

Expenditures - Allowable, Appropriate, Documented

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

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

Policy Statement

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

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

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

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

Hospitality

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

Non-University or Agency Funds

Non-university funds or "agency funds" may not be subject to all ISU allowability and appropriateness policies but still must be reasonable with supporting documentation. These accounts are established for monies held by ISU that are "owned" by another party.

Resources

Links

- [How to Know if Expenses are Allowable \[PDF\]](#)
- [Controller's Department](#)
- [Procurement Services](#)
- [University Records Retention Schedule](#)
- [Purchasing Policies - Board of Regents](#)
- [Procurement Services' Policies & Procedures](#)