

INDEX FOR POLICIES RELATED TO ACCOUNTING ADMINISTRATION

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POLICIES RELATED TO ACCOUNTING ADMINISTRATION

POLICY NO.: I-001

SUBJECT: Introduction to Accounting Policies

SOURCE: Accounting and Business Services

DATE ISSUED: April 30, 2002

DATE REVISED: N/A

RATIONALE: To provide information on accounting policies.

POLICY: The policies and procedures contained in this manual reflect the requirements of the College, state and federal statutes and good business practices. The Directors of Business Services and Accounting staff are responsible for their interpretation and administration.

These guidelines cover most, but not all, cases involving accounting policies for the College. For further assistance, users should contact Accounting at 651-696-6567.

The College reserves the right to add, amend, or revoke any of the contained rules, policies, regulations, and instructions or incorporate additional ones as circumstances may require.

PROCEDURE

REFERENCE: Business Services will document all procedures

RESPONSIBLE

ORGANIZATION: Business Services - Accounting

POLICIES RELATED TO ACCOUNTING ADMINISTRATION

POLICY NO.: I-002

SUBJECT: General Accounting Guidelines

SOURCE: AICPA Audit Guidelines, Generally Accepted Accounting Principles, Director of Accounting and Treasury

DATE ISSUED: April 30, 2002

DATE REVISED: N/A

RATIONALE: To provide information on accounting guidelines.

POLICY: The Accounting Staff at the College are responsible for recording, analyzing and reporting financial transactions of the College. Through development and maintenance of procedures and controls, we ensure that these transactions are made in conformity with the College policies and are in accordance with generally accepted accounting principles established by the American Institute of Certified Public Accountants and the accounting guidelines established by the National Association of College and University Business Officers.

PROCEDURE

REFERENCE: Business Services will document all procedures.

RESPONSIBLE

ORGANIZATION: Business Services - Accounting

POLICIES RELATED TO ACCOUNTING ADMINISTRATION

POLICY NO.: I-003
SUBJECT: Account Number Structure
SOURCE: Business Services and CARS Information System Corporation
DATE ISSUED: April 30, 2002
DATE REVISED: N/A
RATIONALE: To explain the account number structure used by Accounting.
POLICY: The College uses a financial accounting system developed by the CARS Information System Corporation. The CARS System uses a 14-character account number structure, or chart of accounts. The chart of accounts sets the valid general ledger account numbers to record the financial activities of the College.

There are four separate components that compose an account number: fund, center, object and project. Two or more of these components are combined to record a financial transaction. The account number format is as follows:

XX - XXXX - XXXX - XXXX
Fund-Center-Object-Project

Fund

The fund is a required 2-character numeric code. Typically these are the following funds for the financial transactions related to the current operations of the College:

Current Fund Unrestricted	(10)
Current Fund Restricted/Budgeted	(17)
Current Fund Restricted/Unbudgeted	(15)

Other funds are used for such designated purposes as plant, endowment, agency accounts, loan accounts, and the like. See Policy I-004 for further information on the various funds of the College.

Cost Center

The center is a 4-character cost center code, which is a means of grouping income and expenditures for budgetary control. The center code typically identifies the College's departmental

organization structure and is used to charge expenses or record income to the appropriate departments. A center code is required for income and expenditure accounts.

Object

The object code is the third division of the general ledger (G/L) chart of accounts. It designates the asset, liability, fund balance, revenue, or expenditure object that is to be either credited or debited. These object codes become the entries of the financial statement for each fund. The asset, liability and fund balance codes comprise the balance sheets and the revenue and expenditure codes comprise the revenue and expenditure statements.

With both the center and object the G/L account number within the current funds not only specifies who spent the money (cost center), but also what types of goods or services were acquired (object).

The object code, along with the fund code constitutes the minimum components of every G/L account. (Transactions involving assets and liabilities require no center number, so this field may be left blank).

Project

The fourth component is a four-character project code. It is utilized to specify a particular restriction placed on monies within a fund group. For example, each endowment within the endowment fund is assigned a unique project code. **A project number must be used with all Funds other than Fund 10.**

PROCEDURE REFERENCE:

Requests to assign new center, object, or project numbers will be reviewed and approved by the Accounting Staff. Generally, new object codes are not added. Business Services must initiate the request for the addition or modification of an object code. In all cases, a New Account Assignment form (Volume VI) needs to be submitted to the Accounting Staff for review and account establishment. A project number is terminated in the CARS System when the restricted funds assigned to the project number have been expended.

RESPONSIBLE ORGANIZATION: Business Services - Accounting

POLICIES RELATED TO ACCOUNTING ADMINISTRATION

POLICY NO.: I-004
SUBJECT: Resource Restrictions
SOURCE: Business Services
DATE ISSUED: April 30, 2002
DATE REVISED: N/A
RATIONALE: To segregate resources according to the restrictions placed on their use by the funding source.

POLICY: For external financial statement reporting purposes, the College's financial statements are prepared to focus on the organization as a whole and to present balances and transactions classified in accordance with the existence or absences of donor-imposed restrictions. For internal purposes, the accounts of the College are maintained in accordance with the principles of fund accounting. Resources for various purposes are classified into funds in accordance with the activities or objectives specified. Funds that have similar funding sources or expenditures are combined into fund groups for reporting purposes as follows.

1. **Current Funds** (FD 10, 15, 17) consist of resources available for use in carrying out those operations directly related to the institution's educational objectives of instruction, research, and public service. The term "current" means that the resources will be expended in the near term and they will be used for operating purposes.
 - a. **Unrestricted Funds** (FD 10) consist of funds appropriated or contributed to or earned by the College free from restrictions imposed by payers, donors, or other outside agencies. These are for current purposes as deemed necessary.
 - b. **Restricted Funds** (FD 15, 17) consist of funds provided by endowment income, gifts and grants to the College with restrictions placed on their use by a donor or grantor.
2. **High Winds** (FD 30) consists of funds held by the college for the purpose of maintaining and improving the physical area surrounding the College campus. These funds are subject to the provisions of an agreement between the College and a major benefactor.

3. **Loan Funds** (FD 40, 45) consist of funds held by the College for making loans to students.
4. **Endowment Funds and Funds Functioning as Endowments** (FD 60, 65) consist of gifts to the College that have been restricted by donors to the extent that only income derived from the investment may be expended; and funds designated by administrative decision for similar use.
5. **Deferred Gifts** (FD 70, 75) consists of trusts or other arrangements made with donors under which the gift benefit the College receives is shared with other beneficiaries until their maturity.
6. **Plant Funds** (FD 80, 81, 82, 83, 85) consist of funds held by the College for (1) construction and major remodeling, (2) retirement of indebtedness, and (3) investment in plant fund.
7. **Agency Funds** (FD 95) consist of funds held for others for which the College acts as custodian or fiscal agent on behalf of the payer.

PROCEDURE

REFERENCE:

College resources are categorized in the funds described above. When new resources are received, the nature of the transaction and any donor-imposed restrictions on the resources determines which fund the resources will be deposited into. To assign a new project number, see Policy I-003.

RESPONSIBLE

ORGANIZATION: Business Services - Accounting

POLICIES RELATED TO ACCOUNTING ADMINISTRATION

- POLICY NO.:** I-005
- SUBJECT:** Line Officer Fiscal Responsibilities
- SOURCE:** Board of Trustees, Vice President for Administration and Finance and Business Services
- DATE ISSUED:** April 30, 2002
- DATE REVISED:** N/A
- RATIONALE:** To establish a process to ensure fiscal control and integrity for departmental costs.
- POLICY:** Each Cost Center and Project must have an individual who has fiscal responsibility for monies and transactions in the cost center and project accounts. The individuals who have this fiscal responsibility are the Line Officers of the College.
- The fiscal duties and responsibilities of the Line Officers relate to budgeting, where applicable, authorizing charges and credits to the account, reviewing activity to assure compliance with the policies and procedures, understanding the purpose of the fiscal activity and recorded financial data, and retaining certain records applicable to the account. Performance of the duties and responsibilities are often delegated to individuals supervised by the Line Officer. The ultimate responsibility is retained by the Line Officer.
- Budget.** The duties and responsibilities for Line Officers begin with establishing an annual budget. The budget, which provides orderly execution of the needs related to the account, serves as a control mechanism to compare planned receipts and disbursements with actual fiscal activities. For contract and grant accounts, the budget is established through a proposal and award process. See the Budgeting Policies (Volume II) for additional information related to budgeting. See the Grant Guide (available in Accounting Office, Room 301, 77 Macalester Street) for additional information related to contracts and grants.
- Charges and Credits.** Line Officers are responsible for authorizing and approving all charges and credits to the account. Line Officers must approve all individual charges in excess of dollar limits established by each Line Officer. All individual transactions in excess of \$10,000 require the approval of the Vice President of Administration and Finance. All individual

transactions in excess of \$100,000 require the approval of both the President and the Vice President of Administration and Finance. The types of financial transactions requiring approval include departmental purchase requisitions, staffing requisitions, check requests, travel reimbursement requests, and budget transfers (Approval authority may be delegated to another exempt or nonexempt employee, but the responsibility may not be delegated—Line Officer maintains responsibility).

DEFINITIONS:

Account. The College defines an account as a combination of components that has been assigned to a department/unit to record a financial transaction. See Policy I-003 for additional information on the College's account structure.

**PROCEDURE
REFERENCE:**

When approving documents, the Line Officer is responsible for verifying the following:

1. that charges to the account correctly represent materials received or services rendered;
2. that charges represent activities for which accounts are established, and comply with the fiscal plan that is established for the account;
3. that funds are available in the account to cover authorized charges;
4. that transactions in the account comply with all relevant internal or external regulations, policies and procedures.

Reviewing. A monthly Center and Project Report and supporting Transaction Report is provided via email to assist the Line Officer in a review of the account activity (See Policy I-006 for description of monthly reports). These reports reflect the official College records, the current budget, cash transactions to date, and encumbrance information. The Center, Project, and Transaction Reports should be reviewed as well as supporting documentation, such as purchasing activities to ensure that all entries recorded are accurate and appropriate for the account. This review, which should include a comparison of the budgeted amount to the actual expenditures, will assist in determining that the activities in the account conform to the budget. A current snapshot of non-salary expenditures for centers and projects can also be accessed through the financial accounting system in Budget Review (See Budget Policy II-001 and RPA Policy IV-120 for discussion of Budget Review).

Understanding the Account. In addition to periodic reviews of the account, it is a Line Officer's responsibility to understand the purpose of the account, what is recorded in the account, and what the balance in the account represents.

Records Management. Most original copies of financial records are retained by the Business Services Office to satisfy federal and state regulations, legal, and audit requirements. A Line Officer is responsible for retaining all other documents necessary to perform their responsibilities.

RESPONSIBLE

ORGANIZATION: Business Services - Accounting

POLICIES RELATED TO ACCOUNTING ADMINISTRATION

POLICY NO.: I-006

SUBJECT: Department Level Financial Reporting

SOURCE: Business Services

DATE ISSUED: April 30, 2002

DATE REVISED: N/A

RATIONALE: To explain the College department level financial reporting schedule.

POLICY: Accounting distributes via email the following reports monthly (See Policy I-003 for an explanation of the chart of accounts and definitions of object, center, and project codes):

1. **Cost Center Report.** The Cost Center Report presents a summarized report for the activity within a Center. The information is summarized by object. See Policy I-003 for an explanation of the chart of accounts and definition of an object code. The information in the report is cumulative through the date of the report.
2. **Cost Center Transactions.** The Cost Center Transactions report list the detailed transactions by object code, in chronological order, for the time period specified in the report parameters.
3. **Project Report.** The Project Report presents a summarized report for the activity within a Project. The information is summarized by object code. The information in the report is cumulative through the date of the report.
4. **Project Transactions.** The Project Transactions report lists the detailed transactions by object code, in chronological order for the time period specified in the report parameters. The center code used with each transaction is also listed.

Both the Cost Center and Project transaction reports sent monthly are cumulative year-to-date, reporting all transactions from the beginning of the fiscal year through the end of the current month.

After the College annual external audit is completed, final Cost Center and Project Reports and Cost Center and Project

Transactions will be distributed. This generally occurs in August.

Cost Center and Project summary information and transactions can also be accessed within the financial accounting system through use of the Budget Review. Salary information is not accessible on Budget Review.

PROCEDURE

REFERENCE:

Reports are distributed to the Line Officer or an individual that the Line Officer delegates to receive the reports (See Policy I-005 for description of the Line Officer's role).

To change the recipient of a Center or Project report, the Line Officer who is responsible for the Center or Project must send a completed Information Change Request form (Volume VI) to the Accounting Staff. The Accounting Staff maintains the report distribution database.

To obtain access to Budget Review, please contact the Accounting Staff. The Line Officer determines who can have access to Budget Review for the centers and projects they have fiscal responsibility for.

RESPONSIBLE

ORGANIZATION: Business Services - Accounting

POLICIES RELATED TO ACCOUNTING ADMINISTRATION

- POLICY NO.:** I-010
- SUBJECT:** Journal Entries
- SOURCE:** Business Services
- DATE ISSUED:** April 30, 2002
- DATE REVISED:** N/A
- RATIONALE:** To establish a process for transferring funds from one center and/or project to another center and/or project.
- POLICY:** Generally, the Business Services Office Journal Entry Request form (Volume VI) is used when transferring funds from one center and/or project to another center and/or project. There are three primary reasons for transferring funds:
1. **Corrections.** Corrections can be required for a variety of reasons, including the use of incorrect account number on purchasing transactions or data entry errors.
 2. **Inter-departmental Charges.** Charges generated by a department that provides service, materials or supplies to another department; such as Central Stores, Mailing Services or Duplicating Services.
 3. **Transfers** in support of other department expenses.
- PROCEDURE REFERENCE:** All journal entry requests require signature approval. See Policy I-004 regarding Approval of Expenditures. The following are descriptions of how to process the various types of journal entry requests:
1. **Corrections.** Use the Business Services Office Journal Entry Request form (Volume VI) to correct erroneous charges to a center or project. Be sure to include supporting documentation to substantiate the error.
 2. **Inter-departmental Charges.** Inter-departmental charges are processed with both electronic information exchanges or with the Business Services Office Journal Entry Request form (Volume VI). The Business Services Office works with each Department to determine how inter-departmental charges will be processed. The Department that is charging other departments will retain the supporting documentation with

approvals to substantiate the charges assessed to other departments.

3. **Transfers** in support of other department expenses. Use the Business Services Office Journal Entry Request form (Volume VI). Be sure to include supporting documentation to substantiate the reason the charge needs to be transferred to another center and/or project. Authorized individuals of all the centers and/or projects being charged by the transfer must approve transfers.

To ensure that journal entries will be entered in the proper month, journal entries must be received by the Accounting Staff by 4:30 pm on the 3rd business day after month end. All journal entries received after this deadline will be processed in the following month. For deadlines related to journal entries at the fiscal year end, May 31, see the Fiscal Year End Policy, Policy I-011.

RESPONSIBLE

ORGANIZATION: Business Services - Accounting

POLICIES RELATED TO ACCOUNTING ADMINISTRATION

- POLICY NO.:** I-011
- SUBJECT:** Fiscal Year End
- SOURCE:** AICPA Audit Guidelines, Generally Accepted Accounting Principles, Director of Accounting and Treasury
- DATE ISSUED:** April 30, 2002
- DATE REVISED:** N/A
- RATIONALE:** To establish a process for recording transactions properly at the end of the fiscal year.
- POLICY:** All College operations should be maintained and compliance reports prepared on the accrual basis of accounting at the end of the fiscal year. Revenues should be reported when earned and expenditures reported when materials or services are received or used. The College is required to identify and record liabilities, receivables, inventories and other financial statement data at the close of every fiscal year end. The financial data must be reported in accordance with generally accepted accounting principles relating to year-end accruals of receipts and expenditures.
- DEFINITIONS:** **Accrual Accounting** is the matching of revenue and expense. The revenue/expense should be recorded in the period that the event occurred. The revenue and expense that are correlated to each other should be recorded in the same period. If there is not any revenue generated by the expense, then the expense should be recorded when it occurs not when the cash is paid.
- PROCEDURE**
- REFERENCE:** After the close of each fiscal year, June 1 to May 31, the Accounting Staff is required to prepare financial statements that properly reflect the revenue and expenditures for the fiscal year. For accurate financial presentation we must charge all materials and services received by May 31 to the fiscal year then ended. These financial statements are prepared in accordance with generally accepted accounting principles and are audited by an external audit.

Departments must submit for payment all invoices for materials and services that are received on or before May 31 as soon as possible after May 31, and prior to the closing dates set by the Accounting Staff.

The Accounting Staff will send out a memo to departments in April of each year with notice of the pertinent dates for the fiscal year-end closing.

RESPONSIBLE

ORGANIZATION: Business Services - Accounting

POLICIES RELATED TO ACCOUNTING ADMINISTRATION

POLICY NO.:	I-035
SUBJECT:	Outstanding College Checks
SOURCE:	Minnesota Code, Business Services
DATE ISSUED:	April 30, 2002
DATE REVISED:	N/A
RATIONALE:	To ensure that outstanding College payroll and disbursement checks are monitored and handled according to Minnesota unclaimed property statutes, and financial records are updated in an accurate and timely manner. Outstanding checks become unclaimed property if they are not acknowledged or cashed by the owner within a specified period of time referred to as a dormancy period. Disbursement checks issued by Accounts Payable have a three (3) year dormancy period and payroll checks issued by the Payroll Office have a one (1) year dormancy period.
POLICY:	The College monitors outstanding checks and attempts to locate and notify check owners. The College reports and remits unclaimed property to the State of Minnesota. Financial records accurately reflect liability and dormancy period of outstanding checks until they become unclaimed property and are remitted to the State.
DEFINITIONS:	Outstanding Check. A check issued by the College that has not been cashed or canceled.
PROCEDURE	
REFERENCE:	Procedures that provide specific details with regard to this process are maintained by the Business Services Staff.
RESPONSIBLE	
ORGANIZATION:	Business Services - Accounting

POLICIES RELATED TO ACCOUNTING ADMINISTRATION

POLICY NO.:	I-050
SUBJECT:	Grant and Sponsored Research Contract Management
SOURCE:	Business Services
DATE ISSUED:	April 30, 2002
DATE REVISED:	N/A
RATIONALE:	To explain the role of the Accounting Staff in grant and sponsored research contract management.
POLICY:	<p>Grants and contracts are funded based on the professional expertise of the principal investigator submitting proposals; however, the formal award is made in the name of Macalester College. When the award is accepted, the principal investigator assumes the responsibility for conducting and completing the technical work and for administering the project according to the regulations of the funding sponsor and the College. That is, the principal investigator is responsible and accountable for the sponsored project. The College provides the infrastructure within which the investigator conducts the project. Thus, the principal investigator and the College have a mutual interest in carrying out the project for which the funds are awarded.</p> <p>The Provost office has prepared the <i>Macalester College Grants Guide</i> that describes the various grant administration issues that principal investigators may encounter during the grant or contract period and the procedures for addressing those issues. The <i>Macalester College Grants Guide</i> also addresses which department will assist the principal investigator with which tasks during the grant or contract period.</p> <p>As noted above, the principal investigator is responsible for administering the project according to the regulations of the funding sponsor. This entails monitoring the expenditures and adhering to the budget submitted to the funding sponsor in the proposal process. The Accounting Staff does not perform the budget monitoring for grants and contracts. The Accounting Staff will provide accounting assistance to principal investigators. This assistance will include working with the principal investigators to prepare financial reports required by the funding sponsors.</p>
PROCEDURE REFERENCE:	See the <i>Macalester College Grants Guide</i> .

RESPONSIBLE

ORGANIZATION: Business Services - Accounting

POLICIES RELATED TO ACCOUNTING ADMINISTRATION

- POLICY NO.:** I-060
- SUBJECT:** Gifts to Macalester College
- SOURCE:** Vice President for Administration and Finance and Business Services
- DATE ISSUED:** April 30, 2002
- DATE REVISED:** N/A
- RATIONALE:** To provide guidance to faculty and staff concerning the depositing, recording and acknowledgment of all gifts received by the College.
- POLICY:** When a gift has been received for the College, the gifts are to be forwarded to the Development Office. The Development Office deposits, records and acknowledges all gifts received by the College.
- DEFINITIONS:** **Gift.** A gift is a donation or grant to the College from an Individual, Corporation, Foundation or other non-government entity.
- PROCEDURE**
- REFERENCE:** All cash, checks, and correspondence related to the gifts should be forwarded to the Development Office (However, cash **must** be hand delivered to the Development Office). Gift monies should **not** be deposited through the Student Accounts office by anyone other than the Development Office. Similarly, any receipt or notice of stock gifts should be directed to the Development Office for further processing with assistance of the Director of Budget and Finance who coordinates the sale of stock gifts.
- RESPONSIBLE**
- ORGANIZATION:** Business Services - Accounting