

# **Guidelines for College Expenditures**

## **Calvin College – Fall, 2005**

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### **I. Introduction**

The aims of this set of guidelines are clarity, equity, regulatory compliance, and community.

Employees and budget officers constantly have to make choices about spending college money and requesting reimbursements, and they frequently do so without clarity about the reasons for approving or rejecting such requests. If the following guidelines can improve the clarity with which budget officers and others make decisions, it meets its first aim.

The need for equity is obvious enough, but it has to be defined within the context of goals of individual divisions of the college—as well as individuals with particular responsibilities within those divisions and departments. While a person in one division generally should not spend more on meals at a conference than a person in another, one division's mission may necessitate that it spend more on entertainment than another.

Regulatory compliance is a necessary and important aim of these guidelines. Regulations are imposed on the college from, for example, the IRS, federal granting agencies, state government, and foundations. It is our ethical and legal obligation to take these rules seriously and to comply.

In every division, however, the primary guiding principle should be the need to make individual decisions in light of the community good. About every purchase we all need to ask, "Is this an appropriate use of resources, especially of student tuition, and does it further the college's mission?"

### **II. A Guide for Evaluating Decisions Regarding Expenses**

We can guide ourselves through individual decisions by answering a set of questions designed to align particular choices with general principles. Although the list of questions and answers provides general guidance for a variety of decisions, the examples provided are far from exhaustive. All employees should consider these questions when making a purchase—and should consult with budget officers if facing any uncertainty.

## Questions

1. Is the purpose of the expenditure *personal or institutional*? In other words, will only one individual receive the direct benefits of a purchase?

Examples:

- A journal subscription to be shared within a department: institutional, appropriate
- A book purchased for one's personal library: personal, inappropriate

2. Will the expenditure in some measurable way *advance the mission of the college*?

Examples:

- Meals or refreshments purchased for college volunteers: appropriate
- Personal entertainment purchases while at a conference: inappropriate

3. If the expenditure's purpose and direct benefit is for the institution, is it *consistent with the mission* of your particular division and department?

Examples:

- A CAS film class trip to a movie theater to see *The Matrix*: appropriate
- A Spanish class trip to see the English-language version of *The Matrix*: inappropriate

4. If the expenditure is consistent with mission, is it *equitable*? That is, should everyone in your position, in your division, or in positions with similar missions in other departments, be able to charge this purchase to the college?

Examples:

- Cell phones for all employees who must frequently be away from their office and need to be readily available to conduct college business: appropriate, similar job requirements call for similar expenditures.
- Cell phones for every employee of the college: inappropriate, not equitable across all lines because all do not require a cell phone to do their job.

5. Is the expenditure a *duplication*?

Examples:

- Purchase of consumable office supplies: appropriate
- Purchase of Christmas gifts for departmental staff: inappropriate, since Calvin provides a Christmas banquet in lieu of gift purchases

6. Is the expenditure a "*want*" or a "*need*"?

Examples:

- Installation of lighting to reduce eye-strain: appropriate
- Installation of lighting to create ambience: inappropriate

7. Is the expenditure *affordable*?

Examples:

- Recruitment dinner for a minimal number of guests at Arnie's: appropriate
- Recruitment dinner for a large number of guests at The 1913 Room: inappropriate

Information about processes for reporting expenses and requesting reimbursement (e.g., information regarding receipts, sales tax, the use of credit cards, deadlines, required signatures, etc.) is on the Financial Services web site, [www.calvin.edu/admin/fsrv/faculty&staff/purchasing/](http://www.calvin.edu/admin/fsrv/faculty&staff/purchasing/).

**All funds in all college accounts, regardless of source (tuition revenue, grants funds, designated gifts, external funds, or restricted funds), are governed by the same college policies.**

### **III. Examples of Items and Services Which Frequently Raise Questions**

#### **A. Gifts and Compensation (i.e., items or money given to an individual or group)**

##### **1. Honoraria**

See the Financial Services web site for specific guidance regarding honoraria.

##### **2. Gifts Certificates or Gift Cards**

**In most cases, gift certificates and gift cards must not be purchased. The only gift cards that are allowed based on regulations are for research focus groups, survey participants or for random drawings.**

Example: Gift Certificates for guest lecturers, for current employees (faculty or staff), for student employees, or for special services beyond normal job responsibilities

Explanation: Because the IRS considers any payment of cash, cash equivalents, gift certificates or gift cards to a current employee or any persons providing similar services to be taxable income, the college is required to maintain records of all such payments, to report it as income on the W-2 and to withhold the appropriate taxes. Thus, because of the complexity and administrative burden of the record-keeping necessary to comply with these tax regulations, payments of cash, cash equivalents, gift certificates or gift cards **may not be made** to employees, student employees or guests. Instead, the honorarium process (see #1) should be used.

IRS guidelines do permit non-cash items of nominal value (< \$25) to be given to employees or volunteers.

**Gift certificates can be given only in the following circumstances: to members of research focus groups, survey participants, or winners of random drawings.**

Explanation: While the IRS suggests that the value of these gift certificates represents taxable income to the recipient, since the recipients are not employees, the college is not required to undertake the record-keeping, reporting, and withholding. In this case, gift certificates could be used and it is up to the recipient to decide how to handle the gift certificates for tax purposes.

##### **3. Gifts in Recognition of Achievements**

Example: Gifts for honors students, gifts to student employees as performance incentives/rewards.

Explanation: The guidelines for gift certificates for employees also apply to students and student employees. Payments of cash, cash equivalents, gift certificates or gift cards are not appropriate. The honorarium process (see #1) should be used to provide monetary rewards.

Again, however, in exceptional circumstances, guidelines do permit non-cash items of nominal value (< \$25) to be given. **(Remember that gift cards/gift certificates are considered “cash items” and are not allowed.)**

Example: Gifts to Departmental Graduates

Explanation: Because of the difficulty in insuring equitable treatment for all graduates, College funds should not be used to purchase graduation gifts for departmental graduates.

Example: Gifts **and/or parties** to employees or student employees for recognition of thanks for going above and beyond the call of duty and/or personal achievement (e.g., promotion, completion of a degree or professional certification, resignation, retirement, etc.).

Explanation: Any gift from an office, workgroup, or department for any reason (e.g., birth/adoption of a baby, marriage, promotion, new job, welcome gift, retirement, etc.) or the cost of the corresponding celebration (e.g., retirement party/going away party) is considered a personal expense of the persons giving the gift/celebration and should not be paid with College funds.

In addition, since the college established a college-wide Employee Appreciation event, any flowers, lunches, or gifts for office staff in observance of achievements, or of special recognition days such as Professional Administrative Assistants Day are considered personal expenses and should not be paid with College funds.

#### 4. Floral Tributes

Example: Flowers for funerals or to recognize a special community award for an employee.

Explanation: Flowers for funeral tributes are sent by the college and should not be purchased by departments with college money; most departments should have special collections for such.

### B. Food and Entertainment

All entertainment receipts (meals, concerts, sports events, etc.,) must include the three Ps—People, Place and Purpose.

***Please see attached tip sheet for standard amounts for meal allowances.***

#### 1. In recruitment **(Please refer to the Provost’s Office for meal allowances)**

Example: dinner with a candidate

In general, college funds will support expenses for off-campus meals for recruitment according to the following guidelines: limit attendance to the chair

and two representatives from the department at inexpensive to moderately priced restaurants.

2. Social events in an office, work group or department

Example: a department Christmas party

The President's Cabinet has established a guideline of a maximum of \$10 per employee per year from college funds for office, work group, or department celebrations. Any costs beyond that should be paid by the participants.

3. Retirements/**Farewell Parties**

For faculty and staff retirements, the President and his wife host a dinner at DeWitt Manor in the retirees' honor. Further, there is a Tribute Dinner with the Board of Trustees. The community is given an opportunity to show appreciation at the traditional cake reception for faculty and staff if the department wishes this method. Otherwise, any departmental recognition (i.e. celebratory meals, gifts) must be financed by personal rather than College funds.

4. Graduation Events

Departments are encouraged to celebrate graduating seniors' accomplishments! The maximum cost per person is \$7.00. This is attainable by hosting a breakfast buffet, lunch buffet, pizza party, or by sponsoring another type of low cost event.

Students make a tremendous contribution to Calvin as employees. It is recommended that a graduating student employee be honored by inviting him/her to a breakfast or lunch with the supervisor or other staff administratively responsible for that student's work. The maximum cost per person is \$7.00. Any gift item purchased for the student employee must come from personal rather than College funds.

C. Departmental Purchases

1. Books and magazines

Example: a book that almost everyone in a department will want to have on hand as a reference

Explanation: In some circumstances it is necessary for a department or program to have constant, ongoing access to certain books, making it impractical to use copies purchased through the library. In general, to avoid duplicating resources, this practice should be kept to a minimum--to avoid duplicating resources.

When, however, it is necessary to purchase books for a department or program with college funds, those books are the property of the department or program and should be readily accessible to all interested parties. They should, therefore, be stored in common space, if there is available secure space, rather than in an individual's office. They should not be stored at an individual's home.

Example: a book for the specific research of one faculty member.

Explanation: In no case should a departmental or program budget be used to purchase books for an individual.

#### **IV. Policies for Complex Issues**

Certainly, many budget issues are not necessarily so cut and dried. The committee wrestled, for example, with the question of alcohol purchases, and decided that a single rigid policy would not best serve the college interest. Instead, such decisions must be based on principles that are beyond the mandate of the committee to establish.

An example of the competing principles which employees might take into account: if a college guest orders a glass of wine at a restaurant, it would be inhospitable to refuse to pay for that purchase. At the same time, however, despite the wish to be hospitable, the committee did not, generally, favor alcohol purchases made with college money. Yet some committee members thought that the college should not flatly prohibit all alcohol purchases since there is not clear rationale for doing so (neither health nor biblical injunction strictly forbid alcohol consumption, and a piece of cake might do more damage to an individual's health than a glass of wine). Yet again, Calvin employees are always representatives of the college and in no circumstance should anyone risk inebriation, especially at a college-funded event, so a one to two drink maximum seems a reasonable limit, when alcohol is purchased. The complexities of this brief discussion demonstrate the reason why the committee did not offer a single policy on alcohol purchases.

#### **V. Resources**

The primary resource for guidance relative to purchases is the Financial Services Office web site:  
<http://www.calvin.edu/admin/fsrv/faculty&staff/purchasing/>

Tri-fold brochures, which summarize major types of transactions and their related protocol, are also available from the Financial Services Office.

A brown-bag lunch is offered each fall to discuss purchasing policies and practices. The Financial Services office highly recommends that administrative assistants, office assistants and all others involved with purchasing attend.

Final authority for all purchases resides with the Financial Services Office. Although departments are given budgets at the beginning of the fiscal year and are generally given broad discretion in purchasing decisions, all procurements and expenditures are subject to final approval by the Financial Services Office. The accounts payable experts in the Financial Services Office are always available to answer questions.

## **VI. Appeal Process**

The following process should be used when current written protocol is silent or unclear and when the purchaser would like a review of the reason for allowing or disallowing a transaction.

A transaction description, along with any pertinent details should be submitted to the Director of Financial Services with a request for a review of the transaction.

-- If the issue is tax-related, the college tax advisor will be consulted, and the recommendation will become college policy.

-- If the issue is not tax related, the Director of Financial Services will send the information to appropriate parties (if necessary, to the President's Cabinet) for assessment and adjudication, and the Director of Financial Services will forward the final decision and an explanation of the reason for the decision.