



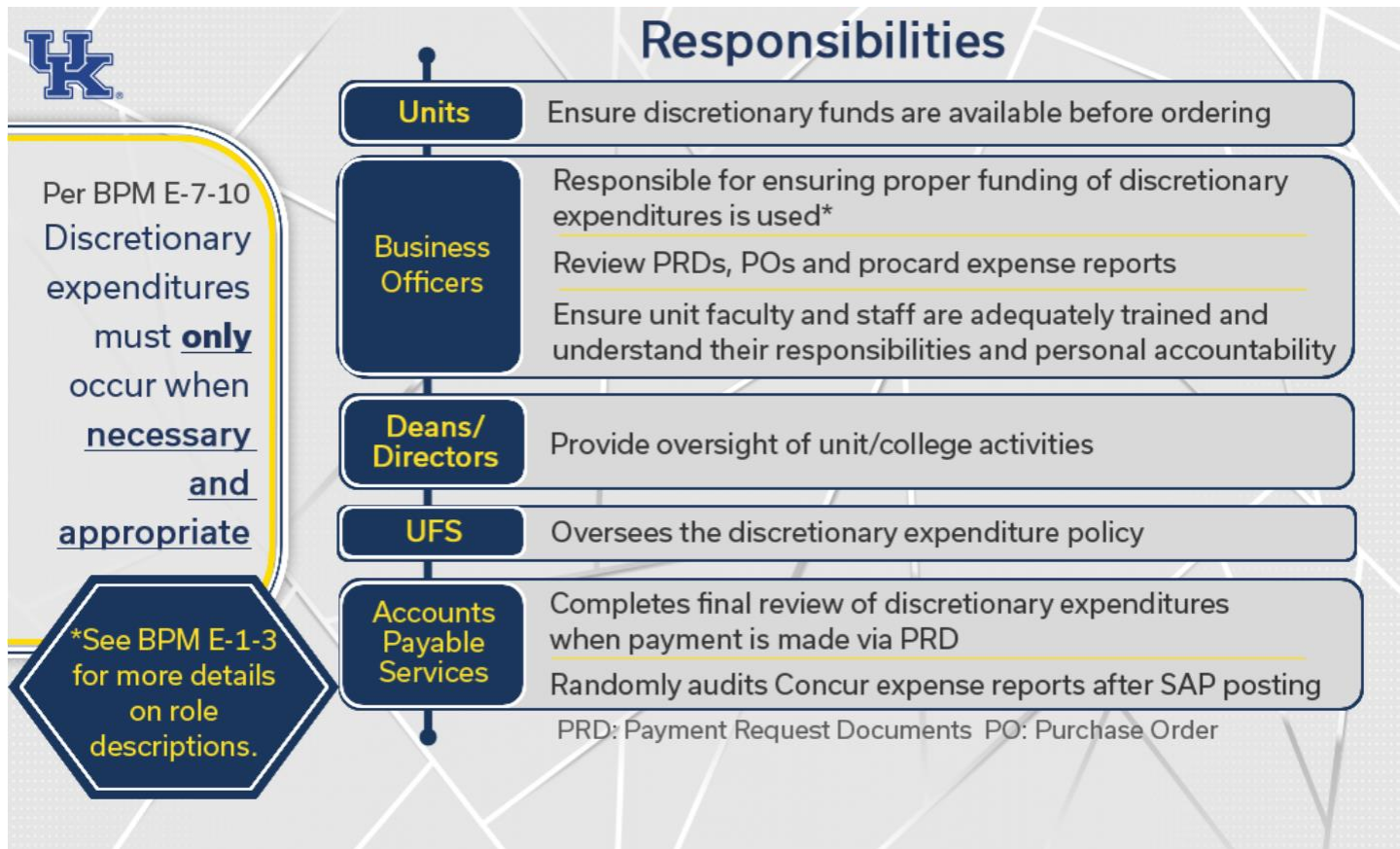
Welcome to the FAST Program. The Finance and Administration Specialized Training program strengthens business and financial operations in accordance with University policies and best practices to ensure greater trust, transparency and accountability across our campus.

In addition to the topics in this course, remember that it is every employee's responsibility to perform their duties in accordance with their department's policies and the University's Business Procedures Manual. A review handout and Quick Reference Guide are available on the [FAST website](#).



This course will review the role responsibilities, sources and purpose for discretionary funds. Then, we will discuss determining when a cost center is discretionary.

The end of the course will explain the categories of the policy. Let's begin with the responsibilities of roles in ordering and processing payments for discretionary type items.



As the flagship institution of higher education for the Commonwealth of Kentucky, the University is held to a high level of accountability for its business practices. UK’s Discretionary Expenditure Policy ensures that these expenditures only occur when necessary and appropriate while also providing guidance on required funding. Departments and positions have specific responsibilities to ensure this policy is appropriately followed.

When units order discretionary expenses, they are responsible for ensuring discretionary funds are available before placing orders with the vendors. Business officers are responsible for ensuring proper funding of discretionary expenditures is used. By reviewing Payment Request Documents, purchase orders, and procurement card expense reports before approval, business officers can ensure the proper funding of discretionary expenditures. The business officer is also responsible for ensuring department faculty and staff are adequately trained and fully understand their assigned responsibilities and personal accountability.

The deans and directors oversee self-supporting activities and request fund transfers. University Financial Services is responsible for overseeing the discretionary expenditure policy. Accounts Payable Services is responsible for the final review of discretionary expenditures. when payment is made via PRD. Accounts Payable Services will also complete random audits on Concur expense reports after SAP posting.

# Sources of Discretionary Funds

BPM E-22-1



Generally private donations



Self-supporting activities



Fees charged to support college/unit activities

The Dean, Director or designee is responsible for obtaining the appropriate approval from the Provost, appropriate Executive Vice President or their designee to use a portion of the fees as discretionary funds

# Sources of Discretionary Funds

BPM E-22-1



Click the circles for examples of each

The Hagan Gift Fund is from generally private donations

Generally private donations



Self-supporting activities



A self-supporting activity example is when a college hosts an event, and participants pay a registration fee to attend

The Dean, Director or designee is responsible for obtaining the appropriate approval from the Provost, appropriate Executive Vice President or their designee to use a portion of the fees as discretionary funds



## FAST Discretionary Funds

There are two sources for Discretionary Funds. One is generally private donations, and the second is self-supporting activities that charge fees.

Appropriate approval must be obtained to use a portion of the funds generated through self-supporting activities that charge fees to specifically support discretionary-type expenditures.

**Purpose of the Discretionary Expenditure**

BPM E-7-10 provides guidance on Discretionary Funding

**Discretionary Expenditures Require Special CAUTION**

- Funds are used in a responsible and appropriate manner
- A clear business purpose must exist for all purchases
- The supporting documentation must contain all information necessary to substantiate all expenditures

Next

UK

While all expenditures require thought, discretionary expenditures require special caution. Every reasonable effort must be made to ensure that funds are used in a responsible and appropriate manner.

This is accomplished by having a clear business purpose for all purchases and requiring thorough documentation to substantiate all expenditures.



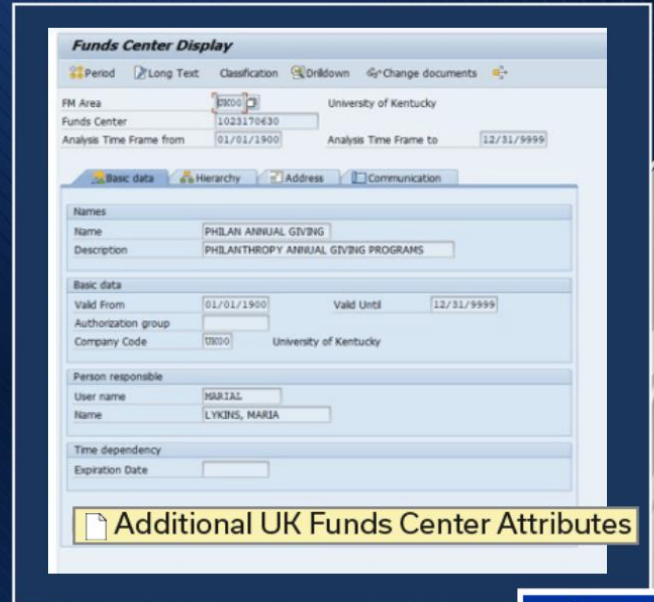
# Is a Cost Center Discretionary

Go to SAP T-Code FMSC



If a new cost center is being generated  
Accounting Financial Reporting Services  
AFRS will provide the new number

If using a pre-existing number  
the business officer will need to  
provide the number



How can you tell if a Cost Center is Discretionary? SAP can help you figure that out.

Go to T-Code FMSC and enter the cost center to be reviewed in the Funds Center field. When the Funds Center screen appears, click the Additional UK Funds Center Attributes.

## Discretionary Cost Center

If the Discretionary box is **not checked** and you believe it should be, contact your Unit or College Business Officer

<input type="checkbox"/>	UBIT
<input checked="" type="checkbox"/>	Discretionary
<input type="checkbox"/>	Valid for Payroll
<input type="checkbox"/>	Capital Account Asset Flag
<input type="checkbox"/>	On/Off Campus

WBS elements and work orders are not discretionary



UK Funds Center Master fields	
UK Attributes	
Funding Category Code	I
Research Priority Area	
Budget Family	12
F & A Cost Category	U48
Department	14000
Functional Area	0670
Class. of Instr. Pro	00.
Cancer Research Match	N
Sponsored Flag	N
NSF Category	0000
A-133 Cluster	
Academic Session	0
<input type="checkbox"/> UBIT	Revenue line <input type="checkbox"/>
<input checked="" type="checkbox"/> Discretionary	Expense line <input type="checkbox"/>
<input checked="" type="checkbox"/> Valid for Payroll	
<input type="checkbox"/> Capital Account Asset Flag	
<input checked="" type="checkbox"/> On/Off Campus	

## Discretionary Cost Center

If the Discretionary box is **not checked** and you believe it should be, contact your Unit or College Business Officer

<input type="checkbox"/>	UBIT
<input checked="" type="checkbox"/>	Discretionary

A WBS element reflects budgets, revenues, expenditures, recharges and transfers for land grants, grants and capital projects respectively

Client define

WBS elements and work orders are not discretionary



UK Funds Center Master fields	
UK Attributes	
Funding Category Code	I
Research Priority Area	
Budget Family	12
F & A Cost Category	U48
Department	14000
Functional Area	0670
Class. of Instr. Pro	00.
Cancer Research Match	N
Sponsored Flag	N
NSF Category	0000
A-133 Cluster	
Academic Session	0
<input type="checkbox"/> UBIT	Revenue line <input type="checkbox"/>
<input checked="" type="checkbox"/> Discretionary	Expense line <input type="checkbox"/>
<input checked="" type="checkbox"/> Valid for Payroll	
<input type="checkbox"/> Capital Account Asset Flag	
<input checked="" type="checkbox"/> On/Off Campus	

Next



## FAST Discretionary Funds

This is the UK Funds Center Master fields screen that displays the attributes of this particular cost center. Near the bottom of the screen, you will see Discretionary.

This box must already be checked for the cost center to be discretionary. If the box is not checked and you believe it should be a discretionary cost center, contact your Unit or College Business Officer for assistance.



# Purchasing Responsibilities

**Before**  
making a purchase  
**review BPM E-7-10**  
carefully



# Purchasing Responsibilities

Employees  
who make  
purchases  
should

Review  
each  
category

Confirm  
appropriate  
funding is  
available

Ensure the  
expense fits in  
any monetary  
limits defined in  
the policy

Employee Memorial/Serious Illness or Immediate Family see HR 84.0

\*Limited to flowers, fruit or monetary gift to family-designated charity or memorial fund. Total, including delivery fee, not to exceed **\$150.**

## FAST Discretionary Funds

Employees who have the role of purchasing in their unit have the responsibility to make sure the purchase follows University policy before making a purchase. If you make purchases for your area, pay particular attention to:

Each category to ensure the expense fits the criteria outlined under the specific category. Confirm that your department has the appropriate funding available. Ensure that the expense fits in any monetary limits defined in the policy. For example, the purchase of memorial items has a maximum amount allowed.



## Creating or Approving the PRD/SRM Shopping Cart or Concur Expense Report

Review the expense and ensure



The correct GL/Expense Type is used (i.e., Alcohol must be charged to GL 540356)



An itemized invoice is attached and business purpose is complete



For food purchases, a list of attendees and agenda must be attached



## Creating or Approving the PRD/SRM Shopping Cart or Concur Expense Report

Review the expense and ensure

**Review**  
the cost center  
to ensure  
discretionary funding  
is used  
when necessary



The correct GL/Expense Type is used (i.e., Alcohol must be charged to GL 540356)



An itemized invoice is attached and business purpose is complete



For food purchases, a list of attendees and agenda must be attached

## FAST Discretionary Funds

When creating the PRD, SRM Shopping Cart or a Concur expense report, you must review the expense to confirm that the correct General Ledger, or GL, Expense Type is used. You must submit an itemized invoice that includes ensuring that the business purpose is complete.

If food was purchased, a list of the attendees and the meeting agenda are required. Alcohol is documented separately from food with its own expense type. Be sure to review the cost center to ensure discretionary funding is used when necessary.

## How to Read the Grid in BPM E-7-10



Each category will have all 3 of the following columns:

Category/Description	Non-Discretionary Funds	Discretionary Funds
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The Business Procedures Manual or BPM provides you with the information you need to determine if the expense is discretionary. It includes the Category or Description of the expenditure and when an expenditure can be considered Non-Discretionary or Discretionary.



## Example of a Category

Category / Description	Non-Discretionary Funds	Discretionary Funds
<p><b>ALCOHOL</b></p> <p>Alcoholic Beverages (including related expenses such as bartender fees) No Yes                      Not permitted on non-discretionary funds for any function/event. Liquor, wine or beer for cooking, patient care or research may be approved on non-discretionary funds on an exception basis only. See BPM E-1-2 for guidance on completing an exception request. Alcohol should be charged to GL account code 540356.</p>		



Alcohol can **only** be charged to a discretionary cost center

Unless an Exception to Policy has been granted in advance

Here is an example of an expenditure that needs special attention. When we review the Alcohol Category in the BPM, it tells us that alcohol can only be charged to a discretionary cost center unless an Exception to Policy has been granted in advance.

Be sure to read the description very carefully; it provides additional guidance and any restrictions that may apply.

**Separate Food and Alcohol**

Food is expensed against the **correct** funding source and **GL** (depending on the purpose of the meal)

Meals **must** be split between food and alcohol

Alcohol is expensed against **GL 540356**

A common mistake is when food and alcohol are not separated when allocating them as a discretionary expenditure. As a rule of thumb, remember that when allocating discretionary funds, food and alcohol must be split.

The food portion of the meal needs to be expensed against the correct funding source and GL depending on the purpose of the meal, while alcohol is expensed against its own GL.





### Retirement party with alcohol

- Itemize the meal and alcohol
- Charge Alcohol to the correct GL
- The entire expense requires discretionary funds



### Recruitment dinner

- Itemize the meal and alcohol
- Charge meal to non-discretionary funds
- Alcohol must charge discretionary funds and the appropriate GL

## **BPM E-7-9 - Recruitment Expenses**

### B. Reimbursement to University Host/Employee for Recruitment Expenses

1. A University Host/Employee may be reimbursed for expenses incurred when coordinating/hosting recruitment activities (luncheons, dinners, receptions, etc.) for the purpose of allowing the prospective employee to meet with a search committee, other hosts, and/or faculty/staff within the department. The University host/employee sponsoring and paying for the events should maintain itemized receipts of all expenses and submit a PRD requesting reimbursement. (See BPM E-7-10 Discretionary Expenditure Policy for funding requirements.)

2. A procurement card may also be used for such expenses. Documentation requirements listed in section IV. Procedures also apply to procard Concur reports.

3. Hiring officials are urged to use good judgement when incurring recruitment expenses. It is the responsibility of the hiring official to identify the sources of budgeted funds to cover all costs of the recruitment process.

Next

## FAST Discretionary Funds

For example: A retirement party with alcohol. The meal and alcohol need to be itemized so the alcohol is charged to the correct GL, but the entire expense requires discretionary funds.

Another example is recruitment dinners. The meal and alcohol need to be itemized. The meal portion can charge to non-discretionary funds, but the alcohol must charge discretionary funds.

# Discretionary Funds - Meals



Category / Description	Non-Discretionary Funds	Discretionary Funds
<p><b>CONFERENCES AND MEETINGS</b> – This category includes the costs of conferences, meetings and seminars conducted by the University when the workshops, primary purpose is the dissemination of technical or departmental information. This includes costs of meals and other necessary expenses.</p>		

# Discretionary Funds - Meals



Regardless of fund source,  
if you allocate a meal to discretionary funds,

you must attach an itemized receipt which includes

- Time
- Place
- Date of the Purchase
- Agenda
- List of attendees

Click here to review the Conferences and Meetings section of the BPM

If you have additional questions, contact your College Business Officer for assistance before incurring the expense



Category / Description	Non-Discretionary Funds	Discretionary Funds
<b>CONFERENCES AND MEETINGS</b> –	This category includes the costs of conferences, meetings and seminars conducted by the University when the workshops, primary purpose is the dissemination of technical or departmental information. This includes costs of meals and other necessary expenses.	
<b>Expenditure Supported by Income</b>	*Yes	Yes
*Expenses shall be paid from revenue from the event. Alcohol is generally not allowed for these types of events however if expenses include alcoholic beverages the alcohol must be paid with discretionary funds - see Alcohol category above. Note: Not allowable on a sponsored project.		
<b>Expenditure Not Supported by Income</b>	*Yes	Yes
*Meal or refreshment expenses will require assurance that the function has a clear business purpose consistent with the mission of the College/Division/Department. <u>The provision of meals and/or refreshments must be incidental to the function rather than the primary purpose of the function.</u> To establish a clear business purpose the documentation to support the transaction should include the itemized receipt; a written agenda (planned in advance) which includes the time, place, and date of the meal; the business purpose; and a list of attendees. Alcohol is generally not allowed for these types of events however if expenses include alcoholic beverages the alcohol must be paid with discretionary funds - see Alcohol category above. Note: Not allowable on a sponsored project unless sponsor prior approval is received.		



For categories like Conferences and Meetings that allow for the purchase of food, the BPM will provide guidance on what is needed when allocating it to discretionary funds.

All categories that allow for the purchase of food to be allocated as discretionary require supporting documentation that includes an itemized receipt that includes the time, place and date of the purchase, and an agenda and list of attendees must be attached, regardless of fund source.

## Discretionary Funds - Hosting Official Guests



Category / Description	Non-Discretionary Funds	Discretionary Funds
<u>HOSTING OFFICIAL GUESTS OF THE UNIVERSITY</u>	<b>*Note the asterisks - Read the description carefully*</b>	
Activities Related to Hosting Officially Invited Guests	*Yes	*Yes

## Discretionary Funds - Hosting Official Guests



Discretionary funds are **required** for alcohol GL 540356

Meals **MUST** be split between food and alcohol



- Food may be charged to **either** discretionary or non-discretionary
- Departments may pay for refreshments, meals and entertainment for guests
- Expenses **cannot** be charged to a sponsored project (grant)

## FAST Discretionary Funds

Now, let's look at an example of how to determine what actions to take with discretionary funds. The Department of Earth and Environmental Sciences is planning a Geosciences Visiting Speaker Series. Angela is responsible for purchasing goods in her department. To plan for the speakers, she is determining how the expenditures for the speakers can be categorized.

The faculty planning the event would like to have a reception for the speakers with food and alcoholic drinks and provide them with single UK football tickets. We can look at the BPM to determine what expenditures are discretionary.

Since the reception has both food and alcohol, Angela can categorize the food and the alcohol as discretionary expenditures, but (and this is really important) meals must be split between food and alcohol.

Remember, alcohol needs to be expensed against its own GL. The food portion of the meal needs to be expensed against the correct funding source and GL depending on the purpose of the meal, which for this would be an official guest. Next, we will see how the single football tickets are categorized.



## UK Athletic Purchases



### Ticket purchases

- Purchase via JV (**procards are not allowed**)
- UK Athletics pre-approval
- Ticket/Facilities Form **with** the business purpose **and** a list of attendees

**PRE-APPROVED**  
Obtain appropriate approval for sporting event tickets

◇ Check with your department for additional purchasing/approval requirements ◇



Sporting event tickets (including Keeneland tickets) **must** charge discretionary funds



Category / Description	Non-Discretionary Funds	Discretionary Funds
<b>HOSTING OFFICIAL GUESTS OF THE UNIVERSITY</b>		
<p><b>Activities Related to Hosting Officially Invited Guests</b></p> <p>Expenses may include refreshments, meals and entertainment for guest and partner/spouse/adult guest along with faculty/staff and partner/spouse/adult guest. Ratio of hosts to guests should be reasonable. Note: Not allowable on a sponsored project. For Alcohol related expenses see Alcohol category above. *All sporting event tickets require the use of discretionary funds. University of Kentucky sporting event ticket payments must be made via JV at the time the ticket order is placed. University of Kentucky sporting event tickets may not be purchased with a procard.</p> <p>For single UK game tickets, a UK Athletics Purchase Detail – Tickets/Facilities form must be attached to the JV and must include the business purpose and list of attendees if known. Submit this form only after securing authorization to purchase tickets from the UK Athletics Ticket Office. The list of attendees, if not known at the time of processing the JV, must be submitted to Accounting and Financial Reporting Services following the end of the game.</p> <p>For UK season tickets, a UK Athletics Purchase Detail – Tickets/Facilities form, including the business purpose, must be attached to the JV and a list of attendees must be submitted to Accounting and Financial Reporting Services at the end of the season. Submit this form only after securing authorization to purchase tickets from the UK Athletics Ticket Office.</p>	*Yes	*Yes



## FAST Discretionary Funds

The single UK football tickets for official guests are discretionary and have special requirements. A Journal Voucher, or JV, must be used to make the purchase.

UK tickets require pre-approval from Athletics and a Ticket/Facilities form. Be sure to get appropriate approval before purchasing sporting event tickets.



## Discretionary Funds - Sponsorships



Category / Description	Non-Discretionary Funds	Discretionary Funds
<b><u>SPONSORSHIPS</u></b>		
<b>Providing Financial Assistance or Co-Sponsoring an External Activity or Event</b> Activity or event must be consistent with the University's mission. Activity or event should be organized or presented by non-profit organizations and University participation and support is appropriate.	No	Yes

Activity or event must be consistent with the University's mission

UK participation and support are appropriate

Activity organized or presented by a non-profit organization

Next

The last category we will review is sponsorships. Sponsorships require discretionary funds and sponsoring an activity or event requires that it be consistent with the University's mission.

The activity must be organized or presented by a non-profit organization and UK participation and support are appropriate.