Jarvis Christian College

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1. INTRODUCTION

1.01 Purpose of the Manual

The *Fiscal Policies and Procedures Manual* (“Manual”) has been developed to document the practices of Jarvis Christian College (“The College”). The manual provides staff and other interested parties with detailed information about the defined fiscal policies and established procedures for accounting, financial processing and reporting. In addition, the manual serves as a training tool for new personnel and as an instructional tool for current employees.

This manual is intended to complement other institutional policies and procedures such as those found in the Board operating policy and procedure manual, personnel policy and procedure manual, the faculty and student handbooks, the College’s catalog and the financial aid policy and procedure manual.

1.02 Overview of the College

Jarvis Christian College is a historically Black accredited four-year, co-educational institution, founded in 1912, in Hawkins, Texas and is currently affiliated with The Disciples of Christ. The College was named for

The College is an open admission institution committed to providing students with a broad liberal arts and career-oriented education in a Christian environment, promoting teaching and learning excellence, and improving the quality of the human experience. Consistent with this commitment, the College is to prepare students as scholars intellectually, socially, and personally to participate in and contribute to a global and technological society.

The College maintains the tradition of providing quality liberal arts and career-oriented programs leading to the baccalaureate degree.

College is committed to carrying out its educational and administrative goals with exemplary educational and instructional technology in an environment of democratic decision-making.

An organizational chart of the College’s administration is presented as *Exhibit 1* on page 61.

1.03 Overview of the Business Office – VP for Finance and Administration Division

The Business Office is responsible for the financial aid, accounting and reporting, security, facilities, information technology, vending and other auxiliary services, and food services management systems of the College. Specific functional responsibilities are budgeting, general ledger processing, purchasing, accounts payable processing, fixed asset management, accounts receivable processing, payroll, monitoring and
reporting, cash management, cashiering, security and financial aid. The Business Office organizational chart (Exhibit 2, P. 62) is provided that depicts the Business Office division.

The Business Office is also charged with ensuring that the College’s internal accounting and administrative controls are adequate. Internal controls are the methods and procedures adopted by the College to safeguard its assets, ensure the accuracy and reliability of its accounting data, promote operational efficiency, and help ensure adherence to prescribed policies and procedures.

2. GENERAL LEDGER PROCESSING

The General Ledger is the nucleus of the accounting system. It contains a detailed summary of all accounts and financial transactions of the College.

2.01 Account Classification

Because of the College’s funding sources, the use of resources generally is subject to limitations, designations or restrictions. One function of the accounting system is to ensure compliance with these provisions. This is accompanied by assigning specific account numbers to designated accounts within the general ledger.

The accounts of the College must be grouped into the following three (3) major classifications:

(1) **Unrestricted** net assets are resources that do not have any donor-imposed restrictions and are generally available for the College’s operations. Tuition, fees, auxiliary enterprises, quasi-endowed funds and other unrestricted operations of the College are recorded as unrestricted net assets.

(2) **Temporarily Restricted** net assets are resources that contain donors imposed restrictions or stipulations that are satisfied with fulfilling the requirements of the donors and/or the passage of time. As the restrictions or stipulations are lifted, these resources are reclassified to unrestricted net assets. Government grants and contracts, term endowments and other restricted gifts are recorded as temporarily restricted net assets.

(3) **Permanently Restricted** net assets are resources in which the corpus or principal is permanently restricted for particular use by a donor. Earnings from such resources may also be restricted. The College’s permanent endowment fund is recorded in this category.

2.02 Accrual Accounting
The College’s books shall be maintained on the accrual basis of accounting. The accrual basis of accounting mandates that revenues be reported when earned and expenses are reported when goods and services are received. Expenses incurred at the close of an accounting period must be accrued and expenses applicable to future periods must be deferred.

2.03 Chart of Accounts

The development and maintenance of a chart of accounts shall lie within the Business Office, specifically the Controller. To maintain the integrity of the general ledger, the chart of account must be:

(1) Large enough to accommodate the growth of the College.

(2) Detailed enough to permit an accounting for each specific program by location and funding period.

(3) Comprehensive enough to allow for consolidation of all College transactions.

(4) Flexible enough to permit the generation of all and any kind of financial report that may be needed.

The Controller must approve all new account numbers for financial transactions and is responsible for maintenance of the Chart of Accounts.

The Chart of Accounts component structure consists of 8 numeric characters grouped into four components. The account format \((x-x-xx-xxx)\) categorizes an account number as follows:

<table>
<thead>
<tr>
<th>Fund Type</th>
<th>Statement Code</th>
<th>Financial Division Code</th>
<th>Object Code</th>
</tr>
</thead>
<tbody>
<tr>
<td>(x-x-xx-xxx)</td>
<td>(x)</td>
<td>(xxx)</td>
<td>(xxx)</td>
</tr>
</tbody>
</table>

The account format is elaborated below.

- The Fund Type —
  - 01 Unrestricted Net Assets
  - 02 Temporarily Restricted Net Assets
  - 03 Permanently Restricted Net Assets

- Financial Division Code —
  - 1000-9999 Various College Departments

- Statement Code —
  - 100-199 Assets
  - 200-299 Liabilities
  - 300-399 Net Assets
2.04 Overview of General Ledger Maintenance

Fiscal transactions of the College occur on a daily basis, cash receipts, invoicing, purchasing, cash disbursements, etc. These transactions are posted directly either to the general ledger individually or in summary through a subsidiary accounting module in the accounting system such as: accounts receivable, accounts payable, fixed assets, payroll, etc.

Within a fiscal year are twelve monthly accounting periods. The last day of each monthly accounting period is called the cut-off date. Cut-off means that no further routine transactions will be posted to the general ledger for the period just ended. As of the cut-off day, a preliminary trial balance which lists the outstanding balance of all general ledger accounts must be requested and printed from the system.

The preliminary trial balance must be used to prepare various reconciliations. These reconciliations, between the general ledger and various external documents and subsidiary records, shall ensure the accuracy and completeness of the general ledger.

Once all the adjusting entries have been posted from the reconciliation process, the month close procedure must be performed in the Jenzabar accounting system and adjusted trial balance shall be produced. A final trial balance indicates that the books are now closed. No entries shall be posted in a closed period.

The final trial balance is then used to prepare the financial statements and other reports as necessary. These reports are generated in the Jenzabar accounting system based on predefined report cells.

The Controller has the overall responsibility for managing the month-end and year-end closings and general ledger maintenance.

2.05 Daily General Ledger Maintenance

During the day, a variety of accounting transactions may be entered into the Jenzabar accounting system modules. Daily accounting entries, for example, may be made to
generate checks, to post accounts payable, to enter cash received, etc. These transactions are posted to a General Ledger Activity file through the respective modules. The General Ledger Activity file is used to post the transactions or entries to the General Ledger.

All entries made to the respective modules must be reconciled to source documents before posting to the general ledger. This process will minimize any subsequent corrections on the general ledger and other modules.

All transactions must be posted to the general ledger on a daily basis. This will enable more timely and accurate “funds availability” inquiries when processing purchase requisitions.

2.06 Month-End General Ledger Maintenance

As of the established cut-off date (last day of the month), the Vice President for Finance and Administration and Controller shall ensure the following tasks are performed by the 28th of the following month:

(1) Ensure all transactions from the supporting modules (accounts payable, accounts receivable, etc.) have been posted to the general ledger.

(2) Determine any recurring adjusting entries and post, for example, prepaid expense amortization, depreciation expense, capital lease amortization, etc.

(3) Print and review the preliminary general ledger detail for any mis-postings and errors. Prepare required adjusting journal entries.

(4) Perform all month-end reconciliations including:

- Bank and investment accounts
- Student accounts receivable (SAR)
- Accounts payable
- Property and equipment ledger
- Due to/from accounts
- Title IV Student Financial Aid to SAR
- Direct Loans to the USDE
- Travel expense advances

Student financial aid awards are reconciled monthly with the Office of Financial Aid to ensure that the amounts depicted on student accounts reflect accurately the amount awarded by Financial Aid. This process assists in ensuring compliance with Federal regulations.
(6) Prepare any necessary final adjusting journal entries and post.

(7) Print final general ledger and financial statements and forward to the President, and the Vice Presidents of the various departments.

The Vice President for Finance and Administration and Controller shall initiate preparation and appropriate distribution of the reports listed in section 2.09 no later than the 30th day of the following month.

A month-end closing schedule shall be used to document compliance with close-out procedures. The Vice President for Finance and Administration shall review compliance and sign-off in the space provided.
2.07 Year-End General Ledger Maintenance

The fiscal year for the College ends on June 30th. Year-end activities shall be performed during the month of July, with the annual audit to follow shortly, no later than the third week in August.

(1) Year-end activities are almost identical to the monthly procedures. The Controller must review all the account balances to verify that the subsidiary records support the balances.

(2) After the necessary accounting adjustments have been made, the annual audit must be scheduled to be performed prior to the year-end close out. Any accounting adjustments arising from the annual audit shall be posted to the general ledger prior to the final year-end close out. The final year-end close out shall involve posting all adjustments to produce the final audited account balances for the year. Jenzabar allows two fiscal years to be open simultaneously.

(3) After the final fiscal year-end close out task, the general ledger must be initialized for the new fiscal year. This routine involves an automatic post-closing entry to close out all revenue and expense accounts to net assets. Thus, the opening balances for the new fiscal year will have zero balances in the revenue and expense accounts.

(4) The Vice President for Finance and Administration and/or the Controller must compare the trial balance prepared by the auditors and the final trial balance generated by the accounting system to ensure that the balances match.

(5) The College must keep on file a copy of the trial balance, detail general ledger, and all subsidiary reports (see section 2.09).

2.08 Manually Prepared Journal Entries

The general ledger maintenance process routinely requires the use of manually prepared journal entries to record account corrections, adjustments, transfers, and other transactions not made automatically by Jenzabar.

(1) All manual journal entries must be entered to the general ledger on the day that they are prepared and approved.

(2) Supporting source documents must be attached to the journal entry.

(3) The debits and credits on the journal entry must equal.

(4) The Controller must approve the journal entry.

(6) All completed journal entries shall be filed chronologically.
2.09 Reports

Except as noted, the following reports shall be produced each month in connection with the month-end general ledger maintenance:

- Trial Balance
- Cash Disbursement Journal
- Cash Receipt Journal
- Accounts Payable Journal (activity detail)
- Accounts Payable Aging
- Accounts Receivable Journal (activity detail)
- Accounts Receivable Aging
- Statement of Financial Position (Balance Sheet)
- Statement of Activities (Income Statement)
- Budget Status Report (Budget vs Actual)

The above reports must also be produced at year-end and made a permanent part of the College’s financial records. The Budget Status Report will be provided to the Vice Presidents of each area or his/her designee.

3. CASH RECEIPTS PROCESSING

Generally, checks, cash and related items are received by various offices throughout the College. For example, application fees are collected by the Admissions office; contributions may be received directly by the President’s and Development offices; athletic ticket sales might be collected by the Athletics Department and students pay on accounts at the Cashier’s office.

3.01 General Procedures

The College has developed the following procedures to ensure that all cash received by the College is accounted for and is deposited intact for safekeeping.

1. All cash and checks shall be forwarded within 24 hours to the Cashier who must record the cash in the Receipts Module in the accounting system and prepare the bank deposit slip. Also, the Cashier shall prepare a daily reconciliation comparing the Cash Receipt to the bank deposit slip. The reconciliation, Cash Receipt with supporting documentation and bank deposit slip must be forwarded to the Controller daily.

2. The Controller must review and approve the reconciliation, Cash Receipt and deposit slip. After review and approval, the Cashier shall deliver the bank deposit to the Vice President for Finance and Administration. The Vice President for Finance and Administration shall deposit the funds into the designated bank account and return the deposit slip to the Cashier. The Cash Receipt Module must be posted to the general ledger daily.
(3) The Cashier shall attach the bank deposit slip to the daily cash reconciliation. A file must be maintained for both the daily cash reconciliation and Cash Receipt with the supporting documentation.

(4) The cash remaining in the vault must be the remaining balance of the petty cash fund. No excess cash should be kept in the vault.

(5) The Administrative Assistant to the Vice President for Finance and Administration shall open checks and payments that are received through the mail. The Administrative Assistant must complete a Cash Transmittal listing the checks and payments received for the day. The Cash Transmittal must be approved by the supervisor and the general ledger account number must be verified by the Controller or Accountant prior to submitting to the Cashier. The checks and payments along with the supporting documentation and the Cash Transmittal shall be hand delivered to the Cashier. The Cashier shall prepare a receipt. The Administrative Assistant must attach the receipt to a copy of the Cash Transmittal and file by date. Also, a copy of the Cash Transmittal must be forwarded to the Vice President for Finance and Administration.
(6) Cash or checks received by other College offices (i.e. Development, Alumni, President, etc.) must also be processed through the Cashier. The applicable office Administrative Assistant or Secretary shall complete the Cash Transmittal by following the procedure outlined in the above step five (5). Once again, the cash and checks along with the supporting documentation and the Cash Transmittal shall be hand delivered to the Cashier.

(7) The Cashier shall post payments that are received at the cashier window to the student accounts receivable. The Cashier must also prepare a receipt for the payer.

(8) All checks should be restrictively endorsed as follows: **For deposit only - Jarvis Christian College**. An account number must be specified.

(9) The Senior Accountant shall reconcile the bank statement to the general ledger bank account within 10 business days of receipt of the bank statement.

3.02 Federal Cash Drawdowns

The procedure for the drawdown of Federal funds is to ensure:

(1) Federal cash is not overdrawn.
(2) There is documentary evidence to support the drawdown.
(3) Proper accounting is made for each draw.

Federal regulations require that Federal Cash on Hand should not exceed **three days of needed cash**. Therefore, the timing of draws must be made so that no more than three days of cash-in-hand is received.

(1) Requests for Federal drawdowns are processed electronically. Once the information has been entered into the system, a report is received verifying that the request was successfully processed on the Federal Grant Administration and Payment System ("GAPS"). The report should be printed and attached to the drawdown request. For expenditure reimbursement, the request must be for actual expenditures that are supported by the general ledger. For advance requests, the estimate for the expenditure lines should not exceed three days of cash need.

(2) The Staff Accountant or Controller shall prepare the drawdown request and the Vice President for Finance and Administration should review and approve the draw.

(3) A separate restricted bank account must be set up as a recipient of the Federal funds. The account shall be entitled “Federal Funds Restricted”. Each draw request must be documented so that a clear audit trail is established to determine the source, amount and purpose of the draw.
4. ACCOUNTS RECEIVABLES

The types of accounts receivable include student (SAR), employee, Federal government (Pell, SEOG, Title III, etc.), Federal Perkins Loan, pledges and other accounts receivable.

4.01 Student Accounts Receivable (“SAR”) - Registration Interface

Under no circumstances shall a student be allowed to enroll based on an estimated financial aid award. The Financial Aid Office shall collect from the student all necessary information and documents in order to determine an actual award on or before registration. The Financial Aid Office shall have facsimile machines, telephone and other technology available to facilitate the collection of required documents.

Only the Registrar has the authority to establish an account for each student enrolling at the College. The new student account is established automatically in the Jenzabar system when a student’s admission application has been accepted by the Admissions/Registration Office.

Before the pre-registration and final registration period begins, the Controller shall ensure that the master charge menu has been updated for the board approved tuition, fees, room and board rates. Once the Board of Trustees approves the next year’s tuition and fee rates, written notice shall be provided to all continuing students.

For students who have pre-registered, the Student Accounts Manager shall mail pre-bills to all such students within 30 days after pre-registration. On or before 14 days of registration, the Student Accounts Clerk shall mail pre-bills to students after all awarded financial aid has been applied. Included in the mailing shall be literature on the student’s rights, responsibilities, registration process, payment plan options, etc. These steps are designed to encourage students to satisfy their bills on or before registration.

The Vice President for Finance and Administration together with assistance from the Controller and Student Accounts Manager shall be responsible for working with the Registrar to ensure an orderly registration process which minimizes student waiting...
time, long registration lines, etc. and does not violate these policies and procedures.

The Hope and Lifetime Learning Tax Credit reporting required by the Taxpayer Relief Act of 1997 requires the College to prepare and file an IRS Form 1098-T for all students for which the College received tuition payments from during the year. The College is required to provide a copy of the 1098-T to the student by January 31st and to the IRS by March 1st of the preceding year. Failure to do so may result in the imposition of fines or penalties if no effort was made to comply with the regulations. The Vice President for Finance and Administration shall design the necessary data collection form to obtain this required information from the student at registration. The National Student Loan Clearinghouse or similar service may be engaged to facilitate regulatory reporting requirements.

4.02 Student Accounts - Charges and Debits

Charges and debits relating to room and board, tuition and fees are posted to the student’s account during registration (see section 4.01). Miscellaneous charges must be approved by the department head initiating the charge.

All charges for each semester are due and payable on or before registration. If a student is a recipient of financial aid and his/her actual awarded financial aid is less than the total tuition, fees, room and board charges, the student may be eligible for a deferred payment plan after payment of at least one-fourth the difference (see section 4.05 for details).

4.03 Student Accounts - Payment Processing

The Cashier within the Business Office shall post payments received through cash receipts processing on a daily basis. A Cash Receipt Journal listing the cash posted must be printed and balanced to the cash receipts daily. See section 3.01 for detailed cash receipts processing.

4.04 Student Accounts - Credits and Adjustments

The Controller must approve all entries to the accounts receivable system other than charges and payments. A General Ledger Journal Entry Input Form shall be used, signed by the preparer and approved by the Controller and/or Vice President for Finance and Administration. An explanation of the adjustment and supporting documentation must be attached in all cases.

4.05 Student Accounts - Credit and Collection

(1) The College may issue credit, at the direction of the Vice President for Finance and Administration or President.

(a) If a student is unable to pay the balance owed after the application of actual awarded financial aid, the student may qualify for a deferred payment
arrangement after one-fourth of the remaining balance has been paid on or before registration. To qualify, the student must:

i. Pay one-fourth of the balance difference.

ii. Have completed all financial aid files and have been actually awarded all eligible and available financial aid.

iii. Execute a Jarvis Christian College Financial Agreement signed by the student, and parent if necessary. The financial agreement shall specify the payment terms which shall include the remaining balance payable in three monthly installments.

(b) The Accounts Receivable Manager must mail account statements monthly no later than the 3rd day following month-end to the student and parent or responsible party.

(2) Using the monthly accounts receivable aging report, the Student Accounts Manager shall be aggressive in following-up on balances owed to the College using the following techniques:

(a) For presently enrolled students, these steps shall apply:

i. If the account is 7-14 days past due, send a reminder notice to student and parent (or responsible party).

ii. If the account exceeds 15 days past due, send a stronger worded collection letter approved by the Vice President for Finance and Administration and make telephone contact with the student and parent/responsible party.

iii. If the account exceeds 30 days past due, refer the account to the Vice President for Finance and Administration to determine appropriate action (e.g., revised payment terms, possible dis-enrollment, etc.).

iv. The Student Accounts Manager shall administer the exam permit procedure to aid in the collection of outstanding account balances.

v. Delinquency fees or interest may be added to an account that becomes 30 days past due. This must be specified in the promissory note.

(b) For students no longer enrolled at the College, three (3) notifications are sent within 30 days. If no payment is received within 30 days, refer the account to a collection agency. After 90 days, if the collection agency is unsuccessful, refer the account to an attorney. As specified in the promissory note, assess collection and attorney fees against the account.

(i) Refer such delinquent accounts to state tax authority if tax garnishment
is allowed under Texas or applicable state law.

4.06 Student Accounts - Deferred Payment Arrangements

The credit and collection process also includes deferred payment arrangements. Prior to extending deferred payments, the Student Accounts Manager shall:

(1) Obtain a co-signer (parent, guardian or spouse) which would improve the quality of the promise to pay and provide an additional source for repayment. Ensure that the promissory note is written to incorporate legal rights, responsibilities and consequences.

(2) Consider past payment performance of student.

(3) Provide counseling to students and parents regarding payment responsibilities and consequences of default prior to extension of the deferred arrangements.

(4) Ensure that the deferment fee covers the carrying cost of the College financing the tuition and fee charges over the semester.

(5) Utilize a tuition management service or the student accounts receivable system to account for installment arrangements to better manage deferred payment arrangements.

4.07 Student Accounts - Charge-Off Policy

Only the President may authorize an account to be charged-off; however, the Vice President for Finance and Administration may recommend accounts to be charged-off. If an account is charged-off, it does not mean that collection efforts will cease. Charge-off is simply the term given to remove the account from the active student accounts file. Accounts recommended and approved for charge-off must meet any one of the following criteria:

- The collection efforts have been rendered useless (i.e. internal, external and legal efforts to collect have not resulted in any monies paid on account).

- Death, disability or bankruptcy of debtor.
• At the discretion of the President, but deemed to be in the best interest of the College. Must be documented in writing.

4.08 Student Accounts - Refund Policy

A student is due a refund if a credit balance exists on his account after posting of all correct charges, payments, financial aid, scholarships, etc. The refund must be processed and a check issued within 14 days after the credit balance first appeared on the student’s account. If the College is on payment-by-reimbursement with the U.S. Department of Education, the refund must be processed and a check issued within 14 days of receipt of funds. If a student is compelled to withdraw from school or reduce course load during the semester, refunds of charges shall be made as follows:

<table>
<thead>
<tr>
<th>Official Withdrawal Date</th>
<th>Tuition</th>
<th>Room</th>
<th>Board</th>
</tr>
</thead>
<tbody>
<tr>
<td>First through 12th day of classes</td>
<td>90%, 80%</td>
<td>Number of weeks remaining in semester less one week.</td>
<td></td>
</tr>
<tr>
<td>After 12th day of classes</td>
<td>0%</td>
<td>Prorated based on the number of weeks remaining in semester</td>
<td>Same as above</td>
</tr>
</tbody>
</table>

Any student receiving Title IV, student financial aid funds shall be subject to Federal regulations governing refunds. Such regulations shall override the above policy.

The Student Accounts Receivable Manager is responsible for processing student refund check requests. The check requests must be approved by the Vice President for Finance and Administration.

The Student Account Manager shall ensure the following:

1. Weekly, a list of all accounts with credit balances shall be printed from the Jenzabar System. All charges and credits on the accounts must be verified for completeness and accuracy.

2. A check request is prepared for each student whose credit balance has been determined as correct. Supporting documentation (e.g. account statement) must be attached to all requests.

3. Student refund checks must not be issued to students with a debit accounts receivable balance.

(1) Refund checks must be approved by the Vice President for Finance and Administration before issuance.
(2) A student who is required to withdraw because of violation of the College's regulations shall receive no refund by reason of such withdrawal.

4.09 Federal Perkins Loan Receivable

Federal Perkins Loan, formally called the NDSL are low-interest, long-term loans awarded through the Financial Aid Office to help needy students pay educational costs. The Perkins Loan fund consists of annual Federal allocations and institutional matching contributions. Because of its high default rate, the College has not received Federal allocations in recent years. There is a maximum repayment period which is ten years for the loan following the grace period. Deferments and cancellations are available for specific kinds of service and employment, disability, financial hardships, bankruptcy and death of a borrower.

Federal regulations dictate the procedures that must be followed by the College. The Default Manager must have a working knowledge of these regulations in 34 CFR, Part 674.

The Federal Perkins Loan process starts in the Financial Aid Office when the student is awarded a Perkins Loan. Once the loan is awarded, the Default Manager conducts the following:

1. Prepares promissory note for student execution. Only one promissory note is required; however, each loan advance must be signed for by the borrower. The borrower must sign before disbursements are made.

2. Counsels the borrower regarding his or her rights, responsibilities, etc. before the promissory note is signed.

3. Issues credit authorization to the Student Accounts Manager for the amount of the loan advance.

4. Conducts an exit interview following Federal regulations when the student leaves the College.

The loan is officially in repayment status when the borrower separates from the College and an exit interview has been documented. Certain due diligence procedures must be followed by the Default Manager as specified in the Federal regulations.

The College uses Greentree Software for maintaining the Perkins Loan accounting records. The Default Manager must reconcile the Perkins Loan journal to the general ledger accounts monthly. The Default Manager is also responsible for completing the Perkins Loan portion of the annual FISAP report.

4.10 Student Accounts Receivable-Reconciliation
The student accounts are assessed charges and credits during the registration process. The initial charges are assessed based on the student’s registration form. However, additional charges including room and board charges may be assessed after registration.

Charges which may be assessed are:

- Tuition
- Room and board
- General fees
- Advanced placement fee
- Auto registration
- Late registration
- Replacement of lost ID or meal card
- Removal of an “I”
- Student teaching fee
- Graduation fee
- Drop and/or add a course
- Replacement of mailbox key
- Lab fees
- Property damage fees

Credits may be posted to the student accounts based on the financial aid awarded for the semester and/or cash paid by the students.

After the initial registration, the Student Accounts Manager must reconcile the student accounts receivable to the Registrar’s Office, Financial Aid Office and housing records. The Student Accounts Manager shall also assist the Staff Accountant with reconciling the student accounts module to the general ledger. Reconciling the student’s account ensures that both charges and credits posted to the account are accurate and in agreement with the supporting systems. Also, reconciling items are immediately identified and adjustments are processed to clear the items. The Student Accounts Manager should:

1. Request a copy of each student’s registration transmittal form from the Registrar’s Office.

2. Reconcile the charges on the registration form to the charges on the student accounts. Also, reconcile the room and board charges to the student accounts. All reconciling items must be identified and cleared. Reconciling items that were created by the Registrar’s Office should be communicated to and cleared by the Registrar’s office. Housing records should be the official records used to verify room and board charges.

3. Request from the Financial Aid Office a copy of each student’s financial aid award.
i. Reconcile the above information received from the Financial Aid Office to the student’s account. Reconciling items should be identified and cleared. Reconciling items created by the Financial Aid Office should be communicated to and cleared by the Financial Aid Office.

4. Cash receipts posted to the student accounts should be reconciled to the Daily Cash Transmittal Form. All reconciling items must be identified and cleared.

All reconciling items to be cleared by an adjustment posted to the student account must be approved by the Vice President for Finance and Administration or Controller.

4.11 Gift Pledge Accounting

4.11A Purpose

The purpose of this document is to record the procedures used by the Development Office and the Finance Department to record Pledge revenues and receivables, to classify receivables, and to provide an Allowance for Doubtful Pledge Receivable.

4.11B GASB Statement No. 33

Accounting and Financial reporting for Non exchange Transactions - was issued December 1998. The Statement establishes accounting and financial reporting standards that address when to report non exchange transactions, including Gift Pledges.

4.11C Gift Pledges

Gift Pledges are described as voluntary non exchange transactions that result from legislative or contractual agreements entered into willingly by two or more parties (i.e., certain grants or private gifts and donations).

A gift is defined as a voluntary transfer of items of value, usually in the form of cash, checks, securities, real or personal property. Gifts may come from individuals, corporations, foundations and other sources; recipients can use them for unrestricted or restricted purposes. Recipients make no commitment of services or resources in return for gifts, other than possibly agreeing to put the gift to use as the donor designates.

The following characteristics describe a gift:

- No contractual requirements are imposed and there are no "deliverables" to the donor. However, the gift may be accompanied by an agreement that restricts the use of the funds to a particular purpose. Gifts are often evidenced by pledge agreements, letters of intent, pledge cards, notations on donor checks and acknowledgement correspondence.
• A gift is typically irrevocable. While the gift may be intended for use within a certain timeframe, there is no specified "period of performance" or "start" or "stop" dates as associated with Sponsored Programs.

• There is no formal fiscal accountability to the donor beyond progress reports and summary reports of expenditures, often thought of as good stewardship.

Gift Pledges should be evidenced as described above for gifts in general.

4.11D Contingencies

If the donor makes stipulations that must be met before a gift transaction can occur, such as evidence of intent to purchase a building, then a liability to contribute the gift has not occurred until such conditions are satisfied. No revenue/receivable recognition will be made until the stipulation is satisfied (any payment in advance should be credited as a Deferred Revenue).

Unconditional gift pledges should be recorded in G/L accounts when the pledge is accepted, is verifiable, measurable and is probable to collect.

When an unconditional gift pledge is received or a conditional gift pledge has been met, the Development Office enters this in the Development Office module and books the entry to the Fiscal Department. The Controller then posts the pledge at its net present value, a debit to Pledges Receivable and a credit to Pledge Revenue. When the gift pledge is collected, cash is debited and pledge receivable is credited.

Pledges extending beyond one year must be properly valued using time value of money techniques based upon yields as listed in the “Wall Street Journal” as of the last day of the fiscal year.

Allowance for Doubtful Gifts - The Finance Department with input from the Development Office will determine an allowance factor for uncollectible pledges. The provision may be calculated by (1) applying an average percentage of historical gift pledge write-offs, or (2) applying an appropriate percentage to aged receivable balances. Adjustments to the pledge receivable are offset by corresponding adjustments to the Pledge Revenue account.

4.11E PROCEDURES

The Development Office makes the determination as to what constitutes a gift and a gift pledge. A monthly Gift Pledge report is prepared listing each gift pledge and showing face value amounts and installment dates, payment amounts/dates, and balance. This report is provided to the Finance Department prior to the monthly accounting close date. Endowment pledges are included and are marked accordingly, but the Finance Department excludes endowment pledges from gift pledge accounting per GASB 33. New pledges in the month are highlighted as well as payments received in the month. If a decision has been made that a pledge will not be received in the future and that it will be dropped from the report, then that information is included also.
The Finance Department maintains an Excel spreadsheet report for gift pledges. Gift pledges are listed by the year in which they originate and the appropriate discount rates are used for net present value. Basic calculations are made and then net present values are carried into columns that summarize data by future year. In order to balance with the Development Office Gift Pledge report, endowment pledge face value amounts are listed at the top, and a total face value on the Finance Department report is calculated and then compared to the Development Office report. New pledges for the month are added. Any payments are entered as a reduction in the face value/net present value of the next installment. The remaining face value balance of each pledge should agree with the balance on the Development Office report. Columnar totals by future year allow for determining the Current and Non-current amounts for both Pledge Receivables and the Allowances. The Finance Department spreadsheet is updated and adjusting accounting entries are made if significant material pledge activity has occurred.

The Allowance for Doubtful Pledges Receivable factor is determined once a year, normally in June. The Associate Vice President for Finance/Controller with the Development Office meet to review the questionable pledges, the history of failed pledges, and to agree on a percentage factor to be used for the current fiscal year/AFR. The agreed rate is applied equally to all future year installment balances.

Gift pledge entries are made to the following accounts:

- G/L Account 1-4-760-119 Gift Pledge Revenue
- G/L account 1-1-703-109 Gift Pledge Receivables
- G/L account 1-1-704-109 Allowance for Doubtful Gift Pledge Receivables

Updated: August 2013

4.12 Government Grants Receivable

Under the direction of the VP for Finance and Administration, the AVP/Controller and Grant Accountant shall be responsible for maintaining controls of all government grants and contracts billings using a combination of the Jenzabar accounting system and Excel spreadsheets to monitor collection of these receivables.

Reimbursement-type grants and contracts are invoiced and/or drawn down based upon allowable expenses that are charged to the grant and/or contract. Draws are now performed monthly.

Accounts receivable for grants and contracts are booked on the general ledger only at fiscal year-end. Accounts receivable for grants and contracts are considered 100% collectible and an adjustment is not necessary to the Allowance for Doubtful Accounts.

Refer to **GRANTS and CONTRACTS (page 53)** for the accountability of Government Grants.
5. CASH DISBURSEMENTS PROCESSING

5.01 Expense Requisition/Purchase Order

An Expense Requisition initiates the purchasing cycle for both goods and services. The department in need of the good or service has the responsibility of preparing the requisition. The approval of the requisition signifies that the College has committed itself to purchasing the goods or services. No department shall obligate the College to purchase goods or services without an approved Purchase Requisition.

An Expense Requisition is funded by unrestricted or restricted (institutional or funded programs) dollars. Listed below are the approval levels for requisitions funded by both unrestricted and restricted funds:

5.01A Unrestricted funds may require up to four signatures.

(1) The Requestor
(2) Supervisor/Budget Department Head/Area Vice President
(3) Vice President for Finance and Administration
(4) President or his appointed designee

5.01B Restricted funds may require up to seven signatures.

(1) The Requestor
(2) Immediate Supervisor
(3) Area Vice President
(4) Director of Sponsored Programs
(5) Executive Vice President
(6) Vice President for Finance and Administration
(7) President or his appointed designee

The approval of a requisition by the Supervisor or Budget Department Head, Project Manager and Sponsored Programs Manager authorizes the expenditure and affirms:

- That the expenditure is allowable under the appropriate grant or funding source.
- That the expenditure has been budgeted.
- That funds are available under the budget for the expenditure.
- The grant and general ledger account number to be charged.
- That the expenditure is necessary for the program.

The above approvals are a part of the accounts payable approval process and may take up to ten business days.

The approval of a requisition by the Vice President for Finance and Administration or
Controller validates:

- The grant or account to be charged.
- That the expenditure has been budgeted.
- That funds are available under the budget for the expenditure.
- That the expenditure is allowable under the appropriate grant or funding source.

The approval of the Vice President for Finance and Administration/Controller must be completed within forty eight (48) hours of receipt of the Expense Requisition.

The approval of a requisition by the President or his appointed designee authorizes all expenditures. Approval by the President ensures that all expenditures have been properly approved and that the transaction may be completed.

All Expense Requisitions must have the approval of the appropriate area vice president and final approval of the Vice President for Finance and Administration/Controller and President and/or his designated representative before a Purchase Order will be issued. Once all approvals have been obtained, the approved Expense Requisition is forwarded to the Purchasing Manager.

The Expense Requisition has a preprinted requisition number located in the top left corner. The Purchasing Manager shall assign a Purchase Order number to the top right corner of the approved requisition. The following information must be included on the purchase order:

- The date of the order.
- The date the goods or services should be delivered.
- The terms of the order including quantity, description and price.
- The shipping instructions.

Each Purchase Order must be signed by the Purchasing Manager before the vendor is authorized to provide the goods or services.

The Purchasing Manager shall distribute the Expense Requisition/Purchase Order as appropriate to the applicable departments.

The Purchasing Manager must maintain an open and closed Purchase Order file in numeric order. The Purchase Order must be entered into the system generating an open Purchase Order Report. The Purchase Order must be canceled from the system once the goods are received and the College has been invoiced.

5.02 Competitive Bidding

Competitive bidding shall be sought for goods and services through a process that circumvents any appearance of favoritism and reflects prudent fiscal management. The following limits of spending and procedure shall be observed:
1. Goods and services with a per unit cost/items up to $4,999 do not require competitive bids. However, for the sake of practicality, the College shall procure the least expensive or most appropriate item or service for the money spent.

2. Goods and/or services with a per unit cost/item of more than $5,000, but less than $10,000 require formal comparative pricing based upon concrete advertisements, listings, or documented quotations solicited by telephone or mailing. This comparative pricing must be documented and attached to the purchase requisition.

3. Goods and/or services with a per unit cost/item of more than $10,000, but less than $25,000 require a request for formal bidding by no less than three vendors.

4. Goods and/or services with a per unit cost/item or more than $25,000 require the preparation of a request for proposal (RFP).

5. All invitations for bids or request for proposals must be based upon clear and accurate description of the technical requirements for the material, product, or service to be produced or purchased. Bid specifications must be definite and as detailed as possible. Maximum efforts should be made to utilize small and/or minority business sources of goods and services.

6. If three quotations or formal bids cannot be secured, the reason must be noted along with the quotations actually received. Should special circumstances warrant the selection of a vendor who does not quote the lowest price, the reason must be noted on the file copies of the purchase order and the President must approve the selection.

7. The same approvals apply also for sole source vendors. Sole source vendors are those vendors who are the only supplier of a good or service based on the specifications indicated in the request for proposal.

8. In selecting a supplier where a variety of items are being purchased and the lowest price on a few items is not always a major factor, such factors as reliability, service, and quality of product, delivery, and customer satisfaction must be considered.

9. A major purchase exceeding funding guidelines may require additional approval from funding sources. Also, there may be cases where funding sources require specific procedures for purchases in addition to institutional requirements. A careful review of the grant documents normally will specify special procedures required. In cases where funding requirements dictate special procedures, the
10. The Mailroom Supervisor/Receiving Coordinator shall receive and deliver all purchased items. The Purchasing Agent must check the invoice and packing lists or shipping documents against the order for discrepancies before payment is authorized.

11. If there are discrepancies, the Purchasing Manager/Inventory Control Agent will attempt to correct the problem with the vendor or staff.

5.03 Staff Travel

All out of town travel must be approved (according to the employee handbook section 3.4.25) ten (10) working days prior to departure. The employee requesting to travel must complete a Request for Travel Form. Adequate support must be attached to the travel form to document the purpose of travel and estimated cost.

1) Once the travel form is approved, a designated individual shall make the necessary plane or hotel reservations and also request any per diem and other costs. Travel arrangements must be made as far in advance as possible to secure the most affordable rates.

2) All advance funds must be accounted for in full. Failure to do so may result in any unaccounted for advances being deducted against employee’s next paycheck. The employee must complete the attendance portion of the travel form upon return from the trip to account for all the funds that were advanced and expenses incurred within ten business days of return. All supporting receipts must be attached to the expense form. The expense form must be processed based on the instructions on the form. When students are involved, the Vice President for Academic Affairs and the Vice President for Student Affairs and Enrollment Services shall approve the expense form (excluding approved athletic teams).

3) Employees required to travel by way of personal automobile for the College must obtain prior written authorization from the appropriate supervisor and Vice President for Finance and Administration. When students are involved, the Vice President for Academic Affairs and the Vice President for Student Affairs and Enrollment Services must approve the expense form. The employee must maintain a daily travel log that shows the beginning and ending odometer reading or provide mileage from computer generated mapping information. At the end of the trip, the employee should complete the personal auto use section of the Travel Expense and Attendance Report. The report must be approved by the appropriate managers as reflected above.

Reimbursement will be based upon actual mileage and approved rates.

4) Mileage to and from residence will not be paid by the College.
5) Incomplete or incorrect travel vouchers will be returned to the supervisor.

6) Checks will be prepared in accordance with the College’s check preparation policy (Section 5.06).

7) Each employee shall prepare a report summarizing the results of out-of-town travel and attach the report to their expense report. Brochures or literature may be attached in lieu of a summary report.

8) Travel forms are required to be approved and processed within 24 hours in order to secure the least possible airfare cost and minimize the time the traveler must wait to get reimbursed.

The Accounts Payable Accountant shall maintain an open employee travel advance file. The file should contain each open travel advance. The Accountant should also maintain a Travel Advance Log to identify employees whose travel advance has been outstanding over 10 business days. The Controller should be notified of any advances outstanding over 10 days. The Controller should take the appropriate action required to clear the advance including contacting the employee and deducting the advance from the employee’s next paycheck.

5.04 Accounts Payable Overview

Good internal control policies mandate that all vendor invoices, regardless of the type of accounts payable transaction must be sent directly to the Business Office. Routing all invoices to one location helps ensure that they are properly recorded, classified and processed on a timely basis. Accounts payable include not only merchandise or materials but also employee travel expenses, utilities, rent and all other obligations of the College. Once received in the Business Office, it should be clocked in.

The accounts payable process is first initiated through a purchase or check requisition. A purchase requisition is used as the vehicle to obtain appropriate authorization to obligate the College’s budget. An approved purchase requisition serves to trigger the procurement process that ultimately results in the issuance of an approved purchase order. A check requisition is used as the vehicle to obtain approval to issue a check for already obligated transactions such as telephone, utilities, payroll taxes, bank transfers, and loan and lease payments.

Once the vendor invoice is received, properly matched to the applicable Purchase Requisition and Purchase Order, and receipt of goods/services verified, the Accounts Payable Accountant proceeds to process the valid payable for eventual check preparation based on the terms of payment. The Accounts Payable Accountant reviews all approved check requisitions (along with proper supporting documentation) and prepares check based on the instructions on the check requisition.
5.05 Accounts Payable Processing

The Purchasing Manager has the responsibility to issue and control all Purchase Orders. When a Purchase Order is completed and if it is a new vendor, the Purchasing Manager would fax or e-mail a signed exemption certificate to the vendor. However, a copy of each approved Purchase Order and Receiving Report must be maintained in the Accounts Payable Department located within the Business Office.

1. The Business Office/Accounts Payable Department is responsible for the timely and accurate payment for supplies, material, equipment, non-personnel services, travel advances, reimbursements, student refunds and other special obligations. Any departments receiving invoices must forward the invoice to the Business Office/Accounts Payable Department upon receipt within 24 hours.

2. The Business Office/Accounts Payable Department also has the responsibility for controlling and processing credit memos and statements, and accrual of accounts payable at year-end. All documents that are used to request payments must be original documents.

3. The regular accounts payable transactions shall be processed for payment by the Accounts Payable Accountant upon receipt of the original invoice and receiving report. After review of the invoices, if there is any sales tax assessed, the Accounts Payable Accountant should delete the tax from the invoice and send an exemption certificate via e-mail or fax or with the check to the vendor. The Purchase Order shall be attached to the original invoice and receiving report. The vendor history file must be researched to ensure that the transaction does not result in duplicate payment.

4. Only goods or services that have been inspected and accepted by the Mail Clerk/Requisitioner shall be processed for payment. The College shall only pay invoices for goods and services that are verified by a receiving report.

5. The Business Office/Accounts Payable Department shall not pay any invoice without an approved requisition for goods and services and a valid purchase order. Any invoices received without an approved requisition or purchase order will not be honored and must be returned to vendor with appropriate reason(s).

6. Payment for goods and services shall be made on receipt of the vendor invoice and receiving report. Due to discrepancies that may occur between a Purchase Order and invoice, Purchase Orders shall not be used as the source document for payment. Purchase Orders only prove that a particular vendor has been authorized, up to a certain dollar level, to provide goods and services.

7. If there are discrepancies with any of the documentation, the Accounts Payable
Accountant shall attempt to reconcile with the vendor and/or applicable College department. Should the reconcilement fail, the Vice President for Finance and Administration must be notified.

8. The Business Office/Accounts Payable Department may also process the following original documents without a Purchase Order:

(a) An approved Check Request  
(b) An approved Employee Travel Advance/Approval Request form  
(c) An approved Travel Expense Statement form  
(d) An approved Student Refund Request

9. The Accounts Payable Department must ensure that all vendors to be paid have their Federal Identification Number or Social Security Number on file. This is needed to prepare 1099's at year-end. The IRS W-9 Form must be used when appropriate.

10. Once the Accounts Payable Department determines that all the supporting documentation is available, accurate and that the documents have been properly approved, the Controller shall verify that the General Ledger account number assigned to the invoice is correct.

11. Invoices shall be processed for payment and entered into the accounts payable system once a week.

The above purchase policy and procedure shall be strictly enforced by the Business Office. Any unauthorized purchases by an employee shall be subject to reprimand, which may include deduction of total cost from the employee’s next pay check.

5.06 Check Preparation

All blank checks must be under lock and key in the vault and the keys in the custody of two persons independent of the check signatories who are the Controller and the Administrative Assistant to the Vice President. When checks are needed for processing, the Controller would determine how many checks are needed based on the Checks to Be Issued Report then two (2) members in the Fiscal Department (one (1) would always be the Controller or the Administrative Assistant to the Vice President for Finance and Administration) to unlock the vault and count the number of checks needed. Both parties would then sign the checks taken in the Check Register Book. If checks are to be voided, these would be given to the Controller.

Checks shall be printed once per week on Wednesday and disbursed on Friday. Payroll checks will be processed in accordance with Section 6.02 of this manual. Prior to the check run date, the Accounts Payable Accountant shall produce a check register which reflects the amount to be paid by vendor and the total check dollars to be issued. Checks may be printed outside of this cycle only in the event of an emergency.
1. The Controller shall review the check register to verify the vendors being paid and ensure that cash is available to fund the checks to be issued.

2. The checks must be printed and attached to the original documentation. Next, the check must be approved and signed by the Vice President for Finance and Administration or a person designated by the President in the absence of the Vice President for Finance and Administration. The check must then be forwarded to the second authorized check signer for signature, if applicable.

3. All checks must have dual signatures.

4. The checks shall be returned to the Cashier for copying, distribution and mailing. The Cashier shall stamp all invoices as “PAID” and file in the vendors’ files.

5. Voided checks must have “Void” stamped or written in ink across the face of the check and the signature portion of the original check shall be perforated or cut out. The original of the voided check shall be placed in the canceled check file (numerically).

6. The Controller must ensure that the voided checks are adjusted in both the accounts payable system and general ledger.

7. All canceled checks must be filed in chronological order and shall become permanent records of the College.

8. In **NO** event shall checks be prepared unless these procedures are followed:
   
   a. Checks must be prepared from original invoices. Any exceptions must have approval of the Vice President for Finance and Administration via a Check Request Form.

   b. Checks must be used in chronological order.

   c. Checks are not to be prepared or signed in advance of preparation.

   d. Checks are never to be made out to Cash or Bearer.

   e. Checks are not to be printed and held in excess of two business days before release.
5.07 Petty Cash

5.07A Petty Cash Procedures

A petty cash fund may be established at the discretion of the Vice President for Administration and Finance. This fund is available for the reimbursement of small occasional purchases and or emergency purchases that require an immediate cash payment. The Vice President for Administration and Finance oversees all the College’s petty cash funds. All petty cash custodians must sign an acknowledgement that they understand Jarvis’s petty cash policies and procedures.

5.07B Definition

Petty cash funds are revolving imprest accounts that are used primarily to procure small and or emergency purchases. The petty cash fund functions as a mechanism to eliminate the processing of checks through the Jarvis’s operating fund.

5.07C Standard Procedure

Before requesting the establishment of a petty cash fund, it should be confirmed that the goods purchased cannot be obtained from the following:

An on-campus vendor (Jarvis Bookstore, the Printing & Copying Center, Jarvis related Food Service Providers)

An off campus vendor using one of the following;

(3) The normal procurement procedures
(4) Standard purchase order

5.07D Prohibited Purchases

The petty cash fund should not be utilized for purchases that can be readily procured through the normal Jarvis procurement process. Items that normally would not be deemed as acceptable purchases are prohibited from being purchased with petty cash funds. The petty cash custodian has the responsibility for monitoring fund purchases. The following items will not be reimbursed through the petty cash fund

a. Single purchases in excess of $70.
b. Items on State contract
c. Equipment of any kind
d. Payment to vendors for services rendered
e. Office parties, gifts, holiday decorations, flowers, greeting cards
f. Meals of any kind

g. Software

h. Honorariums and or stipends

i. Alcohol

j. Personal check cashing

k. Loans

l. Other items inconsistent with Jarvis’s mission

5.07E Use of the Petty Cash Fund

The petty cash fund must be used only for the purpose for which it was established. All expenditures that are to be reimbursed by the fund are to be approved by the petty cash fund custodian. A receipt must accompany and support each expenditure transaction. It is the responsibility of the petty cash custodian to insure that all transaction meet the requirements that are set forth in the policy and procedures of the fund. The petty cash fund should not be used as a means to circumvent proper procurement procedures.

Petty cash receipts should contain the following information:

a. Date

b. Name of vendor

c. Sufficient evidence that that payment has been made

d. Amount paid

e. Description of the goods purchases

f. Signature if applicable

g. Reason for the purchase

At any point in time, the petty cash on hand plus the receipts must equal the total authorized dollar amount for that established fund.

5.07F Replenishment of the Petty Cash Fund

The Petty cash fund may be replenished as frequently as require by the fund usage. The Petty Cash Replenishment Form must be prepared by the petty cash custodian with the appropriate documentation. Following the review and approval by the Controller, a check will be issued that will be made payable to the petty cash custodian. All petty cash funds must be reimbursed at fiscal yearend in order to insure that the appropriate expenditures are posted to the appropriate fiscal year.
5.07G Safeguarding the Petty Cash Fund

The petty cash fund and supporting documentation (receipts) must be kept in a secure location (strong box) and cannot be comingle with any other funds. The funds should be verified and reconciled weekly. Jarvis campus security must be notified immediately if any of the funds are missing and the possibility that a theft has occurred. The petty cash custodian must prepare a report outlining the facts and circumstances of the suspected loss.

5.07H Audit of Petty Cash Funds

Petty cash funds are subject to audit by the Controller. Recurring audit findings may result in the petty cash fund being revoked. The custodian is responsible for ensuring that the cash on hand and the receipts are equal at all times to the authorized amount.

5.07I Closeout

When a fund is no longer needed, the following procedures should be followed

a. Notification to the working fund custodian

b. Preparation of the final remittance voucher

c. Deposit of the remaining balance to the Controller’s Office

6. PAYROLL PROCESSING

6.01 General Procedures

Payroll operations are governed not only by the College’s policies and procedures but also by federal, state and local laws. These policies, procedures and regulations establish who is an employee, overtime compensation and when payments are to be made. Lack of compliance can result in both fines and penalties imposed by a government agency.

The primary objective of payroll processing is to ensure accurate payment of salaries and wages to all employees on a timely basis and the accurate recording and payment of employee deductions and other payroll obligations to the appropriate agency.

1. All payroll authorizations or changes must be made through the Office of Human Resources using the Personnel Action Form, various insurance forms, W-4 or state withholding forms. The original forms, along with the employee's contract and any other correspondence relating to changes in an employee's payroll, should be maintained in the Office of Human Resources. The Director of Human
Resources must update an employee file in the Jenzabar payroll system upon receipt of the authorization.

2. The Director of Human Resources shall ensure that all employees hired are:
   
   a. Qualified for the job
   b. Are eligible to be employed
   c. Comply with various government employment regulations

3. All payroll changes must be communicated in writing to the Office of Human Resources as soon as possible. The changes must be processed and submitted to Payroll by noon on the Tuesday of the biweekly payroll and by the 25th of the month for the monthly payroll. The Payroll Coordinator will verify that the payroll information in the Jenzabar system is accurate before a payroll is processed.

6.02 Payroll Process Overview

The Payroll Department is responsible for processing two types of payrolls. Jarvis outsources the payroll function. These are biweekly and monthly and are executed as shown below:

<table>
<thead>
<tr>
<th>Payroll Type</th>
<th>Processing</th>
<th>Ending Date</th>
<th>Pay Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Biweekly (Hourly Employees and Students)</td>
<td>11th</td>
<td>10th</td>
<td>15th and last business day of the month</td>
</tr>
<tr>
<td>Monthly (Salaried)</td>
<td>5 working days before Month-end</td>
<td>Month-end</td>
<td>Last business day of the month</td>
</tr>
</tbody>
</table>

If the 15th falls on a Saturday or Sunday, payroll will be processed on the Friday before.

The Payroll Department’s primary duties are as follow:

1) For new and terminated employees and any other master file employee changes (deduction authorization, address changes, etc.), the Payroll Department’s responsibility is to verify the accuracy of the information in the Jenzabar file with the Office of Human Resources. The Payroll Department shall only have “read” access to the employee’s master file data, although copies of the Personnel Action Form are forwarded to the Payroll Department. The Office of Human Resources must work closely with the Payroll Department for timely correction of any discrepancies noted by the Payroll Department.

2) For hourly employees (tutor, biweekly and work-study payrolls), timesheets are submitted to the Payroll Department, signed by the employee and approved by the immediate supervisor. The timesheets must specify regular hours and
overtime hours worked for each day of a pay period. The timesheets must be verified for clerical accuracy by the Payroll Department.

3) For monthly salaried employees who are paid with Title III funds, a monthly time and effort report must be submitted to the Payroll Department, signed by employee and approved by supervisor.

4) Prior to printing the final payroll and paychecks, the Payroll Department must print appropriate edits to reconcile hours paid, pay rates and other data fields that changed for the pay period.

5) The payroll registers must be received and approved by the Vice President for Finance and Administration (and Work Study Coordinator, in the case of work study payroll) before checks are printed. The registers must be signed as evidence of approval.

6) The Payroll Department prepares a check request and attaches supporting documentation for the payment of all payroll obligations (taxes, insurance, retirement, garnishments, etc.) and forwards to Controller for approval and then to Accounts Payable for payment. The Payroll Department must follow the requisitions through to ensure payments/deposits are made on time without penalty.

7) The Payroll Department prepares the journal entry to record all payroll transactions for the Controller’s approval.

8) Any manual checks (paychecks processed outside the regular payroll runs) must be updated in the Jenzabar system for the employee’s history and transaction files.

9) The outside payroll agent is responsible for filing and remitting funds to the various governmental agencies by the required due date. (Federal 941 and any state returns).

The payroll checks must be locked in the vault until distribution. The Vice President for Finance and Administration and/or Controller shall conduct surprise payroll (distribution of payroll) check audits to ensure that the individuals being paid are bonafide employees of the College.

6.03 Fund Transfer

The Payroll Coordinator provides the Controller with a copy of the Payroll Register. The Controller should be notified via check request for each grant for which a drawdown of funds must be initiated. The Controller shall verify the amount of the funds that should be transferred to the payroll bank account with the Payroll Coordinator. The Controller shall either prepare a bank wire funds transfer request or authorize a check to be cut to transfer funds to the payroll account. The request must be approved by the Vice
President for Finance and Administration.

6.04 Time and Effort Reporting

Consistent with OMB Circular A-21, employees who are paid from any Federal program fund, must complete a "Time and Effort Allocation for Sponsored Programs Form" which certifies the percentage or actual hours spent during the pay period on Federal or non-Federal program activities. These forms are maintained in the Office of the Sponsored Programs Director. The Sponsored Programs Director, if the percentages of time/actual hours vary by 5% or more, must communicate via the Personnel Action Form the new allocation of the employee’s time for proper payroll distribution.

6.05 Payroll Salary Advance

The College’s policy is that payroll advances are not allowed. However, in extreme emergency cases, an advance may be approved by the employee’s department head and Vice President for Finance and Administration. The advance must not exceed the employee’s earned wages or salary. Also, the total advanced amount must be repaid by payroll deduction from the employee’s next scheduled paycheck.

7. BUDGETING

7.01 General Procedures

The development of the College’s annual budget is an ongoing process. The budget is always subject to review and modification using the prescribed process.

The budget planning process should involve a five-year financial forecast of the College’s resources and demands culminating with an annual financial budget plan.

The Business Office serves as the central administrative office in coordinating the budget. While the Business Office provides the source of financial analysis and information for department heads and the President, it does not make funding decisions for the departmental areas. The Business Office serves to monitor budgetary compliance, thus ensuring that individual accounts remain within budget limits.

The College employs the “zero base” methodology in developing its annual budget. Under this method, each line item must be justified for approval, but is subject to funds availability.

The President is ultimately responsible for budget preparation and presentation for adoption by the Board of Trustees.

Generally, the budget process should begin in November and be completed no later than March for the upcoming fiscal year for the Board of Trustee approval. However, the budget shall be adjusted based on actual fall semester enrollment.
The College’s policy is to operate under an approved balanced budget. In no event shall a budget be presented for Board of Trustees approval that is not balanced or contains a surplus.

7.02 Budget Preparation

The budget process consists of the preparation of three budgets (operating, restricted and capital) that are consolidated into one. Also, the Vice President for Finance and Administration (together with the Human Resources Director) must prepare a position control budget that supports the employment positions in the overall approved budget.

A. The operating budget represents the projected revenue and expense designated toward the daily operations of the College. These funds are unrestricted.

B. The restricted budget represents the projected revenue and expense funds to be received from various sources. These funds are to be utilized for a specific purpose as specified by the donor or government agency.

C. The capital budget represents the projected improvements or major purchases by the College with the projected funding sources to cover such cost.

7.02A The Budget Process

1. The preparation of the annual budget at Jarvis Christian College begins with each unit’s/department’s evaluation of its activities in relation to its mission and annual planning. The forms completed by unit managers and department heads in making requests for budget funding require all activities to support at least one of the strategic goals of the College.

2. A Budget Hearing Committee, including faculty, staff and student representation, is named to review budget requests.

3. Each unit manager makes a presentation to the Budget Hearing Committee, which then makes recommendations to the President’s Executive Cabinet.

4. The input from the Budget Hearing Committee is infused into the preliminary budget for the next fiscal year, which is presented to the Board of Trustees for approval at the Spring Board meeting.

5. College operations in the new fiscal year, beginning on July 1, are based on this preliminary budget until enrollment is confirmed in the Fall Semester.

6. Amendments are made for the final budget, which is reviewed and approved by the Board of Trustees in its fall meeting, subject to further review and re-adjustments based on spring semester enrollment. These adjustments are presented to the Board of Trustees for approval. This procedure ensures that
the College maintains a sound financial base and the financial stability to support
the mission of the institution and the scope of its programs and services.

7. Throughout the year, unit managers receive periodic budget status reports based
on actual results to help them manage their activities within budgeted resources.

7.03 Budget Changes

Once the budget has been approved by the Board of Trustees, the College’s
management team is required to execute and operate within prescribed limitations.

Department heads may request budget line item changes. Only the President and the
Vice President for Finance and Administration can approve budget reallocations. The
Vice President for Finance and Administration shall determine whether funds are
available for reallocation and the President shall determine whether the budget
reallocation is within the College’s plans and priorities. The Budget Change Form shall
be used.

Any budget revisions that cause the College to exceed the Board approved budget must
be approved by the Board of Trustees.

7.04 Budget Monitoring

The Vice President for Finance and Administration shall ensure the following:

1. A budget-to-actual comparison with both dollar and percentage variances shall
   be completed monthly by the Fiscal Department and submitted to the Vice
   Presidents and its designee within 15 working days after the end of the month.

2. Jenzabar does not allow entry of a transaction in excess of the budget without a
   “warning” prompt. There shall be no budget overrides unless approved by the
   Vice President for Finance and Administration and President. The Vice President
   for Finance and Administration shall be the only person with user access to
   record a budget change in Jenzabar by using the approved Budget Change Form.

The Vice President for Finance and Administration and Controller must ensure
budgetary compliance with the approved budget. The following steps shall be followed:

1. The approved budget shall be entered into Jenzabar for tracking purposes as
   soon as it approved by the Board of Trustees.

2. The Vice President for Finance and Administration must ensure that the budget
   availability approval is on each Purchase Requisition.

3. The Controller must ensure that budget “warning” prompts in Jenzabar are
   communicated to the Vice President immediately.
4. After notification by the Controller, the Vice President for Finance and Administration must communicate the budget warnings to the department heads and return the requisition. The department head shall initiate a Budget Change Form for appropriate approval as described in Section 7.03.

5. The Controller shall prepare a monthly Budget-to-Actual Report and forward copies to the department heads no later than the 25th day following the month-end.

6. The Vice President for Finance and Administration should prepare a Summary Budget Analysis and Narrative each quarter. A copy of the analysis and narrative must be forwarded to the President and Finance Committee of the Board of Trustees.

8. CASH AND INVESTMENT MANAGEMENT

8.01 Overview

The cash and investment management policies and procedures provide guidelines designed to safeguard and protect Jarvis Christian College funds, provide control over disbursements, and eliminate unnecessary idle cash balances by investing excess operating funds. These policies and procedures also outline investment requirements for endowed funds under the College’s management. Cash balances represent all cash received whether or not such cash has been transmitted to a depository.

For purposes of clarity, the following definitions will be used to identify the various types of funds:

1. Operating/Short Term Funds: Those funds expected to be spent in the normal course of business during the current budget cycle and those funds held to meet expenses from unanticipated activities that result in fulfilling the College’s mission. The amount of the funds will be the total of the College’s investable assets less the endowment cash and investments.

2. Long Term Funds: Those funds designated as reserves in accordance with the College’s endowment policy and constitute the endowment cash and investments. This fund is designed to maximize the returns without exposure to undue risk and to provide financial stability and cash flow.

8.02 Finance and Investment Committee: General Responsibilities

The following procedures shall be followed to ensure the investment policy statement is consistent with the current mission of the College and accurately reflects the current financial condition of the College.
1. The investment policy shall be reviewed annually by the President and Vice President for Finance and Administration working with the Finance and Investment Committee with consultations from its investment advisors to recommend any necessary revisions.

2. Recommendations of any revisions or modifications to the investment policy shall be made by the President and the Finance and Investment Committee to the Board of Trustees for its approval.

The Finance and Investment Committee, in consultation with the President and Vice President for Finance and Administration, shall be responsible for selecting investment managers, supervising the endowment investments, monitoring adherence to these policy guidelines, and making such changes to the policies as they deem appropriate.

The Finance and Investment Committee shall meet to review investment results with the investment managers, and to evaluate such results in the context of appropriate market index returns and the reported results of other college and university endowments. The Committee may seek such assistance from consultants as it deems necessary, and may recommend the addition or replacement of investment managers for action by the Board of Trustees.

The Vice President for Finance and Administration shall ensure that required financial reports {Section 9.06 (10)} are provided for the Finance and Investment Committee and ensure the order and proper accounting of the endowment fund activity. The Vice President for Finance and Administration shall also meet and converse regularly with the fund managers.

8.03 Bank and Investment Accounts

Conservatism and risk minimization are emphasized in protecting College funds. Therefore, the College should open and maintain bank accounts only in institutions participating in the Federal Deposit Insurance Corporation (FDIC) program. All bank and investment accounts must be opened and maintained in the name of Jarvis Christian College. All such accounts and the authorized signatures shall be approved by the Board of Trustees.

Bank accounts may be established at an authorized depository only with the joint written authorization of the President and Vice President for Finance and Administration as approved by the Board of Trustees. The authorization must identify all authorized signers and be maintained in the files of the depository. The depository must be given written notification of any changes in authorized officials or signers. All authorized check signers must be approved by resolution of the Board of Trustees upon the recommendation of the Finance and Investment Committee.
8.04 Operating/Short Term Funds Investment Policy

The President and Vice President for Finance and Administration shall be authorized to invest the College’s Operating/Short Term Fund as follows with a maximum of $100,000 for any item:

1) Federally-insured Certificates of Deposit, not to exceed maximum FDIC limits per institution including interest at commercial banks or savings and loan institutions;

2) Money Market Funds;

3) Direct Obligations of the U.S. Government, its agencies and instrumentalities;

4) United States Government Agency Discount Notes.

It shall be the responsibility of the Vice President for Finance and Administration to have sufficient allowable investments maturing to meet the College’s financial obligations in a timely manner, however, in no event shall maturities exceed one year.

8.05 Cash Forecasting

Forecasting is designed to project the timing of receipts, disbursements, borrowing and repayments to ensure the availability of adequate cash to meet the College's cash needs.

An effective cash forecasting process will help to prevent cash flow surprises and facilitate efficient strategies for meeting cash requirements and investing surplus funds.

The Vice President for Finance and Administration shall maintain the cash forecasting system. The forecasts can be developed on spreadsheets using Microsoft Excel. The following guidelines should be followed in forecasting:

1) Cash flows must be monitored daily to eliminate idle funds (i.e. to invest) and to ensure that payment obligations can be met.

2) Cash forecasting shall project sources of funds, projected expenditures by major category and any projected surplus/deficit.

3) Bills must be paid on time. However, all financially beneficial trade discounts should be taken.

4) Banking services must be utilized daily to obtain and verify bank balances, receipts, disbursements and investment earnings.
The President must be notified immediately of any forecast that reflects a deficit or the potential borrowing of funds.

8.06 Long Term Funds Investment Policy

1. **Policy Objectives** - The primary investment objective is to preserve and over time, increase the inflation-adjusted value of the investable assets of the College. Additionally, the objective is to maximize over the long run the total rate of return on investable assets, assuming a level of risk consistent with prudent investment practices for such funds. All Permanent, Term and Quasi-Endowment Funds shall be subject to the same high level of prudent investment policy.

   Investments should be pooled to improve principal protection, minimize un-invested cash, increase income stability, reduce administrative fees and simplify accounting and reporting. The total return approach to managing and accounting for endowment investments is to be utilized.

2. **Asset Allocation** - Based upon historical evidence that equity type investments such as stocks have produced substantially greater returns net of inflation than returns from fixed-income investments such as bonds, certificates of deposits and money market securities, significant emphasis should be on equity related investments, with fixed-income securities normally comprising no more than 30% to 50% of investment assets.

   Without compromising the normal asset mix of purchased securities at or near a ratio of 30% to 70% equities, 30% to 50% fixed-income securities, 0% to 50% cash and cash equivalents. Similarly, exposure to the more attractive asset class may be correspondingly increased as exposure to the less attractive asset class is reduced. Such shorter-term tactical asset allocation shifts may be made only on the basis of systematic and quantitative analysis, such as programs provided by leading professional firms with proven records of superior performance over time.

3. **Investment Objectives** - The overall return objective shall be to earn an average annual total real rate of return (adjusted for inflation) of 5-6%, as measured over a 3-5 year market period, and at the same time to out perform selected market indices. Equity managers are expected to achieve an average annual rate of return over a market cycle which matches the S & P 500 rate of return, net of fees. Fixed income managers are expected to achieve an average annual rate of return over a market cycle which matches the Shearson/Lehman Corporate and Government Composite Index by, net of fees.

4. **Philosophy for Equity Investments** - The management policy over equity investments should be disciplined and consistent. It should accommodate all those events and occurrences considered reasonable
and probable. Extreme positions and opportunistic styles are not applicable to the philosophy of the College, which is to invest funds at a prudent level of risk.

The investment portfolio should be diversified as to equity holdings. The purpose of this diversification is to provide reasonable assurances that no single security or class of securities will have a disproportionate impact on the total portfolio. Diversification will also be achieved by using two or more managers whose styles and investment strategies are sufficiently distinctive to justify their employment.

As a long term guideline, equity investments will normally constitute 30% to 70% of endowment assets. The principal category of equity investments will be common stocks, with primary emphasis on high quality, investment grade, and dividend paying stocks in companies that are financially sound and that have favorable prospects for earnings growth. These investments may be made through separately managed portfolios offered by professional managers of equity securities with proven records of superior results over time.

Concentration in any single industry and in any company shall not exceed 15% and 5%, respectively of the market value of the Endowment Fund at the time of investment.

5. **Philosophy for Fixed-Income Investments** - Investments in fixed-income securities will not normally exceed 30% to 50% of endowment assets as a long-term guideline.

Fixed-income may include short-term, money market securities, which historically have produced the lowest return net of inflation. Such investments, however, shall be kept at the minimum level which the Finance Committee considers necessary to meet foreseeable short-term liquidity requirements. Such investments shall be made in U.S. Treasury securities or commercial paper rated A-1 or P-1 and certificates of deposits with FDIC or federally insured institutions.

It is expected that the largest percentage of fixed-income investments shall be invested in portfolios of high-quality (primarily having S & P rating of BBB to AAA or Moody's rating of Baa to Aaa) corporate bonds, U.S. Treasury securities, or the issues of foreign sovereigns. These investments may be made through leading professional managers of fixed-income securities with proven records of superior performance over time.

The fixed income portfolio shall be diversified between different sectors
(Governments, Agencies, Corporate) and different issues within each sector with no one issue comprising more than 10% of the aggregate fixed income portfolio.

Call protection is to be emphasized to assure stable, current income and marketability.

6. **Spending Policy** - It is the intention of this policy that investment returns shall equal or exceed the sum of spending plus inflation. Therefore, the general spending policy of the College is to allocate to the support of their respective program, a share of investment returns that will provide a full measure of current income consistent with the achievement of full long-term preservation of purchasing power of the endowment as a minimum goal.

The current spending policy shall be expressed as a maximum of 5% of a three-year moving average of the market value of the Endowment Fund. The spending rate shall be approved by the Finance Committee based upon requests submitted by the President and Vice President for Finance and Administration. The Vice President for Finance and Administration is responsible for communicating the spending rate to the fund manager so that periodic distributions can be made in an orderly fashion.

7. **Social Responsibility** - The College recognizes its role as a "socially responsible" investor. While the primary purpose of managing the endowment is to maximize return on the assets within an appropriate level of risk, companies in the portfolio that might cause concern to the College are to be reviewed regularly by the Investment Committee. In exercising its responsibility, the Investment Committee may:

- Prohibit investment in certain companies;
- Vote properly drafted proxies, or instruct the manager to vote proxies that relate to social responsibility issues;
- Communicate directly with management;
- Recommend other actions to the Board.

8. **Minority-owned Business Participation** - It is the policy of the College that minority-owned businesses are afforded the maximum practicable opportunity to participate in the management of the endowment funds, serve as custodian for the endowment fund, and provide consultative services, broker and trading services.

9. **Investment Managers and Evaluation** - The Finance Committee allocates funds to individual managers and from time to time may
withdraw funds from or reallocate funds between managers. Each manager's performance is to be compared regularly with the performance of equity and fixed income market indices, with mutual funds having similar objectives, with other funds managed by "peer group" managers (for example, with similar styles and objectives), and with other endowment funds.

The investment manager will have discretion with regard to individual asset selection although portfolio variability over time should be minimized through prudent diversification, both among individual assets and by asset class.

Custodial responsibility for all securities is to be determined by the Finance Committee or its designee(s).

As a general guideline that applies to all assets managed, transactions are to be entered into on the basis of "best execution," which normally means best realized price. Commissions may be paid for investment services rendered to the College upon the approval of the Finance Committee's designee(s).

Investment managers are responsible for frequent and open communication with the College on all significant matters pertaining to the assets managed.

10. **Financial Reporting** - A quarterly financial report is to be presented to the Finance Committee covering, at a minimum, the following information:
• Total endowment return and indices comparisons, asset allocation, industry segmentation, bond maturities and ratings and investments in excess of 5%;

• Performance report of investment managers as described in the "Investment Managers and Evaluation" section above;

• Principal of each endowment fund account, earnings, account distributions and administrative costs.

11. **Accounting for Investments** - Since investments are pooled to help generate maximum returns consistent with the College’s policy, it will be necessary to adopt an equitable accounting method for allocating investments earnings and market appreciation to each participating endowment fund. Hence, the College shall adopt the unit value method to account for investment activity. This method assigns each participating endowment fund, units based on the market value each fund contributes to the investment pool. The National Association of College and University Business Officers, *Financial Accounting and Reporting Manual for Higher Education* contains a detailed illustration on how to apply the unit value method.

9. **GRANTS and CONTRACTS**

9.01 Overview

Grants and contracts are funded by external agencies such as the federal, state or local government, corporations, foundations or individuals. The Grants and Contracts Administration consists of two components, pre-award administration and post-award administration.

The responsibilities of the pre-award administration rest with the Director of Sponsored Programs. These responsibilities include, identifying research funding opportunities, obtaining program guidelines, developing proposals, negotiating the terms and conditions of the grants, interpreting regulations of Federal agencies and private sponsors, and clarifying institutional policies and procedures.

Post-award administration, primarily that of the Business Office, includes coordinating the financial administration of approved awards. Financial administration includes maintaining accounts and records; monitoring institutional compliance with sponsors, regulations and financial provisions; and providing financial information to the faculty and Director of Sponsored Programs.

The Director of Sponsored Programs is also responsible for the general management of the sponsored project including, but not limited to, the above mentioned pre-award activities. Other responsibilities include monitoring the expenditures after an award has
been granted, resolving discrepancies with the Controller and compiling all technical and progress reports for internal and external purposes.

9.02 Federal Guidance

The Office of Management and Budget (OMB) has issued several circulars which the College is required to observe. These circulars override the College’s policies and procedures in instances where they may conflict. Thus, the responsible personnel in the Business Office and the Sponsored Programs Office are expected to have the appropriate circulars at their disposal for reference and have a working knowledge of these circulars.

- OMB Circular A-21, *Cost Principles for Educational Institutions*
- OMB A-110, *Uniform Administration Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals and Other Non-Profit Organizations*
- OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*
- OMB Circular A-133 Compliance supplement.

Additionally, each Federal contracting agency may have its own regulatory guidelines and publications that prescribe procedures/regulations that are to be followed (e.g. USDE Blue Book, Student Financial Aid Handbook, etc.).

9.03 Accounting System Requirements

Under the leadership of the VP for Finance and Administration, the Controller and Grant Accountant is responsible for assuring that the financial accounting system for grants and contracts contain the following minimum attributes:

1. Disclose accurate, current and complete financial results of each sponsored project or program.

2. Identify adequately the source and application of funds for federally sponsored activities. The record should consist of the Federal award, authorizations, obligations, unbudgeted balances, assets, liabilities, outlays and revenue.

3. Effectively control and account for all funds, property, and other assets. Expenditures must be recorded by cost category (salary, equipment, supplies, etc). Cost categories applicable to each award will depend on those items listed in the Federal award.

4. Compare actual outlays with budgeted amounts for each grant or other agreement. Financial information must be related to performance and unit cost
data.

5. Minimize the time between transfer of funds from the Federal government and disbursement by the recipient when funds are advanced by the Federal government (no less than three days Federal cash on hand).

6. Account for records and maintain source documentation that can be examined by interested parties including auditors.

7. The fund accounting system which provides separate accounting for each grant or restricted fund source is required to be maintained.

The Controller must ensure that the reconciliation of all grants and contracts is completed monthly. The reconciliation should include the monthly and year-to-date receipts, expenditures by type and the amount of the remaining funds available for expenditure. The information should be forwarded to the Director of Sponsored Programs and Vice President for Finance and Administration each month.

9.04 Sponsored Research

COST TRANSFER POLICY

APPLICABILITY
This policy applies only to cost transfers between or to sponsored projects.

POLICY
It is the policy of the College that costs be charged to the appropriate sponsored project when first incurred. However, there may be circumstances in which it is necessary to transfer expenditures to a sponsored project subsequent to the initial recording of the charge. Such transactions require monitoring for compliance with JCC policy, Federal regulations, sponsor specific guidelines, and the cost principles that guide fiscal activities on sponsored projects.

It is the responsibility of the Controller to provide fiscally-sound management of project expenses.

In order to maintain consistency in the treatment of cost transfers, this policy will be applied to all sponsored projects (Federal and Non-Federal) in the absence of written sponsor regulations.

• Under this Policy, cost transfer requests must be received by the Sponsored Program Coordinator (SPC) within 120 calendar days from the end of the month in which the error occurred.

For sponsored projects, final approval of any cost transfer shall be made by SPC. SPC will not approve the transfer unless it is compliant with all applicable rules and regulations. If the SPC becomes aware of an inappropriate charge on a sponsored
project, the department will be notified to initiate a transfer to a non-sponsored account. If this transfer is not initiated within five (5) working days from date of SPC notification to the department, SPC will transfer the charge to an appropriate departmental account.

REASON FOR POLICY
Proper management of funds is essential to uphold the fiduciary responsibilities of the College.
Federal agencies and other sponsors may regard the following activities as indicative of inadequate fiscal or project monitoring:
  • Frequent cost transfers.
  • Late cost transfers.
  • Inadequately documented or explained transfers, especially those which involve sponsored projects with overruns or unexpended balances.
  • Inappropriate transfers may result in expenditures being disallowed and/or subsequent reduction in funding by the sponsoring agency.
Also abuse of cost transfers may result in more severe sanctions, fines, penalties and audit criticisms applied against the College.

GENERAL
JCC’s Policy on Direct and Indirect Costs describes the criteria for charging costs to a sponsored project. These criteria and procedures should be understood by all persons having financial responsibilities relating to a sponsored project. It is recognized, however, that occasionally it may be necessary to transfer costs to sponsored projects. Careful consideration of necessity and propriety must be undertaken when considering transferring costs to a sponsored project.

The provisions of OMB Circular A-21 specifically permit some cost transfers while other cost transfers are definitely improper and unallowable. Both "proper" and "improper" cost transfers are discussed in greater detail below.

Improper Cost Transfers
OMB Circular A-21 (Cost Principles for Educational Institutions), Section C.4.b states: "Any costs allocable to a particular sponsored agreement under the standards provided in this Circular may not be shifted to other sponsored agreements in order to meet deficiencies caused by overruns or other fund considerations, to avoid restrictions imposed by law or by terms of the sponsored agreement, or for other reasons of convenience."

This regulation (A-21) specifically describes transactions that would be improper cost transfers between sponsored agreements. While it is not appropriate to transfer improper costs as specifically described in the regulation between sponsored projects, it may be possible to request a cost transfer from a sponsored project to another budget entity (i.e., departmental budget). The following examples illustrate improper and unallowable cost transfers between or to sponsored projects:
• When the transfer is for the purpose of utilizing unexpended funds.
• When the transfer is for the purpose of avoiding or alleviating an over expenditure.
• When the transfer is for the purpose of moving a cost that is unallowable on one project to another.
• When the transfer is for the purpose of circumventing award restrictions.
• When the transfer is for the purpose of reimbursing a temporary "loan" of funds from another sponsored project.

Proper Cost Transfers
Generally, A-21 recognizes the need to make a cost transfer involving a sponsored project in either of the following instances:

• When the transfer represents an adjustment for an erroneous charge.
• When the transfer is for the purpose of assigning a portion of the cost to a sponsored project (split purchase).

Payroll Cost Transfers (Retroactive Distribution of Funding)
A salary cost transfer means the movement of payroll expenses (salaries and benefits) from one funding source to another. The distribution of salary charges for College personnel should be a reasonable reflection of the employee’s effort. Salary distributions are based on personnel appointments. Careful consideration must be given to personnel allocations to ensure that sponsored projects that benefit from the effort are charged properly at the outset and that adjustments are not required. Therefore, appointments should be reviewed on a regular basis.

If appointment changes are anticipated a PAF should be submitted in accordance with HR’s published deadlines and procedures.

In the cases where changes in funding were not anticipated and result in the need to submit a Retroactive PAF, it must be received by Sponsored Program Coordinator within 90 calendar days from the end of the month in which the error occurred or within 30 calendar days of the expiration date for expired projects.

Non-Payroll Cost Transfers
Non-payroll cost transfers must be received by SPC promptly after the error is detected but in no event later than 120 calendar days from the end of the month in which the error occurred or within 30 calendar days of the expiration date for expired projects.

Examination of the departmental ledger in a timely fashion (at a minimum monthly) by the Controller (or designee) will permit early detection of erroneous charges. Cost transfers which represent correction of erroneous charges usually are the result of
clerical or bookkeeping errors.

An Expenditure Transfer Journal Entry Form shall be submitted in order to correct an erroneous charge. In addition, the Sponsored Research Cost Transfer Justification Form must be submitted with all Expenditure Transfer Journal Entry Forms where costs are being transferred to a sponsored project. Copies of all relevant documentation must be attached to support the explanation (e.g., requisitions, purchase orders, explanatory memoranda, etc.). SPC shall determine the adequacy of the justification and documentation.

**Split-Funded Expense**
A particular expense may have direct benefit to more than one activity, e.g., the expense may benefit more than one sponsored project or it may benefit a sponsored project and another institutional activity.

Jenzabar allows multiple lines on a purchase requisition where each may have a different funding source, but it does not allow one line with multiple funding sources. This means that departments would always have to submit a journal entry to distribute the expense for a single line item purchase to transfer a portion of the cost to the benefiting activities.

In cases where it is appropriate to split the funding, a note should be included on the requisition or with an explanatory memorandum stating the intent to transfer a portion of the cost to other budgets and identifying all funding sources.

An Expenditure Transfer Journal Entry Form (Non-Construction Projects) must be prepared in order to transfer the appropriate share of the cost. In addition, the Sponsored Research Cost Transfer Justification Form must be submitted with all transfer requests where costs are being transferred to a sponsored project. Copies of all relevant documentation must be attached to support the explanation, e.g., requisitions, purchase orders, explanatory memorandum, etc.

Cost transfer requests of this nature should be received by SPC shortly after the initial payment but **in no event later than 120 calendar days from the end of the month in which the error occurred or within 30 calendar days of the expiration date** for expired projects.

**Cost Transfers Received after Receipt Deadlines**
Cost transfer requests received after the deadlines specified above will be processed only in extenuating circumstances. Extenuating circumstances DO NOT include absences of the Controller or responsible administrator, nor shortage or lack of experience of staff. It is the responsibility of the department and the Controller to ensure the availability of qualified staff to administer and exercise stewardship over federally-funded projects in accordance with federal policies and regulations, including those relating to regular monitoring of expenditures and timely correction of errors and
reallocation of expenses.

The reasons for requesting and submitting a cost transfer after the deadlines specified above must be documented in detail and will require the signature of the Sponsored Programs Coordinator and Vice President of Business and Administration. For sponsored projects, final approval shall be made by SPC. SPC will not approve the transfer unless it is compliant with all applicable rules and regulations.

**NOTE:** Any improper cost charged to a sponsored project must be removed from the sponsored project regardless of when the error is detected. In cases when the error is detected after the limits of this cost transfer policy and there are not extenuating circumstances, the costs can only be moved to a non-sponsored account. If SPC becomes aware of an inappropriate charge on a sponsored project, the department will be notified to initiate a transfer to a non-sponsored account. If this transfer is not initiated within five (5) working days from date of SPC notification to the department, SPC will transfer the charge to an appropriate department.

**Issues Related to Cost Transfers**
The situations detailed below are often encountered in the administration of sponsored projects. The proper treatment of these situations will generally preclude the need for cost transfers. Sponsored Programs Coordinator can provide guidance and assistance when these issues arise.

**Advance or Pre-award Costs.** For the effective and economical conduct of a sponsored project it is sometimes necessary for costs to be incurred prior to receipt of the award document and actual funding. In such cases, departments should request either (1) an advance in accordance with JCC’s Policy on Advances for Externally-Funded Projects and Initiating Work without an Award, and/or (2) pre-award cost authority if the award will be subject to Federal Demonstration Project Terms and Conditions.

The advance or pre-award budget number (Project ID) will become the permanent project number when the award is effective and no cost transfers will be required or necessary.

**Continuation Costs.** If a continuation award is anticipated after the end date of the project, costs may continue to be charged to the current active cost center if approved in accordance with JCC’s Policy on Advances for Externally-Funded Projects and Initiating Work without an Award.

**Close-out of Sponsored Project Cost Centers.** Sponsored Program Coordinator and the Controller overseeing sponsored projects should be particularly careful to manage and monitor their expenses to avoid incurring costs that are not allowable, allocable and
reasonable. SPC and departmental administrators should review the award agreement and/or contact the Fiscal Office if they are uncertain about the allow ability of a certain expense prior to charging the sponsored project. If unallowable costs have been incurred, they must be removed from the project and charged to an appropriate account following the procedures previously outlined. Generally, costs incurred beyond the project end date are not allowable. Ongoing corrections of incorrectly charged expenses are highly preferable to adjustments in the last few weeks of the sponsored agreement, although chronic and/or inordinately frequent corrections will be scrutinized.

**Unexpended Balances.** It is improper to transfer costs to a sponsored project for the sole purpose of using unexpended sponsored funds. Unexpended sponsored funds must, in many cases, be returned to the sponsor at the close of a project. Exceptions may be fixed price contracts, agreements allowing carry-forward of funds, and agency-approved no-cost extensions. For clarification of the terms of a specific sponsored agreement contact Sponsored Programs Coordinator.

### 10. AUXILIARY ENTERPRISES

**10.01 Bookstore**

The Bookstore is an auxiliary enterprise used to house inventory for resale to the College students, faculty, staff, alumni and the Hawkins, Texas community. The inventory may include text, religious and African American books, school supplies, art, novelties, College memorabilia, consumable products, etc.

The Bookstore is required to account for sales and inventory by manual count and updated weekly for purchases of stock items. A physical inventory count should be taken at the end of each semester. The physical count should be conducted by the Bookstore Manager and observed by the Staff Accountant. An inventory report is generated from the information then submitted to the Vice President for Finance and Administration. Merchandise is ordered based on the on hand stocked inventory. Also, the physical count should be compared to the computerized system inventory. An adjustment must be made to the general ledger and/or computerized inventory system for all minor discrepancies. All major discrepancies must be investigated by the Vice President for Finance and Administration and the appropriate action taken to ensure that the cause of the discrepancy is corrected.

Only one person shall be allowed in the cash drawer and is accountable for any cash shortages. If there are “shift changes”, should shift changes be needed, the cash drawer should be counted and balanced to the sales register as described in this
section. The revenue collected from bookstore sales must be balanced to the cash register tape and the credit card machine to verify receipts and document items sold. The revenue must be reported to the Cashier daily. The sale revenue is sent to the Cashier and a report, (Cash Register Report) is generated from the sales receipts, copies of the cash register and credit machine receipts are attached, the Cashier signs off and dates the Cash Register Report acknowledging the receipt of funds from the Bookstore. A summary inventory sheet detailing the number of items deducted from inventory, sales dollars and total sale dollars should be maintained in a daily cash receipt log file. A copy of the cash receipt log should be attached to the daily cash receipts reported to the Cashier. The Cashier will prepare a receipt acknowledging the receipt of the funds from the Bookstore.

10.02 Vending Machines

The soda vending, snack vending, and laundry coin operated machines are serviced by outside contractors. The Vice President for Finance and Administration must ensure that the College has a signed contract with each contractor. The College receives commission payments based on sales dollars from the vending and laundry machine contractors. The Vice President for Finance and Administration must ensure that an employee is present to verify receipts whenever the machines are serviced and receipts collected by the contractor. Once again, the Vice President for Finance and Administration must ensure that an employee is present to witness the accuracy of the receipts.

10.03 Athletics and Other Sponsored Events

The College collects receipts from one sponsored athletic event, basketball. Tickets for the game should be pre-numbered and exchanged for cash to attend the event. Each individual who pays to attend the game should receive a ticket. An employee from the Athletics Department and the Business Office shall be assigned to collect cash from the sale of tickets at the door. At the end of the event, the number of tickets sold should be determined. The total tickets sold times the ticket purchase price (s) should equal the total cash on hand; likewise the unsold tickets should be counted and verified against the total initial ticket count and sales for the event. A summary event ticket sales form must be prepared to accompany the cash forwarded to the Cashier. The Controller or a designated Accountant shall oversee and verify the balancing process.

Once the balancing and verification of the receipts have been completed, the funds should be locked in the vault in the Business Office. The funds should be receipted and deposited into the bank the following business day (see section 3.01).

10.04 Rental Housing

The College rental housing program is designed to provide safe and secure accommodations for faculty and staff employees. The rental properties are located on or near Jarvis’s campus.
Prior to the renting of a property, the Director of Facilities and Maintenance should inspect the property to ensure that the property meets rental standards. Once the property has passed inspection, a prospective tenant should complete a Lease Application. A tenant Move-In, Move-Out form should be completed and signed by the Director of Administrative Services and tenant.

The rental agreement should stipulate such information as rental and termination terms, late payment penalties, eviction procedures, and property inspection guidelines. If the tenant fails to maintain the College property at an acceptable level of cleanliness and if the corrections are not made within a reasonable time frame, the College can evict by providing two weeks’ notice. Once the Director of Administrative Services and the prospective tenant agrees to the terms of the rental agreement, both must sign and date the agreement.

A security deposit is due at the signing of the rental agreement. Once the rental agreement expires, the property should be inspected. The security deposit will be forfeited if the property was damaged or the terms of the rental agreement were not honored.

The tenant should remit monthly rental payments to the Cashier by the 1st day of each month. The Cashier should provide the tenant a receipt. The Cashier should record the receipt into the Cash Receipt Journal and prepare the bank deposit slip for the funds to be deposited into the bank (section 3.01). Automatic bank drafts should be provided to tenants as an option for payment. The tenant can also sign a form for automatic payroll deductions for the payment of the rent.

The Controller shall maintain a spreadsheet of accounts receivable for monitoring the amounts due from the various tenants. If a tenant becomes delinquent, a demand notice shall be given to the tenant; and if after 30 days, payment has not been received, the Controller may proceed with eviction.

11. OTHER POLICIES and PROCEDURES

11.01 Inter-Fund Loans

Inter-fund loans shall be prohibited unless approved in advance by the Board of Trustees or the funding agency.

11.02 Fixed Assets

The College acquires fixed assets that are funded by different sources. All fixed assets shall be identified and tracked until disposed. Also, the assets purchased should be
identifiable by funding source.

The Board of Trustees shall, with the recommendation of the Vice President for Finance and Administration and President, establish a capitalization policy that sets a general threshold as to when purchases should be capitalized or expensed.

The following guidelines will be utilized in determining procedures and regulations with regard to capital assets:

**Capital assets** are real, personal, or intangible properties that have a value equal to or greater than the capitalization threshold for the particular asset classification and have an estimated useful life of greater than one year. Capital assets must significantly increase the value or extend the useful life of the structure are capitalized.

Once a purchased item has been deemed a capital asset, the item shall be tagged with an inventory identifying tag that can also be used to determine the funding source. For insurance and security purposes all the fixed assets must have the College’s identifying name. In the fixed assets ledger, the asset’s tag number, description, cost, depreciation, location, transfer and disposal shall be maintained.

Library books and materials are capitalized regardless of cost.

Component items or a group of items that form one working equipment system or unit type may be combined for capitalization purposes, regardless of cost.

Donated capital assets are recorded at their estimated fair value at the date of donation. Fair value may be determined by a written appraisal, qualified outside source (e.g., blue book, appraisal district), internal qualified expert on the faculty or staff, or documentation from a vendor regarding the cost of the item.

**Real property** is defined as any interest in land, together with structures, fixtures and improvements of any type located thereon. The term “real” should be associated with realty, land or something attached thereto. Real property falls into the following classes: land and land improvements, buildings and building improvements, facilities and other improvements, infrastructure and construction in progress. It will be the policy of Jarvis Christian College to enter into a fixed asset ledger items costing $5,000 or more having a useful life in excess of one year.

**Personal property** is fixed or movable tangible assets to be used for operations, the benefits of which extend beyond one year from date of acquisition and rendered into service. It will be the policy of Jarvis Christian College to enter into a fixed asset ledger items costing $1,000 or more having a useful life in excess of one year.

Capital assets will be depreciated using the straight-line method of depreciation over their estimated useful lives as follows:

- Buildings – 50 years
- Building Improvements – 15 years
- Other Real Estate Improvements – 15 - 20 years
- Furniture & Fixtures – 5 years
- Machinery – 5 years
- Cars – 5 years
- Trucks and Vans – 5 years
- Buses – 10 years
- Computer Equipment – 5 years
- Telecommunications and Peripheral Equipment – 10 years
- Library Books and Materials – 15 years
- Residual values will be maintained for land improvements @ 10% and Buildings @ 10%
- Other unique items – To be determined on an occurrence basis

Work of art, historical treasures, and similar assets are capitalized at their historical cost or fair value at date of donation or purchase (estimated if necessary) whether they are held as an individual item or in a collection.

Collections, which are A) held for public exhibition, education, or research in furtherance of public service, rather than financial gain; B) protected, kept unencumbered, cared for, and preserved; C) require the proceeds from sales of collection items to be used to acquire other items for collections, may be charged to operations at time of purchase rather than capitalized.

Managers who are responsible for budget accounts must determine what items are capital outlays prior to purchase so that proper accounting may be done.

Supplies and materials must not be charged to capital outlay accounts.

Capital outlay items must not be charged to supply and material accounts.

Managers are responsible for the control of all fixed asset items for their areas and should know where all items are located.

If necessary, a physical count of the inventory of fixed assets shall be conducted and a comparison made with the records on file. The Purchasing Manager/Inventory Control Agent shall be responsible for this under the supervision of the Vice President for Finance and Administration or Controller. Any asset disposals must conform to the funding source requirements (refer to OMB circular A-110 for this guidance when the property was purchased with Federal funds). Any unexplained discrepancies found between the fixed assets ledger and the physical verification shall be handled by the Vice President for Finance and Administration with the responsible department head.

During the year all items, which have been impaired, stolen, destroyed, not located, disposed or transferred, will be reported immediately to the Purchasing Manager/Inventory Control Agent on the appropriate form. The Purchasing Manager/Inventory Control Agent will keep a record of all transfers of fixed assets and
post corrections to the fixed asset ledger.

**Write-Off of Assets**

Write-off involves removing both the fixed asset and associated accumulated depreciation from the fixed asset ledger and recognizing a gain or loss, if any.

The following approvals shall be required for the write-off of assets which are impaired, stolen, destroyed, not located, or disposed of:

- Fixed assets with a unit acquisition cost of $3,000 or more must be approved by the President and Vice President of Finance & Administration.

- Fixed assets with a unit price of between $1,000 and $2,999 must be approved by the Vice President of Finance & Administration and the Assistant Vice President/Controller.

A recommendation for write-off shall be made by the Purchasing Manager/Inventory Control Agent immediately after an asset has been impaired, stolen or disposed of.

A recommendation for write-off shall be made by the Purchasing Manager/Inventory Control Agent two years after an asset has been reported as not located by the appropriate Financial Manager and confirmed by the Receiving/Fixed Asset Department.

**Inventoried Items:** Certain items falling below the capitalization threshold must also be inventoried. These non-depreciable assets are considered to be controlled.

- Controlled items include fax machines, stereo systems, cameras, VCR's, televisions, micro computers and printers having a unit value of $500.00-$999.99.

- All firearms must be controlled regardless of dollar amount.

- Inventory controls over other equipment valued at less than $1,000 per unit may be required if the Agency Head deems such controls necessary. These items would be called inventoried items.

**SALE OF SURPLUS/SALVAGE PERSONAL PROPERTY**

The Agency Head or designee is authorized to sell in an orderly manner all surplus and salvage personal property. However, if the property was acquired through a gift or sponsored agreement, the terms of the gift or agreement should be reviewed prior to sale. No personal property with an inventory value greater than $10,000 will be sold without the advance approval of the Agency Head or designee. All requests for authorization for sale will include the asset number, description, date of acquisition, condition and inventory value for each item of personal property.
11.03 Office of Human Resources

The Office of Human Resources is responsible for the application process for new employees, pay rates, deductions, employee benefits and record keeping.

The Office of Human Resources is also responsible for all relevant information on positions and titles, reporting to external agencies and ensuring that accurate data are in the payroll module to produce employee payrolls. Human Resources shall be utilized in resolving all employee conflicts and labor disputes. The Office of Human Resources is responsible for enforcing the College’s personnel policies and procedures, which are published in a separate document.

The following required documents should be maintained in the employee file:

- Application
- Resume
- Original W-4
- Employee contract
- Employee appointment letters
- Personnel action notices
- Performance evaluations
- Payroll deduction authorizations
- Acknowledgment forms

Each employee shall receive the College faculty/staff handbook. An acknowledgment form shall be signed by the employee as evidence that he or she has received a copy of the handbook, read it and understands its contents. The handbook shall be returned to the Human Resources Department upon termination of employment.

A comparison of staff (Business and Student Financial Aid) compensation to industry averages should be completed once a year. Ensuring that the pay scale is within industry averages will enhance the College’s ability to attract and maintain quality staff for the College.

A position control schedule shall be developed and maintained by the Human Resources Director with appropriate assistance from the Vice President for Finance and Administration.

The Office of Human Resources, in conjunction with the Business Office, should design a personnel development and training schedule for employees within the Business and Financial Aid Offices. The training shall be designed to enhance skills, improve performance, customer service and maintain knowledge of industry changes. The College shall strive for a minimum of 24 hours of in-house and/or external training for each employee.

The Office of Human Resources shall ensure the compliance with all Federal labor laws. Employees shall be classified as exempt or non-exempt. Unless specifically exempted,
employees covered by the Fair Labor Standards Act (FLSA) must receive overtime pay for hours worked in excess of 40 in a workweek at a rate not less than time and one-half regular pay rates. Employees classified as exempt are not paid overtime.

A Clearance Form must be completed and approved whenever an employee is terminated, resigns or retires. The termination must be communicated to the Payroll Department the day of the termination. The employee’s final check should not be processed without the approved Personnel Action Form. The employee must be present to receive his/her final pay from the Director of Human Resources in the exit interview. The Office of Human Resources shall be responsible for collecting all institutional property from the terminated employee before the final paycheck is given.

11.04 Retention of Records

All financial records should be maintained for a period of not less than seven years, the general time period of the Statue of Limitations.

All records that are considered permanent records of the College (Board of Trustees minutes, endowment grants, contracts, loan agreements, etc.) are maintained indefinitely.

The President should determine a secure location (on or off-site) for storage of all records. Such records are maintained in fire proof file cabinets or other storage media such as electronic imagery.
EXHIBIT 1

Jarvis Christian College
Organizational Structure
EXHIBIT 2

Jarvis Christian College Business and Finance Organizational Structure