



Eastern Kentucky University

Policy and Regulation Library

Administrative Regulation: 6.1.4ADR

Responsible Office(s): Office of Financial Affairs

Effective: March 26, 2015

Next Review Date: Spring 2020

Administrative Regulation: 6.1.4ADR 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.

This 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. Generally, expenditures occur from University funds and are subsidized or reimbursed from Foundation funds. This regulation provides guidance for managing this process.

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.

Background

This regulation is based upon generally accepted accounting practices, state and federal laws and regulations, as well as other University policies.

Procedures

Purchasing:

1. Eastern Kentucky University, as a state agency, abides by the Commonwealth of Kentucky's Model Procurement Code (KRS 45A).
2. 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:

1. The vice president, dean, or designee responsible for the supporting Discretionary Funds must approve requests for expenses to be paid from Discretionary Funds.
2. Expenses must be approved in advance via the Foundation Funds Request Form.
3. The University reserves the right to correct errors and to recover funds disbursed improperly.

Delegating Approval Authority:

1. 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.
2. Any such delegation shall be in writing and provided to the Office of University Counsel as well as to Accounting and Financial Services and Purchases and Stores.

Substantiating Expenses:

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.

METHODS OF DISBURSEMENT OF FUNDS

Reimbursing Employees:

1. Expenses must be approved in advance via completion of Foundation Funds Request / Transfer Form.
2. Use this method for reimbursement of expenses that are NOT allowable to be paid from Non-Discretionary Funds.
3. A University employee may pay for the expense and then request reimbursement from Discretionary Funds.
4. The employee must request reimbursement as follows:
 - a. Complete a Travel Expense Voucher (travel related expenses) OR a Direct Pay Request Form (all other expenses).
 - b. Attach all original, itemized receipts and the completed Foundation Funds Request / Transfer Form to the Travel Expense Voucher OR the Direct Pay Request Form.
 - c. Accounting & Financial Services pays the employee directly.

Paying Vendors Directly:

1. Expenses must be approved in advance via completion of Foundation Funds Request / Transfer Form.
2. Use this method for direct payment of expenses NOT allowable to be paid from Non-Discretionary Funds.
3. A department may request payment to a vendor directly using Discretionary Funds.
4. The department requests to pay a vendor as follows:
 - a. Complete the appropriate procurement process (a Purchase Requisition in Banner or a Direct Pay Request Form).
 - b. Must include all original necessary documentation as required by the specific procurement process.
 - c. Accounting & Financial Services pays the vendor directly.

Request for Discretionary Funds to Subsidize Non Discretionary Funds:

1. 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.
2. The department requests a funding transfer as follows:
 - a. Complete a Foundation Fund Request/Transfer Form.
 - b. 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. Departments 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.

Definitions

- **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.
- **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.

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

- Financial Manager
 - Conducts the final review of discretionary expenditures to ensure the propriety, proper funding, and appropriate approval of each transaction.
- University Accounting and Financial Services; University Business Services
 - Reviews all expenses to ensure compliance with University policies and procedures, external regulations, and donor restrictions.
- University Development
 - Ensures that use of Discretionary Funds conforms with donor restrictions.

- Vice President for Finance and Administration
 - Responsible for oversight and enforcement of the Discretionary Expenditure Regulation.
- Vice Presidents or Deans (and designees)
 - Administers Discretionary Funds accounts including pre-approving discretionary expenses.

Violations of the Policy

Violation of this Regulation for unsubstantiated expense amounts may result in taxable income for the employee.

Violations of this Regulation by employee are subject to corrective action and appropriate discipline as set forth in University policies and procedures.

Statutory of Regulatory References

The Commonwealth of Kentucky’s Model Procurement Code (KRS 45A).

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

Relevant Links

The required forms are available at either <http://www.forms.eku.edu> or through e-Forms in EKUDirect.

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

Regulation Adoption Review and Approval

Regulation Revision

| <u>Date</u> | <u>Entity</u> | <u>Action</u> |
|----------------|-----------------|---------------|
| March 26, 2015 | President | Adopted |
| March 25, 2015 | Provost Council | Approved |

Regulation Issued

| <u>Date</u> | <u>Entity</u> | <u>Action</u> |
|-----------------|---------------|-----------------|
| August 25, 2015 | President | Interim Adopted |