



**Eastern Kentucky University**  
Policy and Regulation Library

**6.1.4R**

**Volume 6:** Financial Affairs

**Chapter 1:** Compliance

**Section 4:** Using Discretionary Funds

**Approval Authority:** President

**Responsible Executive:** Vice President for Finance and Administration

**Responsible Office(s):** Financial Affairs

**Effective:** March 26, 2015 **Issued:** August 25, 2015

**Last Revised:**

**Next Review Date:** Spring 2020

## 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:
  - Complete a Travel Expense Voucher (travel related expenses) OR a Direct Pay Request Form (all other expenses).
  - Attach all original, itemized receipts and the completed Foundation Funds Request / Transfer Form to the Travel Expense Voucher OR the Direct Pay Request Form.
  - 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:
  - Complete the appropriate procurement process (a Purchase Requisition in Banner or a Direct Pay Request Form).
  - Must include all original necessary documentation as required by the specific procurement process.
  - 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:
  - Complete a Foundation Fund Request/Transfer Form.
  - 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

<b>Financial Manager</b>	Conducts the final review of discretionary expenditures to ensure the propriety, proper funding, and appropriate approval of each transaction.
<b>University Accounting and Financial Services; University Business Services</b>	Reviews all expenses to ensure compliance with University policies and procedures, external regulations, and donor restrictions.
<b>University Development</b>	Ensures that use of Discretionary Funds conforms with donor restrictions.
<b>Vice President for Finance and Administration</b>	Responsible for oversight and enforcement of the Discretionary Expenditure Regulation.
<b>Vice Presidents or Deans (and designees)</b>	Administers Discretionary Funds accounts including pre-approving discretionary expenses.

## Violations

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.

## Interpreting Authority

Vice President for Finance & Administration

## Statutory or 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

## Adoption Review and Approval

Date

**March 26, 2015**

March 25, 2015

Entity

**President**

Provost Council

Action

**Adopted**

Approved

**Regulation Issued**

Date

**August 25, 2015**

Entity

**President**

Action

**Interim Adopted**

**ATTACHMENT TO REGULATION NO. 6.1.4R, USING DISCRETIONARY FUNDS  
Eastern Kentucky University  
Non-Discretionary and Discretionary Expenditure Procedures & Guidelines**

<b>Category</b>	<b>Description / Transaction Type</b>	<b>Non-Discretionary Funds (State Funds)</b>	<b>Discretionary Funds (Private Funds)</b>	<b>Minimum Level of Approval / Responsibility</b>	<b>Special Comments</b>
<b>ALCOHOL</b>	Alcoholic Beverages	No	Yes	President or Provost	Not permitted with non-discretionary funds for any function or reason
<b>APPLIANCES</b>	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.
<b>AWARDS - EMPLOYEE</b>	Employee awards and incentives	Yes	Yes	Dean/Vice President, copy Provost/President	Must be part of an employee award/incentive program approved by the President; officially University sanctioned. Applicable taxes may apply.
<b>AWARDS - STUDENT</b>	Student Awards	Yes	Yes	Provost, copy President	Must be part of a student award/incentive program approved President; officially University sanctioned. Must be pre-approved by the Financial Aid Office. Applicable taxes may apply.
<b>CARDS</b>	Holiday, greeting cards	No	Yes	Dean or Vice President	
<b>CONTRIBUTIONS</b>	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
<b>DECORATIONS</b>	Includes but is not limited to holiday decorations, plants, flowers, pictures, artwork, general office décor, aquariums	No	Yes	Budget Unit Head	Does not include official University campus holiday decorations installed by Facilities Services
<b>DUES - INSTITUTIONAL</b>	Institutional membership	Yes	Yes	Provost, Vice President Finance & Administration	Membership must be in the name of Eastern Kentucky University

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<b>DUES - INDIVIDUAL</b>	Individual membership to:  Civic/service/private club	No	No	Provost, Vice President Finance & Administration	Not permitted with any funds
	Professional organization (related to employee's job)	No	Yes	Provost, Vice President Finance & Administration	Individual membership to those professional organizations without an available institutional membership may occasionally be reviewed and approved for payment; does not apply to professional
<b>ENTERTAINMENT or GUEST SPEAKERS</b>	Official University event	Yes	Yes	Budget Unit Head	University approved event; requires approved Speaker Agreement
<b>FLOWERS - CLASSROOM / EDUCATIONAL USE</b>	Classroom/educational use	Yes	Yes		
<b>FLOWERS - FUNERAL / ILLNESS</b>	Employee/immediate family	No	Yes	Budget Unit Head	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
	Friend/donor	No	Yes	Budget Unit Head	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
	Administrative Professionals Day	No	No		Not permitted with any funds

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<b>GIFTS - EMPLOYEE</b>	Appreciation / Thank you	No	No		Not permitted with any funds
	Memorial	No	Yes	Vice President	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
	Retirement	Yes	Yes	President	Must be official retirement from University; not to exceed \$100 (cash equivalent gifts or gift cards not permitted)
	Special occasions	No	No		Not permitted with any funds
	Sporting / Performing Arts event tickets	No	No		Not permitted with any funds
<b>GIFTS - FRIEND / DONOR</b>	Appreciation / Thank you	No	Yes	Dean/Vice President, copy Provost/President	Limited to \$75
	Memorial	No	Yes	Dean/Vice President, copy Provost/President	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
	Special occasions	No	Yes	Dean/Vice President, copy Provost/President	
	Sporting / Performing Arts event tickets	No	Yes	President	Single ticket only; may include employee in role of host of donor or friend of University; season tickets not permitted with any funds
<b>GUEST</b>	Official University guest	Yes	Yes	Dean/Vice President, copy Provost/President	Travel reimbursement must be made from actual receipts; cannot be current employee, current student, or relative of current employee or student; must adhere to University Travel Policy, requirements, and procedures.

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<b>MEALS / FOOD - EMPLOYEE</b>	Departmental social activity	No	Yes	Dean/Vice President	
	Entertaining official guests	Yes	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
	Faculty orientation/reception	Yes	Yes	Dean/Vice President	One event for all; not individual events
	Unplanned working luncheon	No	Yes	Dean/Vice President	Unplanned meals on federal/federal flow-through funds are unallowable expenses
	Planning/adminstrative meeting (planned luncheon)	Yes	Yes	Dean/Vice President	Advanced pre-approval is required from Provost / President
	Recruitment	Yes	Yes	Dean/Vice President	
	Retirement	No	Yes	President	Must be official retirement from University
<b>MEALS / FOOD - EMPLOYEE SPOUSE</b>	Entertaining official guests	No	Yes	President	
	Faculty orientation/reception	No	Yes	Dean/Vice President	Spouses may also be included in public relations activities and other events
	Recruitment	No	No		Not permitted with any funds
<b>PROFESSIONAL LICENSES</b>	Required as condition of employment	Yes	Yes	Provost, Vice President Finance & Administration	Limited to one professional license per employee per year; may be taxable to employee
	Not required as condition of employment	No	No		Not permitted with any funds



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<b>PUBLIC RELATIONS</b>	Fund raising activities/events	No	Yes	Dean/Vice President, copy Provost/President	Includes employee meals, refreshments, travel, entertainment, flowers, and other items necessary for activity or event
	Dinner/events with admission charges	No	Yes	Dean/Vice President, 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/Vice President, copy Provost/President	Official University event; includes refreshments, travel, entertainment, flowers, and other items necessary for activity or event
<b>REFRESHMENTS</b>	Departmental use	No	Yes	Dean/Vice President, copy Provost/President	Bottled water, bottled water coolers, soft drinks, coffee, etc.
<b>RELOCATION</b>	New employees	Yes	Yes	President or Provost	Must adhere to University policy and IRS guidelines for reimbursement of moving / relocation expenses
<b>SPONSORSHIP, PROMOTION, OR PUBLICITY</b>	Exchange of University asset(s) for sponsorship, promotion, or publicity of the University.	Yes	Yes	Vice President for Finance and Administration	Must be for public good as defined by Kentucky Constitution
<b>STUDENT ACTIVITIES</b>	Student orientation/reception	Yes	Yes	Dean/Vice President, copy Provost/President	Includes refreshments, flowers, decorations, entertainment (speaker, musician, etc.)
	Departmental graduation events	Yes	Yes	Dean/Vice President, copy Provost/President	Includes refreshments, flowers, decorations, entertainment (speaker, musician, etc.)
	Travel	Yes	Yes	Dean/Vice President, copy Provost/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.

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	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.
<b>UNIVERSITY, COLLEGE, OR DEPARTMENT ACTIVITIES</b>	Community-related programs, seminars, workshops, conferences and continuing education workshops	Yes	Yes	Dean/Vice President, copy Provost/President	Official University event where majority of participants are not University employees; may include meals, refreshments, flowers, entertainment (speaker, musician, etc.)
	Faculty and staff retreats, planning and administrative training meetings	Yes	Yes	Dean/Vice President, copy Provost/President	Advanced pre-approval is required from Provost/President; intent of activity/event is to enhance employee performance and communication, or to improve operation of unit/organization; may include meals, refreshments, flowers, entertainment (speaker, musician, etc.)
	Faculty and staff orientation / reception	Yes	Yes	Dean/Vice President, 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