East Carolina University

Basic Spending Guidelines

by

Fund Source
June 25, 2015
# East Carolina University

## Basic Spending Guidelines by Fund Source

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June 25, 2015

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Introduction

The University has a wide variety of sources of funds, each of which has its own spending characteristics. No set of guidelines can be written that addresses every possible expenditure decision which may arise. There are some basic rules, regulations, and precedents which are presented here, however, which can help to guide an employee in making wise spending decisions. These guidelines are provided to ensure that faculty/staff can carry out the University’s mission effectively, while ensuring that fiscally wise, politically sound, and legal spending practices are followed.

All Sources of Funds

Appearance and Reasonableness Tests

For all potential expenditures from all sources of funds, the “appearance test” should be used, i.e., how would this purchase look to external constituents if placed on the front page of a newspaper. Another test that is useful is to ask the question, “Is this expenditure necessary for a faculty/staff member to do his/her job or for the University to carry on its normal business?” The use of these tests should help to guide faculty/staff members in their decision-making. At all times, faculty/staff are encouraged to manage funds wisely.

Exceptions and Interpretations
If a case occurs in which an individual believes an exception should be made to the guidelines, he/she should request from their division business officer that an individual determination be made on a particular item. The division business officer or designee will work with Financial Services to determine the latitude available on the request, the University business purpose of the request, and other options which may be available.

**Department Head Responsibilities**

The department head (individual responsible for the funds in a fund/org) has the responsibility to ensure that proper documentation procedures are followed for funds/orgs that he/she controls and that only authorized expenditures are charged. Furthermore, the department head is responsible for ensuring that any funds/orgs which he/she may control are reviewed at least monthly and any errors found are corrected. Finally, the department head is responsible for ensuring all trust funds maintain a positive or zero cash balance.

The department head may delegate authority to approve and sign direct payment forms, budget forms, position change forms, pre-travel and post-travel forms and/or journal entry forms for funds/orgs by the proper completion of a Delegation of Authority Form located on One Stop. The naming of a delegate does not relieve the department head of the ultimate fiscal responsibility and accountability of funds under his/her control.

**Reimbursements to Employees**

Regardless of funding source, payments to employees are limited to authorized reimbursements, or authorized salaries. Payments to employees for compensation for work must follow guidelines published by ECU Human Resources and must be initiated through the payroll system.
According to IRS regulations, the University must have an “Accountable Plan” for reimbursing employees for business related expenses on a tax-free basis. This “Plan” must apply to all funding sources. Expenses must have a business purpose and must be reported within a reasonable period of time. IRS requires that any payments made to employees NOT in compliance with this policy be treated as supplemental wages and subjected to income tax withholding and payment of social security, Medicare, and FUTA taxes.

Personal reimbursements for items such as supplies, travel, or meals to an employee must be for a valid business purpose and must be approved by an individual at a higher level of authority in the employee’s reporting structure. The purchase of items for personal use is prohibited regardless of funding source. Any non-travel purchases should normally be made with prior planning and through one of the following preferred purchasing methods: Pro card (not available for foundations), on-line orders for office supplies from contract vendor(s) as designated by Materials Management, PORT purchase requisitions/orders (including campus storerooms), or blanket order. Note that all purchases made using grant funds must be in compliance with regulations from the granting agency and/or in the contract. Note also that any purchases made using foundation and institutional trust funds must be in compliance with any restrictions applicable to the particular fund. If any non-travel purchases cannot be made via one of the preferred purchasing methods listed above, the Direct Payment Form may be used for reimbursement requests. Any such approved reimbursement must be documented appropriately for the expenditure. An original, detailed, itemized receipt is the preferred documentation for reimbursement requests. Reimbursement should be requested within 30 days of the date on which the expense was incurred.

Travel Reimbursements

A complete set of travel reimbursement procedures may be found at http://www.ecu.edu/cs-admin/financial_serv/accountspayable/travelmanual.cfm.

Moving Expenses
The hiring approval process may include payment of reasonable moving/relocation expenses in accordance with the University’s Policy on Non-Salary and Deferred Compensation for Employees Exempt from the State Human Resources Act. When authorized, moving expenses for new employees must be paid from discretionary or foundation funds. Moving expenses should be carefully documented and charged to account code 73086. Coding to account code 73086 is very important because the code drives the tax reporting for the moving expense payments.

Expenditure Account Codes

Expenditure account codes are codes that must be used when processing financial transactions to identify various classes of expenditures, for example, salaries, travel, supplies, equipment, etc. The actual codes will provide even more detailed breakdowns of these groupings. This coding scheme gives the University the ability to create reports that include, or are broken down by, the various classes of expenditures.

Information regarding expenditure account codes for coding expenditures may be found by logging into the Banner e~Print System and viewing the account code listing report, FGRACTH (Account Hierarchy Report).

Program (Purpose) Code Attributes

Program (purpose) codes are codes that help to classify financial activity by its function, for example, instruction, institutional support, research, or public service. With the exception of a few grants, these codes should not be used to code a financial transaction but are built into the financial system for each fund at the time the fund is created. Because of the need to report financial activity by function, a fund may not be classified into more than one function.

Information regarding individual program (purpose) codes may be found at: www.northcarolina.edu/finance/chart_accounts/index.htm.
Contributions and Donations

Contributions and donations are not allowed from any University funds unless prior approval is obtained from the Associate Vice Chancellor for Financial Services. Generally contributions are not allowed because East Carolina University is a public educational organization of the State of North Carolina exempt from U.S. tax under the Internal Revenue Code.

Sponsorships

Sponsorships may be allowed from state and/or nonstate funds if there is a clearly written, documented benefit to the University or to the sponsoring department. For example, the ECU Regional Development Office sponsors the North Carolina Eastern Region Entrepreneurship Summit. The Office of Undergraduate Research sponsors the State of North Carolina Undergraduate Research and Creativity Symposium. Undergraduate students participate in this annual event and benefit by presenting their own research and observing the research presentations of other undergraduates. If a sponsorship is made between state funds (not fund 111102 or fund 111103), move the budget from one state fund to the other using a BD04. If a sponsorship is made between state funds where one is fund 111102 or fund 111103, split-code an invoice or reclassify the expense.

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Funding Sources

State Budget Codes - General Operating Funds

This group of funds consists of state appropriated funds and receipt supported funds in the state budget code. The University follows the rules, regulations and guidelines set forth in the
Unallowable Purchases from State Budget Codes

There are some purchases that are specifically not allowable from state funds. Examples include the following:

- Alcoholic beverages, “setups", drinks, or food items;
- Decorations (seasonal or otherwise);
- Excess per diem for meals on travel status;
- Extra insurance for travel (ex. Rental cars, airlines – see Travel Manual);
- Flower arrangements, cut flowers, works of art, paintings, drawings, pictures, plaques, plants, etc. Decorative/aesthetic items may be purchased for public areas such as lounges, hall ways, and reception areas.
- Food, coffee, tea, drinks, bottled water, candy, snacks, break refreshments, etc. except for those provided under University and state travel regulations. The State Budget Manual gives specific requirements and limitations for internal and external conferences.
- Get well cards, sympathy cards, birthday cards, or holiday cards;
- Gifts or items of recognition (regalia, lanyards, cords, ribbons, plaques, awards, prizes) unless recognizing years of service or items related to the graduation fee;
- Medications (pain relievers, aspirin, etc.), shots, and/or medical supplies for staff/employees other than as may be required by federal or state regulations or for emergency first aid.
- Multi-year agreements not with original purchase and multi-year agreements where vendor requires up-front payment for all years;
- Paper products (cups, napkins, plates, utensils, etc.);
- Penalties or late fees;
- Personal clothing items or t-shirts which are not part of required uniforms, safety related, or required program-related;
- Personalized or personal use items (Kleenex, hand sanitizer, desk name plates, personal memberships, wireless routers for home use, etc.). Name badges may be
purchased with state funds as long as the position requires such identification. The badge must be worn during all work hours.

- Pre-payments;
- Rental of portable water dispensers, coffee pots, or table cloths;
- Search expenses for travel related to SPA employees;
- Staff development expenses (Ropes courses, motivational speakers, etc.);
- Student registration fees unless on official state business;
- Window curtains and draperies made of cloth (blinds, shades, etc. may be ordered through Facilities’ work order system).

**Overhead Receipts Trust Funds**

Expenditures from overhead receipts funds must be related to research unless the receipts are from a grant that is not research related. Examples include public service or educational grants. In those cases, the overhead receipts fund expenditures should be related to those purposes.

**Auxiliary and Related Trust Funds**

Auxiliary and similar operations include the Student Stores, Student Center, University Dining, Parking and Transportation, Housing, Student Health Service, University Printing and Graphics, and Central Stores. Expenditures from auxiliary funds must follow the same guidelines used for state funds except when used for certain program related activities as noted in the individual auxiliary sections below. In all cases, state funds expenditure guidelines must be followed when using the funds for staffing an office (for example, University Printing and Graphics office personnel or Student Stores office personnel) or carrying on activities which are similar to state funded activities. No extra benefits, compensation, food, or any other item which could not be
paid from state funds may be provided to University employees except as noted in sections below. The purchase of alcoholic beverages from auxiliary funds is prohibited. Reasonable administrative expenses, not to exceed the amount of STIF interest earnings for the fiscal year, may be allowed with the approval of the appropriate Vice Chancellor or designee.

Student Stores - Must use state appropriated funds guidelines for administrative related operations for University employees as noted above. May purchase items falling outside the state funds guidelines for seasonal retail display items (fall, winter, spring, and summer) used to enhance or promote product, and for promotional giveaways (may be food related) used exclusively for the intended customer base (students, faculty, and staff).

Student Center - Must use state appropriated funds guidelines for administrative related operations for University employees. May purchase items falling outside the state funds guidelines for activities/programs for students sponsored by the Student Center(s) or for decorating the Student Center facilities.

University Dining - Must use state funds guidelines for administrative related operations for University employees. May purchase items falling outside the state funds guidelines for program activities relating to University Dining Services or for decorating the Dining Center facilities.

Parking and Transportation - Must use state appropriated funds guidelines except when the items are purchased as part of providing a specific service contracted and paid for by a department such as Housing or Athletics. The items purchased outside the state funds guidelines must be an integral part of the contracted service and appropriate for the program to which they are being provided.

Housing - Must use state appropriated funds guidelines for administrative related operations for University employees. May purchase items falling outside the state funds guidelines for student activities/programs related to the housing program.
Contracts and Grants Trust Funds

Contracts and grants must follow all state appropriated funds guidelines, sponsor specific terms, and conditions noted in the awards documents unless excepted as noted below.

Exceptions to the state funds guidelines must be discussed with/approved by the Vice Chancellor for Research and Graduate Studies or the Office of Grants and Contracts. An example of an exception would include allowances for food costs for seminars or workshops associated with the objectives of the award.

Contracts and grants may also be subject to Cost Accounting Standards (CAS) or other requirements set forth in OMB Circulars or other federal regulations or specific sponsor guidelines. Cost Accounting Standards and other guidance in OMB circulars are applicable to Federal and Federal flow through awards. All Cost Accounting Standards, OMB Circulars, and any other sponsor exceptions must be approved by the Office of Grants and Contracts.

Sometimes University requirements may be more restrictive than sponsor requirements or sponsor requirements may be more restrictive than University requirements. In most cases, the most restrictive policy will apply to a financial transaction. Any exceptions must be approved by the Office of Grants and Contracts.

The Principal Investigator (PI) has the responsibility to monitor the budget, ensure that proper documentation procedures are followed and that only authorized expenditures are charged to a sponsored project. The PI is responsible for ensuring that sponsored projects’ funds are
reviewed monthly and any errors found are corrected on a timely basis. While processing of transactional documents and forms may be delegated within the unit that does not relieve the PI of fiscal responsibility and accountability for his/her sponsored project funds.

**Residual Funds Related to Contracts**

When the University is authorized to retain unobligated fund balances, expenditures of remaining balances must be related to research.

**Gift and Endowment Income Trust Funds**

Expenditures from gift and endowment income funds must be made prudently with the intent of the donor in mind and follow the restrictions set by the donor as evidenced in the fund authority. The primary purpose of an expenditure must be for the benefit of the University and, therefore, not for the direct benefit of an employee.

**Endowment Principal Funds**

Endowment principal funds are funds provided to the University, normally in the form of a trust or gift, for investment to generate income. The income may be unrestricted or restricted for a particular purpose.

The request for an endowment fund should include the following:

- Original or copy of the gift agreement, bequest or other gift document;
- Description of the source of funds;
- Purpose of the fund, how the income earned is to be used - in support of what activity or function;
- Any restrictions on the types of allowable expenditures;
- Name of person authorized to spend endowment income;
- Name of fund.

Expenditures are not allowable against these endowment principal funds. All endowment related expenditures must be made from endowment income funds.

**Patent Royalty Trust Funds**

Patent royalty funds are royalties derived from licensing of a patent. These funds must be used for support of research.

**Orientation Fees Trust Funds**

Orientation fees are fees paid by students to fund the new students’ orientation program. The fees may be used for payment of normal orientation expenses including food and refreshments for student orientees, orientation training (includes training retreats), and other expenses as necessary to provide a full orientation experience for students. Expenditures for alcoholic beverages are prohibited. The funds may not be used for refreshments for University staff meetings or other business which is outside the confines of the retreat, orientation training programs, or orientation program.

**ECU Physicians Trust Funds**

These funds include fees and other payments for services rendered by professionals under the
University’s approved practice plan. These funds may be utilized to maintain and/or improve the areas of teaching, research, patient care, public service, and support administration of the practice plan. May purchase items falling outside the state funds guidelines for incentive bonuses, food and beverages for recruitment, Grand Rounds or student and resident events.

**Agency Trust Funds**

This category includes funds held by the University as fiscal agent for student, faculty, and staff organizations where it has been deemed in the best interests of the University to provide an accounting service. These funds do not belong to the University and the University does not determine what they can be spent for except as follows:

a. The University requires a formal approval process to ensure, to the extent possible, that funds in these projects are not misused.

b. The funds should not be spent for any purpose which would be detrimental to the image of the University.

Adequate documentation is required to ensure that an authorized person is initiating an expenditure request.

**Discretionary Trust Funds**

Discretionary funds, those funds that are not budgeted to be used for some specified purpose, can be used to meet a broad range of University needs. The flexibility that is associated with discretionary funds is vitally important to the University. At the same time expenditures of discretionary funds must be consistent with a number of general guidelines as set out below.
Each expenditure of discretionary funds must be for a valid University purpose. These expenditures (whether for meals, travel, lodging, entertainment, official functions, gifts and awards, or memberships) must follow all University policies that apply to that type of expenditure and must be accompanied by appropriate documentation including receipt(s), purpose, date, location, and names of persons involved.

The very flexibility associated with discretionary funds means that determining the propriety of some expenditures will require judgment. In these cases, the prudent person test applies. The individual making the decision about the expenditure must be comfortable with the prospect that the specific expenditure would come under the scrutiny of individuals outside the University.

Expenditures that confer a personal benefit upon the individual authorizing the expenditures are not allowable. Expenditures for items such as retirement gifts and employee achievement or recognition awards that are authorized by one individual to be received by another are allowable as discussed below.

Retirement Gifts and Employee Achievement or Recognition Awards

Awards (length of service, safety, etc.) may be purchased for employees up to $75 in value and may not be cash or cash equivalent (gift certificates, gift cards, or prepaid tickets). In the event of a retirement of a long-term employee, the $75 limit may be extended to the $400 limit established by the IRS.

Amounts awarded as Retirement Gifts:

- Cannot be disguised as wages;
- Must be awarded as part of a meaningful presentation; and
- Cannot be cash, cash equivalent (gift certificate or prepaid tickets), vacation, meals, lodging, theatre or sports tickets, or securities.

Restaurant Charges
There are unique requirements for certain purchases, such as restaurant charges, to be paid from discretionary funds. While business purpose justification can be provided for working breakfasts, lunches, and dinners, IRS guidelines allow this type of reimbursement only on an occasional – not a routine – basis. Restaurant charges may be allowable if documented with an agenda describing the business purpose of the meeting and a list of attendees. Unless ECU employees are participating in an internal conference, meals including *only* ECU employees must be paid for from personal funds. (Exceptions to this include an occasional holiday or annual event and the case where an internal candidate has a meal related to the interview/search process.)

In the case of a restaurant that does not provide itemized receipts, the requestor must certify in writing that no non-food items were purchased regardless of funding source. Grant and/or contract guidelines and any other fund guidelines all apply here as well.

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