

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 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 attach 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. Units – responsible for ensuring discretionary funds are available before placing an order with a vendor, reviewing funding source.
- B. Business Officers – responsible for ensuring proper funding of discretionary expenditures when a payment request document (PRD), purchase order (PO) or procurement card is used and responsible for ensuring unit faculty and staff are trained and understand their fiscal responsibilities.
- C. Deans/Directors – responsible for oversight of self-supporting activities and requesting fund transfers.
- D. University Financial Services – responsible for oversight of the discretionary expenditure policy.
- E. Accounts Payable Services – responsible for final review of discretionary expenditures when payment is made by a PRD to ensure proper funding with random audits conducted on Concur expense reports after the SAP posting.

IV. Procedures

Categories covered by this policy must be paid using the Payment Request Document (PRD), purchase order (PO) or the procurement card. See the [Purchasing/AP Quick Reference Guide](#) for the allowable payment types for each category. Additional

Discretionary Expenditures

resources include the following BPMs: [B-3-2-2 Payment Request Document \(PRD\)](#), [B-3-3-4 SAP Purchase Requisitions Healthcare and Facilities Areas](#), [B-3-3-5 SRM Shopping Carts – Campus Area](#), and [E-7-16 Procurement Cards](#).

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.

When expenditures include the purchase of food, the supporting documentation must include an 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.

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
<u>ALCOHOL</u>		
Alcoholic Beverages (including related expenses such as bartender fees)	No	Yes
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.		
<u>CONFERENCES AND MEETINGS</u> – 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.		
Expenditure Supported by Income	*Yes	Yes
*Expenses shall be paid from revenue from the event. Alcohol is generally not allowed for these types 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.		
Expenditure Not Supported by Income	*Yes	Yes
*Meal or refreshment expenses will require assurance that the function has a clear business purpose consistent with the mission of the College/Division/Department. <u>The provision of meals and/or refreshments must be incidental to the function rather than the primary purpose of the function.</u> To establish a clear business purpose the documentation to support the transaction should include the 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 types 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.		
<u>CONTRIBUTIONS</u>		
Cash Donations	No	No
Not allowed from any funds (See Gifts – Memorial)		

Discretionary Expenditures

Category / Description	Non-Discretionary Funds	Discretionary Funds
<u>DEPARTMENTAL SOCIAL ACTIVITIES</u>		
Social Activities on or off Campus	No	Yes
Such as staff going away parties (not covered by AR 3:1 and AR 3:2), holiday parties, or team building activities that promote teamwork and community building among employees and benefit operational efficiency and effectiveness.		
<u>DUES/MEMBERSHIPS</u>		
Individual Membership to Civic, Service, Private Clubs	No	No
Not allowed from any funds. This includes memberships to Spindletop and individual or departmental memberships to Costco. Note: Not allowable on a sponsored project unless sponsor prior approval is received.		
Professional Membership Dues	Yes	Yes
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.		
Documentation must contain employee name and position with explanation of applicability to position/duties and how the membership benefits the University.		
Professional Licenses and Certifications	Yes	Yes
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.		
Documentation must contain employee name and position with explanation of applicability to position/duties and how the licenses/certificate benefits the University.		
<u>GIFTS</u> – 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.		
Employee Appreciation/Congratulatory or Special Occasions	No	No
Not allowed from any funds. See BPM E-7-12 for Employee Awards.		
Employee Memorial/Serious Illness or Immediate Family see HR 84.0	No	*Yes
*Limited to flowers, fruit or monetary gift to family-designated charity or memorial fund. Total, including delivery fee, not to exceed \$150.		
Employee Retirement	Yes	Yes
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.		
Friends or Donor Appreciation/Congratulatory or Special Occasions	No	Yes
Sporting event tickets/admission is limited to a single event only and may include a ticket/admission for a University host and partner/spouse/adult guest.		
Friends or Donor Memorial/Serious Illness	No	*Yes
*Limited to flowers, fruit or monetary gift to family-designated charity or memorial fund. Total, including delivery fee, not to exceed \$150.		

Discretionary Expenditures

Category / Description	Non-Discretionary Funds	Discretionary Funds
<u>FACULTY/STAFF ORIENTATION AND RECEPTIONS</u>		
Annual Event to Orient New Faculty/Staff and Promote Social Interaction Among Colleagues 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. *Partner/spouse/adult guest meals only allowed on Discretionary Funds.	*Yes	Yes
<u>UNIVERSITY FUND RAISING ACTIVITIES</u>		
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 May include facilities, decorations and set-up fees, refreshments, meals and entertainment for friends and donors and University hosts and partners/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.	*Yes	Yes
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 May include facilities, decorations and set-up fees, refreshments, meals and entertainment for friends and donors and University hosts and partners/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 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.	*Yes	Yes
<u>HOSTING OFFICIAL GUESTS OF THE UNIVERSITY</u>		
Activities Related to Hosting Officially Invited Guests Expenses may include refreshments, meals and entertainment for guest and partner/spouse/adult guest along with faculty/staff and partner/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 require the use of discretionary funds. University of Kentucky sporting event ticket payments must be made via JV at the time the ticket order is placed. University of Kentucky sporting event tickets may not be purchased with a procord. For single UK game tickets, a UK Athletics Purchase Detail – Tickets/Facilities form must be attached to the JV and must include the business purpose and list of attendees if known. Submit this form only after securing authorization to purchase tickets from the UK Athletics Ticket Office. The list of attendees, if not known at the time of processing the JV, must be submitted to Accounting and Financial Reporting Services following the end of the game. For UK season tickets, a UK Athletics Purchase Detail – Tickets/Facilities form , including the business purpose, must be attached to the JV and a list of attendees must be submitted to Accounting and Financial Reporting Services at the end of the season. Submit this form only after securing authorization to purchase tickets from the UK Athletics Ticket Office.	*Yes	*Yes

Discretionary Expenditures

Category / Description	Non-Discretionary Funds	Discretionary Funds
<u>OFFICE DECORATIONS</u> – Non-public areas		
Private Office Decorations Includes but is not limited to flowers, pictures, plants and/or holiday decorations.	No	Yes
<u>PUBLIC RELATIONS ACTIVITIES AND EVENTS</u>		
Events and Celebrations to Raise Funds for Other Entities 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 partners/spouses/adult guests may be included.	No	Yes
<u>RECRUITMENT EXPENSES – Faculty and Staff</u>		
Evaluating Prospective Employees (Faculty and Staff) Expenses may include refreshments, meals and entertainment for the prospective employee and partner/spouse/adult guest and a reasonable number of University employees and partners/spouses/adult guests. Refer to BPM E-7-9 Recruitment Expenses 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.	Yes	Yes
<u>REFRESHMENTS FOR DEPARTMENT USE</u>		
Coffee, Soda, Bottled Water, etc. Refreshments made available for general departmental consumption.	No	Yes
<u>RETIREMENT CELEBRATIONS FOR EMPLOYEES</u>		
Official Retirement from The University. This includes, but is not limited to meals, refreshments, decorations, venue rental. For information related to employee retirement gifts, see above section Gifts – Employee Retirement. Defined in AR 3:1 and AR 3:2.	No	Yes
<u>SPECIAL PURPOSE CARDS</u> – Includes Greeting and Holiday		
Cards, including but not limited to cards for Holidays, Birthdays, Congratulatory, etc. Note: Not allowable on a sponsored project without sponsor prior approval.	No	Yes
<u>SPONSORSHIPS</u>		
Providing Financial Assistance or Co-Sponsoring an External Activity or Event 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