
Financial Policy for Extending Hospitality in Canada

Date of Issue	Issued: March 2003 Last updated: April 13, 2005
Supersedes	Policy 2003-01
Authority	Issued under authority of the Director of Finance and Administration
Enquiries	Modern Management Office

1. POLICY OBJECTIVE

This policy ensures the proper, effective and efficient use of public money and makes CIHR employees and CIHR representatives aware of the ethical and financial matters that must be considered before CIHR provides hospitality.

The purpose of this document is to clarify the intent of the policy and ensure that hospitality is restricted and provided only when clearly necessary, in an appropriate and business-like manner.

2. REQUIREMENTS

Since hospitality provided at public expense is a very sensitive issue, managers must ensure that all hospitality events would pass the test of public scrutiny. This general guiding principle must be applied even more stringently where only public servants are present at an event.

3. APPLICATION

This policy applies to: any person employed and remunerated by the Government of Canada, including employees of CIHR; anyone paid out of the Consolidated Revenue Fund (e.g. receives a fee or per diem allowance, such as a contractor or a student); and, Institutes staff who are requested by CIHR management to represent the granting agency in an official capacity at a hospitality function, and for whom CIHR bears the associated costs. The aforementioned persons are classified as “Government of Canada” for the purposes of this policy.

This policy also applies to other persons who are engaged in CIHR business, but who are not remunerated by CIHR, such as: Governing Council members; Institutes staff; Institutes Advisory Board (IAB) members; and, volunteers. The aforementioned persons are classified as “Other” for the purposes of this policy. This classification also includes citizens and individuals from the private sector who are not engaged in CIHR business, but who are provided hospitality as guests of CIHR.

4. DEFINITIONS

Hospitality	The provision of food and beverages to guests of CIHR.
Exceptional types of hospitality	Exceptional types of hospitality (other than refreshments or meals) may be extended by CIHR under justifiable circumstances when expressly approved by the President: tickets to theater or sporting events; local transportation to and from the function; incidentals such as flowers; rental of accommodations (e.g. hotel room); rental of audio/visual equipment; tours of the local area or other places of interest; modest gifts as tokens of gratitude.
Hospitality Function	An activity or function organized in the broad context of formal courtesy and protocol and/or where it is appropriate to extend hospitality to guests of CIHR. Hospitality functions include circumstances where CIHR provides refreshments or meals in restaurants or at special/social as described in Section 6 of this policy.
Refreshments	Refers to the provision of both beverages and snacks.
Snacks	Refers to the provision of assorted light foods or small amounts of foods, as opposed to a full meal.

5. GUIDING PRINCIPLES

Since hospitality provided at public expense is a sensitive issue, managers must ensure that all hospitality events would pass the test of public scrutiny. This general guiding principle must be applied even more stringently where only Government of Canada employees are present at an event. The following guiding principles should be considered:

Common Sense	The event is clearly justified for business purposes.
Economy	The cost per participant and the total cost are reasonable; the location is modest. Consider scheduling the event in the off-season and shop around for best prices.
Frequency	Monitor and limit the frequency of events held. Do not set precedents by making commitments to hold repeat events at regular intervals without being certain that there is a definite need for them.
Attendance	Limit attendance; for example, send only one member of a team who, upon returning to the office, can then brief other employees. Ensure the event is aimed at a specific audience; do not invite other levels of employees who may derive little benefit from participating.
Moderation	Restrict the number and variety of events held; determine if two separate events involving the same audience could be combined into one; plan a modest rather than an elaborate event.
Value for Money	Evaluate the benefits achieved by hosting this event. Consideration should also be given to the time, effort and money spent, including organizers' and participants' time away from work for the event.
Public Scrutiny	Finally, would you feel comfortable if details of the event were made public? The test of public scrutiny is an all-encompassing measure for each planned event. If you are not sure that you can answer this question positively and without hesitation, then the proposed event should not be held.

6. PLANNING A HOSPITALITY FUNCTION

Hospitality may be extended on behalf of CIHR when:

- Discussions on official matters are held with persons who are not Government of Canada personnel, including interviews with persons who are being considered for recruitment into CIHR, members of other governments, industry, public interest groups, seminars, or during special events such as public openings;
- Persons visiting Canada as members of national or international organizations are involved in activities relating to those of CIHR, or wish to obtain an understanding and an appreciation of Canadian life and development or an understanding of the work of CIHR;
- CIHR sponsors formal conferences, and other governments or business groups are represented;
- CIHR honours a distinguished Canadian in recognition of exceptional service to Canada;
- Non-Government personnel render a service without remuneration (e.g. peer reviewers not receiving an honorarium);
- A prestigious ceremony (e.g. inauguration or opening of a CIHR project) takes place, attended by foreign dignitaries, distinguished persons from the private sector, or both.

Each hospitality function requires consideration of the following:

Pre-Approval	All hospitality functions require pre-approval as per Section 7 of this policy.
Location	CIHR must use government-owned facilities when these are appropriate and available. Hospitality in private residences or less formal or recreational settings must have the prior approval of the President.
Cost	All proposals for hospitality must identify the anticipated costs. Costs should be minimized but be consistent with the following: <ul style="list-style-type: none">• the status or rank of the guest(s);• the number of persons attending; and

- the circumstances surrounding the function or event.

CIHR Employees

Provision of hospitality to government personnel is subject to the following direction:

- Hospitality such as beverages, meals or other entertainment is only to be provided to government personnel who have been identified by prior approval to act as hosts to guests of CIHR. Government personnel are not considered to be guests.
- Non-alcoholic beverages may be offered to Government employees required to work through “breaks” otherwise called “coffee breaks”, when justified by management. Such hospitality should be restricted to occasions of a formal nature where the dispersal of participants during a break period is not desirable. Managerial discretion and due regard for economy should be used in identifying such occasions and in ensuring that hospitality is not offered during meetings of close colleagues working together on a regular basis.
- Refreshments, meals, or both may be offered to Government employees who participate in work sessions extending over meal hours or beyond normal working hours.
- When Government employees attend functions at public expense at which there are guests who are not Government employees, the number of Government employees must not exceed the number needed to conduct Government business.

Accompanying Persons

An accompanying person of a CIHR employee involved in an official capacity may only receive hospitality where their presence enhances the conduct of the function because of protocol and is subject to the following conditions:

- Expenses for the accompanying person such as travel may be paid only when the President has authorized them.
- Travel expenses of spouses /accompanying person must be reimbursed to the employees concerned.

Exceptions

Hospitality functions that are exceptions to this hospitality policy must have the prior approval of the President.

7. SIGNING AUTHORITIES

The following table identifies the signing authorities for hospitality in Canada:

	Minister of Health	President	Vice-Presidents	Directors
Function	Over \$5,000	Up to \$5,000	Up to \$1,500	Up to \$1,500
Exceptional forms of hospitality including travel costs for spouse or accompanying person, entertainment or tours	■	■		
Where attendees are all Government employees	■	■	■	
Costs exceeding maximum per person cost limits (see Financial Limitations)	■	■	■	
Inclusion of spouse (or other accompanying person)	■	■	■	
Cost of any single function	■	■	■	■
Non-alcoholic beverages only	■	■	■	■

8. FINANCIAL LIMITATIONS

Meal Allowance

The following sets out average and maximum costs per person limits (including taxes), which must be used in planning all hospitality functions, particularly the following:

Form of Hospitality	Financial Limits per Person (including applicable taxes)	
	Average Cost	Maximum Cost
Breakfast	1.5 x Breakfast Allowance*	1.5 x Average Cost
Lunch	2 x Lunch Allowance*	
Dinner	1.75 x Dinner Allowance*	
Reception	2 x Breakfast Allowance*	
Refreshments	Not to exceed the usual local prices per serving	Not to exceed the usual local prices per serving

* The meal allowance rates may be found in Appendix C, paragraph 1.2 of the Treasury Board Travel Directive at the following site:

http://publiservice.tbs-sct.gc.ca/pubs_pol/hrpubs/TBM_113/dwnld/td-dv-c_e.rtf

The *maximum* per person costs limits for any form of hospitality may only be exceeded in unusual and non-recurring circumstances and must have the prior approval of the appropriate signing authority as indicated in the table in Section 7 above. This includes hospitality at the international level.

Example 1

25 researchers are expected on a 2-day workshop and it has been decided that there will be a *reception* held at the Delta Hotel.

Maximum Cost per Person:

$$2 \times \text{Breakfast Allowance (Current rate = \$12.20)} \times 1.5 = \$36.60$$

$$\text{Total Cost} = \$36.60 \times 25 = \$915.00$$

Since the total cost is not greater than \$ 1,500, the function may be authorized by any of the signing authorities indicated in Section 7 above.

Example 2

Instead of a reception, a dinner is planned.

Maximum Cost per Person:

$$1.75 \times \text{Dinner Allowance (Current rate = \$32.65)} \times 1.5 = \$85.71$$

$$\text{Total Cost} = 25 \times \$85.71 = \$2,142.75$$

Since the total cost is greater than \$1,500, the function may be only be authorized by the President or the Minister of Health as indicated in Section 5 above.

Note: The reception/dinner may include alcoholic beverages, but the overall cost must not exceed the maximum cost.

9. APPROVAL

Pre-Authorization and Expenditure Initiation

When the provision of refreshments/meals (or exceptional types of hospitality) at special/social or work related events is being considered, CIHR managers will:

- a) Familiarize themselves with the policy and its constraints such as cost limits and eligible events.
- b) Ensure that the expense is justified in the circumstances and that cost is reasonable.
- c) Ensure that no commitments are made for the expenditure of public funds without the pre-approval of the appropriate delegated authority, as per the policy requirements. Prior approval will be sought via an email or memorandum that provides detailed information about the proposed event, such as:

- CIHR organization (section / unit / institute) that proposes to hold the event and that will account for expenses within its budget;
- Type and purpose of the work-related event (e.g. staff retreat, training, etc.) or special / social event;
- Date of the event (from and to);
- Location: city or town, etc., and the name of the facility used to provide refreshments/meals (Government building, congress centre, hotel meeting room, restaurant, etc.);
- Participants: Number (Govt. of Canada personnel, others and total); Types or levels of government employees (e.g. all employees of a specified organization, middle management, etc.);
- Number and type of refreshment/meal functions (e.g. 2 lunches, etc.);
- Brief description of exceptional types of hospitality, with justification;
- Cost Information: Total estimated or actual event costs (including GST or HST) with respect to:
 - i) Total cost of refreshments and/or meals and related expenses such as catering service, gratuities, etc.;
 - ii) Total cost for exceptional types of hospitality; and
 - iii) In the case of a work related event, the total cost(s) and description(s) of other services included in an all-inclusive amount (regarding services provided such as accommodation, equipment rental, etc.).
- Justifying information in support of the event or expenses.

Process

The approval process for hospitality is described in related documents called *Procedure for Hospitality Pre-Approval and Expense Claim*. Three versions of the document are available on the Intranet: *Function Costing up to \$1,500*; *Function costing up to \$5,000*; and, *Function Costing More Than \$5,000*. The process is summarized as follows:

- Complete the top portion of a *Hospitality Pre-Authorization and expense Claim* form, and prepare a *List of Participants*.
- If the function includes more than one meal, complete a *Hospitality Worksheet*.

- If the cost of the hospitality function is more than \$1,500, or if the function includes exceptional forms of hospitality, complete a *Routing Slip* and a *Memorandum to the President*.
- If the cost of the hospitality function is more than \$5,000, complete a *Routing Slip* and a *Memorandum to the Minister*.
- Obtain pre-authorization from the appropriate signing authority.
- Forward a copy of the signed form to Corporate Financial Services..

Signing Authority

The type of hospitality function and the total cost determine the appropriate signing authority. Complete details of the spending authority and cost matrix are contained in this document in Section 7.

10. CLAIMING HOSPITALITY EXPENSES

The expense claiming process for hospitality is also described in related documents called *Procedure for Hospitality Pre-Approval and Expense Claim*. Three versions of the document are available on the Intranet: *Function Costing up to \$1,500*; *Function costing up to \$5,000*; and, *Function Costing More Than \$5,000*. The expense claiming process is identical in all three cases. The process is summarized as follows:

- Complete the bottom portion of the original *Hospitality Pre-Authorization and expense Claim* form that was prepared in accordance with the previous section.
- If the **total actual cost** (including taxes) of hospitality **exceeds** the **pre-authorized cost** (including taxes) by a significant amount (\$100 or more), provide suitable justification for the additional costs. Furthermore, if the total actual cost exceeds the amount that the original delegated signing authority is authorized to approve, the expense claim must be approved by a more senior authority.

Example

A hospitality event is estimated to cost \$1,400. The appropriate Director pre-authorizes the expenditure by signing a duly completed Hospitality Pre-Authorization and Expense Claim Form. When the hospitality event occurs, the total actual cost rises to \$1,600. Since the Director's signing authority is limited to \$1,500, the expense claim portion of the form must be signed by the President.

- Upon receipt of invoices from vendors, match the invoices with the completed *Pre-Authorization and Expense Claim*, keep a copy of the documents, and forward originals to Corporate Financial Services

11.COMMON PROBLEM AREAS

The following problem areas are commonly encountered by CIHR staff, and increased diligence is required to ensure the issues are addressed in an appropriate manner:

<p>Financial Coding for All Costs</p>	<p>Use Line Object 0822 (Hospitality) to account for all expenses related to a hospitality function, regardless of the nature of the costs or the provider of goods/services.</p> <p>A typical hospitality function might include food and beverages provided by a caterer, the rental of a large-capacity meeting room at a hotel, the rental of special audio/visual equipment from a specialized provider, and the purchase of floral centerpieces for the tables from a local florist. Although CIHR’s chart of accounts contains distinct line objects for many of the costs outlined here, all costs pertaining to this hospitality function should be charged to Line Object 0822 (Hospitality).</p>
<p>Hospitality vs. Travel</p>	<p>Prior to arranging an event at a conference centre, the event organization will typically negotiate a “package” that includes meals. If meals are provided to employees as part of the event, the Hospitality policy, not the Travel Policy, will govern the coding of the meal expenses and the expense claiming process.</p> <p>The Travel Expense Claim Form is only to be used when a meal allowance is payable to the employee. Where meals are provided as part of the event, the Hospitality Pre-Authorization and Expense Claim Form and the applicable financial accounts will be used.</p>
<p>Method of reimbursement</p>	<p>Whether hospitality costs are incurred on an acquisition card or reimbursed by cheque or petty cash, the same rules apply as to pre-authorization, approval limits, delegated authorities, and justifying information.</p>
<p>Event Splitting</p>	<p>When more than one Hospitality Pre-Authorization and Expense Claim form is used for a single function or event, the delegated signing authority for the event is based on the total cost of the event, not on the amounts reported on individual forms.</p> <p>Refer to the typical hospitality function described earlier in “Financial Coding for All Costs”. Although more than one Hospitality Pre-Authorization and Expense Claim form may be used to account for all the services/vendors involved in the</p>

	function, the delegated signing authority is based on the total cost for all of the services/vendors.
Taxes	Applicable taxes (GST or HST) must be included in all calculations. Treasury Board's prescribed financial limits include taxes. Likewise, taxes must be included in the estimated and actual costs that are reported on the Hospitality Pre-Authorization and Expense Claim form.

12. MONITORING AND REPORTING

As per the Government decision on the proactive disclosure of travel and hospitality expenses announced December 12, 2003, CIHR will post on-line the expenses for hospitality events incurred by the President, Executive Vice-President and Vice-presidents. Corporate Financial Services will update the information posted on the CIHR website on a regular basis, and it will actively monitor its management practices and controls supporting this policy.

Corporate Financial Services will report any systematic or recurring issues of non-compliance to the Modern Management Office, in order that the latter may address any deficiencies in the contents or format of the policy, its related procedures, and associated training materials. Modern Management will also review hospitality expenses on an ongoing basis to ensure CIHR staff are complying with this policy, and it will recommend additional training to affected staff as required.

The Treasury Board Secretariat will evaluate regularly the implementation of this policy by reviewing CIHR monitoring and internal audit reports, as well as data from the CIHR website, and other information available from the central financial systems.

13. REFERENCES AND LINKS

Source References:

- Treasury Board of Canada Secretariat – Hospitality Policy
http://publiservice.tbs-sct.gc.ca/pubs_pol/hrpubs/TBM_113/HOSP_e.asp
- Treasury Board of Canada Travel Directive, Appendix C, Paragraph 1.2
http://publiservice.tbs-sct.gc.ca/pubs_pol/hrpubs/TBM_113/td-dv_e.asp
- CIHR Delegation of Financial Signing Authorities Chart
http://home/portfolios/so/fa/cfs/signingauthorities/signing_authorities_e.pdf