0401 OVERVIEW

This chapter establishes the Department of Veterans Affairs (VA) financial policy and procedures relating to award ceremonies or traditional ceremonies, awards, food or refreshments, and gifts or mementos that may be provided to VA employees or to the public, and the proper use of funds. Regardless of the type of funds used (e.g., general appropriations, general post fund, revolving, franchise, supply fund, trust), the policies and procedures in this chapter apply.1

040101 AWARD CEREMONIES AND EXPENSES.

A. Per the Government Employees’ Incentive Awards Act (GEIAA) (Public Law 86-168) 5 U.S.C. 4501-4506, VA may award and incur necessary expenses for the honorary recognition of an employee who:

- By his or her suggestion, invention, superior accomplishment or other personal effort contributes to the efficiency, economy or other improvement of Government operations or achieves a significant reduction in paperwork; or

- Performs a special act or service in the public interest in connection with or related to his or her official employment.

Certain other groups of individuals working at VA, to include residents, fee basis, without compensation, and purchase and hire employees, may also participate in the VA employee awards program in accordance with VA Handbook 5017, Employee Recognition and Awards. Refer to 0403 AUTHORITY AND REFERENCES for links to the Web site and 0406 DEFINITIONS for additional information on “employees.”

Awards may be monetary (cash) or non-monetary (non-cash material items or cash equivalents) in nature and may be given for a range of recognition. Commonly used VA award categories are Special Contribution, On-the-Spot, Productivity, Suggestion, Invention, Superior Performance, Special Achievement and Honor, to include Length of Service awards and Retirement certificate. Refer to VA Directive and Handbook 5017, Employee Recognition and Awards, and VA Office of Human Resources Management, Employee Relations and Performance Management Website for additional information on the various award recognition categories.

B. VA may incur other award expenses in conjunction with the recognition of an employee(s) when it is determined the expenses would enhance the effectiveness of the ceremony and are not expenses that would otherwise be considered a personal expense.

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1 The term “fund(s)” is used throughout the chapter to identify any type of fund or appropriation used.
2 The GEIA Act directed OPM to establish a government awards program that VA must adhere to. Refer to 5 C.F.R. 451.104 for the OPM Agency Award regulations.
expense of the employee(s). Expenses may include food or refreshments, rental of space, award items, and travel and per diem expenses for the award recipient and his or her guest when determined appropriate.

C. The Office of Financial Policy will issue an annual Departmentwide call for a list of incentive awards ceremonies held during the previous calendar year that meet the criteria as outlined in 040501C.

040102 TRADITIONAL CEREMONIES AND EXPENSES. VA may expend funds for traditional ceremonies, i.e., dedications, re-dedications, groundbreakings and anniversary ceremonies, and expenses and gifts or mementos, as determined appropriate under statutory authorities or the “necessary expense” rule ³ as established by the U.S. Government Accountability Office (GAO) Comptroller General (Comp. Gen.) decisions in accordance with the type of funds used to pay for the expenses. The “necessary expense” rule may be applied when expenditures are neither expressly authorized nor prohibited, but may be permissible only if reasonably necessary or incident to the proper execution of an authorized purpose or function of VA.

040103 FOOD OR REFRESHMENTS. VA may only expend funds for food or refreshments for certain events or activities, e.g., training, formal conferences, all inclusive rentals, or cultural events, when in accordance with the exceptions outlined in Appendix A, Food or Refreshment Purchases.

040104 GIFTS OR MEMENTOS EXPENSES. VA may expend funds for gifts or mementos as determined appropriate under statutory authorities or the “necessary expense” rule ³ as established by the GAO Comp. Gen. Decisions.

040105 CONSIDERATIONS AND ACTIONS FOR AWARDS, CEREMONIES, FOOD OR REFRESHMENTS, GIFTS OR MEMENTOS. VA will consider the nature of the ceremonies or other events and the necessary expenses that may be incurred prior to submitting or approving requests.

0402 POLICIES

040201 AWARD CEREMONIES AND EXPENSES.⁴

A. VA may expend general operating appropriations to provide an award(s) and incur necessary expense for the honorary recognition of an employee(s) within the provisions of the GEIAA and OPM regulatory award guidance. Refer to VA Directive and

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³ Refer to Government Accountability Office (GAO) Principles of Federal Appropriations Law, Volume 1, Chapter 4, Availability of Appropriations: Purpose, for further detail and guidance on “necessary expense” rule and application.

⁴ Refer to 0403 Authority and References for applicable GAO Comp. Gen. Decisions.
Handbook 5017, *Employee Recognition and Awards*, for guidance in the administration of employee recognition and awards programs and the various types of awards, nature of the awards, whether monetary or non-monetary, and the related approval process.

The following conditions will be considered when determining whether funds may be used to purchase and provide food or refreshments at an award ceremony:

- The ceremony is a special occasion that is distinct from normal day-to-day conduct of official business.

- A determination is made, and signed by a GS-15 or Title 38 equivalent in the chain of command, that food or refreshments would enhance the effectiveness of the award ceremony. Approvals may not be delegated to a level below GS-15. Documentation of the approval must be maintained with the order. Food purchase without prior approval will be considered an unauthorized commitment and could be subject to pecuniary liability under the VA Handbook 5021/15, Part I, Appendix A

- Approving Officials must ensure requests meet all the rules and regulations. Special care must be taken when considering approval of food or light refreshments, and approvers should be cognizant of the scrutiny given to Federally-funded conferences and events, and the need to avoid the perception of using taxpayer money for lavish or wasteful events.

B. VA may expend funds to pay for other necessary expenses in connection with an award ceremony based on the application of relevant Comptroller General Decisions. Expenses may include food or refreshments, rental of space, award items, and travel and per diem expenses for the award recipient and his or her guest when determined appropriate. The conditions in 040201A will also be considered when determining whether the other expenses are necessary for the award ceremony. When food or refreshments are determined to be a necessary expense, the procedures identified in 040501B will be considered and, when required, approval requested in advance.

C. Annually, the Office of Financial Policy will request from all organizational heads a list of incentive award ceremonies held in the previous calendar year as outlined in section 040501C.

040202 TRADITIONAL CEREMONIES AND EXPENSES. Expenses will be incurred in accordance with GAO Comp. Gen. Decisions, and funds may not be expended for food and refreshments served during the ceremony or at post-ceremony receptions unless recognized as an exception in Appendix A, Food or Refreshment Purchases.

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5 Refer to section 0403, Authority and References, for applicable GAO Comp. Gen. Decisions.
A. VA may expend funds for the necessary expenses as related to traditional ceremonies when they are directly connected to the construction of a public building or works or are associated with the naming or re-naming of a public building or works. Traditional VA ceremonies include dedications, re-dedications, groundbreakings, and anniversaries.

B. VA may expend funds for swearing-in ceremonies for Presidential appointees who head Staff Offices, Administrations, the Secretary, and the Deputy Secretary.

040203 FOOD OR REFRESHMENTS. VA may expend funds for food or refreshments for certain activities or in limited circumstances when the cost of the food or refreshments is incidental or of no extra cost, and is necessary to achieve the objectives or enhance participation in a program, or employees are under extreme or emergency conditions. Examples include training, formal conferences, all inclusive rentals, and cultural events. Criteria for the request will meet the conditions as outlined in Appendix A, Food or Refreshment Purchases.

040204 GIFTS OR MEMENTOS. VA may expend funds to purchase gifts or mementos, only if such items are specifically provided for in an appropriations act or other statute or are allowable under the “necessary expense” rule, where the items will directly further VA’s mission. Gifts or mementos should be of little intrinsic value and low cost to the agency.

- **VHA Statutory Authority:** Under 38 U.S.C., Section 7423 (f), the Veterans Health Administration (VHA) may purchase promotional items of nominal value for use in recruiting certain employee classifications positions that are covered under 38 U.S.C., chapter 74. These positions are considered mission-critical based on the need to interest qualified applicants, given current and anticipated job market conditions.

- **“Necessary Expense” Rule.** VA may purchase gifts, mementos or other items that are directly related to furthering the VA mission. The gift or memento may display a recruitment slogan or other specific message as space permits.

- **VHA Motivational Incentives:** Under the “necessary expense” rule, VHA has established a national policy that permits the purchase of incentive items to encourage target behaviors for patients to keep their appointments and continue treatment. See VHA HANDBOOK 1160.04, VHA Programs For Veterans With Substance Use Disorders (SUD).

- **VA may not purchase gifts or mementos for distribution to Federal employees.** Non-monetary awards presented in compliance with VA Directive and Handbook 5017, Employee Recognition and Awards, are still permitted. See VA Chief of Staff Memorandum, *Conference Oversight*, Attachment 1, dated September 26, 2012.

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6 Refer to section 0403, Authority and References, for applicable GAO Comp. Gen. Decisions.
040205 CONSIDERATIONS AND ACTIONS FOR AWARDS, CEREMONIES, FOOD OR REFRESHMENTS, GIFTS OR MEMENTOS. Proper approvals are required and all supporting documentation will be maintained by the Chief of the Finance Activity recording the obligations.

A. VA will consider the impact of non-monetary awards and their taxability on the employee. VA will ensure an award ceremony is in place before any consideration is given to food, refreshments or other necessary expenses and the documentation supports such expenditures.

B. VA will ensure the traditional ceremony and expenses are directly related to the dedication, re-dedication, groundbreaking, or anniversary ceremony and not to post-ceremony receptions (which are personal expenses).

C. VA will ensure expenses for swearing-in ceremonies are directly related to the ceremony and not to post-ceremony receptions (which are personal expenses).

D. For other activities, VA will ensure food or refreshments or gifts or mementos are directly related to the fund and contribute directly to the organization carrying out its mission, function or program. Food or refreshments will meet the specific criteria as outlined in Appendix A, Food or Refreshments Purchases. Refer to VA Financial Policy Volume XVI, Chapter 1, Government Purchase Card, for specific procedures when purchasing food or refreshments with the Government purchase card.

0403 AUTHORITY AND REFERENCES

040301 5 U.S.C. Chapter 45, Government Organization and Employees, Incentive Awards

040302 38 U.S.C. Chapter 7423 (f) Veterans Health Administration – Personnel Administration: Full-time Employees, Promotional Items of Nominal Value for Recruitment

040303 GAO Comp. Gen. Decisions: Awards Ceremonies and Expenses:
  - B-288536, Bureau of Indian Affairs, Great Plains Regional Office, Incentive Awards Ceremony, November 19, 2001
  - B-270327, Defense Reutilization and Marketing Service Awards Ceremonies, March 12, 1997
  - B-257488, Use of Appropriations for “No Red Tape” Buttons and Mementos, Item 2 Purchase of Coffee mugs and Pens under the GEIAA, November 6, 1995
  - 70 Comp. Gen.16, B236040, Career Service Awards Program, October 9, 1990
  - 65 Comp. Gen. 738, B-223319, Refreshments at Awards Ceremony, July 21, 1986
040304  GAO Comp. Gen. Decisions: Traditional Ceremonies and Expenses:
- 69 Comp Gen 242, B-236816, U.S. Army School of the Americas, Appropriation Availability, Specific Restrictions, February 8, 1990
- 56 Comp. Gen. 81, B-186998, Appropriations - Availability - Invitations - Change of Command Ceremonies - Coast Guard, November 9, 1976
- 53 Comp. Gen. 119, B-177788, Commander, Navy Accounting and Finance Center – Ceremonies and Cornerstones – Dedication, August 27, 1973
- B-158831, U.S. Department of the Interior, Bureau of Land Management - Payment of Vouchers, June 8, 1966
- B-11884, Recorder of Deeds, District of Columbia – Expenses for Cornerstone Ceremony, August 26, 1940

040305  GAO Comp. Gen. Decisions: Gifts or Mementos:
- B-257488, Use of Appropriations for “No Red Tape” Buttons and Mementos, November 6, 1995
- 72 Comp. Gen. 73, B-247686, EPA Purchase of Buttons and Magnets, December 30, 1992
- B-247563.4, Expenditures by the Department of Veterans Affairs Medical Center, Oklahoma City, Oklahoma (II), December 11, 1996
- B-193769, Lava Rocks Distributed by National Park Service at Capulin Mountain National Monument, January 24, 1979

040306  Principles of Federal Appropriations Law, Third Edition, Volume 1, Chapter 4, Section C, Part 5a(2)

040307  Internal Revenue Service Publications 15-A Employer’s Supplemental Tax Guide and 15-B Employer’s Tax Guide to Fringe Benefits

040308  VA Directive and Handbook 5017, Employee Recognition and Awards

040309  Office of Human Resources Employee Relations and Performance Management Website

040310  Office of Financial Policy Publications Library

040311  VA Forms Web site

040312  VA Chief of Staff Memorandum, Conference Oversight, September 26, 2012, Attachment 1

**0404 ROLES AND RESPONSIBILITIES**

040401  The Assistant Secretary for Management/Chief Financial Officer (CFO) oversees all financial management activities relating to the Department’s programs and operations as required by the Chief Financial Officers Act of 1990 and 38 U.S.C. 309.
Responsibilities include the direction, management and provision of policy guidance and oversight of VA’s financial management personnel, activities and operations. The CFO establishes financial policy, systems and operating procedures for all VA financial entities and provides guidance on all aspects of financial management.

040402 Under Secretaries, Assistant Secretaries, Chief Financial Officers, Chiefs of Finance Activities, Fiscal Officers, Chief Accountants and other key officials are responsible for ensuring compliance with the policies and procedures set forth in this chapter.

0405 PROCEDURES

040501 AWARD CEREMONIES AND EXPENSES.7

A. Under the GEIAA, VA organizations may pay for the awards and related necessary expenses associated with a ceremony for employee recognition. All expenses incurred for the award(s) will come from the awards budget of the office whose employee(s) is being recognized. When the VA organization primarily benefiting from the employee’s contribution is not the recipient’s employing organization, funds may be transferred (i.e., an expenditure transfer) to the employing organization to cover the award amount. Related necessary expenses may be paid from funds available to the organization the employee is assigned or the organization primarily benefiting from the employee contribution.

1. Cash and cash equivalent awards (e.g., gift cards, gift certificates and savings bonds) are always taxable and cannot be considered de minimis in value.

2. Certain achievement awards and non-monetary awards of de minimis value may be non-taxable. All expenses related to covering the full cost (to include covering taxes) of an award will also come from the awards budget.

   a. Length of service or safety achievement awards may be excluded from the taxable wages of the employee(s) receiving the awards.8

   (1) The length of service or safety achievement award must be tangible personal property (Tangible personal property for this purpose cannot include any of the following: cash, gift cards, gift certificates or savings bonds.) and awarded as part of a meaningful presentation and not disguised as compensation.

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7 Refer to VA Directive and Handbooks 5017, Employee Recognition and Awards, for detailed guidance on the administration of employee recognition and awards programs and the various types of awards, nature of the awards, whether monetary or non-monetary, and the related approval process.

(2) The annual excludable tax amount for a length of service or safety achievement award is $1,600 for a qualified plan or $400 for a non-qualified plan.

- Qualified plan awards are achievement awards under a written plan that does not discriminate in favor of highly compensated employees.\(^9\)

- An award cannot be treated as a qualified plan award if the average cost per recipient of all awards under all of the qualified plans is greater than $400.

b. Other non-monetary awards may be non-taxable if they are of de minimis value. In determining whether the item is of de minimis benefit, the value of the item and the frequency with which it is given will be considered.

(1) The item will be occasional or unusual in frequency and the value is so small that accounting for the item is unreasonable or impractical. The frequency to consider refers to the frequency for which similar items are provided by VA to the employees.

(2) The maximum value will not exceed $100 when considering the de minimis value.\(^10\) Refer to 040505A1 for additional information to be considered when non-monetary awards are presented.

B. VA may expend funds to pay for other related necessary expenses in connection with the recognition granted under VA’s employee recognition and awards program in accordance with GEIAA when it is determined the expenses will enhance the effectiveness of the ceremony or presentation. The expenses may be paid from funds available to the organization the employee is assigned or the organization primarily benefiting from the employee contribution or from the various funds available to the organizations benefiting from the employee contribution.

1. Food or Refreshments and Rental of Space. When the above conditions in paragraph 040201A are met, the following criteria will apply when food or refreshments and/or rental space are purchased and provided for incentive award ceremonies. Refer to 040501B5 for the specific limitations for food or refreshments and the number of attendees associated with Federal Executive Board Career Service Awards. The limitations established below are for all other award ceremonies.

a. The total cost for food or refreshments and space rental per person will be of a nominal value and will not exceed $30 per person unless proper approval has been requested and received in advance of the award ceremony. Should an Award

\(^9\) Additional guidance for determining “highly compensated” employees may be found in IRS Pub 535, Business Expenses. This amount may vary from year to year.

\(^10\) Based on IRS Chief Counsel Advice 200108042, Dec 20, 2000, ruling that items with a value exceeding $100 would not be considered de minimis, even in unusual circumstances. IRS De Minimis Fringe Benefits [http://www.irs.gov/govt/fslg/article/0,,id=184791,00.html](http://www.irs.gov/govt/fslg/article/0,,id=184791,00.html).
Ceremony exceed $10,000 in total it must also be approved in advance of the event. Request for approval must be submitted as follows:

<table>
<thead>
<tr>
<th>Organization</th>
<th>Approving Official</th>
</tr>
</thead>
<tbody>
<tr>
<td>Veterans Benefit Administration; Veterans Health Administration; and National Cemetery Administration</td>
<td>Under Secretary</td>
</tr>
<tr>
<td>Board of Veterans’ Appeals</td>
<td>Chairman of the Board of Veterans’ Appeals</td>
</tr>
<tr>
<td>Staff Offices</td>
<td>Assistant Secretary</td>
</tr>
<tr>
<td>Office of General Counsel</td>
<td>General Counsel</td>
</tr>
<tr>
<td>Other Organizations</td>
<td>Assistant Secretary for Management</td>
</tr>
</tbody>
</table>

c. The approval authority for food or refreshments or invitees may not be delegated below the levels stated. No other concurrence is required. If payment is made by the purchase card, refer to Volume XVI, Chapter 1, Government Purchase Card, for specific procedures.

- Blanket Purchase Approval cannot be used for advance approval of refreshments for conferences and/or incentive award ceremonies. Blanket approval may be used for approval of routine food and beverage purchases for volunteer meals, Nutrition and Food Service meals for patients, and food and beverage purchases using General Post Funds, not to exceed six months.

2. Promotion and Publicity of the Ceremony. VA may expend funds to pay for costs of promotion, publicity and administration of an incentive award ceremony at the discretion of the first GS-15 or Title 38 equivalent person in the chain of command.

3. Award Items. VA may purchase items of nominal cost (not to exceed $100 per item) for non-monetary honorary awards presented to recipients at an award ceremony. Examples of these items may include engraved coins, plaques, certificates, engraved desk accessories, mugs, pens, medals, citation badges, jackets bearing agency insignia, and T-shirts.

4. Invited Guest(s) and Additional Member(s). VA may expend funds to pay for the presence of a spouse, other family member(s), and/or prominent person(s) when an authorized VA management official determines that their presence would materially enhance the incentive award ceremony. The cost of the food or refreshments for the guest(s) may also be considered a necessary expense of the fund. The expenses for these persons would be governed by the requirements outlined in the above paragraphs covering the expenses for GEIAA ceremonies above.

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11 The position or title of the presenting official may be engraved on the coins, but, with the exception of the Secretary, the name of the presenting official should not be engraved on the coins.
5. Federal Executive Board Career Service Awards. VA may expend funds to pay the fee charged for the attendance of nominees, award recipients and supervisors or managers attending a regional award ceremony and luncheon sponsored by a local Federal Executive Board.\(^{12}\) Prior approval for paying the expenses of an attendee will be necessary when the cost per person is greater than $50 or the number of VA attendees is greater than 50. Approval will be submitted as outlined in paragraph 040501B1a.

040502 TRADITIONAL CEREMONIES AND EXPENSES. Expenses must bear a logical relationship to the fund sought to be charged and must make a direct contribution to carrying out either the purpose of a specific fund or an authorized agency function for which more general funds are available. The expenses must not be prohibited by law.

A. VA recognized traditional ceremonies are dedications, re-dedications, groundbreakings, and anniversaries. VA also recognizes swearing-in ceremonies. Ceremonies for office renovations and improvements or the opening of a component part of a building are not considered traditional ceremonies, e.g., opening of a cafeteria.\(^{13}\)

1. Other expenses directly related to the ceremony and the construction or opening may be purchased. Expenses may include, but are not limited to, printing of invitations or programs, flowers or centerpieces, chrome plating and engraving on a ceremonial shovel, transportation, and rental of platforms, carpets, tents, chairs and public address systems.

2. Funds may not be used for the purchase of food or refreshments unless expressly allowed in a legal authority, such as an appropriations act or other statute or recognized as an exception in Appendix A, Food or Refreshment Purchases.

3. Funds may not be used for the purchase of post ceremony activities, e.g., entertainment or food, unless expressly allowed in a legal authority such as an appropriations act or other statute or recognized as an exception in Appendix A, Food or Refreshment Purchases.\(^{14}\)

B. VA recognizes that traditional ceremonies for ground-breakings or dedications may exceed the normal ceiling of $10,000 where an infrastructure does not exist, e.g. a new cemetery groundbreaking held in an area where there are no roads. Administrations should refer to other guidelines specific to their administrations for requesting approvals.

\(^{12}\) B236040, 70 Comp. Gen.16, Career Service Awards Program, dated October 9, 1990.


\(^{14}\) Exceptions may include funding from the Secretary's Reception and Representation Expenses, the General Post Fund or the Canteen Promotional Fund.
040503  FOOD OR REFRESHMENTS FOR OTHER ACTIVITIES.  Refer to Appendix A, Food or Refreshment Purchases, for the general rules, exceptions and criteria for purchasing food or refreshments at other activities or as authorized in statutory authority. Also refer to Volume XVI, Chapter 1, Government Purchase Card, for specific procedures when purchasing food or refreshments with the Government purchase card. A few examples of exceptions to the general rules may include the following:

- Training Event – VA hosts a training event as part of the Government Employees Training Act (5 U.S.C 4109) and food is necessary to achieve the objectives of the program. VA may also pay for food or refreshments for guest speakers when presentations are conducted during lunch or dinner sessions. Refer to VA Financial Policy, Volume XIV, Chapter 7, Local Travel, for approval requirements to provide food at training events when participants are within the local commuting area.

- Formal Conference – VA hosts a formal conference and food is a legitimate conference expense.

- Cultural Event – VA hosts a cultural awareness event and the food is part of a formal event and is meant to advance EEO objectives to enhance awareness of a cultural or ethnic heritage.

040504  GIFTS OR MEMENTOS.  VA may purchase gifts, mementos or other items that are directly related to furthering the VA mission or are specifically authorized by statute, e.g., VHA statutory authority for purchase of promotional items for use in recruitment (refer to 040204). The gift or memento may display a recruitment slogan or other message as space permits.

A. Gifts or mementos to employees: It is not permissible to purchase promotional items, such as mementos, gifts, keepsakes, coins, prize items, and other VA “logo” or “message” items for distribution to VA and other Federal employees.

B. Gifts or mementos to members of the public: Inexpensive gifts or mementos that promote further understanding of a VA program or mission may be distributed to members of the public as a recruitment tool or to conduct outreach and inform the public about agency programs. For example, it is permissible to distribute informational and educational items inscribed with VA contact information that direct Veterans to services, such as notepads, pens, matchbooks, and jar grip openers.

040505  CONSIDERATIONS AND ACTIONS FOR AWARDS, CEREMONIES, FOOD OR REFRESHMENTS, GIFTS OR MEMENTOS.

A. Award Ceremonies and Expenses.

1. Non-Monetary Awards Taxability.
a. In accordance with 5 C.F.R. 451.104(c), “An award is subject to applicable tax rules, such as withholding.” However, per IRS Publication 15-B, Employer’s Tax Guide to Fringe Benefits, there are two exclusions under fringe benefits specific to this rule: Achievement awards for length of service or safety and de minimis fringe benefit items. Refer to paragraph 040501A for additional information on both of these exclusions and the considerations for whether they are taxable or not.

b. It is the responsibility of the award approving official to determine the fair market value (FMV) for tax purposes. The FMV may be the purchase price of the item, but the FMV will be determined based on all of the facts and circumstances.

c. When the award is taxable, the approving official may choose and has the final decision, to “gross-up” taxable awards in order to cover the employee’s taxes on an award. When an award amount is “grossed-up” to cover the taxes, both the value of the award and the taxes must be included in the employee’s gross wages.

• The approving official will complete the certification on VA Form-4659, Incentive Awards Recommendation and Approval (Revised, Aug 1999), indicating that the non-monetary award has a non-cash value greater than the values as considered in paragraph 040501A.

• Based on the information provided in each field, Payroll will record the action appropriately. The “SPECIAL USE” section must be completed and certified by the approving official.

2. A legitimate award ceremony must be in place before consideration may be given to the purchase of food or refreshments. Incentive award ceremonies are not to be “created” as an excuse to purchase food or refreshments. When funds are used to purchase food or refreshments for the incentive award ceremony, including when payment is made by a Government purchase card\textsuperscript{15}, the requesting official will prepare a written justification and obtain approval from a GS-15 or Title 38 equivalent in the chain of command, before initiating the obligation document or purchase order. The justification will cite the GEIAA as the proper authority. The approving official will sign the determination and the documentation will be retained.

Approval Officials must ensure requests meet all the rules and regulations. Special care must be taken when considering approval of food or light refreshments, and approvers should be cognizant of the scrutiny given to Federally-funded conferences and events, and the need to avoid the perception of using taxpayer money for lavish or wasteful events.

\textsuperscript{15} Refer to Volume XVI, Chapter 1, Government Purchase Card, for specific procedures when purchasing food or refreshments with the Government purchase card.
a. The requesting official will consider the following when determining what expenses are necessary and appropriate for the ceremony:

- The attendance and invitation is broader than just those being recognized;
- The perception of the ceremony or gifts or mementos is of nominal value; and
- There is adherence to spending limits and number of invitees unless approval has been expressly requested per the policy.

b. The requesting official will forward the obligation request with all supporting documentation to include the signature (written or electronic) of the approving official, as outlined in 040501B1a above, to the chief of the finance activity.

c. The chief of the finance activity will maintain the obligation request and all supporting documentation for reporting requirements and audit purposes.

d. Any requested expense considered legally questionable will be forwarded through the appropriate chain of command to the Regional Counsel or the Office of General Counsel for legal review prior to obligation and purchase.

B. Traditional Ceremonies and Expenses. Traditional ceremonies are directly related to the construction or opening of a public building or public works. Renovations or other events may include ground-breaking or dedication ceremonies.

1. VA may pay expenses related to dedications, re-dedications, ground-breaking or anniversaries. Ceremonies for office renovations and improvements or the opening of a component part of a building are not considered traditional ceremonies.  

2. VA may not purchase food or refreshments or gifts or mementos to provide at the traditional (or post) ceremony unless expressly allowed in a legal authority, such as an appropriations act or other statute or recognized as an exception in Appendix A, Food or Refreshment Purchases.

3. The requesting official will forward all requests and supporting documentation to the appropriate official for review and approval. The construction project and fund will be cited on all requests. Refer to applicable administration guidance for detailed procedures, limitations and approval requests.

C. Food or Refreshments for Other Activities and Gifts or Mementos. In accordance with GAO Comp. Gen. Decisions and this policy, food or refreshments and gifts or

mementos will bear a logical relationship to the fund charged and must directly contribute to the organization carrying out its mission or function.

1. The requesting official will provide supporting documentation to the approving official that may be used to determine the relationship of the item being purchased to how it is furthers or contributes to the organization’s mission or function. The requesting official will cite the appropriate authorization or “necessary expense” rule as the authority.

2. For food or refreshments for other activities, purchases will meet the exceptions to the general rules for purchasing food or refreshments. Refer to Appendix A, Food or Refreshment Purchases, for the general rules, exceptions and criteria. Refer to Volume XVI, Chapter 1, *Government Purchase Card*, for specific procedures when purchasing food or refreshments with the Government purchase card.

3. For gifts or mementos, the item being purchased will be of little intrinsic value to the recipient, whether an employee or member of the public.

4. Any requested expense considered legally questionable by the requestor or the approver will be forwarded to the chief of the finance activity. The chief may forward any questions through the appropriate chain of command to the Regional Counsel or the Office of General Counsel for legal review prior to purchase.

0406 DEFINITIONS

040601 Award. A generic reference to the entire range of rewards available to recognize an employee under VA’s Employee Recognition and Awards Program including monetary, non-monetary, honorary and time-off awards.

040602 Award Ceremony. A formal observance to recognize employees with special awards. The ceremony must include more than just the employees being recognized.

040603 Certificate. A document of recognition with an honor connotation; e.g., high performance certificate, certificate of participation in an event. A certificate does not have a cash value. A gift certificate is not a certificate; it always has a cash value.

040604 Cultural Event. An event to celebrate ethnic history to advance audience awareness of culture and offered as an educational experience. A cultural event is normally presented as part of an EEO program objective.

040605 De Minimis. Concept of value which considers both the value of the item and the frequency with which it is provided is so small as to make accounting for it

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17 Excludes food and refreshments provided during awards ceremonies discussed in paragraphs 040201 and 040501.
unreasonable or impractical. An essential element is that it is considered occasional or unusual in frequency. It must not be disguised as a form of compensation.

040606 Employee. For purposes of the VA Employee Recognition and Awards Program, an employee is an individual who meets the definition as identified in the VA Handbook 5017, Employee Recognition and Awards, Part I, paragraph 2. For additional guidance, refer to VA OGC Advisory Opinion, VAOPGCADV 6-99, Applicability of the Employee Recognition and Awards Program to Residents and to Fee Basis, Without Compensation and Purchase and Hire Employees (April 5, 1999). 18 Per VA Handbook 5017, the employee must also meet the following requirements: (1) engaged in the performance of a Federal function under authority of law or an Executive act; (2) subject to the supervision of an individual named by subparagraph 040606A1 while engaged in the performance of the duties of a position; and (3) currently performing at a successful level. Performance requirements for Special Advancements and awards for Exemplary Job Performance and Exemplary Job Achievement for title 38 employees are contained in VA Handbook 5017, Part V, Title 38 Special Advancements and Cash Awards.

040607 Food or Refreshments. Examples of refreshments include coffee, tea, milk, juice, soft drinks, donuts, bagels, fruit, pretzels, cookies, chips and muffins. Food may include a buffet luncheon or a meal.

040608 Fair Market Value (FMV). For this policy and tax purposes, FMV is the value or amount of a fringe benefit (non-monetary award) an employee would have to pay a third party in an arm’s-length transaction to buy or lease the benefit. All the facts and circumstances are considered to determine the amount.

040609 Formal Conference. A meeting or conference requiring registration, published materials and an agenda and scheduled speakers. The conference also involves matters of interest to multiple agencies or non-governmental participants.

040610 Honor Award. Formal, non-monetary recognition for significant one-time or career achievements. For example, a Secretary or Organizational Honor Award, Length of Service Award, Retirement Certificate or Career Award.

040611 Incentive Award. A monetary, non-monetary or honor award to recognize the contribution, special act or service of an employee.

040612 Intrinsic Value. The difference between the perceived value of an asset and its actual market value.

18 The OGC Advisory Opinion held that certain title 38 employees may be recognized under the VA Employee and Awards Program, to include residents appointed under 38 U.S.C., SECTION 7406, WOC employees appointed under 38 U.S.C., SECTION 513, 7405, fee basis employees appointed under 38 U.S.C., SECTION 7405 and purchase and hire employees appointed under 38 U.S.C. 7405.
040613 Mementos. Keepsakes or souvenirs designed to commemorate an event or occasion.

040614 Monetary Award. Cash awards are always taxable.

040615 Motivational Incentives. Evidenced-based psychosocial treatment interventions used to reinforce behaviors. The target behavior to be reinforced by the motivational incentives must be clearly defined and objectively measured (typically abstinence from non-prescribed substances with verification using laboratory or point of care testing of specimens).

040616 Necessary Expenses. Expenses that are neither expressly authorized nor prohibited, but may be permissible only if reasonably necessary or incident to the proper execution of an authorized purpose or function of VA. The necessary expense doctrine does not require that a given expenditure be “necessary” in the strict sense that the expenditure would be the only way to accomplish a given goal, rather that the expenditure will contribute to accomplishing the purposes of the appropriation charged. In this regard, an agency should consider the benefit to the agency expected from an expenditure of funds for a necessary expense.

040617 Non-monetary Award. Examples include plaques, medals, certificates, gift certificates, savings bonds, desk items such as pens and clothing items (e.g., T-shirts). Gift certificates, gift cards and savings bonds are always taxable. Material items exceeding the de minimis value are also taxable.

040618 Post-Ceremony Event. A reception or activity held after the official ceremony. For example, in the case of a building dedication, the ceremony is the actual act of breaking ground with the ceremonial shovel, laying of a cornerstone, or cutting of a ribbon. Refer to 040502A1 for allowable ceremony expenses. Food, entertainment, and mementos immediately afterwards would be a post-ceremony reception, subject to the restrictions in 040502A2.

040619 Public Building or Works. A public space, area or place that is open and accessible to all people, regardless of gender, race, ethnicity, age or socio-economic level.

040620 Re-dedication Ceremony. Ceremonies held for the naming or re-naming of a public building or works.

040621 Traditional Ceremonies. Ceremonies held in observance of a special occasion. As related to this policy, it is specific to the construction, opening of or the naming or re-naming of a public building or works, specifically dedications, re-dedications, ground-breakings or anniversaries.
• Ground-breaking or dedication ceremonies are appropriate for new and replacement facilities, which may include major additions to an existing facility or new satellite outpatient clinics.

• Re-dedication ceremonies are appropriate when a facility or a portion of a facility is re-named for an individual.

• Anniversaries may generally be conducted at 25-year intervals.

0407 RESCISSIONS

040701 Volume II, Chapter 4, Incentive Awards and Ceremony Expenses, dated December 2010

040702 OF Bulletin 02GA2.04, dated February 14, 2002

040703 OF Bulletin 09047E3.01, Government Purchase Card Procedures for Food Purchases, Attachment, April 14, 2009

0408 QUESTIONS

Questions concerning these financial policies and procedures should be directed as follows:

VHA VHA CFO Accounting Policy (10A3A) (Outlook)
VBA VAVBAWAS/CO/FINREP (Outlook)
All Others OFP Accounting Policy (Outlook)

0409 REVISIONS
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<td>040201</td>
<td>Lowered food and beverage approval from SES to GS-15. Added liable</td>
<td>OFP (047GA)</td>
<td>Requested by Administrations</td>
<td>April 2016</td>
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<tr>
<td>040501</td>
<td>Removed 100 person attendees limit</td>
<td>OFP (047GA)</td>
<td>Requested by VHA volunteer services</td>
<td>April 2016</td>
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<tr>
<td>040501</td>
<td>Award ceremonies capped at $10,000 per ceremony</td>
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<tr>
<td>040501</td>
<td>Removed award ceremony reporting requirement</td>
<td>OFP (047GA)</td>
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<td>040505</td>
<td>Award ceremony cost raised from $20 to $30 per person</td>
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<td>040101</td>
<td>Revised language for cash equivalents to be consistent with HR 5017</td>
<td>APPS</td>
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<td>040202 &amp; 040502</td>
<td>Added reference for swearing-in ceremonies Corrected 040202.</td>
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<td>040204 &amp; 040504</td>
<td>Updated Gift and Mementos in accordance with COS prohibition for Federal or VA employees</td>
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<td>Added definition of motivational items. Revised definitions for Monetary and Non-monetary</td>
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### Appendix B

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APPENDIX A: FOOD OR REFRESHMENT AND GALA PURCHASES\textsuperscript{19}

A. General Rule for Purchasing Food or Refreshments with Government Funds

In the absence of a specific exception, the use of Government funds to purchase refreshments for either Government personnel or non-Government individuals, including VA beneficiaries and stakeholders, is not authorized. The general rule is that appropriated funds are not available to pay subsistence or to provide free food to Government employees at their official duty stations. Refer to \textit{In Matter of Use of Appropriated Funds to Purchase Light Refreshments at Conferences}, B-288266 (2003). The broader rule is that appropriated funds are not available for entertainment, including free food for employees and non-employees, except under specific statutory authority. Refer to \textit{To the Administrator, Veterans Administration}, 43 Comp. Gen. 305 (1963).

1. No Refreshments at Business Meetings. Furthermore, the Comptroller General has held that appropriations are not available to serve coffee or other refreshments to either employees or private individuals at business meetings. \textit{To Anne M. Crugnale, Internal Revenue Service}, B-164764 (1968). Accordingly, it is not permissible to purchase refreshments for the following: Meetings to plan events or conferences, meetings of VA political appointees to discuss VA business, workgroup or task force meetings, offsite “retreat” meetings (although per diem would be available if the attendees are on authorized travel), and meetings with community partners. Limited exceptions to this prohibition are discussed below.

2. No Luncheons or Parties. It is not permissible to use appropriated funds to purchase refreshments for luncheons and parties, e.g., a luncheon event hosted by community partners or stakeholders, a party to celebrate a holiday, retirement, or a facility reaching a milestone or goal, a reception held in conjunction with a traditional ceremony (including, but not limited to, dedications, re-dedications, groundbreakings, and anniversary ceremonies. Limited exceptions to this prohibition are discussed below.)

3. Common Business Practice or Courtesy is NOT Adequate Justification. Note that “reference to "common business practice" is not in itself an adequate justification for spending public money on food, or, for that matter, other objects. An expenditure of public funds will be anchored in existing law, not the practices and conventions of the private sector.” Refer to \textit{In Matter of Use of Appropriated Funds to Purchase Light Refreshments at Conferences}, B-288266 (2003).

\textsuperscript{19} The appendix information is based on an OGC White Paper on Refreshments Purchases by the Office of General Counsel. It includes updates to reflect the latest VA policy.
B. Exceptions to Food or Refreshments Purchases

A number of established exceptions exist to the general rule and GAO Comp. Gen. Decisions have recognized new exceptions in recent years. The following is a list of the most common exceptions at VA for food or refreshment purchases:

1. Award Ceremonies under the Government Employees Incentives Awards Act, 5 U.S.C., Section 4501-4506. Under the Government Employees Incentive Awards Act, appropriated funds may be used to provide refreshments and/or food at award ceremonies. If an authorized official determines that refreshments and food would materially enhance the effectiveness of the award ceremony, the cost of the refreshments or food may be considered a necessary expense and charged to the operating appropriation. The expenditure should be limited to an amount in relation to the nature of the awards being presented and the number of people attending the ceremony. Refer to the applicable chapter sections titled Award Ceremonies and Expenses for detail guidance and requirements.

2. Training under the Government Employees Training Act, 5 U.S.C., Section 4109. The Government may provide food or refreshments under this authority if the agency determines that providing the food or refreshments is necessary to achieve the objectives of the training program. The “training session” must be more than a “working session” or meeting to discuss routine agency business -- “training” means the process of providing for and making available to an employee, and placing or enrolling the employee in, a planned, prepared, and coordinated program, course, curriculum, subject system, or routine of instruction or education, in scientific, professional, technical, mechanical, trade, clerical, fiscal, administrative, or other fields which will improve individual and organizational performance and assist in achieving the agency's mission and goals. 5 U.S.C., Section 4101(4); To the Secretary of Agriculture, 39 Comp. Gen. 119 (1959). Refer to VA Financial Policy, Volume XIV, Chapter 7, Local Travel, for approval requirements to provide food at training events when participants are within the local travel area.

   a. This generally requires a determination that attendance during the meals is necessary in order for the attendees to obtain the full benefit of the training. See, Coast Guard – Coffee Break Refreshments at Training Exercise – Non-Federal Personnel, B-247966 (1993). See also Pension Benefit Guar. Corp. – Provision of Food to Employees, B-270199, (1996) (Food was not needed for employee to obtain the full benefit of training because it was provided during an ice-breaker rather than during actual training). The determination of whether the meals are necessary for effective training should be made by program management at a level higher than that sponsoring the training.

   b. The training exception requires that the event be genuine "training," rather than merely a meeting or conference. The GAO and other auditors will not merely defer to an agency's characterization of a meeting as “training.” Instead, they will closely scrutinize
the event to ensure it was a valid program of instruction as opposed to an internal business meeting. Refer to Corps of Eng’rs – Use of Appropriated Funds to Pay for Meals, B-249795, 72 Comp. Gen. 178 (1993) (determining that quarterly managers meetings of the Corps did not constitute “training”). This would, again, be a determination for program management at a level higher than that hosting the training.

c. The VA sponsor of training at which one or more meals will be provided should remind travelers that they must prorate their per diem so that they do not claim reimbursement for the meal(s) provided.

3. Guest Speakers for Training Events. VA may furnish meals to guest speakers who are Government employees as a necessary expense of conducting training. See Matter of: Ruth J. Ruby-Claim for Luncheon Cost at Training Conference, 65 Comp. Gen. 143 (1985); To Sally N. Cross, Department of Agriculture, 48 Comp. Gen. 185 (1968). In both of the cited cases, the guest speakers made presentations to the trainees during lunch or dinner sessions. Thus, the speakers’ participation in the meals was a necessary incident to providing the training.

4. Cultural Events. VA may use funds to purchase refreshments at cultural awareness events if: (1) the food is part of a formal program intended to advance EEO objectives and enhance the audience awareness of the cultural or ethnic history being celebrated; and (2) the food is a sample of the food of the culture and is being offered as part of the larger program to serve an educational function. Refer to Matter of: U.S. Army Corps of Engineers, North Atlantic Division -- Food for a Cultural Awareness Program, B-301184 (2004).

This exception is limited to cultural or ethnic heritage awareness events. It is not acceptable for VA to serve refreshments to employees with disabilities attending a "National Employ the Handicapped Week" luncheon because "[u]nlike ethnic and cultural minorities, handicapped persons do not possess a common cultural heritage." Refer to Matter of: Army-Food served at luncheon honoring handicapped employees, 64 Comp. Gen. 802 (1985).

5. Hosting a Formal Conference. When VA hosts a “formal” conference and food is a legitimate conference expense, VA may pay for food or refreshments for all attendees. The formal conference will include a registration, a published agenda and scheduled speakers and the conference must involve matters of topical interest to multiple agencies and/or non-governmental participants.

The refreshments must be: (1) incidental to the conference, (2) important to ensure attendees’ full participation in essential discussions, and (3) part of a formal conference that has separate substantial functions occurring (e.g. discussions, speeches or other business) outside of when the food or refreshments are served.
a. All requests for food or refreshments at a formal conference will be submitted through the appropriate chain of command for approval. Requests should cite the criteria set forth in Comp. Gen., B-300826, *National Institutes of Health - Food at Government-Sponsored Conferences* (2005) and be in compliance with the procedures in the VA Conference Directive and Handbook.

b. The VA sponsor of a conference at which one or more meals will be provided should remind Federal travelers that they must pro-rate their per diem so that they do not claim reimbursement for the meal(s) provided. Refer to VA Financial Policy, Volume II, Chapter 2, *Travel Per Diem*, for additional information.

c. This exception does not apply to purely internal business meetings/conferences.

6. **All-Inclusive Rental Fee for a VA Meeting Held at an Outside Facility.** VA may use funds to pay for food or refreshments at a routine agency meeting (to discuss day-to-day operations) when the meeting is held at other than a VA facility and the space rental includes the food at no extra charge. Refer to *In the Matter of Nuclear Regulatory Commission (NRC) -- Payment of a Non-Negotiable, Non-Separable Facility Rental Fee that Covered the Cost of Food Served at NRC Workshops*, B-281063 (1999).

The following criteria will be applied:

a. The meeting will not be scheduled at an outside facility simply to provide food or refreshments.

b. The rental fee will not be negotiated with the prerequisite that food be furnished and then be computed into the overall cost to appear it is being offered at no extra charge.

7. **Light Refreshments at Agency Meeting Where All Attendees are in Travel Status.** GSA’s Federal Travel Regulations provide that agencies sponsoring a conference, defined as a meeting, retreat, seminar, symposium or event that involves attendee travel, may provide light refreshments to agency employees in attendance. After the Comptroller General opined that GSA did not have the authority to authorize agencies to pay for light refreshments for those not in a travel status, GSA issued a written clarification that states that agencies are advised that providing light refreshments during conference breaks cannot be provided to individuals in a non-travel status at Government expense. Accordingly, if there are any local participants in an agency meeting, it is not permissible to purchase light refreshments. If all attendees are in travel status and light refreshments are furnished at nominal or no cost, no deduction of per diem is required. 41 C.F.R. 301-74.21.

8. **Focus Groups.** VA may use funds to pay for incentives in the form of refreshments or light meals to increase participation in and the effectiveness of focus groups to evaluate VA programs if the office conducting the evaluation makes an administrative
determination that providing such incentives encourages participation in and improves the quality of information gleaned from focus groups. GAO has cautioned that such incentives should be used strictly for non-employee focus groups and not for internal employee meetings or focus groups. Refer to Veterans Benefits Administration--Refreshments for Focus Groups, B-304718 (2005).

9. Employees under Extreme or Emergency Conditions. When conditions are of such an extreme and unusual nature as to prevent employees from leaving an office, and the office must be staffed on a 24-hour basis during an emergency involving danger to human life and Federal property, VA may use funds to provide food to the affected employees. The requirement to remain on duty for a 24-hour period, standing alone, is not enough to meet this exception, nor is the requirement to remain on duty beyond regular working hours. Refer to Matter of: To the Postmaster General, 42 Comp. Gen. 149 (1962). Inclement weather is also not enough to substantiate an exception. Refer to Matter of: Sandra Bradshaw-Lodging and Meal Expenses at Headquarters, B-226403 (1987). Also refer to Matter of: FBI Payment for the Refreshments during Organized Crime Investigation, B234813 (1989) and Matter of: Secret Service agents' meal expenses while on 24-hour-a-day protective duty, B-202104 (1981).

10. Charges for Meals at Meetings Sponsored by Nongovernment and Other Government Organizations. For meetings sponsored by non-government organizations, the attendee will commonly be charged a fee, usually but not necessarily called a registration fee. If a single fee is charged covering both attendance and meals and no separate charge is made for meals, the government may pay the full fee, assuming of course that funds are otherwise available for the cost of attendance, under the legal authority of 5 U.S.C., Section 4110.

If a separate charge is made for meals, the government may pay for the meals if there is a showing that (1) the meals are incidental to the meeting; (2) attendance of the employee at the meals is necessary to full participation in the business of the conference; and (3) the employee is not free to take the meals elsewhere without being absent from essential formal discussions, lectures, or speeches concerning the purpose of the conference. Refer to Letter to Walter W. Pleines, Social Security Administration, B-233807 (1990). Absent such a showing, the government may not pay for the meals. Refer to To Mr. M. L. Collins, Authorized Certifying Officer, United States Department of Agriculture, B-154912 (1964). These rules apply regardless of whether the conference takes place within the employees’ duty station area or someplace else.

Although 5 U.S.C. 4110, which authorizes agencies to incur meeting attendance expenses, generally applies only to meetings sponsored by non-governmental organizations, the Comptroller General has extended section 4110 to meetings sponsored by other government organizations as long as the meeting satisfies the same conditions as required for non-government-sponsored meetings and the government-sponsored meeting is not an internal business meeting. Refer to Meals at Headquarters Incident to Attendance at Meeting, B-198471 (1980).
11. Volunteers whose Tour Extends over meal Period. VA may purchase meals for volunteer workers when their scheduled assignment extends over a meal period, subject to an administrative determination that the furnishing of such meals is in the interest of the Government. To Administrator, Veterans Administration, B-145430 (1961). VHA Handbook 1620.01 provides that VHA may provide meals to volunteers if their scheduled assignment is at least four hours or the value of the service provided is commensurate with the value of the meal.

12. Meals for Residents. Under 38 U.S.C., Section 7406(b), the Secretary has the authority to prescribe the conditions of employment, including the customary amount and terms of pay and benefits, for residents. Pursuant to this authority, VHA policy provides that facility directors may establish meal plans for non-career medical and dental residents under certain circumstances. Refer to VHA Manual, M-1, Part I, Chapter 2, Subsistence, paragraph 2.29, Meals Furnished to Non-career Medical and Dental Residents (House Staff) Based on Locality Practices for detail information. The manual may be accessed on the Nutrition and Food Services Related Directives and Handbooks Web site, http://vaww.nutrition.va.gov/.

13. Bottled Water. VA may purchase bottled water for the personal use of employees at their official duty stations if there is no available potable (i.e., drinkable) water or for emergency preparedness purposes. For instance, it is permissible to purchase and stockpile bottled water for use by VA employees in preparation for an emergency which either cuts off the supply of potable water or renders such water unsafe for human consumption. It is also permissible to purchase and stockpile bottled water for use by VA patients or for equipment that requires water for its operation or proper sanitization, in preparation for an emergency which either cuts off the supply of potable water or renders such water unsafe for human consumption.


a. 38 U.S.C., Section 8301 permits GPF expenditures of specific donations which will enhance the Secretary’s ability to provide services or benefits, which may include, food, refreshments, and entertainment incurred for dedication ceremonies, re-dedication ceremonies, groundbreakings, and building anniversaries. A specific donation to the GPF is any gift, bequest, devise, or donation received by a VA official that the donor has specified be used for the exclusive benefit of patients or members at one VA facility or for which the donor designated a specific use for the donation. Unrestricted donated funds may be used for food, refreshments, and entertainment incurred for dedication ceremonies re-dedication ceremonies, ground breakings, and building anniversaries only if approved by the Under Secretary for Health. An unrestricted donation to the

20 The MP-5 references in the M-1 for index hospitals has been replaced by HR Handbook 5007, Part II, Appendix E and may be accessed from the Office of Human Resources Management Web site, http://vaww1.va.gov/ohrm/HRLibrary/Dir-Policy.htm.
GPF is any remittance tendered to an official of a VA facility with no restrictions or designated uses placed on the donation by the donor.

b. 38 U.S.C., Section 8301 also permits unrestricted GPF money to be used to purchase food and/or refreshments at ceremonies, receptions and similar activities that benefit patients or members. “Members” are individuals in VA care, other than medical center inpatients, such as Veterans in domiciliaries, nursing homes, etc. Except for the following four activities, only the Secretary of Veterans Affairs or the Under Secretary for Health may approve the use of unrestricted funds to purchase food and/or refreshments for activities that do not involve the direct participation of patients or members:

(1) Recognition ceremonies for VA Voluntary Service volunteers, (see Comp. Gen. B152331 (1975)).

(2) VA-Very Special Arts Program receptions and festivals, and

(3) Receptions at the VA National Veterans Recreation Therapy Events.

(4) The Under Secretary for Health has delegated authority to medical center directors to approve the use of unrestricted General Post Funds to pay for food and refreshments including bottled water at Stand Downs and Welcome Home Events. Medical center directors may also accept monies to pay for in-kind donations of food and refreshments to support these events. If, under this delegation, food and refreshments are provided at one of these events, the medical center director may also approve the provision of food and refreshments to VA employees who are assigned to participate. Any approvals under this delegation will be in writing and signed by the director. Health care facility directors can delegate this authority to no lower than GS-15 or Title 38 equivalent covering in their absence.

c. VHA officials who may accept gifts may also accept (and permit the use of) a specific donation for refreshments if VA has authority to provide the refreshments. For example, VA has authority to provide refreshments at a ceremony honoring employees under the Government Employees Incentive Awards Act. VA thus may accept and use a donation that the donor directed be used to pay for refreshments at this ceremony.

d. GPF funds may be used for expenditures that directly benefit patients or members while they are receiving care, e.g., coffee carts in waiting rooms and meal tickets for patients to use after having lab work that required fasting, local National Salute, and Veterans Day activities.

15. Medical Treatment. VA may purchase refreshments when they are part of the provision of medical treatment to VA beneficiaries under 38 U.S.C., Section 7301(b), e.g., inpatient meals, therapy involving food preparation, refreshments for blood donors.
16. **Medical Research.** VA may purchase refreshments when they are part of the conduct of medical research under 38 U.S.C., Section 7303.

17. **Secretary’s Reception and Representation Expenses.** Congress traditionally provides $25,000 in the Department’s General Administration appropriation for “official reception and representation expenses,” customarily referred to as the Secretary’s Reception Allowance. This allowance is available to cover entertainment costs when the Secretary, Deputy Secretary, or other authorized high-level VA official is engaged in official reception or representation duties on behalf of the Department. Generally, the Reception Allowance may fund expenses incurred in connection with official agency events, typically characterized by a mixed ceremonial, social and/or business purpose and hosted in a formal sense by high-level agency officials and relating to a function of the agency.

   a. **Examples of Acceptable Expenses.** The Office of General Counsel (or the Comptroller General) has opined that the Secretary’s Reception Allowance is available for the following:

      (1) providing meals or refreshments to visiting Members of Congress, representatives of Veterans service organizations, White House staff and other individuals, to discuss VA programs and benefits;

      (2) paying for the Secretary’s meals when invited to functions as the representative of VA;

      (3) paying for a business luncheon in the context of the performance of official duties, hosted by the Secretary;

      (4) paying for a holiday reception hosted by the Secretary for VA employees; and

      (5) distributing mementos to members of the Congress and state legislatures, to Veterans service organizations and business organizations, to other individuals concerned with Veterans’ affairs and to VA and other Federal employees whose activities have significantly contributed to the VA’s mission.

      (6) paying for receptions following swearing in of VA officials.

   b. The Secretary has a wide measure of discretion in using his reception and representation funds, but such discretion is not unlimited. For example, the allowance may not generally be used for business meetings with federal employees, since such meetings do not qualify as official receptions. Furthermore, the allowance may not be used to pay for food or meals for employees working beyond working hours at their duty station. The more a meeting qualifies as an “official agency reception or representation event,” the more likely the associated expenses may be funded from the Reception Allowance.
One indicator of an official reception would be the presence of the Secretary, the highest-ranking Departmental official, or the Secretary’s designee. This alone does not in and of itself qualify refreshments at an event as an appropriate Reception Allowance expense. If other indicators are present, e.g., an official reception program, ceremonial remarks of appreciation and recognition made by the Secretary or his designee at an appropriate point at the event and a serious VA business underlying the event, the Reception Allowance could be used to cover refreshments expenses.

18. Pershing Hall Revolving Fund. If there are excess funds after paying Pershing Hall operating expenses, the Secretary may spend up to $100,000 per fiscal year from the Pershing Hall Revolving Fund, established by section 403(d)(6)(A) of Public Law 102-86, for activities that he determines to be in keeping with the VA mission. On occasion, the Secretary has used the Pershing Hall Revolving Fund to supplement the Reception Allowance since it qualifies as an activity within the VA mission. If the Secretary makes the requisite determination and there are funds remaining for the fiscal year, the Fund may be used to pay for the refreshments at an official VA reception and representation event in lieu of the Reception Allowance. The expenditure will be included in the annual Pershing Hall Revolving Fund expense report to Congress.

19. Canteen Promotional Fund. The Veterans Canteen Service (VCS) has a promotional fund that may be used to pay for activities that will promote the Canteen Service. These activities could include refreshments. According to VCS Policy Directive 07-04, dated October 15, 2007, the Director, VCS, may make available to VA entities money that will be used to advertise, promote sales and build customer loyalty and support for VCS. Events sponsored by the VCS Promotional Fund must present a favorable impression of VCS so that customers will be more likely to patronize it in the future, and VCS will be identified as the “Sponsor” at the event. Promotional Funds will be used for events where the majority of beneficiaries are customers and/or potential customers of VCS.

C. Gala Purchases

It is not permissible to use appropriations to pay for an awards gala ticket at a non-Federal event, e.g., an awards banquet sponsored by a professional association, news media entity, or local business group. Galas tend to be awards ceremonies that include light refreshments and/or a meal. They do not fall within any of the exceptions recognized above as permissible instances in which VA appropriations may be used to purchase refreshments (but note that exception 10 above recognizes that it may be permissible to pay for meals and attendance at meetings sponsored by non-government organizations. A gala or luncheon awards ceremony is not a meeting.)

Notably, this is not a proper expense of the Government Employees Incentives Awards Act since the Government is not making the award. Furthermore, paying fees for meals and a ceremony for self-promotion purposes could arguably run afoul of the legal
prohibition in the annual appropriations act against using appropriations for propaganda (i.e., “puffery,” self-congratulatory, boasting-type message):

SEC. 719. No part of any appropriation contained in this or any other Act shall be used directly or indirectly, including by private contractor, for publicity or propaganda purposes within the United States not heretofore authorized by the Congress.

FY 2012 Appropriations Act (PL 112-74).
APPENDIX B: COINS

A. OGC fields inquiries on a regular basis from VA components who desire to purchase coins similar to military challenge coins as a “necessary expense” of carrying out the VA mission. Coins appear to have gained popularity recently. In a 2011 article, the Washington Post observed that, “But in recent years, many outside the military have adopted the tradition of challenge coins, turning a sacrosanct ritual, some say, into a form of military chic that is now part of the Washington power game. The Secretaries of the Department of Education, the Department of Transportation and the Department of Agriculture have coins. So does the Environmental Protection Agency (EPA) Administrator, and even the Department of Agriculture’s Office of Information Technology.”

The following typical questions related to coins were received and responded to by OGC:

1. Question: May staff offices/Administrations purchase coins to give to employees as non-monetary awards?

Answer: Yes, VA may purchase coins for use as non-monetary incentive awards for employees.

This is acceptable so long as they are used as part of the VA incentive awards program (VA Handbook 5017 administrative procedures must be followed) per Vol. II, Chapter 4 of VA Financial Policies and Procedures. A non-monetary award to an employee must cost under $100 under Vol. II, Chapter 4 (supersedes the lower threshold of $50 that is mentioned in Handbook 5017).

2. Question: May staff offices/Administration purchase coins to distribute to Federal employees (Executive/Legislative/Judicial), Veterans, and other stakeholders (states and private sector)?

Answer: Qualified yes. The purchase of coins for such purposes must be approved by the VA Chief of Staff.

B. COINS ARE SWAG.

Although the President’s Executive Order 13589, Promoting Efficient Spending, did not define “SWAG,” a White House press release described it as follows:

“Stop Swag – or Government Promotional Handouts: The Executive Order directs agencies to stop wasting taxpayer money on non-essential items used for promotional purposes, such as clothing, mugs, and non-work related gadgets. For instance, several months ago the Department of the Treasury issued a directive to all of its bureaus to avoid purchasing any goods that could be
considered frivolous or unnecessary, and to ensure that all purchases have a clear nexus with the Department’s mission and operations.”

Section 7 of the President’s Executive Order 13589 states, “Agencies should limit the purchase of promotional items (e.g., plaques, clothing, and commemorative items), in particular where they are not cost-effective.” It is not a complete ban on SWAG, but it is a limitation.

C. The Chief of Staff (CoS) issued several memoranda in 2012 (see excerpts below) that addressed purchases of promotional items (SWAG), which make two key policies:

1. It is not permissible to purchase promotional items (mementos, gifts, keepsakes, reminders, prize items, VA “logo” or “message” items) for distribution to VA and other Federal employees.

2. It is permissible to purchase promotional items for Veterans, such as informational and educational materials that direct Veterans to services, as such items help ensure that Veterans have timely access to the benefits and services that they have earned.

D. Recommended Procedure in Light of Ambiguities. Regardless of the identity of the proposed recipients and purpose of the distribution, in light of the 2012 CoS memos and the President’s Executive Order, we recommend that any staff office or Administration seek written approval from the CoS before purchasing coins. The request to the CoS should identify the mission-related purpose of the coins, the potential recipients, and the estimated cost. This will ensure that there is a sufficient paper trail in the event VA needs to satisfy auditors, Congress, and the news media (records regarding this type of purchase would have to be disclosed under FOIA).

E. Cost. With respect to cost, note that there is no law or other legal authority that sets a fixed dollar limitation on these items or states “how much is too much.” A good rule of thumb is that program officials should only spend an amount that they would feel comfortable explaining to an auditor or Congress (or seeing on the front page of a national newspaper).

F. Personalization. Finally, note that the coins may not be engraved with an individual’s name. The purchase of personalized coins would violate VA policy. Chapter 4 of Volume II of VA Financial Policies and Procedures states that, “The position or title of the presenting official may be engraved on the coins, but, with the exception of the Secretary, the name of the presenting official should not be engraved on the coins.” The general prohibition against engraving names on coins was made because VA wanted to avoid obsolescence and allow the individual’s successor to use unused coins.

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21 With the exception of non-monetary awards under the Government Employees Incentive Awards Act.
The financial policy against personalization of coins has been in place since December 2010. It is possible that there may have been inadvertent violations of that policy since December 2010 by VA officials who were unaware of the policy prohibition. Those violations may have resulted in unused, obsolete stock.

G. Excerpts from the 2012 Memoranda from the Chief of Staff concerning mementos.


   “Effective immediately, no funds should be expended for promotional items intended for distribution to employees. Promotional items previously purchased and on-hand may be distributed until exhausted, but should not be replenished.

   The Department may continue to purchase promotional items intended for Veterans, such as informational and educational materials that direct Veterans to services (the Veterans Crisis Line, benefit services counseling, etc.) These and related types of materials pertain to mission-critical functions and have a clear connection with the Department’s mission of providing benefits and services to Veterans. Such items help ensure Veterans have timely access to the highest quality benefits and services that they have earned through their sacrifice and service to our Nation.”

2. May 25, 2012 Chief of Staff Memo, “Spending for Food or Refreshments and Gifts or Mementos”:

   “5. Chapter 4 also addresses the appropriateness of gifts or mementos for employees. My memorandum of March 19, 2012, prohibits expending funds for promotional items intended for distribution to employees. Promotional items are defined as mementos, gifts, reminders, and keepsakes. Non-monetary awards presented in compliance with VA Directive and Handbook 5017, Employee Recognition and Awards, are still permitted.”

3. September 26, 2012 Chief of Staff Memo, “Department of Veterans Affairs (VA) Conference Oversight”:

   In “Department of Veterans Affairs Hosted or Co-Hosted Conference Request Guidance,” it was stated that “it is not permissible to purchase promotional items, such as mementos, gifts, keepsakes, prize items, and other VA “logo” or “message” items, for distribution to VA and other federal employee.