. Meals with non-University employees, however, may be reimbursable as business meals if the primary purpose of the gathering is a business discussion.

| PeopleSoft GL Account (Overnight Travel Meals) | 63401-63499 (Various Travel Accounts) |
| PeopleSoft GL Account (All Other Meals) | 64408 (Business Meals) |
| Non-Travel Meal Reimbursements | Process Request for Payment through Accounts Payable |

VI. Professional Dues and Subscriptions

The University may pay for membership dues to professional organizations and subscriptions to professional journals or newspapers if they are appropriate for the individual’s position and duties and if the membership or subscription benefits the University. Departmental coordination of subscription is encouraged.

Union dues will not be paid by the University.

A. Membership Dues and Subscriptions on Sponsored Projects

Memberships and subscriptions are not generally allowable on a sponsored project. These costs are seldom directly necessary for the performance of a sponsored agreement and are paid by the sponsor as part of the Facilities and Administrative (indirect cost) rate. However, under certain unusual circumstances, membership dues and/or subscriptions may be allowable on a project. Faculty and staff should contact their Sponsored Program Officer before attempting to charge these expenditures to a sponsored project.

| Membership Dues, Including Subscriptions Which Come with Membership | PeopleSoft GL account 64401 (Dues and Memberships) |
VII. Personal Use of Telephones

Employees must reimburse their departments for:

1. Long-distance personal calls made on a University office telephone
2. All personal calls made on a University-provided cellular phone

The following sections of this policy provide additional guidance on University-provided cellular phones.

A. University Provided Cellular Phones

The University may provide cellular telephone service for employees whose duties and responsibilities require wireless access to telephone service. UNITS is considered to be the University’s preferred provider of cellular telephone service. University-provided cellular telephone service is intended for business use. Provision of cellular telephone service is at the discretion of the employee’s department. The employing unit is responsible for documenting the business purpose of University-provided cellular telephone service and for the payment of all charges. Use of a cell phone while operating a motor vehicle is prohibited.

University-provided cellular phones are University property and must be returned upon termination of employment with the University. If the cell phone is not returned, the cost of the phone will be reported as taxable income on the employee’s W-2 form.

B. Procurement of Cellular Phone Service

Cellular telephone service for employees should be provided through UNITS or a service provider affiliated with UNITS. The appropriate level of cellular telephone service should be determined by the department based on University needs, the employee’s duties and available funding. Departments may purchase wireless communication services from outside vendors if those services are not currently offered by UNITS or if the department can document some other valid business reason for using an outside vendor. The cost of cellular telephone plans purchased from outside vendors should not exceed the cost of comparable service plans provided by UNITS.

Departments should review the service plans provided to employees on an annual basis to ensure that plan minutes are reasonable compared with actual business use. If business use is infrequent (or if the service is used primarily for personal calls), the employee should provide his/her own cellular telephone service and submit reimbursement requests for documented business use.

Use of University procurement cards to pay for cellular phone service is prohibited.

C. Personal Use of University Provided Cellular Phones

University-provided cellular telephones are intended for business use. In accordance with IRS documentation requirements, departments must retain cellular telephone bills and be able to distinguish between business and personal use.
For purposes of this policy, personal use of a University-provided cellular phone of up to 10 minutes per month will be considered “de minimis” and will not require reimbursement to the University. However, if personal use exceeds this de minimis threshold, the employee must reimburse the University for all of his/her personal use. The reimbursement amount is to be computed based on personal use as a percentage of total use. If an employee exceeds the total monthly plan minutes, the employee must reimburse the University for his/her percentage of personal use, plus any overage charges associated with personal use. If an employee incurs roaming (out-of area) charges on a University-provided cellular phone, he/she must reimburse the University for any such charges associated with personal calls. Reimbursements to the University for personal cellular phone use may be made on a monthly or quarterly basis.

Illustrative examples of this policy appear below.

Example 1: Assume that an employee has a University-provided cellular phone plan that provides 500 minutes a month for $60, total use for the month is 300 minutes, and personal use for the month is 100 minutes. Under these assumptions, the employee would reimburse the University $20 for his/her personal use ($60 * 100/300) = $20.

Example 2: Assume that an employee has a University-provided cellular phone plan that provides 500 minutes a month for $60, total use for the month is 600 minutes, and personal use for the month is 200 minutes. Also assume that minutes in excess of the plan limit incur an additional charge of $0.25 per minute. Under these assumptions, the employee would reimburse the University $37 for his/her personal use ($60 * 100/500) + (100 * $0.25) = $37.

Example 3: Assume that an employee has a University-provided cellular phone plan that provides 500 minutes a month for $60, total use for the month is 600 minutes, and personal use for the month is 50 minutes. Also assume that minutes in excess of the plan limit incur an additional charge of $0.25 per minute. Under these assumptions, the employee would reimburse the University $12.50 for his/her personal use (50 * $0.25) = $12.50.

Example 4: Assume that an employee has a University-provided cellular phone plan that provides 500 minutes a month for $60, total use for the month is 300 minutes, and personal use for the month is 100 minutes. Also, assume that the employee incurs $30 of roaming (out-of-area) charges, $25 of which is related to personal calls. Under these assumptions, the employee would reimburse the University $45 for his/her personal use ($60 * 100/300) + $25 = $45.

D. Cellular Phones on Sponsored Projects

The base fee for a cell phone is usually not allowable on a sponsored project. The base fee is considered a local telephone cost that is already paid by the sponsor as part of the F&A (indirect cost) rate. Under certain unusual circumstances, cell phone charges may be allowable on a project. Faculty and staff should contact their Sponsored Program Officer before attempting to charge these fees to a sponsored project.

E. Taxable Allowance Option on Cellular Phones

To reduce the administrative burdens associated with tracking business and personal use of University-provided cellular phones, colleges and vice presidential units have the option of offering a taxable allowance for cellular phone service, similar to those provided under the Home Internet Connectivity Policy. Under this option, University payment or reimbursement for cellular phone service will be reported as taxable income on the employee’s W-2 form. No record keeping of business and personal use is required for central University purposes. However, record keeping requirements or review procedures may be established at the college/unit level.
F. Reimbursement for Business Calls on Personal Cellular Phones

If the business use of a cellular telephone is infrequent, or if the personal use exceeds business use, the department should require the employee to provide his/her own cellular telephone and submit reimbursement requests for business calls. A copy of the cellular phone bill, detailing the individual calls to be reimbursed, must accompany the reimbursement request. The reimbursement amount is to be computed based on business use as a percentage of total use.

For example, assume that an employee has a personal cellular phone plan that provides 500 minutes a month for $60, total use for the month is 300 minutes, and business use for the month is 100 minutes. Under these assumptions, the University would reimburse the employee $20 for his/her business use ($60 * 100/300 = $20).

The University may also reimburse employees for roaming (out-of-area) charges associated with business calls.

See the Travel Policy for reimbursement of phone calls while on travel status.

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<tr>
<th>Processing of Taxable Allowances</th>
<th>Reimbursement of Personal Calls</th>
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<tbody>
<tr>
<td>If the allowance is to be paid directly to an employee, process additional pay through Human Resources, using the TXR earnings code.</td>
<td>Use Journal Entry-Deposit panels and credit the same Chartfield combination used to record the original charges.</td>
</tr>
<tr>
<td>If the University is paying the vendor for the cellular phone service, process the payment via 100W (for UNITS) or Accounts Payable (for external vendors) and record an adjustment to the employee’s taxable gross income in the HR system, using the TGI earnings code.</td>
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</tbody>
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VIII. Entertainment

The University may pay or reimburse expenditures relating to entertainment when the purpose is fundraising, promotion of the University or entertainment for guests of the University by designated University officials. For purposes of this policy, “designated University officials” include deans, vice presidents, development officers, senior administrators, and other employees who have been asked to serve in a host capacity. Examples of entertainment expenditures include food, beverages, admission charges, flowers, mementos and other miscellaneous expenses.

Entertainment expenditures must be reasonable, prudent, appropriate to the occasion and consistent with the University’s mission. All entertainment expenditures must have documented Dean or Vice President approval. Meal and entertainment expenditures in excess of $200 a person (including alcohol and excluding tips) require documented pre-approval by the Dean or Vice President.

See also Business Meals and Alcohol sections of this policy.

A. Entertainment on Sponsored Projects

Entertainment expenditures are unallowable on sponsored projects.

PeopleSoft GL Account 64430 (A-21 Entertainment and Gifts)
IX. Payment for Services

If an employee pays another individual to provide services, the University will not reimburse the employee for these expenditures.

All individuals providing services to the University must be paid directly by the University. Payments to individuals classified as independent contractors are processed by Purchasing and Accounts Payable. Payments to individuals classified as employees are processed by Human Resources.

| Worker is an employee (University has the right to control the means, method and result of the work) | Payment is made through regular University payroll or supplemental compensation |
| Worker is an independent contractor | Must submit a “Request for Consulting Services” to Purchasing. To ensure that an independent contractor classification is appropriate, departments should complete the Documentation Form for Non-Employee Work Arrangements, which is available on the Controller’s website |

X. Control over Expenditure of Gifts

Charitable contributions are typically provided by a donor to support a specific activity (e.g., scholarships). All such gifts to the University are considered the property of the University and must be processed through the Office of University Development.

The responsibility for the expenditure of these funds resides in the department, which ensures that the funds given for a specific purpose are used for their intended purpose. When a donor broadly defines a gift by indicating that it may be used at the discretion of the department, the chairperson may determine their use to support instruction, research or service of the unit.

The Ohio State University recognizes and encourages charitable contributions by faculty and staff members, including contributions designated to support programs and activities in their departments. Expenditure of these contributions remains subject to University control. The donor (faculty/staff member) cannot have direct control or approval authority over expenditure of his/her gift funds. In the event an employee terminates employment with the University, his or her unspent designated contributions remain the property of the University.

To ensure appropriate control over these funds and compliance with federal tax laws, all expenditures of designated contributions must:

1. Be made for a legitimate business purpose that furthers the institution’s mission (teaching, research and public service) and be within the specific restrictions set forth in the fund’s description;

2. Comply with the University Expenditure, Travel and Purchasing policies, and;

3. Be approved by a fiscal officer, chair, dean or vice president, consistent with established lines of authority within the college/VP area.

The Dean or Vice President shall have overall responsibility and final authority over his or her college’s expenditures of designated contributions. Under no circumstances may designated contributions be expended for items of a personal nature (i.e. lacking a legitimate business purpose).
Please note that the above requirements are necessary to minimize the possibility that the Internal Revenue Service will question the charitable nature (and deductibility) of contributions to the University. In Private Letter Ruling 9405003, the IRS defines a charitable contribution as a “voluntary transfer of money or property that is made with no expectation of procuring a financial benefit commensurate with the amount of the transfer. In addition, a gift is not considered a contribution ‘to’ a charity if the facts show that the charity is merely a conduit to a particular person.”

If you have any questions regarding specific gift arrangements, please feel free to contact the Office of University Development.

RESOURCES

Office of Research, Research Foundation

Office of Legal Affairs

Office of University Development

Office of Human Resources
  - Family and Medical Leave
  - Reward and Recognition
  - Moving Expense

Office of Business and Finance, Department of Travel

Office of Business and Finance, Department of Accounts Payable

Office of Business and Finance, Department of Tax Compliance

Office of Information Technology, Department of Telecommunications and Networking (UNITS)