



Eastern Kentucky University
Policy and Regulation Library

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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

Vice President for Finance & Administration

- Responsible for oversight and enforcement of the Discretionary Expenditure Regulation.

Vice Presidents or Deans (and designees)

- Administers discretionary accounts including preapproving discretionary expenses.

University Development

- Ensures that use of discretionary funds conforms with donor restrictions.

Accounting & Financial Services

- Reviews all expenses to ensure compliance with University policies and procedures, external regulations, and donor restrictions.

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.
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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;

- University Development;
- Accounting & Financial Services.
- Accounting & Financial Services completes the funds transfer.

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

IRS Publication 463 Travel, Entertainment, Gift, and Car Expenses. <http://www.irs.gov/>

ATTACHMENT
Eastern Kentucky University
Non-Discretionary and Discretionary Expenditure Procedures & Guidelines

Category	Description / Transaction Type	Non-Discretionary Funds (State Funds)	Discretionary Funds (Private Funds)	Minimum Level of Approval / Responsibility	Special Comments
ALCOHOL	Alcoholic Beverages	No	Yes	President or Provost	Not permitted with non-discretionary funds for any function or reason
APPLIANCES	Office refrigerator, microwave oven, fountain, bottled water dispenser	No	Yes	Budget Unit Head	Bottled water dispenser may occasionally be reviewed and approved for payment from state funds for offices in buildings without a water fountain.
AWARDS	Employee awards and incentives	Yes	Yes	Dean/VP, copy Provost/President	Must be part of an employee award/incentive program approved by the President; officially University sanctioned. Applicable taxes may apply.
	Student awards	Yes	Yes	Provost, copy President	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.
CARDS	Holiday, greeting cards	No	Yes	Dean or VP	
CONTRIBUTIONS	Donations to charity, any type of gift	No	No		Not permitted with any funds; see exceptions noted below for employee/friend/donor flowers or gifts related to funeral/illness/memorial
DECORATIONS	Includes but is not limited to holiday decorations, plants, flowers, pictures, artwork, general office décor, aquariums, etc.	No	Yes	Budget Unit Head	Does not include official University campus holiday decorations installed by Facilities Services
DUES	Institutional	Yes	Yes	Provost, VP Finance & Administration	Membership must be in the name of Eastern Kentucky University
	Individual membership to:			Provost, VP Finance & Administration	
	Civic/service/private club	No	No		Not permitted with any funds
	Professional organization (related to employee's job)	Yes	Yes		Individual membership to those professional organizations without an available institutional membership may occasionally be reviewed and approved for payment (limited to one professional organization membership per employee per year).
ENTERTAINMENT OR GUEST SPEAKERS	Official University event	Yes	Yes	Budget Unit head	University approved event; requires approved Speaker Agreement

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FLOWERS	Classroom/educational use Congratulatory Funeral/illness: Employee/immediate family Friend/donor Administrative Professionals Day	Yes No No No No	Yes No Yes Yes No	Budget Unit Head Budget Unit head Budget Unit Head	Not permitted with any funds 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 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 Not permitted with any funds
GIFTS	Employee: Appreciation Memorial Retirement Special occasions Sporting /Performing Arts event tickets Donor/Friend of University: Appreciation Memorial	No No Yes No No No No	No Yes Yes No No Yes Yes	 Vice President President Dean/VP, copy Provost/President Dean/VP, copy Provost/President	Not permitted with any funds 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 Must be official retirement from University; not to exceed \$100 (cash equivalent gifts not permitted) Not permitted with any funds Not permitted with any funds Limited to \$75 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

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GIFTS	Special occasions	No	Yes	Dean/VP, copy Provost/President	Single ticket only; may include employee in role of host of donor or friend of University; season tickets not permitted with any funds
	Sporting/Performing Arts event tickets	No	Yes	President	
GUEST	Official University guest	Yes	Yes	Dean/VP, copy Provost/President	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.
MEALS / FOOD	Employee:				
	Departmental Social activity	No	Yes	Dean/Vice President	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 One event for all; not individual events Unplanned meals on federal/federal flow-through funds are unallowable expenses Must be official retirement from University Spouses may also be included in Public Relations Activities and other events Not permitted with any funds
	Entertaining official guests	Yes	Yes	Dean/Vice President	
	Faculty orientation/reception	Yes	Yes	Dean/Vice President	
	Unplanned working luncheon	No	Yes	Dean/Vice President	
	Planning/administrative meeting (planned luncheon)	Yes	Yes	Dean/Vice President	
	Recruitment	Yes	Yes	Dean/Vice President	
	Retirement	No	Yes	President	
	Employee spouse:				
	Entertaining official guests	No	Yes	President	
Faculty orientation/reception	No	Yes	Dean/Vice President		
Recruitment	No	No			

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PROFESSIONAL LICENCES	Required as a condition of employment	Yes	Yes	Provost, VP Finance & Administration	Limited to one professional license per employee per year
	Not required as a condition of employment	No	No		Not permitted with any funds
PUBLIC RELATIONS	Fund raising activities/events	No	Yes	Dean/VP, copy Provost/President	Includes employee meals, refreshments, travel, entertainment, flowers, and other items necessary for activity or event. Coordinate with Development Office
	Dinner/events with admission charges	No	Yes	Dean/VP, copy Provost/President	External, non-profit organizations; may include Spouses; focus is not on meal, but support of the organization
	Departmental alumni events/activities	Yes	Yes	Dean/VP, copy Provost/President	Official University event; includes refreshments, travel, entertainment, flowers, and other items necessary for activity or event
REFRESHMENTS	Departmental use	No	Yes	Dean/Vice President	Bottled water, bottled water coolers, soft drinks, coffee, etc.
RELOCATION	New employees	Yes	Yes	President or Provost	Must adhere to University policy and IRS guidelines for reimbursement of moving/relocation expenses
STUDENT ACTIVITIES	Student orientation/reception	Yes	Yes	Dean/Vice President	Includes refreshments, flowers, decorations, entertainment (speaker, musician, etc.)
	Departmental graduation events	Yes	Yes	Dean/Vice President	Includes refreshments, flowers, decorations, entertainment (speaker, musician, etc.)
	Travel	Yes	Yes	Dean/Vice President	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.
	Special events, including prizes, raffles, awards, etc.	Yes	Yes	Dean/Vice President	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.
UNIVERSITY, COLLEGE, OR	Community-related programs, seminars, workshops,	Yes	Yes	Dean/VP, copy Provost/President	Official University event where majority of participants are not University employees; may include meals, travel and overnight lodging, refreshments, flowers,

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DEPARTMENT ACTIVITIES	conferences and continuing education workshops	Yes	Yes	Dean/Vice President	entertainment (speaker, musician, etc.) 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.)
	Faculty and staff retreats, planning and administrative training meetings	Yes	Yes	Dean/VP, copy Provost/President	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
	Faculty and staff orientation/ reception	Yes	Yes	Dean/VP, copy Provost/President	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