Using Discretionary Funds

Statement

Expenditures for the conduct of University business normally must be paid using regular University funds (state funds). In rare instances, some expenditures, although necessary, reasonable, and appropriate for the conduct of University business, may not be made using state funds. These expenditures are categorized and titled “Discretionary Expenditures” and must be paid from discretionary funds (private funds or donor funds). Additionally, University expenditures required to be paid from state funds may be subsidized by discretionary funds to the extent allowable by donor restrictions.

The Discretionary Expenditure Regulation ensures that expenditures in these categories only occur when necessary and appropriate and establishes the minimum level approval required.

Expenditures from discretionary funds must benefit the University, supporting one or more of the University’s missions of instruction, scholarship, and service. Additionally, such expenditures must meet the test of public scrutiny for appropriateness.

Purpose

This Regulation provides definitions of allowable and non-allowable uses of discretionary funds. The procedures define requirements for approving and substantiating expenses paid using discretionary funds.

Entities Affected

- Departments, colleges, and units with discretionary funds.

Who Should Read this Regulation

- Vice Presidents
- Deans, Directors, and Department Heads
- Individuals requesting use of Discretionary funds
- Accounting & Financial Services staff
- University Development staff
Background

Not applicable

Definitions

- Non-Discretionary Funds
  
  Non-Discretionary Funds are state funds. The source of these funds may be state appropriation, tuition revenue, or any other source of revenue to the University. State funds include indirect cost recovery funds, also known as Facilities and Administrative (F & A) cost recovery funds.

- Discretionary Funds
  
  The source of these funds is gifts from donors. Restricted gifts, i.e., gifts on which the donor restricts the use of donated funds for a specific purpose, are discretionary to the extent allowable by donor restrictions. Unrestricted gifts, i.e., gifts on which the donor places no restrictions, are fully discretionary.

- See Attachment “EKU Non-Discretionary and Discretionary Expenditure Procedures and Guidelines”. This Attachment details categories of expenditures (with descriptions), whether or not the expenditure can be paid from non-discretionary funds (state funds) or discretionary funds (private funds), what is the minimum level of approval/responsibility, and any applicable special comments.

Responsibilities

<table>
<thead>
<tr>
<th>Role</th>
<th>Responsibility</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vice President for Finance &amp; Administration</td>
<td>• Responsible for oversight and enforcement of the Discretionary Expenditure Regulation.</td>
</tr>
<tr>
<td>Vice Presidents or Deans (and designees)</td>
<td>• Administers discretionary accounts including preapproving discretionary expenses.</td>
</tr>
<tr>
<td>University Development</td>
<td>• Ensures that use of discretionary funds conforms with donor restrictions.</td>
</tr>
<tr>
<td>Accounting &amp; Financial Services</td>
<td>• Reviews all expenses to ensure compliance with University policies and procedures, external regulations, and donor restrictions.</td>
</tr>
</tbody>
</table>
Accounts Payable Department • Conducts the final review of discretionary expenditures to ensure the propriety, proper funding, and appropriate approval of each transaction.

Procedures

Purchasing Eastern Kentucky University, as a state agency, abides by the Commonwealth of Kentucky’s Model Procurement Code (KRS 45A).

Departments must use standard University procedures when spending discretionary funds. Purchasing Policies and Procedures can be found at http://purchasing.eku.edu/general-purchasing-0 and Policy 6.1.3R for Travel Requirements and Procedures.

Approving Expenses The vice president, dean, or designee responsible for the supporting discretionary funds must approve requests for expenses to be paid from discretionary funds.

Expenses must be approved in advance, as noted in the Definitions.

Delegating Approval Authority A vice president or dean may delegate discretionary funds expenditure authority to subordinates, e.g., associate dean, director, department chair, area finance officer. An official receiving delegated spending authority cannot further delegate; all such delegations must come directly from the vice president or dean.

Any such delegation shall be in writing and provided to the Office of University Counsel as well as to Accounting and Financial Services.

Substantiating Expenses Complete and include an Expense Substantiation Form with each request for a reimbursement or vendor payment using discretionary funds.

Regardless of the method used to pay for the expense, the department must submit the following information with the request for reimbursement or payment:

• Names, titles, and relationships to the University of the individuals who entertained, were entertained, gave or received the gifts. NOTE: When seeking approval for refreshments, this list may include the names of the participating organizations or groups when the number of participants is large or when the names of the participants are unknown.
• A statement detailing the purpose of the entertainment or gift.
• A statement describing how the expense relates to at least one official University mission.
Reimbursing Employees

Use this method for reimbursement of expenses that are **NOT** allowable to be paid from state funds.

A University employee may pay for the expense and then request reimbursement from discretionary funds. The employee must substantiate the expense as described above.

The employee’s department requests reimbursement for the employee as follows:

- Complete a Foundation Funds Request Form or Travel Expense Voucher.
- Submit original, itemized receipts and justification with the form.
- Route the form for approval to:
  - Vice president, dean, or designee;
  - University Development;
  - Accounting & Financial Services.
- Accounting & Financial Services pays the employee directly.

Paying Vendors Directly

Use this method for direct payment of expenses **NOT** allowable to be paid from state funds.

A department may pay a vendor directly using discretionary funds. The department must substantiate the expense as described above.

The department requests to pay a vendor as follows:

- Complete a Direct Pay Request Form
- Submit justification and invoice, if applicable, with the form.
- Route the form for approval to:
  - Vice president, dean, or designee;
  - University Development;
  - Accounting & Financial Services.
- Accounting & Financial Services pays the vendor directly.

Request for Funding

University expenditures required to be paid from state funds may be subsidized by discretionary funds to the extent allowable by donor restrictions. A department may request funding from discretionary funds for specific expenses. The department must substantiate the funding request as described above.

The department requests a funding transfer as follows:

- Complete a Foundation Fund Request Form including:
  - Organization codes to transfer funding to and from,
  - Signature by an individual with expenditure authority for the discretionary funds, and
  - Justification for the transfer.
- Route the form for approval to:
  - Vice president, dean, or designee;
Monitoring Fund Balances
Departments must retain documents relating to expenses and actively monitor spending and available discretionary and non-discretionary fund balances. Department should utilize appropriate University offices for resources and assistance. (Budgeting Office for assistance with non-discretionary fund balances; Development Office for assistance with discretionary fund balances)

Maintaining Records
Departments must retain documents relating to expenses in accordance with the current record retention schedule. Records may be subject to public review and are subject to audit by the Office of Internal Audit and the University’s external auditors.

Violations of the Regulation

- Unsubstantiated expense amounts may be added to an employee’s gross income for tax purposes.
- Violations of this Regulation may result in sanctions being imposed upon the employee/department/unit.

Interpreting Authority

- Vice President for University Development
- Vice President for Finance & Administration

Relevant Links

University forms http://www.forms.eku.edu/

- Direct Pay Request Form
- Foundation Funds Request
- Travel Expense Voucher
- Expense Substantiation Form

<table>
<thead>
<tr>
<th>Category</th>
<th>Description / Transaction Type</th>
<th>Non-Discretionary Funds (State Funds)</th>
<th>Discretionary Funds (Private Funds)</th>
<th>Minimum Level of Approval / Responsibility</th>
<th>Special Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>ALCOHOL</td>
<td>Alcoholic Beverages</td>
<td>No</td>
<td>Yes</td>
<td>President or Provost</td>
<td>Not permitted with non-discretionary funds for any function or reason</td>
</tr>
<tr>
<td>APPLIANCES</td>
<td>Office refrigerator, microwave oven, fountain, bottled water dispenser</td>
<td>No</td>
<td>Yes</td>
<td>Budget Unit Head</td>
<td>Bottled water dispenser may occasionally be reviewed and approved for payment from state funds for offices in buildings without a water fountain.</td>
</tr>
<tr>
<td>AWARDS</td>
<td>Employee awards and incentives</td>
<td>Yes</td>
<td>Yes</td>
<td>Dean/VP, copy Provost/President</td>
<td>Must be part of an employee award/incentive program approved by the President; officially University sanctioned. Applicable taxes may apply. Must be part of a student award/incentive program approved by the President; officially University sanctioned. Applicable taxes may apply. Must be reported to the Financial Aid office.</td>
</tr>
<tr>
<td></td>
<td>Student awards</td>
<td>Yes</td>
<td>Yes</td>
<td>Provost, copy President</td>
<td></td>
</tr>
<tr>
<td>CARDS</td>
<td>Holiday, greeting cards</td>
<td>No</td>
<td>Yes</td>
<td>Dean or VP</td>
<td></td>
</tr>
<tr>
<td>CONTRIBUTIONS</td>
<td>Donations to charity, any type of gift</td>
<td>No</td>
<td>No</td>
<td></td>
<td>Not permitted with any funds; see exceptions noted below for employee/friend/donor flowers or gifts related to funeral/illness/memorial.</td>
</tr>
<tr>
<td>DECORATIONS</td>
<td>Includes but is not limited to holiday decorations, plants, flowers, pictures, artwork, general office décor, aquariums, etc.</td>
<td>No</td>
<td>Yes</td>
<td>Budget Unit Head</td>
<td>Does not include official University campus holiday decorations installed by Facilities Services</td>
</tr>
<tr>
<td>DUES</td>
<td>Institutional</td>
<td>Yes</td>
<td>Yes</td>
<td>Provost, VP Finance &amp; Administration</td>
<td>Membership must be in the name of Eastern Kentucky University</td>
</tr>
<tr>
<td></td>
<td>Individual membership to:</td>
<td></td>
<td></td>
<td>Provost, VP Finance &amp; Administration</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Civic/service/private club</td>
<td>No</td>
<td>No</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Professional organization (related to employee’s job)</td>
<td>Yes</td>
<td>Yes</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ENTERTAINMENT OR GUEST SPEAKERS</td>
<td>Official University event</td>
<td>Yes</td>
<td>Yes</td>
<td>Budget Unit head</td>
<td>University approved event; requires approved Speaker Agreement</td>
</tr>
<tr>
<td>Category</td>
<td>Description / Transaction Type</td>
<td>Non-Discretionary Funds (State Funds)</td>
<td>Discretionary Funds (Private Funds)</td>
<td>Minimum Level of Approval / Responsibility</td>
<td>Special Comments</td>
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<tr>
<td><strong>FLOWERS</strong></td>
<td></td>
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</tr>
<tr>
<td></td>
<td>Classroom/educational use</td>
<td>Yes</td>
<td>Yes</td>
<td>Budget Unit Head</td>
<td>Not permitted with any funds</td>
</tr>
<tr>
<td></td>
<td>Congratulatory</td>
<td>No</td>
<td>No</td>
<td>Budget Unit Head</td>
<td>Limited to $75 plus delivery charge Monetary gifts in lieu of flowers (not to exceed $75) may be made to family-designated charity or memorial fund</td>
</tr>
<tr>
<td></td>
<td><strong>Funeral/illness:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Employee/immediate family</td>
<td>No</td>
<td>Yes</td>
<td>Budget Unit Head</td>
<td>Limited to $75 plus delivery charge Monetary gifts in lieu of flowers (not to exceed $75) may be made to family-designated charity or memorial fund</td>
</tr>
<tr>
<td></td>
<td>Friend/donor</td>
<td>No</td>
<td>Yes</td>
<td>Budget Unit Head</td>
<td>Not permitted with any funds</td>
</tr>
<tr>
<td></td>
<td>Administrative Professionals Day</td>
<td>No</td>
<td>No</td>
<td>Budget Unit Head</td>
<td>Limited to $75 plus delivery charge Monetary gifts in lieu of flowers (not to exceed $75) may be made to family-designated charity or memorial fund</td>
</tr>
<tr>
<td><strong>GIFTS</strong></td>
<td></td>
<td></td>
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<td></td>
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<tr>
<td></td>
<td>Employee:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Appreciation</td>
<td>No</td>
<td>No</td>
<td>Budget Unit Head</td>
<td>Not permitted with any funds</td>
</tr>
<tr>
<td></td>
<td>Memorial</td>
<td>No</td>
<td>Yes</td>
<td>Vice President</td>
<td>For funeral, limited to $75 plus delivery charge Monetary gifts in lieu of flowers (not to exceed $75) may be made to family-designated charity or memorial fund</td>
</tr>
<tr>
<td></td>
<td>Retirement</td>
<td>Yes</td>
<td>Yes</td>
<td>President</td>
<td>Must be official retirement from University; not to exceed $100 (cash equivalent gifts not permitted)</td>
</tr>
<tr>
<td></td>
<td>Special occasions</td>
<td>No</td>
<td>No</td>
<td>Budget Unit Head</td>
<td>Not permitted with any funds</td>
</tr>
<tr>
<td></td>
<td>Sporting /Performing Arts event tickets</td>
<td>No</td>
<td>No</td>
<td>Budget Unit Head</td>
<td>Not permitted with any funds</td>
</tr>
<tr>
<td></td>
<td>Donor/Friend of University:</td>
<td></td>
<td></td>
<td></td>
<td>Limited to $75</td>
</tr>
<tr>
<td></td>
<td>Appreciation</td>
<td>No</td>
<td>Yes</td>
<td>Dean/VP, copy Provost/President</td>
<td>For funeral, limited to $75 plus delivery charge Monetary gifts in lieu of flowers (not to exceed $75) may be made to family-designated charity or memorial fund</td>
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<tr>
<td></td>
<td>Memorial</td>
<td>No</td>
<td>Yes</td>
<td>Dean/VP, copy Provost/President</td>
<td></td>
</tr>
</tbody>
</table>
### Non-Discretionary and Discretionary Expenditure Procedures & Guidelines

#### Category: GIFTS
- **Description / Transaction Type:** Special occasions
  - **Funds (State Funds):** No
  - **Funds (Private Funds):** Yes
  - **Minimum Level of Approval / Responsibility:** Dean/VP, copy Provost/President
  - **Special Comments:** Single ticket only; may include employee in role of host of donor or friend of University; season tickets not permitted with any funds

- **Description / Transaction Type:** Sporting/Performing Arts event tickets
  - **Funds (State Funds):** No
  - **Funds (Private Funds):** Yes
  - **Minimum Level of Approval / Responsibility:** President

#### Category: GUEST
- **Description / Transaction Type:** Official University guest
  - **Funds (State Funds):** Yes
  - **Funds (Private Funds):** Yes
  - **Minimum Level of Approval / Responsibility:** Dean/VP, copy Provost/President
  - **Special Comments:** Travel reimbursement must be made from actual, original, itemized receipts; cannot be current employee, current student, or relative of current employee or student; must adhere to University Travel Policy, requirements, and procedures.

#### Category: MEALS / FOOD
- **Employee:**
  - **Departmental Social activity**
    - **Funds (State Funds):** No
    - **Funds (Private Funds):** Yes
    - **Minimum Level of Approval / Responsibility:** Dean/Vice President
    - **Special Comments:** Care must be exercised in ratio of employees to guests; generally not reasonable for entire department/college/school to entertain guest(s) under this provision

  - **Entertaining official guests**
    - **Funds (State Funds):** Yes
    - **Funds (Private Funds):** Yes
    - **Minimum Level of Approval / Responsibility:** Dean/Vice President

  - **Faculty orientation/reception**
    - **Funds (State Funds):** Yes
    - **Funds (Private Funds):** Yes
    - **Minimum Level of Approval / Responsibility:** Dean/Vice President

  - **Unplanned working luncheon**
    - **Funds (State Funds):** No
    - **Funds (Private Funds):** Yes
    - **Minimum Level of Approval / Responsibility:** Dean/Vice President

  - **Planning/administrative meeting (planned luncheon)**
    - **Funds (State Funds):** Yes
    - **Funds (Private Funds):** Yes
    - **Minimum Level of Approval / Responsibility:** Dean/Vice President

  - **Recruitment**
    - **Funds (State Funds):** Yes
    - **Funds (Private Funds):** Yes
    - **Minimum Level of Approval / Responsibility:** Dean/Vice President

  - **Retirement**
    - **Funds (State Funds):** No
    - **Funds (Private Funds):** Yes
    - **Minimum Level of Approval / Responsibility:** President
    - **Special Comments:** Must be official retirement from University

- **Employee spouse:**
  - **Entertaining official guests**
    - **Funds (State Funds):** No
    - **Funds (Private Funds):** Yes
    - **Minimum Level of Approval / Responsibility:** President
    - **Special Comments:** Spouses may also be included in Public Relations Activities and other events

  - **Faculty orientation/reception**
    - **Funds (State Funds):** No
    - **Funds (Private Funds):** Yes
    - **Minimum Level of Approval / Responsibility:** Dean/Vice President

  - **Recruitment**
    - **Funds (State Funds):** No
    - **Funds (Private Funds):** No
    - **Minimum Level of Approval / Responsibility:** Not permitted with any funds
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<tbody>
<tr>
<td>PROFESSIONAL LICENCES</td>
<td>Required as a condition of employment</td>
<td>Yes</td>
<td>Yes</td>
<td>Provost, VP Finance &amp; Administration</td>
<td>Limited to one professional license per employee per year</td>
</tr>
<tr>
<td></td>
<td>Not required as a condition of employment</td>
<td>No</td>
<td>No</td>
<td></td>
<td>Not permitted with any funds</td>
</tr>
<tr>
<td>PUBLIC RELATIONS</td>
<td>Fund raising activities/events</td>
<td>No</td>
<td>Yes</td>
<td>Dean/VP, copy Provost/President</td>
<td>Includes employee meals, refreshments, travel, entertainment, flowers, and other items necessary for activity or event. Coordinate with Development Office</td>
</tr>
<tr>
<td></td>
<td>Dinner/events with admission charges</td>
<td>No</td>
<td>Yes</td>
<td>Dean/VP, copy Provost/President</td>
<td>External, non-profit organizations; may include Spouses; focus is not on meal, but support of the organization</td>
</tr>
<tr>
<td></td>
<td>Departmental alumni events/activities</td>
<td>Yes</td>
<td>Yes</td>
<td>Dean/VP, copy Provost/President</td>
<td>Official University event; includes refreshments, travel, entertainment, flowers, and other items necessary for activity or event</td>
</tr>
<tr>
<td>REFRESHMENTS</td>
<td>Departmental use</td>
<td>No</td>
<td>Yes</td>
<td>Dean/Vice President</td>
<td>Bottled water, bottled water coolers, soft drinks, coffee, etc.</td>
</tr>
<tr>
<td>RELOCATION</td>
<td>New employees</td>
<td>Yes</td>
<td>Yes</td>
<td>President or Provost</td>
<td>Must adhere to University policy and IRS guidelines for reimbursement of moving/relocation expenses</td>
</tr>
<tr>
<td>STUDENT ACTIVITIES</td>
<td>Student orientation/reception</td>
<td>Yes</td>
<td>Yes</td>
<td>Dean/Vice President</td>
<td>Includes refreshments, flowers, decorations, entertainment (speaker, musician, etc.)</td>
</tr>
<tr>
<td></td>
<td>Departmental graduation events</td>
<td>Yes</td>
<td>Yes</td>
<td>Dean/Vice President</td>
<td>Includes refreshments, flowers, decorations, entertainment (speaker, musician, etc.)</td>
</tr>
<tr>
<td></td>
<td>Travel</td>
<td>Yes</td>
<td>Yes</td>
<td>Dean/Vice President</td>
<td>Travel reimbursement must be made from actual, original, itemized receipts; adhere to University Travel Policy, requirements, and procedures. Must be reported to the Financial Aid office.</td>
</tr>
<tr>
<td></td>
<td>Special events, including prizes, raffles, awards, etc.</td>
<td>Yes</td>
<td>Yes</td>
<td>Dean/Vice President</td>
<td>Student must provide identification and be aware of and understand potential financial aid impact; University will issue IRS Form 1099 as appropriate. Prizes and awards given to students must be reported to the Financial Aid Office.</td>
</tr>
<tr>
<td>UNIVERSITY, COLLEGE, OR</td>
<td>Community-related programs, seminars, workshops</td>
<td>Yes</td>
<td>Yes</td>
<td>Dean/VP, copy Provost/President</td>
<td>Official University event where majority of participants are not University employees; may include meals, travel and overnight lodging, refreshments, flowers, etc.</td>
</tr>
</tbody>
</table>

ATTACHMENT
Eastern Kentucky University
Non-Discretionary and Discretionary Expenditure Procedures & Guidelines
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<tr>
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<th>Special Comments</th>
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</thead>
<tbody>
<tr>
<td>DEPARTMENT ACTIVITIES</td>
<td>conferences and continuing education workshops</td>
<td>Yes</td>
<td>Yes</td>
<td>Dean/Vice President</td>
<td>entertainment (speaker, musician, etc.)</td>
</tr>
<tr>
<td></td>
<td>Faculty and staff retreats, planning and administrative training meetings</td>
<td>Yes</td>
<td>Yes</td>
<td>Dean/VP, copy Provost/President</td>
<td>Advanced pre-approval is required from Provost/President; intent of activity/event is to enhance employees’ performance and communication or to improve operation of unit/organization; may include meals, travel and overnight lodging, refreshments, flowers, entertainment (speaker, musician, etc.)</td>
</tr>
<tr>
<td></td>
<td>Faculty and staff orientation/reception</td>
<td>Yes</td>
<td>Yes</td>
<td>Dean/VP, copy Provost/President</td>
<td>Advanced pre-approval is required from Provost/President; activity/event is organized and presented by College or department; may include refreshments, etc.; flowers, minimal decorations; mileage does not include overnight lodging</td>
</tr>
</tbody>
</table>