



TO: Deans, Directors, and Department Chairs

FROM: Jeffrey J. West, Associate VP

SUBJECT: Use of University Funds

DATE: April 18, 2005

In staff training forums over the past year, and in various meetings with your administrative personnel, we continue to get questions seeking clarification about how different funding sources should be managed, and the rules associated with spending these various funds. This memo is written to remind you of current policy, and to encourage you to review these principles with your business/finance staff.

State appropriations are, of course, unrestricted funds and can be used for any expense which fits the criteria of being reasonable and business-related, i.e., related to the purposes of the institution – instruction, research, public service, and related support services. Contracts & grants are restricted funds, and expenses incurred must be limited to the specific purposes set forth by the granting agency – whether that is a governmental entity or a private industry firm.

Most of the questions we get center around other funds – such as development funds, gifts, clinical income, and the like. Funds coming into the institution – from whatever source – become institutional funds. Although the source of these funds may provide some additional flexibility in how they are spent, they should never be considered personal funds of the principal investigator, account executive, or faculty member - regardless of that person's role in acquiring the funds. Once the institution accepts and records these resources as revenues, their usage is subject to institutional policies and procedures, and should be recorded and monitored using sound business practices and the principles of good internal control.

In the case of development monies, donors give to the University for institutional (not personal) purposes. This is required in order for the gift to be tax deductible for the donor. On the University side, we must assure that funds coming into the institution are expended within certain parameters and guidelines that reflect our tax-exempt status. We may be subject to sanctions and penalties if institutional funds are used in transactions that benefit private individuals. Such transactions can even jeopardize the institution's charitable tax status. In the case of clinical income, medical doctors are obligated to treat these funds as institutional funds also, subject to the principles and practices set forth by the University. Expenses incurred must still follow the tests of being reasonable and business-related. They are never to be used for goods or services that result in personal inurement or that are otherwise prohibited by University policy.

Please ensure your professional and administrative staff understands these issues. If you have specific questions about this topic, please give me a call. Thanks for your attention to these matters.

**Associate Vice President
Financial and Accounting Services**