

# Business Policies and Procedures Manual 2025



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## **Basis of Accounting and Internal Controls**

The Division of Finance and Administration plays a central role in assuring that the Board of Regents meet their fiduciary responsibilities to donors, government officials, students, employees, and the public. As such, the Division of Finance and Administration establishes the business policies and procedures for the University. Written accounting procedures provide guidelines that clearly define the process and assign responsibility for each accounting function in the organization. The accounting manual documents policies and procedures which:

- Standardize methods so that accurate and efficient procedures are consistently used,
- Help training accounting personnel, including current and new staff,
- Serve as a reference guide to non-accounting personnel,
- Provide management with a tool for control of fiscal operations which prescribe procedures, provides the steps for approving changes, and allows detection of deviation from procedures.

### **Policy**

The accounting procedures used by **Kentucky State University (KSU, the university)** conform to Generally Accepted Accounting Principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB), including Statement No. 34 Basic Financial Statement and Management's Discussion and Analysis for State and Local Governments, and Statement No. 35, Basic Financial Statements and Management's Discussion and Analysis of Public Colleges and Universities, issued June and November 1999, respectively. The University reports as a Business Type Activity (BTA), as defined by GASB Statement No. 35. BTA's are those activities financed in whole or in part by fees charged to external parties for goods and services.

The University uses the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when an obligation has been incurred. This method of recording revenue and expenses is without regard to date of receipt or payment of cash.

### **Internal Control System**

Internal controls protect the employees and the organization. The concept of internal control affects all the assets of an organization, its liabilities, its revenue and expenses, and every aspect of operations. Internal control ensures that the entire organization operates in accordance with management's plan and policies. A sound system of internal control provides assurance to management that business decisions being made are based on dependable financial information.

The system of internal control includes all measures taken by an organization for the purpose of:

- Protecting its resources against waste, fraud, and inefficiency,
- Ensuring accuracy and reliability in accounting and operating data,
- Complying with established policies, and
- Evaluating the level of performance in all divisions of the organization.

Internal controls fall into two basic categories: administrative controls and accounting controls. Administrative controls increase operational efficiency and guide compliance with policies in all

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parts of an organization. Accounting controls increase the reliability of the financial statements and the supporting accounting records. The guidelines in this manual deal with the organization's accounting controls.

### Accounting Controls

Ideally, accounting controls maintain a plan under which employees' duties are arranged, and records and procedures are designed to make it possible to apply valid accounting control over assets, liabilities, revenues, and expenditures. Maintaining strong internal control also assures your independent auditors of the reliability of the accounting records. To form their opinion, auditors must evaluate any weaknesses in the accounting system and the effect this may have on the dependability of the organization's financial statements and supporting records.

The optimum internal accounting control process consists of:

- Division of responsibilities among different employees for a sequence of related functions,
- Clear establishment of each employees' responsibilities and duties,
- Separation of responsibilities for operation, acquisition, and custody of assets, and
- Use of proofs, checks, and other security measures.

Subdivision of duties within an organization should be designed so that no person handles a transaction completely from beginning to end. When duties are divided in this manner, the work of one employee serves to verify that of another and any errors which occur tend to be detected promptly. If one employee is permitted to handle all aspects of a transaction, the danger of error or fraud is increased. To the extent practicable, rotation of employees from one job assignment to another may strengthen internal control.

This process is intended to protect the currency and other assets of the University against employee error or dishonesty. Although it may be proper to assume that all employees are honest, it is nevertheless essential to avoid any weakness or gap in accounting controls. These guidelines will establish internal controls that will help prevent illegal or unauthorized transactions or acts, provide proper accounting data and information with a minimum of human error, and protect the staff from unwarranted allegations by fixing responsibility and by removing sources for potential employee abuse.

Adequate internal control includes the involvement of management in the accounting process and through measures such as:

- Management level review and approval of bank reconciliations and monthly financial reports,
- Management level verification of invoices prior to payment,
- Prenumbered checks to ensure that no document is misplaced or forgotten, and
- Documentary evidence to verify an expense before it is paid.

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### Accounting Activities

The staff of the Division of Finance and Administration manage and process financial information for the University. The major activities include:

- General ledger
- Budgeting
- Cash management
- Endowment investment management
- Capital assets management
- Student revenue and accounts receivables
- Grants management
- Cash receipts
- Procurement
- Accounts payable and cash disbursements
- Payroll
- General accounting
- Management financial reporting
- Annual audit
- External financial reporting
- Information technology
- Risk management
- Document retention

### Responsibilities

The bylaws, as published in the Gold Book, outline the responsibilities of the Board of Regents and Officers of the University.

The table below summarizes the assignment of responsibilities for the major activities of KSU.

Certain business activities of the university also fall under the additional responsibility of the Kentucky Council on Post-secondary Education (CPE).

| Activity              | Responsibility                                  |                  |                   |                                                             |
|-----------------------|-------------------------------------------------|------------------|-------------------|-------------------------------------------------------------|
|                       | Finance and Administration                      | President        | Finance Committee | Board of Regents                                            |
| Accounting policies   | Controller develops and revises, CFO recommends | -                | Recommends        | Approves per Gold Book Article II, Sec. 2 (l)               |
| Accounting procedures | Controller develops and maintains, CFO approves | Delegates to CFO | -                 | Delegates to President per Gold Book Article II, Sec. 2 (p) |

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| Activity                                | Responsibility                                                                                                                    |                                                         |                   |                                                                                   |
|-----------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------|-------------------|-----------------------------------------------------------------------------------|
|                                         | Finance and Administration                                                                                                        | President                                               | Finance Committee | Board of Regents                                                                  |
| General ledger and chart of accounts    | Controller recommends and maintains, CFO approves                                                                                 | Delegates to CFO                                        | -                 | Delegates to President per Gold Book Article II, Sec. 2 (p)                       |
| Annual budget, including capital budget | Budget Director develops, CFO recommends                                                                                          | Recommends                                              | Recommends        | Approves per Gold Book Article II, Sec. 2 (h)                                     |
| Bank and investment accounts            | CFO/Controller opens accounts, CFO holds signature, authority, Controller assigns access                                          | Delegates to CFO/Controller , holds signature authority | -                 | Delegates to President per Gold Book Article II, Sec. 2 (p)                       |
| Capital asset acquisition and disposal  | Purchasing sources and disposes, Facilities manages construction, Accounting capitalizes, tags, inventories, disposes, reconciles | Approves under discretionary authority                  | -                 | Delegates discretionary authority to President as part of approved capital budget |
| Sign contracts, grants, leases          | Purchasing, Accounting, Grant Accounting, Compliance Officers monitor compliance                                                  | General counsel reviews, President approves             | -                 | Delegates to President per Gold Book Article II, Sec. 2 (p)                       |
| Invoice for grants and contracts        | Grant Accounting                                                                                                                  | -                                                       | -                 | -                                                                                 |
| Cash receipts                           | Bursar processes, Accounting reconciles                                                                                           | Delegates to CFO                                        | -                 | Delegates to President per Gold Book Article II, Sec. 2 (p)                       |
| Purchasing                              | Purchasing, Accounting, Grant Accounting or Compliance Officers approve                                                           | Delegates to CFO                                        | -                 | Approve over >\$100K per Gold Book Article II, Sec. 2 (q)                         |
| Cash disbursements                      | Accounts Payable processes                                                                                                        | President and CFO sign checks                           | -                 | Delegates to President per Gold Book Article II, Sec. 2 (p)                       |

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| Activity                           | Responsibility                                                                                        |                                                    |                                                                  |                                                             |
|------------------------------------|-------------------------------------------------------------------------------------------------------|----------------------------------------------------|------------------------------------------------------------------|-------------------------------------------------------------|
|                                    | Finance and Administration                                                                            | President                                          | Finance Committee                                                | Board of Regents                                            |
| Payroll and benefit changes        | Human Resources processes, CFO approves benefit changes                                               | Recommend, Approves filling vacancies, as required | -                                                                | Approve per Gold Book Article II, Sec. 2 (d) – (g)          |
| Time sheets                        | Supervisors approve                                                                                   | -                                                  | -                                                                | -                                                           |
| General accounting entries         | Accounting prepares, Controller approves                                                              | Delegates to CFO                                   | -                                                                | Delegates to President per Gold Book Article II, Sec. 2 (p) |
| Management and financial reporting | Controller prepares, CFO reviews and presents                                                         | Reviews                                            | Treasurer presents to Board per Gold Book Article VIII, Sec. 8.4 | Reviews                                                     |
| Selection of auditor               | CFO/Controller recommends                                                                             | -                                                  | Recommends per Gold Book Article IX, Sec. 9.6                    | Approves                                                    |
| Annual audit                       | Controller prepares, Auditor drafts, CFO reviews and recommends                                       | Reviews                                            | Present to Board per Gold Book Article IX, Sec. 9.6              | Approves                                                    |
| External financial reporting       | Controller (or other responsible area) prepares, CFO reviews, recommends, and/or approves as required | Reviews, recommends, and/or approves as required   | Reviews, recommends, and/or approves as required                 | Reviews, recommends, and/or approves as required            |
| Insurance coverage                 | Risk manager recommends and maintains coverage and manages claims                                     | Delegates to risk manager                          | -                                                                | Delegates to President per Gold Book Article II, Sec. 2 (p) |

## General Ledger and Chart of Accounts

The **general ledger** is defined as a group of accounts that supports the information shown in the major financial statements. The general ledger is supported by various subsidiary ledgers that provide details for certain accounts in the general ledger. The general ledger is the foundation for the accumulation of data and reports.

The **chart of accounts** is a systematic numbering system for the accounting system. Accounts are a means by which differing effects or transactions can be categorized or collected.

The chart of accounts is the basis for the general ledger and KSU's accounting system. General ledger accounts are used to keep track of transactions and how these transactions affect each asset, liability, revenue, expense, and fund balance account.

There are two types of accounts: real accounts and nominal accounts. Real accounts are **assets, liabilities, and fund balance accounts and they appear on the statement of net position (balance sheet)**. Nominal or temporary accounts are **revenue and expense accounts, and they appear on the statement of revenues, expenses, and changes in net position (income statement)**. KSU's nominal accounts are periodically closed or zeroed out, but real accounts are more permanent. KSU may periodically measure the results of operations during a certain period by closing those accounts.

A chart of accounts is used as a guide through the general ledger.

### Policy

The CFO of KSU controls the chart of accounts, ensuring that the chart of accounts meets the needs of the:

- Organizational structure, divisions, and departments,
- Internal financial management reporting, and
- External and regulatory reporting requirements.

The CFO approves the chart of accounts. The Controller maintains the approved accounts, including additions and deletions, within the accounting system.

### Account Definitions

Although a detailed explanation of each account classification is beyond the scope of this manual, the following table will assist the user in classifying new accounts. The segments of each general ledger account have the following elements: Fund, Organization, Account, and Program (FOAP) as defined and outlined below.

#### Funds

A **Fund (FUND)** is a 6-digit code that identifies funding source and ownership of cash or fund balances. The first 2-digits identify the **Fund Type** which is used to group funds to meet external reporting requirements.

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- **1XXXXX – Educational and General (E&G) Funds** are supported by state appropriations, tuition and fees, general investment interest income, and indirect cost recoveries. Fund Types:
  - 11 – Current Unrestricted
  - 12 – State Funds
  - 13 – Designated Funds
- **2XXXXX – Restricted Funds** are provided by an outside entity that has restricted the use of the funds to specific purposes. Fund balances and budgets remaining at the end of the fiscal year are carried forward to future fiscal years for restricted purposes.
  - 21 – Federal grants and contracts
  - 22 – State grants and contracts
  - 23 – Private grants and contracts
  - 24 – Nongovernmental contracts
  - 25 – Restricted gifts (held in the Foundation)
  - 26 – Endowment spending
- **3XXXXX – Auxiliary Funds** are established to account for ongoing operations that provide goods and services to students, faculty, and staff, e.g. bookstore, dining services, housing. Expenses must be supported by the revenues generated for these operations.
- **4XXXXX – Loan Funds**
- **5XXXXX – Quasi-endowment Funds**
- **6XXXXX – Endowment Funds**
- **7XXXXX – Reserved for future use**
- **8XXXXX – Agency Funds**
- **9XXXXX – Plant Funds**

**Organizations**

The **Organization (ORG)** is a 6-digit code that identifies a budgetary or departmental unit. A department may establish multiple ORG codes for various divisions within the same department. The ORG hierarchy identifies the budget unit to which the department or division belongs. Each ORG should have a financial manager assigned.

- **1XXXXX – Office of the President**
  - One org for each department that has budgetary authority up to the VP level
    - Leave room for expansion so additional subsidiary organizations can roll up to one financial manager with several departments, e.g. Director/Dean
  - 100XXX – Direct reports to president
  - 101XXX – Board of Regents
  - 102XXX – General Counsel
  - 103XXX – Internal Audit
  - 104XXX – Institutional Research
  - 105XXX – Intercollegiate Athletics
  - 106XXX – University Events
- **2XXXXX – Academic Affairs**
  - 200XXX – Provost

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- 201XXX – Associate Provost
  - Registrar
  - Online learning
  - First- and Second-Year Experience
- 206XXX – Land Grant
- 207XXX - Library
- 210XXX - Graduate Studies
- 211XXX - Sponsored Projects (pre-award)
- 25XXXX – Academic Colleges
  - College of Agriculture, Health, and Natural Resources
    - School of Nursing and Health Sciences
    - School of Aquaculture and Aquatic Sciences
    - School of Agriculture and Natural Resources
  - College of Arts and Sciences
    - School of Education
    - School of Humanities
    - School of Social Work
    - School of Criminal Justice and Government Relations
    - School of Psychology
    - Honors Collegium
  - College of Business, Engineering, and Technology
    - School of Business
    - School of Math and Computer Science
    - School of Engineering and Technology
- 3XXXXX – Student Affairs
  - One range for each area that has Director/Dean level approval
    - One org for each department that has budgetary authority, rolling up to the Director/Dean level
  - 304XXX – Admissions
  - 305XXX – Financial Aid
  - 306XXX – Career Services
  - 307XXX – Student Activities
  - 308xxx – Residence Life
  - 310 XXX – Health and Wellness
  - 312XXX – Student Success
  - 313XXX – Student Support
    - TRIO Programs – Student Support Services, Upward Bound
    - Veterans Affairs
  - Disability Services
- 4XXXXX – Finance and Administration
  - One org for each department that has budgetary authority
  - Finance – includes Accounting, Grant Accounting, Accounts Payable, Purchasing, Bursar, Budget, Payroll

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- Administration
  - Human Resources
  - Auxiliary Services
  - Campus Police
- 5XXXXX – Other Institutional Support
  - 501XXX – Advancement
  - 502XXX – Communication
  - 503XXX – Information Technology
  - 504XXX – Facilities and Capital Planning
    - Facilities and Capital Planning
    - Housekeeping
    - Grounds
    - Motor Pool
    - Safety
- 6XXXXX – General University

**Accounts**

The **Account (ACCT)** is a 6-digit code that identifies the nature of the account and defines where it is presented in the financial statements. The first 2-digits identify the **Account Type** which is used to group the accounts to ensure that financial reporting follows generally accepted accounting principles (GAAP) and other regulatory reporting requirements.

**Financial statement line items are bolded.**

- **10 – Assets** include current assets, fixed assets, contra assets, and other assets. These are generally reported in order of liquidity.
  - **Current assets** are those assets which are available or can be made readily available to meet the cost of operations or to pay current liabilities.
    - **11 – Cash and cash equivalents** – each bank account needs a unique account code
      - 1101 – Claim on cash
      - 11XX – Cash in bank
        - Institutional general bank account
        - Depository (sweep to general)
        - Disbursement (sweep to general)
          - Vendor
          - Payroll
        - 111X – Change funds
      - 112X – Cash in state accounts
    - **12 – Restricted cash** – each bank account needs a unique account code (Account Type 12)
      - Federal Perkins loan fund
      - Federal funds clearing

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- **13 – Investments – current** – each investment account needs a unique account code
- **14 – Accounts receivable, net**
  - **1401 – Accounts receivable – student**
    - 1409 – Allowance – student
  - **1410 – Accounts receivable – grants**
    - 1419 – Allowance – grants
- **15 – Prepaid expenses**
  - 1510 Postage
  - 1520 Insurance
  - 1530 Other prepaids
- **Noncurrent assets** are resources owned that are not easily converted to cash within a year.
  - **16 – Capital assets** – Property, plant, and equipment are capital assets with a useful life of more than one year acquired for use in the operation of the entity and not held for resale (Account type 16)
    - 160X – Asset types – Land, land improvements, buildings, building improvements, equipment, vehicles, ERP software, library holdings, works of art, construction in progress
    - 164X – Accumulated depreciation for each depreciable asset type
    - **165X – Right-of-use assets**
      - 1651 – Leased assets
      - 1661 – ROU Accumulated amortization
  - **17 – Loans issued**, collectible more than one year from the statement of net position date, Perkins Loans.
  - **18 – Endowment investments** – long-term assets which are acquired without the intention of disposing of them in the future
- Other assets
  - **19 – Deferred outflows of resources**
    - **1901 – Net pension assets**
    - **1902 – Net OPEB assets**
    - **1910 – Deferred outflows – pensions**
    - **1920 – Deferred outflows – OPEB**
- **20 – Liabilities** include obligations and debts which are owed.
  - **Current liabilities** include obligations that are payable within one year.
    - **21 – Accounts payable and accrued liabilities**
      - 2101 – Accounts payable, processed through payables subledger
      - 2102 – Accounts payable – other, accruals
      - 2103 – Credit cards payable
      - 2120 – Accrued payroll liabilities
        - 2121 – Net payroll payable
        - 212X – Other payroll payable
      - 213X – Payroll taxes payable

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- 214X – Payroll benefits payable
    - **2150 – Accrued compensated absences**
  - **22 – Deferred income/unearned revenue**
  - **23 – Deposits**
  - 24 – Other current liabilities
    - **2401 – Lease liability, current portion**
    - **241X – Accrued interest payable** – one for each debt account
    - **2451 – Long-term debt, current portion**
- **Noncurrent liabilities** include obligations and debts that are long-term.
  - 25 – Long-term liabilities
    - **253X – Lease liability, non-current** – one for each lease
    - **255X – Long-term debt** – one for each bond
  - 26 – Due To Other
  - **27 – Federal refundable grants**
    - 270X – Perkins loans
  - 29 - Other liabilities, clearing accounts
    - **2901 – Net pension liability**
    - **2902 – Net OPEB liability**
    - **2903 – Accrued compensated absences, non-current**
  - **Deferred inflows of resources**
    - **2910 – Deferred inflows – pension**
    - **2920 – Deferred inflows – OPEB**
  - 29XX – Clearing accounts – should always balance to zero
- 30/31 – Control accounts are utilized for Banner system processing; these accounts summarize the activity in the operating ledger – revenues and expenses.
- **40/41 – Fund balances** with donor restrictions and without donor restrictions.
  - **4101 – Unrestricted fund balance**
    - 4102 – Unrestricted fund balance, designated
  - **4103 – Restricted fund balance, nonexpendable** – permanently restricted endowments
  - **4104 – Restricted fund balance, expendable** - temporarily restricted
  - **4105 – Capital equity** (Net investment in capital assets for Banner system processing)
  - 4999 – Prior year adjustments
- **50 – Revenues**; cash inflows, other asset enhancements or the settlement of liabilities (or a combination) during a period from delivering or performing services that constitute an entity's operations.
  - **Operating revenues**
    - **51 – Student tuition and fees, net** GASB 1010OPRV
      - 59XX – Scholarship allowance GASB 1020OPRV
    - **52 – Other operating revenue**, GASB 1099OPRV
    - **54 – Federal grants and contracts**, GASB 1030OPRV
    - **55 – Other grants and contracts**, GASB 1050OPRV

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- **56 – Auxiliary revenues**
  - **5610 – Housing**, GASB 1070OPRV
  - **5630 – Dining**, GASB 1080OPRV
  - **5650 – Other auxiliary revenue**, GASB 1075OPRV
- **Nonoperating revenues**
  - **53 – Appropriations**, GASB 3040NOPR
  - **57 – Nonoperating revenues**
    - **571X – Investment income, net** – includes GASB 3040NOPR
      - dividends and interest,
      - realized gains/losses,
      - unrealized gains/losses,
      - investment management expenses
    - **572X – Nonoperating gifts** – unrestricted, restricted, capital, endowed, state match, federal match
    - **5730 – Other gains/losses on asset disposals**
    - **5740 – Federal financial aid grants**

**Expenses categories required for reporting:**

| <b>NACUBO Recommended</b>    | <b>990 Reporting</b>                                                                                     | <b>IPEDS Reporting</b>   | <b>Other reporting requirements</b>                        |
|------------------------------|----------------------------------------------------------------------------------------------------------|--------------------------|------------------------------------------------------------|
| Salaries and wages           | Compensation of current officers, directors, trustees, and key employees<br><br>Other salaries and wages | Salary and wage expenses | NCAA Head coach, assistant coach, admin salaries and wages |
| Employee benefits            | Pension plan contributions<br><br>Other employee benefits<br><br>Payroll taxes                           | Benefits expenses        | OPEB                                                       |
| Scholarships and fellowships |                                                                                                          |                          |                                                            |
| Travel                       | Travel<br><br>Conferences, conventions, meetings<br><br>Entertainment                                    |                          | NCAA Team travel, recruiting                               |
| Supplies                     | Office expenses<br><br>Information technology                                                            |                          | NCAA Equipment and uniforms                                |

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| <b>NACUBO Recommended</b> | <b>990 Reporting</b>                                                                                                                                            | <b>IPEDS Reporting</b>                      | <b>Other reporting requirements</b>                                                                                                                                                                                                                 |
|---------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Utilities                 | Occupancy                                                                                                                                                       | Operation and maintenance of plant expenses | NCAA Facilities maintenance and operations                                                                                                                                                                                                          |
| Other outside services    | Fees for services (non-employees):<br>Management<br>Legal<br>Accounting<br>Lobbying<br>Professional fundraising services<br>Investment management fees<br>Other |                                             |                                                                                                                                                                                                                                                     |
| Depreciation              | Depreciation, depletion, and amortization                                                                                                                       | Depreciation                                |                                                                                                                                                                                                                                                     |
| Interest                  | Interest                                                                                                                                                        | Interest incurred on debt                   |                                                                                                                                                                                                                                                     |
| Other                     | Grants and other assistance<br>Royalties<br>Insurance<br>Payments to affiliates                                                                                 | Other                                       | NCAA Game Day expenses, fundraising and promotion, sports camps, spirit groups, debt service, insurance, dues/memberships, student non-travel meals<br><br>FD reporting – Debt service, capital outlay, mandatory and non-mandatory transfers, OPEB |

- **60 – Compensation and benefits** are cash outflows or obligations incurred that are spent on human resources and related taxes and benefits.
  - 61 – Salaries and wages
    - 611X – Faculty salaries – full-time, overload, adjunct

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- 612X – Staff salaries and wages – full-time exempt, full-time non-exempt, overtime, part-time/temporary
  - 6130 – Student wages – federal work study, institutional work study, stipends
  - 6140 – Supplemental pay – housing allowance, car allowance
  - 62 – Benefits and payroll taxes
    - 621X – Retirement
    - 622X – Employee benefits
    - 623X – Payroll taxes
- 70 – Expenses are cash outflows or obligations incurred that are spent to purchase goods and services.
  - **71 – Operating expenses** are cash outflows or obligations incurred that are spent to support the general operations of the University.
    - 710X – Office expenses
      - Need breakdowns for NCAA – athletics equipment, uniforms, supplies
    - 711X – Travel
    - 712X – Communications – phone, postage, internet
    - 713X – Services
      - Professional services – legal, accounting, other consultants (1099 reportable)
      - Advertising and promotion
      - Subcontractors
    - 714X – Interdepartmental
    - 715X – Special expenses
      - Hospitality, entertainment
      - NCAA specific categories – recruiting, guarantees, medical, non-travel meals, etc.
    - 716X – Other expenses
      - Bad debt, collection, penalties,
      - Insurance
      - Subscriptions, dues, memberships,
      - Indirect cost
    - 717X – Rental expenses
    - 718X – Maintenance and repairs
    - 719X – Occupancy expenses - utilities
    - 722X – Lease expenses
  - **733X – Depreciation and amortization**
  - **7400 – Grant-in-aid** (scholarships and fellowships)
- **Non-operating Expenses**
  - 75 – Nonoperating revenues/expenses
  - 77 – Capital outlay
- **80 – Transfers:**

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- 8100 – Mandatory transfers
  - 820X – Nonmandatory transfers
  - 860X – Endowment transfers
- 90 – Fund Additions
  - 9100 – Fund additions
- 95 – Fund Deductions
  - 9200 – Fund deductions

**Programs**

The **Program (PROG)** is a 4-digit code that classifies the function of the expense according to the National Association of College and University Business Officers (NACUBO) Financial Accounting and Reporting Manual (FARM).

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**Programs categories required for reporting:**

| <b>NACUBO Study Recommended</b>     | <b>Required for IPEDS</b>                                                           | <b>IRS 990</b>                      |
|-------------------------------------|-------------------------------------------------------------------------------------|-------------------------------------|
| Education                           | Instruction<br>Academic Support<br>Student Services<br>Scholarships and fellowships | Program                             |
| Research                            | Research                                                                            | Program                             |
| Public Service                      | Public Service                                                                      | Program                             |
| Auxiliary Enterprise                | Auxiliaries                                                                         | Program                             |
| Institutional Support               | [allocated to preceding categories]                                                 | Management<br>Fundraising           |
| Operations and Maintenance of Plant | [allocated to preceding categories]                                                 | [allocated to preceding categories] |
| Depreciation                        | [allocated to preceding categories]                                                 | [allocated to preceding categories] |
| Interest Expense                    | [allocated to preceding categories]                                                 | [allocated to preceding categories] |

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**Recommended structure:**

- 010 – Education & General
  - 011 – Instruction
  - 012 – Academic Support
  - 013 – Student Services
  - 014 – Scholarships
- 020 – Research
- 030 – Public Service
- 040 – Auxiliary Enterprises
  - 041 – Residence Halls
  - 042 – Dining Services
  - 043 – Other Auxiliaries
- 050 – Allocated Support
  - 051 – Institutional Support
  - 052 – Operations and Maintenance of Plant
  - 053 – Depreciation and Amortization
  - 054 – Interest

**Procedures**

**Responsible position(s):**

- Controller

**Required documents and access:**

- Banner finance, system maintenance class

**Frequency and timing:**

- As needed for new reporting requirements
- Annual review and maintenance

**Steps:**

- Set up an initial chart of accounts in accordance with defined structure to support required reporting needs including:
  - GAAP/GASB financial statements
  - IRS Form 990 tax filing
  - IPEDS reporting
  - NCAA/EADA financial reporting
  - Kentucky CPE FD reporting
  - Financial management reports
  - Other required reporting as identified

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- Monitor changes to organizational reporting needs in consideration of:
  - New regulations – GASB, FASB, GAAP, NACUBO FARM, NCAA, Department of Ed, legislation, etc.
  - New organizational funding sources, reporting structures, program designations, campus locations
  - Management reporting needs
- Create new FOAPAL elements within defined structures as new reporting needs are identified.
  - Determine whether reporting needs can be met with existing FOAPAL and attributes.
  - **Fund types** – any grouping of funds requiring a unique identifier for reporting purposes. There should be ***no changes after the initial setup*** unless required by new external reporting requirements.
    - **FTMFTYP Fund Type Maintenance**
      - Chart of Accounts: 1
      - Active Status: checked (default)
      - Fund Type: create 2-digit numeric code according to FUND structure definition
      - Title: name descriptively
      - Effective Date: today
      - Internal Fund Type: roll up level
        - 10 – Current Unrestricted
        - 20 – Restricted
        - 30 – Auxiliary
        - 40 – Loan Fund
        - 50 – Quasi-endowment
        - 60 – Endowment
        - 70 – Annuity and Life Income
        - 80 – Agency
        - 90 – Unexpended Plant
  - **Fund codes** – Any activity that requires balance sheet reporting requires a unique fund code, e.g., grants, restricted gifts, endowments. This element will have the ***most activity after the initial setup.***
    - Utilize non-data-enterable roll up level funds where needed to group funds for approvals or reporting, e.g., by granting agency or PI, by endowment.
    - **FTMFUND Fund Code Maintenance**
      - Chart of Accounts: 1
      - Active Status: checked (default)
      - Grant: Select, if applicable
      - Fund: create 6-digit numeric code according FUND structure definition
      - Title: name descriptively, maximum of 35 characters
      - Effective Date: today

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- Termination Date: <blank>
- Next Change Date: <blank>
- Expenditure End Date: grant period end date, if applicable
- Data Entry: checked (default), uncheck only if the fund is a roll up level
- Fund Type: from list
- Fund Requires Effort Certification: check if grant requires, unchecked by default
- Predecessor Fund: specify non-data-enterable roll up level
- Fund Requires Effort Allocation: check if grant requires, unchecked by default
- Financial Manager: search on FTIIDEN Entity Name/ID Search
  - Grants: Principal Investigator
  - Unrestricted funds: department financial manager
- Unbilled AR Account:
  - Follow chart of accounts to correctly classify receivables
- Revenue Account:
  - Follow chart of accounts to correctly classify revenue or deferred revenue
- Multiple Fund Balance Indicator:
- Net Assets Subclass:
- Restriction Indicator:
- Default:
  - Organization – set default for each grant fund
  - Program – set default for each grant fund
  - Activity
  - Location
- **Organization code** – Any activity that requires profit and loss reporting requires a unique ORG code. Each unit in the management reporting structure, e.g. department, has a unique ORG code. This element should ***have minimal activity after initial set up***. Only new departments or reporting structure changes should require new or changing ORG codes.
  - New ORG codes are required when new reporting units are added or it becomes advantageous to segment portions of an existing reporting unit, e.g. splitting Information Technology into Academic Technology and Administrative or Infrastructure Technology.
  - Significant activities within a department may have unique ORG codes that roll up to a departmental manager or chair.
  - Non-data-enterable roll up level orgs should be utilized to streamline approval queues and reporting at the roll up level.
  - **FTMORGN Organization Code Maintenance**
    - Chart of Accounts: 1
    - Active Status: checked (default)

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- Organization: create 6-digit numeric code according ORG structure definition
- Title: name descriptively, maximum 35 characters
- Effective Date: today
- Termination Date: <blank>
- Next Change Date: <blank>
- Data Entry: checked (default)
- Financial Manager: search on FTIIDEN
- Predecessor Organization: specify non-data-enterable roll up level
- Default Fund: specify from FUND code structure
- Default Program: specify from PROG code structure
- **Account Type** – These are general groupings of natural account activity for financial statement reporting. There should be ***no changes after the initial setup*** unless required by new external reporting requirements.
  - **FTMATYP Account Type Maintenance**
    - Chart of Accounts: 1
    - Active Status: checked (default)
    - Account Type: create 2-digit numeric code according chart structure definition
    - Title: name descriptively
    - Effective Date: today
    - Termination Date: <blank>
    - Next Change Date: <blank>
    - Internal Account Type:
      - 10 – Assets
      - 20 – Liabilities
      - 30 – Control Accounts
      - 40 – Fund Balances
      - 50 – Revenues
      - 60 – Labor
      - 70 – Expenses
      - 80 – Transfers
      - 90 – Fund Additions
      - 95 – Fund Deductions
    - Predecessor Code: use internal account type
    - Normal Balance:
      - Debit – Assets, Labor, Expenses, Fund Deductions
      - Credit – Liabilities, Fund Balances, Revenues, Fund Additions
- **Account code** – Natural classifications of assets, liabilities, revenues, expenses and transfers by account type. These should provide the minimum level of detail to achieve compliance financial reporting. This element should have ***minimal***

***changes after initial setup*** unless there is a new reporting requirement that cannot be otherwise classified with account attributes.

▪ **FTMACCT Account Code Maintenance**

- Chart of Accounts: 1
  - Active Status: checked (default)
  - Account: create 6-digit numeric code according to ACCT structure definition
  - Title: name descriptively as it will appear on financial statements
  - Effective Date: today
  - Termination Date: <blank>
  - Next Change Date: <blank>
  - Predecessor Account: specify roll up level account, if any
  - Data Entry: Yes, unless the account created is a non-data-enterable roll up level account
  - Account Type: select from list as appropriate; account numbering should reflect the numbering conventions of the account type used
  - Income Type: Used for 1099-reportable income types (university expenses) only
  - Account Class:
    - C – Cost Share
    - F – Fixed Asset – assign to all fixed assets and accumulated depreciation accounts
    - I – Indirect Cost
    - U – Unitization
  - Asset Account: only assigned for account type 77 – Capital outlay
  - Accumulated Depreciation Account: only assigned for account type 16 – Capital assets
  - Depreciation Expense Account: only assigned for 16 – Capital assets
  - Pool Account: assigned for budget approvals at highest level
    - Personnel expenses
    - Operating expenses
    - Capital outlay
  - Fringe Account: only assigned for account type 61 – Salaries and wages
  - Fringe Percent: only assigned for account type 61 – Salaries and wages
  - Normal Balance:
    - D – debit for assets, labor, expenses, fund deductions
    - C – credit for liabilities, fund balance, revenues, fund additions
- Update new code as needed in:
- Predecessor Account to remap existing Account Codes to the new Account Code, if applicable.

- **FTMACCT Account Code Maintenance**
  - Filter for the existing Program Code
  - Copy record
  - Effective Date: today
  - Predecessor Account: update to new
  - Save
- Approval queues
- Accounts receivable Detail Code mapping
  - See steps in Accounts Receivable > Detail Code Maintenance
- GASB report or other account attributes
- Fixed assets module
- Financial report mapping
- Reclassify existing activity from prior Account Code to new, if applicable.
  - Extract transaction on the prior Account Code
  - Format transaction detail data to prepare a journal entry upload to
    - Reverse the activity detail from the existing Account Code
    - Record it in detail to the new Account Code.
  - Upload reclassification entry
  - Verify account balances after posting.
- **Program codes** – Limit to NACUBO FARM defined programs needed for functional expense reporting. ***No new program codes should be needed after the initial chart of accounts setup*** unless there are significant changes in accounting guidance.
  - **FTMPROG Program Code Maintenance**
    - Chart of Accounts: 1
    - Active Status: checked (default)
    - Program: create 3-digit numeric code according to PROG structure definition
    - Program Title: name descriptively as it will appear on financial statements
    - Effective Date: today
    - Termination Date: <blank>
    - Next Change Date: <blank>
    - Data Entry: checked (default)
    - Predecessor Program: as indicated by PROG structure, if applicable
  - Update new code as needed in:
    - Predecessor Program to remap existing Program Codes to the new Program Code, if applicable.
      - **FTMPROG Program Code Maintenance**
        - Filter for the existing Program Code
        - Copy record
        - Effective Date: today

- Predecessor Program: update to new
  - Save
- Approval queues (Program Code is typically not a criterion).
- Accounts receivable Detail Code mapping
  - See steps in Accounts Receivable > Detail Code Maintenance
- GASB report or other account attributes
- Fixed assets module
- Financial report mapping
- Reclassify existing activity from prior Program Code to new, if applicable.
  - Extract transaction on the prior Program Code
  - Format transaction detail data to prepare a journal entry upload to
    - reverse the activity detail from the existing Program Code
    - record it in detail to the new Program Code.
  - Upload reclassification entry
  - Verify account balances after posting.
- **Activity codes** – This ***optional*** element can provide financial performance information on a subset of activities within a FUND-ORG or between multiple FUND-ORGs, e.g. commencement, faculty startup funds, or multiple years within a restricted grant. Activity codes should not duplicate any data that is already attributed to another FOAPAL element.
  - **FTMACTV Activity Code Maintenance**
    - Filter, GO
    - Insert
      - Chart of Accounts: 1
      - Active Status: checked (default)
      - Activity: create a unique alpha-numeric code, maximum 6-characters
      - Activity Title: name descriptively to provide the user with sufficient indication of the usage
      - Effective Date: today
      - Termination Date: <blank>
      - Next Change Date: <blank>
- **Location codes** – This ***optional*** element can be used to distinguish between campuses or locations for fixed assets or tracking maintenance expenses by building.
  - **FTMLOCN Location Code Maintenance**
    - Chart of Accounts: 1
    - Active Status: checked (default)
    - Location: buildings have a unique 2-character alpha code; rooms or sublocations are indicated with additional alpha-numeric codes up to 6-characters

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- Location Title: name descriptively to provide the user with sufficient indication of the usage
  - Effective Date: today
  - Termination Date: <blank>
  - Next Change Date: <blank>
  - Predecessor Location: choose the general location for sublocations
  - Square Footage: obtain this information from facilities management
  - Address Lines 1,2,3: add 911 emergency addresses for buildings
- Create new index codes for frequently utilized FOAPAL combinations. As requested by users, index codes provide a shortcut to commonly used FOAP combinations to increase efficiency and accuracy of data entry.
  - Identify high transaction volume users that may benefit from index codes.
  - **FTMACCI Account Index Code Maintenance**
    - Chart of Accounts: 1
    - Active Status: checked (default)
    - Account Index: create a unique alpha-numeric code up to 6-characters per the user's request
    - Account Index Title: name descriptively to provide the user with sufficient indication of the usage
    - Effective Date: today
    - Termination Date: <blank>
    - Next Change Date: <blank>
    - Accounting Distribution: as many elements as needed can be assigned to the index.
      - Fund
      - Organization
      - Account
      - Program
      - Activity
      - Location
    - Check to Override: check to allow the user to override the default distribution provided by the Account Index.
- Update reporting as necessary to incorporate new FOAPAL elements. Utilizing the structure of the chart of account minimizes the changes needed to incorporate new FOAPAL elements into the existing reporting structure.
- Train users including department administrative assistants, financial managers, budget office staff, purchasing staff, accounting staff – in the appropriate use of new FOAPAL elements.
  - Notify affected employees with new FOAPAL elements created, e.g., templated email with guidance on correct usage and any resulting changes to budgets and reporting.

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- Provide regular annual training sessions for employees new to roles requiring purchasing or budget management and refreshers (remedial training for noncompliance) for employees currently in these roles.

## Budgeting

Budget planning is integral to translating academic and administrative goals and objectives into financial and human resource terms. It develops a basis for assessing future performance compared to that plan. The budget should be developed to direct the most efficient and prudent use of financial and human resources. It reflects management's commitment to a plan for future institutional activities in consideration of available resources.

The Budget Office manages the budget development process to prepare an annual operating budget and monitors performance against that budget. The Budget Office also manages the development and submission of the University's biennial state operating budget request.

The Capital Projects Manager develops the annual capital budget based on the University's six-year master plan.

## Policy

The President is responsible for recommending annual operating and capital budgets to the Board of Regents prior to the start of the fiscal year. The Board is responsible for approving the University's annual operating and capital budgets.

The President is responsible for submitting a biennial budget to the Commonwealth of Kentucky for state appropriations.

The Budget Office is responsible for managing the budget development process and for publishing the University's annual operating budget and biennial budget submissions.

## Procedures

### Responsible position(s):

- Budget Director
- Capital Projects Manager

### Required documents and access:

- Banner Production access, Budget security class

### Frequency and timing:

- The budget cycle is an annual process, generally beginning in November.
- Monitoring and reporting are ongoing monthly and quarterly activities.

## Guidelines and Timeline

- **Budget Director, CFO, and President** establish guidelines, priorities, and assumptions for preparation of the annual operating budget. Factors considered include:
  - Strategic priorities
  - Wage analysis and evaluation
  - Inflation
  - State appropriations

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- Special projects
- Fixed assets purchases
- **Capital Projects Manager** and President establish priorities from the campus master to develop the annual capital budget.
- **Budget Director:**
  - Develops a budget cycle calendar which must be approved annually by the Board at its December meeting.
  - Identifies budget liaisons for each department.
  - Communicates the guidelines, instructions and timeline to VPs/Provost/Deans and their budget liaisons with reports of the prior year's actual performance as a baseline.
  - Publishes the budget cycle calendar, guidelines, and instructions on the Budget Planning website [Kentucky State University | Budget Policy And Planning \(kysu.edu\)](https://www.kysu.edu/budget-policy-and-planning).

### Preparation

- All appropriate levels of **management** of KSU submit their projections of revenues and expenditures for planned services, projects, and programs within the established guidelines and timetable with appropriate justification to the Budget Office.
  - Revenues:
    - **Provost and Vice Provost** projects student enrollment for tuition
    - Provost estimates campus housing occupancy and meal plan utilization for room and board (based on % of enrollment)
    - President projects estimated scholarships (based on an estimated % of enrollment)
  - Personnel expenditures:
    - **Budget Director** maintains a master position list with budgets for each active position.
    - **VPs/Provost/Deans** verify currently filled positions filled in each department/unit.
    - **President** controls budgets for vacant positions. VPs/Provost/Deans must request approval through the Office of Human Resources for the President to approve to fill vacant positions or create new positions.
  - Non-personnel operating expenditures:
    - **VPs/Provost/Deans** distribute budget guidelines and timelines to their department budget liaisons.
    - **Department budget liaisons** submit requests within the established guidelines with appropriate justification to VPs/Provost/Deans.
    - **VPs/Provost/Deans** consolidate requests within their programs to submit to the Budget Office.
  - Capital expenditures:
    - **Capital Projects Manager** develops budgets for capital construction projects identified from the campus master plan. Assets preservation projects are pulled from the campus master plan at management's discretion in consultation with the President. The Board must be informed

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of all projects greater than \$100K and must explicitly approve projects greater than \$250K.

- **VPs/Provost/Deans** consider capital requests from departments to submit to the Budget Office with operating budget requests.
- **Budget Director:**
  - Coordinates with VPs/Provost/Deans to assist in revising proposed budgets.
  - Prepares the combined annual operating budget with consideration of historical data, future growth plans, and regulatory requirements, and factors in any shifts or adjustments to staffing levels with the related fringe benefits for the salary budget.
  - Determines the available capacity for university funded capital projects (Depreciation budget less debt service obligations).
  - Presents the preliminary annual operating and capital budgets to the CFO for review.
  - Revises budgets with the CFO after the:
    - The State authorizes appropriations for the upcoming fiscal year, typically in April.
    - CPE determines caps on tuition and fee increases.
    - The Board of Regents approve tuition and fee rates.
    - CPE approves board-approved tuition and fee rates.
- **CFO and Budget Director** present a final draft budget to the President.

#### Approval

- **President** submits the final budget package to the Finance Committee for review.
- **Finance Committee of the Board of Regents** recommends the final budget package to the Board of Regents for approval.
- **Board of Regents** approves the annual operating and capital budget for the fiscal year beginning July 1<sup>st</sup>.

#### Implementation

- **Budget Director:**
  - Implements the approved annual operating and capital budget in the accounting system.
  - Distributes annual operating budgets to budget managers with guidance on managing expenditures within their budgets and in compliance with expenditure authority purchasing policies.
  - Submits a copy of the approved annual operating budget to the University's webmaster for publication in compliance with state regulations.

#### Controls

- **Budget Director** establishes and maintains system budget controls on expenditures to:
  - Limit spending to available budget through Banner system controls
    - Banner system maintenance to activate NSF controls,
  - Require full accounting codes for all expenditures – FUND, ORG, ACCT, PROG
  - Restrict unallowable expenditures by fund through manual compliance checks (see flow chart)

### Monitoring

- **Financial managers** are responsible for ensuring compliance with funding guidelines and for remaining within approved budgets.
- **Budget Director:**
  - Reports monthly budget to actual performance with variance analysis to the President, CFO, and CPE.
    - FGRCGBA Comparative statements of revenue and expenses, budget to actual.
  - Reports quarterly budget to actual performance with variance analysis to:
    - VPs/Provost/Deans/Departments requesting explanations of variances as necessary.
    - Finance Committee
  - Updates the budget forecast for the remaining months of the fiscal year based on variance analysis and feedback from VPs/Provost/Deans.

### Adjustments

- **Financial managers** may request budget transfers within the following parameters via DocuSign:
  - No transfers are permitted between personnel and non-personnel expense lines.
  - Budget managers may transfer between non-personnel operating expenses lines within their organization; Deans and department heads can transfer non-personnel operating expenses within their programs.
  - Transfers are not permitted between different funding types, e.g. E&G and Auxiliary.
- **VPs/Provost/Deans/Department Heads** recommend budget transfers for approval.
- **Budget Director** maintains authority to approve transfers and implement the changes in the accounting system.
  - FGAJVC budget transfers

### Campus Master Plan

#### Responsible position(s):

- Capital Project Manager

#### Required documents and access:

- Campus Master Plan

#### Frequency and timing:

- Developed in a rolling six-year cycle, revised and updated every two years

#### Steps:

- Evaluate campus needs – consultants
- Scope projects and priorities
- Publish plan

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- Prepare annual budget request for projects included in upcoming budget cycle
- Prepare biennial update to master plan for capital appropriations

**Biennial Budget Planning**

Every two years, the University submits a biennial budget to the state for consideration. This request includes reporting on the prior two years' actual revenues and expenses, the current year budgeted revenues and expenses and a request for the following two years.

**Responsible position(s):**

- Budget Director
- Capital Projects Manager

**Required documents and access:**

- Banner
- Campus Master Plan

**Frequency and timing:**

- Biennially with the state budget cycles (even years)

**Steps:**

- Reports from Banner for prior two fiscal years – budget to actual reports from banner
- Report from Banner for current year budget – budget to actual
- Projections for following two fiscal years -
- Uploaded to EMARS

## Cash Management

Cash management centers around who has control of the funds and methods used for depositing, disbursing, and investing current operating cash and reserve funds. To mitigate the inherent risks in cash management, effective internal controls must include:

- Segregation of duties prevent and detect fraud,
- Physical safeguards to prevent theft,
- Authorization procedures to ensure accountability,
- Regular reconciliation to prevent errors and misstatements, and
- Adequate cash flow management to meet current obligations with timely collection of receivables, strategic timing of payments of bills, and forecasting operating cash needs.

## Policy

The Board of Regents delegates the authority to the President to establish bank accounts on behalf of the University, to deposit, disburse, and invest funds from such bank accounts. The President further delegates this authority to the Chief Financial Officer (CFO).

- No one person shall have control over all aspects of cash transactions.
- Deposits will be made in a timely manner. All payments must be deposited into the board-authorized accounts of the University.
- All disbursements must be appropriately authorized.
- Bills will be paid within the legal limits granted by the vendor, but not aged to the point where KSU will develop a reputation for slow paying.
- All cash accounts will be reconciled monthly by individuals without access to cash, accounts receivable, or accounts payable.

## Procedures

Commercial bank accounts are established at Fifth Third Bank to transact various University depository and disbursement activities. All accounts, except for the Federal Perkins Loan Fund and State accounts, sweep daily to the General account.

| Account Name                        | Bank Account # | Banner GL | Type                    |
|-------------------------------------|----------------|-----------|-------------------------|
| Perkins - 52                        | x0662          | 110052    | Depository              |
| FFELP (International Exchange) - 53 | X0654          | 110053    | Depository              |
| Federal Direct Loans - 54           | x0621          | 110054    | Depository              |
| Payroll - 55 (not used)             | x0712          | 110055    | Disbursement (not used) |
| Vendors - 56                        | x0704          | 110056    | Disbursement            |
| Federal Grants - 57                 | x0688          | 110057    | Depository              |
| Cashier - 58                        | x0639          | 110058    | Disbursement            |
| Credit Cards - 59                   | x0696          | 110059    | Disbursement            |
| General - 60                        | x0720          | 110060    | Depository              |
| Bank 09 - State                     | State          | 110009    | State                   |
| Bank 20 - State Allotment           | State          | 110020    | State                   |

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| Account Name                     | Bank Account # | Banner GL | Type  |
|----------------------------------|----------------|-----------|-------|
| Bank 29 - State Capital Projects | State          | 110029    | State |

**Access Controls**

**Responsible position(s):**

- CFO, Controller

**Required documents and access:**

- Online administrator access to bank accounts

**Frequency and timing:**

- As needed to add or delete user access

**Steps:**

- Determine which positions need inquiry and transactional access.
- Establish dual approvals within the banking platform for all transaction activity including EFT, wire transfer or inter-account transfers.
- Assign roles to users in accordance with their responsibilities.
- Review and updates access periodically, at least annually, to ensure user roles are still appropriate for their positions, and user access is inactivated in a timely manner.

Bank deposits are addressed in the Cash Receipts section (procedures for recording incoming wires and ACH's should also be processed through cashiering, not JVs in accounting).

Cash disbursements are addressed in the Accounts Payable and Cash Disbursements section (procedures for recording outgoing wires and EFTs should also be processed through AP, not JV in accounting).

**Bank Account Analysis**

**Responsible position(s):**

- Controller

**Required documents and access:**

- Bank analysis statements
- Industry standards

**Frequency and timing:**

- Annually

**Steps:**

- Review the analysis statements to ensure that bank service fees or earnings credits are reasonable and cost effective.

## Kentucky State University Business Policies and Procedures Manual

- Compare earnings credits and fees with industry data and other banking providers
- Meet with bank and investment representatives for account reviews annually.
- Recommend new banking contracts as appropriate.

### Cash Forecasting

#### Responsible position(s):

- Senior Accountant

#### Required documents and access:

- Banner
- Month-end cash balance report
- Projections of cash receipts from tuition, appropriations, scheduled disbursements, payroll, bond obligations, etc.

#### Frequency and timing:

- Weekly – short term cash projections
- Monthly – long-term projections for at least 1 fiscal year

#### Steps:

- Update monthly actuals with balance details for all cash accounts
  - Cash balance report that goes to CPE for month-end – use this report to update the ending balances for the month

| Balances - 8/31/2023                   |                         |                                    |
|----------------------------------------|-------------------------|------------------------------------|
| <b>Bank Accounts</b>                   |                         |                                    |
| Bank 60 Fifth Third General Depository | 3,709,813.98            | Fifth Third Sweep Acct             |
| Outstanding Checks                     | (601,068.88)            | Bank 56 -ARP Report                |
|                                        | (15,181.46)             | Bank 55 ARP Report                 |
| Bank 09 State Account                  | 4,736,482.51            | State Account 2550-ALL             |
| Bank 20 State Appropriations           | -                       | State Allotment Acct 2540S         |
| <b>Total Funds Available</b>           | <b>\$ 7,830,046.15</b>  |                                    |
| Bank 29 State Capital Project Account  | 4,010,168.21            | State Capital Project 2550-CP-APD* |
| Bank 52 Perkins Account                | 81,281.56               | Perkins Account                    |
| <b>Total Bank Accounts</b>             | <b>\$ 11,921,495.92</b> |                                    |

- Review General account activity in Banner and categorize transactions based on source, i.e. transactions from the Cashier account (Bank 58) are inflows from student payments
  - Pull report for Bank 60 out of FGRGLTA. Other Bank account reports may be necessary in future steps.
  - Once in the FGRGLTA screen, the report can be accessed by completing the following:

Printer = DATABASE

Parameter Values = (see below for example, Bank 60 is account code 110060)

# Kentucky State University Business Policies and Procedures Manual

Down Arrow until "Save Parameter" box is highlighted. Click on box to check.

"SAVE" (bottom right)

"RELATED"

"REVIEW OUTPUT"

Click on 3 dots beside File Name. Select file that has a .lis at the end

"TOOLS"

"SHOW DOCUMENT - SAVE & PRINT"

Right click: Print

Process: FGRLTA General Ledger Detail Transact Parameter Set:

---

**\* PRINTER CONTROL**

|               |              |             |      |
|---------------|--------------|-------------|------|
| Printer       | DATABASE *** | Submit Time |      |
| Special Print |              | MIME Type   | None |
| Lines         |              | PDF Font    | ***  |

**\* PARAMETER VALUES**

| Number * | Parameters                   | Values     |
|----------|------------------------------|------------|
| 01       | Fiscal Year                  | 23         |
| 02       | Chart of Accounts            | 1          |
| 03       | From Fund Code               | 990000     |
| 04       | To Fund Code                 | 990000     |
| 05       | From Account Code            | 110052     |
| 06       | To Account Code              | 110052     |
| 07       | From Date                    | 07/01/2022 |
| 08       | To Date                      | 07/31/2022 |
| 09       | Include Accrual for Last Prd | Y          |
| 10       | Print Fund Totals            | Y          |

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**\* SUBMISSION**

☒ Save Parameter Set as

Name Description

Hold / Submit ☐ Hold ☒ Submit

13-SEP-2023 03:24:40 PM  
FISCAL YEAR 2024

Kentucky State University  
General Ledger Detail Transact  
From 01-AUG-2023 To 31-AUG-2023

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FGRLTA

COAS: 1 Kentucky State University  
FUND: 990000 University General

| TRANS DATE                                     | TRAN TYPE | DOCUMENT NUMBER | DOCUMENT REFERENCE | DESCRIPTION                    | ACCOUNT | DEBITS        | CREDITS      | BALANCE      |
|------------------------------------------------|-----------|-----------------|--------------------|--------------------------------|---------|---------------|--------------|--------------|
| BEGINNING BALANCE: 5/3 - General Deposit State |           |                 |                    |                                | 110060  |               |              | 1,373,949.19 |
| 08/02/2023                                     | CR05      | 10024334        |                    | Txfr from State Account to 5/3 | 110060  | 1,253,049.31  |              |              |
| 08/15/2023                                     | CR05      | 10024406        |                    | Transfer from State Acct to Ba | 110060  | 784,894.79    |              |              |
| 08/26/2023                                     | CR05      | 10024458        |                    | Txfr to Bank 60 from Bk 09     | 110060  | 3,101,678.77  |              |              |
| 08/31/2023                                     | CR05      | 10024486        |                    | ZBA Sweep from Bank 57 to Bank | 110060  | 383,681.89    |              |              |
| 08/31/2023                                     | CR05      | 10024486        |                    | ZBA Sweep from Bank 60 to Bank | 110060  |               | 4,517,310.90 |              |
| 08/31/2023                                     | CR05      | 10024486        |                    | ZBA Sweep from Bank 58 to Bank | 110060  | 784,063.19    |              |              |
| 08/31/2023                                     | CR05      | 10024486        |                    | ZBA Sweep from Bank 54 to Bank | 110060  | 52,695.37     |              |              |
| 08/31/2023                                     | CR05      | 10024486        |                    | ZBA Sweep from Bank 60 to Bank | 110060  | 4,517,310.90  |              |              |
| 08/31/2023                                     | CR05      | 10024486        |                    | ZBA Sweep from Bank 59 to Bank | 110060  | 494,886.36    |              |              |
| ENDING BALANCE: 5/3 - General Deposit State    |           |                 |                    |                                | 110060  | 11,372,260.58 | 4,517,310.90 | 8,228,898.87 |

|                                       |        |    |               |              |              |
|---------------------------------------|--------|----|---------------|--------------|--------------|
| TOTAL FUND: 990000 University General | Assets | 10 | 11,372,260.58 | 4,517,310.90 | 8,228,898.87 |
|---------------------------------------|--------|----|---------------|--------------|--------------|

13-SEP-2023 03:24:40 PM  
FISCAL YEAR 2024

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General Ledger Detail Transact  
From 01-AUG-2023 To 31-AUG-2023

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FGRLTA

\* \* \* REPORT CONTROL INFORMATION \* \* \*

PARAMETER SEQUENCE NUMBER: 877815  
FISCAL YEAR: 2024  
CHART OF ACCOUNTS: 1  
FROM FUND: 990000  
TO FUND: 990000  
FROM ACCOUNT: 110060  
TO ACCOUNT: 110060  
FROM: 01-AUG-2023  
TO: 31-AUG-2023  
INCLUDE ACCRUAL: Y  
PRINT FUND TOTALS: Y  
NUMBER OF PRINTED LINES PER PAGE: 55  
RECORD COUNT: 1

- Categorize transactions in Bank 60 according to type of transaction. Sometimes transfers will list the other bank account, if not then FGRLTA can be repeated for other accounts. Below is a summary of the cash accounts.

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|               |                                                                                          |                                                                                                                            |                                                                           |                                                                               |                                                                                                                |                                                                                               |                                                                                                                                                                       |                                                                                                                                                                                                                        |                                                                                         |                 |                           |                                  |
|---------------|------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------|-------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------|-----------------|---------------------------|----------------------------------|
| Bank:         | Fifth Third                                                                              | Fifth Third                                                                                                                | Fifth Third                                                               | Fifth Third                                                                   | Fifth Third                                                                                                    | Fifth Third                                                                                   | Fifth Third                                                                                                                                                           | Fifth Third                                                                                                                                                                                                            | Fifth Third                                                                             | State           | State                     | State                            |
| Account Name: | Perkins - 52                                                                             | FFELP (International Exchange) - 53                                                                                        | Federal Direct Loans - 54                                                 | Payroll - 55 (not used)                                                       | Vendors - 56                                                                                                   | Federal Grants - 57                                                                           | Cashier - 58                                                                                                                                                          | Credit Cards - 59                                                                                                                                                                                                      | General - 60                                                                            | Bank 09 - State | Bank 20 - State Allotment | Bank 29 - State Capital Projects |
| Bank A/C#:    | x0662                                                                                    | X0654                                                                                                                      | x0621                                                                     | x0712                                                                         | x0704                                                                                                          | x0688                                                                                         | x0639                                                                                                                                                                 | x0696                                                                                                                                                                                                                  | x0720                                                                                   |                 |                           |                                  |
| Banner GL     | 110052                                                                                   | 110053                                                                                                                     | 110054                                                                    | 110055                                                                        | 110056                                                                                                         | 110057                                                                                        | 110058                                                                                                                                                                | 110059                                                                                                                                                                                                                 | 110060                                                                                  | 110009          | 110020                    | 110029                           |
| Purpose       | Perkins account; Deposits are received from ECSI for Perkins loans. Not a sweep account. | Foreign exchange student payments and international wires are deposited here. Very rarely used and is not a sweep account. | Federal Direct Loans are received here. Account sweeps to bank 0720 (60). | Old payroll account; account is no longer in use but kept open due to checks. | Vendor payments for AP and Payroll. This is the only account payments are sent from. Sweeps to bank 0720 (60). | Federal grants, Federal scholarships & VA funds are deposited here. Sweeps to bank 0720 (60). | University accounts for cashiers. All cash and checks received at the University are deposited here as well as state payments. This account sweeps to bank 0720 (60). | Merchant account; all credit cards should flow through this account. This account also pays the fees for credit card processing and will debit the account around the 10th. This is a sweep account to bank 0720 (60). | General account; Used as a depository account and is where all other accounts sweep to. |                 |                           |                                  |

- Obtain details on vendor transactions for selected vendors
  - Details on vendors for outflows can be found in FAIVNDH and can be added to Support tab. Put in the vendor # and fiscal year and then click Go. Then, find invoices with a check date in the month of the forecast

Kent State University

Vendor Detail History FAIVNDH 9.3.22 (PROD)

ADD

RETRIEVE

RELATED

TOOLS

Vendor: 11057350 Anthem Blue Cross Blue Shield Vendor Hold: Selection: All Fiscal Year: 24 Invoice Date From: Invoice Date To: 

Start Over

VENDOR DETAIL HISTORY

Insert

Delete

Copy

Filter

| Vendor Invoice | Invoice  | Approval | Multiple | Credit Memo | Open/Paid | Cancel | Vendor Invoice Amount | Due Date   | Check Date | Check Number |
|----------------|----------|----------|----------|-------------|-----------|--------|-----------------------|------------|------------|--------------|
| 898493615059   | 10170089 | YES      | NO       | NO          | PAID      | NO     | 212,036.23            | 07/31/2023 | 07/31/2023 | 00136827     |
| 898496357044   | 10170090 | YES      | NO       | NO          | PAID      | NO     | 115,893.59            | 07/14/2023 | 07/31/2023 | 00136827     |
| 898492038944   | 10170091 | YES      | NO       | NO          | PAID      | NO     | 14,465.82             | 07/28/2023 | 07/31/2023 | 00136827     |
| 898492028676   | 10170189 | YES      | NO       | NO          | PAID      | NO     | 17,197.76             | 08/03/2023 | 08/11/2023 | 00136833     |
| 898495688854   | 10170196 | YES      | NO       | NO          | PAID      | NO     | 18,754.82             | 08/08/2023 | 08/11/2023 | 00136833     |
| 898492034962   | 10170358 | YES      | NO       | NO          | PAID      | NO     | 65,954.07             | 08/15/2023 | 08/18/2023 | 00136841     |
| 898493020646   | 10170500 | YES      | NO       | NO          | PAID      | NO     | 15,555.83             | 08/22/2023 | 08/25/2023 | 00136852     |
| Total          |          |          |          |             |           |        | 459,858.12            |            |            |              |

1

1

1

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Record 1 of 1

- Review forecast for upcoming months and update with any known changes

### Remitting Receipts to State Accounts

Transfers to and from state accounts are completed as needed. Kentucky Revised Statutes requires remitting receipts to the state account to keep the amounts held at institutional bank accounts to a minimum.

### Responsible position(s):

- Bursar
- Accounts Payable Clerk
- Senior Accountant
- Controller

### Required documents and access:

- Banner

### Frequency and timing:

- Monthly after month-end close

### Steps:

- Bursar** runs a report of unrestricted general cash receipts received in the prior month and prepares a manual direct pay request to remit general receipts to state accounts.

## Kentucky State University Business Policies and Procedures Manual

- **Accountant** initiates a wire transfer from the direct pay request to remit to the state account.
- **CFO/Controller** approves wire transfers.
- **Accounts Payable** enters the direct pay request to Banner to record the wire payment.

### Drawing Down for Disbursements from State Accounts

#### Responsible position(s):

- Accounts Payable Manager
- Senior Accountant

#### Required documents and access:

- Banner
- eMARS

#### Frequency and timing:

- Daily

#### Steps:

- **Accounts Payable Manager** calculate the cash disbursements to be made in the next check run.
- Senior Accountant:
  - Checks the balances in the state account accounts for each fund daily to determine balances available and confirm Banner balances ties with state system.
  - Sends an email memo to the State Treasurer to request drawdown to reimburse for disbursements made the prior day.
    - Send to Phil Nally, DeeDee McCrosky, CC: Sue Casey, Jackie Green, Melissa Duval and [Finance.OFMinvest@ky.gov](mailto:Finance.OFMinvest@ky.gov)
    - Copy CFO, Controller, and Cashiers to watch for incoming electronic payment and provide instructions for recording the deposit.

### Drawing Down for Federal Financial Aid

The federal Department of Education requires institutions to initiate drawdowns of federal financial aid for programs including Pell, SEOG, Federal Work Study, and Direct Loans within strict timing limitations. **Funds can be drawn no earlier than 7 days in advance** of disbursement to students' accounts. To ensure compliance, KSU generally expends the federal funds by applying the amounts to student's accounts first, and then draws down the federal funds to reimburse the institution for amounts applied.

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**Responsible position(s):**

- Grant Accountant or Senior Accountant

**Required documents and access:**

- Banner
- G-5

**Frequency and timing:**

- Monthly after month-end close

**Steps:**

- Determine amounts due for Federal financial aid applied to student accounts for programs including Pell, SEOG, Federal Work Study, and Direct Loans.
  - Reports of FA receivable – difference between awarded and drawn
- Draw funds from G-5 supported by reports of receivable amount.
  - Login
  - Create Payment
  - Enter amount by award
  - Submit
- Forward confirmation email of drawdown to CFO, Controller, and Cashier, to watch for incoming electronic payment(s) and provide instructions for recording the deposit(s).
  - Deposit bank
  - Credit account(s)

## **Endowment Investment Management**

The Kentucky State University Endowment (“Endowment”) is an aggregation of funds comprised of gifts from donors and grants from the Commonwealth of Kentucky, with the requirement that they be invested in perpetuity to generate a reliable and steadily growing revenue stream to support the mission of Kentucky State University (“University”) both now and in the future. The revenue stream, or annual spending distributions, supports scholarships, chairs, professorships, and departments, as defined by the executed Endowment agreements. The Endowment is expected to provide fiscal stability because the principal is invested for long-term growth and spending distributions are generated annually.

The University has a fiduciary responsibility to prudently manage and preserve the long-term purchasing power of the Endowment, as well as the individual endowment funds, to evenly support present and future beneficiaries. This fiduciary responsibility constitutes both a legal and moral obligation to donors and the Commonwealth of Kentucky, who intend that their gifts and grants provide support for the University in perpetuity.

The Endowment is considered open and can welcome additional funds from current or future donors with the expectation that they be invested on a long-term basis.

### **Policy**

This policy aims to outline a philosophy that will guide the management of investment assets toward desired results. It is intended to be sufficiently specific as to be meaningful, yet flexible enough to be practical.

This Endowment Investment & Spending Policy is set forth in order to:

- Define and assign responsibilities;
- Establish a clear understanding of the investment goals and objectives of the Endowment assets;
- Offer guidance and limitations regarding the investment and spending of Endowment assets;
- Establish a basis of evaluating investment results; and
- Manage the Endowment’s assets according to industry best practices and applicable laws.

The Endowment Investment & Spending Policy shall be formally reviewed annually and at such other times as desired by the Board of Regents, or the Board’s designated Committee, and the University’s administration. Any modifications to the policy shall be approved by the Board. This Endowment Investment & Spending Policy shall supersede all existing Kentucky State University Endowment Investment Policies and Endowment Spending Policies.

Policy statement 4.1.16 provides procedures for hiring and monitoring of the investment management firm, achieving investment objectives, and allocating spending from the funds. The procedures documented in this section describe recording the resulting investment earnings, gains, losses and distributions in the accounting records.

## Procedures

### Endowment Investment Access Control

#### **Responsible position(s):**

- Controller

#### **Required documents and access:**

- Online administrator access to investment accounts

#### **Frequency and timing:**

- As needed to add or delete user access
- Annually review user access

#### **Steps:**

- Ensure investment account set up requires dual controls for transaction activity in the accounts.
- Assign appropriate security roles to the employees in those positions. The investment manager will require the assigned users to validate their identity.
  - Controller and Accountant - query only access; positions responsible for reconciling investment accounts.
  - VP Advancement – transactional access to initiate transfers out.
  - CFO – transactional access to approve transfers out.
- Review authorized users' access annually to ensure access is appropriately assigned and revoked in a timely manner.

### Endowment Spending Allocations

Annual spending distributions from endowments is set by policy. It is calculated by a smoothing formula based on a rolling three-year average of the quarterly market values. Ending market values for the last 12 quarters are averaged, and the result is then multiplied by the 4% spending rate (1% per quarter) to determine the total amount to be distributed. This amount is then allocated to participating funds based on their pro-rata share of the total investment pool.

The calculated annual spending distribution must fall between 3.5% and 5% of the current market value of the pooled endowment investment. Should the rolling three-year average be outside of this range, it will be raised to 3.5% or lowered to 5%. The Board of Regents reserves the right to freeze, lower, or increase the annual spending distribution in an extraordinary financial situation.

Eligible endowment funds will be charged an annual internal administrative management fee of 0.50% of the current market value (assessed quarterly) to support the administrative costs of the institution.

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The Board of Regents may temporarily increase the management fee to support additional expenses associated with the endowment, fundraising, or administrative activities. At no time shall the management fee exceed 1.00%.

**Responsible position(s):**

- CFO serves as backup
- VP Advancement
- Cashier
- Accountant

**Required documents and access:**

- Investment performance reports

**Frequency and timing:**

- Quarterly, on the 1<sup>st</sup> of each quarter

**Steps:**

- **CFO:**
  - Calculates the quarterly spending distribution amount based on the policy.
  - Provides calculated spending distribution amount to VP Advancement to initiate investment withdrawal.
- **VP Advancement** initiates withdrawal request with the investment manager, copying the CFO, Controller, Accountant, and Cashier.
- **CFO** approves withdrawal request with investment manager (dual approval).
- **Cashier** records cash receipt for spending distribution and management fees to endowment investment clearing account using a Detail Code.
  - DR depository cash 990000 Bank Fund –11XX Depository Bank Account
  - CR clearing account 610000 Pooled Endowment – 29XX Clearing Account
- **Accountant:**
  - Records journal entry for spending distribution disbursements from clearing accounts to spending accounts from details provided in month-end investment reports.
    - Spendable allocation to spending accounts:
      - DR 610000 Pooled Endowment fund – 29XX Clearing Account
      - CR 26XXX0 Endowment Spendable fund – ORGN – 86XX Spending Distribution - PROG
    - Management fee to institutional account (summary level):
      - DR 610000 Pooled Endowment fund – 29XX Clearing Account
      - CR 110001 Current Unrestricted fund – ORGN – 80XX Internal Endowment Management Fee - PROG

- Reconciles endowment account as usual (see month-end reconciliations) which records these disbursements from the endowment investment account and adjusts the market value of each endowment.

## **Debt Management**

To fulfill its mission, the University must make ongoing strategic capital investments in academic, student life, and other plant facilities using an appropriate mix of funding sources including state bonds and appropriations, philanthropy, and capital leases.

The purpose of the policy is to provide guidance on the strategic use of debt and to ensure the appropriate mix of funding sources are considered and utilized. Debt is a valuable source of capital project financing but should be limited to projects that relate to the mission and strategic objectives of the University. The amount of debt incurred has an impact on the financial health of the University and its credit rating.

This policy provides a discipline and framework to be used to evaluate the appropriate use of debt in capital financing plans.

### **Policy**

Projects to be considered for debt financing must relate, directly or indirectly, to the mission of the University.

The University shall maximize the use of philanthropy, grants, state appropriations and state bonds to fund capital projects, strategically using taxable and tax-exempt debt to provide additional resources to support mission-critical investments. The University will consider other funding opportunities when appropriate and advantageous to the University. An evaluation of such financing strategies will include a comprehensive assessment of the risks, costs and benefits specific to the project, the University resources at-large and the overall debt portfolio.

The CFO is responsible for all debt management including post issuance compliance monitoring.

A Debt Management Committee consisting of the CFO, Director of Facilities and Capital Planning, Provost, and General Counsel will meet regularly to review the university's debt capacity and present recommendations to the President for projects to be funded with debt financing.

The President and Board of Regents must approve all debt financing.

### **Identify and prioritize capital projects eligible for debt financing**

The Director of Facilities and Capital Planning is responsible for estimating and defining capital project costs and maintaining a list of potential projects under consideration. The Vice President for Finance/CFO is responsible for developing university-wide capital planning documents for the current year, current biennium and the six-year capital plan.

Projects considered for debt financing must consider project expenses and incremental operating costs and revenues. The net present value of each project will be calculated by summing the discounted value of the annual net project cash flows over the life of the project.

### **Evaluate debt capacity**

The CFO shall regularly monitor the debt capacity and maintain a schedule of current and forecasted debt and associated payment of principal, interest, and fees. The CFO is responsible for the administration of all aspects of debt financing, including accounting, reporting and coordination with financial advisors, underwriters, bond counsel and rating agencies to issue new debt or refinance existing debt.

The University will assess its ability to absorb additional fixed capital costs while maintaining overall financial health considering the ability to repay debt from operating revenues and still fulfill the University's mission. To support the evaluation of the debt capacity, the University will utilize the Moody's Investors Service higher education scorecard based on the most recent fiscal year-end audited financial statements.

### **Guidelines for managing debt portfolio**

The University will continuously monitor its outstanding debt portfolio for refunding and/or restructuring opportunities. In analyzing possible refunding candidates, the University will consider the net present value savings as a percentage of refunded debt as well as the potential cash flow savings from the refunding. A refunding may also be considered if it relieves the University of certain limitations, covenants, payment obligations, or reserve requirements.

The University will maintain ongoing communication and interaction with the rating agencies to inform the agencies about the general credit structure and financial performance of the University to maintain an acceptable credit rating.

The University will monitor its debt portfolio to remain within compliance of federal and state law to maintain the tax-exempt status. All required continuing disclosures shall be timely filed.

## **Procedures**

### **Approval for Debit Financing**

#### **Responsible position(s):**

- Debt Management Committee
- President
- Board of Regents

#### **Required documents and access:**

- Campus Master Plan
- Annual financial statement audit
- Debt capacity calculation

#### **Frequency and timing:**

- Annually

#### **Steps:**

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- Evaluate debt capacity
- Prioritize eligible projects
- Recommend debt financed project(s) to President
- Submit recommended project to Board for approval

**Debt Capacity Calculation (Debt Service Coverage Ratio)**

**Responsible position(s):**

- CFO

**Required documents and access:**

- Audited financial statements

**Frequency and timing:**

- At least annually in conjunction with the audit.

**Steps**

- The total income before other revenues, expenses, gains or losses + depreciation expense + interest on capital asset – related debt DIVIDED by the total reduction in total bonds = reduction in total notes and capital leases + interest on capital asset – related debt

**Issuance**

**Responsible position(s):**

- CFO

**Required documents and access:**

- Board approval for debt financing

**Frequency and timing:**

- As needed for approved debt financing

**Steps**

- The University will work in conjunction with The Commonwealth of Kentucky's Office of Financial Management to ensure compliance with related laws and statutes.

**Post Issuance Compliance**

**Responsible position(s):**

- Controller

**Required documents and access:**

- Audited financial statements

**Frequency and timing:**

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- Annually

**Steps:**

- EMMA reporting

## Capital Planning

### Policy

The Commonwealth of Kentucky (State) maintains control over all capital construction projects for the University. The university is permitted to directly manage projects with a total cost of less than \$40K. Any capital construction projects over \$40K must be managed by the Finance and Administration Cabinet.

Once a campus master plan is developed (procedures in the Budget section above), the plan is updated every two years in the biennial budget process. The biennial capital budget requests are drawn from the six-year master plan. Budget requests may include discreet projects, such as a new building, or an allocation of funds for asset preservation projects included in the campus master plan. State appropriations awarded for capital construction projects may include a required institutional match amount or percentage.

The Finance and Administration Cabinet (FAC), through the Division of Engineering and Contract Administration (DECA), handles all procurement, bids, contracts, and payments for capital construction projects. The University tracks all transaction activity through the FAC e-comm system. The Capital Projects Manager manages onsite relations with contractors and holds progress meetings with the state.

The procedures in this section apply to capital construction projects approved in the annual budget process.

### Procedures

#### Responsible position(s):

- Capital Projects Manager
- Fixed Assets Accountant
- Grant Accountant

#### Required documents and access:

- Campus master plan
- eMARS access

#### Frequency and timing:

- Weekly – tracking capital project expenses
- Monthly, at minimum – progress meetings, reconciling capital expenses, drawing grant funds
- Ad hoc – as projects commence or complete

#### Steps:

- **Capital Projects Manager** initiates a new capital construction project with the state:
  - Submit a request to the Office of the State Budget Director (OSBD) to establish a new project account with the state,

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- Prepare form SAS-14 for the named project,
- Obtain CFO approval on SAS-14 on behalf of the University,
- OSBD creates the unique state project number 435-XXXX (435- designates it as KSU),
- File a Division of Engineering and Contract Administration (DECA) origination form online to request the assignment of a state project manager.
- Request a new FOAP for the project from accounting.
- **Fixed Assets Accountant** creates the new FOAP:
  - Obtain approval from Controller/CFO to create new FOAP elements for CIP project (see General Ledger and Chart of Accounts section).
  - Each state project account is mapped to a FOAP.
    - eMARS Fund = Banner FUND 91XXXX
    - eMARS Obj/Rev = Banner ACCT – new account structure 8607 CIP
      - E701 = 731001 Architect/Engineer
      - E703 = 731002 General Construction
      - N113 =
- **Capital Projects Manager** requests the OSBD to transfer funds from the approved capital construction appropriation to the assigned state project account when the approved project is ready to commence or requires additional funding to continue. The DECA Project Manager assists with providing estimates for the budget categories.
  - Email request to OSBD to prepare form SAS-5 to initiate the funds transfer including:
    - Account
    - Amount
    - Source of funds: specific allocation, assets preservation, grant funds, or operating budget
    - Budget category:
      - E-701 Architectural and Engineering Services
      - E-703 Construction Services
  - OSBD:
    - Prepares form SAS-5,
    - Sends to the University's CFO for institutional approval,
    - Routes approved SAS-5 to the FAC for approval,
    - Transfers funds to project account – state contributes its portion and pulls institutional match from 132Y account.
- **Fixed Assets Accountant** records the transfer of funds to the state accounts.
- **Capital Projects Manager:**
  - Holds progress meetings with the DECA Project Manager and design phase consultants as needed to review schematics, developmental design, and the completion of construction documents.
  - Reviews and approves cost estimates from the design phase to ensure they are in line with available capital budgets.
- **Finance and Administration Cabinet (FAC)** bids the project:

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- The design phase consultant submits documents to FAC,
- The DECA Project Manager reviews and approves,
- The Capital Projects Manager approves,
- The State Buyer publishes bid.
- After bid closes, State Buyer, design consultants, DECA Project Manager, and Capital Projects Manager review bids and select contractor (low bid).
- State Buyer awards contract.
- The selected contractor commences the project.
- **Capital Projects Manager** holds progress meetings semimonthly with DECA Project Manager during construction phase.
- **Fixed Assets Accountant** tracks capital project expenses.
  - Obtain invoice copies from Capital Projects Manager; contractors submit invoices which are approved and paid directly by the state.
  - Record construction in Progress (CIP) costs during construction as invoices are received, or transfers occur, at least weekly.
    - Journal voucher type CR05 to Bank 29, DR capital expense
  - Record transfers to/from Banner state accounts.
    - Journal voucher DR capital project fund, CR Bank 29
  - Reconcile Banner CIP expenses to eMARS statements monthly to ensure all CIP has been recorded.
    - DR CIP,
    - CR state capital grant revenue, grant revenue, or prepaids for amounts remitted to 132Y account, or payable to state for moneys to be sent to state 132Y
- **Grant Accountant** draws down funds spent on capital construction projects.
  - Determine the amount of capital expenses to be reimbursed by the grant.
  - Post grant receivable invoice.
  - Draw to draw funds from grantor (G-5 or other grant invoice).
  - Notify cashier to expect payment and apply to receivable (see Cash Receipts section for posting of grant payments).
- **Capital Projects Manager** wraps up the construction phase when the contractor completes the project.
  - Complete punch lists with construction contractor to ensure final project meets all specifications.
  - Obtain appropriate occupancy certificates.
  - Ensure total project costs have been entered into eCOMM and paid by the state.
  - Request OSBD to submit a form SAS-5 to transfer the unobligated balance of the project budget back to the funding source.
  - Submit a form SAS-14 to inactivate the project account.
- **Fixed Assets Accountant** capitalizes the project when the capital construction project is completed, all expenses have been paid, and OSBD has inactivated the project account.
  - Reconcile the total project cost between the final eMARS report from the state and the Banner CIP account.
  - Summarize and document all expenses in the document management system.

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- Verify the date that the asset was placed in service with the Capital Projects manager.
- Capitalizes the non-procurement additions to fixed assets (see Fixed Assets Management section).
- Notify the Controller to inactivate the Banner FOAP upon project completion (see General Ledger and Chart of Accounts section).

## Fixed Assets Management

Fixed assets are tangible or intangible assets used in normal business operations, not held for resale, and have a useful life of over one year. These assets are accounted for at a historical cost, and all assets, except for land and works of art, are subject to depreciation. Departments are responsible for the care, maintenance, and use of all long-lived assets in their custody.

### Policy

#### Capitalization Threshold

The University capitalizes all assets with a **value of more than \$5,000 and a useful life of more than one year**. Fixed assets are valued at acquisition cost which includes the purchase price or construction cost, net value of any assets given in exchange (trade-ins), as well as costs incurred to place the asset in its intended location in an operable condition, such as shipping, installation, site preparation, legal costs, etc. In the case of donated assets, the value is set at the fair market value at the date of the gift, if determinable, or the appraised value.

**Renovations** to buildings, infrastructure, and land improvements that significantly increase the value or extend the structure's useful life are capitalized. Routine repairs and maintenance are expensed in the year in which the expense is incurred.

**Construction** expenses related to ongoing projects are recorded as Construction in Progress and are not depreciated until construction is complete and the asset is placed in service.

Durable goods with an acquisition cost of less than \$5,000 or goods with an acquisition cost of greater than \$5,000 and useful life of less than one year will be expensed in the year purchased.

#### Approval

All capital equipment and projects, regardless of the funding source, shall be presented to **the Board of Regents for approval in an annual capital budget**. This includes gifts-in-kind of fixed assets and donation of services to improve facilities. The annual capital budget should include a designated amount of discretionary authority granted to the President to approve capital purchases not included in the capital budget to manage unplanned equipment and project acquisitions.

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**Depreciation and Useful Life**

The University depreciates assets on a straight-line basis over their estimated useful lives as follows:

| <b>Asset Type</b>                              | <b>Useful Life</b> |
|------------------------------------------------|--------------------|
| Land                                           | Unlimited          |
| Land improvements                              | 10 years           |
| Buildings                                      | 40 years           |
| Building improvements                          | 20 years           |
| Library holdings                               | 10 years           |
| Works of art (held for exhibition, not resale) | Unlimited          |
| Enterprise Resource Planning (ERP) software    | 7 years            |
| Heavy equipment                                | 15 years           |
| Furniture and equipment                        | 7 years            |
| Technology equipment                           | 5 years            |
| Vehicles                                       | 5 years            |

**Asset Type Descriptions**

- **Land** – Any improved or unimproved tract owned by Kentucky State University. Land is not depreciated. If the land is purchased for the purpose of constructing a building, all costs incurred up to the excavation for the new building should be included in land costs. If the land is acquired by gift or bequest, its cost should be recorded at fair value at the date of the gift or bequest. Acquisition costs that should be capitalized as land include:
  - Demolition, grading, site improvement, landscaping
  - Purchase price including closing costs, title searches, title insurance, broker's fees
  - Appraisal fees
  - Other professional services such as legal fees
- **Land improvement** – Any non-building improvement built, installed, or established to make land ready, enhance the quality of, or facilitate the use of the land for its intended purpose. Work to maintain land improvements in its existing condition should be expensed. Improvements include:
  - Excavation
  - Driveways, sidewalks, parking lots
  - Athletic fields
  - Flagpoles, retaining walls, fencing, outdoor lighting
- **Building** – A structure that is permanently attached to the land with a foundation, has a roof, is partially or completely enclosed by four walls, has one utility other than electricity, and is not transportable or moveable, and is used for housing people, animals, plants, or equipment.
  - Costs to include in the **purchase** of a building:
    - Purchase price including closing costs, title searches, title insurance, broker's fees
    - Appraisal fees

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- Professional fees – legal, architects, engineers, management
  - Remodeling, reconditioning, or renovation costs to make it available for its intended purpose, including plans and permits
  - Payment of accrued property taxes
  - Costs of temporary buildings used during construction
  - Environmental compliance
  - Cancellation or buyout of existing leases
- Costs to include in the **construction** of a building:
  - Materials, labor, overhead
  - Accrued interest during construction
  - Excavation, grading, or filling of land
  - Plans and permits
  - Professional fees – legal, architects, engineers, management
  - Costs of temporary buildings used during construction
  - Permanently attached fixtures or machinery that cannot be removed without impairing the use of land
  - Additions to buildings
- **Building improvements** – Renovations which extend the useful life of an asset or increase its value (utility) beyond what it was before the renovation. Maintenance or repairs that do not materially extend the useful life of the asset are expensed, e.g. paint, carpeting, new furnishings, etc.
- **Library holdings** – Library books are capitalized annually as a group asset for all volumes added to the holdings. Periodicals and subscription-based library resources are expensed in the period of subscription.
- **Works of art** – Collections that are held for public exhibition, education, or research in furtherance of public service, rather than for financial gain. The collection is to be protected and preserved. Net proceeds for the sales of works of art from the collection are to be used to acquire other items for the collection.
- **ERP software** – Computer systems utilized to manage the resources of the university.
- **Furniture and equipment** – Moveable and fixed goods with an acquisition cost greater than the capitalization limit and a useful life of greater than one year.
- **Technology equipment** – Moveable and fixed equipment of a technological nature that form the basis of information systems or connectivity infrastructure, e.g. servers, network equipment, telecommunications systems, testing devices, etc. These generally have a shorter useful life than general equipment.
- **Vehicles** – Transportation equipment, e.g. automobiles, trucks, buses, forklifts, dump trucks, etc.

## Procedures

### Acquisition of Fixed Assets

Fixed asset purchases that meet the university's capitalization threshold as defined by policy must be included in the board-approved annual capital budget or approved under the President's discretionary authority. Fixed assets purchases must be charged to capital expense accounts.

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Expenses that do not meet the policy definition of a fixed asset may not be charged to capital expense accounts and expenses that do meet the policy definition of a fixed asset may not be charged to operating expense accounts.

Each responsible position in the procedure is responsible for understanding the definition of fixed assets and ensuring the appropriate expense account coding of purchases.

### Responsible position(s):

- Requester – department purchasing fixed asset
- Purchasing
- Accounts Payable

### Required documents and access:

- Board approval
- Banner purchasing, fixed assets

### Frequency and timing:

- As requisitions are submitted for board-approved capital assets and projects

### Steps:

- **Requester** submits a requisition to purchase a board-approved fixed asset. If the purchase is not included in the approved capital budget plan, the requester requires the President to approve the purchase. The requisition follows the normal purchasing approvals (see Requisitions and Purchase Orders section).
- **Purchasing**
  - Sources the capital asset, if not already sourced by the requester, with quotes, bids, or a formal RFP award, if applicable, according to purchasing procedures (see Purchasing section).
  - Creates the purchase order for the capital asset, **combining all capitalizable expenses in one line item with a concise description that easily identifies the asset.**
    - All components of the purchase that will be capitalized must be **charged to a capital expense account**, e.g. asset, shipping, installation, taxes, calibration, site preparation, etc. and included in the single line item.
    - The purchase order line item(s) generates the temporary origination tag (O-tag) in Banner. (If the purchase order splits component parts into separate line items, each line item charged to a capital expense account will generate a separate O-tag that must be combined and attached to the main asset O-tag.) If vendors require line-item detail, this can be added in additional line-item text without line-item costs in the amount fields.
    - If the purchase includes capital and noncapital items, Banner recommends separate requisitions for capital and noncapital items for best practice for fixed assets functionality.
- **Warehouse or farm staff** receive the asset(s) and confirm receipt in Banner.

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- **Vendor** sends the invoice to Accounts Payable for payment.
- **Accounts Payable** creates the invoice (see Accounts Payable and Cash Disbursement section) which **triggers the creation of the temporary origination tag (O-tag)** in the fixed assets system.

### Capitalization and Depreciation of Fixed Assets

This monthly process creates the accounting entries to convert capital expenses to assets in the general ledger and records the accounting entries to expense and accumulate depreciation for these assets over their useful life.

**Responsible position(s):**

- Fixed Assets Accountant

**Required documents and access:**

- Banner fixed assets

**Frequency and timing:**

- Monthly before month-end closing.

**Steps:**

- Capitalize fixed assets expenses in origination tags (O-tags).
  - Run a report of invoiced purchases from capital expense accounts since the last report.
    - **FFPOEXT** Fixed Asset Orig. Tag Extract in audit mode
      - Printer – DATABASE
      - Parameter Values 01 - Audit
      - SAVE
      - RELATED > Review Output
      - File name ... Select .lis file.
      - TOOLS > Export
  - Review the report to identify items to capitalize.
    - T– temp
    - C – capital
    - I – invoice
  - If multiple O-tags make up a single asset (e.g. if the line item detail did not get consolidated on the purchase order), the full value of the asset can be added to one O-tag and all other O-tags can be deleted. Alternatively, individual O-tags may be capitalized then attached to the main asset O-tag to ensure all O-tag amounts are combined into the net book value of the asset.
- Run queries (Argos or Banner) to compare capital expense to O-tags to make sure all capital expenses are to be capitalized.

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- Journal vouchers cleanup
  - **FFADTGP** Fixed Asset Dtag Processing Page
- Delete O-tags on non-capital items and reclassify expenses to non-capital expense accounts.
  - **FFAFDEL** Fixed Asset Master Delete Page
    - Filter for O-tags to be deleted.
    - Check to Mark for Delete, Save.
  - **FGAJVCD** Journal Voucher Entry
    - Credit capital expense account and debit non-capital expense account.
  - **Communicate back to all responsible parties**, requesters and approvers, to:
    - Define the requirements of a capital expense,
    - Explain why the expense was not capital, and
    - Provide the appropriate account that should have been charged.
- Capitalize O-tags.
  - **FFPOEXT** Fixed Asset Orig. Tag Extract in update mode
- Run a report of capitalized O-tags ready for physical tagging.
- Physically tag assets by affixing the asset with a numbered and barcoded identification sticker.
  - Capture asset details including a description, asset type, make/model/serial numbers, physical tag number and barcode number, date placed in service, condition, location, custodian.
  - Send all details for vehicles acquisition to CFO's office to be added to insurance.
- Convert O-tags to Permanent Tags (P-tags).
  - Calculate the total acquisition cost from the invoice(s) for the asset.
  - Assign the useful life and depreciation method (based on asset type).
  - Add details collected in the tagging process to the asset.
    - **FFAMAST** Fixed Asset Master Maintenance
      - Asset Tag: O-tag number
      - Action: Convert to permanent tag, GO
      - Permanent Tag: enter number from physical tag placed on asset
      - Asset Description: Update to clearly identify the asset. Utilize general descriptions with make or model descriptions for additional clarity, e.g., Zero-turn Mower - Kubota Z231, Passenger Van – 2023 Chevy Express, etc.
      - Asset Type:
        - LA – Land
        - LI – Land Improvement
        - BU – Building
        - BI – Building Improvement
        - LE – Leasehold Improvement

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- LH – Library Holding – book collections only; does not include periodicals or subscription-based database holdings
  - AR – Works of Art
  - HE – Heavy Equipment
  - EQ – Equipment
  - TE – Technology Equipment
  - SF - Software
- Acquisition Method:
  - PU – Purchased
  - DN – Donated
  - CN – Constructed
- Acquisition Date:
- Make/Model/Serial Number:
- Barcode Number: enter number from physical tag placed on asset
- In Service Date: date asset was put in service, if known, or invoice date
- Last Inventory Date: date tagged
- Condition Code: New, or other condition if asset purchased is preowned
- Title To:
  - IN – Institution (purchased with unrestricted funds or unrestricted gift-in-kind)
  - FG – Federal Government (purchased with Federal grants)
  - SG – State Government (purchased with State grants)
  - FN – Foundation (purchased with restricted gift or restricted gift-in-kind)
- Location: physical location of asset
- Grant: if applicable (F8 for list)
- Custodian ID: person responsible for care of asset (F8 for list)
  - Ensure depreciation posting indicator shows Post Deprec.
- Capitalize CIP projects when project is completed (see Capital Planning section):
  - Obtain final project reconciliation summaries and expense documents related to the completed CIP project. All capital expenses should have O-tags.
  - Convert O-tags to Permanent Tags (P-tags) following steps above.
    - Naming conventions for CIP project P-tags:
      - Building renovations: Building/Description – Year, e.g., Hume Hall/Roof – 2025, Bell Gymnasium/Locker Rooms - 2012
      - Land improvements: Location/Description - Year, e.g., Alumni Stadium/Turf – 2023, ASB/Landscaping – 2022
  - Connect building renovations to the original building asset – the renovation cannot exist without the building if the building is demolished/disposed.
- Capitalize non-procurement assets, such as gifts in kind.
  - Obtain valuation documentation including third-party appraisals when required.

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- Physically tag and convert O-tags to Permanent Tags (P-tags) following steps above.
    - Acquisition Method: DN – Donated
  - Send details of gifts in-kind to development.
- Review depreciation setup.
  - **FFADEPR** Fixed Asset Depreciation
    - Salvage Value: usually 0
    - Depreciation Method:
    - Useful Life: should default from asset type
    - Frequency: should default to Monthly
    - Start Date: date asset is placed in service
    - Save
- Run depreciation.
  - **FFPDEPR** Depreciation Process
    - Printer: DATABASE
    - Parameter Values:
      - Depreciation frequency: M
      - Posting date: month-ended
      - Execution mode: Audit first, then Update
      - Report type: Detail
    - Save.
- Reconcile capital equity account to capital expense accounts; these should balance to zero.

**Physical Inventory**

Custodians conduct an **annual physical inventory of assets** under their care to confirm the existence, condition, and location of the University's fixed assets. Change to an asset's condition or location will be reported to the accounting office.

**Responsible position(s):**

- Asset custodians
- Fixed Assets Accountant

**Required documents and access:**

- Banner fixed assets module

**Frequency and timing:**

- Annually, department asset custodians confirm that all assets are still in service and in working order by fiscal year-end
- Annually, Fixed Assets Accountant conducts physical inventories of approximately one-third of all fixed assets on a rotating basis so that each asset is physically confirmed every three years

**Steps:**

- **Fixed Assets Accountant** sends reports of fixed assets to the custodians to conduct a physical inventory of listed fixed assets confirming the assets are in service, in good working order, and in the correct location.
  - Run Banner report of asset listed by custodian and location.
  - Provide instructions to asset custodians including deadline for completion.
- **Asset custodians** return confirmation of fixed assets and confirm the existence, condition, location, and notes of any items that are not located or no longer serviceable.
- **Asset custodians** submit Disposal Form to report items not located or no longer serviceable to the department (see Disposals and Surplus Property section).
- **Fixed Assets Accountant** updates the condition and location of serviceable assets from physical inventory reports.
- **Fixed Assets Accountant** conducts an annual physical inventory of a sample of capital assets.
  - Select approximately 1/3 of all fixed assets on a rotating basis to ensure all assets are verified every three years.
    - Run a population selection (POPSEL) of fixed assets with “last inventory date” > 3 years ago
    - Select assets to verify during the year and sort by campus location; these can be inventoried while out tagging new assets.
  - Verify the existence, condition, location, responsible department, and custodian for the selected assets.
    - Create online form or take tablet computer with barcode scanner to pull up the existing record in Banner and update directly.
  - Update the asset records as necessary with changes to condition, location, department, custodian, and verification date.

### Disposals and Surplus Property

Disposal of assets (lost, stolen, destroyed, transferred, retired, or sold) will be reported to the accounting office with all available documentation regarding the identification of the asset and the details of the disposal.

Fixed assets that are not located in the annual physical inventory will be investigated and reported as **lost or stolen** to Public Safety, department management, and the Fixed Assets Accountant.

Fixed assets that are **no longer serviceable** to the assigned department will be reported to department management, the Purchasing Department, and the Fixed Assets Accountant. These assets may be destroyed, obsolete, or surplus to departmental needs.

Departments are not permitted to discard, donate, or sell tagged capital assets. The Purchasing Department retains sole authority to redistribute marketable surplus property to other departments on campus, to other government agencies, or to sell at public auctions or by sealed bids. Proceeds from sales of university assets are recorded in the University’s general fund.

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Disposal of assets purchased with land grant or other restricted funds requires the approval of the responsible compliance office.

**Responsible position(s):**

- Asset custodian
- Purchasing
- Fixed Assets Accountant

**Required documents and access:**

- Banner fixed assets module
- Disposal form

**Frequency and timing:**

- Annually as part of physical inventory process or as disposals are identified

**Steps:**

- **Asset custodians** identify assets that are no longer serviceable to the department and report to department management, Purchasing, and Public Safety, if applicable. These assets may be:
  - Functioning but unneeded equipment to be surplus or donated,
  - Obsolete, damaged, or non-functioning, equipment to be disposed, (route IT for technology equipment), or
  - Unlocated (route to Public Safety).
- **Purchasing** provides information to Fixed Assets Accountant for:
  - Surplus items to be held for use in other campus departments,
  - Subsequent transfers from Surplus to the new department when redeployed,
  - Items sold by public auction or sealed bid with proceeds deposited to general fund,
  - Items donated items to another government agency,
  - Damaged/destroyed items disposed according to applicable environmental regulations.
- **Information Technology** provides information to Fixed Assets Accountant for computer items appropriately destroyed for data protection.
- **Department management and Public Safety**, if applicable, investigate lost or stolen assets and report results of investigation to Fixed Assets Accountant, CFO, and VP/Dean/Provost of reporting area.
- **Fixed Assets Accountant:**
  - Files and tracks insurance claims for lost or stolen assets.
  - Transfers assets to/from surplus custodian:
  - Verifies additional approvals for land grant asset disposals.
  - Records disposals and Banner forms to dispose assets against accumulated depreciation:

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## Fixed Assets Adjustments

### Responsible position(s):

- Fixed Assets Accountant

### Required documents and access:

- Banner general ledger, fixed assets module

### Frequency and timing:

- As errors are noted

### Steps:

- Adjust asset values:
  - Up if additional costs need to be added to the previously capitalized asset value.
  - Down if an expense previously capitalized with an asset is refunded or otherwise reduced.
- Delete assets that should not have been capitalized, e.g., non-capital expenses charged to capital expense accounts that exceeded capitalization threshold in aggregate.
  - View current fixed asset record.

#### ▪ FFAMAST Fixed Asset Master Maintenance

- Asset Tag: Permanent Tag (Ptag) number to be deleted.
- Action: Permanent Tag – Update Asset; GO.
- Review data that indicates capitalized cost and net book value.

The screenshot displays the 'Fixed Asset Master Maintenance FFAMAST 9.3.23 (P1905615)' window. The 'MASTER INFORMATION' tab is active, showing details for Asset Tag 100000579. The 'Original Tag' is 700024144, and the 'Permanent Tag' is 100000579. The 'Asset Description' is '201 Furniture MAJOR MA 758 1800000713'. The 'Unit of Measure' is 'LF'. The 'Cost' is 82,258.40, and the 'Total Cost' is 82,258.40. The 'Book Value' is 82,258.40, and the 'Net Book Value' is 82,258.40. The 'Tag in Use' checkbox is checked. The 'System Status Code' is 'I' (Inactive).

- Adjust asset record to reverse Permanent Tag.

#### ▪ FFAADJF Fixed Asset Adjustment

- Document Code: NEXT
- Function Code: RCAP Reverse Cap for P-tag; GO.
- Description: Non-cap exp IXXXXXX (invoice number)
- Transaction Date: end of month for open period (may be period 14)
- Document Reference: invoice number; NEXT BLOCK
- Permanent Tag: P-tag to be deleted.

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- Access Completion: p; NEXT BLOCK.

- Complete.

- Note Document number.

- Run posting process; if there are several corrections, this may be run after all corrections are entered.

- FGRACGT Posting Process; GO.

- Printer: DATABASE; NEXT BLOCK; NEXT BLOCK.
- Save.
- Related > Review Output GJIREVO

- Review entries.

- FGIDOCR Document Retrieval Inquiry

- Document: document number created on FFAADJF, Document Type and Submission will default; GO.

- Review detail information to confirm reversal of capital entries.

- Confirm update to master asset record to ensure asset value is 0.

- FFAMAST Fixed Asset Master Maintenance

- Asset Tag: P-tag for deleted asset
- Action: Permanent Tag – Update Asset; GO.
- Book Value: overwrite any value to 0.00
- Net Book Value: should be 0.00

## Kentucky State University Business Policies and Procedures Manual

- Save.
- Add costs that should have been capitalized and included with the original P-tag.
  - View current fixed asset record to determine if asset has already started depreciating and note of the **Net Book Value**.
    - FFAMAST Fixed Asset Master Maintenance
      - Asset Tag: Permanent Tag (P-tag) number to be deleted
      - Action: Permanent Tag – Update Asset; GO.

| MASTER INFORMATION       |                                                              |
|--------------------------|--------------------------------------------------------------|
| Origination Tag          | 000000000                                                    |
| Permanent Tag            | N00000547                                                    |
| Primary Tag              |                                                              |
| Subordinate Type         | None                                                         |
| Origination Tag Date     | 04/18/2022                                                   |
| Asset Description        | Low Temp Chest Freezer                                       |
| Commodity                |                                                              |
| Unit of Measure          | EA                                                           |
| Insurance Value          |                                                              |
| Market Value             |                                                              |
| Capitalization Indicator | <input checked="" type="checkbox"/> Capitalization Indicator |
| Asset Test Events        |                                                              |
| Cost                     | \$11,899.55                                                  |
| Total Cost               | \$11,899.55                                                  |
| Permanent Tag Date       | 05/06/2022                                                   |
| Last Adjustment Date     | 12/31/2022                                                   |
| Origination Tag          |                                                              |
| Cancel Date              |                                                              |
| System Status Code       | 1                                                            |
| Asset Type               | LS                                                           |
| User Status Code         | 1                                                            |
| Replacement Value        |                                                              |
| Book Value               | \$11,899.55                                                  |
| Tag in Use               |                                                              |
| Gift Indicator           |                                                              |
| Net Book Value           | \$10,783.97                                                  |
| Total Net Book Value     | \$10,783.97                                                  |

- Get uncapitalized Otags number(s).
  - FOIDDOCH Document History
    - Document type: INV
    - Document: Invoice number

| Document Type      | Document Number | Status | Status Description |
|--------------------|-----------------|--------|--------------------|
| Requisition        | R0041629        | A      | Approved           |
| Purchase Order     | P0037362        | A      | Approved           |
| Invoice            | I0102964        | P      | Paid               |
| Check Disbursement | D0502967        |        |                    |
| Fixed Assets       | N00000547       | T      | Tagged Permanently |
| Fixed Assets       | 100079182       |        |                    |

- Note that Status and Description are blank.
- Capitalize O-tag (need to do this because threshold is >\$5K; would not need to do this if threshold in cap expense accounts was \$0).
  - FFAMAST Fixed Asset Master Maintenance
    - Asset Tag: TXXXXXXX
    - Action: Convert to Permanent Tag; GO.
    - Permanent Tag: NEXT
    - Asset Type: select asset type
    - User Status Code: Invoiced
    - NEXT BLOCK 4x to Capitalization Information
    - New Sequence:
      - Asset Account: 16000X
      - Cost: \$x
      - Save.
    - Note new asset P-tag number.
  - FFAADJF Fixed Asset Adjustment
    - Document Code: NEXT
    - Function Code: SCAP P-tag Capitalization; GO.
    - Description: Convert IXXXXX (invoice number) to one tag
    - Transaction Date: open period month-end

# Kentucky State University Business Policies and Procedures Manual

- Document Reference: O-tag

- NEXT BLOCK

- Permanent Tag: enter new P-tag created

- Access Completion: check box; NEXT BLOCK.

- Complete

- Note Document Number M0000XXX

- FRGACTG Posting Process

- GO
- Printer: Database
- NEXT BLOCK; NEXT BLOCK; Save.
- Related > Review Output GJIREVO

- This posts the added amount to the GL asset account.

- If there are multiple O-tags, you can add additional tag by arrowing down to add other

- Pull in one O-tag
- Change amount to include value of all

- Depreciate the new asset (addition) with the same depreciation method and useful life.

- FFAMAST

- Asset Tag: new asset
- Action: Permanent Tag – Update Asset
- Related > Depreciation FFADEPR; GO
- Use Life: defaults to asset type (may need to retype over useful life (same as default)
- Tab through, Save.

- Reverse capitalization of additional amounts (because we are going to write up the original permanent tag amount. We are doing these additional steps because the capitalization

## Kentucky State University Business Policies and Procedures Manual

threshold on cap expense accounts is \$5K and these lines were under the threshold. If the threshold is lowered to \$0, all expenses posted to cap expense accounts will have all the automated capital entries behind the scenes (DR asset, CR to cap equity).

- FFAADJF Fixed Asset Adjustment
  - Document Code: NEXT
  - Function Code: RCAP Reverse Capital Ptag; GO.
  - Description: Convert IXXXXXX to one tag
  - Document Reference: TXXXXX; NEXT BLOCK
  - Permanent Tag: new tag number
  - Access Completion: Check box; NEXT BLOCK

Document Code: M0000568 Function Code: Reverse Capitalization for P1

Fixed Asset Adjustment

Description: Convert 0160564 to one tag

Transaction Date: 06/30/2023

Document Reference: Asset Adjustment Test

Asset Data

| Item                      | Amount |
|---------------------------|--------|
| Permanent Tag: 0160564    | 750.00 |
| Disposal Method: Suspense |        |
| Net Book Value: 750.00    |        |

Access Completion: ☒

- Complete
- Note the Document number MXXXXX

Document Code: M0000568 Function Code: Reverse Capitalization for P1

Fixed Asset Adjustment

Get Started: Complete the fields above and click Go. To search by name, press TAB from an ID field, enter your search criteria, and then press ENTER.

Document M0000568 completed and forwarded to the Posting process

- Write up value of original asset.
  - FFAADJF Fixed Asset Adjustment
    - Document Code: NEXT
    - Function Code: WRIT Write Up/Down Adjustment; GO
    - Description: Add cap cost to IXXXXX invoice
    - Transaction Date: open period month-end
    - Document Reference: invoice, Otag, etc. NEXT BLOCK
    - Permanent Tag: of original asset

Document Code: M0000572 Function Code: Write Up/Down Adjustments

Fixed Asset Adjustment

Description: Add cap cost to 0160564

Transaction Date: 01/01/2024

Document Reference: 0160564

Asset Data

| Item                      | Amount |
|---------------------------|--------|
| Permanent Tag: N0000547   | 750.00 |
| Disposal Method: Suspense |        |
| Net Book Value: 02 753.67 |        |

Access Completion: ☒

- Access Completion: Check box; NEXT BLOCK
- Complete

Document Code: M0000572 Function Code: Write Up/Down Adjustments

Fixed Asset Adjustment

ADJUSTMENT BALANCING/COMPLETION

Transaction Date: 01/01/2024

Asset Data Record Count: 1

INPUT

Complete In Process

Asset: 750.00 Accounting: 750.00

- FFAMAST
  - NEXT BLOCK to Funding Source, update cost to include the added value

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**Fixed Asset Master Maintenance FFAMAST 9.3.23 (PPRD0415)**

Asset Tag: N00000547 Action: Permanent Tag - Update Asset

✓ Saved successfully (1 rows saved)

Warning: Original cost does not equal Capitalized cost

Origination Tag: 700023189 Permanent Tag: N00000547 Low Temp Chest Freezer

DETAILS

| Sequence | COA | Index | Fund   | Orgn   | Acct   | Prog | Actv  | Locn | Proj | Cost     | Document | Attachment Origination Tag |
|----------|-----|-------|--------|--------|--------|------|-------|------|------|----------|----------|----------------------------|
| 1        | 1   |       | 110014 | 206002 | 725001 | 3100 | 20005 |      |      | 12649.55 | 10166964 |                            |

1 of 1 Per Page

Warning: original cost does not equal capitalized cost

**Fixed Asset Master Maintenance FFAMAST 9.3.23 (PPRD0415)**

Asset Tag: N00000547 Action: Permanent Tag - Update Asset

Warning: Original cost does not equal Capitalized cost

Origination Tag: 700023189 Permanent Tag: N00000547 Low Temp Chest Freezer

DETAILS

| Sequence | COA | Index | Fund   | Orgn   | Acct   | Prog | Actv  | Locn | Proj | Cost      | Document | Attachment Origination Tag |
|----------|-----|-------|--------|--------|--------|------|-------|------|------|-----------|----------|----------------------------|
| 1        | 1   |       | 110014 | 206002 | 725001 | 3100 | 20005 |      |      | 12,649.55 | 10166964 |                            |

1 of 1 Per Page

FFAADJF

GLCE

**Fixed Asset Adjustment FFAADJF 9.3.21 (PPRD0415)**

Document Code: M0000573 Function Code: GL Change-Cap Amount(Acc)

FIXED ASSET ADJUSTMENT

Description: Add cap cost to 10166964

Transaction Date: 01/01/2024

Asset Adjustment Text

Document Reference: 10166964

ASSET DATA

Item: 0 of 0

Permanent Tag: N00000547 Low Temp Chest Freezer

Amount: 11,899.55

Access Completion

Disposal Method

Net Book Value: 10,783.97

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Date: open period

Calculate depreciation through open month end

**Fixed Asset Adjustment FFAADJF 9.3.21 (PPRD0415)**

Document Code: M0000573 Function Code: GL Change-Cap Amount(Acc)

ADJUSTMENT ACCOUNTING DISTRIBUTION

Permanent Tag: N00000547

Item: 1

Transaction Date: 01-Mar-2024

Asset Data Record Count: 1

Remaining Asset Data Count: 11899.55

Accounting Record Count: 0

DETAILS

| Sequence | COA | Year | Capitalization Fund | Asset Account | Equity Account | Bank | Suspense | Amount | Depreciation Amount |
|----------|-----|------|---------------------|---------------|----------------|------|----------|--------|---------------------|
| 1        | 1   | 24   | 930000              | 160003        |                |      |          | 750.00 |                     |

Accounting Percentage Total: 0.0000 Accounting Total: 750.00

1 of 1 Per Page

**Fixed Asset Adjustment FFAADJF 9.3.21 (PPRD0415)**

Document Code: M0000573 Function Code: GL Change-Cap Amount(Acc)

Get Started: Complete the fields above and click Go. To search by name, press TAB from an ID field, enter your search criteria, and then press ENTER.

Document M0000573 completed and for process

**Fixed Asset Adjustment FFAADJF 9.3.21 (PPRD0415)**

Document Code: M0000573 Function Code: GL Change-Cap Amount(Acc)

ADJUSTMENT ACCOUNTING DISTRIBUTION

Permanent Tag: N00000547

Item: 1

Transaction Date: 01-Mar-2024

Asset Data Record Count: 1

Remaining Asset Data Count: 0

Accounting Record Count: 1

DETAILS

| Sequence | COA | Year | Capitalization Fund | Asset Account | Equity Account | Bank | Suspense | Amount | Depreciation Amount |
|----------|-----|------|---------------------|---------------|----------------|------|----------|--------|---------------------|
| 1        | 1   | 24   | 930000              | 160003        | 410005         |      |          | 750.00 | 93.75               |

Accounting Percentage Total: 100.0000 Accounting Total: 750.00

Record 1 of 1

Posting

**Document Retrieval Inquiry FGDOCR 9.3.30 (PPRD0415)**

Document: M0000573 Submission Number: Document Type: FAA

Start Over

HEADER INFORMATION

Transaction Date: 03/01/2024

Fiscal Year: 24

Fiscal Period: 09

Items: 2

Commit Type: Uncommitted

Document Text

DETAIL INFORMATION

| Sub Number | Item | Sequence | Journal Type | Description              | Amount    | Sign   | Currency | Document Reference | COA | Index | Fund   | Orgn | Acct   | Prog | Actv | Locn | Proj | NSF Override | Bank | Accrual |
|------------|------|----------|--------------|--------------------------|-----------|--------|----------|--------------------|-----|-------|--------|------|--------|------|------|------|------|--------------|------|---------|
| 0          | 1    | 1        | GLCE         | Add cap cost to 10166964 | 750.00    | Plus   |          | 10166964           | 1   |       | 930000 |      | 160003 |      |      |      |      |              |      |         |
| 0          | 1    | 1        | GLRE         | Add cap cost to 10166964 | 10,783.97 | Credit |          | 10166964           | 1   |       | 930000 |      | 160003 |      |      |      |      |              |      |         |

Record 1 of 2

# Kentucky State University

## Business Policies and Procedures Manual

Document Number: M0000573 Document Type: FAA Item Number: 1 Sequence Number: 1 Rule Class: GLEC Transaction Date: 03/01/2024 Fiscal Year: 24 Posting Period: 09

| Process Code | Ledger  | Type        | Field | Transaction Amount | Debit/Credit | COA | Index | Fund   | Orgn | Acct   | Prog | Actv | Lock |
|--------------|---------|-------------|-------|--------------------|--------------|-----|-------|--------|------|--------|------|------|------|
| G010         | General | Uncommitted | DR    | 750.00             | Debit        | 1   |       | 930000 |      | 160003 |      |      |      |
| G071         | General | Uncommitted | CR    | 93.75              | Credit       | 1   |       | 930000 |      | 164003 |      |      |      |
| G076         | General | Uncommitted | DR    | 93.75              | Debit        | 1   |       | 930000 |      | 410005 |      |      |      |
| G076         | General | Uncommitted | CR    | 750.00             | Credit       | 1   |       | 930000 |      | 410005 |      |      |      |

- Review data that indicates capitalized cost and net book value.
- Identify temporary Origination Tags (Otags) that were not capitalized
- Writing up the asset value (but must be in an open period after last depreciation date).
  - FFAADJF

- Document Code: NEXT
- Function Code: GLEC
- Description: Correction N#
- Date: open period
- Doc reverence: invoice, NEXT BLOCK
- P-Tag: N

Document Code: M0000574 Function Code: GL Change-Cap Amount/Acc

Permanent Tag: N00000547

Item: f

Transaction Date: 01-Mar-2024

Asset Data Record Count: f

Remaining Asset Data Count: 0

Accounting Record Count: f

| Sequence | COA | Year | Capitalization Fund | Asset Account | Equity Account | Bank | Suspense | Amount * | Depreciation Amount |
|----------|-----|------|---------------------|---------------|----------------|------|----------|----------|---------------------|
| 1        | 1   | 24   | 930000              | 160003        | 410005         |      |          | 750.00   |                     |

Accounting Percentage Total: 100.0000

Accounting Total: 750.00

- Adjustment accounting distribution FOAP and
  - amount INCLUDING WRITE UP AMOUNT
  - Depreciation amount: of written up amount
    - Original amount, plus write up / total useful life in months \* of months depreciated

Document Code: M0000574 Function Code: GL Change-Cap Amount/Acc

Permanent Tag: N00000547

Item: f

Transaction Date: 01-Mar-2024

Asset Data Record Count: f

Remaining Asset Data Count: 0

Accounting Record Count: f

| Sequence | COA | Year | Capitalization Fund | Asset Account | Equity Account | Bank | Suspense | Amount * | Depreciation Amount |
|----------|-----|------|---------------------|---------------|----------------|------|----------|----------|---------------------|
| 1        | 1   | 24   | 930000              | 160003        | 410005         |      |          | 12.649   |                     |

Accounting Percentage Total: 100.0000

Accounting Total: 12.649 55

- Next block
- Complete
- Note document number

Document Code: \* Function Code: \*

Get Started: Complete the fields above and click Go. To search by name, press TAB from an ID field, enter your search criteria, and then press ENTER.

Document M0000574 completed and for process

- Run Posting FGRAC7G

■  $f$

ADD RETRIEVE

Asset Tag: N00000547    Action: Permanent Tag - Update Asset

**FUNDING SOURCE**

Origination Tag: 700023169

Permanent Tag: N00000547    Low Temp Chest Freezer

**DETAILS**

| Sequence | COA | Index | Fund   | Orign  | Acct   | Prog | Actv  | Locn | Proj | Cost      | Document | Attachment | Origination Tag |
|----------|-----|-------|--------|--------|--------|------|-------|------|------|-----------|----------|------------|-----------------|
| 1        | 1   |       | 110014 | 206002 | 725001 | 3100 | 20005 |      |      | 12,649.55 | 10166964 |            |                 |

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Pair Page

## **Student Revenue, Accounts Receivable and Collections**

Student revenues and accounts receivable are critical to cash flow and require continuous follow-up and attention. Responsibilities should be clearly assigned for invoicing, collecting, and accounting for accounts receivable.

Generally Accepted Accounting Principles (GAAP) require the University to make every effort to collect receivable balances, to evaluate and write off receivables determined to be uncollectible, and to estimate and record receivable amounts that will become uncollectible in the future.

Students at Kentucky State University are accountable for settling all charges incurred by the specified payment deadlines. This policy aims to outline the precise course of action to address unresolved student account balances. It is imperative for every student to comprehend these charges and fulfill their financial responsibilities punctually.

While we understand that many students receive financial assistance from external sources, including federal financial aid, it is essential to emphasize that the ultimate financial liability rests with the student.

### **Policy**

#### **Financial Responsibility**

Upon Registration students are obligated to clear their account balances completely by the designated semester due dates, irrespective of whether they have received a statement notification. Students must sign a Statement of Student Financial Responsibility at the start of each semester. Students who do not meet the financial aid requirements or who are unable to pay their entire balance by the published deadlines must establish a payment plan.

To avoid the potential consequences of registration termination, including financial holds, removal from the residence hall, and/or ID card restriction, students should adhere to the payment due date.

Students with balances of \$500 or less after receiving financial aid, a scholarship, or a partial payment will not be removed from their courses. These students remain responsible for the outstanding balance, regardless of attendance, and a hold will be placed until the balance is settled in full.

If students believe there are errors with their bills, or if they require additional information about transactions listed on their bills, they must contact the Bursar's Office within sixty (60) days of their bills' dates of issuance.

Kentucky State University offers payment plan alternatives through CashNet, involving a one-time \$35 processing fee per semester and no interest.

## **Kentucky State University Business Policies and Procedures Manual**

### **Past Due Accounts**

A balance is considered past due if it is not paid within 30 days of the due date.

Students with unpaid account balances will be placed on financial hold by the Bursar's Office. Students placed on financial hold become ineligible for further registration, and their transcripts will not be released until their accounts are paid in full.

A late Payment Fee may be assessed when a student's account balance is not paid by the last day to drop/add. Other actions may be taken, including removal from registered classes, restriction of ID card, or removal from residence hall.

### **Collections**

Students who do not make satisfactory payment arrangements on their past due accounts may have their accounts placed with a collection agency. Scheduled mail and email notifications will be sent at predetermined intervals to notify and attempt to recover outstanding balances prior to escalation to the collection agency.

If the University retains a collection agency and/or attorneys to collect amounts owed to the University, the student will be responsible for reimbursing the University for the fees of any collection agency, which may be based on a percentage of the delinquent account balance (up to a maximum of 40 percent of the delinquent account balance), and the student will also be liable for all reasonable attorneys' fees and costs and expenses incurred by the University in its collection efforts.

Kentucky State University, or its associated vendor partners, may also report to credit bureau organization(s) any information regarding any unpaid obligation.

### **Bad Debt and Allowance for Credit Losses**

The process of calculating the estimate for uncollectible balances requires a rational estimate that follows GAAP. At the end of each fiscal year, an allowance for credit losses accounts will be calculated based on various percentage rates of aged receivables.

The calculation will be evaluated each year by the Controller and Bursar to ensure the calculation method produces a "net receivable" balance that is deemed collectible. The formula used in the calculation will be adjusted, when needed, to assure accountable amounts are included in the university's financial statements.

## **Procedures**

### **Maintain Accounts Receivable Detail Codes**

All student billing is posted through the accounting receivable system based on detail codes tied to various charge and credit accounts for registration, fees, financial aid, etc. These must be maintained to ensure that any changes to the underlying account codes are appropriately updated to ensure the transactions are accurately posted to the general ledger.

### **Responsible position(s):**

## **Kentucky State University Business Policies and Procedures Manual**

- Bursar

### **Required documents and access:**

- Banner

### **Frequency and timing:**

- As needed for new detail codes, reviewed and updated at least annually

### **Steps:**

- Create new detail codes as needed with appropriate GL accounting.
  - TSADETC Detail Code Control Page – Student
  - TFADETC Detail Code Control Page – Finance
    - Detail Code: 4-character alpha-numeric code
    - Detail Code Description: name descriptively, 30-character maximum
    - Type:
      - P – payment
      - C – charge
    - Category:
    - Priority: 000 – 999 indicates which applies first, higher values apply last
    - Tools > Create GL Interface creates the accounting for the debit/credit (A/B) sides of the code and which rule classes the code applies to, e.g., DR student accounts receivable, CR revenue
- Update GL accounting on existing Detail Codes as needed.
- Inactive obsolete Detail Codes as necessary.

### **Student Billing for Tuition and Fees**

All student billing is posted through the accounting receivable system with input from the registration, financial aid, and auxiliary service systems. Before term billing can begin, all areas that affect billing must complete their processes – Registrar must complete registration for all returning and incoming students, Residence Life must assign housing to all on-campus students, Auxiliary Services must assign all meal plans, Financial Aid must award scholarships and other financial aid to students, parking and other student fees must be assessed by the respective areas. This manual does not include these steps which fall outside of the business office.

### **Responsible position(s):**

- Bursar

### **Required documents and access:**

- Banner

### **Frequency and timing:**

- By Term, prior to August (Fall), January (Spring), May (Summer)
- Daily after beginning of term

## **Kentucky State University Business Policies and Procedures Manual**

### **Steps:**

Beginning of term:

- Update rate tables for upcoming term/academic year.
- Ensure the billing setup is correct for all courses and course fees.
- Update payment installment options, if applicable.
- Collect information from students for third-party billing – e.g. Vocational Rehabilitation (Voc. Rehab), Kentucky Affordable Prepaid Tuition (KAPT) and other prepaid tuition programs, ROTC Army/National Guard, Veterans Administration (VA), etc.
- Post registration, meal plan, and housing charges to student accounts.
- Apply financial aid to student accounts.
- Apply third-party credits to student accounts.
- Send billing notification communications to students with payment instructions, due dates, and payment installment options.

Daily after beginning of term:

- Run the billing process to post any new registration, meal plan, and housing charges to student accounts.
- Run financial aid process to apply any new aid to student accounts at the end of business.
- Apply any new third-party payments to student accounts.
- Process returned checks and e-checks:
  - Apply return payment fees
  - Place account hold
  - Notify student
- Send billing notification communications to students with payment instructions, due dates, and payment installment options for new charges or changes in payment plans.

### **Bill Third-party Payers**

#### **Responsible position(s):**

- Bursar

#### **Required documents and access:**

- Banner

#### **Frequency and timing:**

- By term with monthly follow-up

### **Steps:**

- Verify that all third-party credits to student accounts have been posted.
- Complete forms and supporting documentation required by each third-party payer.
  - KAPT
  - Voc Rehab

## **Kentucky State University**

### **Business Policies and Procedures Manual**

- VA
  - Etc.
- Run billing statements for each third-party payer.
- Send notification to third-party customers with statements and required supporting documentation.
- Run AR aging report of third-party customers monthly.
- Contact all third-party payers with past due accounts by phone, email, mail to determine if there are any issues preventing payment that need to be resolved.
- Contact the student for any outside scholarships that are past due. If payment is not received for this pending financial aid, the student will be responsible for the payment.
- Escalate any third-party past due >90 days to the CFO.

#### **Other Student Billing**

##### **Responsible position(s):**

- Bursar

##### **Required documents and access:**

- Banner

##### **Frequency and timing:**

- By Term

##### **Steps:**

- Obtain information on other student fees to be applied to student accounts – parking, library fines, intramural fees, etc.
- Assign charges to student accounts.
- Send billing notification communications to students with payment instructions and due dates.

#### **Other Non-student/Non-grant Billing**

The University may bill for other miscellaneous charges that are not student related, e.g. facility rentals to outside groups, sales of farm products, sale of fixed assets, etc. Only the Cashiers in the Bursar's Office are authorized to collect or delegate the collection cash receipts on behalf of the university. Any employee or unit outside of the Cashiers that collects cash receipts must have documented and approved cash handling procedures on file with the Bursar's Office. Employees outside of the Bursar's Office may be granted approval to enter charges for goods and services directly. For good internal control, employees who post charges to accounts are not permitted to receive or post payment to the accounting system and employees who receive or post payments from students are not permitted to post charges to the accounting system.

##### **Responsible position(s):**

- Bursar or delegated employee posts charges
- Cashier or delegated employee receives cash/check payments

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**Required documents and access:**

- Banner

**Frequency and timing:**

- Ad hoc

**Steps:**

- Obtain information from the billing department including ALL the following:
  - Complete and accurate customer contact information,
  - Description of the goods or services sold,
  - Appropriate supporting documentation.
- Validate the revenue (or expense) accounts to credit; determine whether this is UBIT.
  - Facility rentals
  - Farm product proceeds
  - Sales of fixed assets
  - Commissions or royalties
  - Etc.
- Record the receivable.
  - TFADETL Account Detail
    - ID: if it is a person or company that is not in Banner yet, create the ID
    - Detail Code: if this is a new kind of charge, create a detail code
    - Address Type: PR Permanent, or whichever address type for the ID
    - Units: as specified by the charge
    - Rate: as specified by the charge
    - Source: T Charge/Payment Transaction
    - Effective: today
    - Transaction: today
    - Save
- Run billing statements for each non-student customer.
  - TFRBILL Finance Invoices or Statements
    - Printer: database
    - ID Number:
    - Leave the rest of the parameter at default values
    - Next block and save
    - Related > Review Output
    - Select the file name, Tools > Options: Show Document (Save and Print File)
- Send notification to customers with statements and required supporting documentation.
- Run AR aging report of customers monthly.
- Contact all customers with past due accounts by phone, email, and mail to determine if there are any issues preventing payment that need to be resolved.
- Escalate any accounts past due >90 days to the CFO.

## **Kentucky State University Business Policies and Procedures Manual**

### **Processing Student Refunds**

#### **Responsible position(s):**

- Bursar
- Accountant
- Accounts payable
- Cashier

#### **Required documents and access:**

- Banner
- Higher One

#### **Frequency and timing:**

- Weekly, describe normal refunding schedule, e.g. third week of classes, after drop/add period, etc.

#### **Steps:**

- Bursar:
  - Determine credit balances after refundable aid has been posted to student accounts.
  - Run process to generate student refunds.
- Accountant runs feed process from AR to Finance:
  - FURFEED to feed AR to Finance
  - FURAPAY to feed refunds to AP
  - Notify accounts payable when student refund invoices are ready to run checks
- Accounts Payable:
  - Process AP check cycle including refund invoices.
  - Upload data to Higher One for refunds
  - Initiate Direct Pay Request to Higher One for refunds to be paid by wire transfer.
  - Forward printed checks to Cashier for student pick up.
- Cashiers hold refund checks for students to pick up.

### **Collections from Current Students**

The University works with current students who are past due.

#### **Responsible position(s):**

- Bursar

#### **Required documents and access:**

- Banner

#### **Frequency and timing:**

## **Kentucky State University Business Policies and Procedures Manual**

- Beginning of term prior to disenrollment deadline, then weekly

### **Steps:**

Beginning of term prior to disenrollment deadline:

- Run report of student AR aging.
- Notify past-due students of disenrollment policy for non-payment prior to disenrollment deadline.
- Place holds on past-due student accounts to block registration (add/drop), grades, and transcripts.
- Notify students who have not made payment arrangements by the payment deadline date that they will be disenrolled on a specified date.
- Disenroll students who have not made payment arrangements by the disenrollment deadline and follow steps in next section to process separation for disenrolled students.

Weekly after disenrollments:

- Run report of student AR aging.
- Post late fees to student accounts.
- Send regular billing reminders to current students.
- Contact all current students with past due accounts by phone, email, text to determine if there are any issues that can be resolved, e.g. pending financial aid.
- Follow up on prior week's calls, emails, texts on past due accounts.
- Mail billing reminders to permanent address for accounts > 30 days past due.

### **Processing Student Separations**

An official withdrawal occurs when an enrolled student decides they must leave after the term begins and they have attended at least one class. They must notify the University and cease attendance in all classes and/or academic activities.

Unofficial withdrawals may occur when an enrolled student ceases to attend classes, either as a no-show at the beginning of the term or failing all classes at the end of the term.

Suspensions occur when university administration determines that an enrolled student must leave the University due to poor academic performance or disciplinary issues.

Regardless of the reason for separation from the university, all students are responsible for the tuition and fee charges associated with the class(es) and other charges related to attending the University. This procedure documents the steps to ensure the students' charges are appropriately finalized.

### **Responsible position(s):**

- Bursar

### **Required documents and access:**

- Banner

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- Official withdrawal notification
- Financial aid recalculation, if applicable

**Frequency and timing:**

- As notified of withdrawals, at least monthly

**Steps:**

- Obtain notification of the withdrawal, suspension, or separation from the university.
- Update the student's mailing and email address from the withdrawal notification.
- Run a preliminary statement of the student's account.
- Request Financial Aid to determine if there is an applicable financial aid refund calculation (R2T4).
- Run a financial aid update to post all changes to the student's account, if applicable.
- Request campus departments to determine if the student has any outstanding fees or fines to be billed to their account:
  - Library
  - Parking
  - Housing
  - Etc.
- Rerun the billing process to determine if there are any changes to their charges.
- Determine any remaining deposit amounts.
- Apply any remaining deposits to any outstanding receivable balances.
- Refund any remaining deposits after all charges have been satisfied within 14 days of withdrawal.
- Transfer any remaining receivable balances due to an in-house collection accounts receivable.
- Send withdrawal statement letter with a copy of the final AR statement to the student if there is a balance due.
  - Sample text: Enclosed please find a statement of your balance due of \$X after your withdrawal from KSU on DATE. Please pay this balance by the due date indicated. Contact us if you have any questions or would like to propose a payment plan.
- Forward to employee responsible for non-current (former) student collections.

**Collections from Former Students**

When a student is no longer enrolled and has outstanding balances on any accounts receivable types, the university will perform its due diligence in attempting to collect the balance due on the account before placing it with a collection agency. Former students can work with the university to develop a mutually satisfactory repayment plan.

If the former student does not respond to inquiries or does not cooperate with efforts to resolve the past due balance, the university will proceed with formal collection action. When an account is referred to an outside collection agency, the agency reports to national credit bureaus. This may create difficulties for the student when later applying for credit.

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**Responsible position(s):**

- Collections designee in Bursar's Office

**Required documents and access:**

- Banner

**Frequency and timing:**

- Within 90 days of student's separation

**Steps:**

- Notify former students in writing of the intent to place with collections agencies after 30 days, providing an opportunity to repay or set up payment plan terms.
  - Sample text: We have not heard from you regarding your balance due as of DATE. If we do not receive your payment by NEW DATE, your account will be sent to a collection agency, and you will be responsible for the stated charges as well as applicable collections costs added by the agency.
- Send a follow-up letter at 60 days past due indicating that the account will go to a collection agency in 30 days if not paid (90 days).
  - Sample text: We have not received your payment and you have not contacted us to propose a payment plan. Your account is now being placed with XYZ collection agency and will be reported to the credit bureaus. Please contact XYZ Agency at NUMBER if you have any questions about your account.
- Place with collection agency after 30 days
- Notify former student of placement with agency providing agency contact info, no further contact with university, forward to agency.

**Bad Debt and Allowance for Student Receivable Credit Losses**

**Responsible position(s):**

- Controller

**Required documents and access:**

- AR Aging

**Frequency and timing:**

- Annually, fiscal year-end entry in accrual period

**Steps:**

- Calculate current expected credit loss (CECL) based on historical collection rates of receivables.

## **Grants Management**

### **Policy**

The University maintains compliance with federal and state statutes, regulations, and requirements in the application and administration of grants to support activities related to the mission.

The grants cycle encompasses responsibilities among various departments including the Office of Sponsored Programs, university departments, as well as finance and administration. The purpose of the policy is to outline the roles, responsibilities, and communications between these departments to ensure efficiency, effectiveness, accuracy, and accountability in our financial reporting to grantors.

The grants management process is ongoing at the University throughout the fiscal year. Although these business procedures do not include steps for grant submission, which is managed by the Office of Sponsored Programs, finance and administration should work with the Office of Sponsored Programs and grantees in the proposal and submission to address budgetary considerations such as total costs, matching requirements, indirect cost rates, fringe benefit rates, etc.

### **Procedures**

#### **Grant Submission**

This process is managed by the Office of Sponsored Programs rather than by Finance and Administration; however, coordination of effort is critical in ensuring post-award compliance for grants.

#### **Responsible position(s):**

- Grantee program manager
- Office of Sponsored Programs
- Grants Manager/Controller/Budget Office

#### **Required documents and access:**

- Grant proposal approval form

#### **Frequency and timing:**

- Monthly, review of grant opportunities

#### **Steps:**

- Identify grant opportunity
- Initiate grant proposal
- Conduct risk assessment
  - Total cost
  - Matching
  - Staffing
  - Duplication of services

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- Realistic scope for time and budget
  - Funding sufficient to justify administrative cost of tracking, reporting, and paying
- Approval decision
- Proposal with budget tied to narrative
- Submission

**New Grant Setup**

**Responsible position(s):**

- Grant Accountant

**Required documents and access:**

- Banner
- Award notification

**Frequency and timing:**

- Ad hoc, as grant awards are received

**Steps:**

- Obtain notice of grant award acceptance from the Office of Sponsored Programs (pre-award) with a Request for Budget Establishment (RFBE – paper form).
- Create the grantor agency in the accounting system if not already established.
- Determine whether the award is for a new grant, grant renewal with a new budget for the period, or an extension of an existing grant with or without (no-cost) additional budget.
- New Grants only:
  - Assign a grant number.
    - **FRAGRNT** Grant Maintenance
      - Grant: use naming convention below (can use NEXT function); GO
        - USDA[EXT,EA,RREA, MCIA]YY
        - CBG[purpose abbr]YY
        - SAREYYYY
        - AGDISCYYYY
        - STIYYYY
        - Etc.
      - Main
        - Chart of Accounts: 1
        - Responsible Organization: home ORG for Principal Investigator
        - Long Title: as written on grant award document
        - Title: short name in use
        - Requires Effort Certification: p default
        - Agency: select grantor agency record
        - Principal Investigator: select employee record

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- Project Start Date: as stated on award notification
  - Project End Date: as stated on award notification
  - Proposal: if included in award notification
  - Termination Date: leave blank
  - Expenditure End Date: project end date plus run out period for final expenses related to the grant
  - Status: Active
  - Alternate Description: if any
  - Status Date: today
  - Current Amount:
  - Cumulative Amount: if multiyear grant award
  - Maximum Amount:
  - Total Recipient Share:
  - Related Grant:
  - Grant Type: (typically G)
    - A – Cooperative Agreement
    - C – Contract
    - G – Grant
    - P – Project
  - Category:
    - F – Federal
    - N – Non-Federal
    - R – Other Restricted
  - Subcategory:
    - CORP – Corporation
    - FNDT – Foundation
    - FRGN – Foreign
    - INDV – Individual
    - LOCA – Local
    - PASS – Pass Through
    - R - Revenue
  - Assistance Listings Code: CFDA number, if applicable
  - Sponsor ID: Grantor's award ID
- Grant Agency
  - Agency: prepopulated from Main
  - Contact: agency's grant manager
  - Email: agency's grant manager email
- Cost Code
  - Chart of Accounts: 1
  - Indirect Cost Basis: select as indicated in award document
  - Indirect Cost Rate: select as indicated in award document
  - Indirect Cost Charge Account Code: 71XX
  - Indirect Cost Distribute to Code: 52XX
  - Cost Share Basis:

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- Cost Share Rate Code:
  - Cost Share Credit Account Code:
  - Cost Share Distribute From Code:
- Personnel
  - Add employees on grant
- Billing
  - PMS Code
  - Billing Exclusion Code
  - Budget Limit Indicator:
    - Total Budget
    - Line-Item Budget
    - No Budget Action Required
  - Undistributed Cash Receipt Account:
  - Refund Clearing Account:
  - Billing Address Type:
  - Sequence Number:
  - Last Invoice Number:
  - Budget Check Source: Maximum Billing Limit
  - Billing Start Date: award period start date
  - Billing End Date: award end date
  - Billing Limits:
    - Minimum: 0
    - Cumulative:
    - Maximum:
    - Deferred Account Code: 2XXX
- Create a new grant fund number.
  - **FTMFUND** Fund Code Maintenance
    - Chart of Accounts: 1
    - Grant Proposal: Grant Number from FRAGRNT
    - Fund: use next available number in the established chart of account sequence (FGRFNDH Fund Hierarchy for fund type 20)
      - 210 USDA Research
      - 211 USDA Extension
      - 212 DOE
      - 213 HHS
      - 214 Other federal funds/NSF
      - 22 State
      - 23 Other/Private
    - \*Title: define the naming convention used
    - Effective Date: award period start date
    - Termination Date: award period end date
    - Expenditure End Date: award period end date plus expense runout period

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- Data Entry: checked
- \*Fund Type: as applicable for Fund code
  - 21 Federal grants
  - 22 State grants
  - 23 Private grants
- Fund Requires Effort Certification: check if Federal funds with personnel costs
- Predecessor Fund: as applicable based on established chart of accounts sequence
- Financial Manager: Principal Investigator from FRAGRNT
- Unbilled AR Account: 14XX or 23XX
- Revenue Account: 54XX
- Bank: 30 (default bank)
- Cash Receipt Bank Code: depository account should be regular depository account for cost reimbursement grants; restricted cash for advanced/deferred revenue grants)
  - 57 Federal
  - 58 State and other
- Capitalization Fund Indicator: Cap Different or No Cap
- Capitalization Equity Account
- Capitalization Fund: leave blank to let FFASYSC default
- Multiple Fund: Fund Type
- Net Asset Subclass:
- Restriction Indicator: Temporarily Restricted
- Default Organization: Responsible Organization from FRAGRNT
- Default Program: as applicable based on established chart of accounts sequence
- Default Activity: (for multi-year grant awards, assign YEAR1)
- Default Location:
- Apply indirect cost rates, if applicable, and billing information.
  - **FRMFUND** Research Accounting Fund Maintenance
    - Chart of Accounts: 1
    - Fund: as set up on FTMFUND
    - Cost Codes:
      - Indirect Cost Basis:
      - Indirect Cost Rate Code:
      - Indirect Cost Charge Account Code:
      - Indirect Cost Distribute To Code:
      - Cost Share Basis:
      - Cost Share Rate Code:
      - Cost Share Credit Account Code:
      - Cost Share Distribute From Code:
    - Billing Information

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- Billed Accounts Receivable: 14XX
  - Cash Receipt Bank Code: from FTMFUND
  - Retainage Accounts Receivable:
  - Revenue Account: from FTMFUND
  - Retainage Amount:
  - Unbilled Accounts Receivable: from FTMFUND
  - Retainage Percent:
- Send Fund code to Purchasing sets up approval queues.
- Assign budget to grant.
  - FRABUDG Grant Budget
    - Grant: Grant Number from FRAGRNT; GO
- Grant renewals (multiyear) with a new budget for the renewal period
  - FRAGRNT Grant Maintenance
  - FTMFUND Fund Code Maintenance
    - Copy and insert new record
    - Change effective date to beginning of renewal period
    - Change Expenditure End Date to end of renewal period
- Notify PI/Department of set up completion with FOAP, budget, approvers, end date

**Grants Month-End Processing – Revenue Recognition and Indirect Cost Allocation**

This Banner process calculates and posts indirect costs to grants and recognizes grant revenue.

**Responsible position(s):**

- Grant Accountant

**Required documents and access:**

- Banner

**Frequency and timing:**

- Monthly, after general accounting has completed posting all operating expenses

**Steps:**

- Determine whether there are any trial balance issues in the grant funds.
  - **FGRTBEX** Trial Balance Exception Report identifies any funds that are out of balance
    - Printer: DATABASE
    - Fiscal Year:
    - As of Date: month-end
    - Include Accrual Period: Y
    - Report Type: Summary or Detail
    - Chart of Accounts: 1
    - Fund Option: All
    - From Fund:
    - To Fund:

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- Fund:
  - Save
  - Review output to find any out-of-balance funds.
- Review payroll expenses charged to grant FOAPs and reclassify any expenses that are incorrect.
- Apply indirect costs, as applicable in grant setup, and recognize grant revenue.
  - **FRRGRNT** Deferred Grant Process
    - Printer: DATABASE
    - Recalculation: No (Yes if making an indirect cost correction)
    - Date From: first of month being processed
    - Date To: month-end
    - Chart of Accounts: 1
    - Fund Option:
      - All Funds
      - Specific
        - From Fund: for range
        - To Fund: for range
        - Fund: for a single fund
    - Posting Date: month-end
    - Execution Mode: Audit
    - Report Type: Detail
    - Save.
  - Review output to ensure indirect costs are posted correctly.
  - **FRRGRNT** Deferred Grant Process
    - Run in Update mode for all funds
- Run transaction interface to post revenue recognition and indirect cost to the general ledger.
  - **FGTRTRI** Transaction Interface
    - Save
  - Review output
- Verify entries have been posted.
  - **FGITRND** query G document
- Run grant trial balance.
  - **FGRTBAL**
    - Fiscal Year: current FY
    - Chart of Accounts: 1
    - As of Date: month-end
    - Include Accrual: Yes
    - Fund Option:
      - Range
      - Specific
    - From Fund: 200000
    - To Fund: 299999
    - Save

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- Review output
- Run report of grant activity inception to date.
  - **FRRGITD**
    - Chart of Accounts: 1
    - As of Date: month-end
    - Grant Option: All
    - Fund Information: Yes
    - Save
  - Review output

### Grant Billing

This process is currently done manually. Implementation of the Banner Grants module which can automate the accounting entries related grant billing requires assistance from Ellucian to complete the system setup.

Unconditional grants to support a particular program or service and revenue is recognized at the award date. Any unspent funds at the end of a fiscal year or award year are rolled forward as restricted fund balance and subsequent year(s) expenses are budgeted to draw down the remaining restricted fund balance.

Conditional grant which requires the university to overcome a barrier before being entitled to the grant revenue, e.g., matching gift, qualified expenses to be reimbursed, number of patients served, etc. If these grants are paid in advance, the funds must be held in deferred revenue and revenue is recognized as the condition and purpose are met. Reimbursement grants that are not paid in advance also recognize revenue as the condition and purpose are met. This creates a receivable from the grantor.

#### Responsible position(s):

- Grants Manager

#### Required documents and access:

- Banner
- Grant documents

#### Frequency and timing:

- Monthly, by the 15<sup>th</sup> of the month, **after** soft close

#### Steps:

- Process grant billing:
  - For conditional and unconditional grants not paid in advance:
    - DR Billed Grant AR
    - CR Unbilled Grant AR
  - For conditional grants paid in advance:

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- DR Deferred revenue
- CR Unbilled AR
- For unconditional grants paid in advance where the revenue was recognized with the original award, there should be no grant billing processed at month-end.  
Payment of expenses draws down the restricted fund balance.
- Review and approve grant bills.
- Send bills to grantors or draw down from grantors for billed amounts.

**Collections from Grantors**

**Responsible position(s):**

- Grant Accountant

**Required documents and access:**

- Banner

**Frequency and timing:**

- Monthly

**Steps:**

- Submit requests to the grantor agency for AR balances that can be drawn down.
- Forward confirmations of drawdowns to Cashiers to record when deposit posts to the bank.
- Monitor bank activity for receipt of electronic payments – wires, ACH.
- Run a report of grant AR aging by grantor and follow up with grantors on past due AR:
  - 1-30 days - send statement with payment instructions
  - 31-60 days – send statement, follow up with phone call, email
  - 60-90 days – discontinue any new activity, notify agency of collections process
  - 91+ days – send to collections agency
- Apply grant payments to grant receivables– draws, checks, EFTs, and wire payment

**Grant Financial Reporting**

**Responsible position(s):**

- Grants Manager, Principal Investigator

**Required documents and access:**

- Banner
- Grant agency reporting system

**Frequency and timing:**

- As required by grant agreement

**Steps:**

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- Follow granting agency procedures for filing all required grant reporting.

**Grant Close-Out**

**Responsible position(s):**

- Grants Manager

**Required documents and access:**

- Banner
- Grant agency reporting system

**Frequency and timing:**

- Fiscal period after grant closing date (trail out period)

**Steps:**

- Ensure all expenses have been posted to the grant in the grant period.
- Ensure all the indirect costs have been posted and all revenue recognized.
- Determine the grant requirements for the disposition of remaining funds at the end of the grant, e.g. retained by the university for unrestricted/restricted purposes, returned to the funder, etc.
- Post adjusting entries to close the grant fund.
  - Operating ledger should balance to zero
  - There should be no liability or fund balances
  - The only remaining balances may be in Claim on Cash and Grants Receivable if the grantor still owes the university
- Prepare any financial close-out reporting for the grantor.
- Inactivate the grant fund once the receivable has been paid and the fund balances to zero.

**Allowance for Grants Receivable Credit Losses and Bad Debt Write Offs**

**Responsible position(s):**

- Grants Manager

**Required documents and access:**

- Banner

**Frequency and timing:**

- Annually, part of fiscal year-end accrual entries (period 14)

**Steps:**

- Follow up with past-due grantors.
- Calculate an allowance for credit losses based on the estimated collectability of grants receivable.

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- Propose bad debt write offs from the allowance for grant accounts past due more than 1 year; CFO must approve write off amount.

## **Cost allocation plan**

### **Policy**

The University defines its indirect costs and documents the procedures for allocating administrative salaries and other indirect costs to various programs in a consistent manner. Grants for which indirect costs are allowed are assigned either the rate specified in the University's Negotiated Indirect Cost Rate Agreement (NICRA) applicable to personnel costs, the de minimis 15% rate for federal grants and contracts, or other rate as specified in the grant agreement.

## **Cash Handling**

Cash is the most liquid asset an organization has. Therefore, internal controls should be strongest in this area. Continuous follow-up and attention should be a priority with cash receipts.

Access to cash should be limited and all funds secured so that no individual can access it without another responsible employee present. The work of one employee serves to verify that of another so that any errors which may occur can be detected promptly.

### **Policy**

Only those areas authorized by the CFO as a collection point may handle cash receipts (check or cash). Any receipts collected must be delivered daily to the Bursar's Office.

The Cashier in the Bursar's Office records cash receipts in the accounting system and restrictively endorse all checks. Checks are scanned and stored for audit, reconciliation, and safekeeping. Cash must be verified by two individuals and supported by the documentation which accompanies the cash receipt. Copies of checks and cash documentation should be attached to each deposit record.

Cash receipts for gifts should be forwarded intact to the Foundation for processing.

Cash receipts are deposited daily to the bank by the Bursar's Office. A copy of the deposit record and a copy of the corresponding check or cash documentation for each item should be retained. At the end of each bank statement cycle, the Accounting Office reconciles the deposit register and deposit records to the bank statement.

### **Procedures**

These procedures are to ensure safe handling of all cash receipts and accurate classification of receipts. Currently the Cashiers and Bursar report to the VP for Student Affairs rather than to the VP for Finance and Administration (recommended).

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**Processing Incoming Mail and Electronic Payments**

**Responsible position(s):**

- Position(s)

**Required documents and access:**

- Incoming mail
- Reporting access to online payment processors

**Frequency and timing:**

- Daily

**Steps:**

- Open mail and list checks with two individuals present to confirm amounts received by mail.
- Restrictively endorse checks.
- Download online payment activity.
- Sort and summarize student and non-student payments for posting.
- Provide checks and online payment reports to cashiers to post cash receipts.

**Posting Cash Receipts Payments**

**Responsible position(s):**

- Cashiers
- Bursar
- Accountant

**Required documents and access:**

- Banner
- Check lists
- Electronic payment processor reports
  - Transax
  - SwipeSimple
  - CashNet

**Frequency and timing:**

- Daily by 3:00 pm to ensure that they are reviewed, approved, and deposited before the end of business

**Steps:**

- **Cashier:**
  - Obtain checks, check lists, and online payment summary reports.
  - Close web cashier session(s) from the prior business day(s).
  - Obtain daily reports of online transactions to be posted manually.

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- Create a Daily Cash Receipts Checklist cover sheet.
- Post cash receipts to:
  - Student accounts receivable:
  - Grant accounts receivable.
  - Other non-accounts receivable miscellaneous deposits.
- Scan deposit remittances and other supporting documents with naming convention YYYY-MM-DD Deposit Items.
- Compile documentation packet that ties to the cashier session(s) including (Banner receipt copies are not sufficient support):
  - Summary coversheet
  - Electronic payment reports
  - Check stubs/copies
- Close the cashing session
  - TGAREV Close cashier session(s)
- Submit balanced cashier session with documentation to Bursar for review and approval.
- **Bursar:**
  - Finalize and **reconcile** cashing session(s).
    - TGACSPV Finalize cashing session(s)
    - TGRCSHR Run cashier report
  - Apply payments.
    - TGRAPPL
  - Ensure all payments collected (TGCSHR) were applied (TGRAPPL)
  - Feed cash receipts transactions to the general ledger for posting.
    - TGRFEED Accounting feed process
  - Reconcile AR to GL and research any accounts that are out of balance between AR subsidiary ledger and general ledger. Process also run by Accountant.
    - TGRRCN AR reconciliation report
  - File the approved cashier session summary, bank deposit receipt, and check copies in document management system.
- **Accountant:**
  - Reconcile AR to GL. Research and correct any accounts that are out of balance between AR subsidiary ledger and general ledger.
    - TGRRCN AR reconciliation report.
  - Assign AR transactions document numbers in the GL.
    - FURFEED Assigns F document indicator
  - Process any refund invoices included in the feed from AR.
    - FURAPAY Accounting invoice refunding process.
  - Run the interface between AR and GL; review and correct any errors.
    - FGRTRNI Finance accounting edit process
    - FGRTRNR Finance transaction error report
  - Post AR transactions to GL.
    - FGRACG Posting Process (happens in automatically in the background on a sleep/wake cycle.)

### Depositing Funds

**Responsible position(s):**

- Cashier
- Bursar

**Required documents and access:**

- Checks and cash from approved cashier sessions

**Frequency and timing:**

- Daily

**Steps:**

- Remote capture deposit checks (not currently in use).
- Prepare deposit slips for checks, cash, and coins and scan a copy for with the cashier session documentation.
- Secure cash and coin deposit in a lock bag in the safe until deposited at the bank.
- Deposit cash and coin deposits daily.

### Processing Returned Checks and Electronic Payments

**Responsible position(s):**

- Bursar

**Required documents and access:**

- Notice of NSF checks or returned electronic payments from payment processors

**Frequency and timing:**

- Daily, as returns are received

**Steps:**

- Post return to student or grantor account.
- Post charge for return payment fee to student or grantor account.
- Place accounting a financial hold on student or grantor account.
- Notify student or grantor of returned payment, fees charged, and appropriate methods of restitution – cash, certified/cashier's check, money order, credit card payment, or EFT.
- Post restitution payments following procedures above for posting payments.
- Release hold from student or grantor accounts.
- Notify student that restitution has been received and hold has been released.



## Purchasing

A purchasing system is in place to help ensure that purchases of goods and services are properly approved and obtained at the best value with a fair and open opportunity for vendors for university business. The Purchasing Department provides procurement services in a timely, legal, ethical, and professional manner to the research, academic and administrative departments in support of the University's mission and goals, at the best value to the University.

### Policy

Purchasing is the central authority for the University and is responsible for management and oversight of the purchasing process. The University adheres to Kentucky's Model Procurement Code and all applicable Kentucky State University policies, administrative regulations, and state and federal policies.

All purchases are made from board-approved budgets. Purchases that exceed \$40K may require a formal bid process unless they can be purchased from an existing government contract. Purchases that exceed \$250K shall require additional board and legislative approval.

All written supplier forms of agreement for the purchase of goods and services, such as quotations, proposals, contracts, terms, and conditions require vetting by Purchasing and, in certain cases, by General Counsel, to protect the best interests of the University.

In general, the University does not enter into purchasing contracts with entities in which students, faculty, staff, or members of their immediate families have an interest. Rare exceptions may be allowed conditioned upon the other parties' compliance with all contracting requirements, including evidence of appropriate business insurance and licensing, and acceptance of the standard University contract terms. These transactions are subject to the university's Conflict of Interest Policy governing the conduct of staff relative to business relationships.

Purchases will be reviewed for allowability of costs in accordance with Subpart E – Cost Principles of Title 2 CFR 200 and the terms and conditions of the Federal award prior to authorization and payment.

Any employee who commits the University to expenditures without proper authorization may be held personally liable for the expenditure and may be subject to disciplinary measures up to and including termination of employment, and criminal and civil penalties.

### Procedures

#### Purchasing Authority

- **Directors or Deans** may approve purchases of **up to \$1,000** from board-approved operating and capital budgets.
- **VPs/Provost and Grant Principal Investigators (PI)** may approve purchases **up to \$5,000** from board- or grant-approved operating and capital budgets.

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- **President and CPE** must approve all purchases **greater than \$5,000**. (Small purchasing authority granted to the University under the Kentucky Model Procurement Code, KRS 45A.100 is \$40K. Authority limits are lower due to heightened CPE oversight.)
- If not already included in the board-approved capital or operating budget, the university must **inform the board of any purchase more than \$200K from any funding source**.
- Purchases over **\$200K not included in the state budget bill require special legislative approval**.
- All purchases of **fixed assets must be approved in the capital budget**; if not included in the approved capital budget, the President must approve.
- All **construction projects** must follow capital planning procedures (see Capital Planning section).
- All **personal services contracts (PSC), memoranda of agreement (MOA), memoranda of understanding (MOU), or leases** must follow the Contract Management Policy (see Contracts, Consulting Agreements, Leases section).

Purchasing authority may be delegated to a subordinate or lateral position only when explicitly documented in writing by the original authorized position including the name and position of both the delegee and delegator and an expiration date of authorization, if any. Supervisory positions may assume authorization of a subordinate's purchasing authority without delegation.

### Purchasing Approval Queue Maintenance

#### Responsible position(s):

- Purchasing

#### Required documents and access:

- Banner – Purchasing security class
- Signature delegation of purchasing authority

#### Frequency and timing:

- One-time initial setup of approval queues when organizational/approval structure changes
- As needed for personnel changes to add or remove approvers
- Annual review for maintenance, timing TBD

#### Steps:

- Create a Purchase Requisition approval queue approvals the **highest approval authority – President and CPE**, any purchase **greater than or equal to \$5,000 from any funding source**.
  - **FTMAPPQ Approval Queue Maintenance**
    - Queue ID: PRES (limit 4-characters)
    - Queue Description: Presidential approval
    - Next Queue: <blank>
    - Queue Limit:

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- Queue Level Information:
  - Effective Date: today
  - Termination Date: <blank>
  - Level:
    - 1 – User ID for CFO, Name, Approval Limit \$0, serves as pre-review for President
    - 2 – User ID for President, Name, Approval Limit \$0
    - 3 – CPE designee \$999,999,999.99, this approver should only approve after the CPE approval document has been received.
  - Next Change Date: <blank>
- Create Purchase Requisition approval queues for the **next highest approval authority – VP/Provost**, any purchase **less than \$5,000 from non-grant funded sources**. These approval queues will have one level with a limit of \$4,999.99; all have the *President and CPE queue* as their Next Queue.
  - **FTMAPPQ Approval Queue Maintenance**
    - Queue ID: VPS (limit 4-characters)
    - Queue Description: VP/Provost approval
    - Next Queue: PRES
    - Queue Limit:
    - Queue Level Information:
      - Effective Date: today
      - Termination Date: <blank>
      - Level: 1 – User ID for VP/Provost, Name, Approval Limit \$4,999.99
      - Next Change Date: <blank>
- Create Purchase Requisition approval queues with **explicit approvals** for each segment of the university that holds the **lowest level of purchasing authority –Directors or Deans and Grant PIs**. The first level of approval will always be Purchasing with \$0 dollar approval thresholds.
  - **Directors and Deans** approval queues will have *VP/Provost queue* as their Next Queue.
    - **FTMAPPQ Approval Queue Maintenance**
      - Queue ID: DIR (limit 4-characters)
      - Queue Description: VP/Provost approval
      - Next Queue: VPS
      - Queue Limit:
      - Queue Level Information:
        - Effective Date: today
        - Termination Date: <blank>
        - Level:
          - 1 – Department Director \$999.99
          - 2 – Purchasing \$0
        - Next Change Date: <blank>

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- **Grants** approval queues will have *President and CPE* as their Next Queue
  - **FTMAPPQ Approval Queue Maintenance**
    - Queue ID: XXXX (limit 4-characters)
    - Queue Description: Description
    - Next Queue: PRES
    - Queue Limit:
    - Queue Level Information:
      - Effective Date: today
      - Termination Date: <blank>
      - Level:
        - 1 – Grant PI, \$4,999.99
        - 2 – Grant Accountant/Compliance \$0
        - 3 – Purchasing \$0
- Maintain approval queues.
  - New staff or staff changes:
    - Obtain notification from HR of new hires, terminations, and position changes for anyone in approval queues (this should be part of the onboarding or exit procedures that assign and revoke system accesses).
    - Obtain documentation of approved purchasing authority delegation.
    - Run reports to determine all the queues which contain the approver being replaced, removed, or delegated.
      - Banner report
    - Replace, terminate, or add approvers in all identified queues.
      - FTMAPPQ
  - New fund or organization codes:
    - Obtain notification from Controller or Grant Accountant of new FUND or ORG codes.
    - Determine whether new FUND or ORG will slot into existing ranges for current approval queue structure.
    - Create new approval queue, if necessary,
- Annually review approval queues to maintain as needed to update for any changes that were not communicated to Purchasing during the year.
  - Banner report of approval queues.

**Vendor Maintenance**

**Responsible position(s):**

- Purchasing

**Required documents and access:**

- Banner – security class for vendor maintenance; should be separate from access to create vendor invoices, and print checks
- Vendor Registration Form
- IRS Form W-9

**Frequency and timing:**

- Daily, as needed

**Steps:**

**A Vendor** requests to be added to the master vendor list by submitting a Vendor Registration Form and W-9 Request for Taxpayer Identification Number to Purchasing. Links to the forms are posted on the Purchasing website. A **requester** may identify a vendor they want to use that is not already in Banner and ask the vendor to submit the required forms.

- Validate all new vendors (construction vendors for capital projects are validated by the state FAC/DECA).
  - Perform Taxpayer Identification Number (TIN) Matching with the IRS
    - Log into [e-Services | Internal Revenue Service \(irs.gov\)](#)
    - Select Access TIN Matching
    - Select your organization
    - Accept Terms of Agreement
    - Begin Interactive TIN Session
      - Select TIN Type: SSN, EIN, or Unknown
      - Enter SSN or EIN
      - Enter Last Name or Business Name
      - Add – you can match multiple vendors in one session
      - Submit
    - Interactive results to validate matching should be **0, 6, 7, or 8**. If not, contact vendor for corrected information.
      - **0 = TIN and Name combination matches IRS records.**
      - 1 = TIN was missing or TIN not 9-digit numeric.
      - 2 = TIN entered is not currently issued.
      - 3 = TIN and Name combination does not match IRS records.
      - 4 = Invalid TIN Matching request.
      - 5 = Duplicate TIN Matching request.
      - **6 = TIN and Name combination matches IRS SSN records.**
      - **7 = TIN and Name combination matches IRS EIN records.**
      - **8 = TIN and Name combination matches IRS SSN and EIN records.**
  - Perform a Business Search on the Kentucky Secretary of State (KY SOS) to determine whether a business is in good standing. This process is not required for individuals.
    - Go to Kentucky Secretary of State Business Entity Search website [Kentucky: Secretary of State - Online Services](#)
    - Enter business name and Search
    - Results to validate business should be Active status and Good standing. If not, contact the vendor for updated information.
- Add new vendor records to Banner.

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- **GUITINH SSN/SIN/TIN History** to determine whether the vendor already exists in Banner.
  - Enter SSN/EIN/TIN from W-9
  - If a tax ID exists in Banner, entities/persons will be listed with their Banner ID. If the name is the same, update the vendor utilizing with the next step for new vendors. If the name is different, it must be updated separately as an alias for the existing name.
    - **FOAIDEN** Person Identification Form - Finance
      - Enter ID
      - Alternate Identification - Insert
        - Name Type: select from list
        - Change Type: Name or ID
        - Update name information from W-9
    - Update remaining items utilizing with the next step for new vendors
- **FTMVEND** Vendor Maintenance
  - ID: + to generate new Banner ID
  - Matching Source: Non-Person (businesses) or Person (personal contractors)
  - **GOAMTCH** to check for potential matches in existing records
    - Complete data entry fields: Last Name, First Name or Non-Person Name
    - SSN/SIN/TIN from W-9
    - Next Block to perform matching
    - No matches found, create as new? Yes
    - New ID created message - Generated ID: XXXXXXXX. Identification record created. Warning - Biographical Information was created for a Non Person; Address record create failed. Telephone record not created. E-mail record not created. Additional ID not created.
  - Generated ID and Vendor name pulls into FTMVEND form
  - **Vendor Maintenance:**
    - Start Date: defaults to today, can backdate if needed to make vendor invoice payment date earlier than today
    - Address Defaults: leave blank, this requires Purchasing and Accounts Payable to select the correct address from the list of addresses entered
    - More Details:
      - Discount Code: 30 Net 30 payment terms
    - Next Block
  - **Additional Information:**
    - 1099 Information – if applicable – address defaults are required for 1099 vendors
      - Tax ID: SSN from W-9
      - Income Type:

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- NC – Nonemployee Compensation
  - AT – Gross Proceeds Paid to Attorney
  - RE – Rents
  - PR – Other Income
- More Details:
  - SSN/SIN/TIN defaults from previous data entry
  - Tax Form Status: 91 – Form W-9 on File
  - Status Date: today
  - Carrier Type: defaults to None, select Foreign if applicable
  - State Indicator: defaults to In State Vendor, check as appropriate
  - Invoice Grouping: defaults to Many invoices per check, change as needed to One check per invoice
- Vendor types: Select coding as applicable from Vendor Registration Form:
  - MB – Minority owned business
  - VB – Veteran owned business
  - WB – Woman owned business
- Address: add as many as needed
  - Address Type: used for Purchasing and Billing
  - Sequence: if multiple addresses
  - Source: indicate the source of the address information, especially for address changes
- Email: add as many as needed
  - Email Type:
    - BUS: used for purchasing
    - EFT: required for vendors paid by direct deposit for payment confirmations
- Add direct deposit information for vendors that have provided it.
  - **GXADIRD** Direct Deposit Recipient
    - Enter vendor ID, vendor name will display below ID number.
    - Bank Routing: from Vendor Registration Form; if bank does not exist in Banner, insert a new record on:
      - GXVDIRD Bank Routing Number Validation Table
      - Validate the ABA Routing number on [ABA Routing Number Lookup \(1 of 2\)](#)
        - Agree to terms
        - Enter Financial Institution Name, City and State
        - Search
        - Copy and paste Bank Name and Routing Number to Banner
    - Accounts Payable and/or Payroll
    - Account Number: from Vendor Registration Form
    - Account Type: Checking or Savings

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- Direct Deposit Status: will default to Prenote until next direct deposit cycle is run, then it flips to Active; any payments to the vendor before the prenote will be issued by check.
  - Accounting will notify Purchasing if there were any errors in the Prenote.
- Maintain the master vendor list.
  - Vendor information may be updated from various sources:
    - Vendor invoices received with updated billing or remit to address,
    - Vendor checks returned to sender with new postal addresses,
    - Email or phone call.
  - **Validate all vendor changes** as notifications are received. NOTE: Vendor changes, especially address or direct deposit updates, are **high risk for potential fraud**.
    - Contact the vendor at their publicly available phone number or known contact information to confirm the change.
    - Request a new Vendor Registration Form and W-9.
    - Follow the same procedures as validating a new vendor above.
  - Annually inactivate vendors that have not been used in more than two fiscal years.

### Requisitions and Purchase Orders

A purchase order represents a commitment of university funds. It is a contract between the University and a vendor for the sale and purchase of goods or services.

A vendor must be established in the accounting system before a requisition can be entered or a purchase order issued (see Vendor Maintenance section).

Requisitions and purchase orders are required to purchase all goods and services for the University except:

- Dues, fees, and registrations which are statutorily exempt from the procurement code as there is no competitive component to the purchase; requisitions are required to obtain necessary approvals.
- Capital project costs which are processed through the state FAC.
- Travel and allowable entertainment expenses which are reimbursed by expense voucher or paid by Procurement Card (see Travel and Entertainment, Accountable Plan for Employee Expenses, and Procurement Card sections).

Personnel related purchases, such as moving expenses or supplemental pay, must be processed through Payroll.

University funds may not be used for any personal expense including, but not limited to:

- Traffic citations or other fines for university or personal vehicles
- University parking permits
- Interest charges

### Responsible position(s):

- Requester

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- Financial managers – Directors or Deans, VPs/Provost, Grant PIs, President/CPE
- Grant Accountants/Compliance Officers
- Purchasing

**Required documents and access:**

- Banner – various levels of access and security based on roles

**Frequency and timing:**

- Daily, as needed

**Steps:**

- **The requester** (admin):
  - Identify a need.
  - Determine whether sufficient budget is available to meet the need.
  - Submit a budget transfer request if insufficient budget exists in the funding source.
  - Ensure the purchase is allowable from the funding source.
  - Understand additional approvals are required. The original **requester** should make approvers aware of the requests to ensure a timely approval by justifying the purchase as reasonable and necessary, has sufficient budget available, and is allowable from funding source.
  - Communicate with Purchasing if necessary to help source the need.
  - Gather documentation needed to support the request, for:
    - Personal services contracts in any amount, memoranda of agreement, memoranda of understanding, or lease agreements, contact Purchasing (see Contract, Consulting Agreements, Leases section).
    - Over \$40K, contact Purchasing to initiate a formal bid process (see Request for Bids section).
    - Between \$5K - \$20K, obtain two written quotes.
    - Between \$20K - \$40K, obtain three written quotes.
  - Submit a requisition through Banner.
  - **NSF WARNING: The requester** is responsible for choosing an alternate funding source or submitting the appropriate budget transfer request as noted in the steps above.
- Banner routes the requisition through approval queues:
  - **Financial manager** provides budgetary approval before requisition leaves the department level:
    - **Directors or Deans**, financial managers of non-grant funds, approve that the purchase has their budgetary approval. No further budgetary approval is required up to \$1,000.
    - **Grant PIs**, financial managers of restricted funds, if applicable, approve that the purchase has their budgetary approval. No further budgetary approval is required up to \$5,000.

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- **Grant accounting or other compliance officer**, if applicable, verifies that the purchase is allowable from the restricted funding source. Budget availability is already checked by Purchasing with NSF.
- **Purchasing** verifies that all required requisition fields are complete and accurate, and that the:
  - Purchase as reasonable and necessary,
  - Purchase complies with the Model Procurement Code,
  - FOAP is appropriate:
    - Operating expense accounts 71XX are appropriate for the goods or services purchased, not just where budget is located,
    - Capital expense accounts 77XX are appropriate:
      - The expense is capital; non-capital equipment purchases <\$5K should be rejected and corrected to operating expense accounts 71XX.
      - Requisition line items are appropriately summarized for creating T-tags in fixed assets module,
    - No purchases from personnel accounts or non-operating accounts.
  - Supporting documentation is attached, such as a quote(s) or proforma invoice
  - Budget is available; NSF flagged requisitions should be rejected and resubmitted with a date after budget transfer is completed or an alternate FOAP is provided.
- **VP/Provost** approves non-grant funded purchases >\$1K up to \$5K.
- **President and CPE** approve all purchases from any funding source over \$5K
  - **Purchasing**, as CPE approver designee, identifies all purchases over \$5K that require CPE approval and routes a separate form via DocuSign for approval.
  - **CPE** approves DocuSign with all attachments and returns to Purchasing.
  - **Purchasing** approves on behalf of CPE.
- **Purchasing** issues, a Purchase Order to the vendor from the approved and completed Purchase Requisition.
  - **FPAABUY Buyer Assignment** to list completed requisitions ready to assign to a Buyer.
    - Enter buyer code from the list (Buyer's initials). Buyers can be assigned by criteria like dollar threshold or commodity code.
  - **FPAPOAS PO Assignment** to create the PO.
    - Buyer: Enter assigned buyer code. Results list requisitions for the selected approver to create a PO.
    - Enter a PO # or NEXT to assign a number (no review happens at this stage) to pull requisition information into the PO.
  - **FPAPURR Purchase Order** to complete the PO.
    - Enter delivery information,
    - Enter quote number or pro-forma invoice number in PO printed comments,

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- Review the terms (–FOB destination, net 30 days should default from vendor)
- Perform a final check of details,
- Submit to generate the PO.
- **FPAPORD Purchase Order Print** form.
  - Print ONE AT A TIME
    - Special Print: FF\_PO\_B3 to print PDF copy with KSU logo
    - Enter PO # one at a time to print
    - Save – generates print job and the form prints to PDF and emails to [purchasing@kysu.edu](mailto:purchasing@kysu.edu) with the PO number in the subject line
    - Download PDF document.
  - Download all requisition attachments.
  - Upload PO PDF and all requisition attachments to PO document in BDM.
  - Forward PDF PO to vendor if email address is present, requester, AP, and warehouse for delivery.
- **Warehouse or farm staff** receive goods. Departments DO NOT enter receiving.
- **Purchasing** follows up on Purchase Orders without receivers.
- **Purchasing** ensures all incomplete documents are completed, date changed, or deleted prior to month-end close.
  - **FGRIDOC Incomplete Document Listing** of requisitions that are not fully approved, or not yet routed for approvals and tell requesters to:
    - Delete if it is not needed,
    - Change the date to the current month, or
    - Finish routing approvals before month-end close process. (usually <20/month in this state.
  - Any documents left incomplete at month-end, purchasing deletes and requester has to restart processing.
- **The vendor** sends the invoice to accounts payable referencing the Purchase Order Number; if the vendor sends the invoice to the requester, they must forward the invoice to accounts payable to ensure timely payment of the vendor.

**Contracts, Consulting Agreements, Leases**

All University contracts must be reviewed and approved in compliance with the Contract Management Policy 4.1.17. All contracts must be in writing and signed by both the approved signatory at the University and the vendor to be fully enforceable.

**Responsible position(s):**

- Requester
- General Counsel
- CFO, President, Board of Regents
- Purchasing
- Contract Manager

**Required documents and access:**

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- Banner – security class for Purchase Orders
- Lexicon contract management software (CMS)

**Frequency and timing:**

- Ad hoc, as contractor needs are identified

**Steps:**

- **The contract requester** will:
  - Identify a need to be filled by a personal services contractor, memorandum of agreement or a lease agreement.
  - Determine whether sufficient budget is available to meet the need.
  - Submit a budget transfer request if insufficient budget exists in the funding source.
  - Ensure the contract is allowable from the funding source.
  - Understand additional approvals are required prior to commencing any services.
  - Communicate with Purchasing determine whether the request requires a Request for Bid for amounts over \$40K (see Request for Bid section) and to help source the need.
  - Prepare a Proof of Necessity (PON) justification from the available template; not required for lease agreements.
  - Prepare a draft contract agreement.
    - Contract forms and templates contain the University's standard terms and conditions and must be used to the fullest extent possible. If the University's forms and templates cannot be located on the University's Purchasing webpage, contact the Office of General Counsel.
  - Submit the draft contract to the General Counsel for review.
- **General Counsel** reviews the draft contract, makes any necessary changes, and returns it to the requester.
- **The requester** sends the reviewed contract to the vendor for signature.
- **The vendor** returns the signed contract to the General Counsel.
- **General Counsel** signs and submits the contract to the CFO (up to \$5K), Board of Regents (>\$250K) for approval, or President (\$5K-\$250K).
- **CFO** approves any contract that requires expenditures of less than \$5K and gives to Purchasing.
- **Board of Regents** must approve the contract if it requires expenditures of more than \$250K in a single fiscal year before the President may sign the contract.
- **The President** signs any contract that requires expenditures of more than \$5K and gives to Purchasing.
- **Purchasing** will:
  - File a copy of the fully executed and approved contract to Lexicon CMS.
  - Submit the approved PSC or MOA with PON, when applicable, to the State's Government Contract Review Committee; leases do not require committee approval.

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- PSCs less than \$10K are information only and do not require committee approval.
  - PSCs over \$10K and MOAs over \$50K require committee approval.
- **Government Contract Review Committee** reviews and approves contracts, if applicable, and returns to Purchasing.
- **Purchasing** will:
  - Issue a PO in Banner without a requisition, using above documentation to support the approvals (see Purchase Requisitions and Purchase Orders section).
- **Contract Managers** are responsible for understanding the terms of the contract, administering the contract, managing the relationship between the University and the vendor, monitoring performance, and ensuring charges are appropriate.

### Requests for Bids and Proposals

Purchases totaling \$40K or more require a formal request for bid (RFB) or request for proposal (RFP) process. Bids are used to select the best value for the University, and proposals are used when factors other than price are considered in selecting the vendor.

#### Responsible position(s):

- Requester
- Purchasing

#### Required documents and access:

- Banner
- Grantor approval letters, when needed, e.g. USDA

#### Frequency and timing:

- As needed

#### Steps:

- **The requester** will:
  - Identify a need for a purchase of \$40K.
  - Determine whether sufficient budget is available to meet the need.
  - Submit a budget transfer request if insufficient budget exists in the funding source.
  - Ensure the purchase is allowable from the funding source.
  - Understand additional approvals are required. The **requester** should make approvers aware of the requests to ensure a timely approval by justifying the purchase as reasonable and necessary, has sufficient budget available, and is allowable from funding source.
  - Communicate specifications to Purchasing to initiate the bid process, e.g., performance need, name brand or equivalent, etc.
- **Purchasing** will:
  - Identify potential sources.

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- Develop an RFB/RFP from templates, specifying scope, product description, schedule of bid process dates, etc.
- Post the RFB to the University's Purchase Bid Opportunities website [Kentucky State University | Bid Opportunities \(kysu.edu\)](https://kysu.edu/bid-opportunities)
- Send the RFB to known vendors with a link to the Bid Opportunities site.
- **All questions regarding RFB/RFP must go through the Purchasing Director.**
- Provide written responses to vendor questions.
- Evaluate bids after closing date.
- Notify the requester of the likely bid recipient to ensure selected bid meets requester's needs.
- Issue a PO to the awarded vendor without a requisition, using the bid award documentation to support the approvals (see Purchase Requisitions and Purchase Orders section).

### Procurement Cards

The Procurement Card (PCard or credit card) program is designed to provide a more efficient means of making routine purchases by reducing paperwork and waiting times, allowing more purchasing responsibility and control at the department and project level, and streamlining the purchasing cycle for frequent low-dollar purchases.

P-Cards were discontinued due to abuses under previous administrations.

### Card Issuance

#### Responsible position(s):

- Purchasing

#### Required documents and access:

- Request form
- Credit card system access

#### Frequency and timing:

- As requests are received

#### Steps:

The current process utilizes numbered cards which users can sign out temporarily. Cards are returned to Purchasing with receipts and account coding for charges made to the card. Best practice for good internal controls recommends issuing cards in the cardholder's name for greater accountability and reduced risk of fraud.

- User requests a card
- Purchasing issues a numbered card to the requestor and logs the request, including purpose and dates requested.
- User makes charges to the card and retains itemized receipts.
- User returns card with itemized receipts to Purchasing.

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- Purchasing logs the return of the card with appropriate receipts.

**Coding Procurement Card Charges**

**Responsible position(s):**

- Purchasing

**Required documents and access:**

- Credit card system

**Frequency and timing:**

- Daily, completed for all transaction in the billing cycle before the 10<sup>th</sup> of the next month for month-end closing

**Steps:**

- Code the expenses in the credit cards system from the information provided on the receipts.
- Scan receipts and attach to transaction in credit card system.
- Route transactions for approvals.
- Review the credit card transaction activity to ensure that all transactions for the month have been coded, approved, and receipts are attached before activity is uploaded to accounting.

**Purchasing Month-End Closing**

**Responsible position(s):**

- Purchasing Director

**Required documents and access:**

- Month-End Closing Checklist
- Banner
- Credit card systems

**Frequency and timing:**

- Monthly, on or before the 10<sup>th</sup>, following the checklist

**Steps:**

- Clear all requisitions and purchase orders from approval queues.
  - FOAUAPP
- Resolve all incomplete requisitions and purchase orders.
  - FGRIDOC
- Identify all open requisitions that are completed but have not been converted to purchase orders yet.
  - FPROPNR

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- Review all open encumbrances to determine if they should be closed.
  - FPROPNE
- Roll any remaining purchase orders still in progress to the next fiscal period, ensuring appropriate cutoff for grants.
  - FGPDROL
- Batch close any \$0 purchase orders.
  - FPPPOBC
- Reconcile pcard and corporate card charges
- Update checklist with completion dates.

## Travel Expenses

Kentucky State University is committed to conducting its business-related travel in an efficient and cost-effective manner, aligning with the university's mission, and complying with relevant state and federal laws. Reimbursement requests for university travel are processed through accounts payable, ensuring compliance with applicable regulations and best practices. The policy emphasizes integrity, compliance with laws and ethics guidelines, and the avoidance of personal benefit.

### Policy

The University reimburses staff for reasonable and necessary expenses incurred during approved business-related travel. All travel should be prudently planned so that the best interests of the organization are served at the most reasonable cost. Employees traveling are expected to exercise the same economy that a practical person would exercise when traveling at their own expense on personal business.

Departments or grants may impose additional policy restrictions for travel expenses for budgetary considerations or funding source restrictions; however, in no instance may these policies be more lenient than this policy.

All travel must be authorized in advance and coordinated through the Purchasing Travel Office prior to incurring any travel expenses. Travel must be approved no less than 21 days prior to the departure date for domestic locations and no less than 45 days prior to the departure date for international travel.

### Allowable Travel Expenses

Reimbursement is allowed only when reimbursement has not been, and will not be, received from other sources. Business travel must follow the Accountable Plan for Employee Expenses policy. The Purchasing Travel Office may pay certain travel expenses in advance of travel on a University PCard on behalf of the traveler. Unused tickets remain the property of the University.

- **Transportation** is generally arranged in advance through the Purchasing Travel Office. Local ground transportation at the destination is generally reimbursed to the traveler after the travel.
  - o **Airfare** will be arranged through the Purchasing Travel Office at the lowest available airfare that reasonably meets business travel needs.
  - o **Automobile** costs may not exceed the cost of allowable airfare.
    - **Personal vehicle use** is reimbursed at the prevailing IRS mileage rate. The driver must possess a valid driver's license and personal automobile insurance. Tolls and parking may be reimbursed; however, expenses for fuel, insurance, maintenance, or repair may not. These are included in the mileage reimbursement rate. Personal commuting mileage between the employee's home and workstation is not reimbursable.
    - **Rental vehicles** are authorized only if the rental vehicle is more economical than any other type of public transportation, or if the destination is not otherwise accessible. Insurance should be waived with the university

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vendor. Expenses for tolls, parking, and fuel are allowable for the rental vehicle. Rental vehicles are arranged through the Purchasing Travel Office.

- o **Rail or bus** may not exceed the cost of the least expensive airfare.
  - o **Local ground transportation** may be reimbursed at actual costs with receipts required for fares exceeding \$25.
- **Lodging** is reimbursed at the reasonable single room rate for destinations more than 50 miles from the employee's primary workstation. Exceptions to the distance requirement require supervisory approval. Room and applicable taxes may be authorized on a University PCard.
- **Meals** including tips will be reimbursed at the standard per diem rates, no receipts required, with higher rates applying in high-cost areas. Meal reimbursement is not provided for same-day travel without an overnight stay. Conference meals may be reimbursed if not included in registration fees. Alcoholic beverages are not reimbursed.
- **Group Meals** will be reimbursed at actual expenses with the original detailed receipt and a list of names of all individuals included in the group.
- **Other incidental expenses**, e.g., baggage fees, tolls, parking, etc. may be reimbursed with receipts for expenses exceeding \$25.
- **Registration fees** may be paid in advance by Purchasing on a University PCard.

#### Unallowable Travel Expenses

- Airline club memberships.
- Airline upgrades, business class or first class for all flights.
- Childcare, babysitting, house-sitting, or pet-sitting/kennel charges.
- Commuting between home and the primary work location.
- Costs incurred by traveler's failure to cancel travel or hotel reservations in a timely fashion.
- Clothing expenses.
- Haircuts and personal grooming.
- Laundry and dry cleaning.
- Passports, vaccinations, and visas when not required as a specific and necessary condition of the travel assignment.
- Personal entertainment expenses, including in-flight movies, headsets, health club facilities, hotel pay-per-view movies, in-theater movies, social activities, and related incidental costs.
- Travel accident insurance premiums or purchase of additional travel insurance.
- Travel expenses for non-employees including travel, lodging, meals or other expenses for spouses or other family members. President's contract includes an allowance for spousal travel.
- Other expenses not directly related to the business travel.

If a circumstance arises that is not specifically covered in this travel policy, then the most conservative course of action should be taken.

IRS Publication 463, Travel, Entertainment, Gift, and Car Expenses, provides more details on this topic.

## Procedures

### Travel Authorization

All travel must be authorized 21 days in advance of departure or 45 days in advance for international travel. Travelers must submit a Travel Authorization form to obtain approval before making travel arrangements. Any travel or related expenses incurred prior to authorization may not be reimbursable to the employee.

#### Responsible position(s):

- Traveler
- Approvers
- Purchasing Travel Office

#### Required documents and access:

- Travel Request Form – domestic, international, or athletics

#### Frequency and timing:

- Daily, as needed

#### Steps:

- **The traveler** submits a Travel Authorization (TA) form through DocuSign at least 21 days in advance, 45 days for international, of scheduled travel with documentation attached to support the cost of travel.
  - Transportation – airfare, rental car, personal vehicle mileage with map
  - Lodging – hotel information with block rates, if applicable
  - Registration fees – payment form with appropriate selections checked
  - Per diem – for days/times in travel status
  - Other expenses – parking, baggage, ground transportation, etc.
  - List of participants, if traveling with a group of students
  - Route Travel Authorization for approvals. Approvers must be entered by the traveler on the form – Department Head, Vice President, Business Office, Grants (if required).
  - **Financial manager** provides budgetary approval before the request leaves department level:
    - **Grant PIs**, financial managers of restricted funds, if applicable, approve that the travel has their budgetary approval. No further financial approval is required up to \$5,000.
    - **Directors or Deans**, financial managers of non-grant funds, approve that the travel has their budgetary approval. No further financial approval is required up to \$1,000.
  - **Grant accounting or other compliance officer**, if applicable, verifies that the travel is allowable from the restricted funding source. Budget availability is already checked by Purchasing with NSF.

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- **Purchasing Travel Office** verifies that all required information is complete and accurate, and that the:
  - Travel as reasonable and necessary,
  - Complies with travel policy,
  - FOAP is appropriate:
  - Supporting documentation is attached for:
    - Transportation – airfare, rental car, personal vehicle mileage with map
    - Lodging
    - Registration fees
    - Estimates for per diem and other expenses
    - List of participants, if applicable
  - Budget is available; NSF flagged requisitions should be rejected and resubmitted with a date after budget transfer is completed or an alternate FOAP is provided.
- **VP/Provost** approves non-grant funded purchases >\$1k up to \$5K. Recommend eliminating VP/Provost level, increase Director/Dean to \$5K
- **President and CPE** approve all purchases from any funding source over \$5K. The President must also approve travel authorizations in any amount that are:
  - Less than 21 days in advance of travel dates, or
  - International, or
  - Board of Regents travel.
- **Purchasing**, as CPE approver designee, identifies all purchases over \$5K that require CPE approval and routes a separate form via DocuSign for approval.
- **CPE** approves DocuSign with all attachments and returns to Purchasing.
- **Purchasing** approves on behalf of CPE.

### Prepayment of Travel Expenses

The University may prepay various travel and related expenses. Any expenses paid out of pocket by employees may be reimbursed only at the conclusion of travel. The University is not obligated to reimburse any employee travel expenses for which the traveler did not obtain an approved Travel Authorization.

#### Responsible position(s):

- Purchasing Travel Office

#### Required documents and access:

- DocuSign Travel request form – domestic, international, or athletics

#### Frequency and timing:

- Daily, as needed

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### **Steps:**

- Process travel bookings for fully approved Travel Authorizations.
  - Book airfare.
  - Authorize hotel charges and submit credit card authorization form to hotel.
  - Pay registration fees by:
    - PCard whenever possible,
    - Check Request to Accounts Payable, no PO required.
  - Retain receipts to include with PCard statement for monthly reconciliation.
- Scan Travel Authorization to SharePoint; hold paper copies out until travel voucher is submitted.
- Email Travel Authorization approval and travel confirmations to traveler.
- Reconcile PCard/Diners Club statements with print out of all receipts for charges.

### **Advances for Group Travel**

There is no provision for providing travel advances for individual employee travel. A travel advance may be obtained for expenses when traveling with a group of students.

### **Responsible position(s):**

- Requester
- Purchasing Travel Office
- AP

### **Required documents and access:**

- Banner
- Check Request

### **Frequency and timing:**

- As needed

### **Steps:**

- Submit Direct Pay Request to Accounts Payable for travel advances for group travel including:
  - A list of all travelers' names and
  - Estimated meal cost per day per traveler
  - Purpose, destination, and dates of trip
  - FORM
- Settle the advance within five (5) business days following the return.
  - Deposit unused advance with Cashier.
  - Return deposit receipt, if applicable, with original, itemized meal receipts to AP.

### **Travel Reimbursement**

Employees submit a reimbursement request for travel expenses paid out of pocket within 30 days of completion of a trip. Itemized receipts are required for all expenses over \$10. Each expense,

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including those under \$10 without a receipt, must include the amount, date, place, and business purpose.

Payments made for travel expenses that are not sufficiently substantiated will be added as a taxable benefit to the employee in the next available payroll cycle.

**Responsible position(s):**

- Traveler
- Accounts Payable Travel

**Required documents and access:**

- Banner
- Travel Voucher

**Frequency and timing:**

- Daily, as needed

**Steps:**

- **The traveler** concludes their trip and submits Travel Voucher (TV) form (PDF fill in) within 30 days of travel with documentation attached to support the travel expenses to be reimbursed. Supporting receipts must detail the **amount, date, place, essential characteristics of the expense**.
  - Transportation that was not prepaid – airfare, rental car, gas for rental car or University vehicle, personal vehicle miles with map
  - Lodging that was not prepaid with \$0 balance detailed folio
  - Registration fees that were not prepaid
  - Per diem
  - Other expenses with detailed receipts
- DocuSign routes the TV for approvals. Approvers must be manually entered by the traveler on the form – Department Head, Vice President, Business Office, Grants (if required).
- **Accounts Payable Travel** will:
  - Complete a Check Request form
  - Scan form and attach all receipts, TV/TA, GTV/GTA
  - Route for approval to grants/compliance or budget
  - Send approved document to traveler FYI and AP for payment
  - Print out the approved documents.
  - Save electronically to SharePoint
  - File paper forms in the office by TA/GTA number, TV/GTV
    - G/TA ###-FY, G/TV ###-FY
  - Manually log documents in excel workbook

## **Entertainment Expenses**

The University permits expenditures for meals and entertainment given to guests, visitors, volunteers, donors, faculty, staff, students, and other individuals to conduct bona fide University business.

### **Policy**

The University will pay for ordinary and necessary expenses to entertain business guests in accordance with IRS regulations provided they are:

- Related to official University business with a clear business purpose,
- Substantiated,
- Allowed by University policy, and
- Approved by an appropriate University official.

Entertainment includes any activity generally considered to provide entertainment, meals, amusement, or recreation. Business guests may include donors or prospective donors, employees for special recognition, prospective employees, visiting dignitaries or lecturers.

Expenditures for business meetings may be incurred in connection with meetings of employees to conduct official University business. At least one University employee or other individual representing the University must be present at any business meeting that includes non-University people.

Expenditures for entertainment may be included with events that are primarily social or recreation activities in support of the University's mission. Such activities must support an underlying University business purpose such as promoting goodwill, donor cultivation, etc.

Expenditures for other occasions may be incurred when associated with official employee morale-building and appreciation activities that serve a university business purpose. Examples include a gathering to honor a retiring employee or employee separating after at least five years of service, employee recognition receptions, and annual faculty/staff picnic.

Under no circumstances may University funds be used for occasions such as employee birthdays, weddings, anniversaries, showers, or other occasions of a personal nature. Working lunches or refreshments provided at a regular staff meeting is not sufficient justification for these expenditures from university funds.

### **Authorization and Reimbursement**

#### **Responsible position(s):**

- Official entertaining guests of the university

#### **Required documents and access:**

- Authorization form or other written approval
- Expense report form

#### **Frequency and timing:**

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- As needed

**Steps:**

- Request permission including:
  - Guests – business purpose, attendees, relationships to university, expected benefit to be gained
  - Employee only events – business purpose, written agenda, duration; staff morale events must be authorized through HR
- Entertain and pay out of pocket or submit requisition (see Requisition and Purchase Orders section).
- Submit to Accounts Payable an expense report for reimbursement with original receipts and documentation to substantiate the expenses in accordance with IRS regulations:
  - Type of entertainment (e.g., meal, event, etc.)
  - Place of entertainment
  - Name of person(s) entertained and their business relationship to the University; for groups larger than 20 individuals, a description of the group is sufficient, e.g. lecture attendees, student recruits, etc.
  - Business purpose of the entertainment.
- Expenses that are not sufficiently substantiated cannot be reimbursed. If paid directly by the university, unsubstantiated expenses will be added as a taxable benefit to the employee who incurred them in the next available payroll cycle.

## **Accountable Plan for Employee Expenses (Employee Reimbursement)**

An accountable plan follows Internal Revenue Service (IRS) regulations for paying for employee business expenses in which the payment is not included in the employee's income, thus not subject to tax withholding.

### **Policy**

Employee expense reimbursements and advances remain nontaxable under an accountable plan if all the following criteria are met:

- Expenses are reasonable and necessary,
- Expenses are related to the business purpose of the organization,
- Expenses are appropriately accounted for and substantiated within 60 days of incurring the expense, and
- Excess reimbursement, advances, or unsubstantiated expenses are repaid within 120 days of payment.

Expenses paid directly by the organization on behalf of an employee for business expenses must also meet these requirements.

Any amounts paid by the organization, either directly or reimbursed to the employee, and not substantiated within 60 days of the expense will be reported as taxable income to the employee in the next available payroll cycle.

Travel and entertainment expenses reimbursed under the accountable plan must comply with the Travel and Entertainment Expense policy. All expenses must comply with the Purchasing policy.

The steps for reimbursement follow the purchasing policy.

## **Fiduciary activities (agency funds, amounts held for others)**

### **Policy**

Organizations affiliated with the university and using the university's name, for example student organizations or faculty/staff social groups, may have a fiduciary account for processing financial transactions. The university does not permit these affiliated organizations to hold outside bank accounts in the university's name or use the university's tax identification number. Contributions to these organizations do not represent a charitable contribution to the university, and the university does not provide any funding to these organizations.

All disbursements from fiduciary accounts must comply with all applicable university policies and procedures.

### **Procedures**

#### **Setting Up a New Fiduciary Account**

##### **Responsible position(s):**

- Agency representative and faculty/staff advisor
- Student Affairs
- Controller

##### **Required documents and access:**

- Completed request form
- Banner

##### **Frequency and timing:**

- As needed

##### **Steps:**

- Organization submits a completed request form which includes information about the purpose, agency representative contact information, faculty/staff advisor contact information, and disposition of funds when the organization disbands or becomes dormant.
- Create new Banner fund for the organization.
  - FTMFUND
- Request Purchasing add new fund to approval queues or create a new approval queue with the faculty or staff advisor as the approver
- Request Bursars Office to create a new Detail Code for deposits to this fund.
- Request IT to grant access to the new fund to the faculty/staff advisor to monitor activity on self-service.
- Cash receipts and disbursements to fiduciary funds follow the same procedures all other university cash receipts and disbursements.

## **Accounts Payable and Cash Disbursements**

The primary objective of accounts payable and cash disbursements is to ensure that disbursements are properly authorized, invoices are processed in a timely manner, and vendor terms and operating cash are managed for maximum benefit.

Internal control over disbursements is best maintained when the authorization, processing, check signing, recording and bank reconciliation functions are clearly segregated. Invoices will be supported by receipts and approvals indicating receipt of goods or services. The use of pre-numbered checks ensures numerical control. Persons authorized to approve expenditures will be identified, and threshold limits established.

This policy and related procedures establish the payment process to ensure good internal controls, prevent fraud and conflict of interest, enhance administrative efficiency, and minimize costs.

### **Policy**

The President and CFO have signature authority to disburse funds from university accounts. Authorized check signers will never sign blank checks.

All invoices are subject to budget authority and approval limits as defined in the Purchasing policy and procedures. Authorized approvers are prohibited from approving their own transactions. Budget must be available, and approvals documented before invoices are paid.

Employees, suppliers and other payees will be paid in accordance with the terms set by the University or contractual agreement. The default payment terms are Net 30 days. Terms are calculated from the supplier's invoice date.

Vendors must provide taxpayer identification information before any payment will be issued to that vendor. Vendor invoices and credit memos should be sent directly to Accounts Payable, referencing the purchase order number, to ensure timely payment.

Checks and other forms of payment will be made directly to the payee. Checks may not be released to the requester to present to the payee. In infrequent or unique circumstances where special handling of a check is requested, this handling must be approved by the Controller.

Wherever possible and practical, vendor payments and employee reimbursement will be made by direct deposit.

### **Procedures**

#### **Processing Incoming Mail and Electronic Invoices**

All invoices, check requests and travel vouchers are delivered to accounts payable.

#### **Responsible position(s):**

- Clerks

#### **Required documents and access:**

- Mail and accounts payable email [accounts.payable@ksu.edu](mailto:accounts.payable@ksu.edu)

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**Frequency and timing:**

- Daily

**Steps:**

- Open AP postal mail and email to scan and download all invoices.
- Sort all invoices and travel vouchers with authorization numbers and move to folders:
  - PO INVOICES TO PROCESS for items with PO reference numbers.
  - TRAVEL VOUCHER TO PROCESS for travel vouchers with authorization numbers.
- Save all invoices without reference numbers to INVOICE TO RESEARCH folder.
- Research invoices without references numbers:
  - Look up the vendor to find outstanding purchase orders that match the invoice.
    - **FPIOPOV** Purchase Orders by Vendor
      - Vendor: search
      - Status: open
  - Contact the vendor to determine who placed the order.
  - Contact the ordering department to determine if there is a PO.
  - If there is a PO, indicate the PO number on the invoice and save it to the PO INVOICES TO PROCESS folder.
  - If there is no PO:
    - Obtain the FOAP and purpose of the purchase from the ordering department.
    - Determine whether there is sufficient budget in the FOAP to pay the invoice.
      - Self-Service > My Finance Query > New Query > Budget Quick Query
      - Enter Fund, Org, and Account – choose roll-up level account with pooled budget > Submit
    - If there is not sufficient budget:
      - Request the department initiate a budget transfer to cover the expense, cc: Budget or Grants Office, as appropriate.
    - Save the invoice to the **DIRECT PAY INVOICES TO PROCESS** folder.
- Follow-up weekly on items remaining in the INVOICES TO RESEARCH folder. All invoices should be cleared from this folder before closing each month.
- Follow-up weekly on any PO invoices awaiting receivers.
  - **FARIREC** Invoices Awaiting Receiver
    - Printer: database
    - Vendor Code: leave blank
    - Payment Due as of Date: today
    - Save
    - Related > Review Output > select file name
    - Tools > Show Document (Save and Print File)
  - Contact requestor to confirm receipt and instruct to enter receiver.
    - **FOIDoch** Document History
      - Document Type: PO
      - Document Number: from FARIREC report

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- Select document type Purchase Order
- Related > Query Document [BY TYPE] > Go
- Contact the warehouse receiving staff to confirm receipt of goods or services.

### Invoice Processing

All invoices are matched with referenced purchase orders, direct pay requests, or travel authorization prior to payment. These invoices should already include all necessary approvals and, as such, do not require additional approval.

Goods and services on purchase orders must be marked as being received in the system for the invoice to be paid.

Direct payment requests, where there are no goods or services to be received, e.g., conference registrations, subscriptions, deposits, reimbursements, etc., or purchased goods or services have already been received, the requester submits documentation to support the payment with a detailed description of the amount and purpose of the payment.

Travel reimbursements are pre-audited by the Travel Office and matched with appropriate pre-authorizations.

Payment terms and vendor addresses should default from the vendor profile. If the vendor address in the system is different from the remit to address on the invoice, Purchasing must validate the new address (see Vendor Maintenance section).

### Responsible position(s):

- Accounts Payable Clerks, including Travel

### Required documents and access:

- Banner

### Frequency and timing:

- Daily

### Steps:

- Access scanned copies of invoices and travel vouchers from the folders:
  - PO INVOICES TO PROCESS
  - TRAVEL VOUCHERS TO PROCESS
  - DIRECT PAY INVOICES TO PROCESS
- Review invoices and travel vouchers ***and raise questions about invoices that appear unusual, for example:***
  - Multiple invoices from a single vendor in a short period
  - Sequential invoice numbers from a vendor (indicating the university is the only customer)
  - Significantly back-dated or future-dated invoices
  - Unofficial looking invoices

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- Unfamiliar vendors
- Indications of employee-vendor relationships – same address, similar name, known relationship
- Round invoice amounts just below approval thresholds
- Vague item descriptions or lack of itemization
- Check-mailing addresses different from vendor address on file or requests to pick up check
- Rush requests
- Enter **PO invoices** into the accounting system from approved invoices with all appropriate documentation attached.
  - **FAAINVE** Invoice/Credit Memo
    - Document: NEXT
    - Invoice Type: Regular – enter the PO number > GO
    - Invoice Date: as shown on vendor invoice
    - Transaction Date: today, or prior month end for appropriate cutoff
    - Payment Due:
    - Bank: 56 – Accounts payable
    - NEXT BLOCK
    - Select PO Items > Check Invoice All or add line items as appropriate for the items invoiced. Save.
    - NEXT BLOCK
    - Receipt Required: defaults from PO. (Changing to from Yes to No requires override authority on FOMPROF).
  - Index scanned invoice into Banner Document Management (BDM).
    - Click ADD at the top of FAAINVE form to access BDM.
    - Invoice information auto-populates from FAAINVE into BDM index.
    - Upload scanned document.
    - Add annotations on the documents to highlight any processing notes.
    - Save.
  - Return to FAAINVE to Complete.
  - Print out and **BOLDLY** indicate on a paper copy of the invoices any special processing like attachments to be mailed with check.
  - Discard paper invoice copy for shredding.
- Enter **employee reimbursements on Travel Vouchers** from approved travel authorization (general encumbrances) on Direct Pay Request forms.
  - The travel office reviews each voucher for compliance and obtains any necessary post-approvals (see Travel Reimbursement section).
  - **FAAINVE** Invoice/Credit Memo
    - Document: NEXT
    - Invoice Type: Direct Pay > GO
    - Vendor: search and select > GO
    - Invoice Date
    - Transaction Date: today or prior month end for appropriate cutoff
    - Address Code: generally, BU Business or BI Billing

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- Sequence Number: generally, 1 verify against invoice address
  - Discount Code: defaults from vendor record
  - Check Vendor: DO NOT ENTER
  - Payment Due: today
  - Bank: 56 – Accounts payable
  - Vendor Invoice:
  - NEXT BLOCK
- Index scanned travel voucher, receipts, and travel authorization into BDM, same as for PO invoices.
- Enter **Direct Pay Request** for invoices with no PO. These items have not been pre-approved. Completing the Direct Pay Request invoice will route the document for approval like purchase requisitions and general travel encumbrances.
  - **FAAINVE** Invoice/Credit Memo
    - Document: NEXT
    - Invoice Type: Direct Pay
    - Vendor: search and select > GO
    - Invoice Date: as shown on vendor invoice
    - Transaction Date: today or prior month end for appropriate cutoff
    - Address Code: generally BU Business or BI Billing
    - Sequence Number: generally, 1 verify against invoice address
    - Discount Code: defaults from vendor record
    - Payment Due: enter term date
    - Bank: 56 – Accounts payable
    - Vendor Invoice: enter the number exactly as it appears on the vendor invoice to avoid duplicate invoice payments
    - NEXT BLOCK
    - Enter a commodity description, NEXT BLOCK
    - Invoice Accounting Distribution: enter FOAP and amount
      - Chart of accounts: default to 1
      - Year: default to current FY based on transaction date
      - Bank: defaults from document
      - Amount: approved Accounting
    - Write the system assigned invoice number on document that will be routed for approvals.
  - Index scanned invoice into BDM, same as for PO invoices.
- Submit to the AP Manager for review.

### Vendor Invoice Review

The approval queue for invoice documents consists only of the AP Manager. This is the final review of invoices before they are paid.

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**Responsible position(s):**

- Accounts Payable Manager

**Required documents and access:**

- Banner

**Frequency and timing:**

- Daily review of new data entry
- Weekly/monthly review of aging

**Steps:**

- Review invoices entered daily by AP Clerks and ***raise questions about invoices that appear unusual.***
  - **FOAUAPP** User Approval
    - User: AP Manager
    - NEXT BLOCK brings up a list of invoices awaiting AP approval.
    - Select one of the invoice numbers and click Detail
    - Related > Query Document by Type > Next Block for invoice data
    - Click Retrieve to open the invoice in BDM
  - Check that:
    - Invoices match the data entry including vendor, invoice number, amount, remit address, bank,
    - Personal services are flagged as 1099 reportable,
    - FOAPs are reasonable for the items purchased, especially capital expenses,
    - Invoices include appropriate details,
    - Special processing instructions are clearly marked, and
    - Invoices do not raise any red flags.
- Return any invoices that require correction to the AP Clerk
- Exclude any invoice needing corrections from the check run until corrections are completed. Negative vendor balances will automatically be excluded from check runs.
  - **FAAPAYC** Payment Control
    - Invoice: invoice number
    - Check box for Invoice Hold
- Follow-up with clerks on the status of **invoices awaiting receivers** prior to check processing.
  - **FAIREC** Invoices Awaiting Receivers
    - Printer: Database
    - Vendor Code: leave blank
    - Payment Due As of Date: today
    - Save
    - Related > Review Output > select file name
    - Tools > Show Document (Save and Print File)

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- Provide list to clerks to contact the receiving department to confirm and enter receiver.
- Review payable **invoice aging** weekly to resolve any invoices outstanding >30 days.
  - **FARIAGE** Invoice Aging
    - Printer: Database
    - As of date: today
    - Save
    - Related > Review Output > select file name
    - Tools > Show Document (Save and Print File)
  - Resolve vendor credit balances.
    - Apply credits to current vendor invoices, where applicable.
    - Request a refund from the vendor in writing and schedule to follow-up.
  - Research and resolve any remaining items before closing the month.
  - Escalate any unresolved payment issues >60 days to Controller/VP including issue, transaction details, and recommended action.

### Printing Checks and Sending ACH Payments

For good internal controls, ***checks should not be returned to the requestor***. They should be mailed directly to the vendor at the address on file in the vendor record as validated by Purchasing in routine vendor maintenance.

In rare instances when a check must be hand delivered, for example to a performer, the chain of custody of the check must be documented with signatures at each hand off.

### Responsible position(s):

- Accounts Payable Manager

### Required documents and access:

- Banner
- Check stock
- Bank access

### Frequency and timing:

- Minimum twice weekly, generally Tuesdays and Thursdays

### Steps:

- Match approved invoices with receivers.
  - **FABMATC** Receiving Matching Process
    - Printer: Database
    - Exclude future receipts: No
    - Save
    - Related > Review Output > select file name
    - Tools > Show Document (Save and Print File)

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- Select invoices to be paid in the check run including those with a due date in the next 10 calendar days.
  - **FARINVS** Invoice Selection
    - Printer: database
    - Next check run:
    - Bank Code: 56 – Accounts Payable
- Review report of invoices to be paid and not any to exclude:
  - Invoices where the total for the vendor is a credit balance
- Determine the last check number used.
  - **FTICHKS** Check Number Validation
    - Filters:
      - Bank Code: 56
      - Check Type: B
      - Check Number: 0%
    - Sort descending
- Run process to create cash disbursement checks.
  - **FAABATC** Batch Check Print
    - Bank: 56 – Accounts Payable
    - Direct Deposits and Check > GO
    - Check Date: today
    - STARTING Check Number: results from FTICHKS + 1
    - Print Check
    - Banner message to run FABCHKS, FABCHKP, FABCHKA to print checks
  - **FABCHKS** Batch Check Process
    - Printer: database
    - Check Selection Date: today
    - Save
    - Related > Review Output > select file name
    - Tools > Show Document (Save and Print File)
  - **FABCHKP** Check Print Process sends information to Evisions Intellicheck.
    - Printer: database
    - Number:
    - Save
    - Related > Review Output > select file name
    - Tools > Show Document (Save and Print File)
  - **FABCHKR** Batch Disbursement Register creates and shows check register.
    - Printer: database
    - Number:
    - Save
    - Related > Review Output > select file name
    - Tools > Show Document (Save and Print File)
  - **FABCHKA** Batch Check Accounting Process finalizes the check run and posts transactions to the ledger.
    - Printer: database

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- Number:
  - Save
  - Related > Review Output > select file name
  - Tools > Show Document (Save and Print File)
- Run process to create cash disbursement direct deposits.
  - FARINVS – same as for checks
  - FAABATC – same as for checks
  - FABCHKS – same as for checks
  - FABCHKR – same as for checks
  - **FAPDIRD** Direct Deposit File Creation
    - Printer: database
    - Options, review output, show document, save as .txt file in direct deposit file
  - **FAPTREG** Direct Deposit Trans Register
    - Printer: database
    - Direct Deposit Date: today
    - Bank Code: 56 – Accounts Payable
  - **FARDIRD** Direct Deposit Advice Print sends direct deposit advices to Intellicheck.
  - FABCHKR – same as for checks
  - FABCHKA – same as for checks.
- Print checks and ACH advices in Evisions Intellicheck.
- Attach any documents to be sent with checks.
- Fold and seal checks and ACH advices for mailing.
- Provide summary check/ACH register to accountant for bank reconciliations.

### Printing Student Refund Checks and Sending Refund Wires

Student refunds are generally processed the third-party servicer Higher One. For those students who do not opt into receiving their refunds via direct deposit from Higher One, check refunds are processed through accounts payable.

***Student refund checks are delivered to the Cashiers*** for students to pick up with appropriate identification. Any student refund checks that have not been picked up within 7 days will be mailed to the students' address of record. Student refund checks should be run in a separate process than vendor checks.

#### Responsible position(s):

- Accounts Payable Manager
- Accountant
- Cashier

#### Required documents and access:

- Banner
- Bank wire transfer access

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**Frequency and timing:**

- Weekly, as refunds are processed by the Bursars Office, separately from vendor checks

**Steps:**

- Obtain notification from the Bursar that student refunds have been processed.
- Accountants run processes to feed transactions from the accounts receivable module to finance.
  - **FURFEED** Finance Feed Sweep Process
    - Printer: database
    - Report Mode:
  - **FURAPAY** Refund Interface
    - Printer: database
    - Bank Code: 56 – Accounts payable
- Run student refund invoice selection on a separate day from vendor invoice payments.
  - **FZRBKDF** Student Refund Bank Code Default
    - Printer: database
    - Bank Code: 56 – Accounts Payable
    - Save
    - Related > Review Output > select file name
    - Tools > Show Document (Save and Print File)
  - Results should show “Successfully executed the FZRBKDF script”
- Follow the same steps as vendor checks from FTICHKS to print refund checks.
- Forward check register report from FABCHKR to:
  - AP Clerks to create Direct Pay Request manual payment to Higher One – NEED FOAP.
  - Accountant to initiate wire transfer.
  - Controller/CFO to approve wire transfer.
- Deliver checks to Cashier to distribute to students with ID.
- Cashiers:
  - Notify students that refund checks are available to pick up.
  - Mail checks that have not been picked up within 10 days to students’ address of record.

**Voiding Checks and Stop Payments**

When it is determined that a vendor has not received a check, an incorrect check is printed, or a vendor check is returned in the mail, the check must be voided both in the accounting system and at the bank. Unless the check is a duplicate payment, generally the check will need to be reissued.

Encourage vendors to set up direct deposit payments.

**Responsible position(s):**

- Accounts Payable Manager
- Accountants

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### Required documents and access:

- Banner
- Bank access

### Frequency and timing:

- As needed

### Steps:

- AP Manager:
  - Void and reissue the check in the accounting system. This will open the invoice again to be picked up in the next check/ACH run.
    - **FAACHKS**
      - Check Number: as indicated for void
      - Bank: 56 – Accounts Payable
      - NEXT BLOCK – verify the information for the check to be voided
      - NEXT BLOCK
      - Check the box to reestablish the invoice for payment
      - Complete
  - Void the check in Evisions Intellicheck.
    - Choose Void Check option
    - Enter check number (excluding leading zeros)
    - NEXT
    - Highlight the check number and click VOID
    - FINISH
  - Provides report of check voids to accountant to void in the bank.
    - Select void check register summary
    - Enter date of voided check NEXT
    - Forward report to accountants
- Accountants void the original check from the Positive Pay file at the bank. This effectively stops the check from being cashed at the bank. Additional steps may be taken to issue a stop payment request with the bank for a fee.

### Cancelling Invoices

If it is determined that the university does not owe money for an invoice that has been processed in the accounting system and the check has not been issued or has been issued but not yet cashed by the vendor, the check and invoice may be voided.

### Responsible position(s):

- Accounts Payable Manager
- Accountant

### Required documents and access:

- Banner

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- Bank access

**Frequency and timing:**

- As needed

**Steps:**

- If the check has not been issued or the check was voided and the invoice was reestablished in error, AP Manager cancels the invoice:
  - FAAINVD Invoice/Credit Memo Cancel
- If the check has already been issued, but has not yet cleared the bank, AP Manager:
  - Void the check and invoice together in the accounting system.
    - FAACHKS
      - Check Number: as indicated for void
      - Bank: 56 – Accounts Payable
      - NEXT BLOCK – verify the information for the check to be voided
      - NEXT BLOCK
      - DO NOT check the box to reestablish the invoice for payment
      - Complete
  - Void the check in Evisions Intellicheck.
    - Choose Void Check option
    - Enter check number (excluding leading zeros)
    - NEXT
    - Highlight the check number and click VOID
    - FINISH
  - Provide report of check voids to accountant to void in the bank.
    - Select void check register summary
    - Enter date of voided check NEXT
    - Forward report to accountants
- Accountants void the original check from the Positive Pay file at the bank. This effectively stops the check from being cashed at the bank. Additional steps may be taken to issue a stop payment request with the bank for a fee.

**Stale Dated Checks**

By law, banks are obligated to honor checks for up to six months. Due diligence requires that the university follow up to attempt to deliver the payment due to the vendor. The due diligence follow up should occur monthly for any checks that have been uncashed for 90 days. If a check remains uncashed for more than 1 year, it should be transferred to an unclaimed property liability. Procedures to escheat unclaimed property to the state are included in the next section.

**Responsible position(s):**

- Accountant
- Accounts Payable Manager

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**Required documents and access:**

- Banner
- Bank access

**Frequency and timing:**

- Monthly review

**Steps:**

This procedure is dependent upon timely marking of the reconciliation indicator field in Banner as Final Reconciled through the monthly check reconciliation process in Banner.

- Identify uncashed checks greater than 90 days outstanding.
  - **FTICHKS** Check Number Validation
    - Open Advanced Filter
    - Check Number: Starts with - 0
    - Bank Code: Equals - 56
    - Cancel Indicator: Not Equal or IS NULL – Y
    - Check Date: Less than or equal – 90 days ago
    - Go
    - NOTE: Requested Argos report from IT to include FTICHKS data and addresses.
  - The monthly bank ARP report which includes uncleared Positive Pay items should match the outstanding checks at month-end.
- Contact vendors in writing by email, if available, and/or postal mail to determine whether they:
  - Have the check and intend to cash it, or
  - Do not have the check and need it reissued:
    - By replacement check
    - By ACH (provide banking information)
- Log correspondence by vendor to follow up after 30 days.
  - **FOATEXT** General Text Entry
    - Type: FVD Vendor Table
    - Code: Vendor Number (... to look up vendor)
    - Text: enter freeform text up to 50-character field limit;
      - Start with correspondence date MM/DD/YYYY
      - Use Insert to add additional lines if needed.
- Act on vendor replies.
  - If the reply indicates they have the check and will cash it, update the log on FOATEXT and follow up again after 30 days to verify that it was cashed.
  - If the reply requests to reissue by check, follow steps Voiding Checks and Stop Payments section.
  - If the reply requests to reissue by ACH:

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- Provide the ACH banking information for Purchasing to update the vendor record.
  - Follow steps in Voiding Checks and Stop Payments section.
- If the written correspondence is returned with a forwarding address:
  - Attempt to contact the vendor again at the new address.
  - Request Purchasing or Registrar's Office, as applicable, to update the address.
- If the written correspondence is returned undeliverable, attempt to find current address information using Lexus-Nexus or other service, as available.
- Follow up in writing after 30 days of initial written correspondence; reach out by phone, email, or other available contact information.
- Transfer to unclaimed property liability account any uncashed check greater than 1 year outstanding without any response received.
  - Mark as Final reconciliation in Banner
  - Prepare a journal entry to restore vendor cash and create an escheat liability:
    - DR vendor cash 990000-110056 Fifth Third Vendor Cash
    - CR unclaimed property liability 110001-240006 Escheat Checks
    - Transaction description: **[Vendor Last Name, First Name] [Check #] [Date]**  
– Unclaimed
- Remove check from Bank Issue file to ensure check cannot be cashed following steps in Voiding Checks and Stop Payments section.
- If a vendor contacts the university after the payment has been moved to unclaimed property,
  - Create a Direct Payment Request charging the unclaimed property liability account 110001-240006 Escheat Checks
  - Include a reference the original check number in the transaction description of the manual payment transaction to ensure claims are not duplicated.

### Unclaimed Property Reporting

Checks that remain uncashed after a period are considered unclaimed property. The university must follow due diligence procedures to attempt to remit the funds to the intended payee. The current statute considers abandoned property as wages and reimbursements due to employees one (1) year after the amount becomes payable, and all other payments three (3) years after they become payable.

Stale dated checks should be transferred to the unclaimed property liability account after 1 year and held for an additional 2 years before they are reported and remitted to the state.

#### Responsible position(s):

- Accounts Payable Manager

#### Required documents and access:

- Banner
- Unclaimed Property Holder Book (updated annually)

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- Kentucky Unclaimed Property Online Reporting Portal

**Frequency and timing:**

- Annually

**References:**

KRS 393A3 Revised Uniform Unclaimed Property Act

**Steps:**

- Analyze the escheat checks unclaimed property liability account for any unclaimed property over statutory limit—payroll checks >1 year, accounts payable checks >3 years.
- Send a ***due diligence letter*** to the owner's last known address during the Owner Notification Period – not more than 120 days or less than 60 days before the report is filed.
  - NOTE: A sample letter is included in the Unclaimed Property Holder Book
- Create a report of unclaimed property from the transaction history in the liability account.
  - Follow the guidelines in the Unclaimed Property Holder Book to create a NAUPA format report (various vendors provide templates)
- Import the NAUPA file to the Kentucky Unclaimed Property Online Reporting Portal.
- Submit payment to the Kentucky State Treasurer for the amount of reported unclaimed property.

**1099 Reporting**

Consultants and independent contractors, subcontractors and subgrantees receive payment through the accounts payable system. Vendors that provide these services are noted in the accounting system as eligible for 1099 in the vendor master file. Forms 1099 must be mailed to vendors and summary 1096 submitted to the IRS no later than January 31st for timely preparation and submission of their income tax forms.

## **Payroll**

Payroll is the compensation given to individuals in an organization for work or services provided to the organization. Compensation is generally based on an individual's contribution to the achievement of organizational goals and objectives.

Payroll generally involves a series of tasks necessary to ensure that employees are properly compensated and that the applicable federal, state, and local withholdings are deducted from gross wages. Additionally, detailed records must be maintained to support tax deposits required for the withholding of FICA (Social Security and Medicare), FUTA (Federal Unemployment) and SUI (State Unemployment Insurance).

## **Policy**

The Board of Regents appoints the President of the university, who shall serve at the pleasure of the Board according to such terms as may be mutually agreeable to the Board and the President. (Gold Book, Article II, Section 2(a))

The Board also approves the employment of faculty members at the administrative level, and staff employees at the vice president level and above and fixes their compensation and tenure of service upon the recommendation of the president and prior to any offer of employment, except that the President may conditionally appoint such persons for a 90-day period. (Gold Book, Article II, Section 2(d))

Further, the Board of Regents approves the salary and benefit ranges for all University personnel. (Gold Book, Article II, Section 2(f))

The President approves all other personnel actions including, but not limited to hiring, termination, and pay rates. No offers, either verbal or written, are made to the candidate until approved by the President. Once approved, Human Resources contacts the candidate to make a verbal offer, which if accepted, is followed by a written offer of reemployment, contingent upon verification of references and background check.

All employment contacts will be made by the Office of Human Resources, unless mutual arrangements have been made between Human Resources and the hiring officer. Once the best qualified candidate for a position is identified, the hiring department and Human Resources agree on a starting salary/wage to be offered.

Changes in any employee's payroll status are reported on a timely basis along with the appropriate approval signatures. No changes to payroll data will be made without the proper documented approvals.

## **Procedure**

### **Initiating and Authorizing**

This process is managed by Human Resources. Procedures for this are not included in this manual.

Steps prior to processing payroll include:

- Advertising

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- Hiring
- Onboarding in the payroll processing system to ensure that all required employee information is collected for payroll processing in accordance with guidelines established by federal, state, and local taxing authorities.
- Assigning eligible benefits

**Allocating salaries**

**Responsible position(s):**

- Payroll Manager

**Required documents and access:**

- ADP
- Banner

**Frequency and timing:**

- As notified of changes

**Steps:**

- Obtain notification of changes in payroll allocations for grants or other split assignments
- Update payroll allocation in payroll processing system appropriately for grants, split positions/assignments, etc. including applicable fringe benefits

**Processing payroll**

**Responsible position(s):**

- Payroll Manager

**Required documents and access:**

- ADP
- Banner

**Frequency and timing:**

- Biweekly

**Steps:**

- Employees enter time
- Supervisors approve employees' hours
- Payroll
  - Calculates pay for approved hours at approved pay rates
  - Obtains approvals for payroll to be processed
  - Transmits final approved payroll to processor
  - Sends report of cash disbursements to AP

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- Downloads final payroll data
- Uploads payroll to Banner
- Confirms with accounting that payroll import has successfully posted to the ledger

**Benefits Expense Processing**

- Compare payroll deduction registers to benefits carrier billings to ensure all employees with payroll deductions have coverage and all employees with coverage have payroll deductions.

**941 reporting**

External payroll processing services file quarterly Form 941 payroll taxes and remit tax payments.

**W-2 Reporting**

External payroll processing service prepares and sends annual Form W-2 to employees and sends summary Form W-3 to the IRS.

## **General accounting**

Journal entries, reconciliations, month- and year-end closing

### **Procedures**

#### **Journal Voucher Approval Queue Maintenance**

For good internal controls, all transactions should be reviewed and approved by a responsible person other than the initiator. Approval queues should be set to require explicit approval from a supervisor or manager.

#### **Responsible position(s):**

- CFO/Controller

#### **Required documents and access:**

- Banner

#### **Frequency and timing:**

- Ad hoc, as staff are added, terminated, or change roles
- Annually, review for accuracy

#### **Steps:**

- Create approval queues for journal vouchers with explicit approvals.
  - FTMAPAQ Approval Queue Maintenance
    - Queue ID: assign a 4-character code
    - Queue Description:
    - Next Queue:
    - Queue Limit:
    - Insert or Delete approvers with levels and approval limits
  - FOMAPRC Approval Queue Routing Codes
    - Queue ID:
    - Document Type:
    - Rule Group:
    - Chart of Accounts: 1
    - Fund:
    - Fund Type:
    - Organization:
    - Account:
    - Account Type:
    - Program:
  -
- Assign approval queues to ensure that each entry is reviewed and approved by a supervisor.

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- First-level approvers should be validating the data entry accuracy and completeness and with no approval authority. These reviewers may be peer or subordinate to the initiator.
  - Banner steps

### **Journal Entries**

Journal entries are used to record activities that are not initiated by a subsidiary system. Revenues, receivables, and cash receipts should be initiated through the student- or grant-accounting modules; expenses, payables, and cash disbursements should be initiated through the purchasing and accounts payable module; fixed assets acquisitions, disposals, and depreciation should be initiated through the fixed assets module; personnel expenses, net pay and benefits payable, and payroll taxes should be initiated through the human resources and payroll module.

In general, journal entries are used to record non-cash activities related to month- and year-end closing. Templates for regular month-end closing entries should be established where practical to improve the efficiency and accuracy of recurring journal entries.

#### **Responsible position(s):**

- Accountants, Senior Accountants, Controller (in limited circumstances)

#### **Required documents and access:**

- Banner
- Supporting documentation

#### **Frequency and timing:**

- Monthly, annually, and as needed

#### **Steps:**

- Identify the transaction that needs to be recorded.
- Collect and review sources documents to support the transaction.
- Prepare the journal entry; use a template if available:
  - FGJVC
  - Transaction date
  - Accounts and amounts to be debited and credited
  - Brief explanation of the transaction
- Finalize the journal entry and submit it for approval.

### **Journal Entry Review and Approvals**

Journal entry approval must be explicit, i.e. if you are an approver, you cannot initiate and approve your own entry. In general, the Controller should be reviewing and approving journal entries and may delegate the Senior Accountant to review and approve journal entries by subordinate staff. Any entries prepared by the Senior Accountant must be approved by the Controller, and any entries prepared by the Controller must be reviewed and approved by the CFO.

#### **Responsible position(s):**

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- Data entry validator
- Senior Accountant, Controller, CFO (for journal entries prepared by the Controller)

**Required documents and access:**

- Banner

**Frequency and timing:**

- Daily

**Steps:**

If the approval queue includes more than one level, the first reviewer may validate data entry only. If there is only one approval level, the approver must validate the data entry and approve the journal voucher.

- First level reviewer checks each transaction and the supporting documentation for accuracy and completeness, ensuring that the:
  - Transaction date is in the correct accounting period.
  - Debit and credit account descriptions are appropriate.
  - Documentation supports the amounts, dates, and accounts.
  - Document text summarizes the purpose of the transaction.
- Next level reviewer checks each transaction for reasonableness. This approver must understand the journal entry to ensure that it appropriately reflects the intended transaction and complies with reporting standards.

**Month-End Closing**

**Responsible position(s):**

- Controller
- Finance and accounting staff – see Month-End Checklist

**Required documents and access:**

- Banner

**Frequency and timing:**

- Monthly, by the 15<sup>th</sup> of the following month, following the sequence noted in the steps

**Steps:**

Follow the CHECKLIST (see procedures for each section) to make sure all departments have completed their closing steps summarized below. The steps before the **soft close** can be completed concurrently after month-end, before the 10<sup>th</sup> of the month.

- **Controller:**
  - Send out a reminder email with a link to the workpaper checklist for the month.
  - Analyze preliminary trial balance for unusual account balances.

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- **Argos** > Accounting > Controller > Trial Balance for all data-enterable accounts by year and period
  - Select current FY and period ending
  - Run report and paste results into workpaper Prelim TB tab
- Ensure control accounts balance to revenue and expenses.
- Filter the report by balance sheet account groupings to review details.
- Make notes on accounts to research, note explanations, and direct corrections to be made. Items to look for include:
  - 11 - Cash accounts in funds other than 990000 Bank Fund
  - 11 – Cash accounts, other than disbursement sweep accounts, with credit balances.
  - 13 – Investment accounts with credit balances
  - 14 – Accounts receivable accounts, other than allowance accounts with credit balances
  - 15 – Prepaid accounts with credit balances
  - 16 – Fixed assets accounts, other than accumulated depreciation, with credit balances
  - 21 – Payable accounts with debit balances
  - 22 – Deferred Income accounts with debit balances or credit balances that should be recognized as revenue
  - 23 – Deposit accounts with debit balances
  - 24 – Other liabilities with debit balances
  - 29 – Clearing accounts that do not clear to zero
  - Exclude 31 – Control accounts to verify trial balance nets to zero
  - 6X – Personnel expense accounts with credit balances
  - 7X – Operating expense accounts with credit balances
  - 72X – Capital expense accounts with non-capital threshold expenses
- Run report of all incomplete documents to be cleared before month-end close:
  - **FGRIDOC** Incomplete Document Listing
    - Printer: database
    - Include all document types: Yes
    - Save
    - Related > Review Out > select .lis file
    - Tools > Show Document (Save and Print File) > View in Browser – Yes
  - Save report output to workpapers.
  - Assign a staff person to each document type to investigate further.
    - DO NOT DELETE feed documents; review to find and correct the error to submit to complete the document.
    - Correct and submit documents with errors.
    - Delete documents that are no longer needed.
  - Follow up with relevant staff to complete, particularly items that are outstanding for more than one month to direct cleanup.

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- Run control report to determine any out-of-balance errors between subsidiary and general ledgers for AP, encumbrances, control accounts.
  - **FGRCTRL** GL/Subsidiary Control Report
    - Printer: database
    - Fiscal Year: current year
    - Option Code: 3 Chart with out-of-balance
    - Re-create the collector table: Yes
  - Save report output to workpapers.
  - Out-of-balance errors in encumbrances and reservation accounts are not critical but purchasing should research and correct.
  - ***Out-of-balance errors between AP and GL must be corrected before closing the period.***
- Run control report to determine any Out-of-balance between cash and claims on cash.
  - **FGRCASH** Bank Interfund Account Control
    - Printer: database
    - As of Date: month-end
  - Save report output to work papers. It should balance to zero.
- Run control report to determine any out-of-balance errors between the AR subsidiary and general ledger.
  - **TGRRCON** A/R Reconciliation Report
    - Printer: database
    - Account Detail Reconciliation: Yes
    - Starting Feed Date for Detail: beginning of fiscal year
    - Ending Feed Date for Detail: month-ended
    - Miscellaneous Reconciliation: Yes
    - Starting Feed Date for Misc: beginning of fiscal year
    - Ending Feed Date for Misc: month-ended
    - Deposit Reconciliation: Yes
  - Save report output to workpapers.
  - ***Out-of-balance errors in AR accounts must be corrected before closing the period.***
- Run control report to determine any out-of-balance errors between subsidiary and general ledgers for grant AR.
  - **FGRGLEX** Grant Ledger Exception Report
    - Printer: database
    - Chart of Accounts: 1
    - Grant Option: All
  - Save report output to workpapers.
  - Out-of-balance errors in budget and reservation accounts are not critical but grant accountants should research and correct.
  - ***Out-of-balance errors in the grant ledger accounts should be corrected before closing the period.***

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- Verify that all interfund bank accounts are in balance.
  - **FGRBIEX** Bank I/F Exception Report
    - Printer: database
    - Fiscal Year: current
    - As of Date: month-end
    - Include Accrual Period: Yes
    - Report Type: Detail
    - Chart of Accounts: 1
    - Bank Interfund Account option: All
  - Save report output to workpapers.
  - All bank funds should be in balance within the chart.
- Determine any funds out of balance and address issue(s) to correct. If the Argos report excluding the control accounts 3X does not balance to zero, this report should show the same amount out of balance.
  - **FGRTBEX** Trial Balance Exception Report
    - Printer: database
    - Fiscal Year: current
    - As of Date: month-end
    - Include Accrual Period: Yes
    - Report Type: Summary
    - Chart of Accounts: 1
  - Save report output to workpapers.
  - ***Out-of-balance errors in the trial balance MUST be corrected before closing the period.***
- Review and resolve any suspended journal entries.
  - FGIIJCD List of Suspended Journal Vouchers
  - Export list and filter for vouchers dated prior to the month being closed:
  - Direct staff to research and complete or delete incomplete documents:
    - Fxxxxx –
    - Gxxxxx – grant accountants
    - Jxxxxx – accountants
  - Save report output to workpapers.
- Review all reconciliations (see details in Reconciliation Approvals below), sending corrections as needed back to Accountants before approving.
- Review trial balance and preliminary financial statement reports after all transactions have been completed for the month to note any additional revisions or corrections before closing the period.
  - Argos trial balance report – look corrections noted in preliminary
  - **FGRTBAL** Trial Balance
    - Printer: database
    - Fiscal Year: current
    - Chart of Accounts: 1
    - As of Date: month-end

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- Include Accrual for Last Prd: Yes
  - Fund Option: All
- **FGRCBSR** Combining Balance Sheet
  - Printer: database
  - Fiscal Year: current
  - Chart of Accounts: 1
  - As of Date: month-end
  - Include Accrual: Yes
  - Fund Level: 1
  - Account Level: Level
- **FGRCGBA** Comparative Statement of Revenues and Expenses
  - Printer: database
  - Fiscal Year: current
  - Chart of Accounts: 1
  - As of Date: month-end
  - Include Accrual Period: Yes
  - Fund Type Code: 10 Unrestricted
  - Account Level: L
  - Organization Level: L
- Review and approve final reconciliations.
- Send the package of reconciliations to the CFO for approval.
- **Close the period after confirming that all month-end processes are complete, and reconciliations are approved.**
  - **FTMFSYR** Fiscal Year Maintenance
    - Filter for
      - Chart of Accounts: 1
      - Fiscal Year: current
    - Status: change from Open to Closed
- Export the final trial balance to the workpapers.
  - **Argos** > Accounting > Controller > Trial Balance for all data-enterable accounts by year and period
    - Select current FY and period ending
    - Run report and paste results into workpaper Prelim TB tab
  - Ensure control accounts balance to revenue and expenses.
- Save the completed workpaper documents to the files.
- Follow up on ongoing recommendations and address recommendations carried forward from the prior month.
- Prepare the financial statements.
- Prepare the month-end report memo.
- Review the report package with the CFO.
- Submit the reviewed report package to the President for approval.
- Upload the completed and approved report to the CPE.
- Save completed reports to the files.

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- **Cashier:** Post all cash receipts.
- **Bursar:** Post all charges to student accounts.
- **Purchasing:** Complete approval of all requisitions in the queues and issue POs.
- **Payroll:**
  - Confirm all payroll expenses have been posted to the ledger.
  - Ensure all payroll allocations to grants have been updated for the pay periods.
  - Submit all benefits expenses payable to AP.
- **Accounts Payable:**
  - Post all invoices and cash disbursements for the month end, including manual payments, ***ensuring proper accounting cutoff.***
  - Download credit card statement and transaction details.
    - Steps
- **General Accounting:**
  - Remit receipts to state.
  - Download all bank, investment, state cash, bond, and lease statements. See steps in reconciliation sections.
  - Upload or enter state account transaction activity (capital projects, appropriations accounts)
    - Steps
  - Import credit card charges.
    - Steps
  - Upload postage and printing charges.
    - Steps
  - Upload fuel charges.
    - Steps
  - Record standard journal entries:
    - Expense prepaids
    - Amortize leases
    - Investment changes
    - Endowment spending allocations and fees (quarterly)
    - Recognize in-kind contributions/expenses
- **SOFT CLOSE** – no additional subsidiary ledger activity (AR, Cash Receipts, Purchasing, Payroll, AP) should be posted to the period closing.
- **Fixed Assets Accounting** – after soft close:
  - Analyze capital expense account activity.
  - Reclassify non-capital expense activity.
  - Capitalize new fixed assets.
  - Run depreciation expense process.
- **Grant Accounting** – after soft close and Fixed Assets entries are completed:
  - Post indirect costs to grants.
  - Run grant billing process.
  - Invoice grantors.
  - Draw down grant funds.

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- Reconcile general ledger accounts (see next sections).

**Bank Reconciliation – Disbursement (Bank 56)**

**Responsible position(s):**

- Accountants without access to accounts receivable, accounts payable, or cash

**Required documents and access:**

- Bank statements and downloaded transaction activity
- Banner access to cash account transactions

**Frequency and timing:**

- Monthly, by the 15<sup>th</sup> of the month, **after soft close**, i.e., after all cash entries, receipts, and disbursements have been posted

**Steps:**

- Download monthly bank statements and account reconciliation files when the bank sends notice that statements and files are ready for the month ended.
- Prepare reconciliation files for each account with the bank account transaction details and Banner cash account details.
- Import bank reconciliation file to Banner for checks cleared in the month.
- Manually enter cleared EFT payments in Banner reconciliation forms.
- Match transactions between bank and Banner.
  - Transactions are typically many (Banner) to one (bank).
- Identify reconciling items that are unable to be matched.
- Provide details of reconciling items to appropriate positions, Bursar's Office and/or Accounts Payable, to record or correct before the month is closed, when possible.
- List items that cannot be corrected before the month-end close in the reconciliation summary with supporting notes and documentation for all items listed and corrective action taken.
- Complete reconciliation **after all possible reconciling items have been corrected**.
- Submit completed reconciliations to Controller for review and approval.
- **Controller** reviews and approves reconciliations; long-running reconciling items (more than one month outstanding) must be reviewed and addressed with the CFO.

**Bank Reconciliation – Federal Depository (Bank 57)**

- Federal Depository

**Responsible position(s):**

- Accountants without access to accounts receivable, accounts payable, or cash

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**Required documents and access:**

- Bank statements and downloaded transaction activity
- Banner access to cash account transactions

**Frequency and timing:**

- Monthly, by the 15<sup>th</sup> of the month, **after soft close**, i.e., after all cash entries, receipts, and disbursements have been posted

**Steps:**

- Download monthly bank statements and account reconciliation files when the bank sends notice that statements and files are ready for the month ended.
- Match transactions between bank and Banner.
- Identify reconciling items that are unable to be matched.
- Provide details of reconciling items to appropriate positions, Bursar's Office and/or Accounts Payable, to record or **correct before the month is closed and before the reconciliation is completed**, when possible.
- List items that cannot be corrected before the month-end close in the reconciliation summary with supporting notes and documentation for all items listed and corrective action taken.
- Complete reconciliation **after all possible reconciling items have been corrected**.
- Submit completed reconciliations to Controller for review and approval.
- **Controller** reviews and approves reconciliations; long-running reconciling items (more than one month outstanding) must be reviewed and addressed with the CFO.

**Bank Reconciliation – Depository (Bank 58)**

**Responsible position(s):**

- Accountants without access to accounts receivable, accounts payable, or cash

**Required documents and access:**

- Bank statements and downloaded transaction activity
- Banner access to cash account transactions

**Frequency and timing:**

- Monthly, by the 15<sup>th</sup> of the month, **after soft close**, i.e., after all cash entries, receipts, and disbursements have been posted

**Steps:**

- Download monthly bank statements and account reconciliation files when the bank sends notice that statements and files are ready for the month ended.
- Match transactions between bank and Banner.

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- Identify reconciling items that are unable to be matched.
- Provide details of reconciling items to appropriate positions, Bursar's Office and/or Accounts Payable, to record or **correct before the month is closed and before the reconciliation is completed**, when possible.
- List items that cannot be corrected before the month-end close in the reconciliation summary with supporting notes and documentation for all items listed and corrective action taken.
- Complete reconciliation **after all possible reconciling items have been corrected**.
- Submit completed reconciliations to Controller for review and approval.
- **Controller** reviews and approves reconciliations; long-running reconciling items (more than one month outstanding) must be reviewed and addressed with the CFO.

**Bank Reconciliation – Merchant Depository (Bank 59)**

- Depository

**Responsible position(s):**

- Accountants without access to accounts receivable or cash

**Required documents and access:**

- Bank statements and downloaded transaction activity
- Banner access to cash account transactions
- Access to 3<sup>rd</sup> party processor transactions, e.g., CashNet, SwipeSimple, Transax etc.

**Frequency and timing:**

- Monthly, by the 15<sup>th</sup> of the month, **after the soft close**, i.e., after all cash entries, receipts and disbursements have been posted

**Steps:**

- Download monthly bank statement when the bank sends notice that statements are ready for the month ended.
- Prepare reconciliation files for each account with the bank account transaction details and Banner cash account details.
  - **FGIGLAC** Banner general ledger detail
  - **TGIFEDH** Accounting Feed Detail History (AR feed to GL)
    - Advanced Filter, Add Fields
    - Transaction Date: Between beginning and end of month being reconciled
    - Account: Contains 110059
  - CashNet
  - SwipeSimple
  - Transax
  - Paper deposit files from Cashiers
- Match Banner detail from AR system TGIFEDH to the GL transaction total on FGIGLAC for all types that fed from AR to GL (document numbers Fxxxxx).

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- Match transactions between bank detail and Banner AR detail and Banner GL detail utilizing 3<sup>rd</sup> party processor reports when needed.
- Identify reconciling items that are unable to be matched.
- Provide details of reconciling items to appropriate positions, Bursar's Office and/or Accounts Payable, to record or correct, when possible, before the month is closed.
- Rerun cash balance per Banner after corrections have been posted.
- Complete reconciliation **after all possible reconciling items have been corrected**.
- Submit completed reconciliations to Controller for review and approval.
- **Controller** reviews and approves reconciliations; long-running reconciling items (more than one month outstanding) must be reviewed and addressed with the CFO.

**Accounts Receivable Reconciliations**

**Responsible position(s):**

- Accountants

**Required documents and access:**

- Banner

**Frequency and timing:**

- Monthly, by the 15<sup>th</sup> of the month, **after soft close**

**Steps:**

- Run a report of accounts receivable aging by student from the subsidiary ledger.
- Run a trial balance report of student accounts receivable.
- Compare to find any differences.
- Research and resolve differences.
- Post correcting entries prior to month-end system close.
- Prepare reconciliation summary including:
  - All supporting documentation.
  - Explanations for any reconciling items with instructions for corrective actions to be taken to resolve, if they cannot be resolved before month-end system close.
  - Documentation of management communication on follow up items that have not been resolved by the next reconciliation, i.e., all reconciling items should be resolved by next month's reconciliation; no items should be carried forward more than one month.
  - Preparers' electronic, time-stamped signature.
- Submit reconciliation package to the Controller for review.

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**Grants Receivable Reconciliations**

**Responsible position(s):**

- Accountants

**Required documents and access:**

- Banner

**Frequency and timing:**

- Monthly, by the 15<sup>th</sup> of the month, ***after soft close and grant billing*** has been completed

**Steps:**

- Run a report of accounts receivable aging by grantor from the grant subsidiary ledger.
  - TGRAGES
- Run a trial balance report of grants receivable.
- Compare to find any differences.
- Research and resolve differences.
- Post correcting entries prior to month-end system close.
- Prepare reconciliation summary including:
  - All supporting documentation.
  - Explanations for any reconciling items with instructions for corrective actions to be taken to resolve, if they cannot be resolved before month-end system close.
  - Documentation of management communication on follow up items that have not been resolved by the next reconciliation, i.e., all reconciling items should be resolved by next month's reconciliation; no items should be carried forward more than one month.
  - Preparers' electronic, time-stamped signature.
- Submit reconciliation package to the Controller for review.

**Prepaid Expense Reconciliations**

Prepaid expenses include annual insurance policies, postage accounts, and various other annual fees expensed over the course of the fiscal year or individual expenses prepaid for a future period.

**Responsible position(s):**

- Accountants

**Required documents and access:**

- Banner
- Prepaid schedules or external system account balances

**Frequency and timing:**

- Monthly, by the 15<sup>th</sup> of the month, ***after soft close***

**Steps:**

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- Insurance:
  - Run a trial balance report on prepaid insurance.
  - Compare the schedule of prepaid insurance after expense entries have been posted to the trial balance.
  - Recalculate the balance in prepaid by policy to the monthly expense time the remaining months in the policy to ensure reasonableness.
  - Confirm renewals with risk management when prepaid amount has 3 months remaining to ensure policies do not lapse.
- Postage:
  - Request a report from the postage machine(s) that provide the balance in the prepaid account at month-end.
  - Run trial balance report after postage expenses have been uploaded.
  - Compare to find any differences.
  - Research and resolve differences.
    - If external postage account balance is lower than the trial balance, this indicates that postage was used that was not charged to a department.
    - If the trial balance is lower than the external postage account balance, this indicates that postage may have been charged back to departments at a higher rate than was used.
  - Post correcting entries prior to month-end system close.
  - Prepare reconciliation summary including:
    - All supporting documentation.
    - Explanations for any reconciling items with instructions for corrective actions to be taken to resolve, if they cannot be resolved before month-end system close.
    - Documentation of management communication on follow up items that have not been resolved by the next reconciliation, i.e., all reconciling items should be resolved by next month's reconciliation; no items should be carried forward more than one month.
    - Preparers' electronic, time-stamped signature.
  - Submit reconciliation package to the Controller for review.
- Other prepaid items:
  - Review detailed listing of prepaid items to determine whether there are any that should have been expensed before soft close.
    - If so and the expense relates to grants or fixed assets, notify grant accounting and fixed assets accounting to make appropriate adjustments in their month-end entries to capture the additional expense.
  - Compare the total of the detailed prepaid listing to the trial balance after any additional items have been expensed.
  - Research and resolve differences.
  - Post correcting entries prior to month-end system close.
  - Prepare reconciliation summary including:
    - All supporting documentation.

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- Explanations for any reconciling items with instructions for corrective actions to be taken to resolve, if they cannot be resolved before month-end system close.
- Documentation of management communication on follow up items that have not been resolved by the next reconciliation, i.e., all reconciling items should be resolved by next month's reconciliation; no items should be carried forward more than one month.
- Preparers' electronic, time-stamped signature.
- Submit reconciliation package to the Controller for review.

**Endowment Investment Reconciliation**

The investment brokerage firm tracks the value of each endowed fund separately within the pooled endowment investment account. Any new endowed funds must first be assigned a new FUND code in Banner and a unique designation in the investment account.

**Responsible position(s):**

- Senior Accountant

**Required documents and access:**

- Investment account statements
- Banner - general ledger access

**Frequency and timing:**

- Monthly, by the 10<sup>th</sup> of the month, **before** soft close

**Steps:**

- Obtain investment account statements from the controller or download directly from the investment account including:
  - Schwab investment statement
  - New Excel Workbook linked to Statement
  - New Excel Statement Values
- Verify that investment beginning balances tie to prior month's ending balances in the ledger.
  - Run FGRFAAC Fund/Account Activity Report
    - Printer: Database
    - Fiscal Year: current year
    - Chart of Accounts: 1 (defaults)
    - As of Date: month-end date
    - Include Accrual for Last Prd.: Y
    - From Account: 131011 Pooled Endowment Investment
    - To Account: 131011 Pooled Endowment Investment
    - Next Block, Save
  - Related > Review Out > select fgfrfacc\_XXXXXXX.lis file
  - Tools > Show Document (Save and Print File) > View in Browser – Yes

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- Copy and paste data into reconciliation worksheet tab “FGRFAAC before entry.”
- Prepare the journal entry to record pooled endowment investment activity for the month.
  - Verify that ending balances in spreadsheets from broker tie to investment statement.
  - Make a copy of the prior month’s reconciliation workbook for the current month.
  - Copy ending values by fund to the beginning value for the new month.
  - Look up the fees, investment income, and ending market values of each fund from the investment worksheets.
  - Calculate the unrealized gain/loss for each fund (ending – beginning – investment income – fees).
  - Create the journal entry date from these calculations.
  - Format the data for upload.
  - Upload the JV, leaving the entry “in process.”
  - Print out cover sheet.
  - Attach supporting documents.
  - Sign coversheet and submit to a reviewer.
- Verify that the Banner balance after the journal entry posts reconciles to the ending investment account statement.
  - Run FGRFAAC Fund/Account Activity Report again with same parameters as above after entry has been approved and posted.
  - Copy and paste data into reconciliation worksheet tab “FGRFAAC after entry.”
  - Calculate differences between Banner ending balances and investment ending balances.
  - Investigate and correct any differences that are more than a few cents due to rounding.
  - Prepare the reconciliation worksheet with Banner and investment balances pulling from worksheets.
  - Print and sign the reconciliation worksheet.
  - Attach the copies of the investment statement and FGRFAAC output after entry to the reconciliation worksheet.
  - Submit reconciliation package to the Controller for review and approval.
  - File approved reconciliation documents in BDM.

**Fixed Assets Reconciliation**

Fixed asset acquisitions are recorded manually in the audit roll forward schedule which provides calculations for recording depreciation expense.

**Responsible position(s):**

- Fixed Assets Accountant

**Required documents and access:**

- Banner general ledger, fixed assets module

**Frequency and timing:**

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- Monthly, by the 15<sup>th</sup> of the month, after soft close and after acquisitions, disposals, and depreciation have been recorded for the month

**Steps:**

- Run a report of fixed assets by asset type from the fixed assets system.
- Run a trial balance report of fixed assets and accumulated depreciation accounts.
- Compare to find any differences.
- Research and resolve differences.
- Post correcting entries prior to month-end system close.
- Prepare reconciliation summary including:
  - All supporting documentation.
  - Explanations for any reconciling items with instructions for corrective actions to be taken to resolve, if they cannot be resolved before month-end system close.
  - Documentation of management communication on follow up items that have not been resolved by the next reconciliation, i.e., all reconciling items should be resolved by next month's reconciliation; no items should be carried forward more than one month.
  - Preparers' electronic, time-stamped signature.
- Submit reconciliation package to the Controller for review.

**Accounts Payable Reconciliation**

**Responsible position(s):**

- Accountant

**Required documents and access:**

- Banner

**Frequency and timing:**

- Monthly, by the 15<sup>th</sup> of the month, after soft close

**Steps:**

- Run an AP Open Invoices report.
- Run a trial balance report for AP.
- Compare to find any differences.
- Research and resolve differences.
- Post correcting entries prior to month-end system close.
- Prepare reconciliation summary including:
  - All supporting documentation.
  - Explanations for any reconciling items with instructions for corrective actions to be taken to resolve, if they cannot be resolved before month-end system close.

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- Documentation of management communication on follow up items that have not been resolved by the next reconciliation, i.e., all reconciling items should be resolved by next month's reconciliation; no items should be carried forward more than one month.
  - Preparers' electronic, time-stamped signature.
- Submit reconciliation package to the Controller for review.

**Payroll Liabilities Reconciliations**

**Responsible position(s):**

- Accountants

**Required documents and access:**

- Banner

**Frequency and timing:**

- Monthly, by the 15<sup>th</sup> of the month, after soft close

**Steps:**

- Run payroll deduction and benefits registers for the payrolls processed during the month.
- Run a trial balance report for AP.
- Ensure that credits posted to the payroll liability accounts from the payroll process are cleared by applicable payment of payroll taxes and benefits.
- Research and resolve differences.
- Adjust payroll system set up and/or post correcting entries prior to month-end system close to resolve reconciling items.
- Prepare reconciliation summary including:
  - All supporting documentation.
  - Explanations for any reconciling items with instructions for corrective actions to be taken to resolve, if they cannot be resolved before month-end system close.
  - Documentation of management communication on follow up items that have not been resolved by the next reconciliation, i.e., all reconciling items should be resolved by next month's reconciliation; no items should be carried forward more than one month.
  - Preparers' electronic, time-stamped signature.
- Submit reconciliation package to the Controller for review.

**Deferred Revenue Reconciliations**

**Responsible position(s):**

- Accountants

**Required documents and access:**

- Banner

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**Frequency and timing:**

- Monthly, by the 15<sup>th</sup> of the month, after soft close

**Steps:**

- Run a trial balance report for Deferred Revenue.
- Determine if the conditions have been met to recognize the deferred revenue.
- Reclassify deferred revenue for funds that have a Grants AR balance (revenue was recognized).
- Prepare a summary schedule of deferred revenue balances with:
  - Explanations of the conditions required to recognize remaining deferred revenue by fund.
  - Documentation of management communication on follow up items that have not been determined whether the condition has been to resolve by the next reconciliation, i.e., all reconciling items should be resolved by next month's reconciliation; no items should be carried forward more than one month.
  - Preparers' electronic, time-stamped signature.
- Submit reconciliation package to the Controller for review.

**Deposits Reconciliations**

**Responsible position(s):**

- Accountants

**Required documents and access:**

- Banner

**Frequency and timing:**

- Monthly, by the 15<sup>th</sup> of the month, after soft close

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**Debt Reconciliations**

- Bonds
- Leases

**Responsible position(s):**

- Accountants

**Required documents and access:**

- Banner

**Frequency and timing:**

- Monthly, by the 15<sup>th</sup> of the month, after soft close

**Census Day Revenue Reconciliations**

Charges become final after the drop/add date at the beginning of each semester. The Registrar's Office takes a census of term enrollments and Residence Life determinations the occupancy of the residence halls and enrollment in board plans.

**Responsible position(s):**

- Accountants

**Required documents and access:**

- Enrollment statistics report from Registrar
- Occupancy report from Residence Life
- Meal plan reports from the meal plan system
- Banner

**Frequency and timing:**

- Each term after drop/add date, immediately after tuition and fees are deemed final by the Registrar and before any subsequent changes to registration, housing or meal plans are entered

**Steps:**

- Obtain enrollment statistics report from Registrar
- Obtain occupancy report from Residence Life
- Obtain meal plan utilization from Card Services
- Recalculate expected room, board and tuition revenues from census reports.
- Run reports on tuition, room, and board revenues posted to the general ledger.
- Compare recalculated revenues with recorded revenues, identify and correct differences
- Document and save reconciliation.

### Reconciliation Approvals

Accountants should reconcile each major grouping of balance sheet accounts monthly. Reconciliations should include sufficient documentation that can be independently reviewed and fully supported by the attached documents without additional explanations. Documentary evidence of the review and approval of reconciliations is a critical internal control that is assessed in the annual financial statement audit process.

#### **Responsible position(s):**

- Controller

#### **Required documents and access:**

- Banner
- Supporting account statements and/or subsidiary ledger reports

#### **Frequency and timing:**

- Monthly, as reconciliations are completed, before 20<sup>th</sup> of the month following month-end, before month-end system close

#### **Steps:**

- Run a trial balance after all month-end entries have been posted.
- Ensure the preparer has appropriately signed and dated the reconciliation before reviewing.
- Verify the balances in the reconciliation to the trial balance and supporting statements.
- Review all the attached documents to ensure there is sufficient evidence to support each reconciling item, including:
  - Transaction date, document number, description, and amount of each item.
  - Notation of the specific actions taken or to be taken to correct the items, including the transaction date, document number, description, amount, and responsible position.
- Return the reconciliation to the responsible position if the documentation is insufficient to answer all the reviewer's questions.
- Sign and date the reconciliation if the documentation is complete and the system balance has been appropriately supported.

### Year-end Balance Roll Forward and Accrual Period

Once the final fiscal period of the year has been closed, the system rolls balance sheet balances forward to the new fiscal year and opens the accrual period 14. Activity posted to period 14 is processed concurrently in both the prior and new fiscal year to keep the rolled forward balances in sync.

Items that are typically entered into the accrual period include year-end adjustments such as accrued payroll and leave, pension and OPEB liabilities, discounts on receivables and other year-end adjustments. Typically, period 14 will be kept open until the audit has been completed so audit adjustments can be posted to the correct fiscal year and audited financial statements will be tied to the ledger balances.

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**Responsible position(s):**

- Controller

**Required documents and access:**

- Banner

**Frequency and timing:**

- Annually after period 12 month-end has been completed

**Steps:**

- Entries to post to accrual period:
  - Changes in accrued PTO
  - Changes in accrued assets/liabilities related to Pensions/OPEB
  - Accrued lease/bond interest payable
  - Bad debt allowance /write off
  - Current portion of debt and lease liabilities calculations
  - Deferred revenue for tuition or grant prepayments
  - Non-current portion of prepaid expenses
  - Investment accruals
  - Discount on pledges/grants receivable
  - Fixed assets adjustments

**Fiscal Year-end Close**

Once the audit has been issued and all audit adjustments have been posted, the fiscal year can be closed in the system.

**Responsible position(s):**

- Controller

**Required documents and access:**

- Banner - refer to Ellucian for step-by-step system requirements

**Frequency and timing:**

- Annually after the audit has been issued

## **Management financial reporting**

Preparing financial statements and communicating key financial information is a necessary accounting function. Statements are management tools used in making decisions, in monitoring the success of financial objectives and as a standard method for providing information to interested parties external to the organization. These statements may be audited or unaudited depending on the requirements or usage by outside creditors, the governing body or internal management. The financial statements may reflect year-to-year historical comparisons or the current year's budget to actual comparisons.

The statement of revenues, expenses, and changes in net position (income statement) presented according to program revenue and cost centers reflects the financial activities of a period. Another view of financial activities is through a detail of each cost center by line items. A statement of net position (balance sheet) presenting assets, liabilities and net assets provides a financial picture of an organization as of a particular date.

In designing and distributing statements and reports some items to consider are:

- Confidentiality
- Purpose to serve - internal or external
- Amount of detail and technical data to include
- Frequency of distribution
- Usage of variances, footnotes, and graphics
- Status of grants, projects, or contracts

### **Policy**

The University prepares accurate monthly financial reports in accordance with GAAP and distributes them promptly to management. These statements will summarize all expenditures and receipts for the period covered and compare them to the approved budget.

The Finance Committee of the Board meets quarterly to review financial reports and monitor the fiscal operations of the University. The Finance Committee includes the most current financial reports in its report at each Board Meeting.

### **Procedures**

#### **Responsible position(s):**

- Controller

#### **Required documents and access:**

- Banner

#### **Frequency and timing:**

- Monthly by the 20<sup>th</sup> of each month

#### **Steps:**

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- Prepare financial reports:
  - Statement of financial position
  - Statement of activities
  - Statement of functional expense
  - Statement of cash flows
  - Rolling cash forecast
  - Bank and investment reconciliation reports
  - Budget to actual
  - Month-end memo
- Review financial report with CFO and CEO.
- Submit financial report to Finance Committee.

## System Testing

### Policy

Each time the ERP system is updated with patches or enhancements, updates are loaded into a test environment and all regular processes are tested to ensure functionality before loading the updates into the production environment. Testing plans are designed to be completed in 1-2 business days to ensure updates can be loaded to production timely.

### Procedures

Test plans for each module should follow the sequence and timing indicated below to ensure each module that is affected by another module is appropriately tested with the updates. Information Technology staff should communicate with the Controller and all key personnel to inform them when system updates are available and ready to test, and again when updates have been successfully loaded to production.

#### Responsible position(s):

- As indicated in the steps

#### Required documents and access:

- Banner

#### Frequency and timing:

- Ad hoc, as updates are available and new system features are implemented

#### Steps:

- Chart of accounts maintenance – **CONTROLLER** creates new FOAPAL elements including restricted and unrestricted sources.
  - Fund – **FTMFUND Fund Code Maintenance**
    - 199999 Unrestricted Test
    - 299999 Restricted Grant Test
    - 919999 Capital Project Test
    - 619999 Endowment Test
  - Organization – **FTMORGN Organization Code Maintenance**
    - 599999 Test Organization
  - Account – **FTMACCT Account Code Maintenance**
    - 1999 Test Asset
    - 2999 Test Liability
    - 5999 Test Revenue
    - 7799 Test Capital Expense
    -
  - Program – **FTMPROG Program Code Maintenance**
    - 999 Test Program
  - Activity – **FTMACTV Activity Code Maintenance (optional)**

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- - Location – **FTMLOCN Location Code Maintenance (optional)**
- 
- Budget – **BUDGET DIRECTOR** enters budget transactions to the new FOAPALS.
  - New budget
  - Budget adjustment
  - Budget transfer
- Grant budgets– **GRANTS MANAGER** creates a new grant using the new FOAPALS.
  - Assign budget
  - Assign indirect cost rate
- Accounts receivable – **BURSAR**
  - Creates new detail codes using the new FOAPALS
    - TEST Test Charge mapped to
      - DR
      - CR
  - Create AR transactions using new detail code
    - Charge
    - Credit
    - Adjustment
  - Run AR aging report
  - Process feed from Financial Aid
- Purchasing – **PURCHASING DIRECTOR** updates/creates approval queues for new FOAPALS
  - Create approval queue
    - Fund
    - Org
    - Account
  - Assign approvers
- Purchasing – **BUYERS** – create requisitions and purchase orders routing to the new approval queues including:
  - Fixed assets using capital expense account codes
  - Grant expenses using restricted fund codes
  - Blanket orders
- Accounts payable – **AP CLERKS** enter invoices for purchase orders on POs created including:
  - Fixed asset
  - Grant expenses
  - Blanket
- Accounts payable – **AP MANAGER**
  - Check and e-check runs
  - Manual checks
  - Check voids
  - Invoice cancellation

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- Fixed assets – **FIXED ASSETS ACCOUNTANT**
  - Purchase on cap expenses account
  - Capitalize O-tag
  - Create P-tag
  - Update for physical inventory
  - Run depreciation
  - Disposal
- Grant billing – **GRANTS MANAGER** processes grant billings.
  - Apply indirect costs
  - Post receivable to grantor accounts
  - Run grants AR aging
- Cash receipts – **CASHIER** creates cash receipts for the AR transactions and grant bills
  - Cash
  - Check
  - Credit card
  - Miscellaneous non-AR credit
- Payroll – **HUMAN RESOURCES DIRECTOR** creates personnel transactions
  - Hire a new employee
  - Transfer an employee assignment
  - Assign benefits
  - Terminate an employee
- Payroll – **PAYROLL MANAGER** creates a pay transaction
  - Enter time with approvals
  - Enter a supplemental pay
  - Pays out termination leave
  - Processes payroll
- Accounting – **ACCOUNTANTS** create journal entry transactions.
  - Regular
  - Opening balance
  - Cash receipt
  - Upload – e.g. credit card charges, postage or printing
- Accounting – **SENIOR ACCOUNTANT** runs through month-end closing process.
  - Ensure all prior testing steps are completed
  - Reconcile accounts
  - Run month-end closing process
- Reporting – **CONTROLLER** runs monthly financial statements
  - Run balance sheet and income statement
  - Run GASB trial balance
  - Run other programmed reports
- Testing completion – **CONTROLLER** communicates to Information Technology and the CFO when testing has been successfully completed and system updates are ready to load to production.

## **Annual Financial Statement Audit**

An audit is a review of the organization's financial condition by an independent organization to render an opinion on the integrity of the organization's finances. An annual audit is required by the statute and the University's by-laws.

### **Policy**

The University will obtain a financial statement audit annually. The Board of Regents selects the auditor on the recommendation of the Finance Committee of the Board.

The Finance Committee of the Board will review and approve the draft audit report, including the management letter and management responses. The final issued audited financial statements will be presented to the full Board for acceptance.

### **Procedures**

Year-end closing and annual financial audit reporting are prepared by outsourced accounting services, reviewed, and approved by the CEO and submitted to external auditors.

### **Planning**

#### **Responsible position(s):**

- Controller

#### **Required documents and access:**

- Banner

#### **Frequency and timing:**

- Annually, April or May

#### **Steps:**

- Schedule a pre-audit meeting with the auditor for planning.
- Propose a timeline for:
  - Uploading items provided by client (PBC)
  - Audit field work
  - Draft financial statements
  - Final audited financial statements
- Provide preliminary trial balance
- Update procedure internal control narratives.

### **Year-end Closing Entries**

#### **Responsible position(s):**

- Accountants

#### **Required documents and access:**

- Banner

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### **Frequency and timing:**

- Annually, July

### **Steps:**

- Complete final month-end closing of the last month in the fiscal year.
- Posts year-end journal entries for:
  - Payroll accrual
  - Fixed asset capitalization and depreciation
  - Allocation of facilities expenses
  - Net assets with donor restrictions
- Prepare draft financial statement with notes and schedules.
- Prepare audit PBC items.

### **Field work**

- Auditors perform testing on sample selections of transactions.
- Auditors provide management comments on financial statements.
- Management provides response to auditor comments.

### **Draft Audit Report**

#### **Responsible position(s):**

- Controller

#### **Required documents and access:**

- Banner

### **Frequency and timing:**

- Annually, July-August

### **Steps:**

- Generate system financial statements
- Prepare supporting schedules for MD&A and footnotes.
- Update report template
- Edit footnotes
- Review new accounting pronouncements with auditors
- Review preliminary audit findings with responsible managers to draft responses
- Review draft with CFO/President
- Submit final draft to auditors

Provide management responses to any audit findings to be reported by the auditors in the letter to those charged with governance or Single Audit

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**Final Audit Report**

**Responsible position(s):**

- External auditors
- Board of Regents

**Required documents and access:**

- Draft report and template documents

**Frequency and timing:**

- Annually, September

**Steps:**

- Auditors issue report and letter to those charged with management issue report to the Board of Directors.
- Finance Committee reviews the report and recommends it to the Board of Regents for acceptance in the consent agenda of the next board meeting.
- Board of Regents reviews and approves the audit.

## **External reporting**

To legitimately conduct business, an organization must be aware of its obligations and comply with the requirements of the federal, state, and local jurisdictions. These may include, but are not limited to, filing annual reports for corporations, income and sales tax returns, information reports for retirement benefits or charitable organizations, and payroll withholding tax returns.

### **Policy**

KSU complies with all requirements, reports, filings, and the payment of taxes on a timely basis. The CFO and legal counsel ensure all legal filings are submitted on time and in accordance with the government and other relevant agencies.

### **Procedures**

#### **Tax Filing IRS forms 990 and 990T**

These reports are typically filed after the completion of the annual financial audit.

#### **Responsible position(s):**

- Controller

#### **Required documents and access:**

- Banner

#### **Frequency and timing:**

- Annually, November 15<sup>th</sup> (fifth month following fiscal year end); automatic 6-month extension granted upon request

#### **Steps:**

- Prepare schedules for data not included in audited financial statements:
  - Compensation of officers and key employees
  - List of Board Regents
  - 5 highest compensated independent contractors – typically includes food service provider and staffing agencies
  - Schedule of functional expenses by IRS category
  - Largest donors (may be reported by Foundation)
  - Endowment funds
- Submit audited financial statements and supplementary schedules to tax account to prepare Forms 990 and 990T.
- Provide Finance Committee and/or board with a draft prior to filing.
- Request the tax accountant to file the approved forms with the IRS.

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**EADA/NCAA Financial Report**

The Equity in Athletics Disclosure Act (EADA) requires all co-educational post-secondary institutions that receive Title IV funding (i.e., those that participate in federal student aid programs) and that have an intercollegiate athletics program to submit athletics data annually.

NCAA constitution, Article 2(D)(1)(c) states that all members of the NCAA must submit annually its financial data as determined by the division detailing operating revenues, expenses and capital relating to the intercollegiate athletics program. The financial data is subject to the Agreed-Upon Procedures performed by a qualified independent accountant annually for DI members and at least once every three years for DII members.

**Responsible position(s):**

- Controller
- Athletics Director

**Required documents and access:**

- Banner
- Office of Postsecondary Education (OPE) Equity in Athletics Data Analysis (EADA)
- National Collegiate Athletics Association (NCAA) Financial Reporting System (FRS)
- NCAA FRS Supplemental Tool

**Frequency and timing:**

- Annually
  - EADA – October 15<sup>th</sup> to the Office of Postsecondary Education
  - NCAA – January 15<sup>th</sup> to NCAA

**Steps:**

These reports are typically filed after the completion of the annual financial audit.

- Download the current NCAA FRS Supplemental Tool from the NCAA website. This tool helps categorize the revenues and expenses required for NCAA reporting and summarizes it in the format required for EADA reporting.
- Obtain information for items not included in the general ledger audited financial statements including, but not limited to:
  - From HR/Payroll - Coaching salaries and benefits separated by head coach and assistant coaches
  - From Athletics –
    - In-kind contributions for dealer-provided automobiles, equipment, services, nutritional products, etc.
    - Compensation provided by third parties – items contractually guaranteed but not paid by the institution (not included in the employee's W-2)
    - Sports offered and participant counts, including second and third sports
    -

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[FD Reports \(state\)](#)

**Responsible position(s):**

- Controller

**Required documents and access:**

- Banner

**Frequency and timing:**

- Annually, November 1<sup>st</sup>

[IRS 1099-MISC and 1099-NEC Filings](#)

**Responsible position(s):**

- Controller

**Required documents and access:**

- Banner

**Frequency and timing:**

- Annually, January 31<sup>st</sup>

[IRS 1098-T Filing](#)

**Responsible position(s):**

- Bursar

**Required documents and access:**

- Banner

**Frequency and timing:**

- Annually, January 31<sup>st</sup>

[Payroll Tax Reporting](#)

Payroll tax reporting, including quarterly 941 and annual W-2/W-3 filings are handled by Human Resources/Payroll.

[IPEDS Financial Report](#)

**Responsible position(s):**

- Controller

**Required documents and access:**

- Banner
- Audited financial statements

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- National Center for Education Statistics (NCES) Integrated Postsecondary Education Data System (IPEDS) login and password

**Frequency and timing:**

- Annually, Finance - spring data collections February - March

**Steps:**

These reports are typically filed after the completion of the annual financial audit. A standardized report to pull the requested data would be beneficial to ensure the criteria remain the same and prior year amounts can be validated as shown on the survey.

- The university's representative will indicate when the Finance survey is open and provide updated login credentials.
- Update the general information; the prior year data will prepopulate in most instances.
- Run reports of financial data from reporting system (if applicable).
- Update the financial information; the prior year amounts will display.
  - Part A - Statement of net position
  - Part B – Revenues and other additions
  - Part C-1 – Expenses and other deduction by functional classification
  - Part C-2 – Expenses and other deduction by natural classification
  - Part D - Summary of changes in net position
  - Part E-1 – Scholarships and fellowships
  - Part E-2 – Sources of discounts and allowances
  - Part H – Endowment net assets
  - Part J – Revenue data for census bureau
  - Part K – Expenditure data for census bureau
  - Part L – Debt and assets for census bureau
  - Part M-1 – Pension information
  - Part M-2 – OPEB information
  - Part N – Financial health

## **Risk management**

It is fiscally prudent to have an active risk management program that includes a comprehensive insurance package. This will ensure the viability and continued operations of KSU.

### **Policy**

KSU maintains adequate insurance against general liability, as well as coverage for property and casualty. The Finance Committee evaluates risk exposure and coverage annually as part of its risk management oversight responsibilities.

### **Procedure**

As a guideline, KSU will consider the following types and levels of insurance as a minimum, either for themselves and/or their subgrantees or subcontractors in their risk management program:

- Comprehensive liability
- Directors and officers
- Worker's compensation
- Professional liability

## Document Retention

Certain federal laws prohibit the destruction of certain documents. Not-for-profit organizations should have a written, mandatory document retention and periodic destruction policy. Policies such as this will eliminate accidental or innocent destruction. In addition, it is important for administrative personnel to know the length of time records should be retained and follow protocol for the timely and appropriate destruction of records after the retention period has passed.

### Policy

Kentucky State University follows the State University Model Records Retention Schedule. All university employees are responsible for maintaining records according to this policy, whether those records are stored electronically or in paper form. Information must be accessible to the appropriate parties until all legal, fiscal, and administrative retention periods are met, regardless of the records storage medium.

- Paper or electronic documents indicated under the terms for retention in the following section will be transferred and maintained by the responsible office.
- No paper or electronic documents will be destroyed or deleted if pertinent to any ongoing or anticipated government investigation or proceeding or private litigation (check with counsel for any current or foreseen litigation if employees have not been notified); and
- No paper or electronic documents will be destroyed or deleted as required to comply with government auditing standards (Single Audit Act).

The following table summarizes the retention requirements for fiscal records. The complete retention schedule for other university records is included in the State Agency Records Retention Schedule.

| Type of Document                  | Retention                                                        | Responsible Office  |
|-----------------------------------|------------------------------------------------------------------|---------------------|
| Accounts payable ledgers invoices | 3 years or after audit                                           | Controller's Office |
| Audit reports                     | Permanent – 1 copy to University Archives                        | Controller's Office |
| Audit workpapers                  | 5 years                                                          | Controller's Office |
| Bank reconciliations              | 3 years or after audit                                           | Controller's Office |
| Bank statements                   | 3 years or after audit                                           | Controller's Office |
| Bond documentation                | 3 years after maturity and audit – 1 copy to University Archives |                     |
| Budget                            | 2 years – 1 copy to University Archives                          | Budget Office       |
| Budget workpapers                 | 5 years                                                          | Budget Office       |

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| Type of Document                                                                              | Retention                                                                   | Responsible Office                    |
|-----------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------|---------------------------------------|
| Capital construction disbursements and receipts                                               | Permanent                                                                   | Fixed Assets Accounting               |
| Contracts, leases, and legal agreements                                                       | 3 years after expiration, termination, or terms met                         | General Counsel                       |
| Correspondence (general)                                                                      | 2 years                                                                     |                                       |
| Correspondence (legal and important matters)                                                  | Permanently                                                                 |                                       |
| Deeds, mortgages, and bills of sale                                                           | Permanently                                                                 |                                       |
| Depreciation schedules                                                                        | Permanently                                                                 | Fixed Assets Accounting               |
| Duplicate deposit slips                                                                       | 2 years                                                                     | Bursar's Office                       |
| Employment applications                                                                       | 3 years                                                                     |                                       |
| Expense analyses/expense distribution schedules                                               | 7 years                                                                     |                                       |
| General financial records                                                                     | 3 years or after audit                                                      | Controller's Office                   |
| Insurance records, current accident reports, claims, policies, and so on (active and expired) | Permanently                                                                 |                                       |
| Internal audit reports                                                                        | 3 years                                                                     |                                       |
| Invitation for bid/request for proposal                                                       | Successful bid 3 years or until audit<br>Unsuccessful 1 year or until audit | Purchasing                            |
| Fixed assets records                                                                          | Retain until disposal of asset                                              | Fixed Assets Accounting               |
| Journal vouchers                                                                              | 3 years or after audit                                                      | Controller's Office                   |
| Minutes of board meetings, bylaws, and charter                                                | Permanently                                                                 |                                       |
| Payroll records and summaries                                                                 | 7 years                                                                     |                                       |
| Personnel files (terminated employees)                                                        | 7 years                                                                     |                                       |
| Retirement and pension records                                                                | Permanently                                                                 |                                       |
| Surplus property sales                                                                        | 3 years or after audit                                                      | Fixed Assets Accounting               |
| Tax forms                                                                                     | Later of 4 years after due date or paid date                                | Payroll Office<br>Controller's Office |

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| Type of Document           | Retention                                  | Responsible Office |
|----------------------------|--------------------------------------------|--------------------|
| Timesheets                 | 7 years                                    |                    |
| Vendor Lists               | Current, retain non-current until obsolete | Purchasing         |
| Withholding tax statements | 7 years                                    |                    |
|                            |                                            |                    |

## Information Technology

The Information Technology policies and procedures displayed in the policy section of the KSU webpage detail the acceptable usage, data classification, and security of IT services for students, faculty, and staff. Additionally, the Information Technology Banner and ADP Access control document sets guidelines for access controls and review of the Banner and ADP systems at KSU.

The policies apply to all KSU students, faculty, staff, Board of Regents, and all others who use, have access to, store, transmit or oversee KSU information technology resources. This applies to access of any KSU information resources from any device.