

1 Expenditures - Allowable, Appropriate, Documented

2 Effective: Moved to Policy Library from UPM 10.2(1), UPM 10.2(2)

3 Contact: [Controller's Department](#)

4 Introduction

5 Department chairs are responsible for ensuring that charges to accounts are allowable and appropriate, and in the best
6 interest of the department and the university as a whole. All funds administered by the university are considered public
7 funds, and accordingly, must be expended only for items resulting in public benefit. Public benefit must be apparent on all
8 transactions.

9 Policy Statement

10 In order for expenditures to be paid from university funds, costs must be allowable, appropriate, and properly documented.

11 • Allowable

12 Allowable means expenditures comply with applicable university, state, federal or sponsor-imposed terms and
13 conditions.

14 • Appropriate

15 Appropriate means expenditures should be paid because the costs are reasonable and benefit the purpose for
16 which the funds were given. A cost will be considered reasonable if it is necessary for the operation of the university
17 or for the performance of a sponsored agreement. In order to be reasonable, costs must also be distributed to
18 funding sources based on the benefits received. Distribution of costs must be made using reasonable methods that
19 approximate actual use.

20 • Documented

21 A key principle of allowability and appropriateness is ensuring transactions are adequately documented. Adequate
22 documentation includes a receipt or invoice and information identifying what was purchased, where it was
23 purchased, who purchased it, and the business purpose for the transaction. Documentation must be retained
24 according to the university Record Retention Schedule.

25 Hospitality

26 Documentation of hospitality-related costs must also include the names of participants and the participants' relationship to
27 the event. Business meeting meal costs are considered allowable primarily for infrequently occurring functions with an
28 explicit business purpose. Examples of infrequently occurring functions are annual planning retreats, retirement receptions,
29 and guest speaker receptions.

30 Non-University or Agency Funds

31 Non-university funds or "agency funds" may NOT be subject to all ISU allowability and appropriateness policies but still must
32 be reasonable with supporting documentation. Agency funds are those within the 206 fund account series. These accounts
33 are established for monies held by ISU that are "owned" by another party.

34 Resources

- 35 • [How to Know if Expenses are Allowable \[PDF\]](#)
- 36 • [Controller's Department](#)
- 37 • [Purchasing Department](#)
- 38 • [University Records Retention Schedule](#)
- 39 • [Purchasing Policies - Board of Regents](#)
- 40 • [Purchasing Policies - ISU](#)