

BUSINESS AND FINANCE BULLETIN G-43
Policy on University Membership in Organizations

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1 of 9

Vice President--Financial Management

Anne C. Broome

Table of Contents

	<u>Page</u>
I. References	2
II. Purpose	2
III. Scope	2
IV. University Policy	3
A. Authority	3
B. Policy	3
C. Approvals	3
1. General	4
2. Social Memberships	4
D. Exceptions	4
V. Procedures	4
A. Categories of Organizations	4
B. Membership Considerations	5
C. Membership in Social Organizations	6
1. Reporting Non-business Use	6
2. Substantiating Business Use	7
VI. Responsibilities	7
Appendix A Annual Report of Personal Use of a Club	8
Appendix B Determination of Taxable Benefit – Club Dues	9

I. REFERENCES

Vice Present Broome's letter to the Controllers prohibiting the purchase of memberships in airline and airport clubs, dated December 16, 2008.

President's letter delegating authority to Senior Vice President--Business and Finance to establish and publish all policies and procedures related to University membership in organizations, July 24, 2001.

Senior Vice President's letter redelegating authority to Vice President--Financial Management to establish and publish all procedures related to University membership in organizations, August 24, 2001.

Accounting Manual chapters:

[A-253-27](#), Administrative Fund Reporting Procedures

[D-224-17](#), Delegation of Authority-Signature Authorization

Business and Finance Bulletin [BUS-79](#), Entertainment

Education Code section 92150, University use of state funds prohibited for membership in organizations that discriminate

Internal Revenue Code:

Section 132, Certain Fringe Benefits

Section 274(d), Substantiation Required

Revenue Reconciliation Act of 1993, regarding taxation of non-business use of social club membership

II. PURPOSE

This Bulletin establishes the policy and procedures related to University-sponsored memberships in organizations. Campuses may establish more restrictive procedures with respect to memberships.

III. SCOPE

The policy and regulations contained in this Bulletin shall apply to all University memberships in organizations, including memberships provided to employees of the three Department of Energy Laboratories.

IV. UNIVERSITY POLICY

A. AUTHORITY

The policy set forth in this Bulletin is issued by the Senior Vice President--Business and Finance under Presidential delegation of authority; the implementing procedures are issued under redelegation of authority to the Vice President--Financial Management.

B. POLICY

It is the policy of the University of California to consider University membership in organizations that would promote the advancement of education and research, enhance the professional standing of its administrative personnel, and facilitate favorable community relations. A major consideration in securing a membership shall be the cost of membership in relation to the benefits the University expects to derive from an individual's membership.

Chancellors, Laboratory Directors, and Vice Presidents, or their designated representatives, are authorized to determine for their jurisdictions which organizations are suitable for University membership and to designate which employees (officers, faculty, and staff personnel) will participate in the affairs of the organization concerned.

C. APPROVALS

When approving new or renewal memberships in organizations, Chancellors, Laboratory Directors, and Vice Presidents, or their designated representatives, shall evaluate each request to ensure that University funds are not being used to:

- Join organizations that are duplicative in function and membership, or
- Renew memberships that are no longer worthwhile.

Such reviews should also provide for responsible selection among organizations and include an evaluation of an individual's contribution to the organization or the benefits derived by the University from the individual's membership.

The following guidelines shall be observed with respect to the approval of various types of memberships that require initiation fees and/or dues:

1. General

Department heads or their designated representatives have the authority to approve requests for membership in organizations other than social organizations. Form U242, Signature Authorization or Cancellation, an equivalent form, or an electronic record must be on file for individuals who have been delegated this authority.

Employees with delegated approval authority shall not approve their own request for reimbursement of membership payments.

2. Social Memberships

Approval of a social membership is subject to the following rules:

- Approval by the Chancellor, Laboratory Director, or Vice President of payments made for membership in a social organization, including their own memberships, must be made in writing. The letter must specify the time period for which membership is approved.
- The authority to approve these memberships and payments for initiation fees and/or dues may not be redelegated.
- A copy of the letter approving these memberships and payments shall be provided to the Vice President--Financial Management by the appropriate Chancellor, Laboratory Director, or Vice President.

Payments for entertainment expenses incurred in connection with the use of a social membership are reimbursable in accordance with the procedures set forth in Business and Finance Bulletin [BUS-79](#), Entertainment.

D. EXCEPTIONS

Exceptions to this policy may be authorized by the Senior Vice President--Business and Finance.

V. PROCEDURES

A. CATEGORIES OF ORGANIZATIONS

Organizations in which University membership is permissible are categorized as follows:

- Organizations of universities and colleges, including accrediting agencies (e.g., National Association of State Universities and Land Grant Colleges,

International Association of Universities, American Association of Universities, National Commission on Accrediting, Western Association of Schools and Colleges).

- Organizations of professional schools and colleges, including accrediting agencies (e.g., American Association of Colleges of Pharmacy, American Society for Engineering Education, Association of American Medical Colleges).
- Organizations of institutional service agencies and administrative officers (e.g., American Association of Collegiate Registrars and Admissions Officers, Institute of Internal Auditors, Western Association of College and University Business Officers, National Association of Student Personnel Administrators).
- Scholarly societies (e.g., Modern Language Association, American Economic Association).
- Community organizations (e.g., Chamber of Commerce, Urban League).
- Memberships to secure periodicals (e.g., American Society for Testing and Materials, Association for Symbolic Logic, Council for Advancement and Support of Education), or to obtain office supplies and equipment (e.g., membership in discount department store).
- Social organizations (e.g., business, athletic, luncheon, sporting, hotel clubs).

B. MEMBERSHIP CONSIDERATIONS

The following factors must be considered before joining an organization:

- Membership in an organization must be used primarily for business purposes, i.e., activities that contribute to any one of the University's major functions of teaching, research, patient care, or public service.
- University funds may not be used for payment of fees or dues to organizations that maintain legally impermissible, arbitrary, or unreasonable discriminatory membership policies or practices.
- Proposals for membership in state, national, and international organizations shall be referred to the President for consideration if membership might be more appropriate for the University as a whole.
- Institutional rather than individual memberships shall be obtained whenever possible, as institutional memberships often allow participation by several or alternate employees.

- The number of memberships in community organizations should depend on the local situation and management preference; however, memberships and employee participation shall be limited to the number necessary to achieve effective community relations within a reasonable expenditure of funds.
- Departments may purchase a membership in an organization to secure its periodicals upon verification that the periodical cannot otherwise be secured. University Librarians shall be informed of payments for such memberships. University libraries may secure periodicals for their collections that cannot be obtained except through membership.
- Memberships in airline and airport clubs are prohibited. The occasional purchase of a one-day airline or airport membership may be approved, provided there is a significant business purpose for the use of the membership, such as a planned meeting or conference call. The cost of the one-day membership is reimbursable as a miscellaneous travel expense.¹

C. MEMBERSHIPS IN SOCIAL ORGANIZATIONS

Membership in a social organization shall be approved only if it is determined that the primary use of the membership will be to conduct official University business and that the organization does not engage in discriminatory policies or practices (see Section V. B). Such memberships shall not be paid with state or federal funds.

In accordance with IRS reporting requirements, a member's non-business use of a social club must be reported as compensation to the individual,² as follows:

1. Reporting Non-business Use

An employee who has been granted membership in a social club will be required to report to the accounting office annually his or her official University business use and non-business use.³ The Annual Report of Personal Use of a Club in Appendix A is used for this purpose.

The accounting office will calculate the value of the employee's non-business use based on the information reported on the Annual Report. The

¹ Effective February 1, 2009.

² These reporting procedures also can be used to determine whether the member is using the organization primarily for business purposes.

³ For income and employment tax withholding purposes, the University has elected to use a special accounting period rule that treats the value of a fringe benefit provided in the last two months of the calendar year as though paid in the following year. Thus, the reporting period is November 1 of the prior year through October 31 of the current year.

employee will be informed of the amount, using the form provided in Appendix B. The portion of the dues allocable to non-business use shall be treated as additional compensation to the employee and included in the employee's income, subject to withholding for income and applicable employment taxes.

If the employee terminates his or her employment with the University or becomes ineligible to use the membership, any dues paid by the University related to non-business use must be reported by the employee to the accounting office before the employee's termination or ineligibility status becomes final.

2. Substantiating Business Use

In order to substantiate official University business use of a social club, the employee must maintain adequate records showing the total number of days of business and non-business use. In addition, the employee must substantiate his or her club entertainment expenses in accordance with the rules detailed in BFB [BUS-79](#), Entertainment (or Accounting Manual chapter [A-253-27](#), Administrative Fund Payments, for amounts reimbursed from such funds).

VI. RESPONSIBILITIES

Vice President--Financial Management

The Vice President--Financial Management is responsible for establishing and updating the procedures set forth in this Bulletin.

Department Heads

The department head is responsible for ensuring that all memberships under his or her approval authority conform to the requirements of this Bulletin.

Accounting Office

It is the responsibility of the accounting office to ensure that payment or reimbursement requests are made in accordance with the procedures set forth in this Bulletin. In addition, the accounting office is responsible for annually calculating and reporting the additional compensation related to a member's non-business use of a social organization membership.

Appendix A

(Office Letterhead)

Date _____

ACCOUNTING OFFICE

Subject: Annual Report of Personal Use of a Club

I hereby certify that for the _____ - month period ended _____, 20_____, I used the _____ club a total of _____ days. Of this total, I used the club _____ days to conduct official University of California business and _____ days for personal activities.

I further certify that I have, and will maintain, adequate written substantiating records to support my business and personal club use for the period of this report.

Signature _____

Title _____

Appendix B

(Office Letterhead)

Date _____

RECIPIENT

Subject: Determination of Taxable Benefit -- Club Dues

Based on the information submitted on your Annual Report of Personal Use of a Club for the period ended _____, 20____, we calculated the tax benefit associated with your personal use of the _____ club. The following data were used in making the calculation:

<u>ITEM</u>	<u>AMOUNT</u>
Personal Use Days (PD)	_____
Business Use Days (BD)	_____
Annual Dues (AD)	_____
Report Period (RP)	_____

The taxable benefit, which will be reported on your W-2 form, was determined as follows:

$$\frac{\text{_____ (PD)}}{\text{(BD)}} \times \$ \frac{\text{_____ (AD)}}{1 \text{ (RP)}} = \$ \text{_____}$$

In order to withhold income and employment taxes, the University has elected to use a special accounting rule with respect to this benefit. Accordingly, we are reporting your personal club use for November 1 of last year through October 31 of this year. Applicable income and employment taxes will be withheld from your December 1st paycheck.

Signature _____

Title _____

Accounting Office