

Elizabeth City State University

Basic Spending Guidelines by Funding Source

October 31, 2007

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October 1, 2007 Revised Version

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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 utilization of these tests should 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.

Exceptions and Interpretations

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 interest 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 University Controller that an individual determination be made on a particular item. The Vice Chancellor for Business and Finance, or designee, will work with the University Controller to determine the latitude available on the request, the university business purpose of the request, and other options which may be available.

Principal Investigator (PI) or Responsible Person (RP) Responsibilities

The Principal Investigator or Responsible Person (individual responsible for the funds in a fund or project) has the responsibility to ensure that proper documentation procedures are followed for funds or projects that he/she controls and that only authorized expenditures are charged to a fund or project. Further, the PI or RP is responsible for ensuring that any funds or projects which he/she may control are reviewed at least monthly and any transactions which

are incorrect or do not belong on a fund or project are reported to the Controller's Office. Finally, a PI or RP is responsible for ensuring that he/she maintains a positive or zero cash balance on trust fund projects unless specifically exempted from this requirement in writing by the Vice Chancellor for Business and Finance.

Documentation Requirements

Examples of documentation requirements for expenditures include fully executed contracts, original time sheets, quotations and the like.

Payments to Employees

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 the Division of Human Resources 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 and must be for less than \$100. These purchases should normally be made with prior planning and through the purchase card, 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.

Adverse Weather Events and Other Emergency Conditions

In the event of emergency weather conditions, certain departments have personnel critical to the university for health/safety/welfare reasons. Examples of personnel who might fit this criterion are key individuals from Facilities Operations, Dining Services, Housing Services, Transportation, Campus Police, Information Technology, and certain other support or research services. Under emergency circumstances, units which have such critical functions may make prudent and reasonable lodging and/or meal arrangements for critical employees who must be at the university and pay for the arrangements from their normal operating budgets, regardless of source of funding. Requests for payment for these expenses should be clearly documented including the nature of the emergency, names of personnel covered, date(s) and time(s) of the event, and any other relevant information which might serve to document the expenditures.

Penalties and Charges Resulting from Cancellations of Travel Reservations

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.

Travel Reimbursements and Expenditures

A complete set of travel procedures may be found on our website at www.ecsu.edu. Policy manual 400.3.4.1. pursuant to G.S. 138-6(c), requests for reimbursements shall be filed within 30 days after the travel period ends for which the reimbursement is being requested. Official state business occurs when the state employee or other person is traveling to attend approved job related training and/or work on behalf of, officially represent, or provide a state service upon the state's request. Travel that would not directly benefit the state will not be reimbursable.

Long Distance Telephone Calls

Long distance telephone calls are allowable from university funds only for university business except in the event of an emergency or certain situations during travel status.

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.

Moving Expenses

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 11530. Coding to account code 11530 is very important because the code drives the tax reporting for the moving expense payments.

Three vendor quotes are required for moving expenses under \$5,000. Moving expenses costing \$5,000 or more must be handled on a purchase requisition or bid basis.

Expenditure Account Codes (formerly known as Object 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.

Program Codes (formerly known as Purpose Codes)

Program codes are codes that help to classify financial activity by its function, for example, instruction, institutional support, research, or public service. These codes are not needed to code a financial transaction but are built into the financial system for each project at the time the project is created. Because of the need to report financial activity by function, a project may not be classified into more than one program code.

Program codes may impact the way funds can be spent. For example, expenditures for scholarships may only be made from accounts with the Student Financial Aid (230) program code. If an individual had a discretionary fund and wished to use it to fund a scholarship, a separate project would need to be created to expend from for the scholarship or the funds could be transferred to an already existing scholarship project.

State Budget Codes - General Operating Funds (Budget Code 16086)

**(Fund number ranges 1-00000 through 1-16990, 2-00000 through 2-99999) –
General Fund Expenditures, 3-37000 through 3-37500 – Overhead Receipts
(Indirect Costs)**

This group of funds consists of state appropriated funds, Facilities & Administrative or indirect cost revenues, 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 streetsweeper might be appropriate from the Facilities Division budget, but inappropriate from the English department's instruction budget.

Miscellaneous State Budget Code Rules

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. 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.
3. Moving Expenses - An employee's moving expenses may be paid from state funds only when they meet each of the following criteria:
 - A change of residence is deemed to be in the best interests of the university, when such a change is required as a result of a promotion within the university or by a change in assignment involving the transfer of the employee for the advantage and convenience of the university. *Moving expenses are not allowable for initial employment or if the employee requests the change.*
 - Move is accomplished within 90 days. The department head or designee may approve an extension of an additional 90 days. An extension in excess of the 180 days must be submitted to the University Budget Office and approval obtained in writing from the Office of State Budget, Planning, and Management.
 - The new duty station is 50 miles or more from the existing (or prior) duty station.
4. Payment of Awards to Employees for the State Employees Incentive Bonus Program (SEIBP) - State funds may be used for payments of awards under the SEIBP. Information regarding the awards program may be found on the Office of State Personnel's website at: <http://www.osp.state.nc.us/SEIBP/employee.htm>.
5. Immigration and Naturalization (INS) Fees - Payment of INS fees is allowable if the fees are for paperwork required of the employer and not the employee. Allowable fees include payment for the I-129, the I-140, and the I-907. Payment for processing forms (for example, I-485, I-765, and I-539) required of the prospective employees are not allowable. The expediting fee for an H1B Visa may be paid from state funds if the salary source is state funds.

6. Payments for Food/Refreshments for Continuing Education Classes/Workshops - In the case of certain Continuing Education classes/workshops which are operated within State Budget Codes (selected projects within project no. range 2-10300 through 2-10399) and which are paid from participants' fees, there is an established procedure for payment of food/refreshments so long as it is part of the fee charged to participants. A trust fund must be established and the portion of the revenue which is to be used to pay for the food/refreshments must be deposited into the trust fund. Payments for the food/refreshments must then be made from the trust fund. Under no circumstances may these payments be made directly from the State Budget Code funds.
7. Scholarships - Scholarships may be paid from state funds only if they are part of a legislatively approved and separately budgeted scholarship program.
8. Promotional Items - A promotional item is an item purchased for advertising purposes to be given to an employee or non-employee. Normally, the item would have the name of a department or program printed on it with a message or telephone number. Promotional items paid from state funds should be of minimal value and should be charged to the advertising object code (13710). In the cases of office supplies which may have the name of a department printed on them at nominal cost, these items would be coded to the supplies object code. Examples of appropriate purchases of promotional items from state funds are as follows:
 - a. Health/safety related - example, purchase of small refrigerator type magnets or pencils with the university's emergency telephone number on them, it being in the best interests of the university and the state to ensure that the emergency number is readily available.
 - b. Mission and program related - example, purchases of pencils with Elizabeth City State's name and admissions number on the pencils by the University's Admission's department.
 - c. Office supplies with the name of a department or workshop printed on the materials so long as the cost of the printing is not excessive;

Examples of inappropriate purchases of promotional items from state funds would be the purchase of t-shirts, coffee cups, six-pack coolers, lunch bags, or other items which would primarily be used for personal purposes and/or would have more than a nominal value. Articles of clothing or meal related items generally fall in this category unless they are part of a required uniform (would not then be considered a promotional item).

Unallowable Purchases from State Budget Codes

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/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. 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 except purchases by the Facilities Division as part of campus maintenance.
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 tables for a department other than by the Facilities Division as part of the campus maintenance function is not allowable.
10. The purchase of picnic items (paper plates, cups, napkins, forks, spoons, etc.) for office/employee use is not allowable.
11. The rental of portable water dispensers and the purchase of bottled water from state funds is not normally (see exceptions below) allowable and is considered a personal expense. In the event that the quality of the water in a campus building is in question, the department should call the Safety Office at 335-3549 to have the water tested. The Facilities Division may be contacted to determine if additional water fountains are needed in a campus building. 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, Facilities' personnel or farm personnel) are working under weather or other conditions where water is not available otherwise.
12. The purchase of gifts or flowers for an employee or non-employee is considered a personal expense and is not allowable.
13. 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.
14. The purchase of personal clothing items or t-shirts which are not part of required uniforms, or safety related, is not allowable.

State Budget Codes - Educational and Technology Fees

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 state appropriated funds and must follow all state guidelines and must be used for the purposes above.

State Appropriated Carryforward 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.

Overhead Receipts Trust Funds

(Project number range 3-37300 through 3-37410)

Expenditures from overhead receipts funds must 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.

Auxiliary and Related Trust Funds

(Fund number range 3-35300 through 3-35923 – General Auxiliaries, 3-36300 through 3-36322) – Athletics, and 3-36920 through 3-36922 – Bond Revenue Accounts)

Auxiliary and similar operations include the Bookstore, Student Center, University Dining, Housing, Student Health Service, Duplicating, 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 Graphics office personnel or Bookstore 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. The purchase of alcoholic beverages from auxiliary funds is prohibited except as noted below for University Dining.

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.)

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; 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.)

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.

Duplication - Must use state appropriated guidelines.

Central Stores - Must use state appropriated guidelines.

Receipts from Concessions

The term “vending facilities” includes both of the following: (1) any mechanical or electronic device dispensing items or something of value or entertainment or services for a fee, regardless of the method of activation, and regardless of the means of payment, whether by coin, currency, tokens, or other means; and (2) a snack bar, cafeteria, restaurant, café, concession stand, vending stand, cart services, or other facilities at which food, drinks, novelties, newspapers, periodicals, confections, souvenirs, tobacco products or related items are regularly sold. [N.C.G.S. 143-12.1(g). N.C.G.S. 111-42(d)]

North Carolina general statutes specifically restrict the use of vending receipts. The following uses of net proceeds from the operations of vending facilities are authorized:

- a. Scholarships and other direct student financial aid programs;
- b. Debt service on self-liquidating facilities;
- c. Any of the following student activities if specifically authorized by the Chancellor:
 - 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;
 - Special orientation programs for targeted groups of students (e.g., peer mentor programs);
 - Operating expenses of scholarships and other student awards and honors programs.

- d. 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.)
- e. 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.
- f. 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]

Contracts and Grants Trust Funds
(Project number range 5-20001 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. Exceptions to the state funds guidelines must be discussed with/approved by the appropriate Sponsored Programs Office and/or the Contracts and Grants Office. 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 referencing Circular A-21 and/or CAS in their terms and conditions.

Remaining Available Balances from “Fixed Price” Contracts Trust Funds

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.

Gift and Endowment Income Trust Funds
(6-64100 – 6-64668)

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.

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.

Expenditures are not allowable against these endowment principal funds. All endowment related expenditures must be made from *endowment income projects* (see above).

Student Activity Fee Trust Funds

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. The funds may not be used to fund activities for university staff or university staff offices which could not be purchased from state funds (see guidelines above). 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. Expenditures for alcoholic beverages are prohibited.

Utilization of state term contracts or state purchasing regulations is not required for student activity funds; however, good business practices are encouraged in expending the funds. Information regarding the various student fees including student activity fees may be found at: <http://www.ecsu.edu> within the Student Accounts Office website.

Orientation Fee 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.

Agency Trust Funds

(Project number range 9-99200 through 9-99900)

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.

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.

Foundation Funds

(Project number range 9-95010 through 9-98050)

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. Most payments can be and should be processed using university purchasing and travel guidelines via university systems. Any awards paid to employees from Foundation Projects are taxable and are required to be reported to payroll and included in the employee's W-2. For any purchases of assets that will be titled in the name of the Foundation rather than the university, a manual check request should come to the Foundations Accounting Office.

Expenditures may not be made directly against endowment principal projects.

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.

1. 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.
2. 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.

3. 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. Use of discretionary funds for donations or contributions to non-profit organizations is not permitted unless a substantial university purpose can be demonstrated and the receipt of the donation by the organization does not threaten the tax exempt status of the university or its foundations.

Discretionary funds should come from fund raising and allocations from the respective Vice Chancellor. Sales and services projects may not be used to provide funds for discretionary use.
