

# CCCCD Business Office Survival Guide

## INTRODUCTION

The Survival Guide was developed to review some unique administrative principles and requirements at community colleges, and specifically at the Collin County Community College District. New administrators, as well as those who have been here for many years, often get frustrated when trying to accomplish certain tasks that might be much easier in private business or in a private university. The twenty minutes it will take to read this brief guide could save hours of aggravation and frustration in the future.

There are two sections:

- Section 1, FRS and Your Money, briefly describes sources and uses of money and how to monitor finances.
- Section 2, Administrative Principles, provides a brief summary of some of the administrative principles for managing a department at our college in relation to financial and personnel considerations. We have focused on principles that are unique to this environment or to the Collin County Community College District and on policies that are commonly misunderstood or misapplied.

The information in this guide contains generalizations and brief excerpts from a variety of policies that were in effect as of the date of publication. This guide should not be cited as an authoritative source because the policy may have exceptions or additional requirements that are not included here or the policy may have been updated since the publication of this guide.

Also, be aware that this guide addresses just a few of the many administrative policies that must be followed at CCCC. It is important to check with the Business Office when new actions are being considered to ensure that the action complies with all applicable policies.

## SECTION 1 - FRS AND YOUR MONEY

FRS, an acronym for Financial Resource System, is the College's central accounting system. All receipts are deposited into accounts on this system and expenditures are paid from those accounts.

That's what it is all about - how to get it, how to spend it, and how to keep track of it. Money comes from a number of sources. But there are countless rules regarding acceptance and usage of money.

In general, all money held at the College is considered "public money." Under the public information act, private citizens and College employees have the right to inspect all public records held by the College (with the exception of certain types of personnel and student information). Since these records are under public scrutiny, we have to take care to follow requirements. It is preferable not to have headlines blaring "CCCCD Misuses Public Money."

## **Getting and Spending It**

There are many ways to get money and many ways to spend money. The rules associated with obtaining and spending money are sometimes complex and sometimes frustrating, but they were written to assist us in making correct decisions, in compliance with Federal and State regulations and industry requirements. Since we are a public institution and accountable to the taxpayer, we need to learn these rules and principles to manage well and avoid problems.

If you are authorized to spend college monies, you have a responsibility to know and understand the guidelines associated with spending public funds. The guidelines are outlined here. If you will be doing anything new or different, check into the possible implications before taking action. That way, things can be processed properly the first time. Properly prepared and supported documents are rarely delayed or returned.

If your staff think they know the rules, but you find that documents are frequently rejected or returned for additional information, approvals or other reasons, maybe it is time they took a refresher training course.

Industry standards and State law require the College to organize money in "funds." Transactions must be managed in accordance with rules appropriate to the fund, and rules are different for different funds. It is not enough to have money; you must have the right type of money. It is important to note the big no-no's: Money in college funds may NEVER be used for employee social or recreational functions, gifts (such as for condolence, illness, congratulations), service organization dues (such as Kiwanis, Lion's Club) or charitable contributions. Public money may never be used for private purposes.

Money collected by any employee on behalf of the College should be deposited immediately with the Cashier's Office. As money is received, it is classified into the appropriate fund and deposited into an account within that fund. Following is a summary of the different funds and general guidelines on using the money deposited in each fund.

**Operating Fund** - The operating fund receives monies from several different sources, all of which have guidelines for usage.

**State Appropriations:** The state legislature appropriates a certain amount of dollars to fund authorized programs and the related support functions for the biennium based on contact hours generated during the base year. Funding from the state may only be used to pay for the elements of cost. Expenditures not defined by the elements of cost must be paid for from local funds. Eight elements of cost consist of (1) instructional administration; (2) general administration and student services; (3) faculty salaries; (4)

departmental operating expenses; (5) library; (6) staff benefits; (7) general institutional expense; and (8) organized activities.

**Local Funds:** Local funds consist of tuition and fees, ad valorem taxes, and interest/investment income. These funds are used to pay for all expenditures the College incurs that are not allowed to be paid for by state funds, as well as expenditures incurred by the eight elements of cost which exceed the state appropriation.

**Restricted Fund -** The restricted fund consists of amounts awarded for grants and contracts by federal, state, or local organizations for a specific purpose. Special restrictions imposed by the granting agency apply to how restricted funds may be spent (thus the name "restricted"). For federal grants, the College must be in compliance with OMB circular A-21, which identifies allowable and unallowable expenditures.

**Building Fund -** Funds authorized by the Board of Trustees to be spent on capital projects.

**Debt Service -** Monies generated from ad valorem taxes and designated specifically for debt service. Expenditures made are in accordance with debt covenants and payment schedules as stated in the bond order.

All monies must be spent in accordance with the Board of Trustees approved budget and all College guidelines.

### **Account Numbers:**

The following table indicates, at a glance, the type of account based on the account number range.

1-00000 through 1-99999	Revenue Accounts
2-00000 through 2-99999	Administrative Accounts
3-00000 through 3-99999	Instructional Accounts
4-00000 through 4-99999	Auxiliary (Sales) Accounts
7-00000 through 7-99999	Plant Funds (Building and Debt) Accounts

### **Expenditures Requiring Special Attention**

While all expenditures from accounts must be appropriate and allowable, certain payments are subject to more scrutiny from outside sources than others due to the sensitive nature of the expense or certain risks associated with the payment of the expense. The Business Office will take extra care to ensure that requirements are complied with and proper documentation is attached on these types of payments. Some examples are travel expenditures, consultant payments, reimbursements to individuals, and payments to students and nonresident aliens.

### **Travel:**

Travel expense is one of the highly scrutinized categories because of the potential for misuse. One person's idea of reasonable travel expenses may be far different from another person's (such as a taxpayer). The College's travel policies are intended to prevent inappropriate or excessive travel expenses by requiring that travel be pre-approved and the travel expenses meet specified limits.

### **Independent Contractors:**

The IRS would prefer that we treat all individuals providing services to the College as employees rather than independent contractors and will assume that an individual is an employee unless we can provide adequate documentation to prove otherwise. Why? Because the IRS receives more tax revenue, and on a more timely basis, from employees than from independent contractors. In recent years, the IRS has been increasing its audits of questionable classifications. The penalties for improper classification include fines.

The guiding principle entailed in the proper classifications lies not in length of time the person will work or on the nature of the assignment, but on your right as the employer to control and direct the individual's efforts. If you have the right to control not only the end result but also how the job will be accomplished, then the individual is an employee, not a consultant. However, the determination of the employer's rights in this regard can be a very difficult exercise. Please ask for assistance in reviewing questionable situations.

### **Reimbursements:**

Reimbursements to individuals fall outside the College's purchasing guidelines, with the exception of purchases which are less than \$50.00. Purchases less than \$50.00 should be reimbursed using petty cash (see Cash section). Reimbursements will be evaluated on a case by case basis. A memo explaining the necessity of going outside the purchasing procedures should accompany the reimbursement request.

Because reimbursements are paid to individuals, the College must take extra care to ensure that the expenditures incurred were for a valid College business purpose and that proper documentation exists to support the payment. We must also make sure that payment is not made twice, so original invoices are required and are canceled when paid. If there is no invoice, other documentation must be provided to support the payment. However, equipment should never be purchased on a reimbursement basis. The college Purchasing Department, Bookstores, and inventory stock rooms should be used whenever possible to ensure compliance with College policies.

### **Payments to Students or Nonresident Aliens:**

Special care must be taken when making payments to students because such payments could affect the student's ability to qualify for financial aid.

Payments to nonresident aliens must be made in accordance with complex Immigration and Naturalization Service regulations. For example, the visa type determines whether the

nonresident alien is eligible for compensation for providing outside professional services or for reimbursement of expenses and may establish limits on how much they can be paid.

## **Foundation Monies**

The CCCC Foundation is a nonprofit organization whose mission is threefold: (1) to secure resources from the private sector to enhance program development and expand student opportunities; (2) to expand awareness and appreciation of the college; and (3) to provide leadership to initiatives that support the college in meeting community needs. The Foundation is separate from the College with its own rules and regulations governing the use of monies held by the Foundation. Please refer to the Foundation for specific guidelines on spending Foundation funds. The College maintains an arm's length distance from the Foundation. Therefore, it is important to keep College money separate from the Foundation money, and vice versa.

## **Keeping Track of It**

All monies are maintained in the College's official accounting system, called the Financial Resource System (FRS). In FRS, we establish "accounts" for each different source of money. You might compare these accounts to checking accounts, with some important differences.

### **Accounts:**

Accounts (first six digits) are usually managed at the division level with the Deans and Directors responsible for how and what divisional funds are spent.

### **Object Code:**

In FRS accounts, all transactions are tracked by "object codes," which identify the type of revenue or expense. Every request to spend money must include both the account and the code that best describes the purpose of the expense.

Why is it necessary to keep track of expenses by object code? Every year the College is required to provide audited financial statements and other financial reports to people outside the College who are interested in how we are spending our money. These reports require varying levels of detail. Tracking expenses by object code provides the detail needed to prepare these reports.

Use of the correct object code to classify each expense is important because we face audits of the finances from various sources. The financial statements are audited for accuracy and for compliance with State and Federal regulations, industry standards, and internal controls requirements. Other organizations that provide funding for programs at the College also ask for audited financials to ensure that money is being spent as intended.

In addition to external reporting and audit requirements, tracking expenditures by object code is a good management tool. If used properly, you can determine exactly how money has been spent. This is useful for historical analysis as well as for budgeting and forecasting (for example, analyzing which expenses could be reduced or which expenses are likely to increase).

**On-line Access:**

FRS accounts can be viewed on-line to determine the status of the account. Screens provide a variety of information, from a summary by main category to a detailed list of the transactions posted to an account. You can also find out the status of an outstanding purchase requisition or purchase order by utilizing the BuySpeed System.

**Reports/Reconciliation**

At the end of each month, a report is generated listing the activity in the account. You may or may not reconcile your own checking account, but policy requires that all FRS accounts be reconciled at least monthly. Errors do occur, and some errors can only be caught through the reconciliation process. Reconciling means checking the report to see if the transactions you requested showed up and for the right amounts. If you come across a transaction that shouldn't have been charged to your account, it is your responsibility to notify the Business Office so the error can be corrected as soon as possible. It is important to retain a copy of all paperwork submitted to the Business Office for processing. You may use these copies when reconciling your month-end budget reports.

**Monitoring Budget:**

FRS accounts are budgeted and the reports and screens display the available budget balance. You need to monitor the balance to make sure you don't exceed the budget.

To help monitor the budget, the College uses a system of "encumbering" funds. Encumbering is a method of reserving a portion of your budget when a commitment has been made. For example, if you order a piece of equipment, the estimated amount of the expense will be reserved at the time the purchase order is sent to the vendor thus reducing your "available balance." When the bill is paid, the actual amount of the expense is posted to your account and the encumbrance is removed. The monthly report shows the actual expenses and the encumbrances separately.

Even if your staff usually performs these tasks, you should take the time to learn how to read the reports and how to look up accounts on-line. The screens and reports are fairly simple to use and you can save time by looking up some things yourself. Special training classes are available for those of you who just want an overview without all the details.

**SECTION 2 - ADMINISTRATIVE PRINCIPLES**

The College has many forms and instructions on how to handle situations in the legal and (usually) most efficient way. To follow such instructions effectively, however, it helps to understand the general principles behind the pieces of paper. Some of these principles, such as the need to document payments, are common sense. We learn about these when managing our personal finances, such as filing our income tax returns. Other principles, especially those that apply uniquely to universities or uniquely to this college, may not be obvious.

## **General Observations**

### **Common Sense:**

Most actions that are common sense are legal. However, this is not always the case. Some actions may be legal only if approached in a particular way.

- **Rule of Thumb:** Never ask if you can do "X". Instead, ask how can we do X? If X is legal and sensible, you are much more likely to get a helpful answer. If it is not legal or sensible, you will learn why not.
- **Avoid Messes:** Checking first is virtually always easier than cleaning up a mess afterwards. Occasionally, some departments will try to "sneak something by" because they think it may be questionable and they want to avoid resistance from the Business Office. Other documents get processed incorrectly out of ignorance. The consequences are awkward for everyone. Not thinking ahead, waiting to the last minute, or being ignorant of the rule will not prevent you from getting an exception or special handling; however, it may reduce the chance of getting the paperwork handled quickly. Special handling slows down paperwork processing for everyone. Messes can be avoided or minimized by clarifying what has to be done or how it has to be done before submitting the paperwork or making the decision.
- **Exceptions:** Most policies provide for exceptions when a good reason exists for the exception. Each exception will be reviewed on a case by case basis and may need approval by the area Vice President. A memo explaining the request for an exception usually will suffice to head off questions.

### **Appearances Are Important:**

You must not only act correctly but also appear to act correctly. On every sensitive financial or personnel action, stop and consider how it could be perceived by those affected by the action as well as third parties - such as auditors, the media, the general public. Time after time, paperwork has to be redone because of inadequate documentation. The problem may have been an inappropriate choice of words or approach or a lack of sufficient documentation to support the request. Sometimes there is a real problem.

### **Conflict of Interest:**

Please refer to the Faculty and Staff Handbook (pages 38 - 46) for information on conflict of interest policy.

### **Killing the Messenger:**

The person who answers your phone call or first handles and follows up on paperwork almost never sets the policy. Although we may wish the people interpreting such constraints were more

helpful, we gain nothing by dealing with such people in an arrogant or antagonistic way or by blaming them for the policy or procedure.

### **What Could Happen?**

Many actions that we take may have effects that we don't intend. When beginning a new project, check with appropriate authorities beforehand to determine what problems might be anticipated and avoided, what authorization might be needed, or if there are any special requirements. For example, many departments get involved in remodeling facilities, wiring, or installing new equipment. The departments to contact in these circumstances may include Physical Plant, Telecommunications, or the Vice President of Administration. Some problems that could occur due to lack of proper coordination include the following:

- Much of the wiring strung for local area networks on campus does not meet the fire code. During a fire, these cables would give off toxic fumes.
- Telephones have been moved to different jacks resulting in incorrectly identifying the phone location and thus misdirecting a response to a 911 call.

### **Documentation Detail and Consistency:**

Documents submitted for processing must be properly completed. College staff processing the document will call you or send a document back for correction if the document is incomplete or if something is unclear, which causes delays in processing. Auditors and the courts make their decisions about a case based on what is in the record. If the evidence is not there, the action is likely to be turned down.

You must ensure consistency between forms and the supporting documentation. If necessary, explain inconsistencies in a note or on the paperwork itself. Provide enough detail to ensure that an auditor, committee or lawyer, unfamiliar with the situation and perhaps unfamiliar with College practices, will understand what has happened and find no gaps in the record. What is the best possible documentation?

- The best documentation is obtained from an outside, external, third party.
- The second best is an explanation by whoever approved the original documentation.
- The least effective is documentation that consists of notes taken over the phone when contacted by the office requiring the support.

If there are problems with documentation, it is best to correct them at the time, rather than try to deal with them later.

## **Reasonable Expenses:**

Many people are puzzled by the term "reasonable expenses." The easiest way to think of this is that reasonable costs are those directly related to the performance of a contract. For example, paying for travel expenses for a consultant may be reasonable, but paying for personal long distance calls generally is not. Paying for an employee's food while traveling is reasonable, but paying for his or her wine is not. When in doubt, don't.

## **Operational Activities**

### **Purchases:**

The College subscribes to the philosophy of a strong centralized purchasing function to ensure compliance with the State of Texas procurement laws. Only the Director of Purchasing and persons delegated by the Director of Purchasing are authorized to commit the College for a purchase of goods or services. Be sure to allow sufficient lead time for the Purchasing Department to process your orders - don't tie their hands by making arrangements with a vendor then asking the Purchasing Department to formalize the agreement. Unauthorized purchases will be considered a personal obligation.

At CCCCD, goods or services ordered in one fiscal year from a general operating account must be received by August 31 to be paid from that fiscal year's budget. If the order is delayed beyond August 31, the funds will have to come from next year's budget.

### **Financial Practices:**

Trust your people but check regularly. Accounting policies and procedures have been established to ensure accuracy of the financial records, compliance with laws and regulations, and effective internal controls over financial activities. Internal controls require "separation of duties" and standard business checks and balances in handling financial matters. These rules do not imply a lack of trust but rather are intended to make the organization safer and sounder, more efficient in its operations, and more effective in meeting its objectives by discouraging negative actions and supporting positive actions. Following are some examples of internal control procedures.

- The same person should not receive money and account for money (or record it).
- The person authorizing a purchase should not be the same person who receives the goods purchased. This discourages illegal action such as an employee charging items for personal use to the College.
- Cross training of staff. Besides providing control, it is reassuring to know that others in the office understand the rules and procedures.