Basic Spending Guidelines by Fund Source

Policy 501.16

1 Introduction

1.1 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.

2 Scope

3 Definitions

4 Policy and Procedure Statements

4.1 All Sources of Funds

4.1.1 Appearance and Reasonableness Tests

4.1.1.1 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 utilization of these tests should be documented to help to guide faculty/staff members in their decision-making. At all times, faculty/staff are encouraged to avoid the appearance of poor management of funds as well as the reality of poor management of funds. For proper separation of duties and internal control, all procurement requests should be initiated and signed by an employee, and approved by the supervisor.

4.1.2 Exceptions and Interpretations

4.1.2.1 Every attempt has been made to make these guidelines comprehensive. There may be cases, however, which would fall outside the guidelines and yet be legal expenditures and in the best interests of the university. If a case occurs in which an individual believes an exception should be made to the guidelines, he/she should request through the Controllers Officer that an individual determination be made on a particular item. The Controller, or designee, will work with the department to determine the latitude available on the request, the university business purpose of the request, and other options which may be available.

4.1.3 Responsible Person/Principal Investigator Responsibilities

4.1.3.1 The Responsible Person or Principal Investigator (individual responsible for the funds in a research project) has the responsibility to ensure that proper documentation procedures are followed for accounts or projects that he/she controls and that only authorized expenditures are charged to an account. Further, the Responsible Person must ensure that any accounts which he/she may control are reviewed at least monthly and any transactions which are incorrect or do not belong on a project are reported to the Controller's Office. Finally, the Responsible Person is responsible for ensuring that he/she maintains a positive or zero cash balance on trust fund accounts unless specifically exempted from this requirement in writing by the Vice Chancellor for Business Affairs.

4.1.4 Documentation Requirements

4.1.4.1 Documentation requirements for expenditures may be found in the Policy Manual at:

- Petty Disbursing Fund Purchases
- Check Request Procedure

4.1.5 Payments to Employees

4.1.5.1 Regardless of funding source, payments to employees are limited to authorized reimbursements, authorized awards, or authorized salaries. Payments to employees for compensation for work must follow guidelines published by Human Resource
Services and must be initiated through the payroll system. Personal reimbursements for items such as supplies, travel, or meals to an employee must be approved by an individual at a higher level of authority in the university’s organization. Personal reimbursements for items and supplies should be for emergencies only, not for the daily operational needs of the department. These purchases should normally be made with prior planning and through the purchase card, petty cash, or requisition process. Any such approved reimbursement must be documented appropriately for the expenditure. For example, the purchase of supplies would require following purchasing guidelines.

4.1.6 Penalties and Charges Resulting from Cancellations of Travel Reservations

4.1.6.1 Penalties and charges resulting from the cancellation of travel reservations (including airline or hotel reservations and conference registrations) may be paid by a department if the employee's travel has been approved in advance and the cancellation or change is made at the direction of and/or for the convenience of the department. If the cancellation or change is made for the personal benefit of the employee, it is the employee's obligation to pay the penalties and charges. In the event of accidents, a major disaster, a serious illness or death within the employee's immediate family, or other critical circumstances beyond the control of the employee, the department may pay the penalties and charges.

4.1.7 Travel Reimbursements and Expenditures

4.1.7.1 A complete set of travel reimbursement procedures may be found in the Policy Manual at Travel and Transportation.

4.1.8 Long Distance Telephone Calls

4.1.8.1 Long distance telephone calls are allowable from university funds only for university business except in the event of emergency or certain situations allowable during travel status (See Long Distance Telephone Calls). Should emergency circumstances arise which necessitate a university employee to make a personal long distance or cellular phone call not covered in the above, the employee should immediately notify his or her supervisor and make arrangements to reimburse the university.

4.1.9 State Budget Codes - General Operating Funds

4.1.9.1 (Project number ranges 1-00000 through 1-99999) This group of funds consists of state appropriated funds, federal appropriated funds, and receipt supported funds in the state budget code. The Educational and Technology fees are included in the receipt supported funds in the state budget code. These funds should provide for expenditures for the normal activities necessary to operate the university. The nature of the purchases will depend upon the mission of the unit and the types of supplies, equipment, etc. necessary to accomplish that mission. To a certain degree, the appropriateness of expenditures will depend on that mission. For example, a purchase of a street sweeper might be appropriate from the Physical Plant budget, but inappropriate from the English department's instruction budget.

4.1.10 Miscellaneous State Budget Code Rules

4.1.10.1 The following provides information on many specific items as to their allowableness or prohibition for expenditures from State operating funds:

1. Membership Dues - Membership dues may not be paid for individual employees or for the benefit of an individual employee. Membership dues paid from state funds must be for the benefit of the university and not the individual. If the university is to benefit from an individual's membership in an organization, that benefit should derive not because of the individual, but because of the individual's position with the university, regardless of who is in the position. Although a membership may be in the name of an individual, his/her membership terminates at the same time he/she terminates employment with the university or moves to another department.

2. Licenses - If the state requires the employee to have and maintain a professional license or certificate as a condition of employment, then fees directly associated with obtaining that license or certificate are not reimbursable. Costs associated with maintaining a professional license or certificate as a condition of employment are reimbursable.

3. Passports and Visas - Reimbursements for costs incurred in obtaining or renewing a passport may be made to an employee who, in the regular course of his/her duties, is required to travel overseas in the furtherance of official university business. Passport expenses are chargeable to the same fund that supports the employee's trip. The university also interprets this to mean that similar related fees or expenses such as required visas may also be reimbursed.

4. Moving Expenses - Employee moving expenses are not paid from state funds, as the State Budget Manual so narrowly defines the allowable costs. ASU uses trust funds for this purpose, when the expenses meet the IRS regulations as deductible for tax purposes.
   1. Academic Affairs Moving Expense Information
   2. Student Affairs Moving Expense Reimbursement (PDF)

5. Payment of Awards to Employees for the Employee Suggestion System - State funds may be used for payments of awards under the Employee Suggestion System. Information regarding the awards program may be found on the North Carolina Office of State Personnel website: http://oshr.nc.gov/work-for-nc
Unallowable Purchases from State Budget Codes

4.1.11.1 There are some purchases that are not allowable from state funds. Listed below is information about unallowable purchases:

1. The purchase of alcoholic beverages and "setups" is prohibited from state funds.
2. The purchase of items for personal use is prohibited.
3. The purchase of food, coffee, tea, drinks, candy, snacks, break refreshments, etc. for consumption by employees or guests is prohibited from state operating funds under all circumstances other than those provided for under university and state travel regulations. The travel regulations provide specific guidance as to allowable reimbursable expenses for meals when in travel status. State budget regulations do provide for the purchase of refreshments for coffee breaks not to exceed $4.50/person for meetings/conferences which are planned in detail in advance, with a formal agenda or curriculum, where there is a formal written invitation to participants setting forth the calendar of events and the detailed schedule of costs, and there are twenty (20) or more participants per day. Specific information about situations in which coffee breaks can be paid from State funds may be found in the State Budget Manual at: https://www.osbm.nc.gov/budget/state-agency-resources/manuals-instructions/documents/2015-Budget-Manual. Purchases of food, flowers, and plants are permissible when purchased for use in research, education, or for consumption by research animals rather than for decorative or personal use.
4. The purchase of medications (pain relievers, aspirin, etc.) and/or medical supplies for staff/employees other than as may be required by federal or state regulations or for emergency first aid is not allowable.
5. The purchase of microwave ovens, coffee pots, refrigerators, or related items for personal office use is not allowable. This prohibition does not extend to equipment or supplies utilized for educational or research purposes.
6. The purchase of plants or flowers (live or artificial) for decorative use in an office is prohibited. Purchases by the Physical Plant as part of campus maintenance are allowed.
7. The purchase or framing of pictures, art, diplomas, etc. for use in a personal office for decorative purposes is not allowed. Exceptions include the purchase/framing of motivational or informational wall hangings which are functional rather than decorative in nature.
8. The purchase of party items or other decorative items to decorate an office for a holiday or party or general decorative use including the purchase of balloons and other like items is not allowable.
9. The purchase of picnic items (paper plates, cups, napkins, forks, spoons, etc.) for office/employee use is not allowable.
10. The rental of portable water dispensers and the purchase of bottled water from state funds is not normally allowable and is considered a personal expense. A portable water dispenser can be rented or bottled water purchased from state appropriated or overhead funds only if there is a health/safety reason for the purchase. Examples would be if a temporary condition existed where water quality in a facility was below state standards or when university personnel (for example,
Physical Plant personnel or farm personnel) are working under weather or other conditions where water is not available otherwise.

11. The purchase of gifts or flowers for an employee or non-employee is considered a personal expense and is not allowable.

12. The purchase of get well cards, sympathy cards, birthday cards, Christmas cards, or other holiday cards is considered a personal expense and is not allowable.

13. The purchase of personal clothing items or t-shirts which are not part of required uniforms, safety related, or program related (for example, use in textile research) is not allowable.

4.1.12 State Appropriated Carryforward Funds

4.1.12.1 (May be found in the same projects as State Budget Codes - General Operating Funds) State appropriated carryforward funds are state operating funds which have not been expended as of June 30 of a fiscal year and have been approved to carry forward as budget in the next fiscal year. Expenditures of these funds follow the same guidelines as normal state appropriated operating funds except that, with the approval of the Dean or Vice Chancellor, and inclusion in the budget flexibility plan, funds may be transferred to capital improvement codes and used for renovation and/or new construction projects. Once transferred to a capital improvement code, the carryforward funds cannot be transferred back to an operating code.

4.1.13 Royalty Trust Funds

4.1.13.1 (Project number 224500 through 224599) Patent royalty funds are royalties derived from licensing of a patent. These funds must be used for support of research. Other royalties may result from the proceeds of sales of written compositions. They are flexible in nature and may be used like an unrestricted gift, including payment for items which could not normally be paid from state funds, so long as the funding is for the benefit of the university and not for the personal benefit of an individual.

4.1.14 Foundation Funds

4.1.14.1 (Project number range 2-27XXX and 992XXX-998XXX) All purchases must follow restrictions set by the donor. Any expenditure must be made prudently with the intent of the donor and best business practices in mind.

4.1.15 Scholarships

4.1.15.1 Scholarships are awarded in accordance with donor preferences. Each scholarship selection committee is responsible for completing the award process in accordance with the donor preferences. Awards are applied to a student’s account and are not paid directly to the student. Financial Aid will determine if a refund is due to the student in instances when the scholarship award results in an overpayment on the account.

4.1.16 Program Fund

4.1.16.1 Program fund spending is determined by the donor preferences. The dean, chairperson, or other employee authorized to approve expenditures from a fund is responsible for verifying the donor preferences are met.

4.1.17 Discretionary Funds

4.1.17.1 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 a retirement gift or an employee award that are authorized by one individual to be received by another are allowable.

4.1.17.2 Donations to outside organizations are prohibited. Foundation funds are restricted as designated by donors to support the University. Exceptions may be made for specific business purposes that benefit the University and must be approved by the President of the Foundation. Memorial contributions may be made in a deceased name to any Appalachian State University fund.

4.1.17.3 Specific types of purchases are addressed below.
4.1.17.4 **A business meal** is defined as a meal that includes more than one person and has a substantive and bona fide business purpose deemed essential to the University's mission. The cost of the meal on an individual basis must be reasonable. Examples include solicitation or cultivation of a donor and recruitment of faculty/staff.

4.1.17.4 **A staff meal** is defined as a meal served at an event supporting the mission of the University such as team building events. The event may not be to honor or recognize particular individuals (e.g., wedding shower, birthday or baby shower). The cost of the meal on an individual basis must be reasonable. The recommended cost of an event in honor of an employee retirement or an employee leaving University service should not exceed $350. Exceptions must be approved by the appropriate Vice Chancellor.

4.1.17.5 **Floral** purchases are subject to the following restrictions:

4.1.17.6 The purpose must be to express sympathy and support in the event of the hospitalization or death of either an employee, or a member of the employee's immediate family. Similar purchases may be made by development offices for major donors. The expenditure request must stipulate the recipient, their affiliation with the University and the reason for the purchase.

4.1.17.7 **Gifts** for employees may be made only when following the Appalachian State University Policy on Taxation of Gifts, Prizes and Awards.

4.1.18 **Overhead Receipts Trust Funds**

4.1.18.1 (Project number range 2-28000 through 2-28999) Expenditures from overhead receipts funds generally follow the same guidelines as those for state appropriated operating funds except that the funds may be transferred to the capital improvement budgets for use in renovations or new construction. Other than construction projects, funds should be used in furtherance of the University's mission of research.

4.1.19 **Sales and Services Trust Funds**

4.1.19.1 (Within project number range 3-XXXX) - Expenditures from sales and services trust funds follow the same guidelines as those for state appropriated funds except that funds may be used to purchase meals and/or refreshments for conferences or workshops when a fee charged to participants and deposited into the trust fund includes provision for the meals/refreshments or in the recruitment for vacant positions. Expenses for recruitment of candidates for vacant positions should follow the state guidelines for per diem rates and should include no more than three current university employees. The exception for food/refreshments is specifically limited as described above and must be included in the fund authority for the project. Purchases from a sales and services trust fund must be for the purpose of supporting the activities for which the project was created and all costs of providing those services including salaries must be charged to trust fund. Funds received from sales of baked goods, t-shirts, and other similar items by students or faculty as part of student fund raising efforts are exempt from the requirement to be treated as state funds. These funds are treated as gifts in determining how they may be expended.

4.1.20 **Auxiliary and Related Trust Funds**

4.1.20.1 (Within project number range 3-XXXX) - Auxiliary and similar operations include the Bookstore, Student Union, University Dining, Parking & Traffic, Housing, Student Health Service, Printing & Publications, and Central Warehouse. 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. The purchase of alcoholic beverages from auxiliary funds is prohibited except as noted below for University Dining. Expenses for recruitment of candidates for vacant positions should follow the state guidelines for per diem rates and should include no more than three current university employees. Any other expenditure outside state budget guidelines must be approved by the appropriate Vice Chancellor.

4.1.20.2 Bookstore - 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). (Also, see vending receipts section below for additional information regarding expenditures.)

4.1.20.3 Student Union - Must use state appropriated funds guidelines for administrative related operations for university employees. May purchase items falling outside the state funds guidelines for activities or programs for students sponsored by the Student Union or for decorating the Student Union facilities.

4.1.20.4 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. May also purchase alcoholic beverages in the event they are part of a recipe used in the Dining Services catering operation. (See vending receipts section below for additional information regarding expenditures.)

Parking & Traffic - Must use state appropriated funds guidelines.
4.1.20.5 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.

4.1.20.6 Vending - The following uses of net proceeds from the operations of vending facilities are authorized:

1. Scholarships and other direct student financial aid programs;
2. Debt service on self-liquidating facilities;
3. Any of the following student activities if specifically authorized by the Chancellor:
   1. Social and recreational activities for students residing in self-supporting University housing. However, expenditures for these purposes shall not exceed the amount of total net proceeds derived from vending facilities located in such housing facilities;
   2. Special orientation programs for targeted groups of students (e.g., peer mentor programs);
   3. Operating expenses of scholarships and other student awards and honors programs.
4. Specified use of net proceeds as a condition of certain gifts, grants, or bequests. (For example, a condition of a gift of a vending facility to the university might be that proceeds are to support some specific segment of the university.)
5. Retention to provide for working capital, replacement of facilities and equipment, and other purposes to support the continuing, orderly operation of the particular self-supporting service operation.
6. Transfers to other self-supporting student service operations and authorized capital improvement projects, upon the written recommendation of the chancellor and subject to the written, advance approval of the president. [N.C.G.S. 116-36.4]

4.1.20.7 Printing & Publications - Must use state appropriated guidelines.

4.1.20.8 Central Warehouse - Must use state appropriated guidelines.

4.1.20.9 Educational and Technology Fees (ETF)- Must use state appropriated guidelines.

The Educational and Technology Fee (ETF) is used for two major purposes:

1. The provision of equipment, supplies, and maintenance for departmental laboratories with specific curricular objects, and
2. The provision of campus-wide student computer services.

These funds are Institutional Trust Funds and must follow all state guidelines and must be used for the purpose stated above. Any other expenditure outside state budget guidelines must be approved by the appropriate Vice Chancellor.

4.1.21 Student Activity Fee Trust Funds

4.1.21.1 (Generally within project number range 3-34XXX) Student activity fees may be expended for student activities including the purchase of items which may not be paid from state funds so long as a prescribed student budget allocation process is followed in the allocation of funds. No extra benefits, compensation, food, gifts, or any other items which could not be paid from state funds may be provided to university employees except where food is incidentally served to employees attending a student function or in the recruitment for Student Activity related vacant positions. Expenses for recruitment of candidates for vacant positions should follow the state guidelines for per diem rates and should include no more than three current university employees. Expenditures for alcoholic beverages are prohibited.

4.1.22 Orientation Fees Trust Funds

4.1.22.1 (Generally within project number range 3-34XXX) 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.

4.1.23 Contracts and Grants Trust Funds

4.1.23.1 (Project number range 5-50000 through 5-59999) 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. More detailed information regarding Contracts and Grants may be found in Office of Research Policies and Procedures at: http://orsp.appstate.edu/about/grants-resources-services. Exceptions to the state funds guidelines must be discussed with/approved by the Office of Special Funds Accounting. An example of an exception would include a Federal or Federal flow through sponsor specifically allowing for the payment of travel expenses at a Federal per diem rate (for example, for foreign travel) or 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) set forth in OMB Circular A-21. Cost Accounting Standards and other guidance in Circular A-21 are applicable to Federal and Federal flow through awards as well as any other external funds
4.1.24 Remaining Available Balances from "Fixed Price" Contracts Trust Funds

4.1.24.1 Expenditures of remaining balances available after all costs related to the contract have been paid for a "fixed price" contract must follow the guidelines for state appropriated funds.

4.1.25 Gift and Endowment Income Trust Funds & Professorships

4.1.25.1 (Project number range 6-60000 through 6-69999) 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. **Expenditures for alcoholic beverages should be strictly limited and must have the approval of the appropriate Director, Dean, or Vice Chancellor.** The primary purpose of an expenditure must be for the benefit of the university and, therefore, not for the direct benefit of an employee.

4.1.26 Endowment Principal Funds

4.1.26.1 (Project number range 7-78000 through 7-78999) 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. Expenditures are not allowable against these endowment principal funds. All endowment related expenditures must be made from endowment income projects (see above).

4.1.27 Agency Trust Funds

4.1.27.1 (Project number range 9-90000 through 9-90999) 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:

1. The university requires a formal approval process to ensure, to the extent possible, that funds in these projects are not misused.
2. The funds should not be spent for any purpose which would be detrimental to the image of the university.

4.1.27.2 The university does not require the custodian of an agency fund to utilize university travel and/or purchasing regulations or guidelines for expenditures of funds except that adequate documentation is required to ensure that an authorized person is initiating an expenditure request. The majority of agency projects are student organization projects or clearing accounts utilized by the Controller's Office.

4.2 Other Information

4.2.1 Expediting Fee for H1B-Visa Forms (Form -907)

4.2.1.1 Normal processing of an H-1B petition is currently taking between 4-7 months, while paying a premium processing (expediting) fee will ensure a response within 2 weeks.

4.2.1.2 Payments for expediting fees for H1B-Visa Forms may track the salary funding source so long as the payment is made for a business reason for the convenience of ASU and not the employee, except that contracts and grant funds may not be used to pay the fee. The expediting fee is considered a business expense, specifically, a recruiting expense.

4.2.2 Various Related Documents

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4.3 Unallowable Purchases from State Budget Codes

4.3.1 There are some purchases that are specifically not allowable from state funds and are prohibited, including but not limited to:

1. The purchase of alcoholic beverages and "setups";
2. The purchase of items for personal use;
3. The purchase of medications (pain relievers, aspirin, etc.) and/or medical supplies for staff/employees other than as may be required by federal or state regulations or for emergency first aid;
4. The purchase of microwave ovens, coffee pots, refrigerators, or related items for personal office use is not allowable. This
prohibition does not extend to equipment or supplies utilized for educational or research purposes or for equipment purchased for all employees' use in the outfitting of a building;

5. The purchase of plants or flowers (live or artificial) for decorative use in an office;

6. The purchase or framing of pictures, art, diplomas, etc. for use in a personal office for decorative purposes is not allowed. Exceptions include the purchase/framing of motivational or informational wall hangings which are functional rather than decorative in nature and are intended for departmental use rather than for one individual's office;

7. The purchase of party items or other decorative items to decorate an office for a holiday or party or general decorative use including the purchase of balloons and other like items;

8. The purchase of picnic tables for a department other than by the Facilities Division as part of the campus maintenance function;

9. The purchase of picnic items (paper plates, cups, napkins, forks, spoons, etc.) for office/employee use;

10. The rental of portable water dispensers and bottled water;

11. The purchase of gifts or flowers for an employee or non-employee;

12. The purchase of get well cards, sympathy cards, birthday cards, Christmas cards, or other holiday cards;

13. The purchase of personal clothing items or t-shirts which are not required uniforms, safety related, or program related; and

14. The purchase of promotional or gift items to be distributed at a conference.

5 Additional References

6 Authority

7 Contact Information

8 Original Effective Date

9 Revision Dates