

Princeton University

Expense Policies

Frequently Asked Questions**1. The University's Expense Policies say that allowable and reimbursable costs should be reasonable, but what is "reasonable"?**

Reasonable means the amount that normally would be spent in a specific situation. An expense is considered reasonable if it is not extreme or excessive and reflects a prudent decision and action to incur the expense. The University's expense policies do not define precise dollar amounts for what constitutes reasonable, because the reasonableness of an expense depends upon many relevant factors including the business purpose, the context, the source of funds, and the circumstances surrounding the expenditure. For example, a business meal would not be extreme or excessive if it were catered by Dining Services or incurred at an on-campus dining facility or at a moderately-priced restaurant in town. A business meal with a special dignitary, a senior-level recruit, or a substantial donor held at a more expensive restaurant might also be considered reasonable, given the context and circumstances. Under most circumstances, business meal expenses should be at moderate levels; and meals at high-priced restaurants in a given area would be considered excessive and unreasonable. With regard to restricted donor and sponsored research funds, expenditures should normally be incurred in a conservative and economical manner, in order to be considered prudent and reasonable.

2. The University's Expense Policies say that costs are allowable and reimbursable when or if appropriate, but what is "appropriate"?

Costs are appropriate if they are suitable or fitting for a particular business purpose. Costs that are specifically "permitted" per the University Expense Policies are generally appropriate costs, while costs that are "prohibited" are always inappropriate. The University Expense Policies cover the most common categories of permitted and prohibited costs. However, in order for a cost to be appropriate it is also presumed that there is a valid business purpose, which is normally the responsibility of the department or program to determine. Of course if there is no valid business purpose, then any cost would be inappropriate.

The following questions should be considered when determining the appropriateness of costs:

Is the cost necessary to fulfill the mission of the University?

Does the cost primarily benefit the University rather than the individual?

Could the cost be comfortably defended under public scrutiny?

- Would you be confident if the cost was selected for audit?

- Would you be comfortable reading about it in the newspaper?
- Would you be comfortable explaining to a donor that their donation was used this way?
- Is the cost in compliance with the University's Expense Guidelines?
- If the cost falls within a "gray" area of the Expense Guidelines, is there a good explanation as to why it is considered appropriate?
- Has it been adequately documented?

Other factors to consider in determining the appropriateness of costs are federal and state laws and regulations, contractual obligations and sponsored agreement terms and conditions. For example, while alcohol and entertainment costs may be appropriate as University expenditures, these costs are expressly prohibited by regulation on federal grants and contracts, and therefore, are always inappropriate for that particular business purpose

3. The University Expense Policies say that food and beverages during business conferences and meetings are allowable, but what are the specific guidelines about cost that should be followed?

It is presumed that conferences and meetings are normally scheduled during regular business hours that do not conflict with regular meal times. However, if schedules require that meetings be held over a meal time, the cost of the meal is allowable, assuming the costs are reasonable. In such circumstances, an applicable guideline to follow for food and beverage expenses, whether incurred on or off campus, would be the average cost per person of catering through Dining Services or at a University dining facility such as Frist or Prospect House. Catering prices can be found on the Dining Services website at http://www.princeton.edu/facilities/dining_services/catering/. While there are a wide range of food choices and prices, the particular business purpose, the funding source, the context and the circumstances of the meeting would all be relevant factors in determining the reasonableness of the expenditure.

Beyond the cost per person of the meal itself, the following guidelines would also be prudent to consider: Participants at business meals should be limited to the minimum necessary to achieve the business purpose. Food and beverages should be ordered for the precise number of participants, rather than over-ordering for purposes of offering multiple choices. Since business meals always require additional time and financial resources, their use should be limited. It would be unreasonable for a department to schedule or an individual to participate in business meals on a daily or even on a multiple times per week basis. It would be reasonable to provide simple snacks and beverages when meetings are scheduled to exceed 2 hours. It would be reasonable to provide dinner for employees that are required to work late through dinner time.

Examples:

The top candidate for a department leadership position is on campus for a full day of final interviews. It would be reasonable for the hiring manager to take the candidate to dinner at a nice restaurant in Princeton at a cost of \$50 to \$75 per person.

A department head would like to recognize a group of employees who have successfully completed a challenging project. The group is taken to lunch at a nice restaurant in Princeton at a total cost of \$25 to \$40 per person which is considered reasonable. It would be appropriate to order alcoholic beverages at a celebratory luncheon and a cost of \$5 to \$15 per person would be considered reasonable.

A project funded by a government sponsor is hosting an all day conference with a large group of participants from the University as well as guests from other institutions. The project team decides to cater the event on campus through Dining Services. The team selects breakfast at a cost of \$6.50 per person from menu choices ranging from \$5.25 to \$10.50 per person. The team selects lunch at a cost of \$20.00 per person from menu choices ranging from \$12.00 to \$23.00 per person. These choices would be considered reasonable. The team decided against other catering options that were available with prices of up to \$40 per person.

An employee with 35 years of service at the University is retiring. A gift with a value of up to \$1,750 (\$50 per year for 35 years service) would be considered appropriate and reasonable.

An employee with 10 years of service at the University is transferring to another University department. A recognition luncheon or dinner costing \$250 to \$500 (based on \$25-\$50 per year of service) would be considered appropriate and reasonable. A gift in the amount of \$500 would not be considered appropriate for a transferring employee.