

## ACCOUNTING POLICIES

### INDEX

<u>POLICY NO.</u>	<u>SUBJECT</u>
I-001	Introduction to Accounting Policies
I-002	General Accounting Guidelines
I-003	Account Number Structure / FOAPAL
I-004	Resource Restrictions
I-005	Line Officer Fiscal Responsibilities
I-006	Journal Entries
I-007	Fiscal Year End
I-008	Outstanding College Checks
I-009	Grants and Grant-related Contract Management
I-010	Gifts to Macalester College

## ACCOUNTING POLICIES

<b>POLICY NO.:</b>	I-001
<b>SUBJECT:</b>	Introduction to Accounting Policies
<b>SOURCE:</b>	Business Services - Accounting
<b>DATE ISSUED:</b>	April 30, 2002
<b>DATE REVISED:</b>	November 9, 2011
<b>PURPOSE:</b>	To provide information on accounting policies.
<b>POLICY:</b>	<p>The policies and procedures contained in this manual reflect the requirements of the College, state and federal statutes and good business practices. The Assistant Vice President for Finance and Accounting staff are responsible for their interpretation and administration.</p> <p>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.</p> <p>The College reserves the right to add to, amend, or revoke any of the contained rules, policies, regulations, and instructions.</p>

## ACCOUNTING POLICIES

<b>POLICY NO.:</b>	I-002
<b>SUBJECT:</b>	General Accounting Guidelines
<b>SOURCE:</b>	American Institute of Certified Public Accountants (AICPA) Audit Guidelines, Generally Accepted Accounting Principles (GAAP), Business Services - Accounting
<b>DATE ISSUED:</b>	April 30, 2002
<b>DATE REVISED:</b>	November 9, 2011
<b>PURPOSE:</b>	To provide information on accounting guidelines.
<b>POLICY:</b>	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 (GAAP) established by the American Institute of Certified Public Accountants (AICPA) and the accounting guidelines established by the National Association of College and University Business Officers (NACUBO).

## ACCOUNTING POLICIES

**POLICY NO.:** I-003  
**SUBJECT:** Account Number Structure / FOAPAL  
**SOURCE:** Business Services – Accounting  
**DATE ISSUED:** April 30, 2002  
**DATE REVISED:** November 9, 2011  
**PURPOSE:** To explain the account number structure, also known as FOAPAL  
**POLICY:** The College uses a financial accounting system called Banner. Banner uses a 28-character account number structure called a FOAPAL. FOAPALs record the financial activities of the College.

A FOAPAL is an acronym representing each element of Macalester's Chart of Accounts. The elements are: **F**und, **O**rganization, **A**ccount, **P**rogram, **A**ctivity, and **L**ocation. The FOAPAL format is as follows:

XXXXXX - XXXXXX - XXXXXX - XX - XXXX - XXXX  
F O A P A L

**Fund** – A six-character code used to specify the funding source. Each fund identifies a self balancing set of accounts and identifies ownership and restriction. This code is required input in Banner for all accounting transactions.

- 100000 is the code for the general unrestricted fund.

**Organization** – A six-character code used to identify the organizational unit that is responsible for financial activity captured within the code. It identifies departments. This code is required input in Banner for revenue and expense transactions.

**Account** – A six-character code used to classify assets, liabilities, revenues and expenses by type. This code is required input in Banner for all accounting transactions.

- 1xxxxx - Assets
- 2xxxxx - Liabilities
- 5xxxxx - Revenues
- 6xxxxx - Payroll and benefit expenses
- 7xxxxx - Operating expenses

**Program** – A two-digit code that is used to identify the major purpose of expenditures. Program codes accumulate expenditure information into major categories such as instruction, research, and academic support. They are required in order to meet external reporting requirements. This code is assigned by Accounting and is a required input in Banner for revenue and expense transactions. Most organizations have a default Program code associated with them. For the most part Program codes will default from the Org.

- Revenues are always program code 99.

**Activity** – An *optional* four-character code used to group all costs associated with a specific event or activity. Activity codes are assigned to transactions involving multiple organizations or funds that share responsibility for a common event or activity. An example of an activity would be Conference A, Field Trip B, Event C, or Speaker D.

**Location** - An *optional* four-character code used to specify the physical location of an asset or transaction. It enables the college to establish reporting by physical location. This code is used mainly by Facilities Management & High Winds to track fixed assets. This code must be set up in Banner by Accounting prior to use.

**ADDITIONAL  
NOTE:**

Requests for new FOAPALs are reviewed and approved by Business Services.

## ACCOUNTING POLICIES

- POLICY NO.:** I-004
- SUBJECT:** Resource Restrictions
- SOURCE:** Business Services - Accounting
- DATE ISSUED:** April 30, 2002
- DATE REVISED:** November 9, 2011
- PURPOSE:** To segregate resources according to the restrictions, if any, placed on their use by funding sources.
- 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 absence 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** (1xxxxx & 2xxxxx) 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** (1xxxxx) 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** (2xxxxx) 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** (300000) 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** (4xxxxx) consist of funds held by the College for making loans to students.
4. **Endowment Funds and Funds Functioning as Endowments** (5xxxxx & 6xxxxx) 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. **Split Interest Agreements** (7xxxxx) 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. **Agency Funds** (8xxxxx) consist of funds held for others for which the College acts as custodian or fiscal agent on behalf of the payer, including student organizations.
7. **Plant Funds** (9xxxxx) consist of funds held by the College for (1) construction and major remodeling, (2) retirement of indebtedness, and (3) investment in plant.

**ADDITIONAL  
NOTE:**

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.

## ACCOUNTING POLICIES

<b>POLICY NO.:</b>	I-005
<b>SUBJECT:</b>	Line Officer Fiscal Responsibilities
<b>SOURCE:</b>	Board of Trustees, Vice President for Administration and Finance and Business Services - Accounting
<b>DATE ISSUED:</b>	April 30, 2002
<b>DATE REVISED:</b>	November 9, 2011
<b>PURPOSE:</b>	To establish a process to ensure fiscal control and integrity for departmental costs.
<b>POLICY:</b>	<p>Each FOAPAL (see definition in I-003) must have an individual who has fiscal responsibility for monies and transactions in the FOAPAL. The individuals who have this fiscal responsibility are the Line Officers of the College.</p> <p>The fiscal duties and responsibilities of the Line Officers relate to budgeting, authorizing charges and credits to FOAPALS, reviewing activity to assure compliance with policies and procedures, understanding the purpose of the fiscal activity and recorded financial data, and retaining certain records applicable to the FOAPAL. Performance of the duties and responsibilities are often delegated to individuals supervised by the Line Officers, but the ultimate responsibility is retained by the Line Officers.</p> <p><b>Budget.</b> The duties and responsibilities for Line Officers begin with establishing an annual budget. The budget 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 <i>Proposal Preparation and Grant Management Guide (PPGMG)</i> (available in Accounting Office, Room 302, 77 Macalester Street) for additional information related to contracts and grants.</p>

**Charges and Credits.** Line Officers are responsible for authorizing and approving all charges and credits to FOAPALs. 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 employee, but the responsibility may not be delegated—Line Officer maintains responsibility).

**ADDITIONAL  
NOTES:**

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

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

**Reviewing.** Financial activity can be viewed using Banner Self Service and Argos. Please contact Accounting at x6567 for training in using these tools. The reports available using these two tools reflect the official College records, the current budget, cash transactions to date, and encumbrance information. The transactions in these 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 a FOAPAL conform to the budget.

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

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

## ACCOUNTING POLICIES

<b>POLICY NO.:</b>	I-006
<b>SUBJECT:</b>	Journal Entries
<b>SOURCE:</b>	Business Services - Accounting
<b>DATE ISSUED:</b>	April 30, 2002
<b>DATE REVISED:</b>	November 9, 2011
<b>PURPOSE:</b>	To establish a process for transferring funds from one FOAPAL to another.
<b>POLICY:</b>	<p>Generally, the Journal Entry Request form (available on the Accounting webpage) is used when transferring funds from one FOAPAL to another. There are three primary reasons for transferring funds:</p> <ol style="list-style-type: none"><li>1. <b>Corrections.</b> Corrections can be required for a variety of reasons, including the use of an incorrect FOAPAL on purchasing transactions or data entry errors.</li><li>2. <b>Inter-departmental Charges.</b> Charges generated by a department that provides service, materials or supplies to another department; such as Central Stores, Mailing Services or Document Services.</li><li>3. <b>Transfers</b> in support of other department expenses.</li></ol>

**ADDITIONAL  
NOTES:**

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 Journal Entry Request form to correct erroneous charges to a FOAPAL. 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 Journal Entry Request form. The Accounting 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 Journal Entry Request form. Be sure to include supporting documentation to substantiate the reason the charge needs to be transferred to another FOAPAL. Authorized individuals of all the FOAPALs being charged by the transfer must approve transfers.

## ACCOUNTING POLICIES

- POLICY NO.:** I-007
- SUBJECT:** Fiscal Year End
- SOURCE:** American Institute of Certified Public Accountants (AICPA) Audit Guidelines, Generally Accepted Accounting Principles (GAAP), Business Services - Accounting
- DATE ISSUED:** April 30, 2002
- DATE REVISED:** November 9, 2011
- PURPOSE:** To establish a process for recording transactions properly at the end of the fiscal year.
- POLICY:** The College's fiscal year is June 1 – May 31. All College operations are maintained and compliance reports are prepared on the accrual basis of accounting at the end of the fiscal year. Revenues must 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 (GAAP) 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 in which the event occurred. Revenue and expenses that are related to each other should be recorded in the same period. If there is not any revenue related to the expense, then the expense should be recorded when it occurs not when the cash is paid.
- ADDITIONAL NOTES:** After the close of each fiscal year, 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 (GAAP) and are audited by an external auditor.

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 Office.

The Accounting Office posts a memo in the Daily Piper and on the Business Services and Accounting webpages in April of each year with notice of the pertinent dates for the fiscal year-end closing.

## ACCOUNTING POLICIES

- POLICY NO.:** I-008
- SUBJECT:** Outstanding College Checks
- SOURCE:** Minnesota Code, Business Services – Accounting & Payables
- DATE ISSUED:** April 30, 2002
- DATE REVISED:** November 9, 2011
- PURPOSE:** 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 applicable states. Financial records accurately reflect liability and dormancy period of outstanding checks until they become unclaimed property and are remitted to the states.
- DEFINITIONS:** **Outstanding Check.** A check issued by the College that has not been cashed or canceled.

## ACCOUNTING POLICIES

- POLICY NO.:** I-009
- SUBJECT:** Grants and Grant-related Contract Management
- SOURCE:** Business Services - Accounting
- DATE ISSUED:** April 30, 2002
- DATE REVISED:** November 9, 2011
- PURPOSE:** To explain the role of the Accounting Staff in grant and sponsored research contract management.
- POLICY:** 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.
- Corporate and Foundation Relations (with input from the Accounting and Provost offices) created the *Proposal Preparation and Grant Management Guide (PPGMG)*, which 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 *PPGMG* also addresses which department will assist the principal investigator with which tasks during the grant or contract period.
- 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.
- ADDITIONAL NOTE:** See the *Proposal Preparation and Grant Management Guide (PPGMG)*.

## ACCOUNTING POLICIES

<b>POLICY NO.:</b>	I-010
<b>SUBJECT:</b>	Gifts to Macalester College
<b>SOURCE:</b>	Vice President for Administration and Finance and Business Services - Accounting
<b>DATE ISSUED:</b>	April 30, 2002
<b>DATE REVISED:</b>	November 9, 2011
<b>PURPOSE:</b>	To provide guidance to faculty and staff concerning the depositing, recording and acknowledgment of all gifts received by the College.
<b>POLICY:</b>	When a gift has been received by 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.
<b>DEFINITIONS:</b>	<b>Gift.</b> A gift is a donation or grant to the College from an Individual, Corporation, Foundation or other non-government entity.
<b>ADDITIONAL NOTE:</b>	All cash, checks, and correspondence related to the gifts should be forwarded to the Development Office (However, cash <b>must</b> be hand delivered to the Development Office). Gift monies should <b>not</b> 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.