



<u>ADMINISTRATIVE POLICY</u>  ADAMS STATE COLLEGE	POLICY NUMBER:	PAGE NUMBER Page 1 of 7
	CHAPTER:	Finance and Administration
	SUBJECT:	Fiscal Dictionary
RELATED POLICIES:	EFFECTIVE DATE:	June 15, 2006
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	OFFICE OF PRIMARY RESPONSIBILITY: Office of Vice President of Finance and Administration	 Dr. David Svaldi President

I. POLICY

This policy provides definitions of terms commonly used to describe fiscal policy.

II. PURPOSE

The purpose of this policy is to provide the reader of fiscal policies definitions of commonly used fiscal terms.

III. DEFINITIONS

**Abuse** – The result of behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary given the facts and circumstances. Abuse is distinct from an illegal act or other law violation that occurs when laws, regulations, or rules, or contracts, grants or donor restrictions are violated. Abuse usually results in an inappropriate use of College resources, such as excessive cost for an acquired good or service.

**Account Code** – A ChartField used to identify the nature and financial type of a transaction: generally asset, liability, net asset, revenue, expense, or transfer.

**Affiliate** – An organization that has a contractual or other legal relationship with the College that closely aligns them operationally with the College to more effectively further both the College and the organization's missions. Affiliates include Related Organizations (i.e. clubs) and Supporting Organizations (i.e. ASC Foundation).

**Affiliate Fiscal Staff** – Employee(s) of an Affiliate(s) that accepts a role as Fiscal Staff for the College through a written agreement.

**Agency Fund** - The fund group used to account for funds held by the College as a custodian or fiscal agent for others. Examples include funds held for independent (verses affiliated) student organizations, individual students, and other organizations that have a working relationship with the College. Agency funds are broken into three divisions:

- Independent student organizations
- Third party scholarships
- Other

**Associate** - An individual who is not employed by the College, but who is actively involved in furthering the College's mission in some fashion. Examples of associates include members of the Board of Trustees and off-campus work-study employers. The term associate does not include College vendors, non-employee students, alumni, parents of students, College-sponsored conference attendees, employees of College affiliates, official business guests, donors, sponsors, congressional or state legislative members, or members of the general public.

**Available Resources** – Funds legally available to an Organizational Unit to support the costs of carrying out its assigned roles or objectives, including allocated revenue budgets or spending authority (expense budgets), cash, convertible short-term assets (e.g., inventories, receivables), and allocated accumulated net assets.

**Bona fide** - The term bona fide pertains to IRS regulations. A bona fide business purpose exists if you can prove a real business reason for the individual's presence. Incidental services, such as typing notes or assisting in

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entertaining customers, are not enough to categorize an expense as being for a bona fide business purpose. An example of a bona fide travel expense would be when a faculty member attends an out-of-town event for official College business and an immediate family member accompanies the faculty member for a specific business purpose.

**Budget** - A set of financial expectations (usually revenues and/or expenditures) for a given fiscal period (at least annually).

**ChartFields** - The individual components (fields of information) that represent the coding structure used by the College's Finance System (and subsystems) to record a transaction.

**Compensating Controls** – Procedures used to mitigate risks inherent in Internal Controls arising from approved waivers of segregation of duties.

**Conference** – An auxiliary activity to conduct a formal meeting of a number of people, primarily other than employees or associates, for discussion or consultation on a serious and identified topic, where admission is charged to those attending.

**Conflict of Interest** – Situations in which financial or other personal considerations may compromise, or have the appearance of compromising, an employee's professional judgment in administration, management, instruction, research and other professional activities. This includes situations in which an employee might derive private gain due to her/his association with the College.

**Employees** – An individual who currently holds a College employment appointment, whether full-time, part-time, temporary, seasonal or hourly.

**Employee Recognition Event** – An official function hosted and attended by a department head or manager for the purpose of acknowledging, appreciating, or honoring employees. An Employee Recognition Event may involve snacks, a meal, awards, or other small tokens of appreciation as a means of providing an encouraging and supportive work environment.

**Estimates** – Valuations of financial activity based upon probable factors as opposed to known events that could change materially within the next year.

**Fiduciary** – The obligation arising from a position of authority to act on behalf of another (as in managing the College's operations) where one assumes a duty to act in good faith and with care, candor, and loyalty.

**Finance System** – The College's official financial records, used to record all College fiscal transactions and prepare the College's financial statements.

**Financial Reporting Entity** – As defined by generally accepted accounting principles, the College plus all organizations that meet the following criteria: (1) organizations for which the College is financially accountable (equivalent to control by the College as an entity or its Trustees or Officers); (2) a legally separate, tax-exempt organization: whose economic resources are entirely or almost entirely for the direct benefit of the College's financial reporting entity or its constituents, where the College has the ability to access (broader than control and is demonstrated by the ability not the occurrence in a given year) a majority of its economic resources, and such economic resources are Material to the College; (3) organizations for which the nature and significance is such that exclusion would be misleading to the College's financial statements; or (4) organizations closely related to or financially integrated with the College as exhibited through policies, practices or organizational documents of either entity.

**Financial Report Review Process** – As required by the Fiscal Roles and Responsibilities Policy, policies and procedures that result in the routine review of financial information to ensure its proper capture in the College's Finance System. Procedures may include the detailed review of fiscal transactions, periodic budget to actual analysis of financial activity, or prior year to current year analysis of financial activity. Procedures always include taking appropriate investigative and remedial action.

**Fiscal Managers** – As defined in the Fiscal Roles and Responsibilities Policy, the key employee in the Organizational Unit with the authority and responsibility for its fiscal transactions.

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**Fiscal Misconduct** – As defined and illustrated in the Fiscal Misconduct Reporting Policy, deliberate acts or failure to act regarding fiscal matters, contrary to established law, rule or policy, with the intent to obtain an unauthorized benefit, which results in a loss or other damage to the College.

**Fiscal Principals** – As defined in Fiscal Roles and Responsibilities Policy, Chairs, Directors and Principal Investigators (or equivalent titles) as the result of their assigned fiscal responsibility.

**Fiscal Role** – The categorization of Employees to indicate their fiscal responsibilities to the College as defined in Fiscal Roles and Responsibilities Policy. Categories include Officers, Fiscal Principals, Fiscal Managers and Fiscal Staff.

**Fiscal Staff** – As defined in Fiscal Roles and Responsibilities Policy, employees (other than Fiscal Managers, Fiscal Principals, and Officers) of the College involved in College fiscal transactions, such as initiating purchases, receiving cash or other negotiables, entering or reviewing transactions into the College's Finance System, monitoring contractors, verifying compliance.

**Fiscal Transaction Roles** – Each step in a fiscal transaction is done by an employee that has specific responsibilities with respect to the respective step. These responsibilities are categorized according to the following Fiscal Transaction Roles: Requestor, Processor, Departmental Approver, Additional College Approver, Verifier, and Reviewer. Refer to Attachment A in the Fiscal Roles and Responsibilities Policy for additional information.

**Fiscal Transactions** - Financial transactions occur within numerous functions within the College. The following table illustrates some (but not all) examples of fiscal transactions (grouped by business functions).

Function	Transaction
Accounting	Asset Transfers/Disposition Cash Transfer Journal Entry Interdepartmental Invoice/Order
Human Resources	Create or Modify Position Modify Employee Benefits Overtime Payment Authorization
Purchasing	Departmental Purchase Order Official Function Form Procurement Card Allocation Procurement Card Purchase Purchase Requisition Open Purchase Order
Student Business Services	Cash Receipt Tuition and Fee Charge Tuition Waiver Financial Aid Awards COF Stipend
Individual Departments	Procurement Card Purchase Travel Card Transaction

**Food** – Meals, snacks, or beverages. Taxes and tips included in the purchase of food for personal consumption are considered as being part of the cost of the food.

**Fraud** – Includes certain illegal acts; misstatements arising from fraudulent financial reporting; and misstatements arising from misappropriation of assets. Fraudulent illegal acts are characterized by deceit, concealment, or violation of trust and perpetrated to obtain money, property or services; to avoid payment or loss of services; or to secure personal or business advantage. Misstatements arising from fraudulent financial reporting are intentional misstatements or omissions of amounts or disclosures in financial statements to deceive financial statement users. Misstatements arising from misappropriation of assets involve the theft of an entity's assets.

**Functional Area of Responsibility** – A group of related business objectives, processes and entities for which an Officer has oversight by virtue of her/his position, includes multiple Organizational Units and the following characteristics:

- Organizational permanency; and
- Programmatic autonomy.

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**HRM** – Human Resources Module, or the College's official human resources records, used to manage all personnel data and actions, such as appointment position and funding management, hiring, promotion and terminations, and changes to employees' personal information.

**Immediate Family Members** - Immediate family is a spouse, spousal equivalent, or dependent (whether or not related).

**Indemnification Agreement** - A legally binding arrangement whereby the College provides another a sum of money paid in compensation for loss, injury, or damage or for trouble and annoyance. Indemnifications by the College are generally prohibited under State law.

**Internal Controls** - A comprehensive strategy for achieving: protection of assets; adequate authorization and record keeping procedures; operational effectiveness and efficiency; proper segregation of duties; reliability of financial reporting; and compliance with applicable policies, laws, regulations, and rules, as well as contracts, grants and donor restrictions.

**Material (Materiality)** – A measurement or threshold to gauge the significance of a fiscal transaction based on what a reasonable person would customarily apply to other comparable operations. Given that, items in excess of \$100,000 or 5% of revenue or expense base, whichever is less, are always considered material. Further, items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

**Material Weakness** - A Reportable Condition for which the design or operation of one or more internal control components does not reduce to a relatively low level the risk that errors or fraud in amounts that could be material in relation to the financial statements may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

**Non-employees** – Individuals who work for their own interests and are not employees of the College, for example, independent contractors. Other examples of non-employees include

- Volunteers who receive no compensation, other than paid expenses or a nominal fee
- Students and trainees who are merely acquiring experience without the promise of a job or compensation
- Members of the Board of Trustees

**Officers** - Includes Officers of the College and Officers of the Administration.

**Officers of the Administration** - Officers of the Administration are those individuals who hold the title or interim/acting title of provost, assistant provost, associate provost, vice president, associate vice president, assistant vice president, athletic director, and dean. Furthermore, on written request the President may designate other officers of the administration, which will be recorded in the letter of offer and the College's official personnel roster.

**Officers of the College** - As defined in Trustee Law, includes the chair, vice chair, secretary, treasurer, and College counsel.

**Official Function** - A meeting, meal, or other function, that is hosted by an organizational unit, attended by guests and/or associates or employees, and held for official College business. Official Functions do not include student residential functions, which are defined as events designed to sustain ordinary residential life activities, such as resident hall advisory meetings and resident hall events. Conferences and Special Events are types of official functions separately defined by the College to recognize the need for specific policies and procedures related to those types of events. The following describe the most common types of official functions:

Training functions are held to enhance staff knowledge or to educate employees, associates, or other individuals that are affected by the College's operations or regulations. Note: Training functions should have a written agenda, study materials, and be led by an identified presenter(s).

Community relation functions are hosted on behalf of external entities, or are activities directly related to the educational or public service mission of the College.

Employee recognition functions are held for the purpose of acknowledging, appreciating, or honoring employees as a means of providing an encouraging and supportive work environment.

Goodwill functions are held to express condolence, sympathy, get-well wishes, celebrations of birth, or presentation of official items to official guests or volunteers as an indication of goodwill or esteem.

Holiday parties are held to celebrate a College-recognized holiday.

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Multi-unit or multi-campus functions are infrequent events or meetings involving associates or employees from more than one organizational unit or campus.  
 Recruitment functions are held to enlist new employees, including faculty or post/pre-doctorates.  
 Retirement functions are held to honor departing or retiring faculty or staff members for their College service.  
 Student functions are hosted for students and are directly related to student or educational development. Examples include student recognition, student recruitment, and student program development.

**Official College Business** - Any activity that carries out the College's mission of instruction and service or that provides support to the College's instruction, research, and service activities.

**Organizational Unit** – A subset of College operations. An Organizational Unit may be a department or any other distinct operational activity with the following characteristics:

- Organizational permanency;
- Programmatic autonomy; and
- An annual operating budget that is fiscally independent.

Within the Finance System, these areas are represented on the ChartField tree as Orgs.

**Other Individual** – An person who does not fit into the category of employee, associate, or affiliate fiscal staff. A student is considered to be an “other individual” unless she or he is employed by the College and acting in her or his capacity as a College employee.

**Personnel Appointing Authority** – A College Employee with delegated authority for personnel matters, such as appointments, terminations, title changes, salaries, leave approvals, evaluations, and acceptance of resignations and retirements.

**Position Number** – A unique identifier for each employment position in the College's Human Resources Management System (HRMS).

**President** – The President is the chief Officer of the College responsible for compliance of all fiscal matters with applicable policies, laws, and regulations.

**Related Parties Transactions** – Fiscal Transactions with the potential to be less than arm's length due to the relationship between a College Officer and a third party (or relationships which result in the Officer's ability to influence the outcome of events differently from that which might result in the absence of that relationship). The ability to influence may be indicated in several ways, such as representation on the board of directors, significant ownership interest, participation in policy-making processes, material inter-company transactions, interchange of managerial personnel, or technological dependency.

**Reportable Condition** - Significant deficiencies in the design or operation of internal controls that could adversely affect the College's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.

**Reportable Transaction** – a transaction that is the subject of external reporting by the College as a result of additional external rules, such as the State Fiscal Rules or the Internal Revenue Code.

**Responsibility Unit** – Refers to the level of Organizational Unit or Sponsored Program for which an individual Fiscal Principal has responsibility.

**Reviewer** - The individual responsible for either approving the expenditure, or for determining whether or not a particular expenditure meets the propriety of expenditure requirements. In most instances, the reviewer is equivalent to the manager of the department being charged for the expenditure. For certain expenditures, College policy and procedures, including those of the Purchasing Office, may require certain individuals – such as the Provost or Vice President, etc. - to take on the reviewer role.

**Sensitive Transaction** – A transaction that may have numerous and complex College, state, or federal regulations associated with it, or a transaction that may be perceived as being in appropriate for support by public funds.

**Service Organizations** – An external party that accomplishes tasks that affect the College's financial statements ranging from performing a specific task under the direction of the College to replacing entire business units or

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functions of the College. Examples are food service vendors, student loan servicers, and application service providers that provide College software applications.

**Special Event** - A fundraising gathering of a number of people for an identified organizational unit or College function (e.g., scholarships), where goods and/or services (e.g., dinner) are provided to those attending. The value of the goods and/or services provided are a non-gift component of any funds given to the College by those attending, or on behalf of those attending the special event.

**Sponsored Programs** – Sponsored Program awards are “exchange transactions” between an external sponsor and the College under a grant, contract, cooperative agreement, purchase order, or any other mutually binding award that restricts the use of funds or property and stipulates conditions with which the College must comply. The typical sources of such receipts include organizations at all levels of government (local, state, federal, or international) as well as private corporations and foundations.

**Staff Appreciation Meals** - A distinct type of Employee Recognition Event that is held infrequently, and both hosted and attended by a departmental head or manager, to show appreciation to a continuing or departing staff member for a job well done. Other than the meal itself, a Staff Appreciation Meal does not include any additional recognition or award. When a staff appreciation event involves recognition or awards in addition to the meal, it becomes an Employee Recognition Event. .

**Student** – Any individual who applies to, is accepted for admission, and enrolls for a course at Adams State College. This does not include an individual who has never attended or never enrolled at the institution.  
**Subsequent Events** – Fiscal Transactions that have occurred subsequent to the end of a fiscal year (June 30) that would cause a Material change in the amounts already included in the Finance System. Examples include a recorded accounts receivable that is subsequently deemed uncollectible, issuance of debt or the execution of a lease.

**Supporting Organizations** - Legally separate, tax-exempt organizations whose economic resources are entirely or almost entirely for the direct benefit of the College’s financial reporting entity or its constituents, and for which the College is not financially accountable. Material supporting organizations are discretely included in the College’s Financial Reporting Entity. .

**Suspense Accounts** - A ChartField that represents a temporary classification of fiscal transactions by the Finance System or its subsystems due to incomplete or invalid information being available to the system. Such activity requires an individual to make another entry to ensure the appropriate classification of the fiscal transactions. Examples include expense account 99999 used by the Procurement Card system.

**Tests of Propriety** – a framework for evaluating whether or not it is appropriate to use College funds when incurring certain expenses. The list below contains a series of questions designed to test the propriety of expenses by forming a framework for evaluating each transaction. An expenditure of College funds will be considered proper only if it meets all tests of propriety.

Is this transaction:

1. For official College business?
2. In the best interests of the College?
3. The most effective way to accomplish official College business?  
Meaning that, without the expense, would programmatic objectives be difficult or otherwise more costly to achieve? Or would the impact, level, or quality of the achievement be reduced?
4. In compliance with applicable policies, laws, regulations, and rules; and contracts, grants, and donor restrictions including having the required approvals and authorizations by the appropriate fiscal role?
5. Within the available resources of the responsibility unit, taking into consideration all outstanding commitments and encumbrances?
6. Directly beneficial to the responsibility unit where it is being charged?
7. Reasonable?  
Meaning that the quantity and quality of goods or services being purchased is sufficient to meet the College’s identified need without exceeding it.
8. In compliance with College conflict of interest provisions?  
Meaning that, if an employee derives private gain, or appears to derive private gain, as a result of the transaction, then the transaction violates the conflict of interest provisions stated in Trustee Law, Trustee Policy, and in the Conflict of Interest Policy.

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If any of these questions receives a “no” response, then the expense is not appropriate for College funds. Evaluating the propriety of College expenses requires the exercise of a high degree of judgment and discernment. Think about whether an outsider, such as the general public or an auditor, would consider the expenditure a reasonable expense for College business and an appropriate use of College funds.

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