

**FINANCIAL ENVIRONMENT OF THE COLLEGE**

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## FINANCIAL ENVIRONMENT OF THE COLLEGE

### I. PURPOSE OF CHAPTER 2

The purpose of this chapter of *The Guide* is to provide an overview of the environment in which the financial systems, policies, procedures, and practices of Adams State College operate.

### II. FISCAL PHILOSOPHY AND FINANCIAL GOALS

The mission statement of Adams State College states “Adams State College dedicates its resources to provide opportunity and access for all students. The College is an innovative leader that recognizes the inherent educational value of diversity. It is a catalyst for the educational, cultural, and economic interests of rural Colorado, the surrounding region, and the global community.” Since service delivery, rather than profit making, is the objective of an educational institution, fiscal responsibility in a higher education setting emphasizes accountability and stewardship. Although a college is not supposed to make a profit, it is expected to have adequate fiscal resources to sustain its operations. Thus, the college’s fiscal goals are two-fold:

1. To safeguard and manage its financial assets by accounting for the funds it receives and insuring that these dollars are effectively employed to support the campus’ teaching, research, and service functions
2. To comply with state, federal, and sponsor reporting requirements.

### III. THE STEWARDSHIP OBLIGATION OF THE COLLEGE

Employees of the College have a special stewardship obligation to:

- Process properly and accurately all receipts and disbursement of funds
- Account for all financial resources received and used
- Ensure that all financial transactions conform to legal requirements and administrative policies, and are recorded in accordance with generally accepted accounting principles for college and universities
- Provide financial reports that present to all college clients, constituents, and the public a complete picture of the college’s funds and their uses.

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### IV. THE FINANCIAL SYSTEM OF THE COLLEGE

Adams State College, as a State of Colorado public institution, maintains and operates a comprehensive financial management system in order to meet its stewardship responsibilities to the entities that provide its funding. The management of the college's finances involves two major systems: the Finance System and the Human Resource Management System.

The Finance System is comprised of two modules. The General Ledger is the accounting system used by the college. It is the official system of record for all financial transactions, reports, and audits. Purchasing and Payables, also referred to as the Procurement System, is used for purchasing, accounts payable, and travel transactions. Procurement functions for all activities of the college are consolidated in one office, the Purchasing office, which is located at 123 Richardson Hall.

The Human Resource Management System is used to manage positions, recruit and administer the workforce, do time collection, and process payroll. Similar to the procurement model, payroll and benefits functions are consolidated across the campus. The Payroll office is located in 121 Richardson Hall.

The College's Finance and HRM Systems provide financial information to all levels of administration for use in planning, budgeting, management, analysis, decision support and other administrative purposes.

It is imperative that all College business transactions and operations be conducted using these systems and their associated processes.

#### ***A. College Business vs. Private Business***

Adams State College takes seriously its fiscal responsibility for accountability and stewardship. Therefore, the college's finance system must be used to account for **all** Adams State College business and **only** Adams State College business.

It is important to separate business college from private business for the following reasons:

- Using the Finance System to account for private business activity erroneously reports the private business revenue and expenses as those of the college.
- Spending private funds from a ACCOUNTING STRING combination enables a private enterprise to receive advantages that they might

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otherwise not enjoy, such as discounts allowed to the college or the tax-exempt status afforded to the college.

- Depositing college funds into an off-campus account could be interpreted as an act of embezzlement.

All revenues and receipts from college business must be deposited into a ACCOUNTING STRING combination. Funds must never be:

- Deposited into an outside bank account
- Held for petty cash
- Spent directly for goods and services.

**Note:** There are two exceptions to the policy that requires depositing all revenues and receipts to a Banner Account combination:

1. Agency Funds (other than those generated by student groups) may be deposited in an off-campus account
2. Gifts that need to be deposited with the ASC Foundation.

With the exception of certain Agency Fund transactions, private business activity must never be accounted for in ACCOUNTING STRING combinations. Receipts from private activities must be deposited in an off-campus account.

In most situations it is very clear whether an individual is engaged in college business or private business. However, students, faculty, and staff may be involved with some activities in which the distinction is not so clear-cut. The two situations that cause confusion most frequently are:

1. When private contributions are solicited for a gift (e.g., retirement, maternity, etc.) Such solicitations should direct individuals to make checks payable to the person in charge of the event and not to the Adams State College. Any checks made out to the college must be returned to the maker. These checks may not be deposited into a ACCOUNTING STRING combination.
2. When an employee is serving as the treasurer for an organization, and collects dues or other payments on behalf of the organization, these checks should be deposited into an off-campus account in the name of the respective organization.

**Note:** When a similar situation involves a student group, the group can accept checks made out to Adams State College provided the group has opened an agency account through the ASC Business Office.

Similar to the college's finance system, it is illegal to use the college's Purchasing Office authority to make private purchases.

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### V. PERTINENT REGULATIONS

Financial management policy and practices at Adams State College are guided by campus policies and procedures, State of Colorado rules, federal regulations, and professional accounting standards.

#### A. Campus

Management responsibility for each program on and off campus can be subdivided into two major categories:

1. Management of the program's activities.
2. Management of the fiscal resources associated with the program.

In keeping with the management principle of combining authority with responsibility, this policy places authority for both program activity and fiscal control on program managers.

It is this *intent* of the policy that:

1. Every on and off campus program has an associated ACCOUNTING STRING combination in the Finance System,
2. Both the program and the ACCOUNTING STRING combination be clearly assigned to a campus administrative unit
3. The administrator of each campus unit assumes responsibility for the sound management of every program and ACCOUNTING STRING combination assigned to that unit.

Within the scope of day-to-day operations, campus administrative and business processes are largely guided by regulations and procedures issued by the office of Finance and Administration. Operational practices for accounting and budgeting are articulated throughout *The Guide*, and updates are posted on the Policy Web site.

Administrative Policy, developed in the offices of the college's President, Provost, and Vice Presidents, provide guidance, procedures, and requirements for college operations. These policies address academic, fiscal, personnel, property/facilities, and general matters, and are based on external and internal mandates, laws, and regulations. Of particular importance with respect to financial management is the *Fiscal Roles and Responsibilities* policy. This policy establishes the roles and responsibilities for key levels of management involved in college operations, so that the fiscal impact of college operations is planned, controlled, and accurately accounted for in the college's financial records. This policy applies to all funds received by the college from any

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source, or spent by the college for any purpose. The Controller may also issue accounting directives to be followed by all employees. Guidelines for purchasing, travel, and accounts payable are published by the Purchasing Office. Functions associated with human resource management, payroll and benefits are administered by the Human Resources Office.

### **B. State Controller**

The Colorado State Controller's Office manages the financial affairs of the State by providing financial information, issuing fiscal policies, ensuring timely recording of the budget, and providing accounting consulting services to state agencies. Finance and accounting practices at Adams State College must adhere to the *State Fiscal Rules*. These rules are available on the Web at <http://www.colorado.gov/dpa/dfp/sco/FiscalRules/8-1-05/rules%208-1-05.htm>. The state controller also publishes the *Fiscal Procedures Manual* that addresses issues associated with the opening and closing of a fiscal year. Additional topics covered in this manual include capital construction, state-required reports, and accounts receivable. To view the *Fiscal Procedures Manual*, visit the State Controller's Web site located at <http://www.colorado.gov/dpa/dfp/sco/guidance.htm>.

### **C. Federal Government and Other Sponsors**

The college conducts sponsored programs supported by funds from federal government grants and contracts, and other sponsoring agencies. Therefore, financial policies and practices must reflect pertinent government regulations such as those contained in or issued by:

1. Office of Management and Budget Circular A-21, *Cost Principles for Educational Institutions*, which can be found at <http://www.whitehouse.gov/omb/circulars/a021/a021.html>
2. Office of Management and Budget Circular A-110, *Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals and Other Non-Profit Organizations*, which is located on the Web site at <http://www.whitehouse.gov/omb/circulars/a110/a110.html>.
3. Cost Accounting Standards Board (CASB), whose Web site is <http://www.gao.gov/uscode.htm>.
  - *Cost Accounting Standard 501* addresses consistency in estimating, accumulating and reporting costs.
  - *Cost Accounting Standard 502* states that there must be consistency in allocating costs incurred for the same purpose.

Note: The above is not an all-inclusive list.

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### ***D. Professional Standards***

At the highest level, financial management practices at Adams State College adhere to Generally Accepted Accounting Principles (GAAP). In addition, finance operations are guided by the interpretation and application of rules and regulations issued by the:

1. Government Accounting Standards Board (GASB) whose URL is <http://accounting.rutgers.edu/raw/gasb/main.html>
2. American Institute of Certified Public Accountants (AICPA) located at <http://www.aicpa.org/index.htm>
3. National Association of College and University Business Officers (NACUBO) found at <http://www.nacubo.org/>.
4. State of Colorado Controller's Office including the
  - *State Fiscal Rules*, which are located on the Web at <http://www.colorado.gov/dpa/dfp/sco/FiscalRules/8-1-05/rules%208-1-05.htm>.
  - *Fiscal Procedures Manual* which is available on the Web at <http://www.colorado.gov/dpa/dfp/sco/fiscalmanual/manual.htm>
  - *Colorado Higher Education Accounting Standards* which are on the Web at <http://www.colorado.gov/dpa/dfp/sco/standard.htm>