




Smithsonian Institution

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Date FEB 05 2008

To Directors of Museums, Research Centers and Offices
Chief Executive Officer, Smithsonian Business Ventures
CFO Contacts
Smithsonian Development Officers
Smithsonian Purchase Cardholders
Chief of Staff, Office of the Regents
Smithsonian Inspector General

From Alison McNally 

Subject Revision 1 to the March 28, 2007, "Interim Clarification of the Institution's Gift, Alcoholic Beverages and Food (GAF) Policy"

In response to issuance by the Regents Governance Committee of its "Report of the Governance Committee to the Board of Regents" on June 14, 2007, and the recommendations of the Independent Review Committee, the Institution is developing a new Smithsonian federal and trust spending policy. This effort will include establishment of new policies and revision of existing and interim trust funding policies. This process is underway, but will still take several months to conclude.

In the meantime, it has become apparent that the current GAF policy inadvertently constrains the ability of our managers and staff to effectively perform their development¹ duties because of the requirement for Unit Directors to provide prior written approval to purchase food or beverages that will be consumed by Smithsonian employees participating in these development activities².

The purpose of this memorandum is to modify the GAF policy with respect to the use of Smithsonian trust funds to purchase food, beverages and light refreshments that will be available to SI employees who participate in and conduct official business at the following types of development activities:

¹ Development is the activity and process of developing relationships with individuals, foundations, corporations, and other entities that have the potential (short-term or long-term) of resulting in something of value being given or donated to the Institution.

² Section 8.c of the March 28, 2007 supplemental trust policy, "Interim Clarification of the Institution's Gift, Alcoholic Beverages and Food (GAF) Policy"

- Donor and sponsor cultivation, solicitation, recognition and stewardship
- Prospect cultivation and solicitation

We recognize the need to be guided by the principles of the federal sector in the conduct of our activities, yet to ensure both the Institution's effectiveness in the nonprofit arena and the timely engagement and recognition of donors, the Institution will follow the principles and best practices for the nonprofit sector, as recommended by the Governance Committee in its report to the Board of Regents³. Therefore, SI trust funds may be used to purchase meals, light refreshments, and/or alcoholic beverages that will be consumed by employees when they attend and participate in SI development activities. This use of funds will no longer require additional written pre-approval by the Unit Director. However, it is the responsibility of the employee incurring these costs to ensure that the expenditure of funds is in support of his/her Unit's mission and development agenda.

Changing the GAF policy acknowledges that in the nonprofit arena effective development functions often include meals or refreshments. All Smithsonian development activities require the participation of at least one Smithsonian staff member, and in many cases, require several employees to attend and participate. In such cases, the participation of staff is essential to the success of the effort and the meals or refreshments are often an integral and appropriate component of the activity. Therefore, the Institution's policy should allow for the purchase of food and beverages for employees whose participation in development activities is critical to the successful accomplishment of their Unit's goals and objectives.

Effective immediately, the current GAF spending policy is revised to authorize the use of SI trust funds to purchase food, beverages and light refreshments for a development activity in which SI employees participate as part of their official duties by adding the following section to the "Meals and Light Refreshments" section:

- 8.g. The purchase of food, light refreshments, and alcoholic beverages directly supports an approved development activity and each of the following criteria is met:
 - i. The activity involves prospect, donor or sponsor cultivation; donor/sponsor recognition; or donor/sponsor stewardship and at least one donor or prospect must be present
 - ii. The expense is financed with unrestricted trust funds, unless the conditions of a gift, grant or endowment allow the purchase of food and light refreshments⁴
 - iii. Employee attendance and the type, amount and cost of food, light refreshments and alcoholic beverages is reasonable, appropriate, and consistent with the Institution's development practices and associated special event guidelines

³ Section I.A, Report of the Governance Committee to the Board of Regents, June 14, 2007, page 6

⁴ When special authorization is available, Federal appropriations may be used for development expenses. Currently, only the National Museum of African American History and Culture is authorized to use Federal funds for this purpose.

A copy of the revised Gift, Alcoholic Beverages and Food (GAF) policy document is attached. GAF Revision 1 is effective immediately. This policy can also be accessed on PRISM at OPMB's website under the heading, "Budget Policy."

Staff from the Office of the Chief Financial Officer (CFO) will be reviewing these expenditures as part of the CFO's internal control and review process to monitor compliance with the GAF policy. Additional information will be requested to substantiate questionable charges. As part of this process, the CFO will consult with the Director of External Affairs to determine whether or not these expenses were consistent with the Institution's development practices, and if the costs and attendance level were necessary and reasonable to accomplish the development objective. Expenses that are found to be non-compliant with the policy will be disallowed.

Attachment

**SUPPLEMENT TO THE SMITHSONIAN
TRUST FUNDING POLICY**

February 5, 2008

Smithsonian Institution Trust Funding Policy for Gifts, Alcoholic Beverages, and Food (GAF)

REVISION 1

The purpose of this supplemental trust funding policy statement is to clarify when trust funds may be used to purchase gifts, alcoholic beverages and food (GAF), and which type of trust funds are to be used. This policy does not address use of federal appropriated funding.

GIFTS:

1. Trust funds may *not* be used to purchase gifts of any kind for Smithsonian employees. (This restriction also applies to Federal funds.)
 - a. Employee awards such as plaques, trophies, tote bags, and lanyards are not considered gifts.
 - b. Please refer to Smithsonian Directive 212, Federal Personnel Handbook, Section 451, Awards and Honors for additional information on employee awards.
 - c. Trust employees are also subject to the Federal awards and honors rules.
2. Only unrestricted trust funds can be used to purchase gifts for donors, sponsors, and/or Smithsonian volunteers¹, and only when the following criteria are followed:
 - a. The gift is purchased for fundraising purposes or in recognition of volunteer activity or involvement
 - b. Suitable gifts include items from Smithsonian retail, online or catalog stores; reproductions or facsimiles of items in our collections (for example, minerals, flags, prints, aircraft models, recordings); or gift baskets and floral arrangements
 - c. Single gifts costing \$150 or less must be approved, in writing, by the Unit Director. Single gifts costing more than \$150 must be authorized in advance, and in writing, by the Director of External Affairs
 - i. The written authorization submitted to the Director of External Affairs must include the following information: gift recipient(s), item(s) to be purchased, cost of item, justification for purchase
3. Generally, only Fund 402 funds may be used to purchase gifts for donors and sponsors. However, Fund 401 allocations may be used if at least one of the following conditions is met:
 - a. The gift is purchased using the Unit's specific fundraising allotment: Fund 401/Designated Code 1016xx
 - b. The gift is purchased by the Secretary, the Under Secretaries, or the Director of External Affairs using their basic allocation

¹ Smithsonian Regents, Smithsonian National Board, and Museum/Advisory Board members are considered donors if they have contributed to the Institution in the past and/or volunteers. They are considered volunteers because they donate their time to serve on these boards.

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4. When gifts are being purchased for volunteers, Fund 401 allocations may only be used by the Smithsonian Visitor Information and Associates Reception Center (VIARC). All other volunteer gifts shall be purchased using Fund 402 unrestricted trust funds
5. Restricted trust funds can be used to purchase gifts for donors, sponsors or volunteers only when the gift, grant or endowment award explicitly authorizes this use of funds

ALCOHOLIC BEVERAGES:

6. Alcoholic beverages may be purchased with trust funds when the beverages are a component of a fundraising activity, an official Smithsonian event, or a Unit-sponsored event
 - a. Official Smithsonian events are: annual Smithsonian holiday party, Board of Regents and Smithsonian National Board dinners/receptions, SI Council, Material Culture Forum, Congress of Scholars, the Secretary's Distinguished Lecture Series, and all VIARC-hosted volunteer events/receptions
 - i. Fund 401 allocations provided for these events may be used to purchase alcoholic beverages; otherwise Units must use Fund 402 unrestricted trust funds
 - b. Unit-sponsored events are: museum/advisory board activities; exhibit openings; public lectures/seminars; press previews; receptions to recognize book publishing, scientific achievement, educational programs; receptions that promote an element of the Smithsonian's mission such as a cultural awareness program; or receptions to honor volunteers or docents
 - i. Fund 401 may be used to purchase alcoholic beverages using a Unit's fundraising allotment (Fund 401/Designated Code 1016xx) when the event is part of a fundraising activity
 - ii. Gift (Funds 800/801), grant (Funds 802/803), or endowment funds (Funds 6xx) may be used if these funds were provided explicitly by a donor or sponsor to fund a Unit-sponsored event
 - iii. If a Unit does not have a Fund 401 fundraising allotment or access to gift, grant or endowment funds that allow for their use in conducting events, then the Unit must use Fund 402 unrestricted trust funds
7. If alcoholic beverages are deemed necessary and essential in support of any other event not mentioned above, Fund 402 unrestricted trust funds may be used when the purchase is authorized, in writing and in advance by the Secretary², the Under Secretaries, or the Director of External Affairs

² The Secretary will approve purchases for the events hosted by the Office of the Secretary, but shall provide a copy of each written approval to the Smithsonian CFO.

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MEALS AND LIGHT REFRESHMENTS:

8. Unrestricted trust funds are authorized to be used to purchase meals or light refreshments for Smithsonian employees (working in their local commuting area) when one of the following conditions is met
 - a. The food is an integral element of an official Smithsonian event (refer to Section 6a above, plus the annual Smithsonian employee Folklife picnic); an employee recognition program (such as the Smithsonian Unsung Hero Award); or other Unit awards ceremony
 - i. Food and beverages for employee recognition events, including awards ceremonies, may only be purchased with Fund 402 unrestricted trust funds if the purchase is pre-approved in writing by the Unit Director
 - ii. Fund 401 allocations may be used for official Smithsonian events, including the annual Smithsonian staff picnic
 - b. The food supports an official staff breakfast or lunch hosted by the Secretary or one of the Under Secretaries
 - i. Only Fund 401 allocations may be used for these expenses
 - c. The Unit Director approves, in advance and in writing, the need to purchase meals or food in connection with a compelling mission need that involves both Smithsonian employees and outside participants
 - i. Employee attendance at these staff meals is limited to those persons essential to the accomplishment of the stated business
 - ii. Only Fund 402 unrestricted trust funds may be used for these expenses, unless the conditions of a gift, grant or endowment allow these funds to be spent on food
 - d. The Secretary³, Under Secretaries or Director of External Affairs approves, in advance and in writing, a Unit's request to host a working lunch (or breakfast) that involves only Smithsonian employees
 - i. The written request must include the names of participants, the estimated total and per person cost, the date of lunch, and specific mission justification
 - ii. Only Fund 402 unrestricted trust funds may be used for these expenses
 - e. The cost of food is included at no extra charge in the fee for conference or meeting space when an outside facility is deemed essential by the Unit Director for completion of special projects, assignments, or staff training sessions (other than routine staff meetings)
 - i. Advance written approval by the Unit Director is required

³ The Secretary will approve purchases for the events hosted by the Office of the Secretary, but shall provide a copy of each written approval to the Smithsonian CFO.

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- ii. Fund 401 or Fund 402 may be used for these expenses
- f. The purchase of food is required to sustain employees working during unanticipated emergency situations to assure the safety of Smithsonian employees, volunteers, and visitors and to prevent the destruction of Smithsonian property
 - i. Emergency situations include snow/ice storms, natural disasters (floods, hurricanes, tornadoes, etc.), and security threats/incidents
 - ii. Fund 401 may be used for these expenses, if available from within existing allocations
 - iii. Fund 402 unrestricted trust funds may also be used for these expenses
- g. The purchase of food, light refreshments, and alcoholic beverages directly supports an approved development activity⁴ and each of the following criteria is met:
 - i. The activity involves prospect, donor or sponsor cultivation; donor/sponsor recognition; or donor/sponsor stewardship and at least one donor or prospect must be present
 - ii. The expense is financed with unrestricted trust funds, unless the conditions of a gift, grant or endowment allow the purchase of food and light refreshments⁵
 - iii. Employee attendance and the type, amount and cost of food, light refreshments and alcoholic beverages is reasonable, appropriate, and consistent with the Institution's development practices and associated special event guidelines
- 9. Trust funds are authorized to be used to purchase meals (breakfast, lunch or dinner) and light refreshments for individuals other than Smithsonian employees when the food is a component of a fundraising activity, an official Smithsonian event, or a Unit-sponsored event
 - a. Official Smithsonian events are defined in Section 6a
 - b. Unit-sponsored social events are defined in Section 6b
 - c. Fund 401 may be used to purchase meals and light refreshments for the official Smithsonian events
 - d. Fund 402 unrestricted trust funds must be used for all other food purchases unless gift, grant, or endowment funding is available and authorized to be used for the specific activity per the donor/sponsor agreement

⁴ Development is the activity and process of developing relationships with individuals, foundations, corporations and other entities that have the potential (short-term or long-term) of resulting in something of value being given to or donated to the Institution.

⁵ When special authorization is available, Federal appropriations may be used for development expenses. Currently, only the National Museum of African American History and Culture is authorized to use Federal funds for this purpose.

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10. Any available unrestricted Trust funds (Funds 401 or 402) may be used to purchase light refreshments and bottled water for volunteers and docents that are working side-by-side with Smithsonian employees to set-up and help conduct special events and museum programs, such as NASM's Space Day, NMNH's Family Orchid Festival, and the annual Folklife Festival on the Mall
 - a. Gift, endowment or grant funding may also be used for these expenses, if the agreement/award specifically authorizes this type of expense as part of the special event and/or museum program
11. As a general rule, restricted trust funds are available to purchase meals and light refreshments in conjunction with Smithsonian activities and events only when the gift, grant or endowment award explicitly authorizes this use of donor/sponsor funds
12. Units are reminded that the written approvals required by the existing policy and this clarification document shall be treated as official financial records, and appropriately filed

For further information about the proper use of funds please call Ms. Sallie Morse; Associate Director, Office of Planning, Management and Budget at 202-633-5214.

Copies of the current trust spending policies are available on OPMB's PRISM website under the heading, "Budget Policy."

Summary of changes included in this Revision:

- All references to the Deputy Secretary have been deleted
- Specific references to the Under Secretary for Science and the Under Secretary for Art have been deleted and replaced with "Under Secretaries" to encompass all current Under Secretaries for Science, Art, History and Culture, and Finance and Administration
- Section 8.g has been added
- The specific link to OPMB's PRISM website has been replaced with generic instructions on how to navigate to the policy section