

**Discretionary Expenditures**

**Discretionary Expenditures**

**I. Purpose**

As the flagship institution of higher education for the Commonwealth of Kentucky, the University of Kentucky is held to a high level of accountability for its business practices. Every reasonable effort must be made to ensure that funds are used in a responsible and appropriate manner. Certain types of expenditures require particular caution; these expenses have been categorized and entitled *Discretionary Expenditures*. This *Discretionary Expenditure Policy* ensures that expenditures in these categories only occur when necessary and appropriate.

**II. Source of Funds**

The source of funds to support discretionary expenditures is generally private donations.

Additionally, there are certain self-supporting activities within the University that charge registration or other fees to specifically support discretionary (entertainment) type expenditures. For these activities, the segmented portion of the registration or other fee income related to these special activities may be moved to a self-supporting discretionary cost object, provided approval for moving the funds is obtained from the Provost or appropriate Executive Vice President, or their designee. The Dean/Director responsible for oversight of the self-supporting activity would prepare a letter to the Provost or appropriate Executive Vice President requesting the fund transfer and attaching supporting documentation to explain how the amount requested was determined. Additionally, a journal entry to move the funds or a budget transfer form would need to accompany the letter.

**III. Responsibilities**

- A. *Deans/Directors* – assume responsibility for enforcement of this policy.
- B. *University Financial Services* – responsible for oversight of the discretionary expenditure policy.
- C. *Accounts Payable Services Department*– responsible for final review of discretionary expenditures to ensure proper funding.

**IV. Procedures**

Categories covered by this policy must be paid using the Payment Request Document (PRD), an Enhanced Procurement Card or an Open Procurement Card. Please see BPM E-7-16 for more information regarding authorized use of various types of Procurement Cards. The Standard Procurement Card may only be used when specifically noted on the table below.

When expenditures include the purchase of food the supporting documentation must include an original, itemized receipt which includes the time, place, and date of the purchase; a description of the business purpose; and a list of attendees, regardless of the funding used.

**Discretionary Expenditures**

Food purchases which are expressly allowed on the table below to be purchased on the Standard Procurement Card are limited to grocery store purchases. Meals purchased through UK Catering (arranged through Catertrax or by calling 257-1741), Boone Center and Spindletop Hall are also allowed on the Standard Procurement Card, regardless of funding source.

**V. Policy**

The University is allowed to reimburse or pay for expenses that are necessary and reasonable. A necessary expense is one where there exists a clear business purpose.

To establish a clear business purpose the expenditure must contain all information necessary to substantiate the expenditure. Categories of expenses covered by this policy are as follows:

Category / Description	Non-Discretionary Funds	Discretionary Funds	UK BPM Reference
<b><u>ALCOHOL</u></b>			
<b>Alcoholic Beverages</b>	No	Yes	B-3-2-2
Not permitted on non-discretionary funds for any function/event. Liquor, wine or beer for cooking, patient care or research may be approved on non-discretionary funds on an exception basis only. See BPM E-1-2 for guidance on completing an exception request. Alcohol should be charged to GL account code 540356.			
<b><u>CONFERENCES AND MEETINGS</u></b> – This category includes the costs of conferences, workshops, meetings and seminars conducted by the University when the primary purpose is the dissemination of technical or departmental information. This includes costs of meals and other necessary expenses.			
<b>Expenditure Supported By Income</b>	*Yes	Yes	B-3-2-2
*Expenses shall be paid from revenue from the event. Alcohol is generally not allowed for these type of events however if expenses include alcoholic beverages the alcohol must be paid with discretionary funds - see Alcohol category above. Note: Not allowable on a sponsored project.			
Food purchases from a grocery store, decorations and set-up fees are allowed on the Standard Procurement Card			
<b>Expenditure Not Supported By Income</b>	*Yes	Yes	B-3-2-2
*Meal or refreshment expenses will require assurance that the function has a clear business purpose consistent with the mission of the College/Division/Department. <b><u>The provision of meals and/or refreshments must be incidental to the function rather than the primary purpose of the function.</u></b> To establish a clear business purpose the documentation to support the transaction should include the original, itemized receipt; a written agenda (planned in advance) which includes the time, place, and date of the meal; the business purpose; and a list of attendees. Alcohol is generally not allowed for these type of events however if expenses include alcoholic beverages the alcohol must be paid with discretionary funds - see Alcohol category above. Note: Not allowable on a sponsored project unless sponsor prior approval is received.			
Food purchases from a grocery store, decorations and set-up fees are allowed on the Standard Procurement Card			
<b><u>CONTRIBUTIONS</u></b>			
<b>Cash Donations</b>	No	No	
Not allowed from any funds (See Gifts – Memorial)			

**Discretionary Expenditures**

Category / Description	Non-Discretionary Funds	Discretionary Funds	UK BPM Reference
<b><u>DEPARTMENTAL SOCIAL ACTIVITIES</u></b>			
<b>Social Activities On or Off Campus</b> Such as staff going away parties (not covered by AR 3:1 and AR 3:2) or holiday parties.	No	Yes	B-3-2-2
<b><u>DUES/MEMBERSHIPS</u></b>			
<b>Individual Membership to Civic, Service, Private Clubs</b> Not allowed from any funds. This includes memberships to Boone Center, Spindletop, and individual or departmental memberships to Sam's Club and Costco. Note: Not allowable on a sponsored project unless sponsor prior approval is received.	No	No	
<b>Professional Membership Dues</b> The University may pay for membership dues to professional organizations if it is appropriate for the individual's position and duties and if the membership benefits the university. Note: Not allowable on a sponsored project unless sponsor prior approval is received.  Allowed on the Standard Procurement Card – edit documentation must contain employee name and position with explanation of applicability to position/duties and how the membership benefits the university.	Yes	Yes	
<b>Professional Licenses and Certifications</b> The University may pay for professional Licenses and Certifications if it is appropriate for the individual's position and duties and if the license benefits the university. Note: Not allowable on a sponsored project unless sponsor prior approval is received.  Allowed on the Standard Procurement Card – edit documentation must contain employee name and position with explanation of applicability to position/duties and how the licenses/certificate benefits the university.	Yes	Yes	
<b><u>GIFTS</u></b> – This category includes flowers. Employee awards for the purpose of recognizing outstanding performance and stimulating professional development are covered by E-7-12 and are not covered by this policy.			
<b>Employee Appreciation/Congratulatory or Special Occasions</b> Not allowed from any funds. See BPM E-7-12 for Employee Awards.	No	No	B-3-2-2
<b>Employee Memorial/Illness or Immediate Family see HR 84.0</b> *Cost of flowers plus delivery limited to \$100 or Monetary gifts in lieu of flowers, not to exceed \$100, may be made to family-designated charities or memorial funds.	No	*Yes	B-3-2-2
<b>Employee Retirement</b> Must be official retirement from the University as defined in AR 3:1 and AR 3:2. Limit of \$400 - Cash or cash equivalent gifts are not allowed. Note: Not allowable on a sponsored project.  Items purchased are allowed on the Standard Procurement Card.	Yes	Yes	B-3-2-2
<b>Friends or Donor Appreciation/Congratulatory or Special Occasions</b> Sporting event tickets/admission is limited to a single event only and may include a ticket/admission for a University host and spouse/adult guest.	No	Yes	B-3-2-2
<b>Friends or Donor Memorial/Illness</b> Cost of flowers plus delivery limited to \$100 or monetary gifts in lieu of flowers, not to exceed \$100, may be made to family-designated charities or memorial funds.	No	*Yes	B-3-2-2

Discretionary Expenditures

Category / Description	Non-Discretionary Funds	Discretionary Funds	UK BPM Reference
<b><u>FACULTY/STAFF ORIENTATION AND RECEPTIONS</u></b>			
<p><b>Annual Event to Orient New Faculty/Staff and Promote Social Interaction Among Colleagues.</b></p> <p>Activities organized and presented by College/Division/Department. Expenses may include employee meals, refreshments, mileage (does not include overnight lodging), entertainment, flowers. Note: Not allowable on a sponsored project. For Alcohol related expenses see Alcohol category above. *Spouse/adult guest meals only allowed on Discretionary Funds.</p> <p>Food purchases from a grocery store, decorations and set-up fees are allowed on the Standard Procurement Card.</p>	*Yes	Yes	B-3-2-2
<b><u>UNIVERSITY FUND RAISING ACTIVITIES</u></b>			
<p><b>Internal Activities and Events Organized By College/Division/Departments to Generate University Revenue and Increase Giving From Alumni, Friends and Donors Where a Fee is Charged to Cover the Cost of the Activity or Event</b></p> <p>May include facilities, decorations and set-up fees, refreshments, meals and entertainment for friends and donors and University hosts and spouses/adult guests. Sporting event tickets/admission is limited to a single event. *Expenses may be paid from revenue generated by the event or activity. Note: Not allowable on a sponsored project.</p> <p>Food purchases from a grocery store, decorations and set-up fees are allowed on the Standard Procurement Card</p>	*Yes	Yes	
<p><b>Internal Activities and Events Organized By College/Division/Departments to Generate Revenue and Increase Giving From Alumni, Friends and Donors Where the Fee Charged Does Not Cover the Cost of the Activity or Event or Where No Fee is Charged for the Activity or Event</b></p> <p>May include facilities, decorations and set-up fees, refreshments, meals and entertainment for friends and donors and University hosts and spouses/adult guests. Sporting event tickets/admission is limited to a single event. *Must be conducted to generate funds to be used to further the essential operations of the hosting College/Division/Department. To establish a clear purpose the documentation to support the transaction should include the original, itemized receipt which includes the time, place, and date of the meal; a description of the funding being sought; and a list of attendees. The ratio of hosts to guests should be reasonable. Expenses should be segregated in a unique cost center with a functional area of 0670 or if the College/Division/Department does not have a unique cost center with a functional area of 0670, non-personnel expenses may be charged to GL account 535046 Fundraising activities or 535044 Alumni activities, as appropriate, so as to be easily identified. Note: Not allowable on a sponsored project.</p> <p>Food purchases from a grocery store, decorations and set-up fees are allowed on the Standard Procurement Card</p>	*Yes	Yes	
<b><u>HOSTING OFFICIAL GUESTS OF THE UNIVERSITY</u></b>			
<p><b>Activities Related to Hosting Officially Invited Guests</b></p> <p>Expenses may include refreshments, meals and entertainment for guest and spouse/adult guest along with faculty/staff and spouse/adult guest. Ratio of hosts to guests should be reasonable. Note: Not allowable on a sponsored project. For Alcohol related expenses see Alcohol category above. *All sporting event tickets are limited to a single event and require discretionary funds.</p> <p>Food purchases from a grocery store and decorations allowed on the Standard Procurement Card.</p>	*Yes	*Yes	

**Discretionary Expenditures**

Category / Description	Non-Discretionary Funds	Discretionary Funds	UK BPM Reference
<b><u>OFFICE DECORATIONS</u></b> – Non-public areas			
<b>Private Office Decorations</b> Includes but is not limited to flowers, pictures, plants and/or holiday decorations.	No	Yes	B-3-2-2
<b><u>PUBLIC RELATIONS ACTIVITIES AND EVENTS</u></b>			
<b>Events and Celebrations To Raise Funds For Other Entities</b> Must be consistent with the University's mission organized or presented by non-profit organizations and University participation and support is appropriate. Expenses may include reception/dinner/event tickets, including tiered pricing for table seating where focus is on the cause/purpose and not the activity. Employee spouses/adult guests may be included.	No	Yes	B-3-2-2
<b><u>RECRUITMENT EXPENSES – Faculty and Staff</u></b>			
<b>Evaluating Prospective Employees (Faculty and Staff).</b> Expenses may include refreshments, meals and entertainment for the prospective employee and spouse/adult guest and a reasonable number of University employees and spouses/adult guests. Refer to Business Procedures Manual for details of allowable expenses. For Alcohol related expenses see Alcohol category above. Note: Entertainment costs for University employees are not allowable expenditures on a sponsored project.  Food purchases from a grocery store allowed on the Standard Procurement Card	Yes	Yes	B-3-2-2
<b><u>REFRESHMENTS FOR DEPARTMENT USE</u></b>			
<b>Coffee, Soda, Bottled Water, etc.</b> Refreshments made available for general departmental consumption.	No	Yes	B-3-2-2
<b><u>RETIREMENT DINNERS FOR EMPLOYEES</u></b>			
<b>Official Retirement From The University</b> Defined in AR 3:1 and AR 3:2.	No	Yes	B-3-2-2
<b><u>SPECIAL PURPOSE CARDS</u></b> – Includes Greeting and Holiday			
<b>Cards for Holidays, Birthdays, Congratulatory etc.</b> Note: Not allowable on a sponsored project without sponsor prior approval.	No	Yes	
<b><u>SPONSORSHIPS</u></b>			
<b>Providing Financial Assistance or Co-Sponsoring an External Activity or Event</b> Activity or event must be consistent with the University's mission. Activity or event should be organized or presented by non-profit organizations and University participation and support is appropriate.	No	Yes	