

Fiscal Policy #12

Director Discretionary Spending Policy

Adopted: 9/2025

Applies To: All Choices In Community Living, Inc. (CICL) Program Directors and Executive Team Members

Related Policies: Fiscal Policy #7 (Purchasing Policy), Fiscal Policy #3 (Petty Cash), Fiscal Policy #8 (Credit Cards)

1. Purpose & Need

This policy establishes clear rules for the use of discretionary funds by CICL directors and executive team members. The purpose is to support staff recognition, morale-building, and team development in a way that is fiscally responsible, fair, transparent, and compliant with all applicable standards.

These rules meet a critical need. To maintain our nonprofit status and good standing with the IRS, CICL must be careful to avoid expenditures that could be seen as:

- Providing personal perks to staff or leadership (expenses primarily serving individual benefit rather than CICL's mission);
- Conferring an excess or unreasonable private benefit (spending that benefits individuals more than modestly or beyond what is reasonable for advancing the mission); or
- Creating what the IRS calls "private inurement" (any use of charitable funds for the personal gain of insiders—e.g., officers, directors, key employees).

Put plainly, discretionary funds must never be used in ways that look like personal spending, special treatment, or undocumented perks. The IRS has penalized or even revoked the tax-exempt status of nonprofits because of spending on lavish meals, gift cards, or poorly documented appreciation events. By following this policy, we can ensure that discretionary spending both supports our staff and protects our financial integrity and tax-exempt status.

It's also important to remember that every spending decision creates a permanent financial record. Even a minor purchase today could later be reviewed in an audit, investigation, complaint, performance review, or board discussion. If documentation is missing—or if an expense appears personal or excessive—it can be challenged after the fact.

2. Annual Allocation & Intent

Each director receives a discretionary fund (e.g., in the case of program directors, an amount equal to \$200 *times* the number of homes managed) for each calendar year. These funds must be used exclusively for legitimate business purposes such as:

- Recognizing staff (e.g., appreciation events)
- Supporting team morale or holiday celebrations
- Providing meals or refreshments at staff meetings

Taken as a whole, spending by each director should be inclusive, equitable, and representative of the whole team managed by such director (including night/weekend shifts and remote staff, where applicable).

3. Allowable & Unallowable Expenses

☒ Allowable expenses include:

- Food and non-alcoholic beverages for staff meetings or gatherings

- Small appreciation items (e.g., snack baskets, decorations)

✗ Not Allowed:

- Personal expenses (including staff family gifts)
- Non-itemized receipts
- Alcohol/drugs
- Gift cards (due to tax considerations and fraud potential)
- Birthday gifts (as a reminder, all staff members already receive an annual \$65 birthday bonus)
- Meals exceeding the per-person cap (however overages covered by staff at the time of purchase are permitted)

4. Meal Limits

All staff meals are subject to a limit of \$22.50 (including tax/tip) per staff member. This cap is based on federal per diem meal rates published by the U.S. General Services Administration, which establishes a presumption of reasonableness and helps ensure such meals are not taxable for the staff member.

Directors must communicate meal limits to staff in advance to avoid overages.

If a staff member selects a meal above the allowed cap (e.g., \$42 steak), they are responsible for covering the difference at the time of purchase.

5. Approval & Purchasing Procedures

- All spending is governed by CICL's Purchasing Policy.
- When possible, use a CICL credit card and allocate expenses to:
 - Account 4657
 - Department Code 099
- All purchases must be made from vendors offering reasonable prices and acceptable quality.

6. Documentation Requirements

Directors must maintain clear documentation for each discretionary purchase:

- Itemized receipt
- Description of the event or recognition (e.g., "Staff appreciation lunch – June xx, 20xx")
- List of attendees or staff recognized

Submit receipts and documentation per standard purchasing card reconciliation procedures.

7. Equity & Inclusiveness

Directors are encouraged to use discretionary spending equitably over time and across shifts, locations, and staff roles, including by:

- Distributing spending throughout the year, not just around holidays
- Including all staff in recognition efforts (e.g., night/weekend coverage)

Directors are encouraged to use non-monetary recognition when appropriate (e.g., handwritten notes, public shout-outs).

8. Oversight & Tracking

Oversight and tracking under this policy will include:

- Finance may conduct spot audits of discretionary spending
- Directors are encouraged to maintain a simple tracking log of:

- Event name/purpose
 - Amount spent
 - Number and names of staff included
- Mid-year and year-end reviews may be conducted to evaluate usage, ensure equity, and adjust future allocations if needed

9. Non-Compliance

Failure to follow this policy may result in:

- Denied reimbursement
- Suspension of discretionary privileges
- Disciplinary action as defined in the Purchasing Policy

10. Policy Review

This policy will be reviewed annually to ensure alignment with the organization's values, purchasing policy, and budgetary goals.