

Policy Name: Spending Policy		
Effective Date: 5/4/17	Revision Date: 5/4/17	Department/Area/Division: Procurement Services
Department/Area Policy Number: PR-1		Departmental Contact: Kevin Stevens, Director, Office of Procurement Services

Purpose:

The purpose of this Policy is to provide guidance on disbursing payments to vendors and reimbursements to employees to ensure compliance with the requirements established by Federal regulations, State laws, and University policies and procedures.

Policy Statement:

This Policy applies to all invoices and vouchers submitted to Procurement Services for payment or reimbursement. This Policy applies to all UA payments including its affiliated Foundations unless specifically noted in the policy. Exceptions to normal policies may be authorized at the discretion of the Director of Procurement Services and/or the Associate Vice President for Finance with a documented business purpose. Items purchased or reimbursed by the University are property of the University.

Policy:

1.0 Available Payment Methods

Listed below are the preferred spending methods for UA expenditures. Review the [UA Expenditure Guidelines](#) for further detail and guidance on the appropriate methods of payment for common expenditures. If a department is unable to determine the appropriate acquisition method, contact the [UA Purchasing Department](#).

1. Purchasing Card

The UA Purchasing Card (P-Card) should be used for allowable purchases up to \$4,999.99 per single transaction including freight. For more information regarding purchases via P-Card and allowable and unallowable purchases, see the [P-Card website](#).

2. Purchase Order

Requests for purchases of products and/or services for more than \$5,000 must be submitted to the Purchasing Department using a purchase requisition. Purchasing will review the request and will take appropriate action to procure the product or service and will issue the purchase order (PO). For more information regarding purchases via requisition, see the [Purchasing website](#).

3. Departmental Transfer

If payment to the University or a University department (i.e., Continuing Studies, Crimson White) is required, a Departmental Transfer Authorization (DTA) should be completed. See the DTA Form on the [Financial Accounting and Reporting Forms website](#).

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4. Expense Report

Concur Expense must be used by UA employees to request reimbursement for allowable expenses and to reconcile any travel related P-Card transactions. For more information, please see the [UA Concur website](#).

5. Payment Requests

Concur Invoice must be used to submit a Payment Request to process payments to vendors or to reimburse non-UA individuals. Non-UA individuals who incur travel expenses on behalf of the University will be reimbursed via a Payment Request. Payment Requests are used to reimburse out-of-pocket expenses and pay for those goods and services unallowable on the P-Card and excluded from the purchase system. For more information, please see the [UA Concur website](#).

The following types of payments are generally made on a Payment Request; for more information, refer to the specific guidelines for each category within this policy.

- Out-of-Pocket Expenses – [Section 1.3](#)
- Gifts – [Section 1.4](#)
- Entertainment – [Section 1.5](#)
- Conferences and Meetings – [Section 1.6](#)
- Professional Services – [Section 1.7](#)
- Relocation/Moving Expenses – [Section 1.8](#)
- Awards – [Section 1.9](#)

1.1 Submitting Payment Requests

Payment Requests should be submitted within 60 days of the expenditure. Requests for reimbursement after 60 days will be treated as income subject to withholding according to federal tax regulations (26 CFR 1.62-2). Tax withholding will be deducted from a subsequent salary check.

If a Payment Request has a deadline or a due date, note this in the Invoice Details Payment Request Description Field.

When preparing Payment Requests, an abbreviated listing of the Banner Account Codes has been included in the Invoice module for processing Payment Requests.

1.1.1 Documentation

To submit a Payment Request, complete the Invoice Details and the Itemization Summary and attach the required receipts or invoices. In order for an expense to be approved and

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processed, the expense must be properly substantiated. Itemized receipts for all expenses greater than or equal to \$75 are required, unless otherwise noted in this policy.

Appropriate documentation required for reimbursement may include the following:

- Receipt
- Canceled check or imaged check copy from bank or online banking system
- Customer copy credit card receipt
- Copy of bank statement plus carbon of check from checkbook
- Credit card statement reflecting charges
- Consult Accounts Payable for other acceptable forms of documentation

If a receipt does not detail the items purchased, a description of each item on the receipt must be given. Additionally, inadequate documentation may require the individual to bear the cost of the request.

The department submitting the Payment Request should keep copies of all documentation until payment is made in case questions arise.

1.1.2 **Approval**

The University requires that all Payment Requests be approved by the supervisor of the employee who is submitting the Payment Request. Additionally, Payment Requests will be routed to the appropriate budgetary approver(s) based on the FOAPAL information included in the request. Payment Requests will be routed to the appropriate Foundation approver(s) and/or Contract and Grant approver(s) where applicable.

In order to be reimbursed from Contract and Grant funds, the Payment Request must include an attached signed statement from the principal investigator or project director officially responsible for the contract or grant account; this person may not delegate this responsibility.

The University President's and Vice Presidents' Payment Request must be reviewed and approved by the Vice President for Financial Affairs. Payment Requests from the Vice President for Financial Affairs must be reviewed and approved by the President.

At any point in the approval process, an approver may forward the Payment Request for additional approvals. Once the additional approval has been provided, the Payment Request will resume routing through the workflow.

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By approving the Payment Request, the supervisor is certifying the submitted expenses are in accordance with this policy. An approver may delegate the responsibility of approving Payment Requests. This responsibility should be delegated to an individual with equal or greater authority.

1.1.3 **Payment Processing**

University policy requires all payments be made via direct deposit. Direct deposit payments are processed daily. In the event that a check must be issued, checks will be printed once a week. Payments (check and direct deposit) for Foundations are processed once a week. For all types of payments, allow at least seven to ten business days for processing by Accounts Payable.

Payments should be processed timely. The University does not pay late charges, penalties, or finance charges.

1.2 **Prohibited Expenditures**

University funds may not be used for the following types of expenses (all Foundation accounts are excluded from this policy unless otherwise noted):

- Alcoholic beverages, set-ups, bartenders, and/or corkage fees.
- Christmas decorations or other Holiday decorations.
- Donations/contributions are generally unallowable.
Donations in the form of sponsorships may be allowed when the sponsorship is shown to benefit the University. Sponsorships must be reviewed by the Director of Accounts Payable to determine the purpose of the sponsored entity and if a beneficial relationship can exist between the University and the sponsored entity or event.
- Entertainment of UA employees, including retirement and Christmas/Holiday parties or celebrations, except as allowed by UA entertainment policy (refer to Section 1.5).
- Expenditures for athletic, theatre, or similar events as a form of entertainment.
Exception: Entertainment of prospective employees and their spouses/companions at University sponsored events or local cultural events.
- Refrigerators, microwaves, or coffee pots except when needed for instructional or research purposes or for conferences, workshops, or meetings sponsored by the University for the public. Contact Purchasing or Accounts Payable for additional information.
- Coffee, cream, sugar, soft drinks, cups, napkins, etc., when intended predominantly for consumption/use by University employees, unless otherwise covered by the University's entertainment guidelines.

1.3 **Out-of-Pocket Reimbursement**

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All expenses should be paid by the University directly to the vendor. However, the University recognizes that extenuating circumstances may occur that would cause an individual to pay out-of-pocket expenses that must be reimbursed.

1.4 **Gifts**

Gifts of memorabilia given to donors, visitors, alumni, students and potential students are allowed. Memorabilia includes but is not limited to signed footballs, paperweights, elephants, etc. The memorabilia must be inscribed or imprinted with words and/or pictures identifying the University.

Gifts, cards (e.g., Christmas, holiday, retirement, sympathy, thank you cards, etc.), plaques and awards may be allowed if it is determined that these expenditures are in the best interest of the University and promote the purposes of the University. Documentation of the business purpose of the expenditure must be submitted with the voucher. Additional information may be requested by Accounts Payable regarding the recipients of gifts and/or awards.

1.5 **Entertainment**

It is understood that business and professional discussions and negotiations frequently take place during periods of entertainment. The University of Alabama recognizes that such business entertainment is essential to its operation. It is the desire of the University, however, to place this activity in proper focus, to prevent abuses, and to issue guidelines for these expenditures. In this regard, certain conditions must be met before entertainment expenses will be authorized as necessary and reasonable operating expenses to the University. These conditions are set forth in the following guidelines for Allowable and Unallowable Entertainment.

Consult with Accounts Payable for other entertainment that is not specifically listed in Section 1.5.1 – Allowable Entertainment and Section 1.5.2 – Unallowable Entertainment.

1.5.1 **Allowable Entertainment**

The purpose of the entertainment must be University business.

Prospective Faculty and Staff

It is the policy of the University to invite prospective faculty or staff, both spouse/companion, to visit the campus. Travel and all other reasonable and necessary expenses are reimbursed. Entertainment of the prospective candidate and spouse/companion is allowable when it occurs on a reasonable basis associated with a recruitment visit. The faculty and staff involved in this type of entertainment should be essential to the interview process. In situations where the prospective candidate's

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spouse/companion is present, it may be deemed necessary to have the spouse/companion of a University faculty or staff member present as well. Under these circumstances, the entertainment expenditures for the spouse/companion of the University faculty or staff member may be reimbursed as well.

University Guests

In certain cases, it is recognized that entertainment of official University guests is essential. This entertainment should generally be undertaken by administrative officials, deans, department heads, or senior faculty members. Examples of official guests may include the following: visiting lecturers; visitors from foreign countries; representatives of research organizations; visitors from other universities; donors; individuals interested in University programs and development of new programs (both paid and non-paid consultants); and business and community leaders in Tuscaloosa, other Alabama communities, and the state at large who are at the campus on specific business on behalf of the University. The relationship between the visitor and the University staff or faculty attending the function or their area of responsibility must be clearly indicated.

In situations where the University guest’s spouse/companion is present, it may be deemed necessary to have the spouse/companion of a University faculty or staff member present as well. Under these circumstances, the entertainment expenditures for the spouse/companion of the University faculty or staff member may be reimbursed as well.

Other UA Functions/Receptions/Meetings

Official University functions and receptions held by the President for employees, students, alumni, and friends of the University shall be reimbursed as entertainment. Other functions and receptions for employees, students, alumni, and friends of the university may be reimbursed in cases where the business entertainment is essential to the operation of the University.

Pre-game athletic functions for alumni, staff, students and guests shall be reimbursed as entertainment when the purpose of the function is to cultivate potential donors. The purpose of the function must be clearly indicated on the voucher.

Meals and nonalcoholic refreshments may be provided if they are incidental to meetings or trainings. The primary purpose of the meeting or educational/training session in which the meal or refreshments are provided or consumed shall be directly related to the business of the University.

Entertainment of students is allowable.

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When providing meals on campus we ask that you review the restaurants and caterers on the preferred list located on the [Risk Management](#) website. Use of the list is not mandatory but only a recommendation based on the agreements the University has secured with these vendors.

1.5.2 **Unallowable Entertainment**

Departmental social functions in celebration of an event or a holiday or to promote fellowship among constituents are not reimbursable. Examples include retirement, introduction of new staff, and holiday parties.

Entertainment expenditures are prohibited for alcoholic beverages, bartenders, golf green fees, boat rentals, private club dues, or civic group functions. Flowers, fruit baskets, or other related items for individuals are also disallowed. This list is not exclusive but is meant to suggest the types of expenditures that may be prohibited.

No entertainment expenses will be charged to contracts or grants unless such entertainment is specifically authorized by the terms of the contract or grant. (Refer to Section 1.6 – Conferences and Meetings).

Meals held prior or subsequent to a business function are not reimbursable.

1.5.3 **Documentation Required**

The [Entertainment Expense Form](#) should be completed and submitted with the Payment Request or the Expense Report for any entertainment expenditures to be reimbursed. Completing this form will ensure that entertainment expenditures are documented to show the following:

- Identification of the person or group to be entertained, including the relationship of the persons in attendance to the particular aspects of the University program that will be benefited. This information includes titles, committee names, the field of interest of the person or group being entertained, the reason for inviting the visitor(s) to campus, and other relevant details. If a small group is being entertained (10 or fewer), the names of all persons attending must be shown; for larger groups, only the name or names of the honored guest or guests must be indicated, with the number of persons attending.
- A statement as to the reason or purpose of the entertainment, including the purpose and benefits of the program to the University must be clearly indicated and understood by anyone outside the department reviewing the voucher. If the function that included the entertainment is held away from the University campus, an agenda for the function must be attached. If entertainment includes only UA employees, an explanation as to why it had to occur at breakfast, lunch, or dinner is necessary.

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- The date and place of entertainment.

Concur will also allow for a list of attendees to be added to an Expense Report. If you can include all required information above in the Expense Report, the Entertainment Expense Form does not have to be attached.

Reimbursement for meals in excess of \$25 per person requires a restaurant receipt that itemizes the food and beverages. Credit card slips are not acceptable documentation for meals in excess of \$25 per person.

1.6 **Conferences and Meetings**

This category includes the costs of conferences, workshops, meetings, and seminars conducted by the University when the primary purpose is the dissemination of technical information. This includes costs of meals and other necessary expenses.

1.6.1 **Expenditures Supported by Income**

In the case of conferences, workshops, meetings, and seminars conducted by the University and supported by income from registration fees, allowable entertainment expenses will be reimbursed.

The statement “Covered by Income” should be entered in the description or business purpose explanation.

1.6.2 **Expenditures Not Supported by Income**

Conferences, workshops, meetings, seminars, retreats, etc., that are not supported by income may be conducted and may be limited to University personnel or expanded to include both University and non-UA participants.

Meal or refreshment expenses associated with these groups will require documentation of the business purpose including that the function is essential to the operation of the University and that provision of meals/refreshments is incidental to the function rather than the primary purpose of the function.

1.7 **Professional Services**

1.7.1 **Professional Service Fees for UA Faculty, Staff and Students**

Fees for services performed by UA faculty, staff and students are generally paid through the payroll system. These individuals are classified as employees rather than independent contractors. Refer to the [Payroll Services](#) website for detailed instructions.

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1.7.2 Independent Contractor Approval

An independent contractor (IC) form may be required. The IC Form is used by a department to request approval to pay an individual for services outside of the payroll system. The IC Form must be completed and submitted to the UA Tax Office prior to an individual performing any services for which a fee payment is expected, including guest speaker fees. Refer to the [Tax Office](#) website for more information.

1.7.3 Professional Service Agreements

A Professional Service Agreement may be required. Refer to the [Contract Management](#) website for more information.

To the extent that the vendor wishes to be compensated for associated business expenses such as travel, those costs may be paid directly to the vendor or to a third party vendor such as a hotel or travel agency. Expenses shall be paid in compliance with [UA Travel Policy](#).

Professional service agreements containing provisions contrary to University policies and procedures are invalid and will not be honored.

1.7.4 Payment Processing

Requests to pay professional service fees should be submitted to Accounts Payable using a Payment Request. As documentation with the Payment Request, the following should be attached as applicable. Refer to the [Professional Service Matrix](#) for details for specific types of services.

- Agreement/contract and/or invoice*
- Approved IC form, if required
- Expense documentation/receipts (if expenses are reimbursed in addition to the fee)

**When funds from a state of Alabama grant or contract or federal agency passed to the University through a state agency are used to pay for professional services, an invoice from the professional is required as documentation, in addition to the other requirements of this section.*

Payment of professional service fees cannot be made in advance. Although completed paperwork may be submitted to Accounts Payable in advance, the payment will not be issued until the completion date of the service (or installment date as specified in contract).

1.8 Relocation/Moving Expenses

Departments may approve the payment of relocation/moving expenses for new faculty and staff at the option of the appropriate dean, director, department head, or authorized

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designated personnel. The total amount provided will be determined by the department and will be administered as a reimbursement of expenses up to the amount approved.

Departments should contact the UA Purchasing Department to obtain the name of the moving company under contract. Interstate moves require the use of the moving company with which the University has a contract. When using a moving company under the University contract, the University will pay the moving company directly. Any other moving expense reimbursements should be submitted on an Expense Report or Payment Request with receipts attached.

For details regarding the taxability of relocation/moving expenses provided for new faculty and staff, please review the Relocation/Moving Expenses section of the [Fringe Benefit Taxation Guidance](#) on the UA Tax Office Website.

See [Classification of Relocation Expenses](#) on the [Accounts Payable website](#) for further guidance in classifying the various types of relocation/moving expenses.

1.9 Awards and Scholarships

1.9.1 Prizes and Awards

When prizes and/or awards are given to an individual on behalf of the University, Accounts Payable may request further information regarding the items given and the recipients for tax reporting purposes.

Monetary Prizes and Awards

Scientific, Educational, Artistic, or Literary Achievements are taxable income to the recipient. Awards to University employees must be processed on a personnel action form (PA) through the University payroll system. This includes student-employee awards such as awards for outstanding teaching or research. Consult the [Student Payment Policy](#) for information regarding payments to students.

Non-Monetary

Plaques, trophies, certificates, etc., are examples of non-cash awards that may be given. Depending on the nature of the award, the award may or may not be taxable income to the recipient.

1.9.2 Stipends for Non-UA Students and Non-UA Employee

Stipends are allowances paid for travel or living expenses to participate in a University-sponsored program or conference. Some examples include summer programs for high school students or in-service workshops for teachers.

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When submitting Payment Requests for stipend payments, detailed information must be provided to indicate the nature of the stipend. For example:

- Is the stipend intended to cover expenses such as travel, room, and board?
- Is the recipient a student or a participant in a training workshop or seminar?
- Is the recipient performing any services for the university?

If services are being performed, the payment should be reclassified as wages or professional service fees.

1.10 Memberships

The University encourages faculty and staff membership in organizations that will promote advancement of instruction, research, and public service and enhance the professional standing and development of its faculty and staff. With the approval of the dean or corresponding non-academic area head, faculty and staff memberships that are within the guidelines outlined below may be paid for within available departmental funds.

Faculty and staff memberships paid for with departmental funds should return demonstrable benefits to the division/department in terms of its mission. In general, memberships must be in the name of the University with no benefits accruing to any particular individual or department. However, in cases where an individual membership will benefit the University, the individual membership will be allowable. The benefits to the University through both institutional and individual memberships should include:

- Receipt of scholarly journals, professional publications, and employment information
- Professional Development
- Contract and exchange of information with other professionals in the area of interest
- Instructional Enhancement
- Scholarly research and creative work

Costs of membership in any civic or community organizations are unallowable unless a legitimate business purpose exists.

Colleges and corresponding non-academic areas may establish more restrictive guidelines for the payment of individual memberships within the guidelines presented above.

1.11 Payments in Foreign Currency

In situations where vendors require payment in a foreign currency, the department should submit the Payment Request with the amount in the applicable foreign currency. The

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Payment Request is then processed and approved as described in Section 1.1, including approvals. When the charge is recorded to the account, it will be in the name of the bank or foreign exchange from which the draft was obtained.

If a draft is required, the department should allow at least seven to ten business days for Accounts Payable to order and receive the draft in foreign currency. Accounts Payable then sends the draft and any necessary attachments to the vendor.

1.12 **Payments to Foreign Visitors and Non-US Citizens**

Both federal immigration laws and tax laws place a number of restrictions on payments made to foreign visitors. Violation of these laws can result in serious consequences for both the foreign visitor and the University.

1.12.1 **Visa Status**

When making arrangements to host a foreign visitor, the department must confirm that the visitor has an appropriate visa status. The University cannot make any payments to a foreign visitor who is not properly authorized under federal immigration laws. For more information, see the [Capstone International Services website](#).

1.12.2 **Tax Withholding or Exemption**

In general, all monies paid by the University to a foreign visitor (other than expense reimbursements documented by receipts) are taxable, unless exempt under the provisions of a tax treaty with the visitor's country of residence or under a provision of the Internal Revenue Code. The University is required by law to withhold federal income tax from payments that are not exempt.

Before hosting a foreign visitor, the department should contact the UA Tax Office so that a tax analysis can be performed. This analysis is necessary to determine the visitor's tax status and to ensure that any applicable tax exemptions are granted. Refer to the [Tax Office website](#) for more information.

1.12.3 **Payment Processing**

If the payment is for expense reimbursement only, this should be stated on the Payment Request, and receipts should be attached.

For payments other than expense reimbursements, additional requirements may apply. For example, tax withholding may need to be charged, or the visitor may need to sign a tax treaty exemption form. Specific instructions will be provided by the Tax Office when the tax analysis is completed.

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For professional service fees, in addition to the above restrictions, payments to foreign visitors are subject to the general guidelines outlined in Section 1.7 – Professional Services. This includes guest speaker fees.

1.13 Special Accounting Treatment for Federal Cost Accounting Requirements

Even if not directly charged to the federal government (i.e. charged instead to a departmental operating account), expenditures considered to be federal unallowable costs must be separately identified in the accounting records so that these costs can be appropriately treated in the University’s indirect cost rate proposal. These costs are generally identified by the fund, organization, or account code, increasing the importance of selecting the appropriate elements of the FOAPAL for any transaction. Federal unallowable costs that may be allowable for non-federal purposes but require special accounting treatment include:

1. **Advertising and public relations:** Federal unallowable advertising and public relations costs include the following:
 - Costs of meetings, conventions, convocations, or other events related to non-federal activities of the entity. Costs of promotional items and memorabilia, including models, gifts, and souvenirs.
 - Costs of advertising and public relations designed solely to promote the institution.
 - All other advertising and public relations costs **not** for the recruitment of personnel for performance on a federal award or another specific purpose necessary to meet the requirements of a sponsored agreement or general liaison with news media and government public relations officers necessary to keep the public informed on matters of public concern.
2. **Alumni activities:** Costs incurred for, or in support of, alumni activities and similar services are unallowable for Federal cost purposes.
3. **Commencement & Convocation costs:** Costs incurred for commencements and convocations are unallowable for Federal cost purposes.
4. **Entertainment costs:** Costs of entertainment, including amusement, diversion, and social activities and any associated costs (e.g. travel) are unallowable for the federal indirect cost rate calculation and should be recorded in account codes 73XXX so they can be easily excluded from the indirect cost rate analysis.

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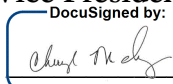
5. **Fundraising:** Costs of organized fundraising, including financial campaigns, endowment drives, solicitation of gifts and bequests, and similar expenses incurred to raise capital or obtain contributions, are unallowable for Federal cost purposes.

6. **Lobbying:** The cost of certain influencing activities associated with obtaining grants, contracts, cooperative agreements, or loans is an unallowable cost. Other political costs, membership in organizations whose primary purpose is lobbying, and/or inappropriate lobbying costs are also unallowable.

7. **Club membership:** Costs of membership in any country club or social or dining club or similar organization are unallowable for Federal cost purposes.

8. **Selling and marketing:** Costs of selling and marketing any products or services of the University are unallowable for Federal cost purposes.

Office of the Vice President of Financial Affairs:

Approved by:  _____
DocuSigned by: Cheryl M. Kelly
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Date: May-12-2017