APS 4015 - Propriety of Expenses

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Policy Profile

Policy Title:	Propriety of Expenses
APS Number:	4015
Effective:	January 17, 2013
Approved by:	President Bruce D. Benson
Responsible University Officer:	Vice President and Chief Financial Officer
Responsible Office:	Office of University Controller
Policy Contact:	The appropriate campus Controller, who will consult with the University Controller as appropriate, will respond to questions and provide guidance regarding interpretation of this policy. Any exceptions to this policy must be approved by the University Controller.
Supersedes:	APS Propriety of Expenses, June 1, 2006
Last Reviewed/Updated:	January 17, 2013
Applies to:	All campuses

Policy Snapshot

Brief Description: Provides guidance for the appropriateness of expenses made using University funds.

I. Introduction

This policy provides guidelines as to the propriety of expenses made using University funds.

It governs direct payment made to an entity as well as reimbursement paid to an individual or entity. This policy applies to all employees, associates, affiliates, and other individuals (including students).

II. Policy Statement

A. Processing Expenses

All expenses made using University funds must comply with the Tests of Propriety and other requirements found in this policy and its related procedures.

B. Funding Restrictions on Expenses

If more than one regulation or policy applies to a particular transaction, the more restrictive one must be followed. For example, a sponsor cannot authorize the purchase of first-class airline tickets on a research project because University Fiscal Procedures and related University policies prohibit using University funds to purchase first-class air travel.

C. Approving Expenses

As indicated in the Administrative Policy Statement Fiscal Roles and Responsibilities, all expenses made using University funds must involve at least two different employees: a requestor and an approver.

Approvers may not approve their own transactions (e.g., personal reimbursement, travel expenses, or official functions), nor are approvers permitted to approve transactions that provide personal reimbursement to their supervisors.

The approver must have sufficient knowledge to evaluate the transaction and the authority to challenge or seek further approvals for questionable transactions. For certain expenses, such as routine procurement card purchases, it is reasonable to conduct the approval process after the transaction has been completed. For others, such as a purchase exceeding $5,000, the approval must be done prior to incurring the expense. Whether the approval process is done before or after the transaction has been completed, it consists of the following four steps:

1. The approver initially considers the Tests of Propriety presented in this policy, policies set forth in other Administrative Policy Statements, and Procurement Service Center Procedural Statements to evaluate whether or not the transaction is a proper expense of University funds.
2. The approver next evaluates the expense for propriety with respect to other applicable policies, laws, regulations, and rules; and contracts, grants, and donor restrictions. The approver also evaluates the expense in terms of campus-specific or organizational unit-specific rules.
3. The approver is expected to challenge any transaction that does not appear to be an appropriate expenditure of University funds.
4. If the approver is uncertain that the propriety of the expense has been

substantiated, the approver must refer the matter to the next higher level Fiscal Role (as defined in the hierarchy set forth in the Administrative Policy Statement Fiscal Roles and Responsibilities) for further evaluation and approval.

D. **Personal Responsibility**

As indicated in the Administrative Policy Statement Fiscal Roles and Responsibilities, the individuals involved in a transaction may be held personally liable for a transaction that is made in violation of policies, laws, regulations, and rules and contracts, grants and donor restrictions, regardless of when the approval occurred.

Employees, associates, affiliates and other individuals (including students) responsible for making expenses using University funds have an obligation to stay up-to-date in their knowledge about, and act in compliance with, applicable policies, laws, regulations and rules, and contracts, grants, and donor restrictions, regardless of when the approval occurred.

E. **Tests of Propriety**

The Tests of Propriety are used to evaluate the appropriateness of an expenditure. In order for an expenditure to be considered an appropriate use of University funds, the answer to each of the Test questions must be ?Yes.? If any of these questions receives a ?No? response, then the transaction is not an appropriate use of University funds. Is the transaction:

1. For official university business?
2. In the best interests of the University?
3. The most effective way to accomplish official University business? Meaning that, without the expenses, would programmatic objectives be difficult or otherwise more costly to achieve? Or would the impact, level, or quality of the achievement be reduced?
4. In compliance with applicable policies, laws, regulations, and rules; and contracts, grants, and donor restrictions, including having the required approvals and authorizations by the appropriate fiscal role?
5. Within the available resources of the responsibility unit, taking into consideration all outstanding commitments and encumbrances?
6. Directly beneficial to the responsibility unit where it is being charged?
7. Reasonable? Meaning that the quantity and quality of goods or services being purchased is sufficient to meet the University?s identified need without exceeding it.
8. In compliance with University conflict of interest provisions?

   Meaning that, if an employee derives private gain, or appears to derive private gain, as a result of the transaction, then the transaction violates the conflict of interest provisions stated in Regent Law, Regent Policy, and in the Administrative Policy Statement Conflicts of Interest and Commitment.

   Evaluating the propriety of university expenses requires the exercise of a high degree of judgment and discernment. Therefore, consider the following when

deciding whether or not a particular transaction is a proper use of University funds:

1. ?Would a University outsider - such as your dentist, a teacher at the local elementary school, the clerk at your grocery store, or your neighbor ? consider the expenditure to be a reasonable and necessary expense of public funds?
2. ?Would you want others ? such as newspaper, radio, television, or other media outlets ? knowing and reporting about what you have decided??

   Think about whether an outsider, such as the general public or an auditor, would consider the expenditure a reasonable expense for University business and an appropriate use of university funds.

F. **Tests of Propriety and*Immediate Family Members***

Generally, it is the policy of the University not to pay for an employee?s *immediate family member(s)* to attend an event, function, or activity. However, there are limited instances, such as external community relations or fundraising functions, where it is deemed necessary for *immediate family member(s)* to attend an event for the purpose of promoting the University. The attendance of *immediate family members* at such events must be limited to those individuals necessary to represent the University.

III. Procedures, Forms, Guidelines and Resources

A. **Related Administrative Policy Statements (APS) and Other Policies**
   - Administrative Policy Statement Fiscal Roles and Responsibilities
   - Administrative Policy Statement Conflicts of Interest and Commitment

B. **Related Procedures**
   - PSC Procedural Statement Sensitive Expenses

C. **Resources**
   - Educational resources including guides, training notifications, and newsletters are announced and available on the Procurement Service Center and Payroll & Benefit Services websites.

IV. Definitions

Italicized terms used in this Administrative Policy Statement are defined in the Policy Glossary.

V. History

Supersedes:

- Administrative Policy Statement Propriety of Expenses dated June 1, 2006
- Administrative Policy Statement Propriety of Expenditures dated July 1, 2003

VI. Key Words

Expenses, propriety, sensitive, university, funds, fiscal

Attachments:
Video:
Images:
Groups audience:
Office of Policy and Efficiency (OPE)

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