Title: Use of University (Local) Restricted and Unrestricted Funds  

Purpose

This policy sets forth the guidelines that govern and describe the use of University (Local/Non-State) Funds by University departments.

Authority, Responsibility, and Duties

To facilitate review and to achieve consistency in the application of this policy, accountability for using local discretionary funds will be at the level of the President, Vice Presidents, Dean or Account manager designated to administer such funds.

Definitions

Non-State Funds – those funds deposited in an agency or institution’s local bank account which are not under the control of the Department of the Treasury.

Restricted Funds - funds restricted in use based on donor requirements. Account managers are responsible for ensuring that expenditures are made in accordance with the restrictions or designated purposes of these funds. Common types of restricted University funds are scholarships and research fellowships.

Unrestricted Discretionary Funds - no donor restrictions have been placed on the use of the funds.

Policy Statements

University (Local) Funds include both restricted and unrestricted funds for which the sources of revenue are gifts to University departments, investment earnings, unrestricted endowment income and foundation support, revolving student loan programs and other types of non-state deposits. University Local Funds are deposited and disbursed through a local bank account and are not included in funds appropriated by the General Assembly, such as Educational and General (E&G).

A. The use of local funds are intended to provide greater flexibility for the University and should only be used for purposes that directly benefit the University, where certain types of expenses cannot be charged to state funded appropriations. These discretionary funds may not be used for expenses of a purely personal nature, and any personal benefit must be clearly incidental to the primary purpose of benefiting the University.

B. Prudent judgment and reasonableness will govern the general scope of allowable expenditures from local discretionary funds. Without limiting the scope, local discretionary funds may be used for:

1. All purposes generally covered using public (State) funds, or where there is insufficient state appropriation to support the payment from State Funds.

2. Such purposes that are determined to be ordinary, necessary and reasonable for the program for which the fund was established.

3. Other purposes as determined and approved by the President or President’s Council, which are otherwise not allowable from state funds and therefore is determined to be eligible to be paid from local discretionary funding sources.
C. Expenditures using Local Discretionary Funds (some examples: meals, travel, lodging, business entertainment, official functions, sponsorship of events, gifts and awards, or memberships) must comply with all existing University policies, including appropriate documentation such as original receipts.

D. Local funds may also be used for making disbursements and seeking reimbursement from state funds when there are urgent timing issues where payment is needed immediately (some examples: the purchase of real estate, to expedite a payment to a vendor, or for an emergency loan for a student).

E. The flexibility associated with Discretionary Funds requires prudent judgment in determining the appropriateness of expenditures. One overriding goal is to ensure that the disbursement is for a legitimate business purpose of the University. These expenditures are subject to scrutiny by entities outside of the University. In submitting a request for a local fund disbursement, one should always consider how the public would perceive the transaction. The University Controller’s Office will monitor the use of local funds and will return any payment/check request that it deems are not within policy guidelines. It is recommended that the Controller’s Office be contacted in advance of expenditure as to the appropriateness of using local funds or requesting local fund reimbursement.

F. Use of Local Discretionary Funds must follow University financial policies and procedures and shall be disbursed through the use of standard University forms (some examples: Purchase Requisitions, Travel Expense Reimbursement Vouchers, Invoices, Check Requests, SPCC logs and related documentation, etc.).

1. All pertinent records related to receipt and disbursement of discretionary local funds shall be maintained in accordance with University regulations and the Commonwealth’s record retention policies.

2. It is the responsibility of the Budget Office in collaboration with the Account manager to establish budgets and ensure that adequate cash is available for expenditures in individual local fund accounts prior to the executing of any type of expenditure transaction. In most cases, the budgets in local funds will be tied to the available cash balance in the fund.

3. There may be instances where it is necessary for a local fund account balance to reflect a deficit. These deficits must be authorized in advance by the Vice President of Finance.

INTERNAL CONTROLS

The University Controller’s Office is responsible for developing sound procedures governing the processing of payments from non-state, local funds. The following internal controls will be included in the procedures:

1. Goods and services must be procured in accordance with the Virginia Public Procurement Act.

2. Expenditures submitted for payment must represent a proper charge against State Funds, clearly benefit the University, or support the donor intent and be processed in accordance with the statewide disbursement guidelines.

3. Segregation of responsibilities must exist between the individual processing the disbursement and the individuals performing the non-state fund payment review and approval process.
4. Original authorized signatures (Account Manager or Vice President) must be present on the payment request voucher.

5. Original receipts for goods and/or services procured should be attached for all reimbursement requests.

References

CAPP Manual: Section 20350 – Non-State Funds

VSU Policy: 5007, Internal Control Policy

VSU Policy: 5009, Cash Collections Points

VSU Policy: 5505, Locally Funded Travel Requests and Reimbursements

Approved By: ____________________________

President

Date: ______________

1/30/17