

KENTUCKY COMMUNITY AND TECHNICAL COLLEGE SYSTEM  
BUSINESS PROCEDURES MANUAL

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Effective Date: July 1, 2008  
Supersedes: Procedure 4.10 dated August 15, 2005  
Applies To: Colleges and the System Office  
Procedure Responsibility: KCTCS Purchasing

## **Special Purchase Authority**

### **Sections:**

Section 4.10.1 – General  
Section 4.10.2 – Sources of Funds  
Section 4.10.3 – Taxable Employee Benefits  
Section 4.10.4 – Hierarchy of Funding  
Section 4.10.5 – Restricted Goods and Services Table

### **Section 4.10.1 – General**

Certain types of purchases made by KCTCS are categorized and entitled “Special Purchases.” Although these expenditures are necessary and appropriate given the circumstances, such expenditures may not normally be approved using general funds, or if approved, without supporting documentation as to the bona fide business purpose. Special Purchases by their nature are special and not of a regular operational nature in occurrence, i.e., weekly, monthly, etc. This procedure establishes the appropriate source of funds and the necessity of the bona fide business purpose for such expenditures.

### **Section 4.10.2 – Sources of Funds**

- A. There are three primary sources of funding for special purchases.
1. *Non-Discretionary Funds* – Funds designated as general fund (Fund 01) generated by appropriation or general revenue activity.
  2. *Discretionary Funds* – Funds designated as gift accounts (Fund 11). These are gift accounts without a constraint that permit funds to be used at the discretion of the business unit.
  3. *Private Funds* – Funds that do not have a designated fund group and are not maintained in a KCTCS depository or tracked in the KCTCS accounting system.

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- B. All goods and services purchased using either Fund 01 or Fund 11 must conform to the purchasing procedures in Section 4.1 of KCTCS' Business Procedures. All goods and services purchased using the authority in this procedure must be charged to account 50250 – Special Purchases.

**Section 4.10.3 – Taxable Employee Benefits**

- A. The IRS has determined that certain items purchased are considered taxable income to an employee. These items are indicated in the table for allowable goods and services (B.P.4.10.4).
- B. Each local payroll office (college and system office) is to complete the following steps to ensure that the items are taxable to the employee if purchased from KCTCS funds, Fund 01, Fund 11, or Fund 12 – grant/contract funds.
1. The business office (purchasing) is to provide the local payroll office a copy of the pay document, check request form (BA 2), ProCard statement, or requisition.
  2. On the next available payline, the payroll office staff shall enter the total amount of the taxable item using the TXB earnings code. This will enable the appropriate taxes to be withheld from the employee's pay and increase the taxable gross.
  3. If an employee terminates without the amount being loaded on a paycheck, the college will be charged for OASDI/Medicare for the employee, and the employee's W-2 form will be corrected to reflect the taxable amount in taxable wages. The college must contact System Office Payroll for these items.
- C. KCTCS Accounting will provide KCTCS Payroll with a report for all account 50250 activities at least twice annually.

**Section 4.10.4 – Hierarchy of Funding**

The hierarchy of funding establishes the primary source of funding for special purchases as follows.

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<u>Primary Source</u>	<u>Other Funding That May Be Used</u>
01	11 or Private
11	Private
Private	None

**Note:** Fund 12, grant/contract may be used if within funded grant/contract proposal and acceptable within KCTCS Business Procedures.

**Section 4.10.5 - Restricted Goods and Services Table**

The following table of items considered restricted goods and services provides the following information.

1. Item
2. Primary Fund Source Hierarchy
3. Minimum Approval Level (CEO means a College CEO, VP is a System Vice President, CAO means the College Chief Academic Officer )
4. Taxable to Employee
5. Other comments or rules, including maximum amounts.

**Note:** Special purchases shall include the bona fide business purpose and any required approvals (including prior approvals) at the time of the purchase.

<u>Item</u>	<u>Fund Source</u>	<u>Approval</u>	<u>Taxable</u>	<u>Other Comments</u>
Alcoholic Beverages	Pvt	CEO, VP	No	See BP 4.20 for requirements
Alcoholic Beverages, Instructional Use	01	CEO, VP	No	See BP 4.20 for requirements
Awards, Formal Employee	01	CEO, VP	Yes	\$100 Max (See Note 1)
Awards, In-Formal Employee	01	CEO, VP	Yes	\$50 Max (See Note 1)
Awards, Student	01	CEO, VP	No	\$100 Max; Requires reporting to the Office of Student Financial Aid for purposes of award eligibility.
Graduation Decorations	01	CEO	No	\$1,000 Max
Retirement Recognition Gift, Employee	01	CEO, VP	No	\$250 Max (See Note 1)

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<u>Item</u>	<u>Fund Source</u>	<u>Approval</u>	<u>Taxable</u>	<u>Other Comments</u>
Retirement Recognition Gift, KCTCS Regent	01	KCTCS Pres	No	\$250 Max
Retirement Recognition Gift, College Board	01	CEO	No	\$250 Max
Recognition Gift of a Friend of the College	11	CEO	No	\$100 Max
Memberships in Professional Organizations (Institutional)	01	CEO, VP	No	Must in name of KCTCS or College
Memberships in Professional Organizations (Individual)	01	CEO, VP	No	If required by KCTCS (See Note 2)
Memberships in Professional Organizations (Individual)	11	CEO, VP	Yes	
Employee Certifications, Due or Fees	01	CEO, VP	No	If required by KCTCS (See Note 3)
Employee Certifications, Due or Fees	11	CEO, VP	Yes	
Professional Licenses	01	CEO, VP	No	If required by KCTCS (See Note 3)
Professional Licenses	11	CEO, VP	Yes	
Individual Club Memberships, Civic	Pvt	CEO, VP	Yes	
Individual Club Memberships, Service	Pvt	CEO, VP	Yes	
Individual Club Memberships, Fraternal	Pvt	CEO, VP	Yes	
Individual Club Memberships, Social	Pvt	CEO, VP	Yes	
Flowers, Classroom use	01	CEO, VP	No	For instructional purpose
Flowers – Employee Illness	11	CEO, VP	No	\$75, Excluding Delivery
Flowers – Funerals Employee, Spouse,	01	CEO, VP	No	\$75, Excluding Delivery
Flowers – Funerals Donor	11	CEO, VP	No	\$75, Excluding Delivery
Flowers – Table Center Pieces	01	CEO, VP	No	\$30 per Table, Excluding Delivery
Flowers – Congratulatory	11	CEO, VP	No	\$100, Excluding Delivery
Flowers – Appreciation	11	CEO, VP	No	\$100, Excluding Delivery
Greeting Cards	11	CEO, VP	No	KCTCS/College Name Included - Must be for Official Business Purposes Only – Personal Cards Paid from Private Funds
Holiday Decorations	11	CEO, VP	No	
Contributions or Cash Donations	Pvt	CEO, VP	No	

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<u>Item</u>	<u>Source</u>	<u>Approval</u>	<u>Taxable</u>	<u>Other Comments</u>
KCTCS or College Gala	01	CEO, VP	No	College Official Guests Only, Unless Employee is in Working Capacity (See Note 4)
Chamber of Commerce Events	01	CEO, VP	No	CEO or Designee
Community Events – Pub Relations	01	CEO, VP	No	CEO or Designee; Not Personal or Recurring in Nature
Tickets to a Fund Raising Event	11	CEO, VP	No	For Public Relations Purposes Only
Raffles	Pvt	CEO, VP	No	
Relays, Runs, Golf Scrambles, etc.	Pvt	CEO, VP	No	

Note 1 – Length of service awards are not taxable providing the following conditions are met: 1. It must be an award of tangible personal property that does not include cash or a cash equivalent 2. Length of service award must be in 5 year increments and 3. The award must be presented during a meaningful presentation. Other service awards may be taxable, please contact KCTCS System Director of Business Services for more information.

Note 2 – If membership is required due to a license or certification that is required by KCTCS as a job requirement or a requirement to maintain the credentials needed or required by KCTCS.

Note 3 – If a license or certification is needed for credentials required by KCTCS.

Note 4 – Includes the college awardees, their spouses and the college president, college development officer and those college employees directed to attend the Gala by the college CEO in a work related capacity.

**End of Procedure**