Fiscal Policies and Procedures

Developed September 20, 2011

Contents

ORGANIZATION OF THE MANUAL

The Accounting Policy Manual is divided into **16** active subject areas, each of which contains (or will in the future contain) a group of related policies. For example, all policies related to procurement/disbursements can be found in section 1200.

Policy statements are sequenced by section and identified by a four digit numeric code. The first two digits identify the subject area, while the third and fourth digits indicate the specific policy within the subject area, e.g., policy number 1210 identifies the tenth policy of subject area 12,

PROCUREMENT/DISBURSEMENTS.

Each policy statement is presented in a standardized format. The first section identifies the policy number and policy title. The next section of each page indicates the subject area, responsible office, the office or group having the authority to approve changes to the policy, issue date, and revision date. This is followed by the actual policy information.

The responsible office has the responsibility to develop, promulgate, monitor and revise the applicable policy and/or procedure. When additional guidance or interpretation of a specific policy is required, that office should be consulted. The Office of the Vice President and Chief Fiscal Officer or Controller should be consulted when an issue arises which is not addressed by the Financial Policy Manual.

Policy No. 1001 General Accounting Policy: Financial Activity

SUBJECT AREA: ACCOUNTING
RESPONSIBLE OFFICE: BUSINESS OFFICE
APPROVAL: VICE PRESIDENT OF FISCAL AFFAIRS
ORIGINALLY ISSUED: OCTOBER 17, 2011
REVISED:

PURPOSE: To provide information on the College's financial operation to management, Trustees, and other interested parties.

POLICY

1. The Business Office is responsible for accounting for College financial activity in accordance with Generally Accepted Accounting Principles (GAAP) as promulgated in the Audit Guide for Colleges and Universities.
2. Accounts will be maintained and reports prepared on the modified cash basis of accounting throughout the year, unless accrual basis is mandated by an applicable grant or project. However, Accrual basis of accounting is used for fiscal year-end reporting. Accrual basis of accounting is also used for grant and/or project close-outs if allowable by granting agency.
3. Receipts will be recorded as received and revenues will be recorded when earned.
4. Expenditures will be recorded when materials or services are paid with the exception of grant programs which mandate that expenditures be recorded when received or when an obligation or the impairment of an asset has occurred.
5. The Business Office is responsible for maintaining a system of internal controls adequate to safeguard College assets.

Policy No. 1002 General Accounting Policy: Financial Resources

SUBJECT AREA: ACCOUNTING
RESPONSIBLE OFFICE: BUSINESS OFFICE
APPROVAL: VICE PRESIDENT OF FISCAL AFFAIRS
ORIGINALLY ISSUED: OCTOBER 17, 2011
REVISED:

PURPOSE: The primary purpose of the accounting system is to account for resources in accordance with objectives established by the Board of Trustees, management, donors, government agencies or others.

POLICY

1. The College's Accounting System will be maintained in accordance with the principles of fund accounting.
2. Unrestricted resources expendable will be accounted for in the Current Unrestricted Fund.
3. Resources which are restricted for specific operating purposes by outside donors/agencies will be accounted for as Current Restricted Funds, i.e., income from Endowment Funds, Gifts, Grants and Contracts.
4. True or term endowment principal and endowment designated to function as an endowment will be accounted for as an Endowment and Similar Funds. Any income derived from restricted endowment will be accounted for as Current Restricted Funds Endowment Income. Any income derived from unrestricted endowment funds will be accounted for as Current Unrestricted Funds Endowment Income.
5. Resources for loans to students, staff and others will be accounted for as Loan Funds.
6. Resources reserved or designated for use for the construction or acquisition of plant assets, debt service requirements, or the renewal or replacement of plant assets will be accounted for as Unexpended Plant Funds.
7. Plant assets and related debt will be accounted for in the Net Investment in Plant Fund.
8. Resources held by the College as custodian or fiscal agent for others will be accounted for as Agency Funds.

Policy No. 1003 Accounting System Maintenance

SUBJECT AREA: ACCOUNTING
RESPONSIBLE OFFICE: BUSINESS OFFICE
APPROVAL: VICE PRESIDENT OF FISCAL AFFAIRS
ORIGINALLY ISSUED: OCTOBER 17, 2011
REVISED:

PURPOSE: Maintenance of the College's Accounting System is necessary to ensure financial accounting and reporting integrity.

POLICY

1. The College's Business Office is responsible for the maintenance of its Accounting System.
2. All requests to create new accounts (funds) must be accompanied by proper documentation and approved by the Controller or Vice President for Fiscal Affairs.
3. Accounts will be established in appropriate fund groups to reflect the nature of the revenues to be generated and/or the purpose of the expenditures to be incurred.
4. All changes to account codes and other account specific information must be approved by Business Office.
5. Departments are required to notify Vice President of Fiscal Affairs and the Controller, on a timely basis, of the following:

   A. Any organizational change affecting responsibility for account administration.

   B. Any accounts to be deleted such as inactive unrestricted accounts or restricted gift accounts for which the gift has been expended.

Policy No. 1003.1 Account Structure

SUBJECT AREA: ACCOUNTING
RESPONSIBLE OFFICE: BUSINESS OFFICE
APPROVAL: VICE PRESIDENT OF FISCAL AFFAIRS
ORIGINALLY ISSUED: OCTOBER 17, 2011
REVISED:

PURPOSE: The Chart of Accounts is used to describe and classify transactions according to uses and/or regulations or limitations in compliance with the financial reporting requirements of the Governmental Accounting Standards Board and the National Association of College & University Business Officer (NACUBO).

POLICY

1. The College uses separate ranges to designate the transaction as revenue, expense, net assets, asset, or liability.
2. The chart of accounts is maintained by the Controller and/or the Controller's designees within the Business Office.
3. New accounts will be set up as new activities or requirements are identified.
4. The Business Office will monitor financial transactions and reports to ensure proper usage of the Chart of Accounts.

Policy No. 1004.1 Fixed Assets Property Management System

SUBJECT AREA: ACCOUNTING
RESPONSIBLE OFFICE: BUSINESS OFFICE
APPROVAL: VICE PRESIDENT OF FISCAL AFFAIRS
ORIGINALLY ISSUED: OCTOBER 17, 2011
REVISED:

PURPOSE: To ensure proper management and control of fixed assets.

POLICY

1. The College will follow the guidelines as established in the State of Arkansas Capital Assets Guidelines appendix.
2. All fixed assets owned by the College, including fixed assets purchased through sponsored programs, are subject to College policy.
3. The purchase of fixed assets with College funds for personal or private use is strictly prohibited.
4. Use of College property in an off-campus location must be approved by the supervisory cabinet members and the Vice President of Fiscal Affairs, or the President if within the Fiscal Affairs office. An appropriate hand receipt form must be on file in the Business Office and a copy with the supervisor responsible for the fixed asset.

Introduction

On July 1, 2001, the State was required to implement Governmental Accounting Standards Board (GASB) Statement No. 34 and No. 35, B*asic Financial Statements and Management's Discussion and Analysis for State and Local Governments and Public Colleges and Universitie*s. Two key implementation challenges continue to be infrastructure reporting and accounting for depreciation.

These Capital Asset Guidelines were prepared to assist with implementing the new reporting requirements. All On-line User Agencies and Service Bureau Agencies are required to record their asset inventory in the AASIS system based on established tracking and capitalization thresholds found herein. Included in this guide are asset category definitions, capitalization/tracking thresholds, depreciation methodologies, and examples of expenditures for each class of assets. Additionally, guidelines for leasehold improvements and construction in progress have been included.

Capital Asset Definitions and Guidelines

A capital asset is defined as real, personal or intangible property that has a value equal to or greater than the capitalization threshold (detailed below) and has an estimated life of greater than one year.

The State has invested in a wide variety of capital assets used in State operations. These assets are broadly classified as follows:

Land,

Land Improvements,

Easements,

Buildings/Building Improvements,

Leasehold Improvements,

Equipment,

Equipment-Low Value,

Equipment-Low Value Collective,

Works of Art/Historical Treasures,

Library Holdings,

Other Tangible and Intangible Assets,

Infrastructure,

Assets Under Construction and

Capital Leases.

Capital Asset Classification

The Asset Class is used to organize capital assets in the broad classifications detailed above. An essential function of the asset class is to establish a link between the asset master record and the related posting to the accounting general ledger. Therefore, assets purchased, constructed or donated that meet or exceed the capitalization threshold or minimum-reporting requirements must be uniformly classified, utilizing the existing Asset Class structure. Each Asset Class is further detailed into Class Codes. The Class Code breaks the Asset Class into groups of similar to the group of assets.

Capital Asset Acquisition Cost

Capital assets shall be recorded and reported at their historical costs. Historical cost include the vendor's invoice (less the value of any trade-in), plus sales tax, initial installation cost (excluding in-house labor), modifications, attachments, accessories or apparatus necessary to make the asset usable and render it into service. Historical costs also include ancillary charges such as freight and transportation charges, site preparation costs and professional fees.

The costs of capital assets for ***governmental activities*** do not include capitalized interest. Interest, however, is capitalized on assets that are constructed for an agency's enterprise fund or otherwise produced for an enterprise fund's own use (including assets constructed or produced for the enterprise by others for which deposits or progress payments have been

made) and assets intended for sale or lease that are constructed or otherwise produced as discrete projects (for example, ships or real estate developments).

PLEASE NOTE: The book value of assets recorded at historical costs should never be increased to reflect appraised value, insurance value, replacement cost, etc.

Capitalization Threshold

Effective 7/1/2011, standard capitalization thresholds for capitalizing assets for each major class of assets are as follows:

Asset Class Threshold

Land Capitalize All

Land Improvements $ 5,000

Easements Capitalize All

Buildings/Building Improvements $ 100,000

Leasehold Improvements $ 5,000

Equipment $ 5,000

Equipment – Low Value* $ 2,500 – 4,999.99

Equipment – Low Value High Risk* $500-2,499.99

Equipment – Low Value Collective (See note below)

Works of Art/Historical Treasures $5,000

Works of Art/Historical Treasures – Low Value $0 – 4,999.99

Library Holdings Capitalize All

Other Tangible/Intangible Assets $5,000

Other Tangible/Intangible Assets – Low Value* $2,500 - $4,999.99

Internally Generated Software $1,000,000

Infrastructure $5,000

Capital Leases $5,000

Asset under Construction Not Applicable

* Assets that are easily susceptible to pilferage shall also be included in either Low Value

Equipment or Low Value High Risk Equipment depending on value. These items will include laptop computers, guns, camera equipment, video equipment, printers, tools, cell phones, handheld radios, binoculars, and any others that are easily susceptible to loss or theft. Other Tangible/Intangible Assets – Low Value does not include purchased software licenses.

Please Note: Equipment – Low Value Collective consists of groupings of smaller like items that would not individually meet the equipment threshold of $2,500.00 per item required for the Equipment – Low Value class.

Capital Asset Donations

GASB Statement No. 33, *Accounting and Financial Reporting for Non-Exchange Transaction*s, defines a donation as a voluntary non-exchange transaction entered into willingly by two or more parties. Both parties may be governments, such as the Federal Government, another state, a county or municipality, or one party may be a nongovernmental entity, including an individual.

PLEASE NOTE: A voluntary contribution of resources between State agencies is not a donation.

The timing of recognition of the asset and related revenue is outlined as follows: When an asset has been received and the eligibility requirements to receive the asset have been met, capital assets are debited and revenue is credited in the *fund financial statements of an enterprise fund and the government wide financial statements for a governmental fund.*

When an asset has been received but the eligibility requirements to receive the asset have not been met, capital assets are debited and deferred revenue is credited in the fund financial statements of an enterprise fund and the government wide financial statements form a governmental fund.

Promises of Capital Asset Donations

Promises should be recognized as receivables and revenues (net of estimated uncollectible amounts) when all applicable eligibility requirements are met, provided that the promise is verifiable, the resources can be reasonably estimated and collection is probable. When such circumstances exist, a receivable (net of estimated uncollectible amounts) is debited and revenue is credited in the *fund financial statements of an enterprise fund and the government wide financial statements (Fund 7006101) for a governmental fund.*

Sale of a Capital Asset Donation

Governmental fund statements report financial resources which do not include capital assets. However, in instances when a government receives a gift of a capital asset that it intends to sell, the donation shall be reported as revenue on the governmental fund statements if the asset is either: sold prior to the end of the fiscal period or prior to the issuance of the financial statements and the proceeds of the sale are considered available (collected soon enough to pay liabilities of the current period). If the proceeds of the sale are not considered available, the receivable should be offset by a liability for deferred revenue on the fund financial statements.

Depreciating Capital Assets

Depreciation is the method by which the cost of an asset is systematically allocated over the asset's estimated useful life. It is intended to estimate the cost of using the asset. Capital assets should be depreciated over their estimated useful lives unless they are inexhaustible. Inexhaustible assets are assets that generally cannot be exhausted, such as land, or have an economic benefit or service potential that is used up slowly, and their estimated useful lives are extraordinarily long or have a cultural, aesthetic, or historical value, and efforts are applied to protect and preserve these assets in a manner greater than that for similar assets without such cultural, aesthetic, or historical value, such as works of art.

The State shall use estimated useful lives as recommended by the Government Financial Officers Association (GFOA). These recommended lives are included with the class code descriptions. Although class code descriptions contain an estimated useful life (expressed in years) of the asset, the estimated useful life of the asset must be entered on the depreciation areas tab when creating a new asset record. Agencies wishing to use a different estimated life based on individual experience, must request approval from the Department of Finance and Administration – Office of Accounting – CAFR Section (DFA-OA-CAFR Section). Any substitution request must include a description of the asset and an explanation for the need to change the estimated useful life. Upon approval of the alternative estimated useful life the DFA-OA-CAFR Section will issue written authorization for the agency to change the asset's estimated useful life. The documentation shall be maintained by the agency until the asset is retired.

Depreciation data will be calculated using the straight-line depreciation method and stored by the Financial Management System for each eligible asset. Salvage value will not be considered in the calculation of depreciation expense. Accumulated depreciation will be summarized and posted to the accounting general ledger.

Assets Acquired by the Exchange of Other Assets

Similar assets -When recording an exchange of similar assets, agencies must use a book value basis for the assets surrendered or acquired. When assets are exchanged and no monetary consideration is paid or received, the cost of the asset acquired is recorded at the book value of the asset surrendered. Where monetary consideration is given, the new asset must be recorded at the sum of the cash paid plus the book value of the asset surrendered.

Dissimilar assets - When recording an exchange of dissimilar assets, agencies must:

Record the value of the asset being traded and the resulting transaction for acquiring the new asset, using the fair value of the asset being traded.

If cash is used to purchase the asset, agencies must record the transaction for the new asset as cash paid plus the fair value of the asset surrendered.

Asset Related Error Corrections

An asset related expense error correction is a journal entry that reclassifies expenses paid with the wrong fund, funds center (appropriation), commitment item (character code), general ledger account, WBS element and/or internal order. An asset related expense error correction cannot be utilized on expenses that accrued from a previous fiscal year. In the instance where an asset was incorrectly expensed, an asset shell must be set up before an asset related error correction can be accomplished. After an asset shell is created, the normal procedures for expense error corrections should be followed.

Capital Asset Categories

Land ----- CI 512:00:11

Land is defined as the surface or crust of the earth, which may be used to support structures or grow crops, grass, shrubs, and trees. Land is characterized as having an inexhaustible life. All expenditures made to acquire land and to ready it for its intended use should be considered as art of the land cost.

Examples of Expenditures to be Capitalized as Land ----- CI 512:00:11

Purchase price or, if donated, fair market value at time of donation

Commissions

Professional fees (title searches, architect, legal, engineering, appraisal, surveying, environmental assessments, etc.)

Permanent landscaping such as land clearing, excavation, fill, grading, drainage (includes

movement of earth in preparation for water impoundment)

Demolition of existing buildings and improvements (less salvage)

Removal, relocation, or reconstruction of property of others on the land so that the land may be used differently (railroad, telephone and power lines)

Interest on mortgages accrued at date of purchase

Accrued and unpaid taxes at date of purchase

Other costs incurred in acquiring the land

Water wells (includes initial cost for drilling, the pump and its casing)

Right-of-way.

Land Improvements ----- CI 512:00:11

Land improvements are defined as attachments to the land that have limited lives and therefore are recorded separately and are depreciable.

Examples of Expenditures to be Capitalized as Land Improvements ----- CI 512:00:11

Fencing and gates

Landscaping of temporary nature

Parking lots/driveways/parking barriers/roadway

Outside sprinkler systems

Recreation areas & athletic fields (including bleachers)

Golf course

Paths and trails

Septic systems

Swimming pools, tennis courts

Fountains

Plazas, pavilions

Retaining walls

Lighting systems

Water impoundment structures or attachments (Dam, Liner, other water control structures)

Buildings and Building Improvements ----- CI 512:00:11

A building is defined as a structure that is permanently attached to the land, has a roof, is partially or completely enclosed by walls, and is not intended to be mobile.

Building improvements are defined as capital events that increase the value of a building, materially extend the useful life of a building or both. A building improvement should be capitalized as a sub-asset of the building and recorded as an addition of value to the existing building if the expenditure for the improvement is at the capitalization threshold and the expenditure increases the life or value of the building by 25 percent of the original life period or cost.

Examples of Expenditures to be Capitalized as Buildings ---- CI 512:00:11

PURCHASED BUILDINGS

Original purchase price

Expenses for remodeling, reconditioning or altering a purchased building to make it

ready to use for the purpose for which it was acquired

Environmental compliance (i.e., asbestos abatement)

Professional fees (sales commission, legal, architect, inspection, appraisal, title search)

Payment of unpaid or accrued taxes on the building at the date of purchase

Cancellation or buyout of existing leases on the building

Other costs required to place or render the asset into operation

CONSTRUCTED BUILDINGS

Completed project costs

Interest accrued during construction, for enterprise type activities

Cost of excavation or grading or filling of land *for a specific building*

Expenses incurred for the preparation of plans, specifications, blueprints, etc.

Cost of building permits

Professional fees (architect, engineer, management fees for design and supervision, legal)

Costs of temporary buildings used during and for the construction

Unanticipated costs such as rock blasting, piling, or relocation of the channel of an underground stream

Examples of Expenditures to be Capitalized as Building Improvements ----

CI 512:00:11

Conversion of attics, basements, etc., to usable office, clinic, research or classroom space

Structures *attached* to the building such as covered patios, sunrooms, garages, carports, enclosed stairwells, etc.

Installation or upgrade of heating and cooling systems, including ceiling fans and attic vents

Original installation/upgrade of wall or floor covering such as carpeting, tiles, paneling, or parquet.

Structural changes such as reinforcement of floors or walls, installation or replacement of beams, rafters, joists, steel grids, or other interior framing

Installation or upgrade of windows or door frames, upgrading of windows or doors, built-in closets and cabinets

Interior renovation associated with casings, baseboards, light fixtures, ceiling trim, etc.

Exterior renovation such as installation or replacement of siding, roofing, masonry, etc.

Installation or upgrade of plumbing and electrical wiring

Installation or upgrade of phone or closed circuit television systems, networks, fiber optic cable, wiring required in the installation of equipment (that will remain in the building)

Permanently attached fixtures or machinery that cannot be removed without impairing the use of the building

Additions to buildings (expansions, extensions, or enlargements)

Other costs associated with the above improvements

PLEASE NOTE: For a replacement to be capitalized, it must be a part of a major repair or rehabilitation project, which increases the value, and/or useful life of the building by 25% of the original cost or life. A replacement may also be capitalized if the new item or part significantly improves the quality and or value of the asset as compared to the old item or part such as replacement of an old shingle roof with a new fireproof tile roof (**CI 11**). Replacement or restoration to original utility level would not (**CI 02**). Determinations must be made on a case by case basis.

Building Maintenance Expense ---- CI 502:00:02

The following are examples of expenditures ***not*** to be capitalized as building improvements. Instead these items should be recorded as repair and maintenance expense:

Adding, removing and/or moving of walls relating to renovation projects that are not considered major rehabilitation projects and do not increase the value of the building

Improvement projects of minimal or no added life expectancy and/or value to the building

Plumbing or electrical repairs

Cleaning, pest extermination, or other periodic maintenance

Interior decoration, such as draperies, blinds, curtain rods, wallpaper

Exterior decoration, such as detachable awnings, uncovered porches, decorative fences, etc.

Maintenance-type interior renovation, such as repainting, touch-up plastering, replacement of carpet, tile, or panel sections; sink and fixture refinishing, etc.

Maintenance-type exterior renovation such as repainting, replacement of deteriorated siding, roof, or masonry sections

Replacement of a part or component of a building with a new part of the same type and performance capabilities, such as replacement of an old boiler with a new one of the same type and performance capabilities

Any other maintenance-related expenditure which does not increase the value of the building.

Leasehold Improvements ---- CI 512:00:11

Leasehold improvements are defined as improvements made to leased property that will revert to the lessor at the expiration of the lease. Leasehold improvements include construction of new buildings or improvements made to existing structures by the lessee, who has the right to use these leasehold improvements over the term of the lease. Moveable equipment or office furniture that is not attached to the leased property is not considered a leasehold improvement.

Depreciation Methodology

Improvements made in lieu of rent should be expensed in the period incurred. If the lease is an operating lease or a capital lease contains an option to renew and the likelihood of renewal is uncertain, the leasehold improvement should be amortized (expensed) over the shorter of the initial lease term or useful life of the improvement. If the capital lease transfers ownership at the end of the lease term or contains a bargain purchase option, the leasehold improvement should be depreciated over the asset's estimated useful life.

Easements ---- CI 512:00:11

An easement is defined as an interest in land owned by another that entitles its holder to a specific limited use or enjoyment (right to use the land). Easements may have an inexhaustible life or a fixed term life. Inexhaustible easements would not be depreciated. Fixed term easements would be depreciated over the term of the agreement.

Equipment ---- CI 512:00:11

Equipment is defined as fixed or movable tangible assets to be used for operations having a value greater than $5,000.00. Equipment meeting the $5,000.00 threshold will be recorded as a capital asset, and be depreciated over the useful life of the equipment. Improvements or additions to existing equipment that constitute a capital outlay or increase the value or life of the asset by 25 percent of the original cost or life should be capitalized and recorded as sub-asset of the existing asset.

PLEASE NOTE: Costs of extended warranties and/or maintenance agreements which can be separately identified from the cost of the equipment should not be capitalized.

Equipment-Low Value Collective ---- CI 502:00:02

The equipment – low value asset class will be utilized for tracking equipment with a useful life in excess of one year and an initial value of at least $2,500 but not more than $4,999.99. Assets under $2,500.00 may be expensed unless the asset is easily susceptible to pilferage and those items must be recorded in the Equipment –Low Value High Risk category. This asset class is only used for tracking purposes and not for the capitalization of equipment.

Equipment-Low Value Collective ---- CI 502:00:02

Equipment – low value collective items are groups of like items of equipment or assets that may be secured and tracked due to the nature of the items. They also have a useful life in excess of one year and have an initial individual value under the Equipment – Low Value threshold of $2,500. Individual assets under $2,500 may be expensed unless the agency desires to track the existence and location of the property. This asset class is only used for tracking purposes and not for the capitalization of equipment.

Jointly Funded Equipment

Equipment paid for jointly by the State and other governmental entities should be capitalized by the entity responsible for future maintenance.

Examples of Expenditures to be Capitalized as Equipment

Original contract or invoice price

Freight charges

Import duties

Handling and storage charges

In-transit insurance charges

Sales, use, and other taxes imposed on the acquisition

Installation charges

Charges for testing and preparation for use

Costs of reconditioning used items when purchased

Parts and labor associated with the construction of equipment

Works of Art and Historical Treasures ---- CI 512:00:11

Works of art and historical treasures are defined as collections or individual items of significance that are owned by a State agency which are not held for financial gain, but rather for public exhibition, education or research in furtherance of public service. Collections or individual items that are protected and cared for or preserved and subject to an organizational policy that requires the proceeds from sales of collection items to be used to acquire other items for collections are considered inexhaustible. As such, works of art and historical treasures are not depreciated. Works of art and historical treasures that do not qualify as inexhaustible are depreciated over their useful life.

Examples of Expenditures to be Capitalized as Works of Art and Historical Treasures

Collection of rare books, manuscripts

Maps, documents and recordings

Works of art such as paintings, sculptures, and designs

Artifacts, memorabilia, exhibits

Unique or significant structures

Low Value Works of Art ---- CI 502:00:02

The low value works of art asset class will be utilized for tracking works of art with an initial value of no more than $4,999.99. This asset class is only used for tracking purposes.

Library Holdings ---- CI 512:00:11

Library holdings are generally defined as collections of books and reference materials. A library book is a literary composition bound into a separate volume and identifiable as a separate copyrighted unit. Library reference materials are information sources other than books which

include journals, periodicals, microforms, audio/visual media, computer-based information, manuscripts, maps, documents, and similar items which provide information essential to the learning process or which enhance the quality of academic, professional or research libraries.

A professional, academic or research library has one or more of the following characteristics:

Internal controls are in place in lieu of central property management.

Information is housed in a centralized location.

Physical security measures are in place to protect the assets.

Checkout procedures and policies exist and are used.

Individual item costs and supplemental information is generally contained in a supplemental database.

Volumes assigned to libraries are typically available to employees, students, and other

individuals for checkout or use.

Existence of the library helps the entity fulfill its mission.

The value is material to the organization.

Equipment assigned to libraries typically remains under central security for on-premises use.

Professional, academic and research library books and materials are considered inexhaustible assets and should not be depreciated. Changes in value for professional, academic or research libraries however may be reported on a composite basis by making net adjustments to total value to reflect increase or decrease in total value. Net adjustments shall be made at least once annually before the close of the fiscal year.

Books, periodicals and other materials purchased but not used in a library should be expensed unless they meet the $2,500 capitalization threshold.

Examples of Expenditures to be Capitalized as Library Books and Materials

Invoice price

Freight charges

Handling

In-transit insurance charges

Binding

Electronic access charges

Reproduction and like costs required to place assets in service, with the exception of Library salaries.

Intangible Asset ---- CI 512:00:11

Intangible assets are defined as assets that have no physical characteristics but are of value because of the advantages or exclusive privileges and rights they provide to the State. Intangible assets generally arise from exclusive privileges granted by governmental authority or by legal contract, such as patents, copyrights, franchises, trademarks and trade names, and leases. Internal-use computer software should be capitalized as an intangible capital asset and amortized over its anticipated useful life. Capitalization of computer software includes software license fees if the total dollar amount of the fee divided by the number licenses issued meets the criteria to capitalize the purchase. Internally generated intangible assets should be capitalized. Internally generated is defined as an asset that is created or produced by the government or an entity contracted by the government or it is acquired from a third party but requires more than minimal incremental effort on the part of the government to begin to achieve the expected service capacity. Commercially available software should be considered internally generated if it has been modified using more than minimal incremental effort before being put into operation. For internally developed software, only those costs incurred during the development stage would be capitalized (e.g. activities involving the design of the software, coding, installing and testing). Training and maintenance will not be included as part of the capitalized cost.

GASB 51, which was effective July 1, 2010, required retroactive reporting for all intangible assets not previously recorded except for those considered to have indefinite useful lives or those that would be considered internally generated.

Infrastructure ---- CI 512:00:11

Infrastructure is defined as assets that are long-lived capital assets that are stationary in nature and normally preserved for a significantly greater number of years than most capital assets. Infrastructure assets are usually part of a larger system of assets, such as roads, bridges, tunnels, water and sewer systems.

As with buildings and equipment improvements or additions to existing infrastructure that constitute a capital outlay or increase the value or life of the asset by 25 percent of the original cost or life or increase the asset's capacity or efficiency should be capitalized and recorded as sub-asset of the existing asset. Additionally, costs to preserve an infrastructure asset to extend the useful life of an asset beyond its original estimated useful life, but do

not increase the capacity or efficiency of the asset should be capitalized and recorded as sub-asset of the existing asset.

Maintenance allows an asset to continue to be used during its originally established useful life. Maintenance costs are expensed in the period incurred.

Jointly Funded Infrastructure

Infrastructure paid for jointly by the state and other governmental entities should be capitalized by the entity responsible for future maintenance.

Examples of Expenditures to be Capitalized as Infrastructure

Highway and rest areas

Roads, streets, curbs, gutters, sidewalks, fire hydrants

Bridges, railroads, trestles

Canals, waterways, wharf, docks, sea walls, bulkheads, boardwalks

Dam, drainage facility

Radio or television transmitting tower

Electric, water and gas (main lines and distribution lines, tunnels)

Fiber optic and telephone distribution systems (between buildings)

Light system (traffic, outdoor, street, etc.)

Signage

Airport runway/strip/taxi area/apron.

Capital Leases ---- CI 512:00:11

Capital leases transfer virtually all rewards and risks that accompany ownership of property to the lessee. A capital lease is a means of financing property acquisitions and has the same

economic impact as a purchase made on an installment plan. Thus, the lessee in a capital lease must record the leased property as an asset and the lease obligation as a liability.

A lease agreement entered into by a State agency is a capital lease and should be capitalized only if the lease agreement meets one of the following criteria:

-The lease transfers ownership of the property to the lessee by the end of the lease term.

-The lease contains a bargain purchase option.

-The lease term is equal to 75 percent or more of the estimated economic life of the leased property.

-The present value of the minimum lease payments at the inception of the lease, excluding administrative costs, equals at least 90 percent of the fair value of the leased property.

PLEASE NOTE: The other regulations for capital leases (R1-19-11-238 and R1-22-114) have additional information. Leases that do not meet the above criteria should be recorded as an operating lease and reported in the notes of the financial statements. Payments on an operating lease are expensed as paid.

Asset under Construction ---- CI 502:00:02; 506:00:10

Asset under construction reflects the economic construction activity status of buildings and other structures, infrastructure (highways, energy distribution systems, pipelines, etc.), additions, alterations, reconstruction, installation, and maintenance and repairs which are substantially incomplete. Assets under construction would also include internally generated software in process.

Depreciation/amortization shall not be recorded because an asset under construction is not complete or being used. The asset under construction should be capitalized to its appropriate capital asset category upon the earlier occurrence of substantial completion, occupancy, or when the asset is placed into service.

Policy No. 1004.2 Accounting for Fixed Assets

SUBJECT AREA: ACCOUNTING
RESPONSIBLE OFFICE: BUSINESS OFFICE
APPROVAL: VICE PRESIDENT OF FISCAL AFFAIRS
ORIGINALLY ISSUED: OCTOBER 17, 2011
REVISED:

PURPOSE: Summary of actions to properly account for fixed assets

POLICY: Investment in fixed assets including equipment comprises a substantial portion of the total assets of South Arkansas Community College. It is, therefore, important to properly record and account for the initial acquisition, additions, transfers and deletions.

All College equipment to be disposed of must go through the Business Office and the State of Arkansas Marketing and Redistribution Office.

Acquisitions/Additions /Purchases – The Business Office will be responsible for adding purchases to the fixed asset inventories.

Fabricated Fixed Assets – When fixed assets are constructed or assembled by the institution, the Business Office shall be notified, in writing, by the unit/department head when the equipment is built and placed in use.

Transfers – A request for Transfer of Equipment form (enclosed) shall be submitted to the Business Office for any physical moves of equipment or any transfers of accountability. No equipment shall be moved or accountability transferred without an approved Request for Transfer of Equipment form. This form is required in lieu of a work order to move equipment, if assistance from College maintenance is needed.

Corrections/Changes – An existing inventory record may need to be corrected because of errors or a change of facts. Corrections/changes shall be forwarded, in writing, to the Business Office by the unit/department head.

Missing or stolen – Security must be promptly notified by the responsible unit/department, by email, if a theft is suspected. A Missing Property Report shall be completed and a copy forwarded to the Business Office for each item of equipment that is missing or stolen. (see separate section)

Excess Property or Marketing & Redistribution (M&R) turn-in – When equipment is no longer needed by a department or when equipment is worn out, obsolete, or damaged beyond repair, the item shall be transferred to M&R. A Request for Transfer of Equipment form (enclosed) should be submitted to the Business Office with "M&R Pending" listed as the department name.

Trade-ins – Property that is to be traded-in for other property will be processed through the Purchasing Office. Trade-ins shall be identified on the purchase order. The Purchasing Office will obtain approval from M&R.

Equipment Signed Out – Use of College property for official business use in an off-campus location must be approved by the supervisory cabinet member and the President. Additionally, a hand receipt must be on file in the Business Office and in the supervisory department for such items.

Policy No. 1004.3 Physical Inventory of Fixed Assets

SUBJECT AREA: ACCOUNTING
RESPONSIBLE OFFICE: BUSINESS OFFICE
APPROVAL: VICE PRESIDENT OF FISCAL AFFAIRS
ORIGINALLY ISSUED: OCTOBER 17, 2011
REVISED:

PURPOSE: To ensure physical inventories of fixed assets are performed on a regular basis.

POLICY

1. Unit/Department supervisors are responsible for the accountability of equipment in their respective areas.
2. The Business Office shall prepare and submit a fixed asset listing to unit/department supervisors after the close of each fiscal year.
3. The Unit/Department supervisors shall sign and return the listing within the allowable time frame acknowledging the sighting of the fixed assets for Business Office review no less than annually.
4. The Unit/Department supervisors must take whatever action necessary and required to resolve any missing fixed assets.
5. A) An annual physical inventory must be made for all College fixed assets within the State of Arkansas capitalization threshold ($5,000 or over).
   B) College fixed assets with an original cost value less than $5,000 and more than $2,500 must be physically inventoried annually.
   C) Fixed assets maintained by the College, and owned by sponsored programs, must be physical inventoried on an annual basis.
   D) Fixed assets on loan must be inventoried.
6. The Business Office will audit the departmental fixed asset listing sheets on a three to five year rotational basis to verify the existence of the equipment by physically inspecting the equipment. Equipment purchased under special funding arrangements such as Federal Grants or Sponsored Programs may be subject to annual observation by the Business Office as determined by funding source.

Policy No. 1004.4 Lost – Stolen Property

SUBJECT AREA: ACCOUNTING
RESPONSIBLE OFFICE: BUSINESS OFFICE
APPROVAL: VICE PRESIDENT OF FISCAL AFFAIRS
ORIGINALLY ISSUED: OCTOBER 17, 2011
REVISED:

POLICY: The immediate supervisor, for the area where a fixed asset cannot be located, must complete a Missing Property Report. This completed report must be submitted to the Business Office for review and adherence to State and Federal equipment guidelines. The report will be submitted to the State or Federal agency for review to determine if the item can be removed from inventory. The Business Office will follow through with each report to ensure compliance with State and Federal requirements.

DFA-Title 19/Chapter 4/Subchapter 15 (State of Arkansas governing reference)

Lost/Stolen Property

When an agency is unable to locate personal property contained on its capital asset records, the following possibilities must be considered:

The property was turned in to the proper disposal agency and the property records were not correctly posted.

The location of the property on the records is wrong, or it was relocated and the new location was not recorded on the records. The property has been lost.

A theft has occurred.

When property on record cannot be located, the executive head of the agency should immediately appoint an individual with supervisory or managerial responsibility to investigate the case and present the facts. A memorandum from the executive head of the agency should be written to the appointed individual notifying the individual of his/her investigative duties. The appointed individual should proceed in the following manner:

1. Obtain the full identification of the missing property and last recorded location from the agency property records.

2. Check the last recorded location and adjacent areas. A site interview should be conducted with all individuals assigned to the area where the missing property was last located according to the property records to verify the existence or nonexistence of the equipment.
3. Conduct a search of property disposal and transfer documents to see if the property could have been turned in to Marketing and Redistribution or transferred to another agency.

4. Establish whether the property involved may have been temporarily loaned to other activities. If so, the activities identified should be searched in an attempt to locate the missing property.

5. If the above actions fail to locate the missing property, all areas occupied by the agency should be searched beginning with the activities most likely to have a use for the property.

6. If at any time during the investigation it is suspected that a theft has occurred, the matter should immediately be brought to the attention of the agency executive head. If after notification the agency executive head also suspects theft, the appropriate law enforcement official(s) should be contacted for investigation and further action as warranted.

7. If at any time during the investigation process the missing property is located, the proper location shall be recorded on the property records. At the conclusion of the investigation the appointed investigator shall submit a final investigation report outlining the circumstances surrounding the case and recommendations to the agency executive head for any action deemed necessary.

If the agency executive head is satisfied that the missing property cannot be located after the investigation report, a “Credit for State Property” Form (P3-19-4-1503) along with copies of the investigation report and the police report in the case of stolen property shall be prepared and submitted to the Department of Finance and Administration-Office of Accounting, Administrator as the DFA Director’s designee for approval. Equipment funded by federal grant funds or by sponsors will adhere to equipment disposal requirements established by the Federal grantor or the sponsor. Upon receipt of an approved “Credit for State Property” Form, P3-19-4-1503, the agency may remove the missing property from the capital asset records. This approval becomes part of the documentation to be used on the audit of the agency's property records by the Division of Legislative Audit. The agency executive head shall take any action he/she considers appropriate to prevent recurrence. (ACA 19-4-1501)

Policy No. 1004.5 Donated/Loaned Fixed Assets

SUBJECT AREA: ACCOUNTING
RESPONSIBLE OFFICE: BUSINESS OFFICE
APPROVAL: VICE PRESIDENT OF FISCAL AFFAIRS
ORIGINALLY ISSUED: OCTOBER 17, 2011
REVISED:

POLICY: The College must formally accept donated fixed assets.

When a gift is accepted by the institution, the accepting departments shall complete and submit the Equipment Donated form to the Business Office. The valuation listed shall be used for internal College valuations only; it is not intended to be used by the donor for assessment or taxation purposes.

The supervisory Vice President and the President must approve the acceptance. In some cases, an environmental assessment may be required before acceptance.

DFA-Title 19/Chapter 4/Subchapter 15 (State of Arkansas governing reference)

Donated Items

A donation is defined as a voluntary non-exchange transaction entered into willingly by two or more parties. Both parties may be governments, or one party may be a non-governmental entity, including an individual. Equipment donated to State agencies shall become property of the State and shall be accounted for and disposed of according to the procedures set forth for property of the State.

Donors may set restrictions on the use and disposition of property donated. In such instances the donor's guidelines shall be followed. Adequate records must be maintained to demonstrate the guidelines were followed.

All donated equipment shall be valued and placed on the agency's capital asset records at the fair market value of the donated property at the time the donation is received. Donated items

determined to have no value for its manufactured purpose shall be treated as consumable material, (i.e. donated items used for parts or training aids).

Note:
A voluntary contribution of resources between State agencies is not a donation. Such transaction should be accounted for as a transfer.

Federal Surplus Property Donees
The Federal Surplus Property (FSP) is administered by the Arkansas Department of Workforce Education. Generally, property received from FSP must be put into use within twelve months from the date acquired and used for eighteen months from the date the property is put into service. After the eighteen months, ownership of the property passes on to the entity. The property must be entered on the entity's inventory and primarily used in Arkansas. At the time the asset is received, if the asset meets the capitalization requirements of the State, the fair market value of the asset should be debited and deferred revenue should be credited in the fund financial statements of an enterprise fund and in the government-wide financial statements for a governmental fund. At the end of the eighteen month period, the revenue should be recognized. Consumable items would be recorded like other consumable donations.

Note:
Items that are to be held in trust for the federal government (ownership will never be transferred to the State) are not handled in the above manner. They should be handled as described in the following subsection, "Loaned Assets".

Loaned Assets
Loaned assets are assets that are possessed but not owned by an agency. The agency may have fiduciary or administrative responsibility for such assets, but the agency only has temporary control of the asset and does not hold the asset's title or other ownership responsibility. These assets include, but are not limited to, art collections owned by families, estates or others, as well

as equipment on loan from the federal government. Such assets shall not be included in the agency's capital asset records.

Other adequate supplemental records must be maintained by the agency on assets loaned (not donated) to the agency. The records must include an acquisition date, an adequate description of the property, location, if feasible, serial number, if applicable, the entity that owns the asset. Such information may be required to be reported to the Department of Finance and Administration-Office of Accounting-Comprehensive Annual Financial Report (CAFR) Section-(DFA-OA-CAFR Section) in the Year-End Disclosure Package.

The assets shall be subject to all other property procedures of the agency including, but not limited to, inventory and lost/stolen procedures.

Policy No. 1004.6 Fixed Assets Forms

SUBJECT AREA: ACCOUNTING
RESPONSIBLE OFFICE: BUSINESS OFFICE
APPROVAL: VICE PRESIDENT OF FISCAL AFFAIRS
ORIGINALLY ISSUED: OCTOBER 17, 2011
REVISED:

A – Request for Transfer of Equipment

B – Property and Fixed Asset Hand Receipt

C – Missing Property Report

D – Donated Fixed Asset

E – Credit for State Property

Policy No. 1006 Inventories of Materials and Supplies

SUBJECT AREA: ACCOUNTING
RESPONSIBLE OFFICE: BUSINESS OFFICE
APPROVAL: VICE PRESIDENT OF FISCAL AFFAIRS
ORIGINALLY ISSUED: OCTOBER 17, 2011
REVISED:

PURPOSE: To properly account for Materials and Supplies held by the College and used for departmental activities and for resale.

POLICY

1. The Business Office is responsible for ensuring inventories are conducted at the College. This responsibility is delegated to those departments maintaining the inventories.
2. Departments with inventories will be responsible for maintaining detailed inventory records. These records must be reconciled monthly to the College's General Ledger System.
3. A physical inventory must be conducted and reconciled to the detailed inventory records at least annually by departments maintaining inventories. All adjustments resulting from a physical inventory must be recorded in the accounting system immediately.
4. Departments are responsible for identifying obsolete inventory which must be adjusted when identified.
5. Inventories will be valued using the First-in-First-Out (FIFO) method unless otherwise approved by the Business Office.
6. Purchase of inventory items will be made in accordance with the College's policy for the procurement of goods and services.
7. Inventory items shall be maintained at levels which reflect prudent business practice.

Policy No. 1007 Long-Term Debt

SUBJECT AREA: ACCOUNTING
RESPONSIBLE OFFICE: BUSINESS OFFICE
APPROVAL: VICE PRESIDENT OF FISCAL AFFAIRS
ORIGINALLY ISSUED: OCTOBER 17, 2011
REVISED:

PURPOSE: To properly account for long-term debt.

POLICY

1. The Business Office is responsible for accounting for all long-term debt in accordance with the applicable financial accounting guidance.
2. Resources borrowed in support of capital projects will be recorded as a liability and an asset of the Unexpended Plant Fund until such time that the funds are expended and the project cost capitalized. Any realized gains (losses) or interest income earned on investments will be recorded in the Unexpended Plant Fund.
3. Resources borrowed in support of current operations will be recorded as a liability of the current unrestricted fund. Debt service for such borrowings will be funded from current unrestricted funds.
4. Resources borrowed and expended for land, buildings, and fixed assets will be recorded as a liability of the Plant Fund. Unless otherwise provided for, debt service on such borrowings will be funded from unrestricted funds.

Policy No. 1008 Interest Costs

SUBJECT AREA: ACCOUNTING
RESPONSIBLE OFFICE: BUSINESS OFFICE
APPROVAL: VICE PRESIDENT OF FISCAL AFFAIRS
ORIGINALLY ISSUED: OCTOBER 17, 2011
REVISED:

PURPOSE: The College may incur interest costs during the course of operations.

POLICY

The Business Office is responsible for accounting for all interest costs in accordance with the applicable financial accounting guidance. Generally, these standards provide that all interest costs will be recorded as an expense when incurred, except when capitalized as part of the historical cost of acquiring certain assets.

Policy No. 1009.1 Accounting for Leases

SUBJECT AREA: ACCOUNTING
RESPONSIBLE OFFICE: BUSINESS OFFICE
APPROVAL: VICE PRESIDENT OF FISCAL AFFAIRS
ORIGINALLY ISSUED: OCTOBER 17, 2011
REVISED:

PURPOSE: To properly account for the plant or fixed assets that the College may lease as required by normal operations.

POLICY:

1. The Business Office is responsible for classifying leases in the year of their obligation as either operating or capital leases in accordance with the applicable financial accounting guidance.

2. The Business Office is responsible for accounting for all leases during the life of the lease in accordance with the applicable financial accounting guidance. Generally, those standards provide that:
   A. Lease payments for leases classified as operating leases shall be recorded as an expenditure paid over the life of the lease.
   B. Leases classified as capital leases shall be recorded as an asset and a liability equal to the lesser of either the fair market value of the asset at the inception of the lease or the present value of the lease payments during the life of the lease.

Policy No. 1009.2 Accounting for Leasehold Improvements

SUBJECT AREA: ACCOUNTING
RESPONSIBLE OFFICE: BUSINESS OFFICE
APPROVAL: VICE PRESIDENT OF FISCAL AFFAIRS
ORIGINALLY ISSUED: OCTOBER 10, 2011
REVISED:

PURPOSE: To establish a capitalization policy for financial accounting purposes for leasehold improvements to land and buildings.

POLICY

This policy applies only to improvements made to leased land and buildings used in the operation of the College.

1. The Business Office is responsible for accounting for all leasehold improvements in accordance with the applicable financial accounting guidance.
2. This policy applies to expenditures made to improve the usefulness or the life of lease property classified as an operating lease, such as long-term leases that provide that any improvements made to the lease property revert to the lessor at the end of the life of the lease or if the lessee constructs new buildings on leased land or reconstructs and improves existing buildings, the lessee has the right to use such facilities during the life of the lease, but they become the property of the lessor when the lease expires.
3. Capitalized leasehold improvement assets include the following:
    a. *Land Improvements* - Land improvements to be capitalized as leasehold improvements include the cost of landscape, utility systems, surface parking lots, and outdoor public recreational fields.
    b. *Buildings* - Cost to be capitalized includes all costs related to construction..
    c. *Building Improvements* - Building improvements to be capitalized as leasehold improvements are significant alterations or structural changes.
4. At the time the leasehold improvement is completed and has been put in service, all construction costs will be depreciated in accordance with applicable College policy.

Policy No. 1010 Accounting for Compensated Absences

SUBJECT AREA: ACCOUNTING
RESPONSIBLE OFFICE: BUSINESS OFFICE
APPROVAL: VICE PRESIDENT OF FISCAL AFFAIRS
ORIGINALLY ISSUED: OCTOBER 17, 2011
REVISED:

PURPOSE: To properly account for compensated absences, i.e., annual leave, sick and holiday pay.

POLICY

1. The Business Office is responsible for accounting for compensated absences.
2. Accounting for compensated absences shall be completed yearly as of June 30.
3. Accounting for compensated absences shall be in accordance with the applicable financial accounting pronouncements and the State of Arkansas/College's Human Resources policies pertaining to such absences.
4. Compensated Absences are considered part of an employee's fringe benefit package and, therefore, will be expensed as such.

PROCEDURE

The Human Resource department will provide the annual leave balances on June 30 of each fiscal year. This leave balance spreadsheet will include the number of hours, the employee's hourly rate, and a calculation of the value of their annual leave. The Business Office will then use the employee's benefit rate (or in some instances average rate) to calculate an estimate of the fringe benefits associated with their annual leave balance.

A journal entry will be created that charges each employee's department with the current adjustment to the employee's leave balance

Policy No. 1011 Accounting for Retirement Benefit Plans

SUBJECT AREA: ACCOUNTING
RESPONSIBLE OFFICE: BUSINESS OFFICE
APPROVAL: VICE PRESIDENT OF FISCAL AFFAIRS
ORIGINALLY ISSUED: OCTOBER 17, 2011
REVISED:

PURPOSE: To establish policy for the accounting for retirement benefits provided for employees of the College

POLICY

1. The Business Office is responsible for accounting for all retirement benefit plans.
2. Accounting for retirement plans will be in accordance with applicable financial accounting pronouncements.
3. The College shall contribute to the defined benefit retirement plans as required by the State of Arkansas.
4. The College shall contribute to the deferred contribution plans as required by the State of Arkansas, the Board of Trustees (and the employee, if additional contributions over approved amounts).
5. A qualified actuary will prepare an actuarial report as required by OPEB.

Policy No. 1013 Unallowable Costs

Subject Area: Accounting
Responsible Office: Business Office
Approval: Vice President of Fiscal Affairs
Originally Issued: October 17, 2011
Revised:

PURPOSE: To comply with the unallowable cost provisions in "OMB Circular No. A-21" (A-21). Those provisions prohibit the College from charging federal funds, either directly or indirectly, for unallowable costs and require the College to certify that no unallowable costs are included in the indirect cost proposal it submits to the Federal Government.

POLICY

1. A-21 defines unallowable costs in the context of either a particular type of activity or a particular type of cost. Costs incurred for the following activities are unallowable:
    - *alumni activities and relations*
    - *bad debt losses*
    - *commencement and convocation ceremonies*
    - *contingency provisions*
    - *fund raising*
    - *investment management*
    - *lobbying*
    - *public relations*
    - *student activities*

    Examples of particular types of costs that are defined as unallowable include alcoholic beverages, entertainment, fines and penalties, internal interest expense, etc.

2. Unallowable costs (if reimbursable under College policy) must be charged to the appropriate unrestricted operating fund account and must be approved by the Controller and the Vice President of Fiscal Affairs.

Policy No. 1015 Accounting for Investments

Subject Area: Accounting
Responsible Office: Business Office
Approval: Vice President of Fiscal Affairs
Originally Issued: October 17, 2011
Revised:

PURPOSE: To establish responsibility for the accounting for College investments.

POLICY

1. The Business Office is responsible for accounting for all College investment transactions entered into the Accounting System.
2. All investment holdings will be reconciled monthly to the accounting records of the College's custodian banks by the College's Business Office.
3. Investments will be stated at fair value. The value of publicly-traded fixed income and equity securities is based upon quoted market prices and exchange rates, if applicable. The fair value of significant direct real estate investments is determined from periodic valuations prepared by an independent appraiser.
   Fair values for certain private equity and natural resource investments held through limited partnerships or commingled funds are estimated by the respective external investment managers if market values are not readily ascertainable. These valuations necessarily involve estimates, assumptions and methods which are reviewed by the College's Business Office.
4. Premiums or discounts which are recorded at the time of purchase will be amortized over the life of the security.
5. Realized gains and losses on sales of securities will be recorded at the time of sale.
6. Accounting for pooled investments will provide for an equitable distribution of investment income and a means for determining a participating fund's equitable share of gains and losses, realized and unrealized, on investments.
7. Investment income will be recognized on an accrual basis at fiscal year end.

Policy No. 1016 Private Gifts and Grants for Buildings and Fixed Assets

Subject Area: Accounting
Responsible Office: Business Office
Approval: Vice President of Fiscal Affairs
Originally Issued: October 17, 2011
Revised:

PURPOSE: To provide guidance on the accounting treatment for private gifts and grants for buildings and fixed assets.

INTRODUCTION

The College may accept directly or defer tangible private gifts and grants to the South Arkansas Community College Foundation which are then assessed and transferred to the College unless prohibited by the donor.

POLICY

1. Land, buildings, and fixed assets will be capitalized in accordance with the State of Arkansas requirements. The additions are amortized, if required, over the useful life of the assets acquired or constructed.
2. Private gifts and grants for land shall be reported as a change in non-operating unrestricted net assets.
3. Private gifts and grants for specific buildings and fixed assets, which cumulatively total less than the capitalized threshold, shall be reported as operating revenue.
4. Private gifts and grants for specific buildings and fixed assets which cumulatively total the capitalize threshold or more shall be reported as additions to temporarily restricted net assets and amortized into unrestricted operating revenue over the useful life of the asset acquired or constructed. The amount amortized will be revised periodically to take into account additional contributions received and adjustments to pledge receivables.

Policy No. 1100 Segregation of Duties

Subject Area: Accounting
Responsible Office: Business Office
Approval: Vice President of Fiscal Affairs
Originally Issued: October 17, 2011
Revised:

PURPOSE: To provide basic, key internal controls used to prevent or detect errors or irregularities on a timely basis by employees in the normal course of business.

INTRODUCTION

Segregation of duties is a basic, key internal control and is used to prevent or detect errors or irregularities on a timely basis by employees in the normal course of business. Administration and all individuals responsible for assignment and supervision of employees that carry out fiscal activities, budget, and implementation of internal controls must ensure there is adequate segregation of duties within their areas of responsibility, or provide compensating controls, if required. Segregation of duties provides two benefits:

1) Deters fraud, as it is more difficult to commit fraud when it requires collusion of two or more individuals;
2) Increases the probability for detection of errors or irregularities when a second individual reviews or participates in the processing of a transaction.

At the most basic level, no single individual should have responsibility to complete two or more phases of a transaction or process without a review.

POLICY

1. No one College employee should have responsibility to complete two or more of the following major responsibilities:
    a. Authorization – the process of giving someone permission to initiate a financial transaction, sometimes known as "approval", indicating agreement that a transaction meets certain accounting and compliance requirements as defined by the College.

b. Recording – the process of creating and maintaining records created manually or through records maintained and created in the College's financial systems.
c. Verification – Verification of processing or recording of transactions ensures all transactions are valid, comply with authorization requirements, and are properly recorded on a timely basis. This includes resolving identified differences or discrepancies. The verification must be documented with a signature (electronic or manual) and date.
d. Custody of Assets – having access to or control over physical assets such as cash, checks, fixed assets, supplies, or materials.
e. Managerial Review – the process of providing assurance that appropriate individuals are authorizing and verifying accounting transaction information.

Policy No. 1201 Authority and Responsibility for Procuring Goods and Services

Subject Area: Procurement/Disbursement
Responsible Office: Purchasing and Accounts Payable Office
Approval: Vice President of Fiscal Affairs
Originally Issued: October 17, 2011
Revised:

PURPOSE: To assign authority and responsibility for procurement of goods and services.

POLICY

A.P.M. policies 5.03 Designated Procurement Official
5.03a Procurement authorization
5.09 Official Functions
5.10 Promotional Items

Purchasing procedures are posted on www.southark.edu.

Chapter Five: Fiscal Affairs
Procedure Title: **Designated Procurement Official**
Based on: **Board Policies Nos.** 5 **and** 7
Procedure Number: **5.03**
Date Adopted/Revised: **June 25, 2001; November 21, 2006; May 15, 2007; March 29, 2010**

Under state procurement guidelines, a state agency or institution may have only one agency procurement official who is appointed by the College President and whose appointment is reported to the Director of State Procurement.

I. The South Arkansas Community College Procurement Official will be the Procurement Agent for South Arkansas Community College.

a. The Agency Procurement Official will have the responsibility for procurement of all materials and equipment, and for contracting for all services.
b. The Agency Procurement Official will be responsible for assuring that all state laws and regulations issued by the Department of State Procurement are followed.

II. Preferably purchases are to be made by submitting an electronic request through the Distributive Purchasing System located on the network.

a. The Agency Procurement Official is the administrator for this system and enters all authors and those who authorize purchases in the system.

b. The same chains of approval exist for electronic requisitions as for manual ones.

III. When appropriate, purchases should be made with the state Purchasing Card. The guidelines for use of a state Purchasing Card can be obtained from the Purchasing Official.

Procedure Title:	Procurement Authorization
Based on:	Board Policies Nos. 5 and 7
Procedure Number:	5.03a
Date Adopted/Revised:	June 25, 2001; November 21, 2006; May 15, 2007

South Arkansas Community College follows state procurement laws and regulations in making all purchases.

I. The South Arkansas Community College Procurement Director was designated as the Agency Procurement Official after a review was made by the State Procurement Director of the detailed purchasing procedures utilized by the College. Copies of these detailed procedures are available in the Business Office.

II. Purchases may be made only by the Agency Procurement Official on the open market, through quotation bids, or through sealed bids.

B. Persons wishing to make purchases should be aware of the time entailed in the different types of purchases.

C. An open-market purchase may be made from any vendor if the purchase is $5,000 or less and the items being purchased are not included on a state contract or fall under the regulations of the State Printing Office.

D. Items costing more than $5,000 but less than $25,000 may be purchased utilizing quotation bids.

E. Oral, telephone, fax or e-mail bids are allowable but must be secured from at least three vendors. Information must include the name and address of the company; the date the bid is given; and the name of the person giving the bid.

F. Sealed bids are required for any purchase exceeding $25,000 and must be advertised in the newspaper and sufficient time must be allowed for vendors to respond. The time and place of bid openings are announced in the advertisement for bids and all bid openings are open to the public.

II. The following is a brief outline of the procedures to be utilized in purchasing supplies, equipment, or services. The dollar limitations listed may be changed by State legislation.

A. Date submitted
B. Department to be charged
C. Account number
D. Date needed
E. Description of the item or items with enough detail to order the item(s)
F. Quantity needed
G. Estimated Price
H. Suggested vendors
I. A signature of the person requesting the supplies
J. A signature of the Chief Officer or designee
K. Where equipment will be located

III. Purchases may also be made by submitting a requisition to the Business Office. The requisition should contain the following information:

IV. Items costing $25 or less may usually be purchased using money from the Petty Cash Fund. Since some strictures still apply, a person wishing to make Petty Cash purchases should contact the Business Office for clearance before making the purchase.

Procedure Title:	**Official Functions**
Based on:	**Board Policies Nos.**
2**,** 3**,** 5**, and** 7	
Procedure Number:	**5.09**
Date Adopted/Revised:	**November 7, 2001;**
November 21, 2006;May 15, 2007; October 26, 2009	

I. Expenditures for "official functions" (special occasions, meetings, awards, etc.) are allowed as departmental expense only under the following conditions:

A. When the item or event clearly conforms to one of the categories below;
B. The proper process is followed; and
C. The necessary approvals are obtained.

II. Before the item or event is scheduled, the initiating party must prepare an Official Functions Request Form detailing:

A. Date and time of activity
B. Description of activity (Include a business related addenda)
C. Benefits to the College
D. Number of people involved
   Faculty and Staff
   Officials
   Guests
E. Person in charge of activity
F. Projected cost
G. Department budget

H. Department head's approval; and

I. Brief description of the items to be purchased.

J. All approvals must be obtained on the form before a purchase requisition will be approved.

III. Accounts To Be Charged

Official functions that comprehensively support the mission of the institution shall be charged to the "Official Function" account. Federal and State Grant programs, Community Service, Work Force Development, and most functions associated with advisory group meetings shall be charged to the respective departmental supply budget. In some cases, expenditures to other individual departmental supply budgets may be authorized.

IV. The requestor shall submit a Maintenance Work Order if assistance is needed with setting up tables, chairs, etc. in preparation for the approved event.

V. Expenditures for "official functions" (special occasions, meetings, awards, etc.) are allowed as departmental expense only under the following conditions:

A. Official Institutional (in-house) Committees and Advisory Groups Working luncheons and dinners for restricted number of staff members, internal committees and advisory groups who are required to attend essential meetings during a meal period outside of normal duty hours.

B. Official External Committees Advisory Groups and Guests

1. Meals for unpaid educational advisory groups for area of business, industry and the private sector, and appropriate staff members who are required to attend semiannual evening advisory meetings.

2. Meals for state officials, representatives of accrediting agencies, official guests of the College, and appropriate staff members when required to attend these functions.

C. Receptions, Honors, and Awards

1. Meals, receptions and other expenses (e.g., plaques, certificates, pins, other mementos) related to events recognizing donors, volunteers, and others to whom the College is indebted. Expenses related to recognition events for outstanding students and student groups.

2. Graduation receptions for all attending the ceremonies and expense for official graduation dinner including Board of Trustees, selected staff and students, official and special guests of the College.

3. Expenses for special honors ceremonies, e.g., allied health graduate pinning ceremonies, etc.

D. Faculty and Staff Awards

1. Meals in conjunction with semiannual orientation sessions for faculty and staff.
2. Meals for special events for employees and official guests when attendance is mandatory.
3. Expenses for selected staff to represent the College at educational related events with the community.

E. Student Functions

1. Refreshments, snacks and other minor expenses for "College Day" guests and other groups of prospective students; or students visiting the campus for tours, special educational events, registrations, or student activities.

F. Official Board Events

1. Meals served in conjunction with the regular meetings and committed meetings of the Board of trustees, to include board members, selected College officials and official guests.
2. Luncheon and/or dinner official functions attended by the board member(s) and College official(s).

G. Employment Interviews

1.Meals and other expenses for prospective new employees from out of town.
2.Refreshments for selected staff during the interview process.

V In no case will official functions expenditures be permitted for:

A. Expenses for individuals related to membership to local clubs, social or community organizations unless approved by the President as necessary in fulfilling the College's mission.
B. Dues for individuals to professional organizations unless the membership fulfills a requirement of the applicable position.
C. Christmas cards or other similar printed greetings to institutional constituents.
D. Meals or expenses for groups or visitors to the campus not sanctioned by the institution or in any way related to institutional business.
E. Expenses associated with birthdays, etc., for institutional employees.

Procedure Title:	**Promotional Items**
Based on:	**Board policies Nos. 4, 5, and 7**
Procedure Number:	**5.10**
Date Adopted/Revised:	**June 25, 2001; November 21, 2006; May 15, 2007**

Act 823 of 1993 allows the College to request the Chief Fiscal Officer of the state to establish a special appropriation line item to be used for the acquisition of promotional items. The Board of Trustees must approve the request prior to its submission to the Chief Fiscal Officer of the state. All promotional items for the College will be purchased in accordance with this act.

Policy No. 1203 Approval of Non-Payroll Expenditures

Subject Area: Procurement/Disbursement
Responsible Office: Purchasing and Accounts Payable Office
Approval: Vice President of Fiscal Affairs
Originally Issued: October 17, 2011
Revised:

PURPOSE: To define responsibilities for reviewing and approving non-payroll expenditures.

POLICY: Invoices are matched to a purchase order and verified for accuracy to include a receiving report, signed by the receiving department representative.

The Vice President of Fiscal Affairs, or designee, will review and sign on all payments before they are released.

Policy No. 1401 Annual Closings/Financial Statements

Subject Area: Financial Reporting
Responsible Office: Business Office
Approval: Vice President of Fiscal Affairs
Originally Issued: October 17, 2011
Revised:

PURPOSE: To establish policies governing the annual closing of the financial records and accounts of the College and preparation of the College's financial statements.

POLICY

1. The Business Office is responsible for:

   - Establishing and coordinating the annual financial closing and related audit with the State of Arkansas Division of Legislative Audit;
   - Establishing all closing schedules to ensure that the financial statements are completed by the State of Arkansas due dates including any extensions;
   - Preparing the audited financial statements in accordance with Generally Accepted Accounting Principles for Colleges and Universities as prescribed by the Governmental Accounting Standards Board ("GASB").

2. The annual financial statements include the South Arkansas Community College Foundation and any other related entities required to be included by Generally Accepted Accounting Principles and the Governmental Accounting Standards Board ("GASB").
3. The financial statements shall be subject to annual audit by the Division of Legislative Audit as appointed by the State of Arkansas.
4. The annual audited financial report will be submitted to the SouthArk Board of Trustees for approval at the meeting following the completion of the annual audit and review by the Legislative Audit Committee.
5. The fiscal year of the College is July 1 through June 30.

Policy No. 1402 Monthly Closings/Reporting

SUBJECT AREA: FINANCIAL REPORTING
RESPONSIBLE OFFICE: BUSINESS OFFICE
APPROVAL: VICE PRESIDENT OF FISCAL AFFAIRS
ORIGINALLY ISSUED: OCTOBER 17, 2011
REVISED:

PURPOSE: To establish policies and procedures governing the monthly closing of the financial records and accounts of the College and reporting of the College's financial condition and transactions.

POLICY

1. The Business Office is responsible for:

   Establishing monthly accounting closing schedules and coordinating the data input requirements;

   Preparing and distributing to College grant account administrators monthly financial information by the following month from the Accounting System

   Allowing access, in some situations, for the grant administrator to view financial data.

2. All departments will comply with the closing schedule as established.
3. The Financial Accounting System and the related subsystems are the source for preparation of all required financial reports.
4. Each unit is responsible for reviewing the monthly account transaction reports which may be generated to ensure the accuracy, completeness and validity of each transaction. Errors or questions arising from this review must be immediately reported to Business Office for investigation and correction as required.

Policy No. 1403 Financial Reporting to Outside Agencies

SUBJECT AREA: FINANCIAL REPORTING
RESPONSIBLE OFFICE: BUSINESS OFFICE
APPROVAL: VICE PRESIDENT OF FISCAL AFFAIRS
ORIGINALLY ISSUED: OCTOBER 17, 2011
REVISED:

PURPOSE: To establish responsibility for providing various periodic financial reports required by governmental and private agency regulations.

POLICY

1. The Business Office is responsible for the timely preparation, approval and submission of all required financial reports, including interim and final financial reports required under grant and contract agreements.
2. The College's accounting system and related subsystems are the source for preparation of all required financial reports.
3. Any financial information included in reports to any outside third party, either directly or by reference, must be approved by the Vice President for Fiscal Affairs prior to distribution.

Policy No. 1501 Banking Relationships

SUBJECT AREA: CASH
RESPONSIBLE OFFICE: BUSINESS OFFICE
APPROVAL: BOARD OF TRUSTEES
ORIGINALLY ISSUED: OCTOBER 17, 2011
REVISED:

PURPOSE: To establish responsibility for the efficient operations of the College's banking relationships.

POLICY

A.P.M. 5.02

Procedure Title:	**Banking and Investments**
Based on:	**Board Policy No.** 5
Procedure Number:	**5.02**
Date Adopted/Revised:	**June 25, 2001; November 21, 2006; May 15, 2007**

General Operating Cash Funds and certain other cash funds held by and/or for South Arkansas Community College will be placed with a depository institution according to the following procedures and practices.

I. Interest-bearing time deposits and demand deposits will be placed with a single depository institution on the basis of competitive bids for up to a four (4) year period, ending June 30.

II. The rate bid on interest bearing time deposits will be primary in selecting the successful bidder.

III. Institutions eligible to submit bids are state and national banking and savings and loan corporations located in the State of Arkansas, the deposits of which are insured by the Federal Deposit Insurance Corporation.

a. Bidders must have or arrange to have a depository location in El Dorado, Arkansas.

b. All deposits of the College must be secured by collateral or surety bond.

c. The depository bank will be expected to provide the College with the same account options for demand-deposits as is available to all other customers.

d. The College reserves the right to place funds in either time deposits or demand deposits based upon the best interests of the College.

e. The College reserves the right to invest in U.S. Treasury Bills or U.S. Treasury Notes. The depository bank is obligated to assist the College in making such investments at no charge for the services.

f. Accounts placed in trust with a depository institution by official Board of Trustees action are excluded.

g. As authorized under Arkansas Ann. Stat. Sec. 67-524, all deposits are to be secured by a pledge of the financial institution's assets in such a manner as to confer a preferred status on the College's funds.

h. This collateralization will be accomplished according to the following:

1. Basis of valuation of collateral: Market Value
2. Pledging ratios: 100%
3. Eligible Collateral:
4. Direct obligations of the United States Government
5. Obligations guaranteed by the United States and those of federal agencies
6. Direct Obligations of the State of Arkansas

i. Eligible Custodians:

1. The Federal Reserve Bank
2. Branch(s) of the Federal Reserve Bank
3. Correspondent bank(s)

4. The Federal Home Loan Bank

j. Pledge Agreement

1. A pledge agreement, safekeeping receipt, will be issued to the College which conforms to the conditions above and includes the following provisions:
   a. The depository bank's affirmation that it has the power to pledge collateral,
   b. The certification that the pledged collateral is in the possession of the name custodians' agency,
   c. A clear indication that the custodian has responsibilities of safekeeping and accounting, and
   d. Authorization for the custodian to deliver the collateral to South Arkansas Community College in the event that the deposit is not paid and ordered.
2. In lieu of the above collateralization requirement, the financial institution may have the option of submitting a surety bond signed by the bank and some surety company authorized to do business in the State of Arkansas.
3. The financial institution's eligibility for deposits and/or investments will be restricted to the time limits and stated dollar limits of the surety bond as stated in the depository and/or investment depository contract.
4. The value of the surety bond may rise and fall from day to day so long as all deposits of the College are fully and wholly protected.

APPROVAL: VICE PRESIDENT OF FISCAL AFFAIRS
ORIGINALLY ISSUED: OCTOBER 17, 2011
REVISED:

PURPOSE: To establish responsibility for the reconciliation of cash and the cash accounts to bank balances.

POLICY

1. All cash general ledger accounts must balance back to bank balances. Any differences should be noted and corrected.
2. All bank accounts must be reconciled on a monthly basis by the Controller or its designee within the Business office.
3. All bank errors must be corrected with the bank before the month is considered reconciled.
4. It is the responsibility of the Business office to ensure that all cash and investments are properly accounted for. Any errors or misstatements must be corrected immediately. Any reconciling items not corrected immediately must be reported to the Controller for assistance.

Policy No. 1503 Facsimile Signature

SUBJECT AREA: CASH
RESPONSIBLE OFFICE: BUSINESS OFFICE
APPROVAL: VICE PRESIDENT OF FISCAL AFFAIRS
ORIGINALLY ISSUED: OCTOBER 17, 2011
REVISED:

PURPOSE: To facilitate the signing of checks when manual signatures are impractical.

POLICY

1. Use of facsimile signatures is allowable for the College on all payroll and non-payroll expenditures.
2. The control and use of signature stamps and plates rest with the College's Vice President for Fiscal Affairs designee.
3. The designated facsimile signature will be the Vice President for Fiscal Affairs and/or the Controller.

Policy No. 1505 Imprest Balance Accounts: Petty Cash, Cash on Hand

SUBJECT AREA: CASH
RESPONSIBLE OFFICE: BUSINESS OFFICE
APPROVAL: VICE PRESIDENT OF FISCAL AFFAIRS
ORIGINALLY ISSUED: OCTOBER 17, 2011
REVISED:

PURPOSE: Petty cash funds are expressly limited to areas where necessary. The funds are to be used for expenditures in connection with approved College activities, the amount and significance of which preclude requesting disbursement by check.

POLICY

1. Business Office is responsible for obtaining approval for all imprest accounts through the Arkansas Department of Finance and Administration.
2. Accountability for a petty cash fund shall be assigned to an employee who is designated as the fund custodian.
3. The fund custodian is responsible for safeguarding of the fund.
4. The amount of the fund should be limited as authorized by the State of Arkansas.
5. Petty cash funds are to be maintained on an imprest basis, which means that the amount of the petty cash fund should remain constant. The amount of currency and coin plus the petty cash receipts in the fund should equal the authorized amount of the fund.
6. Original receipts must accompany all reimbursement requests.
7. Petty cash may not be used for the following:

   A. Travel expenditures;

   B. Personnel services (i.e., typing, photography, entertainers, caterers, etc.) that would be considered either wages or Independent Contractor payments. Payments for certain human subject fees are allowable;

   C. Goods covered by a College negotiated contract;

   D. Personal loans or salary advances;

   E. Cashing personal or other checks from petty cash funds;

PETTY CASH PROCEDURES

Although it is the intent for all purchases to go through our regular purchasing process, SouthArk recognizes that this is not always possible. If an employee has to purchase something from his own money, they can be reimbursed from petty cash with the proper approvals using the procedures as listed below:

1) A detail receipt of the transaction needs to be retained.
2) To ensure the required approvals are obtained, there are adequate funds to reimburse and all information needed for reimbursement is acquired.
3) The **Petty Cash Officer** will conduct a monthly reconciliation and periodically request a reimbursement to the fund using the appropriate form.
4) Petty cash and receipts should total $1,025.00 at all times.

Policy No. 2101 Principal Investigator Responsibilities for Financial Oversight of Grants and Contracts

SUBJECT AREA: SPONSORED AWARDS
RESPONSIBLE OFFICE: BUSINESS OFFICE
APPROVAL: VICE PRESIDENT OF FISCAL AFFAIRS
ORIGINALLY ISSUED: OCTOBER 17, 2011
REVISED:

PURPOSE: To communicate to Principal Investigators (PI) (Grant Administrators) their stewardship responsibilities for fiscal management of grants and contracts awarded to the College.

BACKGROUND AND OBJECTIVE OF THE POLICY

As a recipient of grant and contract awards from both Federal, State and other sponsors, the College is required to comply with numerous rules and regulations promulgated by those sponsors.

The nature of sponsored project support is such that grant and contract administration cannot be performed without guidance and oversight by the PI, particularly when the project is supported by multiple sources. The PI best understands the scope of the project, the effort committed to it by faculty and staff, and the relationship of that project to other projects with which resources may be shared.

Accordingly, although the Principal Investigator may delegate responsibility for day to day financial management of a grant or contract to others within his/her area of supervision. The investigator must exercise appropriate oversight of the whole project including the fiscal aspects of the grant administration. This is necessary in order to ensure that charges to each grant and contract are:

A. As they relate to personnel costs, consistent with the effort expended by those working on the grant or contract,

B. As they relate to costs other than personnel, are appropriately charged and allocated to the grant or contract,

C. Limited to the funds awarded for the project, and

D. In compliance with Federal, State and College policies and procedures.

Carrying out these responsibilities requires that the Principal Investigator clearly communicate instructions to those performing the day to day financial administration tasks on how to allocate charges among various funding sources. Additionally, the PI must regularly monitor the financial status and all aspects of the grants and contracts to ensure that the charges conform to the above requirements.

APPLICABILITY AND EFFECTIVE DATE

This policy applies to all grants and contracts, whether funded from governmental or non-governmental sources, and is effective upon issuance.

POLICY

Principal Investigators are required to exercise oversight of the financial transactions and financial status of each grant and contract sufficient to ensure that charges are reasonable, necessary, and allowable under the terms and conditions of the award, properly allocated to and among multiple awards and funding sources, and limited to the funds awarded for the project.

The PI is responsible for monitoring the budget and requesting necessary adjustments. The Principal Investigator is responsible for ensuring full compliance with the provisions of the grant.

Policy No. 2105 Sponsored Awards Financial Responsibility

SUBJECT AREA: SPONSORED AWARDS
RESPONSIBLE OFFICE: BUSINESS OFFICE
APPROVAL: VICE PRESIDENT OF FISCAL AFFAIRS
ORIGINALLY ISSUED: OCTOBER 17, 2011
REVISED:

PURPOSE: To establish responsibility for the financial administration of sponsored projects.

POLICY

1. The Principal Investigator is responsible for the management and administration of the sponsored project within the administrative requirements imposed by the sponsor and in accordance with College policy. In this capacity, the Principal Investigator, or designee, authorizes all direct cost expenditures of project funds and is responsible for ensuring that complete documentation is provided to support all project related expenditures.
2. Changes to project budgets or expenditures which require institutional or sponsor prior approval must be processed through the granting agency prior to submitting to the Vice President of Fiscal Affairs via Budget Transfer form. Proper documentation of such granting agency approval must accompany any Budget Transfer request forms.
3. The Business Office will provide monthly statements of project expenditures by the end of the following month. It is the responsibility of the principal investigator to review each monthly statement, for accuracy and completeness and to initiate corrections, when appropriate, in a timely manner.
4. The Principal Investigator, in consultation with his/her department chairperson and dean, shall advise the Business Office as to the desired disposition of a deficit or disallowance in a sponsored project account.

Policy No. 2106 Accounting Authority and Responsibility

SUBJECT AREA: SPONSORED AWARDS
RESPONSIBLE OFFICE: BUSINESS OFFICE
APPROVAL: VICE PRESIDENT OF FISCAL AFFAIRS
ORIGINALLY ISSUED: OCTOBER 17, 2011
REVISED:

PURPOSE: To establish responsibility for the accounting of sponsored programs.

POLICY:

1. The Business Office is responsible for establishing and maintaining policies and procedures for:

   A. Authorizing and maintaining accounts for sponsored projects.

   B. Collecting funds from awarding agencies

   C. Submitting financial reports to awarding agencies.

   D. Complying with sponsored program agreement requirements relative to the funding of expenditures and financial reporting.

2. Sponsored projects are accounted for in the restricted funds of the accounting system.
3. Co-mingling funds from individual sponsored awards or other restricted sources are not allowable.
4. Separate general ledger accounts must be set up according to NACUBO classifications for each sponsored program.
5. Funds from awarding agencies will be collected according to the individual awarding agency's specifications. If no specifications exist, funds will be requested on a reimbursable basis.

Policy No. 2108 Non-allocable Cost Write-Off

SUBJECT AREA: SPONSORED AWARDS
RESPONSIBLE OFFICE: BUSINESS OFFICE
APPROVAL: VICE PRESIDENT OF FISCAL AFFAIRS
ORIGINALLY ISSUED: OCTOBER 17, 2011
REVISED:

PURPOSE: To establish responsibility regarding unresolved sponsored program overdrafts.

POLICY

1. Account administrators are responsible for expeditiously resolving cost overdrafts and/or disallowances on sponsored program accounts.
2. Failure to resolve overdrafts and/or disallowances in a timely manner shall result in the transfer of the charges by the Business Office to the College's operating fund, and be promptly reported to the Principal Investigator, Controller and Vice President of Fiscal Affairs.

Policy No. 2109 Approval of Direct Cost Expenditures

SUBJECT AREA: SPONSORED AWARDS
RESPONSIBLE OFFICE: BUSINESS OFFICE
APPROVAL: VICE PRESIDENT OF FISCAL AFFAIRS
ORIGINALLY ISSUED: OCTOBER 17, 2011
REVISED:

PURPOSE: To establish responsibility for approval of sponsored project direct cost expenditures.

POLICY

1. Mandatory cost sharing costs must meet all of the following criteria:

    A. Are verifiable from College records.
    B. Are necessary and reasonable for proper and efficient accomplishment of the award's activities.
    C. Are provided for in the approved budget when required by the awarding agency.
    D. Are not included as contributions for any other Federal sponsored award.
    E. Are allowable under the OMB Circular No. A-21 cost principles.

2. To account for unrecovered indirect costs as part of cost sharing, Federal awarding agency approval is required, and nonfederal awarding agency may be required.

Recovery of indirect costs as part of cost sharing or matching from a federal grant requires approval from the federal grantor.

Policy No. 2110 Cost Sharing/Matching Contributions

SUBJECT AREA: SPONSORED AWARDS
RESPONSIBLE OFFICE: BUSINESS OFFICE
APPROVAL: VICE PRESIDENT OF FISCAL AFFAIRS
ORIGINALLY ISSUED: OCTOBER 17, 2011
REVISED:

PURPOSE: To ensure compliance with Office of Management and Budget Circular A-110 and other regulatory policies regarding cost sharing (matching) requirements

Definitions

1. Cost sharing costs are sponsored award costs borne by the College.
2. Mandatory cost sharing are costs the College must contribute as a condition of the award.
3. Voluntary committed cost sharing describing and quantifying costs that the College voluntarily commits to in grant proposal.
4. Voluntary uncommitted cost sharing are costs the College voluntarily incurs but not in grant proposal.

POLICY

1. Mandatory cost sharing costs must meet all of the following criteria:

   A. Are verifiable from College records.
   B. Are necessary and reasonable for proper and efficient accomplishment of the award's activities.
   C. Are provided for in the approved budget when required by the awarding agency.
   D. Are not included as contributions for any other Federal sponsored award.
   E. Are allowable under the OMB Circular No. A-21 cost principles.

2. Federal awarding agency approval is required, and nonfederal awarding agency may be required, to account for unrecovered indirect costs as part of cost sharing or matching.

Policy No. 2112 Effort Reporting

SUBJECT AREA: SPONSORED AWARDS
RESPONSIBLE OFFICE: BUSINESS OFFICE
APPROVAL: VICE PRESIDENT FOR FISCAL AFFAIRS
ORIGINALLY ISSUED: OCTOBER 17, 2011
REVISED:

PURPOSE: To ensure compliance with Office of Management and Budget Circular A-21, Cost Principles for Educational Institutions, and other regulatory policies regarding documentation of salaries charged directly or indirectly to sponsored projects.

POLICY

1. The effort reporting procedures will be based upon the following principles:

   A. Salary and wage distributions to sponsored projects should reflect an individual's effort, whenever possible, and should be recorded on Personnel Action Forms (PAF).

   B. Individuals' sponsored project PAF forms will be monitored by the Grants Management Office.

   C. Retroactive and prospective changes to salary distributions should be made to reflect changes in an individual's work efforts if the difference is greater than 1%.

   D. At least annually a statement will be signed by the employee, principal investigator, or responsible official(s) using suitable means of verification that the work was performed, stating that salaries and wages charged to sponsored projects as direct charges are reasonable in relation to work performed.

2. The Principal Investigator, in collaboration with the Business Office, is responsible for establishing procedures necessary to comply with effort reporting requirements imposed by awarding agencies.

Policy No. 2114 Facilities and Administration (F&A) and Benefit Rate Proposal Preparation

SUBJECT AREA: SPONSORED AWARDS
RESPONSIBLE OFFICE: BUSINESS OFFICE
APPROVAL: VICE PRESIDENT OF FISCAL AFFAIRS
ORIGINALLY ISSUED: OCTOBER 17, 2011
REVISED:

PURPOSE: To establish responsibility for preparing F&A and Benefit Rate Proposals and negotiating such rates with the College's Federal cognizant agency.

POLICY

1. The College's Business Office is responsible for preparing the indirect cost rate proposals submitted to its Federal cognizant agency. South Arkansas Community College currently submits its indirect cost rate proposals to the Department of Health and Human Services.
2. The Business Office will compile the information from the General Ledger that is needed to complete the proposals.
3. The proposal will be prepared in accordance with the Office of Management and Budget Circular A-21 (Cost Principles for Educational Institutions).
4. The proposal is to be reviewed and approved by the Vice President of Fiscal Affairs in consultation with the Controller prior to their submission to the Federal cognizant agency.
5. This proposal will be submitted as requested by the Federal cognizant agency according to the plan's approved dates.

Policy No. 2115 Indirect Cost Charge Out

SUBJECT AREA: SPONSORED AWARDS
RESPONSIBLE OFFICE: BUSINESS OFFICE
APPROVAL: VICE PRESIDENT OF FISCAL AFFAIRS
ORIGINALLY ISSUED: OCTOBER 17, 2011
REVISED:

PURPOSE: To establish responsibility, policy, and procedure for applying the indirect cost rate (ICR) to approved sponsored awards.

POLICY

1. The Business Office is responsible for preparing the necessary journal entries to charge the indirect cost expenditure to the sponsored award agreement accounts.
2. The College's Business Office will make the necessary charges to the sponsored award according to the adjusted direct cost base as approved in its ICR agreement and in accordance with the award document.
3. Indirect cost charges will only be adjusted on the sponsored awards general ledger accounts if the costs are not in-kind or required as part of a matching requirement.
4. The principal investigator is responsible for knowing the sponsored award requirements and sharing the information with the College's Business Office.

Policy No. 2116 Interim and Final Financial Reports

SUBJECT AREA: SPONSORED AWARDS
RESPONSIBLE OFFICE: BUSINESS OFFICE
APPROVAL: VICE PRESIDENT OF FISCAL AFFAIRS
ORIGINALLY ISSUED: OCTOBER 17, 2011
REVISED:

PURPOSE: To establish responsibility for submitting financial reports to awarding agencies.

POLICY

1. The Business Office is responsible for submitting interim and final financial reports required under grants and contract agreements.
2. Principal investigators, or their designees, are responsible for providing to Business Office information needed to document allowable costs that are to be reported to the awarding agency.
3. Interim and final financial reports must be submitted by the due date specified in the award.
4. The College's Accounting System represents the official books of record supporting all required financial statements.
5. The Principal Investigator is responsible for ensuring expenditures are authorized and allowable under terms and conditions of awards and are in accordance with grant, College and sponsor policy.

Policy No. 2117 Account Close-Out

SUBJECT AREA: SPONSORED AWARDS
RESPONSIBLE OFFICE: BUSINESS OFFICE
APPROVAL: VICE PRESIDENT OF FISCAL AFFAIRS
ORIGINALLY ISSUED: OCTOBER 17, 2011
REVISED:

PURPOSE: To establish authority and responsibility for the close-out of sponsored program accounts.

POLICY

1. Award accounting should be closed timely and appropriate close out forms should be processed, signed and sent to the Grants Management office for their records.
2. The Business Office is responsible for ensuring that all financial accounts are closed after all expenditure, receipt and payment transactions have been completed.
3. The Principal Investigator shall ensure all grant close out processes, including compliance requirements, are complete.

SUBJECT AREA: PAYROLL EXPENDITURES
RESPONSIBLE OFFICE: HUMAN RESOURCES
APPROVAL: VICE PRESIDENT OF FISCAL AFFAIRS
ORIGINALLY ISSUED: OCTOBER 17, 2011
REVISED:

POLICY:

South Arkansas Community College is committed to accurate and timely payroll processing and procedures and strictly adheres to State and Federal laws and to the administrative procedures set forth by South Arkansas Community College Administration, South Arkansas Community College Board of Trustees, and the Arkansas Department of Finance and Administration Office of Personnel Management.

Personnel policies are governed by policies adopted pursuant to state and federal law and the Governor's Policy Directives and administered by the Arkansas Office of Personnel Management. The Office of Personnel Management procedures outline the methods used to comply with policy statements and can be found on www.dfa.arkansas.gov/offices/personnelManagement.

The College Administrative Procedures Manual was developed at the direction of the South Arkansas Community College Board of Trustees. The purpose of the manual is to provide clear guidance for proper, ethical and expeditious implementation of College policy and procedures which govern the way College business is managed and conducted. The Administrative Procedures Manual is not a static document. It will be continuously reviewed for completeness and accuracy, and is subject to revision at the discretion of College Administration, Faculty and Staff.

A Personnel Action Form is used to document all new hires, changes in salary and pay rates. All Personnel Action Forms must be properly authorized, approved by the supervising cabinet member and by the College President before any payroll changes or new hires are entered into the payroll system.

The South Arkansas Community College payroll office follows all State and Federal guidelines pertaining to payroll tax deposits. Internal Revenue Service Publication 15 Circular E "Employers Tax Guide" is reviewed yearly for updates and changes. New payroll department employees are trained in the proper procedures regarding tax deposits and are advised to stay abreast of guidelines and deadlines set forth in Circular E. The Director of Human Resources monitors payroll tax deposits for each monthly payroll and on a quarterly and yearly basis.