

DEPARTMENT OF COMMUNITY COLLEGES

ACCOUNTING PROCEDURES MANUAL

Section 4

Date: July 1, 1993 (Revised 7/94)

I. Bookstore, Vending Machine & Other Conveniency Concessions

A. Vending Machines & Other Conveniency Concessions

The board of trustees of each college shall adopt local policies consistent with G.S. 115D-58.13 for the budgeting, accounting expenditure of funds generated through vending machines and other convenience concession activities.

B. Bookstore Operations

The operations of the bookstore should be handled through the provisions of Institutional Funds. All financial transaction pertaining to the bookstore should be kept separate from all other activities of the college.

1. Basis of Reporting

The financial activity and position of the bookstore should be reported on the accrual method of accounting. Every effort should be made to report all expenses associated with the bookstore operations.

2. Inventory

A complete physical inventory should be taken of all items for resale as of June 30 each year. This Inventory should list each item on hand, at June 30, and should provide columns for: quantity on hand, unit cost, and total cost. The total value of the Inventory at cost (FIFO Is recommended) should be recorded in the ledger and used to arrive at the cost of goods sole.

The Inventory list should be saved for use in auditing the bookstore.

All Items on hand at year end must be included in the inventory, although invoices on some of these items may not have been received until the following year. Care must also be taken to include any items which may have been returned, but for which credit has not yet been received.

Physical inventories may be desired at times other than June 30, to produce interim statements, or some method of inventory estimating may be used, as long as the inventory is reported at cost. (Perpetual inventory methods are not recommended for this type of operation.)

3. Sale of Books by Instructors

Normally, students should obtain their books at the bookstore. However, for some evening classes, it may be desirable for instructor to obtain the number of books his class will need from the bookstore.

The manager of the bookstore should keep a record of all such materials given to each instructor. The day following the class, the instructor will return the money he collected together with all unsold books. At this time, the bookstore manager will

give the instructor credit for the sum of the cash and books returned and will record the books sold in the normal manner.

B. Bookstore Receipts

1. Without a Cash Register

The bookstore manager is not required to issue a receipt for each sale, but will turn the money over to the business office each day. The cashier will issue a Cash Receipt-General and credit the appropriate revenue account in the institutional funds. The bookstore manager will retain a copy of the receipt for his audit file.

2. With a Cash Register

The bookstore manager should clear his machine at the close of each day and prepare an analysis of receipts for that day. The format of the DCA used in the business office may be used for this purpose. The audit tape from the bookstore machine should be attached to this analysis. Be sure to show all "overs" and "shorts". The business office will issue a receipt as described above and the receipt, analysis and audit tape will be filed together for audit in the bookstore.

C. State Board of Community Colleges' Policy for use of Bookstore Operating Profits

In accordance with 115D-58.13 and 115D-5(al) for the budgeting, accounting, and expenditure of funds generated through bookstore operating profits, each college board shall adopt a policy concerning the amount of mark-up to be charged users and the uses to which funds in excess of operating expenses may be applied. Each college board of trustees shall periodically review Its mark-up on textbooks and the use of profits to assure that student costs are held to a minimum. The policy of the State Board of Community Colleges, as required in 115D-5(al), is that the bookstore funds may be used as follows:

1. Support of bookstore operating expenses including, but not limited to, salaries, supplies, travel, materials, operating resources, and equipment associated with the operation, support and enhancement of the bookstore.
2. Funds in excess of these operating expenses may be used in support of:
 - a. Student aid and/or scholarships.
 - b. Other expenditures of direct benefit to students (e.g., funding of positions for financial aid and student activities, etc.).
 - c. Other similar expenses authorized by the board of trust (e.g., new faculty positions for start up of new programs counselors, equipment, construction, etc.).

Funds may not be used for:

1. Supplemental salaries of any personnel.
2. Administrative support of the college other than that allowed above.
3. College entertainment expense. (Educational activities for non-college personnel or college personnel to enhance stud success would not be entertainment. Functions in which the primary purpose is requesting funds would be entertainment.

All expenditures shall be consistent with the mission and purpose of the community

college system.

II. Acquisition of Automated Data Processing (ADP) Resources

All requests to purchase, lease, or rent automated data processing resources (hardware, software, or services) from any public funds shall be submitted to the department for approval.

A. In submitting a request, the college shall:

1. anticipate and document through planning the need for ADP resources;
2. prepare specification and evaluation plan for procurement selection; and
3. evaluate proposals and bids.

B. During the initial phase of the approval process, the college shall contact the department and arrange a conference in order to obtain detailed instructions which must be followed through the acquisition process.

C. In addition the conference may also include representatives of the MIS Division of the Department of Administration, the Division of Purchase and Contract, and the State Auditor. In some cases, when the acquisition cost is relatively low and/or replacements are being requested, the conference may be waived at the department's option.

III. Receipt of Library Fees

A. Procedure to be followed In the Library

1. Collection in the library for overdue books, copy machine use, lost books, etc. should be turned-in to the business office whenever the receipts total more than five dollars, but not less than once weekly. Normally this deposit should be on Friday to avoid leaving cash in the library over the weekend.
2. Each time money is collected in the library, the necessary information should be recorded on the "Report of Collections of Library Fines". The library transmittal number should begin with "1" on July 1st and continue sequentially throughout the year. (A sample report can be found on Page 10 of this section)
3. Prior to turning the receipts over to the cashier, each column should be totaled, added across, and the receipts counted overages or shortages should be noted on the form.
4. The receipt from the cashier should be filed in the library for audit purposes.

B. Procedures in the Business Office

1. The cashier should count the cash and check the count against the report of collections from the library.
2. Prepare a Cash Receipt-General and validate the amount received. In doing this, print a subtotal on the report of collections in the block provided.

IV. Disposition of Bad Checks

A. Each college shall inform its' bank that bad checks will be replaced and should not be

charged back against the account they were deposited to.

- B. Upon being notified that a check is bad, the business office will write a replacement check from the institutional fund account. This check will be exchanged with the bank for the one that was bad. This institutional fund check should be charged to a receivable (returned check) account in the current general fund group.
- C. If the original payor makes the check good, which should be the case most often, the second payment should be deposited directly to the institutional fund account and the receivable account will be Credited.
- D. If some length of time elapses and the check is not made good, the fund(s) that were originally credited with the revenue should be adjusted. This should be done at the end of the fiscal year as a minimum. A check should be drawn on each fund which was affected and each appropriate revenue account should be debited.

These refund checks should then be deposited to the special funds current general group and account.

- E. If payment is never received and proper approval is given, the bad ' check may be later written off by debiting the contra-asset account and crediting the receivable (returned checks) account.'
- F. If, at any time after the above refund has been made, and/or the account has been written off, the check is made good, the process to that point should be reversed.
- G. In charging the receivable (returned check) account, It is recommended that a controlling account and subsidiary ledger be maintained and be available during subsequent registrations.

V. The Deposit of Receipts

A. State Funds

Pursuant to the authority granted by Chapter 115A-26 of the General Statutes, the Board of Community Colleges has provided that State funds shall be deposited in accordance with General Statutes 147-77 which requires that every agency or college collecting funds belonging to the State of North Carolina shall deposit same on a daily basis in the name of the State Treasurer in a bank designated by the Treasurer.

The funds collected are to be deposited no later than the next business day following the date of collection. These funds are not subject to withdrawal except by draft of the State Treasurer. Checks which are taken in as receipts shall be endorsed as follows:

"For Deposit Only to the Credit of N.C. State Treasurer By: (Name of College)"

All deposits of State funds will be made on "Certification of Deposit to State Treasurer", Form 10-4. This "Certification of Deposit" will be supported by an "Analysis of Deposit" Form DCC 2-22 (200). The deposit number should be sequential and agree with the Daily Cash Analysis number. If on a given day there are no receipts of State Funds, an "Analysis of Deposit" should still be prepared and made to show zero receipts.

Complete instructions on the use and preparation of both the Certification and Analysis of

Deposit may be found in A.P. No. 1.129 and 1.130.

B. Local Funds

The deposit of local funds should also be handled on a daily basis and accounted for on forms provided by the local bank(s). The bank deposit slip should be prepared in duplicate with the original retained by the bank and the duplicate attached to the Daily Cash Analysis along with the, duplicate copy of the receipt. Assign separate sequential numbering on the deposits for each bank account.

VI. Disbursements

All disbursements of funds handled by the college should be made by check except for purchase of Items handled through petty cash.

A. Issuance of Vouchers

As covered In General Statutes 115A-30, public funds provided for a college shall be paid out as follows:

1. State Funds

"All State funds received by or deposited to the credit of college shall be disbursed only upon warrants drawn on the Treasurer and signed by two employees of the college who shall have been designated by the board of trustees and who shall have been approved by the State Board of Community Colleges. Such funds may be disbursed in any other manner provided by regulations of the State Board of Community Colleges."

The State Board of Community Colleges has drawn up specifications for a standard check form which is to be used for the disbursement of State funds. Such checks shall be ordered by the college through the N.C. Purchase and Contract Division or from local supplier the cost of printing vouchers shall be paid from State funds.

2. Local Funds

"All local public funds received by or credited to a college shall be disbursed on warrants signed by two employees of college who shall have been designated by the board of trust and who shall have been approved by the State Board of Community Colleges."

VII. Petty Cash

The college will probably find it desirable to maintain a petty cash fund. This should be handled on an imprest cash basis. It would be best to operate a petty cash fund with a minimum amount of cash. The best source to obtain this money would probably be Institutional Funds. It may not be obtained from State funds. If it were determined that \$50 was the amount needed, a check for this amount, to establish the fund, would be drawn and charged to Petty Cash.

As this fund was used to pay small bills such as postage, freight, etc. a petty cash voucher would be completed showing the line item charges and Initialed by the person receiving the cash; any supporting data available would be attached. Periodically these vouchers would be summarized by line item of expenditure and by fund and a reimbursement check would be made to replace these vouchers with cash, back up to the \$50 level. The petty cash voucher slips and supporting data shall be filed as documentation for the check. Petty cash

reimbursement checks are made payable to the Business Manager or the Cashier.

Any accumulated overages or shortages should be cleared at least at the end of each fiscal year. Overages should be deposited to State Revenue as Technical Tuition. Shortages may be reimbursed from State fund; as other expense.

VIII. Travel Advances

If necessary, advances may be written for purposes of authorized travel. The check for the advance should be made payable to the employee who will be making the trip and may be charged to that fund and account number which will be charged with the expense. The amount of the advance should not exceed the maximum authorized amount for the planned length of the trip including transportation.

A log of all advances should be maintained by listing the advance when it is made and making a note of the date it is repaid. The actual travel should take place no later than a month following the advance and all advances should be cleared by the end of the fiscal year. (A sample travel log can be found on Page 16 of this section.)

IX. Writing-Off Uncollectible Accounts and College Loans

In addition to routine billings and normal past-due notices, it is recommended that each college adopt a standard procedure for pursuing delinquent accounts and, if necessary, writing these accounts off as uncollectible. The following should be considered a minimum effort and should not prevent a college from adopting more stringent measure.

- A. For amounts of less than \$25, a personal letter which details the date, purpose, and amount of the debt should be mailed. The party should be advised of State policy regarding grade transcripts and registration for future classes. If this measure fails, the account may be written off with the approval of the college's Board of Trustees. Copies of all correspondence should be retained.
- B. For amounts of \$25 and more, but less than \$50, the same type letter, which is recommended above, should be mailed. If this fails to produce results, the account should be turned over to the College's Attorney who will write a collection letter. (A college may, if a local attorney is not under a retainer, use the Collection Section of the North Carolina Attorney General's Office.) When corresponding with the College's Attorney, be certain to include the date, purpose, and amount of each charge, and the debtor's current address. If this effort is not successful, the account may be written off with the approval of the college's Board of Trustees. Copies of all correspondence should be retained.
- C. For amounts of \$50 and more, follow the procedure above, but when the account is returned from the Attorney, it should be turned over to the Collection Agency under contract with the State for this purpose. If the college is notified by the Collection Agency that the account is uncollectible, the debt shall be included in the "Set-Off Debt Collection Program" established with the Department of Revenue by G.S. 105A. Use of this program is mandatory for all debts of \$50 and over" ...except in cases where said agencies are advised by the Attorney General not to submit a claim because the validity of the debt is legitimately in dispute, because an alternative means of collection is pending and believed to be adequate, or because such a collection attempt would result in a loss of federal funds."

If this final effort should prove unsuccessful, approval to write off the account should be

requested from the Financial and Administrative Services Division of the Department of Community Colleges. When requesting approval, the history of the collection attempts should be included and all correspondence should be retained by the college.

If the amount is \$300 or more and you have reason to believe the debtor is in North Carolina at a known address, the College's Attorney will file suit for collection. This will replace the step of placing the account with the Collection Agency.

It should be noted that these procedures should be applied to State funds and other funds under the control of the college and that any debts rising from a Federal program are subject to all rules and regulations of the Office of Education. Also, the College has the prerogative of placing accounts with the Collection Agency or filing legal suits for amounts less than those listed above.

X. Live Projects

Live projects are defined as: (1) education programs in which students, as part of their education experience repair or remodel equipment not owned by the college; or (2) education programs that produce goods that are sold or services or which charges are made, such goods or services being the normal or necessary product of learning activities of students.

A. Approval as a Special Fund

In cases when a project is expected to continue over an extended period of time, and/or when the cost of providing the goods or services is difficult to trace to a particular patron, the project may be accounted for as a "special fund". This will allow expenses to be paid out of receipts. The approval of the Department of Community Colleges will be required in setting projects up as special funds.

Note: All projects operating as "special funds" existing prior to June 30, 1979 shall be resubmitted to the Department of Community Colleges for approval.

B. Basis of Reporting

As a general rule, live projects operating as a special fund should be reported on the accrual method and any assets or liabilities existing at year end must be shown on the books.

C. Construction Projects

Construction projects shall have accumulated costs transferred from the "Expense Control" account to a "Construction-in-Progress" asset account at the end of the fiscal year. (This entry should be reversed the following year.) When a construction project is completed and sold, the total expense and revenue shall be closed out to the "Fund Balance" account regardless of when, during the fiscal year, this may occur. This will allow the continuous use of the same fund if subsequent projects of the same nature are to be undertaken.

D. Disposition of Profits

1. All Projects Other Than Construction

Live projects which are approved by the Department of Community Colleges to be set up as "Special Funds" should be considered to be ongoing concerns and as such will have any accumulated earnings or deficits carried as a fund balance from one fiscal year to another. These "Retained Earnings" will be used as necessary to finance continued operation of the project, and for that purpose only. However, any surplus above and beyond what is necessary to continue operations shall be deposited to State funds using

the revenue account "9450".

Likewise, if and when the Live Project is discontinued, all Accumulated earnings shall be deposited to State funds.

All Live Projects not approved to be included under "Special Funds" must have all revenues deposited directly to State funds using revenue code "9450". A request must then be made for the return of these funds in the form of a budget increase.

2. Disposition of Construction Profits

Projects for light construction should be submitted to the Department of Community Colleges Office for approval and accounted for as a "special fund".

The profits of each unit constructed shall be the remainder of the sale price of the unit after deducting the cost to the college of all building materials, land, land improvements, amounts paid to subcontractors for work not performed by students or employees of the college, any actual interest paid on construction loans, and any legal fees and closing costs which may be required. Wages paid to employees of the college, and the cost of capital equipment used during construction should not be considered in determining the cost of construction.

The profits as defined above shall be divided into two portions. The first portion will be computed by determining the prevailing interest rate on construction loans on the first day of actual construction of the unit and applying that rate to any loan principal or credit liability which is guaranteed or secured in any manner by any non-profit foundation or group established outside the regular administration of the college. In performing this computation, the purchase price of any land which has been financed should be excluded from the amount of liability and in no case may this computation exceed the net profit on the sale. This portion is to be retained by the independent group and used as designated by the Board of Trustees for Student Aid.

The remaining portion of the profit shall be retained in the fund for light construction and used to finance additional buildings. When the capital balance of the fund reaches the level that will allow it to fully support continued construction on its own, all additional profit shall be used for improvement of vocational education instructional programs and within this purpose shall be transferred to another fund designated by the Board of Trustees.

In the event the live project for light construction is discontinued, the fund balance shall be transferred and designated for "vocational education" as described above.

XI. Patron Fees

Operations which result in "Patron Fees" will have revenues deposited directly to State funds under revenue code "9440" and will not be considered for "Special Fund" treatment.

XII. Overhead Receipts

A. Authorized Use of Overhead Receipts

All amounts earned by a college as overhead receipts, indirect cost allowances, reporting fees, or other similar items shall be divided into two parts.

The first part will be twenty-five percent (25%) of the total amount received each year. This part will be considered the unrestricted portion and may be used for purposes directly benefiting the students. These purposes shall be approved by the Board of Trustees.

The second part will be seventy-five percent (75%) of the total amount received each year. This part will be considered the restricted portion and may be used without expressed written approval for the following:

1. Publications containing financial aid information.
2. College Work-Study matching or continuation of the College Work-Study Program after regular funds have been exhausted.
3. Salaries and related fringe benefits in the financial aid or business office which are necessitated by grants earning overhead receipts. (Supplements to regular salaries are not permitted.)
4. Supplies and materials for use in either the financial aid office or business office, which are related to the grants providing the overhead receipts.
5. Travel of persons in the financial aid office or others who are responsible for administration of grants providing overhead receipts.
6. Membership dues or fees paid to financial aid associations.
7. Service fees paid to billing and collection services.

Requests to spend the restricted portion of overhead receipts for any purpose not listed above must be submitted in writing to the Department of Community Colleges. Requests will not be approved for any purpose under Plant Funds since renovations, construction, equipment, etc. were not among the items allowed for in the original grants responsible for the overhead receipts. This restraint does not apply to the unrestricted 25% portion of the Overhead Receipts.

B. Special Provisions

The fund balance in Overhead Receipts as of June 30, 1981 will be divided into two parts, 25% and 75%, and be available for use, as described above. These amounts shall be placed in separate reserves. All receipts subsequent to June 30, 1981 must be divided into this ratio during the fiscal year in which they are earned. Funds should be transferred out of the Overhead Receipts Fund to other appropriate funds to be expended.

REPORT OF COLLECTIONS OF LIBRARY FEES

LIBRARY TRANSMITTAL No. _____

DATE _____

INDIVIDUAL'S SIGNATURE	INDIVIDUAL'S NAME (PRINTED)	FINES	LOST BOOKS AND OUT-OF-PRINT FEES	COPYING MACHINE	MISC. (SPECIFY)	TOTAL
TOTALS						

Signature of Librarian _____

