

TO: Deans, Directors, and Department Chairs

FROM: Jeffrey J. West, Assoc. VP

SUBJECT: Use of University Funds

DATE: June 15, 2018



We wanted to take this opportunity to remind you of the rules around the use of university funds. This memo updates a previous communication on this same subject, dated April 18, 2005.

There are two common types of funds here at the University:

- **State appropriations and tuition revenue** are funds that are dedicated towards achieving the academic mission of the institution. This includes instruction, research, public service, and related support services.
- **Contracts and 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 gifts are also restricted by donors with time or purpose limitations, and these restrictions should also be honored.

Most of the questions we field center around other funds, such as sales and service funds, F&A reimbursements, clinical income, and the like.

Funds coming into the institution *regardless of 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 faculty member, physician or administrator, regardless of that person's role in acquiring the funds. They are not "earned" by an individual, but by the institution, and should be treated as such. Once the institution accepts and records these resources as revenues, their use 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 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 our charitable tax status.

In the case of **clinical income**, medical providers are obligated to treat these funds as institutional funds, 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 benefit or that are otherwise prohibited by University policy.

Related to these principles of good stewardship is the common-sense **prohibition against “deficit spending.”** We remind you of the policy on expending state appropriated funds, and extend that same principle to **ALL** funds under your jurisdiction (see Policy 3-002: <https://regulations.utah.edu/administration/3-002.php>). The “expenditures of . . . funds by operating units are not to exceed available resources in the aggregate, including budgeted amounts and any available reserves, for any individual unit without the consent of the cognizant vice president.” Even if consent is given for deficit spending, that does not prevent certain negative consequences from occurring. Specifically, overspending on any account creates a “loan”, for which you are responsible for re-payment, with interest, along with appropriate penalties.

I ask you to share this information with your professional and administrative staff to be sure that they too understand these issues. If you have specific questions about this topic, please give me a call. Thanks for your attention to these important matters.