

Rutgers University Discretionary Spending Guidance

Guidance Statement

Rutgers University has a responsibility to continuously exercise a commitment to fiscally responsible spending habits using sound judgement to help maintain business operations and programs that are financially sustainable. All university departments, faculty, and staff shall adhere to these guidelines and incur only necessary, appropriate, and reasonable expenditures that advance the university's mission.

Guidance Details

1. Definitions

Discretionary spending means that an expenditure is not considered necessary, appropriate and/or reasonable, and can be avoided. This assessment is based on sound judgment by requestors, requisitioners, and approvers within each unit to make fiscally responsible decisions about optional/non-essential purchases.

- **Sound judgment:** Thought process driven by the nature of the transaction (i.e., good or service to be purchased) and considered **prior to** a purchase request or approval to determine whether it is necessary, appropriate, and reasonable.
- **Fiscally responsible decisions:** Choices made to forego optional spending to the maximum extent possible; minimize costs associated with optional spending; and adhere to University Procurement Services [policies](#) and [procedures](#), and guidance regarding purchasing goods and/or services.¹

Non-discretionary spending: Costs that are unavoidable, required for units to function, and/or must be incurred for mission-critical operations.

Necessary <i>Required, Essential, and Needed</i>	Appropriate <i>Consistent, Allowable, and Suitable</i>	Reasonable <i>Cost-Conscious, Not Excessive, and Practical</i>
Required to achieve the goals or outcomes of the essential program, project, or task	Consistent with objectives of the essential program, project, or task	Comparable, most cost-conscious alternative selected and purchased through the best procurement method
Has a clear and direct academic, clinical, research, or business (central administration) purpose	Allowable under the terms and conditions of the funding source and/or applicable policies	Not excessive in cost, quantity, and/or quality
Needed to perform duties or responsibilities of a unit to meet safety, compliance, or professional standards	Suitable given the circumstances (relevant operations, processes, conditions)	Not practical to forego or delay (entirely or partially) given the current economic state

¹ Refer to the [discretionary spending section](#) of the University Procurement Services website.

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2. Scope

Who is responsible?

All Rutgers University staff and faculty are responsible for exercising sound judgment before requesting or approving any purchase or reimbursement request.

When is this applicable?

Spending discretion on all purchase and reimbursement requests should be exercised at all times.

What is considered discretionary?

Every purchase and reimbursement request made for any good or service, regardless of its funding source, should be treated initially as discretionary.² Below are examples of natural accounts where discretionary expenditures may occur and that require further scrutiny for their necessity, appropriateness, and reasonableness prior to making a purchase or approval (refer to “Decision Process” on page 3).

If an item falls into one the natural accounts that are considered discretionary, then the requestor, requisitioner, and approvers must use the decision process to determine if the purchase is discretionary or non-discretionary.

Examples of Discretionary Expenditure Categories

Supplies and Materials	Rent and Utilities	Recruiting
Services, including Professional Services	Repairs and Maintenance	Capital Purchases, Additions, and Improvements
Travel and Business Expenses	Print and Publishing	Participant Support
Computer and Equipment	Telecommunications	Training Grants
Dining and Hospitality	Dues, Subscriptions and Licenses	Other and Miscellaneous

3. Procurement Updates for Discretionary Spending

Additional Approvers and Escalation

- All purchase requests must be approved by the departmental approver (first level approver).
- Purchase requests that meet a specific dollar threshold must be approved by the Discretionary Spending approver (second level approver) prior to submission to

² This includes all internal and external funding sources (e.g., endowments, gifts, grants). Although external funding sources are self-governed, this guidance must be followed to engage in collective cost-saving efforts across the university.

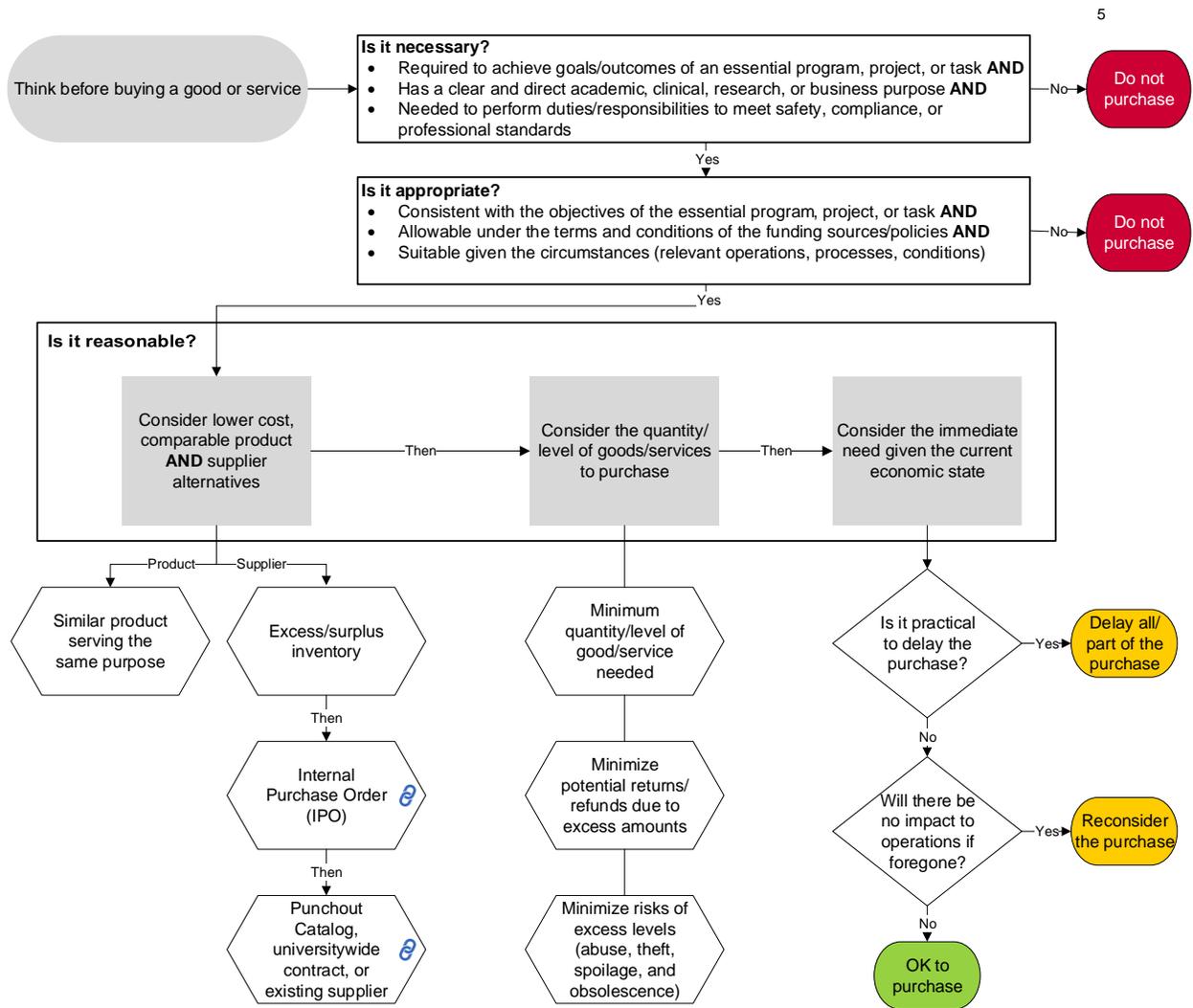
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University Procurement Services for review, approval and issuance of a purchase order.³

- Escalations may be submitted to the Executive Vice President and Chief Financial Officer, and University Treasurer for approval, as needed.⁴

Discretionary or Non-Discretionary Purchase Decision Process

All staff and faculty should follow the chart below to exercise sound judgment when making requests, submitting requisitions, and approving purchases and reimbursements. These are items to consider before making or approving a purchase or reimbursement request. If there are other factors specific to your unit, please use good judgment when considering them to determine the [best method to procure](#) goods and services prior to purchasing.



³ This does not include automatically created purchase orders, e.g. quick orders and catalogs.

⁴ Instructions on how to escalate a request will be provided to second level approvers.

⁵ Lower cost and comparable supplier resources: excess/surplus inventory; [internal purchase order \(IPO\)](#); [punchout catalog](#), [universitywide contract](#), or [existing supplier](#).

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Outcomes of Decision Process

- If a good or service **is not** deemed necessary, appropriate, or reasonable:
 - by the **requestor**, then the request should not be made
 - by the **requisitioner**, then the request should be denied or escalated to the departmental approver
 - by the **departmental approver**, then the request should be denied or escalated to the second level approver, if necessary⁶
 - by the **Discretionary Spending approver**, then the request should be denied or escalated to the Chief Business Officer or Vice Chancellor
 - by the **Chief Business Officer or Vice Chancellor**, then the request should be escalated to the Chief Procurement Office who will review or determine to escalate the request to the Chief Financial Officer.
- If a good or service **is** deemed necessary, appropriate, and reasonable, the purchase request can be approved and sent to University Procurement Services for review.

Ongoing Activities

Staff and faculty in every unit have a responsibility to commitment to fiscally responsible spending habits using sound judgement to help maintain business operations and programs that are financially sustainable. The following will occur on an ongoing basis to oversee progress toward meeting universitywide cost-reduction goals.

Monitoring

Chief Business Officers and central unit business officers will have access to a dashboard and reports to monitor activity to identify whether the university is trending toward decreasing overall spending by:

- Auditing and continuous monitoring of purchase orders and invoices
- Metrics and reports will be available to business offices and summary presentations will be available to senior leadership
- Spending transactions will be analyzed by unit and recommendations put forth on how to reduce future costs or identify areas for remediation

Spending Support

Spending transactions will be analyzed by unit and recommendations on how to reduce future costs or identify areas for remediation will be put forth. If new or modified spending habits are not effective in reducing costs within a unit, the following measures may be put in place to identify areas for improvement:

⁶ Purchase requests that meet a specific dollar threshold will require second level approvals. Additional guidance and training forthcoming.

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- Chancellors, Deans, University Finance and Administration leadership⁷ will work with the unit directly to determine the best course of action.
- Campuses/Units may undergo a business process review by [Audit and Advisory Services](#) to identify fiscal management improvements.
- Dashboards will be monitored and published periodically; the goal is to bend the expenses curve. Recommendations for future actions will be presented based on an analysis of previous spend transactions.

Support and Resources

Unit's Approvers: If an employee is uncertain about how to exercise sound judgment on aspects of discretionary spending, then they should contact their unit's business manager(s) and/or second level approvers before making or approving a purchase or reimbursement request.

The [Rutgers Saving](#) is available to assist all staff and faculty with questions about this guidance. Expedited support will be available for second level approvers.

[Additional discretionary spending resources](#), including best practices, cost savings tips, examples of core services and discretionary goods and services, as well as training materials are available on the [University Procurement Services website](#).

⁷ University Procurement Services and/or Office of the University Controller.