# Business Office - Financial Procedures

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ASSINIBOINE SIOUX

FORT PECK COMMUNITY COLLEGE

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# Business Office - Financial Procedures

## Section I - Budget Procedures



## Section II - Accounting Procedures



## Section III - Reporting and Management



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## Section I - Budget Procedures

### Policy Statement, General and Fiscal Year

#### Policy Statement

The Finance System of FPCC shall be budget driven. This means that funds may not be obligated or dispensed in the general fund and auxiliary services without an approved budget with minutes/documentation. Funds may not be obligated or dispensed for contract/grant funds without an approved budget and/or award letter.

#### General

There are six types of funds under the control of FPCC;

1. Current Unrestricted- General Fund
2. Current Unrestricted- Enterprise (Auxiliary) Fund
3. Current Unrestricted- Dorm/Facility Rental Fund
4. Current Restricted - Contract/Grant Programs
5. Trust & Agency Fund
6. Endowment Fund*

* FPCC receives Endowment funds; this fund is used to account for the revenues of the endowment assets, and any related expenditures. Endowment funds are subject to restrictions of gift instruments. The government contribution requires that the principal be invested for twenty years.

#### Fiscal Year

FPCC fiscal year is 10/1 - 9/30. Contract/Grant programs may have different funding periods.

**The Following section provides procedures for**;

1) Contract/Grant Programs
2) General Fund
3) Auxiliary (Enterprise) Services

### Contract/Grant Programs

Contract/Grant Programs shall mean those programs, regardless of the funding source, containing restrictions in the contract/grant agreement.

Once a month or at the earliest practical date prior to submission of an application to the funding agency, the project director and/or proposal writer, shall be responsible for preparing a proposal and budget. The proposed budget shall contain at a minimum:

- a line item budget
- a line item justification
- a detail of how funds will be paid, i.e. advance or cost reimbursement, EDPMS
- a separate breakdown of any tribal/college contribution requested
- An explanation of special resources budget items continued……
- an explanation of how indirect costs will be assigned
- a monthly expenditure and cash receipt projection

- a general fund loan request if necessary
- a justification for equipment or other extraordinary costs
- a detail of other pertinent information

The proposed budget and proposal will be given to the business manager.
The business manager and/or grants manger will review and make recommendations on the following:

- allow ability of line item costs
- a cash flow analysis (i.e. will college funds be required to finance operations)
- prepare a recommendation on the availability of funds to provide contribution/match if requested or required in the proposal
- a review of proper inclusion of indirect costs

If problem areas are discovered, the business manager will attempt to resolve them. If they are not resolved, the business manager will highlight the problems and attach along with recommendations and forward to the President and/or Board of Directors. Approval/disapproval should be in letter form.

Upon receipt of an approved contract/grant, the original contract/grant will be forwarded to the Vice President of Institutional Development. A copy will be forwarded to:

- Business Office Manager, Central File
- Project Director, i.e. Principal Investigator

Upon receipt of an approved contract/grant, if the college submitted and approved contract/grant budget differs from the approved grantee budget by 10% or less of total, the program manager may make adjustments upon notification of Business Office. If the difference is greater than 10%, the President and/or FPCC Board of Directors approval will be required and approval by the funding source.

**General Fund Programs**

The "General Fund" will be all program operated by FPCC that are not auxiliary services and are operated through FPCC's finance management system. A General Fund Budget is developed annually.

*The process is as follows;*

By January of each year, the Business Office is normally in receipt of the institutions prior year audited financial statement. This document along with the financial forecasts is delivered to the President and members of the Executive Committee for review and comment. This exercise initiates the formal budget process.

Members of the Executive Committee are responsible for sharing this information with their respective faculty and staff members for comment. From this exercise, the Department areas verify expenditures and recommend funding allocations for specific line items. These two steps must be completed by April 1.

By May 1, from the department areas recommendations, a preliminary budget is prepared by the President and members of the Executive Committee.

The preliminary budget considers all available and projected revenue sources, both restricted and unrestricted in meeting the budgetary demands of the institution. This activity also takes into consideration programmatic changes, shifts in resource availability, and staffing/ faculty requirements based on curriculum and planned institutional initiatives.

The President submits the preliminary budget to the Board of Directors, at the May meeting, for review and comment. The budget is studied from several critical points, which are:

a) Consistency with the "Mission" of the institution.
b) Whether it comports with Board Policy regarding financial management.
c) If it meets the standards for institutional growth and development as set forth in "FPCC Comprehensive Development Plan".
d) Availability of resources to meet basic institutional need, i.e. general fund activities.
e) Restricted funds utilization management and reporting criteria
f) A comprehensive assessment of institutional effectiveness, by departmental area and determine the most suitable application of financial resources.

Other budget criteria may be utilized by the Board of Directors, depending on circumstances and suitability, in determining the appropriateness of the preliminary budget and its subsequent approval. Completion date is May 31.

Upon receiving approval by the Board of Directors, the preliminary budget is then subjected to further analysis, by the Presidents Executive Committee, regarding resource availability and the application of said resources. Changes in general fund or restricted (grant/contract) resource availability are noted and adjustments are made to the affected area. This process continues from June through August of each year, with a final budget submitted by the President, for Board of Directors approval, at their September meeting. Activity must be completed no later than September 30 of each year.[1]

The Business Manager will also prepare and attach a projected cash flow statement based on the prior year's experience. The purpose of the projection is to provide management information regarding cash flow.

**Auxiliary Service**

The college bookstore is an auxiliary (enterprise) service. Auxiliary services require different treatment as they are expected to have revenues exceed expenditures or generate a profit and/or the ability to breakeven. Budgeting for auxiliary services constitute a projection of anticipated financial requirements for these areas.

By January of each year, the bookstore manager, with the assistance of the business manager, will prepare an annual plan of operation and submit it to the President.
The annual plan will include:

- an enterprise statement of goals for the year, i.e. increase of profits proposed purchasing, advertising and marketing effort
- monthly projection of revenues and expenditures
- manpower requirements
- state and federal certification requirements

[1]FPCC Self Study, 1996

- anticipate meeting funding requirements for operational requirements

If approved by the President, FPCC, and FPCC Board, the bookstore will be authorized to operate within the plan of operations subject to the management and reporting requirements in Section III.

**Indirect Cost**

"Indirect costs are those a) incurred for a common or joint purpose benefiting more than one cost objective, and b) not readily assignable to the cost objectives specifically benefited, without effort disproportionate to the results achieved.

- Indirect cost rate means the rate arrived through negotiation between "Indian/Tribal" organizations with the appropriate agency."[2]
- Indirect Cost proposals are due to the inspector general on April 1 for an approved rate.
- The indirect cost program shall be treated as a distinct fund, assigned its own fund number and be accounted for separately.

The indirect cost program will have an approved budget. The budget will include those allowable costs as determined in Circular 74-4.

**Note:** Federal grants may be subject to laws that limit the amount of indirect cost that may be allowed.

**Business Office**

An award letter with effective date and approved budget will be the start of the accounting cycle for the Business Office.

Upon receipt of an approved budget the Business Manager will:

- assign a fund number
- prepare a chart of accounts for the fund
- enter the budget onto the accounting system
- do a cash analysis
- set up a program file
- set up other pertinent files to include personnel files

A cash flow/availability plan will have been made for each program. If the program contains provisions for an advance then the first draw-down should be made as soon as allowable. If it is a cost reimbursement then the financing plan will be implemented.

**Institutional Match**

All in-kind matches will have a separate fund number and be accounted for separately. This will include but not limited to:

- cash
- services of faculty and staff

[2] Circular 74-4

- Facilities, i.e. lights, heating, cleaning, etc.
- volunteer
- other program

## Section II - Accounting Procedures

### General Policy

The accounting system of FPCC shall be a budget driven accrual system. To provide the flexibility to meet specific program requirements or changing circumstances, these procedures list only regulatory and institutional requirements. These requirements will be adhered to.

#### Organization

The organization of the Business Office will reflect and be a function of the types of activities being accounted for and the policy directives of FPCC. The management staff shall be responsible for assuring compliance with the procedures contained in this manual and as such policy directives that may be issued by the FPCC Board of Directors.

#### Accounting

As stated in the introduction to this manual the beginning of the accounting process will be the adoption of an approved budget and/or award letter and/or plan of operation. No funds are to be obligated or disbursed without an approved budget or plan of operation.

#### Accounting System

Software

FPCC uses an automated accounting software package Jenzabar EX. The Business Manager shall be responsible for assuring the integrity of the automated accounting system.

Systems Administration and Hardware

The Network Administrator shall be responsible for assigned or revoking passwords. He/she shall take measures to assure those unauthorized people are not able to access or tamper with the accounting system. The systems manager will provide a basic network manual, which will be maintained in the Information Technology office.

This systems manager manual will include the following:

- password
- backup
- security
- maintenance and repairs
- installation of software
- administrative rights
- other pertinent information

Chart of Accounts

A chart of accounts has been developed for FPCC.
The chart of accounts has 14 cells. (EX: 30-318-000-4200-00).

Opening an Account

Upon receipt of an approved budget the Business Manager will:

1. Assign a fund number and chart of accounts that reflect the line item budget.
2. Enter the budget onto the accounting system.
3. All future transactions related to the fund will use the fund and account numbers.
4. Upon assignment of a fund number and chart of accounts, a copy will be given to the project director.

Each year's fund allocation will be assigned a unique fund number. The number will stay with that fund until such time as the budget is expended or obligation authority is rescinded. The balance at a year expended or obligation authority is rescinded. The balance at a year-end will not be added to the next year's appropriation for a restricted revenue program.

Grants will be monitored periodically for overspending. Should overspending occur disciplinary action may be taken.

## Obligation and Payments

### Recording an Expense

All obligations or disbursement of funds under the control of FPCC will be made in accordance with the acquisition or the spending authority contained in the budget organization.

Before processing a transaction, the business office will verify that the procurement policies or obligation authorities have been followed. If the business office is not satisfied that procedures have been followed, the documents will be returned to the person who originated the transaction with an explanation of deficiency.

The program manager will be responsible for creating obligations and submitting pay authorization for purchase orders, invoices, etc., for each program under his/her control. The program manager will be responsible for adhering to procurement procedures and for determining the allow-ability of costs under the program budget. This responsibility will include making a determination that funds are available in the line item budget.

- When the planned expenditure does not exceed 10% of the line item, the program manager will make a determination as to the availability of funds. If available, the transaction will proceed through normal procedures.

- If the planned expenditure exceeds 10% of the line item, a purchase request will not be processed. The request will be returned to the originator and the purchase or obligation canceled.

At this point it may be necessary to use the budget modification/amendment procedures contained in Section I and/or the requirements contained in the funding document. An amendment/modification will be forwarded to the funding agency for authorization to exceed and/or modify the budget.

**Purchase Orders**

A purchase order (PO) will contain the following minimum information:

1. Date.
2. Vendor Name and Address.
3. If the check will be held for pickup or mailed.
4. Description you want on the Check – (Grants - this will appear on the transaction history report, EX; PO 48601 plus Description=30 Characters).
5. Total of invoice to be paid.
6. When you check out a Purchase Order - you must sign "Requisitioned By".
7. The Account Number that will pay for your Purchase Order.
8. Your supervisor signs on the Program Manager line.
9. The President is the ultimate authority to sign Purchase Orders on the Authorized by line.
    a. In the President's absence a Vice President or Business Manager is authorized

The accounts payable clerk will be assigned to maintain a file of outstanding PO's.

Accounts Payable Clerk is not responsible for gathering signatures or account numbers.

Purchase orders are due in the Business Office mail box **in the mailroom** by 12:00 (noon) on Tuesday/Thursday, if they are not there, it will not get paid until the next processing day. **NO EXCEPTIONS.**

Obligations cannot be more than 90 days old. If the item is no longer needed, the PO will be marked canceled and placed in the canceled file. The vendor will be notified to stop the delivery. If the problem is a result of internal problems, i.e. a program holding invoices, an attempt will be made to rectify the problem. Additional procedures are contained in "Closeout".

An invoice is due in the business office within five days of receipt.

Upon receipt of a request for payment, the accounts payable clerk will review for completeness. If incomplete, the most expedient method of correction will be sought.

If the transaction is paid within 10 days, it will then be entered onto the system as a direct disbursement.

When expenditure for a Restricted Revenue Program contains equipment, a copy of the PO with invoice payment authorization will be given to the designated Contract Administrator for inclusion in the "contract life", other dispositions may also be required.

Further information may be found in the Property and Procurement Policy section.

**Credit Card Purchases**

To obtain any credit card you are required to have a completed purchase order (which I will need to see), with the exception of (5) on the above list. When the order is completed, the purchase order is to be turned in the same day of business.

If you have any questions, please call the Accounts Payable Clerk in the Business Office.

**Fixed Assets**

When a General Fund expenditure is made for capitalized real or personal property, an entry will be made to the general fixed assets account and a ledger is maintained for fixed assets.

A copy, of the acquisition document along with any additional required information will be provided to the Business Office for their use in maintaining inventory records.

A schedule of depreciation will be maintained for each item contained in the fixed asset account. Straight-line method will be used.

When the item is used by a restricted revenue program, a determination will be made as to whether depreciation or a use charge should be made to the using fund.

When a fund is charged, the general fund entry will be a debit to cash and credit to revenue/rental. The using fund will debit to rental expense and credit to cash.

An asset will not be removed from the fixed asset account unless properly disposed of.

Further information can be found in the Property and Supply section.

**Travel**

Standard government travel regulations are used by Fort Peck Community College as a guide or per diem and mileage rates. Since most college business is with individuals or organizations out of the area, air travel may be essential. Airline fares are arranged by the traveler. Airline fares shall be secured in the most cost-efficient manner. The traveler is required to submit a purchase order approved by the appropriate authority.

Local travel and out-of-the-area travel (mileage) for College business will be reimbursed at the current Federal Rate per mile. Local travel may be approved by the traveler's immediate supervisor. Other and out-of-the area travel must be approved by the President or his designee (appropriate authority).

Per Diem will be paid to any staff member required to work away from his work station and/or stay overnight. Per Diem will be completed on a quarterly basis for each six-hour period at the current geographic GSA rate per quarter. Board members will receive the same rate. Per Diem when traveling to high cost (geographic) area will be subject to the government travel regulations. Staff may receive an advance payment by filling out, "Travel Advance".

When securing lodging, the traveler will be paid on a 90/10% basis to non-employees. The traveler will receive 90% of travel request. Upon completion of travel claim and trip report, the traveler will receive any balance due.

The request for travel advance will be made on approved form, which includes:

- traveler's full name
- destination - company, city & state

- purpose of travel
- time and date of departure and return
- cost of airfare
- mileage/local transportation - FPCC out-of-town travel
- lodging
- estimated per diem
- Other costs related to trip, i.e. taxis, airport parking, other levies, etc.
- travel receivable and identification of other organization
- program fund line item
- program fund line item

Travel advances requests are due within a week prior to your travel date to the business office to allow for check processing, unless approved by the business manager.
The accounts payable clerk will be assigned travel coordinator.

The travel coordinator will upon receipt of a travel advance request, check for outstanding travel advances, verify travel budget line item, enter into the system as a debit to travel receivable by other organization and credit to cash. The advance request will be placed into an outstanding travel advance life.

The outstanding travel advance will be maintained by the travel coordinator. At the end of each month a computer-generated report will be provided to the business manager.
The report will list each traveler who has a travel advance outstanding for more than five days after the return date. The business manager will notify those travelers with outstanding advances that the travel must be vouchered.

For those travelers with outstanding advances of more than 10 days, no further advances will be made to that person until such advances are liquidated. Ultimately, FPCC is authorized to deduct the amount of the travel advance from an employee's paycheck.

**Travel Claim**

Upon Completion of travel the traveler will prepare a travel claim. The travel claim will list:

- actual start and ending date of travel
- actual airfare
- actual ground transportation
- actual motel
- actual mileage

**Travel Claim continued…..**

- actual per diem
- actual other expense
- signature that travel was completed
- approval signature of supervisor

Receipts will be attached for all expenses claimed:

- airfare, i.e. copy of ticket stub or itinerary (whether paid by traveler or direct bill)
- rental car
- motel
- taxi

- explanation of other expenses

The travel claim is due to the business office within five days after completion of travel. Items with no receipt will not be reimbursed with the exception of per diem.

### Travel Report

Additionally, each staff member will be required to submit a "trip report" with travel claim for auditing purposes. The report includes the dates of the travel, the destination, and the nature of the business. All travelers will be required to return any unused portion of a travel advance to the college business office.

### Travel Reimbursement from Other Organization

Travel reimbursement from other organization must conform to the same policies established by FPCC in this manual or as agreed with other organization.

The traveler will be responsible for assuring that FPCC policies regarding travel reimbursement by other organization are adhered to. This includes reimbursement that may exceed allowable costs as provided through FPCC travel policies and also instances where other organizations or institutions share costs with FPCC.

The travel coordinator will invoice the travel to the traveler and/or reimbursing organization upon receipt of all proper supportive documents within five (5) days if applicable.

## Payroll

### Pay Periods

The pay periods for all FPCC employees are biweekly with paychecks issued on Friday after 11:00 A.M. following the end of a pay period. If pay day falls on a holiday, checks may be distributed the preceding workday subject to approval of the President, FPCC. Full-time employees pay period shall begin at 00:01 Saturday and end fourteen (14) days at midnight. Part-time and temporary employees pay period shall begin at 00:01 Thursday and end fourteen (14) days at midnight. Any employee who is paid for time not worked or is compensated for such time will have the overpayment deducted from the following pay period.

Before a person is entered onto the payroll system, the following documents must be provided the Business Office:

- Copy of personnel action, i.e. Payroll Add/Change Form.
- Employment date(s)
- Status (permanent/temporary)
- Program(s) employed under
- Wage
- Benefit status (health, retirement, etc., full-time employees only)
- Leave accumulation rate
- W-4
- Picture ID
- Copy of Social Security card or proof of Social Security number

- Tribal picture ID (if applicable)

No changes will be made to a person's payroll status without a written approval of appropriate authority.

Part-time and temporary employees are required to submit an approved timesheet. Checks will not be processed unless timesheet is signed by employee and supervisor. (Note: students are paid under the auspices of a part time or temporary employee.)

**Payroll Deductions**

Automatic payroll deductions are made for the following:

- social security (FICA)
- federal income tax
- Montana state tax (for employees subject to state income tax withholding)
- retirement plan
- medical insurance (if coverage elected)
- any other deductions the employee indicates*

*Note: payroll deductions will not be made without a signed payroll withholding agreement from an employee: exception, college related, overpayment, etc., (college related: bookstore charges, travel advance, tuition, daycare, etc.)

The payroll clerk will complete the payroll cycle for the college to include deductions and withholding.

A file will be maintained for each distribution.

Payroll tax deposits will be made on or before the date based on current federal and state regulation. All reports must be filled five (5) days prior to the required report date, i.e. quarterly 941, federal and state unemployment, and W'2's.

**Holiday Pay**

In order to receive pay for a recognized holiday, an employee must be in a "work" or "paid leave" status on his scheduled workday immediately preceding and immediately following the holiday. The college recognizes the following:

- Labor Day
- Veteran's Day
- Thanksgiving Day
- Christmas Day
- New Year's Day
- Martin Luther King Day
- President's Day
- Memorial Day
- Independence Day

**Payroll Procedures for New Hires**

**SUPERVISORS:** The **Payroll Add/Change Form*** is used for new hires or changes to current employees and it must be completed before the new employees can receive a check. ****Please

**list the correct Payroll Account number.**

> **NOTE:** Signatures from the **President, Grants Manager, Business Manager and Program Director** are required before the form is accepted by the Payroll Department in the Business Office.

**NEW HIRES**: All new employees must fill out a **W-4, I-9 and a data form** before employment will begin. The new hires will need to go to the Business Office and bring in their **I.D., Social Security Card and proof of enrollment** (if they are enrolled members of the Fort Peck Tribes).

**FULL TIME**: New hires for a Full Time position are required to do a pre-employment drug screening **before** they begin working at FPCC.

**PART-TIME:** New hires for a Part Time position are required to fill out paperwork before employment begins. Paperwork is to be submitted prior to the new hire working.
*****Do not hire someone and then do the paperwork after they have already been working.**

**TIMESHEETS:** Part Time/Student employees have a timesheet that must be signed by the employee and their supervisor before turning it into the Payroll Department in the Business Office.

Every other Wednesday the Part Time or Student timesheets are due by 3:30 p.m. – **NO EXCEPTIONS!!**

> **SUPERVISORS: Take responsibility for your Part Time or Student workers. If you are going to be gone on that day, then plan ahead and get the timesheets signed before you leave.**

**LEAVE SLIPS:** All areas of the leave slips need to be filled out and turned into your supervisor before you take leave. The signatures are required before the slips are turned into the Business Office.

**FACULTY:** Personal leave and the Sick leave ONLY! Faculty members do not have Annual leave.

**STAFF:** Annual leave and the Sick leave ONLY! Staff members do not have Personal leave.

**Emergency Leave – Section IV C in your Policies and procedures manual**
Upon written request by the employee, the President shall grant emergency leave for death in the immediate family. The leave shall be up to three (3) days for Administrative Leave on each occasion. **Immediate family means the employee's spouse, father, mother, brother, sister, son, daughter, son-in-law, and daughter-in-law and spouse's father, mother, brother, and sister; and the employee's uncle, aunt, grandfather, and grandmother.** Upon prior authorization, the President may grant leave to attend funerals. Leave time shall be as follows: Poplar – 1 hour, Brockton and Wolf Point – 2 hours, Frazer and Fort Kipp – 3 hours.

***SICK LEAVE: A doctor's certification will be required for authorization of sick leave exceeding three (3) consecutive days.***

### Imprest Cash

Imprest/petty cash are the responsibility of the Business Manager. Maximum amount for individual disbursement is $100.00. A voucher system is used for all disbursements. All reimbursement vouchers and attachments must be attached.

Petty cash will be rounded monthly.

## Indirect Costs

The indirect costs program should be treated as distinct fund, assigned its own fund number and be accounted for separately.

As direct expenses are incurred, indirect costs will be simultaneously incurred. The direct cost will be multiplied by the indirect costs rate and will be assessed monthly.

The indirect cost amount will be posted to debit indirect cost expense and credit to cash. The corresponding entry will be made to the general fund as debit to cash and credit to indirect cost revenue.

## Income - Accounts Receivable

### Receipts

Revenue/cash receipts will be the responsibility of the accounts payable clerk. The receipts and other supportive documents must be attached to the deposit slip. A pre-numbered cash receipts system will be utilized.

### Revenue/Cash Deposits

Receipts/cash deposits of revenue will be done accurately and whenever the cash box has more than $500 in it. Deposits will be encoded onto the finance system within two (2) working days after deposit. The payroll clerk will be responsible for the deposits and encoding on the automated finance system.

### Cash Report & Reconciliation

At least biweekly the business manager will review the total cash balance. Federal programs on wire transfer can have three (3) days of cash on hand but a program that is on cash advance could have 1-7 days cash on hand.
A cost reimbursement program invoiced on a quarterly basis would have negative cash balanced of 1-3 months.

The business manager will reconcile cash in bank to the general ledger account on a monthly basis. A report will be issued to the President on where the funds stand. The business manager will be responsive to bank reconciliation.

### Restricted Revenue

Restricted revenue programs can be considered to have income when it is available for expenditure.

When an advance of funds is received it will be posted as a debit to cash and a credit to appropriate revenue account.

### General Fund

Income received for the General Fund is as follows:

- Indirect Cost
- Tuition

- Tribal Share
- Tribally Controlled Colleges Act
- Miscellaneous

When cash is received, the debit will be to cash and credit to appropriate revenue.
If the funds received are to be repaid then the entry will be a debit to cash and a credit to accounts payable.

**Operating Advances**

Operating advances will occur when a program does not have a provision for advance e.g., cost reimbursement, request not prepared timely, start up funds. These advances are expected to be repaid.

When an operating advance is made, the advance will debit "due from other funds (program) and credit cash.

The fund receiving the advance will debit cash and credit "due to other funds program".
When the advance is repaid, the entries will be reversed.

Contribution to programs occurs when the General Fund pays the expense of any operating program without expectation of payment. Contribution to programs differs from matching in that matching will be accounted for as a distinct fund.

When a contribution to programs is made, the debit will be to the expense account contribution to program and the credit to cash.

**Adjusting Journal Entries**

It may be necessary to prepare an adjusting journal entry to correct a coding error or inability of the software to compute an entry. To facilitate a clear audit trail, it is important that these entries be fully documented and easily traceable.

When an adjusting journal entry is made, the reason for and the data used to make the entry will be clearly documented and attached to the entry form.

The adjusting journal entries will be numbered chronologically beginning with the number 1 and fiscal year.

A log will be maintained listing all entries by number, date and program.

**Contract/Grant Administration**

Restricted Revenue Programs have a number of restrictions and limitations as well as specific reporting requirements that require additional administration.

Within the business department, the business manager serves as the contract administrator.

The business manager will be responsible for maintaining the "official contract file". While other program files may exist, the Business Office file will maintain at a minimum:

- a copy of the contract/grant agreement and any modifications
- a copy of approved budget
- a copy of all correspondence

- a schedule of cash drawdown requests
- a schedule of cash receipts
- copies of required progress reports
- copies of invoices or other financial information transmitted to the funding agency
- a schedule of all equipment purchased by the fund
- finance system generated expenditures' reports
- negotiated salaries

The business manager will be responsible for preparing cash requests for all restricted revenue programs. He/She shall also be responsible for reviewing the cash position of the restricted revenue programs to assure that an adequate supply of cash is on hand.

The business manager will be the over-site for preparing invoices or financial reports to the funding agencies.

The business manager will maintain a schedule of required financial reports and due date for each restricted revenue program.

Where a restricted revenue program has a required matching, a copy of the transactions (expenditure/revenue) will be made a part of the official contract/grant file.

**Retention of Financial Records**

The official contract/grant file shall be the official record for each contract/grant program, which is located in the office of the Vice President of Institutional Development.

At the end of each contract/grant year a copy of the final statement of revenues and expenditures and the final trial balance will be made a part of the file.

The official contract file shall be retained for:

- three years, or
- three years from date of resolution of any questioned costs from the audit report for the year covered (which occurs last)
- after three year period file may be stored off-site for two more years
- after five year period file may be disposed of or retained
- payroll records must be retained as a permanent record
- auxiliary services may be maintained as long as the program is operating

**Closeout**

Closeout will occur at the end of the College's fiscal year or at the end of a contract or grant. The procedures that apply to end of year closeout will also apply to those contract/grant programs that end on a date other than the normal fiscal accounting period.

Closeout requires determining the revenues and expenditures at a point in time so as to provide an accurate report of operations for the period.

At the end of a fiscal year, the first step is to ascertain that all expenses related to the year have been verified for each fund.

Payroll and related costs (fringe benefits) may have a portion of the pay period overlapped into the fiscal year. General accepted accounting principals will be applied.

Health Insurance and other costs will be determined and posted in the correct accounting period.

All outstanding obligations must be reviewed to determine

- expense
- payable
- cancel

The outstanding travel advance file will be reviewed and outstanding travel invoiced and posted to expense.

The bank account should be reconciled and any outstanding check reviewed for stale dating. If stale and no new check issued, the check will be canceled and the expense credited and cash debited.

Other expenses such as indirect costs, interest, etc., must be analyzed and general accepted accounting principles will be applied. Student billing over 360 Days will be reconciled to a zero balance.

When all expenses have been recognized and posted, revenue must be reviewed and classified as

- revenue
- income receivable
- deferred revenue

Restricted revenue programs must be analyzed for assurance that any year-end adjusting entries are included on the report to the funding agency. The reports must be reflective of the final general ledger. If there are reporting errors, an amended report will be sent to the funding agency.

Beginning receivables should be reviewed to determine as to whether the receivable can be collected, written off, or was incorrectly posted to income. A transaction incorrectly posted requires an adjusting entry.

Determine that payables were correctly posted to expense or were not paid. For restricted revenue programs if the payable were a result of deferred revenue, then a determination needs to be made if there is a repayment required or if the amount can be charged against current years' expenses. If repayment is required, then a check will be issued and the liability liquidated.

All final reports to the funding agency will be submitted subject to contract/grant provisions.

**Audit**

Each year the College shall have an audit conducted by a certified public accounting firm. The audit shall be conducted in compliance with applicable federal regulations and IPEDS requirements.

Upon receipt of the audit report, the business manager will present a report of the findings and recommendations for corrective action to the President and FPCC Board. The report will be available to appropriate funding source upon request.

### Internal Control

The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from authorized use or disposition, and those transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with general accepted principles.[3]

## Section III - Reporting and Management

Reporting is the most important step in the accounting process. Reports are to give managers the information needed to carry out the goals and objectives of the program and organization, to detect problems and take corrective action.

### Contract/Grant Programs

#### Budget Status Report

The business office will produce a budget status report and forward this report to the contract/grant management office. Prior to forwarding this report, the business manager will make an analysis of each program. This review will include a comparison of the monthly budget projections noting any variances for potential problems and recommending solutions.

#### Account Ledger Report

The business office will produce an account ledger report and forward this report to the contract/grants management office. The account ledger lists the transactions and activities for each program by each month.

#### Other Reports

There are other reports required by the project directors. All reports will be coordinated through the contract/grants management office.

#### Financial Status Report, SF 425, 270, and/or other submissions as requested per agency

The contract/grant programs have a specific date for submission of financial reports to the funding agency. The business manager will be responsible for preparing and submitting financial reports before the due date of the contract/grant program.
These may include the following:

- Standard Form 425, financial status report, reporting of the cash status of federal program for period covered, previously reported, to-date, and cumulative.
- Standard Form 270, request for advance or reimbursement, report requesting an advance or reimbursement for a federal program, and period covered.

At all times, the year-to-date figures on the financial status report must agree with the year-to-date total on the general ledger of the automated accounting system. A copy of the financial status report will be made a part of the contract file along with financial reports for the period

[3] FPCC, Financial Statements and Supplementary Information, 9/30/95.

covered.

### Electronic Reporting

Electronic monthly reporting of grants follows reporting guidelines per agency.

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## General Fund

### Budget Status Report

The business office will produce a budget status report and forward this report to the President of FPCC. Prior to forwarding the report the business manager will make an analysis of the general fund. This review will include a comparison of the monthly budget projections noting any variances for potential problems and recommending solutions.

### Account Ledger Report

The business office will produce an account ledger report and forward this report to the President. The account ledger lists the transactions and activities for each component within the general fund by each month.

### Trial Balance

A trial balance will be prepared for all programs, i.e. restricted revenue, general fund and auxiliary services. Requested copies will be given to the proper authorities. The business manager will analysis cash, revenue, expenditures, deferred revenue, receivables and payables. If cash has a significant balance, debit or credit, an explanation and corrective plan will be prepared. A large debit balance may be due to excess draw downs or inactivity. A credit balance may be due to failure to drawdown or payment problems by the funding agency.

Revenue will be compared to expenditures. An excess of expenditures over revenue is expected during the time between the preparations of invoices to the funding agency. A large excess of expenditures may indicate that invoices are not being prepared in a timely manner.

Deferred Revenue, specifically at the end of the year, will be reviewed. Revenue is based on “first in first out” concept.

Receivables will be reviewed. A large balance of a small or negative cash balance would indicate a problem with the funding agency paying invoices. A low receivable balance along with an excess of expenditures over revenues would indicate that invoices are not being prepared. Corrective action must be taken.

Payables will be reviewed. A plan and time when these payables will be liquidated will be prepared. A payable should not be liquidated no later than the end of the current fiscal year for the year just ended.

The business manager will review the report and make a determination for corrective action.

## Indirect Cost

The indirect cost program will receive the same reports as the General Fund program.

### Auxiliary Services

On or before the 15th of each month, the business office will produce an "Income Statement" generated by the accounting software for the month ended. The income statement will provide a comparison to the Plan of Operation. The report will be submitted to the President and/or FPCC Board.

### Contracting For Grant Writing and Evaluation Services

All contracts for grant writing or evaluation services will first be presented to the administrative team with final approval by the FPCC President. Efforts will be made to avoid conflict of interest.

## Section III - Property and Equipment

### Capitalization Policy

Physical assets acquired with unit costs in excess of [$5,000] are capitalized as property and equipment on the college's financial statements. Items with unit costs below this threshold shall be expensed in the year purchased.

If an awarding agency requires a lower amount for equipment, FPCC will adhere to that dollar amount only for that program or contract.

Capitalized property and equipment additions are accounted for at their historical cost and all such assets, except land, are subject to depreciation over their estimated useful lives, as described later.

Capitalized assets will be reported as expensed for grants if they were so budgeted in the grant application. However, for the college's financial statements, these assets will be capitalized and depreciated according to these policies.

### Contributed Assets

Assets with fair market values in excess of [$5,000] (per unit) that are contributed to FPCC shall be capitalized as fixed assets on the financial statements. Contributed items with market values below this threshold shall be expensed in the year contributed.

Capitalized contributed assets are accounted for at their market value at the time of donation and all such assets, except land and certain works of art and historical treasures, are subject to depreciation over their estimated useful lives, as described later.

### Equipment and Furniture Purchased With Federal Funds (A-110_34)

FPCC may occasionally purchase equipment and furniture that will be used exclusively on a program funded by a Federal agency. In addition to those policies on Asset Management described earlier, equipment and furniture charged to Federal awards will be subject to certain additional policies as described below.

For purposes of Federal award accounting and administration, "equipment" shall include all assets with a unit cost equal to the lesser of $5,000 or the capitalization threshold utilized by

FPCC, described under Asset Management.

All purchases of "equipment" with Federal funds shall be approved, in advance and in writing, by the Federal awarding agency. In addition, the following policies shall apply regarding equipment purchased and charged to Federal awards:

1. Adequate insurance coverage will be maintained with respect to equipment and furniture charged to Federal awards.

2. For equipment (or residual inventories of supplies) with a remaining per unit fair market value of $5,000 or less at the conclusion of the award, FPCC shall retain the equipment without any requirement for notifying the Federal agency.

3. If the remaining per unit fair market value is $5,000 or more, FPCC shall gain a written understanding with the Federal agency regarding disposition of the equipment. This understanding may involve returning the equipment to the Federal agency, keeping the equipment and compensating the Federal agency, or selling the equipment and remitting the proceeds, less allowable selling costs, to the Federal agency.

4. The Grant Manager shall determine whether a specific award with a Federal agency includes additional equipment requirements or thresholds and requirements that differ from those described above.

5. A physical inventory of all equipment purchased with Federal funds shall be performed at least once every two years. The results of the physical inventory shall be reconciled to the accounting records of and Federal reports filed by FPCC.

**Establishment and Maintenance of a Fixed Asset Listing**

All capitalized property and equipment shall be recorded in a property log. This log shall include the following information with respect to each asset: *(A-110_34 (f) (1))*

1. Date of acquisition
2. Cost
3. Description (including color, model, and serial number or other identification number)
4. Source of the equipment, including the Federal award number, if applicable
5. Whether the title vests in the Organization or the Federal Government
6. Information to calculate the Federal share of the cost of the equipment, if applicable
7. Location of asset
8. Depreciation method
9. Estimated useful life

A physical inventory of all assets capitalized under the preceding policies will be taken on an [annual] basis by FPCC. This physical inventory shall be reconciled to the property log and adjustments made as necessary. All adjustments resulting from this reconciliation will be approved by the Business Manager-Director of Finance.

**Receipt of Newly-Purchased Equipment and Furniture**

At the time of arrival, all newly-purchased equipment and furniture shall be examined for

obvious physical damage. If an asset appears damaged or is not in working order, it shall be returned to the vendor immediately.
In addition, descriptions and quantities of assets per the packing slip or bill of lading shall be compared to the assets delivered. Discrepancies should be resolved with the vendor immediately.

**Depreciation and Useful Lives**

All capitalized assets are maintained in the special property and equipment account group and are not included as an operating expense. Property and equipment are depreciated over their estimated useful lives using the [straight-line] method.

In the year of acquisition, depreciation is recorded based on the number of months the asset is in service, counting the month of acquisition as a full month (Example: an asset purchased on the 15th day of the fifth month shall have eight full months of depreciation (eight-twelfths of one year) recorded for that year.)

Estimated useful lives of capitalized assets shall be determined by the Accounting Department in conjunction with the department or employee that shall utilize the asset. The following is a list of the estimated useful lives of each category of fixed asset for depreciation purposes:

| | |
|---|---|
| Furniture and fixtures | Up to 10 yrs. |
| General office equipment | 5 yrs. |
| Computer hardware and peripherals | 3-5 yrs. |
| Computer software | 2-3 yrs. |
| Leased assets | life of lease |
| Leasehold Improvements | remaining lease term |

Alternatively, at the direction of the Business Manager, capitalized assets may be depreciated over useful lives expressed in terms of units of production or hours of service in place of the preceding useful lives expressed in terms of time.

For accounting and interim financial reporting purposes, depreciation expense will be recorded on a [**annual**] basis.

**Changes in Estimated Useful Lives**

If it becomes apparent that the useful life of a particular capitalized asset will be less than the life originally established, an adjustment to the estimated useful life shall be made. All such changes in estimated useful lives of capitalized assets must be approved by the Business Manager.

When a change in estimated useful life is made, the new life is used for purposes of calculating annual depreciation expense. In the year in which the change in estimate is made, the cumulative effect of the change shall be reflected as depreciation expense in the Organization's statement of activities.

For example, if in the fourth year of an asset's life, it is determined that the asset will last five years instead of the original estimate of seven years, depreciation expense for that year shall be equal to the difference between 4/5 of the asset's basis (accumulated depreciation at the end of year four) and 3/7 of the asset's basis (accumulated depreciation at the beginning of the year).

**Repairs of Property and Equipment**

Expenditures to repair capitalized assets shall be expensed as incurred if the repairs do not materially add to the value of the property or materially prolong the estimated useful life of the property.

Expenditures to repair capitalized assets shall be capitalized if the repairs increase the value of property, prolong its estimated useful life, or adapt it to a new or different use. Such capitalized repair costs shall be depreciated over the remaining estimated useful life of the property. If the repairs significantly extend the estimated useful life of the property, the original cost of the property shall also be depreciated over its new, extended useful life.

**Dispositions of Property and Equipment**

If equipment is sold, scrapped, donated or stolen, adjustments need to be made to the fixed asset listing and property log. If money is received for the asset, then the difference between the money received and the "book value" (purchase price less depreciation) of the asset will be recorded as a loss (if the money received is less than the book value) or a gain (if the money received is more than the book value).

**Write-Offs of Property and Equipment**

The Business Manager approves the disposal of all capitalized fixed assets that may be worn-out or obsolete. Property that is discovered to be missing or stolen will be reported immediately to the Business Manager. If not located, this property will be written off the books with the proper notation specifying the reason.