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September 9, 2009

Memorandum

To: Deans Cabinet

From: Peter Lange 

Re: Update on University Expenditure Controls and Faculty Discretionary Accounts

Tallman Trask and I have heard a number of questions and comments from faculty members about the application of recently announced university expenditure guidelines to faculty discretionary accounts. We have considered these questions and comments and would like to provide some clarifications.

First, let's be clear on what we mean by a "faculty discretionary account." In all of Duke's schools, there are cases in which funds have been designated for the use of individual faculty members to cover professional costs not otherwise covered by university budgets or external funding. The arrangements are actually quite varied. In some schools, all regular rank faculty members have such accounts funded by appropriations from the unrestricted operating budget. In other schools, the number of faculty who have such accounts is limited. In these schools, funding may come through allocations from the operating budget for particular faculty members, or there may be gifts or honoraria designated to the professional use of particular faculty members. In some schools, faculty discretionary accounts are funded through incentive arrangements based on indirect cost recoveries or the ability to cover academic year salary from external sources. For purposes of this memo, all types of faculty discretionary accounts are covered, regardless of funding source.

We have heard frequently that university expenditure controls should not apply to faculty discretionary accounts because the funds are not really university funds. This is not the case – all faculty discretionary funds are university funds and are part of the institutional operating budget. That said, we want to recognize that the purpose of such funds is to further the professional work of the faculty, and we do not want to put unnecessary roadblocks in the way of that work. As institutional funds, however, they must be subject to the same accounting, compliance and tax reporting standards as other university funds to ensure that money is used for business purposes and that expenditures do not create individual or institutional tax liabilities. (See GAP 200.410 <http://www.finsvc.duke.edu/gap/m200-410.php> for more specific expenditure guidelines.)

With those general principles as background, we offer the following clarifications to recently issued expenditure guidelines to address the questions and comments we have received:

- As announced previously, the university will no longer fund home internet expenses except when such expense is explicitly budgeted and allowable on an external grant. This means that faculty discretionary accounts as defined above may *not* be used to fund home internet; nor can departmental or school reserve funds or operating funds. There are two primary reasons for this policy. First, we believe that home internet has become a basic household utility like power or water and that there is no reason the university should pay this charge for individuals. Second, because personal use and business use are easily intermingled, university funding of home internet is a tax compliance risk.
- A new policy on university funding of cell phones and portable data devices (Blackberries, air cards, etc.) will be issued soon. Billing methods will change and there will be guidelines on personal use to ensure compliance with IRS tax regulations. We are seeking to ensure that these will burden holders of these devices as little as possible. Faculty members *will be able* to use their discretionary accounts to fund devices and services to the extent they are associated with legitimate business/professional use.
- Earlier expenditure guidance indicated that business meals involving only members of the Duke community should not be charged to university funds; it did not seem necessary or appropriate for university funds to be used this way given the ample opportunities members of the community have to meet and talk throughout the week. However, in light of the importance of faculty collaboration with their colleagues and students, we want to relax the earlier guidance. Henceforth, we will regard business meals charged to faculty discretionary accounts or departmental reserve accounts as appropriate and allowable regardless of the number of participants or whether outside guests are involved. As in the past, participants and the business purpose of the meeting and meal must be documented as part of the p-card clearing process or to seek reimbursement.

Please feel free to share this memo with your faculty or summarize it in your own communication.

PL:hc

xc: Tallman Trask III
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