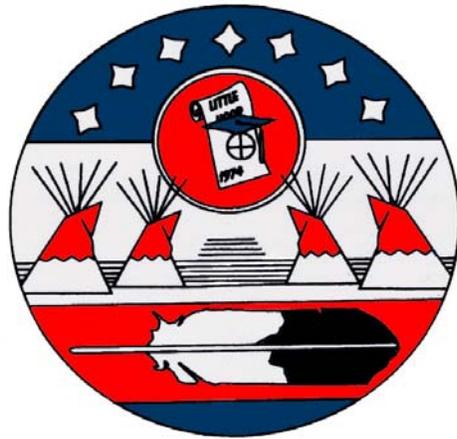


Cankdeska Cikana Community College



Fiscal Procedures Manual

Modified and BOR Approved
March 9, 2005



CANKDESKA CIKANA COMMUNITY COLLEGE

FISCAL PROCEDURES MANUAL

Cankdeska Cikana Community College

Updated & Approved by BOR 2/9/2005

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Section I

**EFFECTIVE
SYSTEMS OF
INTERNAL
CONTROL**

1. *EFFECTIVE SYSTEMS OF INTERNAL CONTROL*

Policy The College should maintain an effective system of internal control in order to monitor compliance with policies and procedures established by the Board of Regents.

General Internal control can be divided into two areas: accounting controls and administrative controls. Administrative controls deal with the operations of the College, whereas the accounting controls deal with accounting for such operations. This manual focuses on internal accounting controls (although there may be some overlap between the two). Accounting controls should be designed to achieve five basic objectives:

Validation

Validation is the examination of documentation, by someone with an understanding of the accounting system, for evidence that a recorded transaction actually took place and that it occurred in accordance with the prescribed procedures. As systems grow more sophisticated, validation is a built-in component whereby the transactions test themselves against predetermined exceptions.

Accuracy

The accuracy of amounts and account classification is achieved by establishing control tasks to check calculations, extensions, additions, and account classifications.

The control objective is to be certain that each transaction is recorded at the correct amount, in the appropriate account, in the right time period. For example, one might "double-check" another individual's work on invoices by repeating the calculations, extensions, and additions and reviewing the account distributions.

Control tasks, which ensure that transactions are recorded and reported in the proper accounting period, are essential to accurate financial reporting. For example, when goods are received they should be checked and recorded at the time of receipt. The receiving records should then be matched with the related vendors' invoices as a further check on the timely recording of transactions.

Completeness

Completeness of control tasks ensures that all transactions are initially recorded on a control document and accepted for processing once and once only.

Completeness controls are needed to ensure proper summarization of information and proper preparation of financial reports. To ensure proper summarization of recorded transactions as well as a final check of completeness, subsidiary ledgers and journals with control accounts need to be maintained. This is because individual transactions are the source of the ultimate product--financial reports.

Completeness can be achieved by using two techniques. One is to sequentially number all transactions via documents as soon as the transactions occur and then apply the control task of accounting for all the numbered documents completed in the processing. The use of "control totals" also provides information by which control is exercised. This is done by totaling the critical numbers before and after processing. When the two totals agree, one assumes that the processing is complete.

Maintenance

The objective of the maintenance controls is to monitor accounting records after the entry of transactions to ensure that they continue to reflect accurately the operations of the College. The control system should provide systematic responses to errors when they occur, to changed conditions, and to new types of transactions. The maintenance function should be accomplished principally by the operation of the system itself. Control maintenance policies require procedures, decisions, documentation, and subsequent review by a responsible authorized individual. Disciplinary control tasks, such as supervision and segregation of duties, should ensure that the internal control system is operating as planned.

Physical Security

It is important in all organizations that the assets are adequately protected. Physical security of assets requires that access to assets be limited to authorized personnel. One means to limit access to both assets and related accounting records is through the use of physical controls. Protection devices restrict unauthorized personnel from obtaining direct access to assets or indirect access through accounting records which could be used to misappropriate assets. Locked storage facilities restrict access to inventories, and fireproof vaults or cabinets prevent access to check blanks and signature stamps. Transaction recording equipment limits access to assets by limiting the number of employees involved in recording and posting transactions, thereby minimizing the possibility of fraudulent misrepresentation.

Many control procedures are common to various areas of accounting. They have been discussed in this chapter as a convenience to the user of this manual and to emphasize that similar procedures are applicable to many control objectives.

***Procedures* Determination of Validity**

- 1.1 All transactions should be reviewed by an informed individual and a determination made as to their validity (i.e., appropriate approvals have been obtained and/or comparisons have been made to the underlying documentation).

Control of Documents

- 1.2 All transactions should be entered on a control document.
 - (a) If the document is internally generated it should be pre-numbered and physical control should be maintained over un-issued documents.
 - (b) If the document is prepared externally it should be numbered immediately upon receipt, in sequential order.

Check for Accuracy

- 1.3** Documents supporting each transaction should be checked for mathematical accuracy. The individual performing the check should initial or sign the document.

Record in Appropriate Journals

- 1.4** As transactions are completed (and/or matched with other supporting documentation), they should be entered into the appropriate journals or registers with a notation or cross-reference indicating the completion of the transactions.

Check for Completeness

- 1.5** Completeness of the journal or register should be established by reviewing the numerical control of items (established in 1.2) that have not been matched with supporting documentation (if required) or are not complete.

Investigation of Unprocessed Transactions

- 1.6** Unprocessed transactions should be investigated periodically by a person other than the record-keeper and corrective action taken.

Segregation of Duties

- 1.7** An individual, independent of the custodian of the journals generated in 1.4, should establish a separate control account to account for the completed items.

Performance of Monthly Reconciliations

- 1.8** Reconciliations between subsidiary records and control accounts should be performed monthly to ensure that postings are correct and adjustments have been properly processed.

Timely Investigation of Differences

- 1.9** All differences should be investigated on a timely basis.

Safeguarding of All Accounting Records

- 1.10** All assets and the accounting records should be properly safeguarded to prevent theft.

Section II

CONTROLS
IN AN EDP
ENVIRONMENT

1. APPLICATION CONTROLS

Policy Application controls should be applied to ensure the completeness, accuracy, and validity of data.

General Through a combination of both manual and programmed procedures, each application should include a series of control steps to be followed from the onset of a task through its final disposition. For example, if an account number is rejected by a programmed edit check, manual procedures should be in place to ensure follow-up, correction, and resubmission of the item in question.

Procedures Completeness of Input

1.1 Completeness of input is concerned with whether or not all transactions are recorded. All transactions should be recorded and input into the system once and only once. At least one of the following methods should be used to ensure the completeness of input:

- (a) One-for-one checking involves the review of all individual items that have been introduced to or updated in a file. To check for completeness, all documents associated with the input should be compared to a computer-generated listing of all activity for the corresponding file.
- (b) Batch or control totals involve the manual separation of input transactions into groups or batches that are to be processed together. Various counts or calculations are then performed on each batch to check for completeness. The following methods should be used for this purpose:
 - * A document count entails a manual count of documents within a batch to be entered into the system. Once input, the total number of documents entered should be calculated by the system and compared to the manual count.
 - * A line count or item count is similar to a document count but involves totaling the number of lines or items that have been entered into the system.
- (c) Computer matching entails the use of a master file to identify transactions for which no match exists (e.g., an invoice from a vendor not on the master file) or items expected to match (e.g., purchase orders on file awaiting matching invoices). A history file may also be used to identify duplicate records (e.g., input of a previously paid invoice from a vendor).

- (d) A computer sequence check can be implemented to verify the completeness of input when serially ordered documents are used (e.g., invoice numbers, journal entry numbers, transaction batch numbers). The computer can also assign sequential numbers on input for subsequent tracking. The computer should examine the serial numbers associated with the items that have been input and identify missing or duplicate numbers.

Accuracy of Input

1.2 Accuracy of input controls focuses on the data associated with each transaction. All transactions should be recorded and input accurately into the system. At least one of the following methods should be used to ensure the accuracy of input:

- (a) One- for-one checking (see 1. 1 (a)).
- (b) Batch or control totals may be used to verify accuracy. However, since this procedure does not take into account items that negate each other, batch or control totals designed to verify completeness of input (see 1. 1 (b)) should also be used. These include:
 - * Dollar amount or quantity totals should be manually calculated for all input transactions within a batch prior to the input process. During input, these totals should also be calculated by the system and compared to the manual count.
 - * Hash totals are similar to dollar amount or quantity totals except that hash totals are generally performed on numeric fields that have no cumulative significance. For example, the sum total of the invoice dates appearing on each record represent a hash total.
- (c) Computer matching (see 1.1(c)) may also be used to verify the accuracy of specific items; however, only those fields that exist in the master file can be subject to verification.
- (d) Programmed edit checks are designed to inspect various input fields and evaluate their amounts, formats, codes, and so on, for range or reasonableness. Fields may also be calculated and matched to other fields or files for their logical relationships. Required fields or items may also be flagged if they are left blank.
- (e) Prerecorded input entails preprinting various fields on forms or documents in order to ensure their accuracy. Examples of prerecorded input include optical or bar-coded product and/or serial numbers on inventory items, and magnetically coded account numbers on ATM or credit cards.

Authorization of Transactions

- 1.3** Controls over authorization of transactions are designed to ensure that only authorized or valid transactions are processed. All transactions should be subject to at least one of the following techniques in order to determine their validity:
- (a) Authorization by a responsible official should be required for all transaction data. This process may take place on-line (see (b)).
 - (b) Security measures that restrict access to various administrative or accounting functions, terminals, programs and data should be employed (see 5.0).
 - (c) Computer matching (see 1. I (c)) using master files with preapproved standing/transaction data should be applied.

Handling of Rejected Transactions

- 1.4** All transactions rejected during editing (see 1. 1, 1.2, and 1.3) should be identified, investigated, and corrected on a timely basis. Transactions should then be reintroduced to the system and subject to the same editing and control procedures as new (original) transactions. Procedures should be established to ensure that all rejected transactions are ultimately corrected and reprocessed. The following methods should be used to handle rejected transactions:
- * When one or more transactions within a batch is rejected, the entire batch will also be rejected. No further processing of the batch will be allowed until corrections are made.
 - * Only rejected transactions will be removed from further processing. All transactions that pass the editing will be processed further. Any batch or control totals used must be adjusted appropriately.
 - * In both cases above, rejected transactions will be handled in either of two ways:
 - (a) Rejected transactions will not be recorded in the system in any way. However, if the first method described is used, the rejected batch number should be recorded (see 1. I (d)).
 - (b) Rejected transactions will be recorded in the system but will be segregated from accepted transactions by placing them in suspense files, awaiting corrective action.

Completeness and Accuracy of Computer-Generated Data/Transactions

- 1.5** Controls over computer-generated transactions are concerned that associated data is complete and accurate. (Examples of computer generated transactions include automatic reordering of inventory and, automatic posting of disbursements to the general ledger.) Controls should be established to ensure that data used in the generation of other data is complete, accurate, and authorized, and that associated parameters are input accurately as well. The following should be addressed:

- * Key data used in the generation of transactions should be complete, accurate, and authorized (see 1.1 to 1.4).
- * Programmed edit checks should be implemented to examine input parameters for reasonableness (see 1.2(d)).
- * Programs that generate transactions should be logical, accurate, and secure (see 2.0 and 4.0).
- * Results of processing (e.g., control totals) should be checked manually (see 1.2(b)).

Completeness and Accuracy of Updating

1.6 Update of data controls is needed to ensure that master files are completely and accurately updated. Controls should be established to ensure that all transactions are updated accurately to relevant files once and only once.

- * To ensure the completeness of update, at least one of the methods described in the completeness of input section (see 1.1) should be used.
- * To ensure the accuracy of update, at least one of the methods described in the accuracy of input section (see 1.2), excluding the prerecorded input method, should be used.

2. *SYSTEM\PROGRAM IMPLEMENTATION*

Policy Management should apply controls over system and program implementation to ensure that appropriate procedures are applied to production programs when new systems become operational.

General A well-designed system requires careful planning and coordination between users and data processing personnel. A poorly planned system may result in lack of adequate controls and user satisfaction. There should be adequate involvement by users and data processing personnel during the key stages of design, testing, implementation, and final approval of new systems. Involvement between the user and programmers in developing specifications also ensures that appropriate control features are incorporated into the application. These controls include methods such as run-to-run balancing to ensure completeness and accuracy during processing.

Policies and procedures for the implementation of systems and programs are required so that data is complete and accurate. Depending on the size of the organization and the complexity of data processing, these standards should be communicated through a policies and procedures manual (see Documentation Index (Figure 2-1) for a list of items to be included). The procedures should define the duties and responsibilities of both user and data processing personnel.

Procedures **Management of System Development**

2.1 All programming activities should be adequately planned and supervised. Tasks, responsibilities, and milestones should be clearly designated and documented. Progress should be tracked and monitored. Periodic status meetings should be held, with any project changes documented and approved.

System Design

2.2 Controls should be in place to ensure that the design of the system/program is appropriate to the organizations' accounting and functional requirements. Specifications should be reviewed and approved by both user and data processing personnel. This applies to both modifications and specifications.

Vendor-Supplied Packages

2.3 Controls over the implementation of packaged (vendor-supplied) software should ensure that the system meets accounting and control requirements, as described throughout this manual. In addition to the implementation controls mentioned within this section, other vendor-related issues should be addressed as follows:

- * Whenever possible, packages under consideration should be well recognized within the appropriate industry and should be in relatively common use.
- * The vendor's contract should provide support throughout the package's expected life.
- * To the extent possible, vendors should provide assurance that their packages have been adequately tested and quality assured.

System and Programming Standards

- 2.4** Programming standards should be applied to ensure that new systems interact correctly with the existing systems and contain adequate control features. To determine the interaction and effect of new applications, joint user and data processing effort is required to develop new application specifications. The involvement of a technical support group ensures that appropriate system software is selected for use with the new application. Typically, there are compromises between users and data processing to provide as many desired features as possible within the constraints of the available resources, both financial and personnel related.

Testing

- 2.5** Procedures should be in place to require that all new systems/programs be thoroughly tested before implementation.
- * Test plans should be developed and include the scope and description of tests to be performed, the methodology for developing test data, and desired results.
 - * Both users and data processing personnel should approve test plans. Testing procedures and test results should be checked by individuals outside of the programming group.
 - * New-system testing should extend from individual program testing to a system test in its entirety. Also, new systems should be tested with existing systems to ensure that they interface properly.
 - * A new program/system should be subjected to an adequate test period. Significant new systems can require parallel testing before final sign-off by users and data processing. As with modifications, the type of testing performed can vary but should always be independently reviewed and approved.

Cataloging

- 2.6** Cataloging is the method used to move new programs into the production environment (see 3.3).

Documentation

2.7 Guidelines should be established to ensure that documentation provides a complete understanding of the application system.

- * Documentation should be prepared and maintained such that an individuals involved in an application system (users, programmers, operators, management, etc.) have sufficient information and instructions with which to perform their respective functions.
- * System documentation should provide an overall description of the system including the system objectives, functions, original and updated system specifications, system interfaces and dependencies, hardware requirements, maintenance requirements (e.g., back-up, installation of new versions), control features (manual as well as computerized), and constraints.
- * User documentation should provide detailed instructions on how to use the system properly. It should include various control procedures, such as those described in 1.0, as well as examples of all forms, input and menu screens, reports, and so on. User documentation should also address such issues as security, output routing and responsibilities.
- * Program documentation should provide programmers with information necessary to revise and improve the existing system and to assist in the resolution of any processing problems as they occur. Program listings, detailed descriptions of program functions, and format layouts of input and output files should be included. Logic flow charts and report layouts should also be illustrated.
- * Operations documentation should provide the computer operator(s) with information necessary to run the system, including run instructions for processing various jobs and procedures for handling emergency situations (see 4.0). Run instructions should include job set-up instructions, specification of parameters to be entered by the operators, restart and recovery procedures, and output requirement

Standing Data Conversion

2.8 Controls should be established to ensure that during system conversion data is transferred completely and accurately, and that new data that is set up is complete, accurate, and valid. A conversion plan should be developed such that the results of the conversion process are data files that are complete, accurate, and valid. Standing data conversion controls should ensure that during system conversion standing data is transferred completely and accurately from the old system (including manual systems) and that no unauthorized changes are made to the data. The following issues should be addressed:

- * Standing data fields should be identified.
- * Application users as well as data processing personnel should be involved in the conversion process.
- * Controls should be implemented to prevent the introduction of fraudulent or erroneous data to the standing data files (see 4.0).

Transaction Data Conversion

2.9 Transaction data conversion controls should ensure that during system conversion transaction data is transferred completely and accurately from the old system and that no unauthorized changes are made to the data. The following techniques should be employed:

- * Batch or control totals (see 1.1(b) and 1.2(b)) should be used to determine the completeness and accuracy of the conversion.
- * Record counts should be checked for completeness.
- * Files should be balanced between the old and new systems.

Set-Up of New Data

2.10 Controls are needed to ensure that new data not found on, or converted from, the old system is completely and accurately created and recorded, and that it has been authorized. The following items should be addressed:

- * Sources from which the new data will be obtained should be identified.
- * Calculations needed for the development of new data should be identified.
- * All input data used in the calculations mentioned above should be complete, accurate, and valid (see 1.0).
- * Procedures for the appropriate approval of new data should exist.

3. *PROGRAM MAINTENANCE*

Policy Maintenance controls should ensure that changes to programmed procedures are designed appropriately and implemented effectively.

General Controls over maintenance focus only on the process that should be followed for program modifications. These controls should include the handling of the request, programming, testing, the approval to move the program into the production environment, and the actual move to production.

Procedures **Internally Maintained Applications**

3.1 Internally maintained applications are programs that are enhanced, or supported, in house. Regardless of who makes the modification, there should be procedures that are followed consistently throughout the organization.

3.1.1 The College can make use of contract programmers to enhance or maintain a system. These outside programmers should still follow the same development and testing procedures as in-house programmers (see 3.1.2 to 3.1.5). Also, all appropriate documentation should be properly updated before the contract with the programmers expires (see 2.7).

3.1.2 Completeness of changes should be ensured via a manual or computerized system to track change requests from submission to implementation. A service request form (Figure 3- 1) or a memo to initiate the request should be required for all maintenance whereby management can establish that all requests have been considered and, if so, prioritized and implemented on a timely basis.

3.1.3 The user and data processing personnel should be involved in evaluating the reasonableness of the modification request and the acceptance of the modification. Both parties should meet to discuss costs/benefits and identify alternatives, if possible. Once validity of the request has been established, approval should be evidenced by the user and relevant data processing personnel.

3.1.4 A procedure should be established whereby management considers all major requests and decided actions to be taken, including setting priorities for outstanding requests.

3.1.5 Modifications should be properly tested and approved before being placed in production. The extent of the testing depends on the significance of the change. The following methods should be considered:

- (a) Unit testing occurs when the modified program alone is tested and not the programs with which it interfaces.

- (b) System or integrated testing occurs when a complete system or an integrated portion thereof undergoes testing regardless of where the modification was made.

Controls should be implemented to prevent production ("live") files from being used in testing.

Testing procedures should be designed to prevent unauthorized coding from being inserted into the program. This can be done either by source-to-source comparison or by using system software.

Regardless of the type of testing performed, an independent review and approval of test results should be made by the user.

- 3.1.6** Procedures should be established to ensure that all relevant system and/or program documentation is properly updated (see 2.7).

Vendor Maintained Packages

- 3.2** Controls over maintenance to package systems by their respective vendors should ensure the validity and proper implementation of modifications. Most of the procedures described in 3.1 should still apply.

- 3.2.1** Whether modifications are introduced by the vendor or user, approval by the user and appropriate data processing personnel as to the appropriateness of the modifications with regard to the user's requirements should be made.

- 3.2.2** Proper testing procedures should be followed regardless of who modifies the package (see 3.1.5).

- 3.2.3** The documentation described in 2.7 should be appropriately updated either by the vendor or user.

Cataloging

- 3.3** Cataloging is a method of moving amended programs into the production environment. The following procedures should be in place to ensure that only tested and approved programs are transferred from the test to the production environment.

- 3.3.1** Different versions of each program should be distinguishable so as to ensure that the most current versions of the programs are the ones subject to modification.

- 3.3.2** Controls should be established to ensure that unauthorized changes cannot be made to programs between the time they are tested and approved and the time they are transferred to production status. The use of an intermediate secured library should be considered for this purpose.

- 3.3.3** Only programs that have been properly approved and tested (see 3. 1) should be transferred to production status. A cataloging authorization form (Figure 3-2) should be used to ensure and document that proper approval and testing has occurred. Care must be exercised to ensure that the versions of the programs involved in the transfer are the same versions that were in fact tested and approved.
- 3.3.4** All relevant program libraries (e.g., source, object, procedure) should be properly updated with the appropriate versions.

It would be preferable that the above procedures be executed by someone other than the programmer who developed and tested the program.

4. *COMPUTER OPERATIONS*

Policy Computer processing should be performed on a consistent basis.

General Computer operations controls ensure that authorized programmed procedures are consistently applied, that correct data files are used, and that processing can be properly resumed in the event of system failures.

Procedures **Scheduling**

4.1 The primary control considerations in job scheduling are whether jobs are run at the appropriate points in time and in the correct sequence. When on-line application systems are in operation, scheduling will be relevant only to regular batch jobs, end-of-day or period routines, and back-up and housekeeping routines.

4.1.1 Daily operations schedules (Figure 4-1) for all jobs and programs to be run should be prepared and approved by a responsible individual.

4.1.2 Controls should be established to ensure that all jobs and programs are processed in accordance with the schedules. Any departures from the schedules should be documented and approved by a responsible individual.

Job Set-Up and Execution

4.2 Operators should be provided with written procedures and instructions regarding the set-up and execution of each application job or program (see 2.7.4). These instructions should be developed and approved by responsible representatives from the computer operations and application user groups.

4.2.1 Controls should be established to prevent or detect unauthorized changes to approved job set-up instructions, including processing parameters. Any variations to job set-up instructions should be documented and approved by a responsible individual.

4.2.2 Parameters and options are used in setting up and operating system software. Effective control over system software normally includes the review and approval of its set-up and operation procedures by a responsible individual.

Use of Correct Data Files

4.3 Controls should be established to ensure that the correct data files are used during processing. Such controls require that each file be uniquely identified. Common methods used to implement these controls include software-generated internal file labels, generation data groups, and the use of an automated tape management system. In addition, where applicable, these controls should ensure that all volumes of a multi-volume file are used. Any departures from these procedures should be documented and approved by a responsible individual.

Operator Actions

- 4.4** Control procedures should cover the actions of computer operators, such as supervision and review of their work. In on-line systems, data files normally are available to users at all times, so that relatively little operator intervention is required. In batch systems, each job is set up separately and files may need to be loaded by operators. Thus, computer operations controls may be of greater concern.
- 4.4.1** Controls should be established to ensure the proper identification and reporting of all abnormal conditions: system failures, system restart or recovery, emergency situations, and so on.
- 4.4.2** Adequate supervision of operators should be provided at all times, including shifts outside normal working hours. Supervision should include regular reviews of operator actions. Particular attention should be given to situations described in 4.4.1 to ensure that processing results were not adversely affected.

Activity Logs

- 4.5** In most computer systems, the logging of system activities is a feature of system software-usually the operating system. (Controls over the implementation, maintenance, set-up, and execution of system software were discussed in 2.0, 3.0, and 4.2.2.) Depending on the amount of activity and the types of activities recorded, system logs can become too voluminous to be printed and reviewed in a practical manner. In such circumstances, logs are used only to review and investigate system failures, operator actions, or other unusual occurrences (Figure 4-2).
- 4.5.1** In order to rely upon activity logs for supervision and review of operations, controls should be established over the completeness and accuracy of those logs. Common methods include the use of sequentially pre-numbered pages that are physically controlled, accounted for, and show the start and stop times for the period covered
- 4.5.2** Normally, system software will prevent anyone from making modifications to logs or the method of logging. Any changes made to system logs or to the method of logging should be documented and approved by a responsible individual.

Back-Up and Recovery

- 4.6** Controls over recovery from processing failures require that data be regularly copied as back-up, that the processing status at the time of failure can be established, and that procedures ensure that proper recovery takes place. Involvement by the various user groups will help ensure that recovery takes place properly.

- (a) There is a back up done of all data each night. Each posting to the General Ledger is also backed up during the day in order to capture all events subsequent to the nightly backup. There is a different back-up tape for each day of the week and they are rotated accordingly. The back up tapes are taken off the premise each night by the Finance Manager to ensure their safety.
- (b) Controls should be established to ensure that program libraries are regularly backed up, together with a record of changes made between back-ups.
- (c) Controls should be established to ensure that data files and programs are recovered properly after a processing failure and that errors are not introduced during the recovery process. Should modifications to data files or programs be necessary during an emergency situation, procedures should ensure that all changes made are accurate and authorized.
- (d) To ensure that back-up copies of data files and programs are available for recovery during an emergency situation, back-up media should be stored in an off-site facility. Preferably, the off-site location is secure and environmentally protected as well as sufficiently remote to realistically serve its purpose.
- (e) **Contingency Plan:** In the event of an unexpected interruption of computer services, the business office staff will process payables and payroll checks manually. When computer services are available again, these checks will be input into the system and all appropriate reports will be generated at that time.
- (f) **Disaster Recovery Plan:** A complete system back up is to be done on a quarterly as well as an annual basis. In addition, a back up of the data is done nightly. The data back up tape is kept by the finance manager in a place off premise. For hardware and software information, contact:

ACS
2901 3rd St S
PO Box 548
Waite Park, MN 56387
1-800-800-0180

5. SECURITY

Policy Access to information stored on a computer should be restricted.

General Management should identify and classify computerized resources (data, programs, hardware, etc.) and protect them with a well-organized combination of software and manual procedures. Security software provides the ability to restrict access to the system at various levels: system, application, application function, data file, and data element. Adequate security features may be available in the operating system, specialized access security software, or within individual application packages. The latter is usually not as desirable in that it is not always applicable to the entire data processing environment.

Procedures Overall System Access Controls

5.1 Controls should be established to prevent unauthorized access to the system and to restrict each user's access based on specific job-related functions. The operating systems for many mid-range computers provide the facilities to accomplish these restrictions. For example, based on a user's ID and password (see 5.3) the operating system will force the user into a restricted work-shell/menu out of which the user cannot venture. All unauthorized attempts to bypass access controls should be reported and promptly investigated.

Security Policy

5.2 Management should develop and communicate a security policy stating their position on information security. Such a policy should consist of a set of written guidelines promoting rules and criteria about the treatment of computerized resources.

Security Administration

5.3 Administration of access security controls should be performed by responsible individuals independent of the programming function.

- (a) Only duly authorized individuals should be assigned system IDs and passwords that permit access to the system. An access request form should be used to ensure and document proper authorization. Each ID should be unique in order to track user activities and provide for accountability.
- (b) Passwords should be used to ensure the correct identification of authorized users by the system. Passwords should be kept secret, not easily guessed, and changed on a regular basis.
- (c) All access privileges should be promptly canceled or amended for terminated or transferred employees.
- (d) Adequate security and controls should exist over the ability to perform administration of all of the functions mentioned above (e.g., maintenance of security tables, changing of passwords, granting special privileges).

- (e) Periodic security reviews should be conducted to ensure that access privileges granted remain appropriate.

Dial-Up Access

- 5.4 Controls should be established to prevent unauthorized access via dial-up mechanisms. Public access can be restricted through the use of automatic dial-back procedures, among others.

Physical Access

- 5.5 Physical access to all computer facilities and other areas identified as containing sensitive information should be limited at all times, including evenings, weekends, and holidays. Computer facilities include terminals, modems, and communications lines, as well as the computer itself. Depending on the circumstances, physical access should be treated with the same formalities as described in 5.2 for system access (e.g., authorization required, use of special badges or keys).

Custody of Data and Programs Stored Off-Line

- 5.6 Magnetic tapes, diskettes, and removable disks containing programs or data files, including back-up copies, should be protected and uniquely identified.
 - 5.6.1 Control procedures should be established over the existence and movements of all off-line media. Numbering on external labels should be used to account for all media movements. Such movements usually include issuance from and return to the computer room, media library, and off-site storage facility.
 - 5.6.2 Off-line media should be stored in secure environments and should be accessible only by individuals authorized by management.

Utilities and High-Level Programming Languages

- 5.7 The use of high-level programming languages and utility programs that can be used to modify data files should be restricted to appropriate personnel authorized by management. In addition, the use of such programs should be closely monitored by a responsible official for appropriateness.

Bypassing Normal Access Controls

- 5.8 When it becomes necessary, to bypass normal access security controls, such as during emergency situations, the action should be authorized by a responsible official. Such authorization may be informal at the outset of the conditions that caused the temporary change in policy, but formal written authorization should nevertheless be provided after the fact. It is also important to ensure that normal access security controls are reinstated as soon as possible and that any changes to data files have been properly controlled and approved.

Output

- 5.9** Data security extends beyond the physical domain of computer hardware.
- 5.9.1** Often overlooked as a potential security exposure, printed reports containing sensitive information should be produced only according to an approved schedule (see 4. 1) or when requested with the authorization of a responsible official.
- 5.9.2** Sensitive output that is not printed directly but is held on-line or transmitted to a remote computer should be controlled to prevent or detect changes to the output prior to printing and to ensure that the output reaches only its intended destination.

Section III

BUDGETING

1. *Budgeting*

Policy The College should establish and maintain an effective budgeting system to monitor the economic activity of the College.

General Management requires budgets in order to properly plan and monitor the performance of the College's revenues and expenditures.

Procedures **Budget Committee**

1.1 The Budget is developed by the business manager with input from the various department heads and President. The budget is then presented to the Board of Regents for approval. The Business Manager is responsible for timely preparation for all Program Budgets including indirect cost funding for presentation to the Board. Upon approval by the Board, the Business Manager is responsible for proper submission and negotiation of the program budgets with the designated funding agencies.

Budget Changes and Authorization

1.2 Budget changes will be held to a minimum during the fiscal year to insure effective control over the expenses of the College. Any budget changes should be made to the Board of Regents.

Funding Sources

1.3 Budgets will be prepared upon the availability of funds from the following sources:

Bureau of Indian Affairs
Department of Education
Department of Health and Human Services
State of North Dakota
Tuition and Fees
Other Foundations

Budget Reports

1.4 Operating statements showing comparisons of budgets with actual expenditures shall be prepared by the Business Manager each month and submitted to the department heads for review within the first ten days of the subsequent month.

1.5 The President shall monitor the performance of all programs administered by the College. The program directors also monitor their individual programs on a continuing basis. There will be periodic reviews of each program to insure that time schedules are being met and performance goals are being achieved.

1.6 The Business Manager shall be responsible for the publication of an annual report reflecting the performance of all college activities taken as a whole.

Section IV

GENERAL LEDGER AND JOURNAL ENTRIES

1. *MAINTAINING AN EFFECTIVE ACCOUNTING SYSTEM*

Policy The College should establish and maintain an effective accounting system to capture data regarding the economic activity of the College.

General Management requires accurate and timely financial reports in order to judge the performance of the College and plan for future activities.

Procedures **General Ledger Set-Up and Posting**

1.1 The College should set up a general ledger system to quickly and accurately accumulate all financial transactions. The framework for this system is called the chart of accounts. The chart of accounts consists of the account titles and account numbers assigned to the titles. The account titles should be developed from an understanding of the economic activity and the information management deems necessary in the financial reports. Account titles should most appropriately describe the assets, liabilities, equity, revenues, and expenses of the College.

The following account titles in the chart of accounts are representation of what might appear in a college business:

Assets:
Cash in Bank
Investments
Due from Grantor Agency
Land
Building
Building Improvements
Equipment
Other Assets

Liabilities:
Accounts Payable
Accrued Expenses
Payroll Taxes Payable
Deferred Revenue
Notes Payable
Capital Lease Obligations

Equity:
Fund Balance
Revenues:
Federal
State
Local
Miscellaneous Revenue

Expenses:
Operating Expenses

Salaries and Wages
Payroll Taxes
Travel
Consulting
Advertising
Equipment
Repairs
Supplies
Interest
Utilities
Insurance
Indirect Costs
Other

Arrangement of Account Titles

1.2 Account titles within the chart of accounts should generally be arranged in the following order:

- * Assets
- * Liabilities
- * Equity
- * Revenue
- * Expenses

1.2.1 Within these categories, current accounts are grouped first, followed by long-term accounts. Referring to the sample chart of accounts shown in 1.1, note that current assets such as cash, accounts receivable, and inventory are listed before long-term assets such as land, building, and equipment.

1.2.2 After the accounts are titled and listed in order, account numbers should be assigned. Generally, accounts should be numbered in the following manner:

1000-1999	Assets
2000-2999	Liabilities
3000-3999	Equity
4000-4999	Revenue
5000-End	Expenses

1.2.3 Expenses are often divided into several groupings, such as operating, general and administrative, and other.

Establishment of Contra Accounts

1.3 Accounting systems record transactions at their historical cost. However, there are instances where generally accepted accounting principles require that an account be presented in the financial reports at a lesser amount. This is accomplished through the use of contra accounts, allowing the accounting system to maintain records of the accounts at historical cost while reducing their value for financial reporting purposes. For example, receivables are stated at historical cost. However, for financial reporting purposes, receivables must be reduced for amounts that will not be collected. Therefore, the allowance for doubtful accounts is established to reduce receivables to its collectible amount.

2. *GENERAL LEDGER ACTIVITY*

Policy All valid general ledger entries, and only those entries, should be accurately recorded in the general ledger.

General The general ledger consists of control accounts for accounts in the College's chart of accounts. These accounts are listed in the general ledger in numerical order with the account title. The general ledger will be maintained on a computer.

Procedures Posting Activity to the General Ledger

2.1 At least weekly all activity should be posted to the general ledger. The postings to the general ledger accounts may come from any and all of the following sources:

- * General journal-adjusting journal entries
- * Expense and accounts payable entries
- * Payroll journal-payroll summary
- * Cash receipts journal
- * Cash disbursements journal

The physical posting of the general ledger is done by the appropriate Technician. Accounts Payable will post the Payable check runs. The Payroll technician will post her Payroll runs each week. An Incremental posting tape will be put in to back up the posted transactions as they occur. The posting to the general ledger should be referenced as to its source.

All Journal Entries will be entered into the accounting system by the Accountant. The person creating the Journal Entry will sign, as well as the person entering into the General Ledger (Accountant). All Journal entries will be authorized by the Finance Manager before entering into the system.

After posting to the general ledger, the control accounts should be re-totaled to reflect the new balances. The general ledger accounts should then be re-added to determine that the general ledger is in balance after the posting from journals.

Documentation of Entries Not Originating from Journals

2.2 All entries (recurring and nonrecurring) that do not originate from journals should be supported by journal vouchers that are pre-numbered.

Accounting systems record transactions as they occur on a historical cost basis. However, simply recording transactions as they occur does not always provide an accurate basis for reporting the financial position and operating results of an organization. For instance, the College may receive revenue which has not yet been earned. This revenue must be recorded as a deferred revenue until the expenditures are incurred to match these revenues. Likewise, other adjustments are periodically required to adjust the recorded transactions, such as accruing certain items of income and expense or correcting posting errors.

2.2.1 Certain entries, called recurring adjusting journal entries, are made every period. These entries include, but are not limited to, the following:

- * Due to/due from
- * Indirect cost charges
- * Accrual of interest expense on notes that are not paid within each accounting period.

The College should identify these recurring adjusting journal entries for posting to the general ledger in each accounting period. These entries are posted to the general ledger automatically as part of the closing process.

2.2.2 Nonrecurring adjusting journal entries must be prepared to properly reflect account balances. Nonrecurring adjusting journal entries include, but are not limited to, the following items:

- * Correction of posting errors
- * Accrual of income and expense items
- * Recording of noncash transactions

Adequate Documentation for All Journal Vouchers

2.3 All journal vouchers for journal entries should be prepared only on the basis of adequate supporting documentation.

Authorization of Entries

2.4 All journal vouchers for entries into the general ledger should be authorized by the Finance Manager.

Review of All Authorized Vouchers

2.5 A review should be performed of the sequential voucher numbers to ensure that all entries have been made.

3. *ADEQUATE GENERAL LEDGER MAINTENANCE*

Policy The general ledger should be adequately maintained.

General As stated throughout this section, the general ledger accounts are the source of all of the financial reports used by management. It is therefore critical that the accounting records, after the entry of transactions in them, are properly controlled so that they continue to reflect accurately the operations of the College.

Procedures **Preparation of Trial Balance**

3.1 A trial balance should be prepared monthly from the general ledger. A trial balance is a listing of all general ledger accounts and their balances as of a particular date. The trial balance will verify that the general ledger accounts balance (debits equal credits) and serves as a workpaper to make adjustments to any accounts to correct their balances.

Performance of Reconciliations

3.2 Reconciliations should be performed between control accounts maintained in the general ledger and the subsidiary ledgers.

Review of Trial Balance and Reconciliations

3.3 The trial balance and the reconciliations should be reviewed by the Business Manager. The reasons for differences noted should be investigated and any adjustments properly processed.

Close of Revenue and Expense Items

3.4 At the end of the fiscal year, all items of revenue and expense should be closed so that they will not carry over to the next fiscal year. After all of the required adjustments have been made to the general ledger, the College should prepare a closing entry. A closing entry is an entry that will create a zero balance in each revenue and expense account when the entry is posted to the general ledger. Since these accounts will not balance, the entry will include a credit to fund balance for the excess of revenues over expenses, or a debit to fund balance for the excess of expenses over revenues. After the closing entry is posted to the general ledger, the revenue and expense accounts should be zero, and the general ledger is ready to begin accepting transactions for the next fiscal year.

Section V

CASH

1. CASH MANAGEMENT

Policy The College should maintain an effective system of cash management that anticipates cash needs and plans adequately to satisfy them.

General Cash is required to pay for all assets and services purchased by the College and to meet future obligations as they come due. The disbursement of cash, therefore, is a regular occurrence, and a sufficient level of cash should be kept available to meet these requirements. However, cash is not a productive asset as it earns no return. Therefore, only cash necessary to meet anticipated day-to-day expenditures plus a reasonable cushion for emergencies should be kept available. Any excess cash should be invested in liquid income-producing instruments.

Procedures **Maximizing Return on Idle Funds**

1.1 Cash not required for operations should be invested in short-term investment vehicles.

Expediting of Cash Receipts

1.2 The time lag between service performance and the deposit of funds to the College's bank account should be kept to a minimum.

Deferring Disbursements

1.3 Cash disbursements should be released at the latest acceptable time, without affecting relationships with vendors. Early payment discounts should be taken advantage of if they result in benefit. Checks should be mailed at the end of the day and, if possible, at the end of the week.

Cash Budgets

1.4 A cash budget should be prepared in order to effectively manage cash balances. The budget should be built around the three basic aspects of cash management: operations, cash flow, and financial condition.

The budget should be prepared on an annual basis, broken down by month. Monthly reports will let you monitor each component by comparing actual performance with budget, both for the current month and cumulatively.

2. *CASH RECEIPTS*

Policy Control should be established over all cash and checks received, and they should be deposited promptly in the College's bank accounts.

General Cash receipts should be protected from misappropriation. Physical access to cash receipts and cash receipt records should be limited to authorized personnel. Additionally, cash receipts should be recorded in the appropriate period.

Endorsement of Checks

2.1 Checks should be restrictively endorsed immediately.

Bank Deposits

2.2 All cash is received by an Account Technician (Payroll Clerk) and a pre-numbered written receipt is filled out. An Account Technician (Payroll Clerk) turns all cash and written receipts over to the accountant. The accountant will verify the cash received and prepare the cash for deposit. The Accountant will verify the deposit with an Account Technician (Accounts Payable Clerk) and place deposit in a locked bank bag for deposit with the local bank by the Accountant or Finance Manager.

The Accountant enters and posts deposits into the system. The computer generates cash receipts journal by CR number, which shows journal entry to revenue and cash.

Un-deposited cash is kept in the business office in a locked, fire-proof file cabinet.

All cash receipts and check remittances should be deposited intact daily.

Reconciliation of Cash/Checks Received to Bank Deposit

2.3 Records of cash receipts and summaries should be compared to deposit slips and bank statements by persons other than those who handle cash receipts (e.g., as part of the bank reconciliation procedure in 5.0).

Summarize Cash Receipts

2.4 Records of cash receipts should be summarized and totals established for posting to the cash receipts journal.

3. *DISBURSEMENTS FROM BANK ACCOUNTS*

Policy Disbursements from bank accounts should be made only for valid transactions.

General The payment for goods and services, whether accomplished by check or bank transfer, should be organized to ensure that no unauthorized payments are made, that complete and accurate records are made of each payment, and that payments are recorded in the appropriate period. Additionally, physical access to cash and unissued checks must be restricted to authorized personnel.

Procedures **Preparing Checks**

3.1 Checks should be prepared based on the determination that the transaction is valid and is in accordance with the following College procedures:

3.1.1 A determination that the transaction is valid should be accomplished by reviewing the following supporting documentation as applicable:

- * Purchase order
- * Original vendor invoices
- * Payroll records
- * Remittance advice
- * Check request

The President's Office is the final authority for purchasing. Four signatures are required on the Purchase Order/Check Requisition. (1) Person Requesting (2) Director of Program purchase is coming from (Authorizing Person). (3) Business Manager and (4) President. The Finance Manager will delegate the signing of purchase orders to the Accountant in the event the Finance Manager is not available.

Either a purchase order or a check request is needed for any and all purchases with the appropriate signatures. A purchase order is not needed for such purchases as payroll and regular monthly utility bills.

All payments, other than travel, payroll, monthly utility bills and scholarship payments require the use of a purchase order number. The above mentioned require the appropriate authorization.

3.1.2 Certain elements require blanket purchasing authority. A blanket purchase order is issued at the beginning of a month with a "not to exceed" amount and utilized for that vendor for one month at a time. The department making the blanket purchase order is responsible for keeping good receipt records and indicating as such on the receiving report form.

- 3.1.3** The Purchase Orders are pre-numbered and used sequentially. A log is kept and reviewed periodically for outstanding or missing purchase order numbers.
- 3.1.4** Some items of a recurring nature do not require signatures from all funding sources. The Business Manager will sign for those payments. Examples are telephone, long distance, electricity, heat and any other utility that is billed to the college as a whole. Utility bills paid directly to departments residing outside the base college campus will initiate the proper payment requests for those services.
- 3.1.5** Invoices not supported by an approved purchase order will not be paid. When such an invoice is received, the accounts payable clerk will immediately notify the vendor that the purchase was not authorized by the College, and will not be paid by the College.
- 3.1.6** All cash disbursements should be made by check. All transfers of cash between cash accounts must be approved in writing by the Business Manager. Transfers made by telephone require journal voucher entries and must be approved in advance and in writing by the Business Manager.
- 3.1.7** Cash disbursements not considered emergencies, will be processed and distributed monthly for vendor payments and every Wednesday afternoon for travel, student stipends, and payroll expenditures.
- 3.1.8** Checks will be written each Wednesday of the month. All requests for payment must be turned in by 2PM on the previous Tuesday. Checks written within the realm of the approved budget may be stamped with Two signatures by a person who did not originate or run the checks. Two hand signatures are required for purchases of \$3000 and over and do not fall into the realm of the approved budget. Checks for monthly utilities, negotiated contracts, travel, student stipends, scholarships and payroll do not need to be hand signed by authorized signatories but can be stamped.
- 3.1.9** Checks may be prepared outside the normal cash disbursements cycle in emergency situations. However, these emergency check requests will require the approval of the President:
- * Checks to taxing authorities or federal agencies if the delay in processing a check under the normal cash disbursements cycle would incur penalty or interest charges.
 - * Unexpected hardship payments such as death in the family
- 3.1.10** Checks should be prepared by persons other than those who initiate or approve any documents that give rise to disbursements.
- 3.1.11** Checks should be designed or completed in such a way to make subsequent unauthorized alteration difficult through the use of protective paper, check imprint, and so on.

3.1.12 The following procedures should be prohibited:

- * Checks payable to "bearer" or "cash"
- * Checks signed in blank
- * Altered checks

Check Signing

3.2 Checks should be signed by at least two officials ("signatories") other than those who approved the transaction for payment. The approved officials are the President, Business Manager and three members of the Board of Regents.

3.2.1 Each signatory or designated employee should examine the original supporting documentation to ensure that each item has been checked and approved in accordance with the College's procedures.

3.2.2 The check signing machine will be locked in the Accounting Department when not in use. Access to the check signing machine should be limited to only designated individuals.

Two-copy checks should be used, with one of the copies having "nonnegotiable" printed on them. The copies of the checks should be distributed as follows:

- * Vendor (negotiable copy)
- * Attached to voucher package and filed by vendor

Disbursement of Checks

3.3 After signing, all checks should be forwarded directly to the payee without being returned to the originators or others who are in a position to introduce documents into the cash disbursement system.

Cancel Supporting Documents

3.4 The supporting documents should be canceled by the signatory (or under the control of the signatory) to prevent double payment.

Maintenance of Check Control Log

3.5 A separate record of checks being processed should be maintained by using a control log. The control log should contain:

- * the sequence of checks issued;
- * the name of the person to whom the checks are issued;
- * the date the issue was made;
- * the signature of the custodian in charge of the supply of unissued checks;
- * if applicable, the sequence of checks returned and/or voided; and
- * the signature of the person who has returned voided or unused checks.

- 3.5.1** All checks should be sequentially pre-numbered so that it can be established that all checks have been accounted for.

Ideally, all transactions should be recorded on pre-numbered documents. Although they can be sequenced after preparation, the first method is preferred. In many systems where the computer generates checks, the check will contain two numbers, the preprinted number and the number printed by the computer. These two should be the same to make control easier.

- 3.5.2** The usage of checks should be accounted for by reconciling the quantity of checks issued to cash disbursement records. This should be performed by persons other than those who have custody of un-issued checks.

- 3.5.3** Supplies of un-issued checks should be properly safeguarded.

Summarize Cash Disbursements

- 3.6** All checks should be summarized and recorded in the appropriate books of original entry. (This summary reflects the credit to cash and debit to accounts payable).

4. PETTY CASH

Policy To make the cash disbursement function more efficient with proper guidelines to ensure that all cash disbursements are based on sound cash management practices, are in the best interest of the college and comply with policy and funding agency regulations.

General An authorized employee who wishes to utilize petty cash will need to complete a Check requisition made out to Petty Cash. When the proper signatures are obtained, they will turn it to the Accountant. The Accountant will then complete a Transaction Control Sheet and have the withdrawer sign it. The Accountant signs this document as well. Upon the return of the receipt, the Accountant will complete a Petty Cash Expense Report.

- Procedures**
- 4.1 Petty Cash on hand will not exceed \$200. All petty cash will be Kept in a locked drawer in a secured location.
 - 4.2 Petty cash will be used for expenditures under \$50 when it Would facilitate ease of operations.
 - 4.3 Prior to receiving petty cash, a Petty Cash request must be properly filled out with authorized signatures (Budget Control, Requestor, Authorizing Personnel & President) and the account number to be charged.
 - 4.4 The approved petty cash request must be submitted to Accountant. At that time, a **Petty Cash Transaction Control Sheet** will be completed with Withdrawer and Accountant signatures.
 - 4.5 At the time the invoice/receipt is submitted (within five (5) business days after purchase), a **Petty Cash Expense Report** will be completed. If the invoice/receipt is not submitted within five business days, the withdrawer will be held responsible for the amount received. In this instance, the documented amount may be deducted from the employee's payroll.
 - 4.6 All other disbursements must be made by check.
 - 4.7 Finance Manager will reconcile petty cash monthly or as needed and sign **Petty Cash Reconciliation Form.**
 - 4.8 Accountant will then fill out a check request with appropriate documentation attached (all receipts, control sheets, & expense reports). The Accountant will code the check request according to the individual requests to replenish petty cash.

5. *BANK RECONCILIATIONS*

Policy Adequate steps should be taken to confirm the accuracy of the bank balances shown in the general ledger.

General Each month, data on cash receipts and disbursements journals should be compared with the details reported on bank statements. Unmatched and mismatched data are used to reconcile the book and bank balances. The reconciliations should be performed by general accounting personnel (who do not have access to cash and are not involved in processing or recording cash transactions).

Procedures **Preparing Bank Reconciliations**

5.1 Bank balances, as shown by the bank statements, should be reconciled monthly with the general ledger balance. Data on cash receipts journals and cash disbursement journals should be compared on an item-by-item basis with the details reported on bank statements. Mismatches should be listed for investigation.

The Finance Manager will pick up the bank statement from the bank. The Finance Manager is responsible for reconciling the bank statement and keeping the reconciled information.

Determination of Reconciling Items

5.2 Discrepancies between general ledger cash balances and closing balances reported on bank statements usually result from transactions recorded in cash journals but not yet processed and recorded by banks (such as deposits in transit and outstanding checks) and items on bank statements not yet processed and recorded by the College (such as bank service charges). Most of those items do not require investigation. Generally, accounting personnel (who do not have access to cash and are not involved in processing and recording cash transactions) should investigate all significant:

- * unmatched data in cash receipts and disbursements journals that fail to clear banks within a reasonable period of time,
- * unmatched items on bank statements unanticipated or judged erroneous by the College, and
- * mismatched items in cash receipts and disbursements journals and bank statement items.

Review of Bank Reconciliation

5.3 Bank reconciliations and proposed adjustments to general ledger cash balances and cash detail files should be reviewed and approved by the Business Manager.

5.4 Sample Reconciliation of Bank and Book Balances to Corrected Balance

Sample Reconciliation of Bank and Book Balances to Corrected Balance

Account No. _____
For Month Ended XX/XX/XX

Reconciliation of Bank Balance

Ending Balance per Bank Statement	\$10,000.00
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Additions:

Deposit in Transit	2,500.00
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Deductions:

Outstanding Checks	
#1003	150.00
#1232	325.00
#1235	<u>1,275.00</u>
	<u>1,750.00</u>

Corrected Balance	<u>\$10,750.00</u>
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Reconciliation of Bank Balance

Ending Balance per Books	\$10,715.00
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Additions:

Interest	100.00
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Deductions:

Bank Charges	50.00
Wire Transfer Fees	15.00
	<u>65.00</u>

Corrected Balance	<u>\$10,750.00</u>
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- 5.5.1** Upon receipt of the monthly bank statement including cleared checks, deposit slips and any other transaction notifications, the monthly bank reconciliation will be prepared by general accounting personnel (who do not have access to cash and are not involved in processing or recording cash transactions).
- 5.5.2** The first section of the monthly reconciliation will be started with the ending balance per the bank statement.

Next, any deposits in transit that were made by the College but were not yet recorded by the bank will be listed and added to the bank balance.

Next, any checks that were written on the account prior to month-end but which have not yet cleared the bank, will be listed and deducted from the bank balance.

From these steps, the "corrected" ending balance will be derived for the first section of the bank reconciliation.

5.5.3 The second section of the monthly reconciliation will be started with the ending balance per the College's books.

Next, any interest or any other bank credit items will be listed and added to the balance.

Next, any bank charges, transfer fees, etc. will be listed and deducted from the balance.

From these steps, the "corrected" ending balance will be derived from the second section and should equal the "corrected" balance for the first section.

5.5.5 Any discrepancies between these two balances will require research to determine the cause, such as recording errors, omissions, mispostings, etc. This can also include recalculation of the bank statement for any possible errors made by the bank.

5.5.5 Any book reconciling items such as interest, bank charges and any recording errors will be summarized and drafted in journal entry form for recording the general ledger.

5.5.6 Further, any outstanding checks over six months old will be reviewed for disposition including write-off by journal entry.

Section VI

INVESTMENTS

1. *INVESTMENT OF IDLE FUNDS*

Policy Funds not presently needed for College operations should be invested. Such investments should be properly authorized and accurately accounted for.

General The College should invest available funds in order to maximize earnings and minimize risk during the period of availability of the funds. The overall investment policy, specifying the needed liquidity of investments, acceptable risk, and expected returns, should be established by the Board of Regents. The following is a description of certain types of investments the College might have. This listing is not intended to be all-inclusive but rather to present common forms of investments:

- * Demand deposit accounts offered by financial institutions. Include passbook savings, statement savings, and money market savings accounts.
- * Time deposit accounts-also offered by financial institutions. Require that the deposit remain at the institution for a specified period of time. Withdrawal of the deposit prior to the expiration of that time period may result in a loss of earnings. A certificate of deposit (CD) is an example of a time deposit account.
- * U.S. government obligations-include Treasury notes and bills issued by the U.S. government. Treasury notes bear interest at a specified rate payable semiannually. Treasury bills are sold at a discount from face value with the discount representing earnings during the period held by the purchaser.
- * Municipal bonds-include tax-exempt, long-term debt issued by state and local government agencies. These bonds pay a specified interest rate over the life of the bond and may be sold at a premium over or a discount from face value.

Procedures **Investment Policy**

1.1 The Board of Regents should set the investment policy for the College. The investment policy should provide general guidelines regarding the type of investments deemed appropriate and the objectives of each investment. A specific set of procedures should be adopted to address the following areas, at a minimum:

1.2

- * Designation of personnel to approve certain transactions such as purchases and sales
- * Designation of personnel to have access to investment certificates
- * Investment and investment earnings recording

- * Designation of personnel to review and approve investment accounting, bank and broker statement reconciliations, adjustments to the carrying value of investments, and other decisions regarding investments.

- 1.2** Annually, the Board of Regents should authorize the use of specific depository and investment banks and brokerage firms. This authorization should be documented in the minutes of the applicable Council meeting and communicated to the appropriate personnel. As a part of the annual authorization process, the Board of Regents should evaluate the College's prior relationship with banks and brokerage firms to determine suitability for renewal. Such evaluation should consider service responsiveness, types of investments offered, quality of investment advice, service and transaction charges, and any other relevant criteria.

Authorization of Investments

- 1.3** All transactions regarding investments should be properly authorized by a designated official and recorded in an investment control log. Such transactions include:

- * purchases
- * sales

Investment Purchases

- 1.4** Investment purchases should be made by check or bank transfer after compliance with the following procedures:
- (a) A determination that the purchase transaction is properly authorized in accordance with College policy (see 1. 1).
 - (b) A determination that the investment authorization is properly documented by use of an investment purchase/sale authorization or other form.
 - (c) Preparation of a check requisition or a bank transfer request to accompany the investment purchase/sale authorization form.
 - (d) Assignment of an investment number for authorization and control purposes. Investment numbers should be controlled and sequentially issued.

Investment Sales

- 1.5** Investment sales should be transacted after compliance with the following procedures:
- (a) A determination that the sale transaction is properly authorized (see 1.4(a)).
 - (b) A determination that the authorization is properly documented by use of an investment purchase/sale authorization or other form.
 - (c) The investment certificate should be sent to the agent handling the sale transaction for investments held on the premises (once (a) and (b) have been completed). Authorization to the agent should be communicated in writing. If investments are kept off site, authorization to release the document from safekeeping should be provided to the custodian. The

custodian should provide the College with a receipt documenting the release from safekeeping. The receipt should be filed in the investment file (see 2.7).

- (d) The investment control log should be updated. An adjustment of the carrying value of the investment must be made to reflect partial or complete sale of the investment.

Investment Sales Proceeds

- 1.6** Proceeds from the sale of investments should be received either by check or bank transfer. The check or bank transfer should be processed in accordance with the procedures outlined in Section IV-2.0. A copy of the receipt or deposit ticket should be included in the investment file.

Investment Results Reports

- 1.7** Monthly reports detailing the earnings and activity in all investment accounts should be prepared and distributed to the Board of Regents. The summary of all transactions should be recorded in the general ledger through the use of a journal entry. Journal entries should be reviewed by the Business Manager.

Reconciliation of Investment Accounts

- 1.8** Investment account balances should be reconciled regularly with the general ledger balance. Such reconciliation should be reviewed and approved by the Business Manager.

Investment Account Balances Agreed to Bank/Broker Statements

- 1.9** Amounts recorded on the supporting schedules should be reconciled to broker/bank statements monthly. The Business Manager should review and initial these reconciliations.

2. *SAFEGUARDING OF INVESTMENTS*

Policy All investments should be safeguarded against physical loss or misuse.

General All investments should be properly controlled to safeguard against theft, misuse, or damage. Certificates and other investment documents should be properly controlled by authorized personnel and bankers or brokers, if any.

Procedures Investments Held by Authorized Agent

2.1 Certain investments may be held by an authorized agent dependent upon the type of investment activity. For instance, banks may or may not issue passbooks or certificates for demand and time deposits. Investments of this type should be held in a separate account, the activity of which will be reported on a periodic statement. In addition, other investments such as bonds, notes, or stock certificates may be physically controlled by a broker, bank, or bank trust department. If investments are held by an unrelated organization, a safekeeping receipt should be received in support of each transaction.

Investment Certificate or Safekeeping Receipt

2.2 An investment certificate or safekeeping receipt and a statement should be received in exchange for the check or bank transfer. For purposes of this section, an investment certificate refers to any evidence of investment including savings account passbooks, certificates of deposit, notes, bonds, stock certificates, and so on.

Investment Control Log

2.3 The investment certificate statement or safekeeping receipt may not be received until several days after the settlement date. Therefore, purchases in progress should be recorded on the investment control log. The investment control log should be updated with each change in status (i.e. trade date, settlement date, when the certificate or safekeeping receipt is received, etc.).

Physical Safeguards

2.4 All investment certificates kept in the College's offices should be physically safeguarded against theft, loss, misuse, or damage. The certificates should be kept in a locked, fireproof safe. If a safe is not available, a locked file cabinet should be utilized for temporary storage. Regardless of the storage facility used, it should be accessible only to authorized personnel. In addition, the safe should be opened only by authorized personnel, when accompanied by an authorized witness.

Investment Access Control Log

2.5 An investment access control log should be established and maintained. Such a log documents the important data regarding the safekeeping access, including date, time, personnel, witness, documents accessed, and so on.

Investment Storage Facility

- 2.6** If the College does not have a suitable investment storage facility on site, then arrangements should be made to rent a safety deposit box at a financial institution. The safety deposit box should be accessible only when two authorized personnel are present. A safekeeping access control log should be utilized.

Preparation of Investment File

- 2.7** The College should prepare an investment file for each investment. The file, established when the investment number is assigned, should contain the following documents:
- * Original investment authorization form
 - * Copy of the check request
 - * Copy of the investment certificate, statements, or original safekeeping receipt forms
 - * Purchase and sale correspondence, communications, etc.
 - * Copy of the deposit ticket/receipt for sales proceeds
 - * Copy of the investment gain/loss calculations
 - * Copy of the interest income or dividend earnings worksheet

Section VII

PROPERTY

1. ADDITIONS TO FIXED ASSETS

Policy All additions to fixed assets should be properly authorized. Expenditures for tangible assets used actively in College operations that benefit a period exceeding one fiscal year should be capitalized. (It should be noted that record-keeping expediency permits expensing capital asset costs of relatively small individual amounts such as less than \$500.)

General Fixed Assets are generally categorized by the following broad asset types:

- * Land
- * Buildings and improvements
- * Furniture, and office equipment
- * Computer equipment, including purchased software
- * Automobiles and transportation equipment

Procedures Approval of Capital Budgeting

1.1 Capital budgets should be submitted along with operating budgets for review and approval by the appropriate levels of management.

Fixed Asset Purchase Authorizations

1.2 No purchase of fixed assets should be made without proper authorization and review to ensure compliance with budget guidelines and sound investment decision making.

Approval of Requests

1.3 Requests should be submitted and approved via the College's purchase order procedures.

- (a) Requests should be required for all fixed asset expenditures for which the cost exceeds a record-keeping dollar threshold of \$500.
- (b) The request should specify the reason for the request and the estimated cost.

Long-Term Lease or Purchase

1.4 Obtaining the use of fixed assets through long term leases is an alternative to outright purchase. Leases vary in term, assumption of expenses, and many other details. The purchase-versus-lease decision should be based upon the basis of net cost, considering:

- * cash-flow consideration,
- * financial statement presentation, and
- * suitability of the asset to leasing (i.e., some assets, such as computers, are subject to rapid technological change and may not be of as much benefit to the College after a few years).

2. ACCURATE RECORDS OF FIXED ASSETS

Policy Accurate records should be maintained for the cost of fixed assets.

General The acquisition of fixed assets should be organized to ensure that no unauthorized acquisitions have been made and that records of each acquisition are accurate, complete, and recorded in the appropriate period.

Procedures Receipt and Identification of Fixed Assets

2.1 All fixed asset items should be identified upon their receipt by the use of a pre-numbered tag:

- * The tag should be permanently affixed in a readily visible area.
- * The number on the tag should be recorded in the computerized detailed fixed asset ledger.
- * The location of the asset installation should be recorded in the detailed fixed asset ledger.

Review of Purchase Price Variances

2.2 For each item purchased, a comparison should be made of the actual versus estimated cost. Differences should be explained and approved by the Business Manager.

Maintenance of Detailed Fixed Asset Ledgers

2.3 Detailed fixed asset ledgers that are accurate and complete should be maintained for the following classifications:

- * Land and buildings
- * Furniture and office equipment
- * Computer equipment, including purchased software
- * Motor vehicles
- * Other

Depreciable Assets Net Acquisition Costs

2.4 All assets should be carried in the accounting records at the original net acquisition cost. Purchased items of fixed assets that meet the capitalization requirements are to be capitalized at the invoice price plus all charges incurred to prepare the asset for operations.

2.4.1 Cost of acquisition or construction includes not only the contract or invoice price but also such costs as preliminary engineering studies and surveys, legal fees to establish title, installation costs, sales tax, freight, and labor and material used in construction or installation.

2.4.2 Cash discounts taken should be recorded as a reduction of the cost.

Posting to Detailed Ledger

- 2.5 Asset additions, disposals, and period depreciation should be posted to the detailed ledger regularly.

Reconciliation to General Ledger

- 2.6 On a periodic basis, the detailed fixed asset ledger should be reconciled with the general ledger for asset cost and accumulated depreciation.

Investigation and Resolution of Differences

- 2.7 Any differences disclosed by the reconciliation in 2.6 should be investigated and resolved.

Review of Differences

- 2.8 The results of the reconciliation should be reviewed and approved by the Business Manager before any adjustments to the account are recorded. Such review should be evidenced by a signature.

Expenditures-Capitalization vs. Expense

- 2.9 Repair expense should be distinguished from expenditures for improvements, additions, renovations, alterations, and replacements.

- (a) Expenditures are repair expense if they do not materially add to the value of the property and do not materially prolong the life of the property. Examples of repair expense:

- * Replacing loose or damaged shingles
- * Replacing broken glass
- * Painting and decorating a room
- * Resurfacing a parking lot
- * Making temporary repairs to last less than one year
- * Making minor repairs to fully depreciated assets

- (b) Repair costs that increase the value of property, prolong its life, or adapt it to a new or different use are capital expenditures. If the life of the asset has been significantly extended, the remaining original cost and the repair cost should be depreciated over the new life. Examples of repair expenditures that are capital expenditures:

- * Replacing floors
- * Replacing a roof, thereby substantially prolonging its life
- * Reconditioning equipment, thereby extending its life
- * Replacing an auto's or a truck's engine
- * Overhauling an auto or truck that was substantially worn out
- * Installing a new heating system

- (c) Other expenditures that may be capitalized:

- * Land improvements that depreciate over time (e.g., parking lots)
- * Structural changes or alterations to College-owned buildings, which become a part of a building and increase its life or value
- * Significant improvements to property leased by the College, improvements that add value to the leasehold (e.g., permanent office partitions)

3. *EXISTENCE OF FIXED ASSETS*

Policy Control should be maintained over fixed assets and their related records to ensure that all recorded assets exist and are in use for operations.

General The physical existence of fixed assets should be verified and reconciled to the fixed asset records.

Procedures Identification and Record of Assets

3.1 At the time of acquisition, all assets should have been identified, tagged, and entered into the computerized detailed fixed asset ledger. The tag should have been placed in a visible area. The tags provide a clear method of tracing the asset on the floor to the fixed asset ledger.

Annually, the College should take a physical inventory of all fixed assets to ensure the completeness and accuracy of the College's records.

- (a) The inventory process should be overseen by responsible Accounting Office employees who are not responsible for the custody or record keeping of the assets.
- (b) All assets should be examined to determine that they are currently being used.

Comparison to Detailed Records

3.2 At the time the purchase order is being made, the Administrative Assistant assigns and attaches a tag to purchaser's copy of the purchase order. At the time the item is received, the purchaser will place the tag on the item. The original log kept by the Administrative Assistant will be checked periodically to track all inventory and make sure it is placed where it was intended.

Resolution of Differences

3.3 All differences should be resolved by a responsible Accounting Office employee.

4. *DISPOSAL OF FIXED ASSETS*

Policy Disposal of fixed assets should occur only after proper authorization has been given.

General Control over the disposition of fixed assets should be maintained not only to preserve the accuracy of the records but also to ensure that assets are safeguarded, improper disposal is avoided, and the best possible terms are received for disposal.

Procedures Documentation of Disposal

4.1 No item of College fixed assets should be removed from the premises without a properly approved disposal form.

Recording Disposal

4.2 Once the retirement has been properly approved and documented, the following procedures apply to the recording of the transaction:

- (a) At the time the fixed asset is retired, the cost should be removed from the general ledger; and the profit or loss, adjusted for the cost of removal, should be recorded as an income (gain) or expense (loss) item.
- (b) When the disposal is via a trade-in of a similar asset, the acquired asset should be recorded at the book value of the trade-in asset plus any additional cash paid. In no instance should such cost exceed the fair market value for the new asset.

4. *ESTABLISHMENT OF ACCOUNTS PAYABLE*

Policy All valid accounts payable transactions, and only those transactions, should be accurately recorded as accounts payable.

General The amounts recorded should be based on vendor invoices for the related goods or services. The vendor invoices should be in agreement with an approved purchase order. Furthermore, evidence of receipt or performance should be in the form of approved documentation before the vendor invoice can be processed. Invoices and the related general ledger account distribution should be reviewed before recording.

Procedures **Establishment of Control Devices**

4.1 Control should be established over vendor invoices as soon as they are received. Failure to establish control may result in delays in recording the invoice and cause misstatement of accounts payable and the related asset or expense accounts. Furthermore, cash discounts may be lost because of untimely processing. Vendors should be instructed to mail all invoices directly to the Accounting Office. Exceptions to this practice, for items such as confidential services, should be approved, in advance, by the Board of Regents.

Preparation of the Voucher Package

4.2 A voucher package should be assembled with the following documents:

- * Vendor invoice.
- * Purchase order.
- * Requisition.
- * Authorization of acceptance of goods or services.

Procedures Performed on Voucher Package

4.3 After the voucher package has been assembled the following procedures should be performed:

- * The nature and quantity of goods ordered and the price per the vendor invoice should be compared to the purchase order and the receiving report.
- * Calculations of the invoice, such as totals and extensions of quantities multiplied by unit price, should be recomputed.
- * The general ledger account distribution should be entered on the purchase order.
- * The voucher package and related general account distribution should be reviewed and approved by the employee responsible for budget control.

Recording Invoice in the General Ledger

4.4 After the voucher package is complete, the vendor invoice is ready for recording. The following information should be entered into the computer system:

- * Vendor name
- * Vendor invoice number
- * Date of vendor invoice
- * Amount of invoice
- * General ledger account
- * Date invoice is to be paid
- * Discount, if applicable

4.4.1 Upon the posting of the vendor invoice to the computer system, the vendor invoice has been recorded in the accounting system as a liability. Control over the completeness of posting should be provided by batch control totals. The use of control totals can be accomplished by running an adding machine tape of the invoice amounts. The total posted into the computer system should equal the adding machine tape total.

Posting Vendor Invoices to the Accounts Payable Sub-ledger

4.5 When vendor invoices are posted to the computer system, the amount of the invoice should also be posted to the accounts payable subsidiary ledger. The accounts payable subsidiary ledger is a file of the individual vendors and the amount owed to each vendor. Likewise, cash payments to vendors should also be posted to the accounts payable subsidiary ledger. The total of amounts owed to the vendors per the accounts payable subsidiary ledger should equal the accounts payable account total per the general ledger (control account).

Reconciliation of A/P Sub-ledger to A/P General Ledger

4.6 At the end of each accounting period, the total amounts due to vendors per the accounts payable subsidiary ledger should be reconciled to the total per the accounts payable general ledger account (control account). All differences should be investigated and adjustments made as necessary. The reconciliation and the results of investigation of differences should be reviewed and approved by the Business Manager.

In addition, the accounts payable subsidiary ledger should be maintained by individuals other than those who post to the accounts payable subsidiary ledger and who maintain the control account in the general ledger.

Review of Debit Balances in Accounts Payable

4.7 The accounts payable subsidiary ledger should be reviewed at least monthly for debit balances (amounts vendors owe to the College). In reviewing debit balances, the accounts payable clerk should ascertain if the College will receive cash from the vendor or if an offset to another invoice is appropriate. If there is a significant dollar amount of debit balances in accounts payable, this debit balance should be removed from accounts payable and recorded in accounts receivable.

Reconciliation of A/P Subsidiary Records to Suppliers' Records

4.8 Accounts payable subsidiary records should be periodically reconciled to suppliers' records by comparison with suppliers' statements.

Approval and Review of Discrepancies in 4.8

4.9 The reconciliations in 4.8 and the results of any investigation of differences should be reviewed and approved by the Business Manager.

5. *PURCHASE CUT-OFF*

Policy The liability for goods or services should be recorded in the same accounting period in which the goods are received or services are provided.

General At the end of accounting period, procedures should be in place to ascertain that the related liabilities for goods or services received during the accounting period are also recorded in the same accounting period.

Procedures **Procedures for Proper Purchasing Cut-Off at End of Accounting Period**

5.1 Time delays in receiving and processing vendor invoices for goods and services can cause the College to record the liabilities for the related goods and services in a subsequent accounting period. The College should implement special procedures at the end of an accounting period to ascertain that all liabilities are recorded and a proper purchasing cut-off is achieved. These special procedures include the following:

- (a) Closing of the accounting records should be delayed for a few days to allow receipt of vendor invoices.
- (b) Receiving reports should be stamped "before end of period" to indicate that goods or services have been received in the accounting period and that the related liability must be reported. This should be performed for receipts on or shortly before the last day of the accounting period.
- (c) Likewise, receiving reports for goods received shortly after the last day of the accounting period should be stamped "after end of period."
- (d) Receiving reports that have not been matched with the related vendor invoice should be accumulated and a liability recorded. Recording this liability is a special entry because the related invoices have not been processed through the voucher system. The dollar amounts for these liabilities can usually be obtained from the related purchase orders.
- (e) Typically, the entry to record the liability for unmatched receiving reports, as discussed in (d) above, should be reversed in the subsequent accounting period.
- (f) The numerical file of receiving reports kept in the receiving department should be reviewed to ensure that all receiving reports for goods received during the period have been processed through the accounts payable system or included in the purchase cut-off entry for unmatched receiving reports.

Section VIII

**PURCHASING
AND ACCOUNTS
PAYABLE**

1. DETERMINATION OF NEEDS

Policy Determination of College needs for goods and services should be made by appropriate personnel.

General The determination of needs for goods and services, such as equipment, office supplies, and professional services, should be made by qualified individuals of the College that consider adequate quantities, reasonable prices, timely receipt, proper specifications, and desired quality. The individual must also consider and avoid the disruption of operational efficiency because of improper or untimely purchases and potential losses and use of cash caused by excessive purchases.

Procedures

Methods to Determine Needs

- 1.1** Purchasing requirements, categorized by the type of goods or service, should be determined according to the following methods:
- (a) The need for services that are provided on a recurring basis by the same vendor, such as utilities, telephone, periodicals, or janitorial services, should be determined initially by authorized persons and, thereafter, provided continuously or not re-determined until the end of the contract period.
 - (b) Determining the need for specialized services, such as insurance and legal and accounting services, should be the responsibility of designated individuals or the Board of Regents.
 - (c) The need for occasional goods and services should be identified by the user and approved by a responsible person, such as the Business Manager. (See policy for approval in Cash Disbursement Section)

Preparation of Requisition Forms for Goods and Services

- 1.2** Requisition forms for goods and services are prepared by the user department and contain the following information:
- (a) Vendor-name and address of vendor if it is appropriate for user to specify the vendor from which they desire to purchase the product or service.
 - (b) Billing address-specific location where invoices should be sent.
 - (c) Date requested - the date the requisition was made by user department.
 - (d) Date required - specific date that items requested are needed. Always estimate or project a specific preferred date the material or service is to be delivered.
 - (e) General ledger account code
 - (f) Tribal program name
 - (g) Item-list in numeric sequence (if item numbers are used) each separate item to be purchased.

- (h) Quantity to be purchased and delivered.
- (i) Unit of measure
- (j) Description of items ordered, including part number, name, catalog number, reference, model number, color, dimensions, and so on.
- (k) Unit price-list current unit price, if known.
- (l) Signature of requestor.
- (m) Approval-signature and date of individual authorized to approve expenditure. (Director of Program, Business Manager & President)
- (n) Control number-number used to identify specific requisition. The form should be pre-numbered.

1.3 Purchase Orders must be used within 30 days of receiving them. Original receipts and/or invoices must be turned in to the Business Office immediately. If the receipt is not in the Business office by the time the statement comes in from the vendor, the director will be held responsible for the amount of the purchase and a payroll deduction will be made.

1.4 A receipt or invoice must be submitted to the Business Office within 10 Days for all *prepaid checks*. If a receipt or invoice is not submitted within the 10 days, the director will be held responsible for the prepaid check and a payroll deduction will be made.

Initiation of Requisitions for Fixed Assets

1.4 Requisitions for fixed asset additions should be initiated by the user departments and in accordance with a capital budgeting process as described in Section 2. Approval should be received from the President, Business Manager or Program Director responsible for such a purchase. Significant purchases should be approved by the Board of Regents.

Technology Equipment Purchases

1.5 All Technology Purchased will be handled by the Technology Personnel.

Bid Guidelines

1.6 All contracts and all open market orders shall be awarded to the lowest responsible qualified supplier or contractor, taking into consideration the quality of materials or services desired and their contribution to program goals and shall conform to Tribal Ordinances. However, the board shall reserve the right to reject any and or all bids and to accept that bid which appears to be in the best interest of the College.

Ten Percent Withholding

1.7 The final ten percent (10%) of payments on agreements or contracts shall be held until the entire transaction is complete and satisfactory.

Acquisition Guidelines

- 1.8** All acquisitions greater than \$5,000 require that written bids required from two or more firms are to be opened publicly at the time indicated by bid request. Tabulations, evaluations, and order placements will be made under the supervision of the Board. Under special circumstances bids may not be negotiating over the terms or implemented when necessary for the best interest of the College under the direction of the Board.

Approval Limitations

- 1.9** At no time shall the Accountant or Program Directors solely authorize purchase orders.
- .01 The President shall have the authority to approve purchase orders of \$5,000 or less.
 - .02 The Board shall approve all expenditures exceeding \$5,000.

2. *PLACEMENT OF ORDERS*

Policy Proper approval should be obtained prior to the establishment of a firm order or contract to purchase. Administrative control should be established over orders placed.

General Requisitions for purchases should be reviewed to ascertain that the amount of requisition is within the approved College limits. Purchase orders should be made on approved purchase order forms and reviewed for correctness. Approval of the purchase orders per College guidelines should be received prior to establishment of a firm order or contract. Copies of the purchase orders should be filed to allow for timely follow-up on uncompleted orders.

Procedures **Establishment of Purchasing Guidelines**

2.1 Purchasing guidelines that define approval requirements and procedures for purchase commitments should be determined by the College management. The purchasing guidelines should contain approval limits over which the buyer is required to obtain appropriate approval prior to the establishment of a firm order or contract.

2.2 The individual requesting the goods or services will fill out purchase/payment request form before ordering or encumbering the goods or services. The purchase request is signed by the individual and submitted to the department official. The department official signs the form. The form is forwarded to the business office. The business office will sign the purchase document and forward to President's office for President's signature. The business office will then prepare a purchase order (pre-numbered).

2.3 Pre-numbered purchase orders should be prepared within one work day after receipt of the requisition form and contain the following information, as applicable:

- (a) Name and address of vendor
- (b) Ship-to information (location)
- (c) Date the order was placed
- (d) Date the goods are to be delivered or service performed
- (e) Each item listed separately with description
- (f) Specific quantity and unit of measure
- (g) Unit price or dollar amount not to exceed
- (h) Signature of authorized requestor
- (I) Signature of program director
- (J) Signature of business manager
- (K) Signature of president
- (L) All departments must purchase from college auxiliary services for the items that can be obtained through these services.

- 2.4 Local (Ft Totten) purchasing must be used unless a savings of more than 10% of the total purchasing price can be obtained.

Inventory Retention

- 2.5 Inventory over \$500.00, along with Sensitive items such as Camera's, VCR's, TV's etc, need to be tagged and inventoried **within 5 (five)** days of purchase. The information needs to be submitted to the business Office. The information needed on these items is:

- Item Purchased
- Date of Acquisition
- Cost of Item
- CCCC inventory Tag #
- Where Located
- What Program Purchased
- Serial Number

Directors are responsible for ALL Grant equipment

When a Purchase Order Requisition has been properly approved (four signatures), the Administrative Assistant will type the pre-numbered purchase order. When the Administrative Assistant returns the white copy to the originator, there will be a Cankdeska Cikana Community College Inventory tag attached. This is the tag that is assigned to the item being purchased and it is the responsibility of the program director to ensure this tag is placed on the merchandise when it is received. The Administrative Assistant will keep a log of the assigned inventory tag numbers and as the items are received, they will be removed from the log and placed in the actual inventory.

Reviewing for Accuracy

- 2.6 Before the purchase orders are released, the following review steps for accuracy should be made:

- * Dates and quantities reconciled to requisition form
- * Prices compared to master files or standards
- * Extensions and footings checked

Multiple-Copy Purchase Order Forms

- 2.7 Multiple-copy purchase order forms should be used, with copies being distributed as follows:

- * Original to vendor
- * Accounts payable clerk
- * Ordering Department to be used to verify and check goods received

- 2.8 Purchase Order Log

Purchase order must be recorded sequentially in the log book by the requestor. Vendor name, amount, date and paid or unpaid status should be included.

Review of Unmatched Purchase Commitments

- 2.9** On a periodic basis, a review should be performed of any commitments that have not been matched on the purchase order log records of goods or services received.

Approval of Review

- 2.10** The results in 2.6 should be reviewed and approved by the Business Manager.

3. *RECEIPT AND ACCEPTANCE*

Policy Control should be established over goods and services received as a basis for determining and recording the liability for goods and services received.

General The individual receiving specific goods should inspect them for conformity with specifications on purchase orders. Quantities should be verified by counting or measuring. Receipt and acceptance of a shipment should be documented on a copy of the purchase order utilized for such purpose with copies of this document being routed to the accounting office.

Procedures **Inspection of All Goods and Services**

3.1 All goods should be inspected when received. The following inspection procedures should be performed:

3.1.1 Upon receipt of any item, the following immediate action should occur:

- * Check the bill of lading or invoice for the correct delivery point.
- * Verify the number of items with the bill of lading or invoice.
- * Examine items for damage.
- * Note on the bill of lading or invoice any discrepancy (i.e., missing items, damage, etc.).
- * Sign and date the bill of lading or invoice.
- * Forward signed bill of lading or invoice to the accounting office.

Proper Communication Between Departments

3.2 The individual receiving items should contact the Program Director or Business Manager if any order has an obvious discrepancy (physical damage, wrong item delivered, quantity error, etc.) and notify the vendor.

Inspection and Approval of All Services Received

3.5 Services that are received should also be inspected or reviewed by the department supervisor or Business Manager to determine that the work was done in accordance with the purchase order or contract. Approval by the department supervisor or Business Manager should be documented on the purchase order copy or stated in memo form and sent to the Accounts Payable Clerk.

Section IX

NOTES PAYABLE
AND
LONG-TERM DEBT

1. FINANCIAL RESOURCE REQUIREMENTS

Policy The College should establish an orderly system for anticipating financial resource requirements and analyzing the most effective means of providing for those needs.

General Debt, in the broadest definition of the term, is the result of borrowing funds for a specific purpose for a specific period of time.

Short-term financing consists of debt that is expected to be repaid within the normal operating cycle of the college or within one year of the balance sheet date and can take the form of a line of credit agreement with a bank or demand notes payable.

Long-term financing is primarily debt that will not be repaid within one year. This financing, used for longer-term needs such as capital improvements and land purchases, will take the form of installment loans, mortgages, and capital leases.

Procedures College financing through the issuance of debt can entail any number of different forms and types of indebtedness. The more common forms of debt follow:

Notes Payable

1.1 Notes payable are primarily used to meet short-term needs. This debt is often collateralized by certain assets such as fixed assets.

1.1.1 Demand notes should usually be classified as a current liability because the repayment date is not specified.

1.1.2 Other notes payable may have a specified repayment date. These notes should be classified as current or non-current based on the specified repayment date.

1.1.3 Interest expense must be accrued on all notes payable, whether they are demand notes or not. Interest must be imputed on non-interest bearing notes or notes with unrealistically low interest rates. Interest should be accrued monthly over the term of the note based upon the balance of the notes payable, the stated (or imputed) interest rate, and the interest payment dates specified on the notes.

Installment and Mortgage Loans

1.2 Installment and mortgage loans are debt instruments used primarily to finance the acquisition of a specific asset. Most frequently, these loans are collateralized by the land, buildings or equipment acquired. The repayment terms of an installment or mortgage loan usually call for periodic payments to be made over the life of the debt. These payments include both an interest and principal portion. The lender should provide the borrower with an amortization schedule showing a breakdown between the interest and principal portion of each payment.

- 1.2.1** Based upon the amortization schedule, the principal portion of the payments due within the next year should be classified as a current liability while the remaining principal balance should be classified as long term.
- 1.2.2** Interest expense on installment and mortgage loans should be accrued and paid based on the amortization schedule referred to above.

2. *ASSUMPTION AND AUTHORIZATION OF DEBT*

Policy Determination of the need to assume debt should be made by the Board of Regents and all debt should be appropriately authorized.

General The issuance of all new debt as well as the extension of any existing debt should be authorized by the Board of Regents. This authorization should be documented in the minutes of the Board of Regents meetings in the form of a resolution. In some instances the creditor will require that a Board of Regents resolution authorizing the debt be included in the executed debt agreements.

Procedures **Board of Regents**

2.1 A resolution of the Board of Regents should be prepared so as to document the Board's approval of the issuance of the debt.

Debt Approval and Agreement

2.2 A copy of the resolution approving the issuance of the debt should be maintained with the executed copy of the debt agreement.

3. *SAFEKEEPING OF DEBT AGREEMENTS*

Policy Physical control of debt instruments should be maintained.

General The original executed debt agreements and debt instruments should be maintained in a safe place and the existence of these instruments should be verified periodically.

Procedures **Original Agreements and Instruments**

3.1 The original debt agreements and instruments should be obtained once they have been executed.

Physical Safety of Agreements and Instruments

3.2 These debt agreements and instruments, as well as any subsequent amendments, should be kept in a safe place such as a vault. Consideration may be given to having these agreements and instruments maintained by the college's legal counsel at an outside location.

4. *RECORD OF DEBT*

Policy All debt should be recorded in the general ledger based on the terms of the debt agreements.

General The issuance of any new debt or the extension of any existing debt should be accurately recorded in the general ledger based on the terms of the debt agreement that has been reviewed and approved by the Board of Regents.

Procedures **Cash Received in Exchange for Debt**

4.1 When cash received in exchange for certain debt is included in the standard cash receipts system, the entry to initially record this debt is prepared as part of the cash receipts process described earlier. It is, however, important to properly identify the offsetting credit and classify the debt as current or long-term based upon the repayment terms.

Cash received in exchange for debt may be received via bank wire transfer or some other infrequently used method. In these instances it will be necessary to prepare and record a general journal entry.

- (a) The main objectives, however, of identifying the offsetting credit and of classifying the debt as current as long-term remains significant.
- (b) If these journal entries are prepared as part of the standard cash receipts process, a supervisory review is necessary to ensure that the offsetting credit is properly identified and the debt is properly classified between current and long term.

Fixed Assets in Exchange for Debt

4.2 Fixed assets can be received in exchange for installment loans and mortgages. The controls over the cash receipts system, however, cannot be relied upon to identify new debt.

- (a) A general journal entry must be prepared to properly record the issuance of this debt and the corresponding fixed assets.
- (b) For installment loans and mortgages, the principal portion of the debt plus any down payment made will equal the cost of the fixed assets acquired.
- (c) For capital leases, the cost of the equipment will be present value of the minimum lease payments plus any down payment paid.
- (d) A supervisory review of the journal entry and the supporting documentation should be performed to ensure the appropriateness and accuracy of the entry.

5. *TIMELY INTEREST EXPENSE ACCRUALS*

Policy Interest expense for all debt should be accrued on a timely basis.

General An interest accrual should be recorded at the end of each month for all debt on the general ledger.

Procedures **Interest Accrual Using Amortization Schedule**

5.1 When an amortization schedule is available, the interest accrual should be computed based upon the interest portion of the next payment due and the number of days from the date of the previous payment until the end of the period.

Interest Accrual with Amortization Schedule

5.2 In situations where an amortization schedule is not available, the interest accrual must be computed based upon the principal outstanding during the period, the interest rate charged or imputed by

the creditor, and the period of time from the date of the last interest

payment until the end of the month.

6. *DEBT PAYMENTS*

Policy All payments should be properly recorded in the general ledger on a timely basis.

General Payment on notes payable and other long-term debt made through the College's standard disbursements system, through the transfer of funds by wire or other method should be recorded on a timely basis.

Procedures Separate Principal and Interest Components

6.1 For debt that combines both principal and interest into one payment, it is necessary to record the separate principal and interest components of each payment.

(a) If an amortization schedule is to be provided by the creditor, it should be obtained when the debt agreements are executed or as soon thereafter as possible.

(b) If an amortization schedule is not provided, it should be prepared based on the terms of the debt agreement.

(c) A copy of the amortization schedule should be maintained with the original executed debt agreements. A copy should also be sent to the accounting department so that each periodic payment can be properly recorded in the general ledger.

Debt Payment Through General Ledger Distribution

6.2 If the debt payment is made through the College's standard disbursement system, reliance should be placed on the general ledger account distribution process. The account distribution coding for these payments should be reviewed to ensure that the notes payable or other long-term debt and the related interest accrual are properly relieved in accordance with the applicable amortization schedule and other supporting documents.

Debt Payment by Other Method

6.3 Payments made by wire transfer or other method should be recorded through a general journal entry. The general journal entry account distribution for each payment should be supported by the related amortization schedule and other documentation.

7. *CURRENT AND LONG-TERM DEBT SUMMARY*

- ***Policy*** A detailed summary of current and long-term debt, accrued interest payable, and interest expense should be prepared and reconciled to the general ledger.

General To ensure that all debt activity is being properly recorded on a timely basis, a detailed summary of current and long-term debt balances, accrued interest payable, and interest expense should be prepared periodically and reconciled to the general ledger. This detailed summary should be prepared from amortization schedules, statements from creditors, and internally prepared schedules of debt activity.

Procedures **Debt Instrument Activity Summary**

- 7.1** A summary of activity for each debt instrument should be prepared. This summary should include the balance of the debt at the beginning of the period, plus any new debt issued during the period, less any principal payments made during the period; the activity in the accrued interest payable accounts including the balance at the beginning of the period, plus any additional interest accrued during the period, less any interest paid during the period; and a breakdown of the current and long-term portions of the balance of the debt at the end of the period.

Comparison to General Ledger

- 7.2** The outstanding debt, accrued interest payable, and interest expense accrued as summarized in the schedule prepared above should then be compared to the general ledger. Any discrepancies among the amounts taken from the summary and the amounts recorded in the general ledger should be investigated and resolved.

Current Portion of Long-Term Debt

- 7.3** Finally, the current portion of the debt as summarized above should be compared to the amount recorded on the general ledger. If necessary, a journal entry should be recorded to adjust the current portion of long-term debt to agree with the summary schedule.

8. *DEBT COVENANTS*

Policy All debt covenants should be reviewed periodically.

General In the event that there is a lack of compliance with restrictive debt covenants, a creditor could deem the borrower to be in default of the debt agreement. This in turn could give the creditor cause to demand immediate repayment of the debt. With this in mind, the debt covenants should be reviewed annually (or more frequently as the covenants require) so as to determine whether all covenant restrictions have been met. If noncompliance is detected, discussions should begin immediately with the creditor in order to avoid foreclosure or recall of the debt.

Procedures **Debt Covenant Review Checklist**

8.1 The debt covenant section of each debt agreement should be reviewed and a separate "debt covenant review checklist" should be prepared for each debt agreement. This checklist should cover all covenants including those requiring the maintenance of certain financial ratios, those requiring the reporting of certain financial information to the creditor on a periodic basis, and those limiting the amount of certain expenditures such as capital improvements.

Frequency of Checklist Preparation

8.2 Annually, or more frequently if necessary, the checklists prepared above should be completed. All covenants should be reviewed and all financial ratios should be calculated. A notation should be made on the checklist next to each individual covenant documenting whether or not the College is in compliance with that covenant.

Noncompliance with Debt Covenants

8.3 If noncompliance with certain covenants is noted, communications with the creditor should be instituted. It may be necessary to obtain a waiver of the debt covenants from the creditor. If such waiver cannot be obtained, it will be necessary to classify the related debt as current.

Section X

**ACCRUED
LIABILITIES**

1. MONITORING OF ACCRUED LIABILITIES

Policy The College should establish a method of monitoring and accounting for accrued liabilities.

General Accrued liabilities, often referred to as accrued expenses or, more simply, accruals, are items for which a service or benefit has been received and for which the related liabilities are both acknowledged and reasonably determinable, but which are not yet payable, either because of the terms of the commitments or because invoices have not yet been received.

Procedures Establishing List of Expenses

1.1 The finance office should establish a list of commonly incurred expenses that may have to be accrued at the end of an accounting period. This list will serve as a reminder and help ensure that all expenses have been identified. Examples of such expenses are

- * Salaries and wages
- * Payroll taxes
- * Professional fees
- * Rent
- * Insurance
- * Interest

When and How Accrued Liabilities Occur

1.2 The amount recorded for accrued expenses should be properly measured. For example: The College pays its employees weekly, and the first pay check of the new year includes salaries and wages for three days in the current year and two days in the subsequent year. In this case, the College would record a journal entry at the end of the year to accrue three-fifths of the weekly payroll amount.

Accrued liabilities come into existence with the passage of time or with the occurrence of an event.

- (a) Most accrued liabilities occur with the passage of time.
- (b) Some accrued liabilities occur with the occurrence of an event, such as a service being performed. Examples of these include payrolls and payroll taxes.

Recording the Accrual

1.3 The accounting clerk should prepare a journal entry to record the accrued liability and the matching expense. The preparer should sign or initial the journal entry. The entry should be reviewed and approved by the finance manager and initialed.

Review of the Account Balance

1.4 At the end of each accounting period, the Business Manager should review the adequacy of accrued expenses. If any adjustments are deemed appropriate to the account balance, a journal entry should be made to adjust both the accrued expenses and accrued liabilities.

2. *RECONCILIATIONS AND ACCURACY*

Policy Detailed records of accrued liabilities should be reconciled regularly with the control account.

General Reconciliations should be performed to help ensure the accuracy of the detailed records and the control account.

Procedures **Performance of Monthly Reconciliations**

2.1 A reconciliation should be performed between the detailed register and the general ledger balance every month. The person performing the reconciliation should not be one who maintains the detailed records and the control account.

Investigation of Discrepancies

2.2 All discrepancies should be investigated on a timely basis.

Supervisory Review of the Reconciliation

2.3 The reconciliation should be reviewed and approved by a responsible official such as the business manager. The review should be evidenced by a signature.

Section XI

PAYROLL

1. PAYROLL AND PERSONNEL/ HUMAN RESOURCES

Policy A system of authorized communication between the payroll and the personnel/human resources department should be established and maintained.

General The personnel department maintains employee files in which employee pay history is documented and withholding authorizations are retained. Changes to standing payroll data, which is processed by the payroll department, are generally initiated by the personnel/human resources department (e.g., hiring of new employees, authorization for pay rate increases, etc.)

Procedures **New Employees**

1.1 A policy should be established by the personnel department regarding the source of new employees. Additionally, policies should be established regarding job postings, recruiting methods, and reference checks.

1.2 A policy should be established by the personnel department regarding the approvals necessary for the hiring of a new employee. This approval should include the employee's rate of compensation and effective date. This may be reported on a "personnel action form" and forwarded to the payroll department.

Compensation and Evaluation

1.3 Policies should be established relative to periodic evaluation and the determination of increases in compensation.

1.4 A policy should be established regarding the approvals necessary for pay rate changes. This approval should be in writing and by persons independent of the payroll function. These changes and approvals should be reported on a status report and forwarded to the payroll department.

Vacation and Sick Pay

1.5 A policy should be established regarding employee's eligibility for vacation and sick time, including the amount of vacation and sick time pay earned; the period of time in which vacation and sick time can be used; and whether vacation or sick time can be accumulated and for how long.

1.6 Detailed records should be maintained for each employee indicating the vacation and sick time available and utilized.

1.7 No vacation or sick time should be paid until the detailed records are reviewed for propriety of such payment. This check may be incorporated into the payroll software for computerized systems.

2. *WAGES AND SALARIES*

Policy Payment for wages and salaries should be made only to College employees at authorized rates of pay.

General Controls should be established over standing payroll data to ensure that the payroll reflects complete and authorized standing data.

Procedures **Changes in Payroll Data**

2.1 All changes to standing payroll data should be authorized in writing including:

- * New hires
- * Terminations
- * Pay rate changes
- * Voluntary payroll deductions
- * Court-ordered payroll deductions

Authorization of Changes in Payroll Data

2.2 Changes to payroll standing data should be authorized by an appropriate official outside of the payroll department.

2.2.1 New hires/terminations should be authorized in writing by the appropriate operating department and the personnel department.

2.2.2 Voluntary deductions should be authorized by the individual employee.

2.2.3 Pay rate changes should be authorized in writing by the personnel department or the appropriate department head.

2.2.4 A copy of all authorized forms for changes to standing payroll data should be retained in each employee's personnel file.

Comparison of Payroll Data to Personnel Files

2.3 The personnel or internal audit department should periodically compare payroll data to the personnel files to ensure that all changes have been made accurately and timely and that only authorized changes have been made.

3. *TIMEKEEPING*

Policy Payment for wages and salaries should be made in accordance with records of work performed.

General Controls should be established over the time records to ensure that disbursements of College funds are for valid services performed.

Procedures **Maintenance of Time Records**

3.1 For employees compensated on the basis of time worked, time records should be maintained and approved by appropriate supervisors.

Overtime Approval

3.2 All overtime is approved in advance by the President of the College.

Reconciliation of Payroll to Supporting Records

3.3 A reconciliation should be performed on time worked that is the basis of the payroll calculation to supporting records. One example is batch total of hours from clock cards should be established before the payroll is prepared, then compared to the payroll.

4. *PAYROLL CALCULATION*

Policy Payment for wages and salaries should be accurately calculated.

General Controls should be established to ensure that the payroll, based on standing and transaction data, is accurately calculated.

Procedures **Time Cards**

4.1 Time clock card details should be summarized by the accounting office before payroll preparation. This total should then be compared to the actual payroll.

Payroll Compared to Control Totals

4.2 Gross pay and payroll deductions should be compared to an adequate extent with predetermined control totals by an employee outside of the payroll process. This review should be evidenced in writing.

Independent Payroll Calculations

4.3 Calculations and additions of payrolls and payroll summaries should be checked by an employee outside of the payroll process. This review should be evidenced in writing.

Payroll Authorization

4.4 Payrolls should be subject to final written approval by the Business Manager before being paid.

5. *PAYMENT TO COLLEGE EMPLOYEES*

Policy Payment for wages and salaries should be made only to College employees.

General Controls should be established to ensure that only valid College employees receive payroll payments.

Procedures **Distribution of Payroll**

5.1 Payroll payments should be distributed by individuals who do not approve time reports, are not responsible for hiring/firing, and do not control the preparation of the payroll.

Receipt Log for Cash Payments

5.2 If payment is in cash, employees should be required to sign a receipt log.

Comparison of Employee Check Endorsements to Signatures on File

5.3 Periodically, endorsements on checks or signatures on the cash receipt log should be compared with employee signatures on file.

Unclaimed Payroll Checks

5.4 Unclaimed payroll (checks or cash) should be reported and returned to the Business Manager. Subsequent payment should require the presentation of appropriate evidence of employment by the employee.

Reconciliation of Payroll Bank Accounts

5.5 The payroll bank account should be reconciled monthly by an employee who has no responsibilities for the preparation of the payroll or physical distribution of paychecks. The reconciliation should be reviewed by the Business Manager for completeness and accuracy.

Pay Day

5.6 Pay checks are distributed every week. The check distribution will be made no sooner than the Thursday of pay day at 10:00 AM.

In the case of emergencies, payroll checks may be requested early with a \$25.00 service fee. In this case, the employee requesting the early check must either sign a payroll deduction form with the Business Office, which will be taken out of their next pay check, or pay \$25.00 when they pick up their early check, proceeds will go to an internal Employee Moral Fund.

6. *PAYROLL DEDUCTIONS*

Policy Payroll deductions should be correctly recorded and paid to the appropriate third parties on a timely basis. Also, related payroll reports to third parties should be submitted on a timely basis.

General Controls should be established to ensure that payroll deductions, both compulsory and voluntary, are adequately identifiable in the general ledger and that the payments to the third parties are timely and accurate.

Procedures **Recording of Payroll Deductions**

6.1 Payroll deductions should be recorded in separate general ledger control accounts.

Independent Check of Payroll Deductions

6.2 Payments of payroll deductions to third parties should be reconciled with the related payrolls by an employee outside of the payroll department.

Review of Payroll Deductions Payments to Third Parties

6.3 Payments of payroll deductions to third parties, including the employer payroll expense portion where applicable, and the related documentation should be reviewed by a financial official to ensure that payments are appropriate and made on a timely basis.

Section XII

**FINANCIAL
REPORTS**

1. FINANCIAL REPORTS AND STATEMENTS

Policy Financial reports should be prepared correctly and timely in order to ensure proper accounting of the College's funds.

General Controls should be established to ensure that all of the required Federal and state financial reports are filed accurately on a timely basis.

Procedures **Board of Regents**

1.1 The Board shall receive financial statements showing the financial position of each program as of the last day of the preceding month. Operating statements shall disclose expenditures for the current month as well as expenditures to date.

Federal Agencies

1.2 Monthly, quarterly, and year end reports will be completed by the Business Manager and be promptly submitted to the federal and state funding agencies as required by contract or agreement.

Section

XIII

TRAVEL

1. TRAVEL

Policy All business travel will be authorized in advance to the extent possible, at least 30-days in advance. Expenses are to be within established College guidelines and will be reimbursed with proper documentation.

General The College recognizes that employees who travel far from home to represent the College's business interests must forego their living accommodations and may forfeit personal time. (Comp time is NOT accrued for work –related travel that may begin or end on a Saturday or Sunday). Accordingly, the College will make efforts to provide comfortable and secure accommodations for lodging, meals and travel for employees. However, these items are not intended to be pre-requisites and the College reserves the right to deny reimbursement of expenses that are considered lavish or extravagant.

Procedures Travel Advances

1.1 In order to receive a travel advance, all employees who travel for College business *must have the travel approved in advance of travel*, by completing a travel authorization (request) form. Advance approval for out-of-state is 30-days and for in-state 2 weeks. The travel authorization form must contain the following:

- * Name of employee
- * Purpose of travel
- * Dates of travel
- * Program Account Code
- * Times of travel on days of departure and day of return
- * Number of full days on travel
- * Lodging costs. (Call hotel to obtain rates)
- * Mode of travel. (Include number of miles if using personnel vehicle.)
- * Other expenses (taxi, shuttle, parking, etc)
- * Employee signature
- * **Supervisor's approval**
- * **President's approval for out-of-state**

1.2 The amount of reimbursement for meals and incidental expenses will be based on current per diem rates of the federal government. The day of departure and return will be divided into quarter days based on actual time spent traveling

1.3 The mileage reimbursement for use of a privately owned vehicle for travel for official College business is at the current federal rate. No reimbursement is allowed for normal commuting.

1.4 The employee must submit a travel report (including a copy of the agenda) to the accounting department within five (5) days after travel has been completed or future travel will be prohibited. The travel report must include original receipts attached for lodging, transportation, registration fees, etc. (See trip report form)

1.5 Upon receipt of travel report and related receipts from the employee, the business office will compute expenses for reimbursement less any travel advances paid to the employee and less any expenses paid directly by the College. This computation will result in an amount owed to the employee from the College or an amount owed to the College from the employee. Amounts owed to the College

will be deducted from the employee's next payroll check.(Amounts less than \$20 will be accrued until next travel request.)

Out of State Travel

- 2.1 All out of state travel must be approved in advance by the supervisor and the President.

Employee Travel

- 3.1 *Any travel on behalf of Cankdeska Cikana Community College will be considered administrative leave. Any travel on behalf of other entities or committees shall be considered annual personal leave.*

Filing of Claims

- 4.1 Upon return from authorized travel, the traveler shall file a Trip Report with the business Office. This report, itemizing actual and necessary expenses, must be typewritten or in ink. Failure to file a trip report will prohibit any future travel.

- 4.2 Original Receipts for lodging and transportation must be attached to the expense report.

NOTE: Lodging receipts must be in the traveler's name

- 4.3 Failure to provide appropriate documentation/receipts will prohibit the traveler from collecting reimbursement.

- 4.4 Any unused portion of an advanced allowance shall be remitted to the Business Office within one week of return or will be taken as a payroll deduction.

- 4.5 Any employee who has been authorized to travel and who has received a travel advance, but does not travel, is required to make immediate arrangements with the business office to re-pay for any and all expenses incurred on behalf of the trip. This includes any airline, registration, per-diem, hotel and any other incidentals advanced for. (Exception for registration fee repayment requires doctor's written statement or copy of vehicle repair invoice) All other travel expenses will be repaid in full. Employees will not be eligible to travel until such repayment is paid in full.

Vehicle Policy

The following rules and regulations will govern all vehicles owned or operated by the Cankdeska Cikana Community College.

- 5.1 No vehicle shall be operated for any reason other than official Cankdeska Cikana Community College.

- 5.2 It will be the responsibility of the operator to ascertain that all equipment is working properly before using the vehicle.

- 5.3 No vehicle will be operated by any driver who is not covered under the Cankdeska Cikana Community College Insurance Policy.

- 5.4 All state and Federal highway rules and regulations including speed limitations must be obeyed.

- 5.5 No alcoholic beverages or any other drug use will be allowed at any time while operating a College Vehicle and is grounds for termination should an

employee violate this policy. Should a ticket be issued by a law enforcement agency for DUI, employee is terminated.

- 5.6** All trips other than local must be cleared by the Cankdeska Cikana Community College President.
- 5.7** All Cankdeska Cikana Community College vehicles shall only be driven by CCCC employees with current license.
- 5.8** Requests to use vehicles owned by other agencies will require the approval from the Program Director and CCCC President.
- 5.9** Requests from other agencies will require an employee of CCCC to drive.

Section XIV

RECORD RETENTION

1. RECORDS RETENTION AND STORAGE

Policy The College will retain records in an orderly fashion for time periods that comply with the requirements as set forth by Federal regulations and the State of North Dakota and as needed for general business requirements.

Procedure **Current Filing System**

- 1.1 To ensure efficient access, filing centers will be established in each department. To reduce the amount of duplicate and unnecessary record retention, individual desk files should be avoided unless they are used in daily operations. All other departmental or College records should be filed in the departmental central filing areas.
- 1.2 Unless necessary, records should usually only be kept by the originator or sender and not by the receiver to avoid duplicate filing systems.
- 1.3 The following filing guidelines should be adhered to optimize filing efficiency and records access:
 - a. All file cabinets and files will follow recognized rules of order, such as left to right, top to bottom, front to back and in the case of chronological records, newest to oldest.
 - b. File marker or label headings will always be placed at the beginning or front of a file group of files.
 - c. Alphabetical files should always be filed under broad topical categories. Files should never be filed under individual employee names (except personnel) to avoid confusion and re-filing in the event of turnover. Files should be always filed under the "proper" or company names whenever appropriate. In the case of individuals, files should be maintained according to the persons "Last name" then First name and Middle initial.

Record Retention and Long-Term Storage

- 1.4 Storage of archived records will be maintained in a locked storage area. Access to this area will be limited to the Business Manager and President.
- 1.5 Non-permanent files will be stored in cardboard file boxes. Each file box will be labeled on the front with the contents, dates covered, and destruction date if applicable. Permanent records will be maintained in metal fire-resistant file cabinets.
- 1.6 Files should be stored only in boxes with similar items, dates and retention periods. This will allow easier access and purging of records. A general rule to keep in mind is that it is better to only half fill a file box than to file dissimilar types of files in the same box. The file manager will be responsible for categorizing and maintaining a listing of records maintained and the location (i.e. by wall unit and shelf row number).
- 1.7 *Financial records, supporting documents, and all other records pertinent to Federal awards shall be retained for a period of three years, with the following qualifications:*

- a. If any litigation, claim, or federal audit is started before the expiration of the 3-year period, the records shall be retained until all litigations, claims or audit findings involving the records have been resolved.
 - b. Records for non-expendable property acquired with Federal funds shall be retained for three years after its final disposition.
 - c. Current accounting records are to be maintained in the business office. Records acquired prior to the current period are to be retained in the College vault.
- 1.8** These holding periods will be maintained for the documents listed below. Any questions regarding documents not listed should be directed to the Business Manager.

<u>Document</u>	<u>Holding Period in Years</u>
Account Payable (Vouchers & Invoices)	6
Bank Statements and Reconciliations	6
Canceled Checks	6
Contracts, Agreements & Leases after expiration	6
Employee Records (Terminated)	6
Financial Statements (Internal)	6
Financial Statements (External)	Permanent
General Ledgers and Journals	Permanent
Payroll Tax Returns	6
Insurance Claims After Settlement	6
Payroll Registers and Time Sheets	6
Travel and Expense Reports	6

Record Destruction

- 3.1** Three to six months after each year-end, the file manager will proceed with destruction of all files that have exceeded their recognized holding period.
- 3.2** A listing of file categories to be destroyed will be circulated to all managers thirty days prior to destruction for review and comment. The actual listing of records destroyed will be maintained permanently for future reference.
- 3.3** Destruction of the files will be performed by an independent, outside service for shredding and disposal. Disposal of records into the College's general trash service is not allowed.

GRANTS AND CONTRACTS – PERFORMANCE, MONITORING AND COMPLIANCE

Policy: All grants and contracts administered by CCCC will be performed, monitored and complied with according to federal regulations, any grant-specific regulations, and in accordance with College accounting and fiscal policies.

Purpose: Maintain compliance with grant and contract regulations.

Scope: All grant and contracts of CCCC.

Procedures:

- 1.0 The Finance Manager will ensure all programs of the College are fiscally responsible.
- 1.1 Program Directors will maintain a file for each program they monitor. Program files contain approved budgets, expenditure reports, other required reports, applicable grant agreements, drawdown information, and other pertinent information regarding the program.
- 1.2 Program Directors will ensure compliance with all specific regulations of their Programs including college fiscal and grant policies
- 1.3 All applicable Finance Office staff and Program Directors will review applicable Federal regulation and guidelines to include but not limited to:

OMB Circular A-87 “Cost Principles for State, Local, and Indian tribal Governments”

OMB Circular A-102 “Administrative Standards for Grants of State, Local, and Indian Tribal Governments.

OMB Circular A-133 “Audits of States, Local Governments, and Nonprofit Organizations.

The Finance Manager will ensure all applicable business office staff review and understand applicable regulations. The Program Directors will ensure all applicable program staff review and understand applicable regulations.

- 1.4 Program Directors will submit paperwork concerning purchasing and other grant closing documents within 30 days of the end of the grant. The Finance Manager will ensure that the Program Directors submit the appropriate paperwork within 30 days of the end of the grant. Although all close-out paperwork may not be able to be submitted within 30 days of the end of the grant, an effort to submit as much as possible by the Program Directors will be made.
- 1.5 The Finance Manager will maintain a master list containing the following information: name of program director, name of grant, name of granting agency, web site or organization to request draw down of funds, passwords for web sties (if applicable), and dates that financial reports need to be files.

CASH MANAGEMENT

- 1.0 The Finance Manager will verify that applicable cash management requirements are satisfied in ensuring only a minimal amount of time expires between the transfer of funds from the federal government or granting agency and disbursement of the funds.

MATCHING REQUIREMENTS

- 1.0 The applicable Program Director will ensure grant matching requirements and limitations are met and the amounts claimed for matching are determined in accordance with applicable laws and regulations.
- 1.1 The Finance Manager will verify matching requirements have been met.

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