



**Responsible Department:** Business Services  
**Approved By:** Chancellor Coombe  
**Approved by Board of Trustees:**

**Policy  
Number**  
2.30.010

**Effective Date:**  
April 1, 2009

## 1 INTRODUCTION

### 1.1 PURPOSE

The Propriety of Expense Policy governs the University of Denver's administrative expenditures by providing guidelines regarding the appropriateness of expenses made using any University funding source. All expenses made using University funds shall comply with the Test of Propriety, Section 2, and the requirements found within the policies and procedures accompanying this policy.

### 1.2 SCOPE

University policies apply to all University expenditures, regardless of point of origin or the funding source (e.g., base operating budget, endowment or gift restricted to the use of a school or department).

This Policy sets forth requirements that apply to all employees, students, and affiliates when generating expenses with the use of University funds. It DOES NOT provide guidance on Contract Expenses; reference [Limits of Authority Policy](#) when generating expenses through the use of contracts.

### 1.3 POLICY OVERVIEW

#### 1.3.1 Funding Restrictions on Expenses

If more than one requirement or policy applies to a particular transaction, then the more restrictive one shall be followed, (e.g., if terms and conditions of outside donors and sponsors are determined to be more restrictive than those of University policy, then the terms and conditions of outside donors and sponsors shall take precedence over University policy).

#### 1.3.2 Approving Expenses

**1.3.2.1** All expenses made through the use of University funds require the consent of at least two individuals: a Requestor and an Authorized Approver; as defined in Section 3, Definitions. Both individuals are *REQUIRED* to have sufficient knowledge to evaluate the transaction, and the authority to challenge or seek further approvals for questionable transactions.

- 1.3.2.2 Authorized Approvers may not approve their own transactions, (e.g., personal reimbursement, travel expenses, or official functions) nor may Authorized Approvers approve transactions that provide personal reimbursement to their direct supervisor.
- 1.3.2.3 The purpose of the expenditure shall be fully disclosed and documented with *original* detailed receipts and have a direct relationship to University business or performance of a grant or contract.
- 1.3.2.4 All expenditures shall also comply with the policies and procedures pertaining to the method used in the transaction (i.e., purchases made on a purchasing card shall also comply with all purchasing card policies and procedures), including but not limited to requirements regarding documentation, bids, approvals, etc.

### **1.3.3 Personal Responsibility**

Individuals involved in any transaction that violates University policies, laws, regulations, rules and contracts, grants, and donor restrictions will be held personally liable regardless of when the approval occurred.

### **1.3.4 Expenditures Related to Immediate Family Members**

Generally, it is the policy of the University not to pay for the attendance of an employee's immediate family member(s) to attend an event, function, or activity. However, there are limited instances, such as external community relations or fundraising functions, where it is deemed necessary for an immediate family member(s) to attend an event for the purpose of promoting the University. Prior approval is required by an Authorized Approver for the attendance of immediate family members at such events and shall be limited to those individuals necessary to represent the University; limiting attendance by immediate family members ensures expenses are kept to an absolute minimum.

### **1.3.5 Policies and Procedures, Forms, and Resources**

All expenses made using University funds shall comply with the Test of Propriety, and shall be reviewed and approved by the Authorized Approver, and shall be documented as required by the policies and procedures related to the acquisition vehicle used.

In addition to complying with the policies set forth in this Propriety of Expense Policy, all expenses of University funds are required to adhere to the requirements found in Purchasing Services and the Controller's Office policies and procedures. Reference the following policies and procedures for guidance relating to specific expenditures:

### 1.3.5 Policies and Procedures, Forms, and Resources (cont'd)

- [Allowable Business Expenditures Policy](#)
- [Travel Expense Policy](#)
- [Alcohol Policy](#)
- [Gifts and Gratuities Policy](#)
- [Official Function/Entertainment Policy](#)
- [Limits of Authority Policy](#)
- [Business Services' Policies and Procedures](#)

### 1.3.6 Exceptions

- The Chancellor, the Provost, or the Vice Chancellor for Business and Financial Affairs may grant exceptions to these policies on an individual case basis if the exception is in the best interest of the University; is not in violation of any statute, regulation, or other law; and is consistent with all other applicable University policies and procedures.

## 2 TEST OF PROPRIETY

### 2.1 TEST OF PROPRIETY FOR USE OF UNIVERSITY FUNDS

The Test of Propriety shall be used to evaluate whether an expenditure is an appropriate use of University funds (i.e. all funds generated, awarded, donated or otherwise received by the University regardless of their source). Its questions are designed to test the propriety of expenses by forming an evaluation framework when determining expenditures.

The Test of Propriety for Use of University Funds identifies questions designed to test the propriety of expenses by forming an evaluation framework. Evaluating the propriety of University expenses requires exercising a high degree of judgment and discernment. Therefore, an expenditure of University funds shall be considered appropriate only if it meets all of the questions listed in the Test. Completion of the Test of Propriety for Use of University Funds is a tool to be used prior to making ANY expenditure using University funds.

***Test of Propriety for Use of University Funds***

<b>Question</b>	<b>Yes</b>	<b>No</b>
<p><b>Is this expense for official University business?</b>                      Official University business is any activity that carries out the University’s mission of instruction, research and service or that provides support to the University’s instruction, research, and service activities.</p>		
<p><b>Is this expense in the best interests of the University?</b>                      The expenditure should show careful and reasonable management and protection of the University’s tangible and intangible resources, which includes ensuring such resources are used appropriately to assist the University in accomplishing its mission.</p>		
<p><b>Is this expense the most effective way to accomplish official University business?</b>                      Without the expenditure, would programmatic objectives be difficult or otherwise more costly to achieve? Would the impact, level, or quality of the achievement be reduced?</p>		
<p><b>Is this expense in compliance with applicable policies, laws, regulations, and rules; and contracts, grants, and donor restrictions, including having the required approvals and authorizations by the appropriate fiscal role?</b></p>		
<p><b>Is this expense within the available financial resources of the responsibility unit, taking into consideration all outstanding encumbrances?</b>                      Do you have the financial resources to pay for this expenditure within your budget?                      If unsure, consult with your Budget Officer before the expenditure is made.</p> <p>It is imperative in the conduct of good business to fairly and consistently apply expenditure policies. While the University’s budget process is very thorough in its attempt to meet the need of every unit while operating within the constraints of our financial resources, the budget process is a planning process. As fiscal realities unfold throughout the year, some units become more or less constrained financially. In circumstances where a department gains financial latitude within their budget, it should <b>not</b> suggest that license is granted to become more lenient in their use of University funds.</p>		
<p><b>Is this expense directly beneficial to the unit charged?</b>                      Managers need to use discretion with University funds recognizing the need for effective and conservative management. Administrators of these funds are to consider cost, availability of funds, and the availability of alternative activities when evaluating the benefits to be derived from any expenditure.</p>		
<p><b>Is this expense reasonable?</b>                      Meaning that the quantity and quality of goods or services being purchased is sufficient to meet the University’s identified need without exceeding it. The most economical means possible shall be used which will satisfy the University’s official business requirement(s).</p>		
<p><b>Is this expense in compliance with University Code of Business Conduct and Conflicts of Commitment and Interest Policies?</b></p>		
<p><b>If the expenditure involves a contract or creation of any form of University obligation, have the required approvals from University Counsel been obtained?</b></p>		

### 3 DEFINITIONS

**Authorized Approver-** The individual responsible to ensure that each transaction is completed in accordance with the appropriate policies and procedures and that each transaction is appropriate in terms of scale, budget, and relation to the mission and goals of the unit and the University. A transaction Authorized Approver cannot report to a transaction Requestor, nor can a transaction Authorized Approver also be the transaction Requestor. In the case of a Dean or Director as the requestor, the Authorized Approver must be the Dean or Director's supervisor.

**Affiliate-** Any party acting on behalf of the University, such as contractors, consultants, volunteers, alum, donors, etc.

**Requestor-** An employee, student, or associate of the University of Denver who enters into a transaction or an agreement whereby University Funds are expensed. This includes expenditures made with a DU purchasing card, purchases made that are billed directly to the University, an electronic requisition processed through Purchasing Services, a transaction in which the Requestor pays with personal funds then submits a reimbursement request through Accounts Payable or Petty Cash.

**University Funds -** Includes all funds controlled by, or administered by, the University of Denver. This includes, but is not limited to, base operating budget funds, endowment funds, gift funds, grant funds, investment funds, etc.