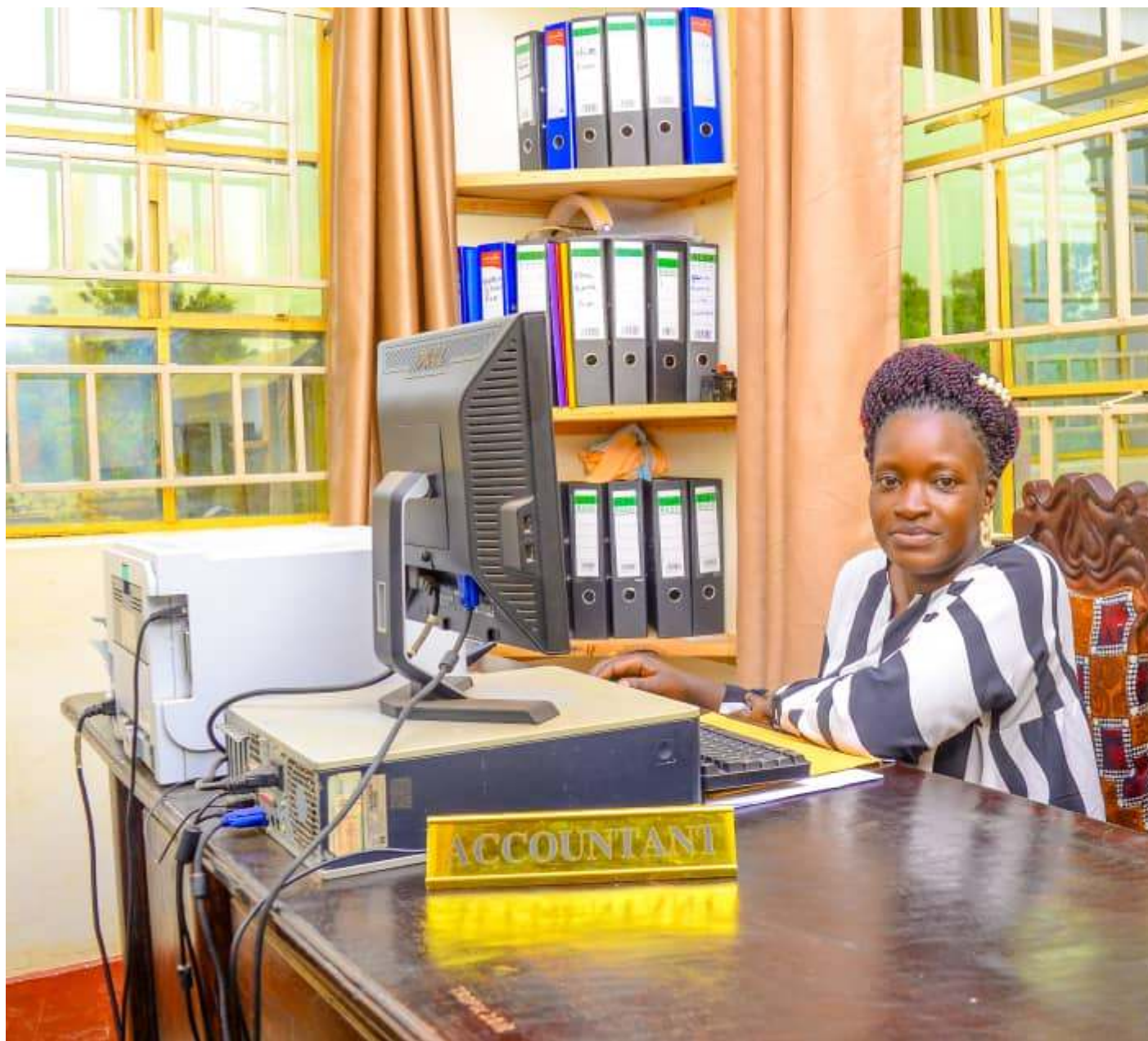


FINANCE POLICY



TROPICS COLLEGE OF BUSINESS AND MANAGEMENT (TCBM)



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**FINANCE ADMINISTRATION AND MANAGEMENT
POLICY**

MAY, 2022

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APPROVAL

This Finance Administration and Management Policy was written and approved by the proposed Governing Council of Tropics College of Business and Management.

Policy Title: TCBM Finance Administration and Management Policy.

Policy Theme: Effective financial management for the sustainable growth and development of the College.

Policy contact: The Principal

Approving Authority: The Governing Council TCBM.

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Signed:



Omeri Emmanuel

Principal



Dr. David John Ndegwah, PhD

Chairperson Governing Council

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INTRODUCTION

PURPOSE OF THE MANUAL

The purpose of this policy and procedures' manual is to provide the College Community and employees with a systematic approach to implementation of policies, plans and work routines. The manual is intended to provide the following benefits:

i. To convey management's philosophies

The manual is intended to communicate both College policies and the appropriate procedures or implementation of the policy. Policies should not be confused with procedures as defined below:

- **Policy**– A definite course or method of action to guide and determine present and future decisions. It is a guide to decision making under a given set of circumstances within the framework of the College objectives, goals and management philosophies.
- **Procedure**– A particular way of accomplishing something, an established way of doing things, a series of steps followed in a definite regular order. It ensures the consistent and repetitive approach to actions.

ii. To improve communications

The manual is written to improve communication and bridge the gap between interrelated departments. This will help ensure optimum operations and consistent delivery of the finest in product or service from your department.

iii. To reduce training time

The policies and procedures manual is a functional guide for training new and existing employees and should prevent difficulties in performing duties due to lack of understanding or inconsistent approaches from personnel changes.

iv. To improve productivity

Written policies and procedures speed up decision making processes by managers and employees by having a handy, authoritative source for answering questions. The manual will also ensure compliance with regulatory agencies affecting the College, such as the National

Council for Higher Education (NCHE), Donor Agencies, the Government of Uganda and independent certification organizations.

v. To strengthen operations

This manual will strengthen the College's quality control, management, production, and systems for financial control. It serves to translate the TCBM philosophies and desires into action.

vi. Access to the manual

Every employee of TCBM has access to the manual from the Library and the Bursar's office. Due to the cost of producing and maintaining the manual, it is not necessary to issue a hard copy of the manual to every employee, but some copies are available for supervisors or a person designated in each functional location.

UPDATING OF THE MANUAL

No policies and procedures manual should ever be regarded as "complete" in the sense that it will never change. The best manual is one that continuously grows and adapts over time. All departments should prepare and maintain standardized operating policies and procedures that cover the performance of all major functions within their department.

Responsibility for Preparing the Manual

The Administration and Finance Division have the responsibility for preparing the sections, production and maintenance of the manual. Each Department Manager will be responsible for keeping their sectional areas current and up-to-date with the current needs of the organization taken into consideration. The external and regulatory climate is constantly evolving and changing, and so should your policies and procedures.

Policies should always describe how "actual" functions or jobs are performed by employees. Comprehensive policy and procedure statements are worthless, if in reality, employees follow an informal or verbal understanding of how their jobs are to be performed that is different than what is prescribed by the statement. It is imperative that managers ensure that policy and procedure statements coincide with the desired actions, and if actual functions begin to change, then the policy and procedure statement are updated to reflect this change.

Employees are encouraged to initiate or suggest revisions of policy and procedure statements that affect their area of responsibility. This will greatly assist the College in the preparation of

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updated policy statements and will empower employees to help shape the policy and procedure that they will be expected to follow.

REVISIONS

Origination of policies and procedures begins at the departmental level by employees or department managers. Once a draft copy of a proposed procedure is developed, it should be reviewed by Administration and Finance and corrected if necessary, before release as a new or revised College policy and procedure statement. The approval process generally consists of review for consistency and accuracy, conflict with College policy and general readability. Rudimentary procedures that affect only a small unit within the College and are likely to be of no interest to others will receive final approval from Administration and Finance. The College wide policies and those that impact more than one department or the entire College will also be approved by the College Legal Officer.

A new policy should be issued if an existing statement is to be modified in any way. The revised policy will undergo the same approval process as the initial statement and should be assigned a new revision number level to indicate that it supersedes the prior statement. Superseded statements should be purged from the manual immediately and discarded.

Principal

Tropics College of Business and Management

1.1 SYSTEM OF INTERNAL CONTROL

Tropics College of business and management (TCBM College) maintains an effective system of internal control in order to monitor compliance with policies and procedures established by the Republic of Uganda, regulated by NCHE, and the Governing Council of TCBM College. Internal control can be divided into two areas: accounting controls and administrative controls. Administrative controls deal with the operations of the business, whereas the accounting controls deal with accounting for such operations. This manual focuses on internal accounting controls (although there may be some overlap between the two). Accounting controls are designed to achieve the five basic objectives:

1.1.1 Validation

Validation is the examination of documentation, by someone with an understanding of the accounting system, for evidence that a recorded transaction actually took place and that it occurred in accordance with the prescribed procedures.

1.1.2 Accuracy

The accuracy of amounts and account classification is achieved by establishing control tasks to check calculations, extensions, additions, and account classifications. The control objective is to be certain that each transaction is recorded at the correct amount, in the appropriate account, in the right time period. Control tasks, which ensure that transactions are recorded and reported in the proper accounting period, are essential to accurate financial reporting.

1.1.3 Completeness

Completeness of control tasks ensures that all transactions are initially recorded on a control document and accepted for processing once and once only. Completeness controls are needed to ensure proper summarization of information and proper preparation of financial reports. To ensure proper summarization of recorded transactions as well as a final check of completeness, subsidiary ledgers and journals with control accounts need to be maintained. This is because individual transactions are the source of the ultimate product-financial reports.

1.1.4 Maintenance and consistence

The objective of the maintenance controls is to monitor accounting records after the entry of

transactions to ensure that they continue to reflect accurately the operations of the business. The control system should provide systematic responses to errors when they occur, to changed conditions, and to new types of transactions. The maintenance function should be accomplished principally by the operation of the system itself. Control maintenance policies require procedures, decisions, documentation, and subsequent review by a responsible authorized individual. Disciplinary control tasks, such as supervision and segregation of duties, should ensure that the internal control system is operating as planned.

1.1.5 Physical Security

It is important that the assets are adequately protected. Physical security of assets requires that access to the Tally Financial system be limited to authorized personnel. Protection devices restrict unauthorized personnel from obtaining direct access to physical assets or indirect access through accounting records, which could be used to misappropriate assets. Locked storage facilities restrict access to inventories, and fireproof vaults prevent access to check stock and other accounting forms. Transaction recording equipment limits access to assets by limiting the number of employees involved in recording and posting transactions, thereby minimizing the possibility of fraudulent misrepresentation. Electronic cash registers record cash sales both on cash register tapes and creating records in the Tally Finance Module.

2.0 TALLY FINANCE SYSTEM

General Description

The Tally system is an integrated general and operating (subsidiary) ledger accounting and reporting system. The system is designed to provide both the features of a budgetary control system (management information) and a fund accounting system.

System Features

- i. Provides the ability to budget all accounts, both state and local.
- ii. Permits automatic reallocation of expenditure budgets (ABR) within an account.
- iii. Provides for reporting on an annual or a project-to-date basis.
- iv. Provides for the comparison of actual expenditures against budgets.
- v. Produces both detailed and summary reports.
- vi. Provides the ability to generate special reports through a variety of report generating techniques.

- vii. Provides for automatic linkage between the general ledger and subsidiary ledger, which assures that the system will always be in balance and provides for the simplification of entering data into the system.
- viii. Maintains current and past year data on budgets and actual expenditures, and budgets for a future year.
- ix. Provides automation controls and edit routines to greatly increase the accuracy of data within the system.
- x. Provides the capability to perform daily update processing which simplifies error location
- xi. Correction, account reconciliation and work scheduling, while also permitting the data files to be in a current reportable state at all times.

2.1 TALLY FINANCE CONTROLS

Policy tally Finance application controls are applied to ensure the completeness, accuracy and validity of data. Through a combination of both manual and tallyprogrammed procedures each application includes a series of control steps to be followed from the onset of a task through its final disposition. If a transaction or an account number is rejected by a programmed edit check, manual procedures are in place to ensure follow-up, correction, and resubmission of the item in question, in a timely manner.

2.1.1 Procedures

i. *Completeness of Input*

All transactions are recorded and input into the system once. At least one of the following methods should be used to ensure the completeness of input:

- a. One-for-one checking involves the review of all individual items that have been introduced to or updated in a file. To check for completeness, all documents associated with the input should be compared to a computer-generated listing of all activity for the corresponding file.
- b. Batch or control totals involve the manual separation of input transactions into groups or batches that are to be processed together. Various counts or calculations are then performed on each batch to check for completeness. The following methods should be used for this purpose:
 - A manual count of documents within a batch to be entered into the system. Once input, the total number of documents entered should be calculated by the

system and compared to the manual count.

- A line count or item count should also be done comparing the document count to the total number of lines or items that have been entered into the system.
- Tally automatically compares the master file to identify transactions for which no match exists (e.g., an invoice from a vendor not on the master file) or items expected to match (e.g., purchase orders on file awaiting matching invoices). The history is also used to identify duplicate records (e.g., input of a previously paid invoice from a vendor).
- A computer sequence check is used to verify the completeness of input when serially ordered documents are used (e.g., invoice numbers, journal entry numbers, check numbers). The program can also assign sequential numbers on input for subsequent tracking.

ii. *Accuracy of Input*

All transactions should be recorded and input accurately into the system. At least one of the following methods should be used to ensure the accuracy of input:

- a. One-for-one checking.
- b. Batch or control totals to verify accuracy. However, since this procedure does not take into account items that negate each other, batch or control totals designed to verify completeness of input should also be used. These include:
 - Shilling amount or quantity totals manually calculated for all input transactions within a batch prior to the input process. During input, these totals should also be calculated by the system and compared to the manual count.
 - Hash totals are similar to Shilling amount or quantity totals except that hash totals are generally performed on numeric fields that have no cumulative significance.
- c. Computer matching is used to verify the accuracy of specific items; however, only those fields that exist in the master file can be tested.
- d. Programmed edit checks are designed to inspect various input fields and evaluate their amounts, formats, codes, and so on, for range or reasonableness. Fields may also be calculated and matched to other fields or files for their logical relationships. Required fields or items may also be flagged if they are left blank. Many accounting codes are set up to default such as the RAMP code, based upon the ORG code entered.

iii. *Authorization of Transactions*

Only authorized or valid transactions are processed. All transactions are subject to at least one of the following techniques in order to determine their validity:

- a. Authorisation by a responsible fiscal official should be required for all transaction data.
- b. Security measures and password that restrict access to various administrative or accounting functions, terminals, programs and data are employed by IT.
- a. Computer matching using master files with pre-approved standing transaction data are used

iv. *Handling of Rejected Transactions*

All transactions rejected during authorization of transactions should be identified, investigated, and corrected on a timely basis. Transactions are then reintroduced to the system and subject to the same editing and control procedures as new (original) transactions.

One of the following methods is used to process rejected transactions:

- When one or more transactions within a batch are rejected, the entire batch is rejected. No further processing of the batch will be allowed until corrections are made.
- Only rejected transactions are removed from further processing. All transactions that pass the editing are processed further. Any batch or control totals are adjusted appropriately.
- In both cases above, rejected transactions will be handled in either of two ways:
 - Rejected transactions will not be recorded in Banner in any way. However, if the first method described is used, the rejected batch number should be recorded.
 - Rejected transactions will be recorded in Banner, but will be segregated from accepted transactions by placing them in suspense files, awaiting corrective action.

v. *Completeness and Accuracy of Computer-Generated Data/Transactions*

Controls over tally transactions are concerned that associated data is complete and accurate. (Examples of computer-generated transactions include automatic posting of cash receipts and revenue to the general ledger from the Student Module.) Controls are in-place to ensure that data used in the generation of other data is complete, accurate, and authorized, and that associated parameters are input accurately as well. The following should be addressed:

- All key data used in the generation of transactions is reviewed to insure it is complete,

accurate, and authorized.

- Programmed edit checks are used in Banner examine set various input parameters for reasonableness.
- Results of processing (e.g., control totals) are checked manually

vi. *Completeness and Accuracy of Updating*

Daily and regular reviews are done to ensure that all transactions are updated accurately to relevant files once and only once. To ensure the completeness and accuracy of update, at least one of the methods described above is used.

2.2 TALLY FINANCE SECURITY

TallyFinance access to information stored on a computer is restricted. General tally security software provides the ability to restrict access to the system at various levels: system, application, application function, data file, and data element. Adequate security features are also used in the operating system. Controls are in place to prevent unauthorized access to the system and to restrict each user's access based on specific job-related functions. For additional security information please refer to the policies of the *Information Technology Department*.

3.0 ACCOUNTING SYSTEM

The College has established and maintains an effective accounting system to capture data regarding the economic activity of the entity. Management requires accurate and timely financial reports in order to judge the financial performance of the College and plan for future activities.

3.1 Account Types

Regardless of account type, all funds received and expended by the College are subject to rules and regulations dictated by proper financial management procedures, the Governing Council, and the International Accounting Procedures. These will be spelled out in the appropriate sections of the manual. Other restrictions may be unique to certain accounts, as referred to in the following types:

3.1.1 Appropriated Accounts

The most common type of accounts and those that provide the majority of the revenue of the Colleges are funded through students' contributions in the name tuition fees and fees levied

onto them. In case of State funded students, funds are generated by tax payers. Appropriations are expended based upon the policies and procedures dictated by the State, the Governing Council, and the Colleges

3.1.2 Current Restricted Accounts

Current Restricted Accounts are funded from grants and contracts from agencies and organizations outside of the College. Such accounts can only be activated through the Office of Sponsored Programs. In addition to State, Governing Council and College regulations, current restricted accounts must also adhere to restrictions placed on their use by the sponsor of the funds which could be the state or outside organizations.

3.1.3 Auxiliary Enterprise Accounts

Accounts which are wholly or in-part self-supporting and whose purpose is to provide a service to the College of a non-academic nature are known as Auxiliary Enterprise Accounts. Revenues from sales and services of auxiliary enterprises include income from entities organized to provide goods or services to students, Department, or staff at a fee directly related to the cost of the goods or services provided. Included in this category are: the Parking Fund, Housing Fund (Residence Hall), Bookstore Fund, Child Care Fund, Facilities Rental Fund, Other Services Fund. These accounts are also known as the College Facilities Revenue Bond operations because of its long-term source of funding.

3.2 Budget Line Items

All accounts, regardless of type, are structured by budget categories as followed by the College planning and priorities. The most common line items are personal services, contractual, commodities, operation of automotive equipment, permanent improvements, travel, equipment and library books, telecommunication, awards and grants, debt service, refunds, and indirect cost (used for current restricted accounts only).

3.2.1 Personal Services

Personal service funds are those, which pay the salaries of College employees. They are divided into three main sub-categories:

- i. Department: all department members
- ii. Administrators
- iii. Extra Help: all extra help employees who are allowed to work as non-permanent staff.

3.2.2 Contractual

Contractual funds are those funds used to purchase goods and services for the College. The type of contractual services that could be charged to this category are legal services, medical services, repair services, repair parts, artistic services, entertainers, consultants, rentals, copy services, memberships, registration fees, candidate interview expenses etc. Whenever you are purchasing a tangible or non-tangible resource, and it is not an employer-employee relationship, you are utilizing contractual funds.

3.2.3 Equipment/Capital Development

Equipment funds are expended for tangible items which are durable in nature and have a life span of at least two years and significant unit value. However on many occasions this takes care of consumables too.

4.0 STRUCTURE OF ACCOUNTING SYSTEM

Accounting is responsible for performing financial control in connection with appropriated, locally- held, revenue bond, and grant accounts (with the exception of personal services). This responsibility includes reviewing transactions for adherence to financial requirements of laws, regulations, contracts, agreements and established College financial policies. This section also monitors indirect cost allocations, travel control rules and is responsible for preparing detailed financial reports including monthly statements, cash reports, and reimbursements in accordance with agency or grantor provisions.

Central to the efficient financial operation of the College and its various units are the financial reports distributed on a periodic basis. Financial agents responsible for the College accounts should become familiar with these reports. They furnish invaluable information that can help keep a department financially sound and operating within its resources. Included in this section is information to assist in interpreting these reports.

4.1 Accounts

An account is the basic building block of the accounting system

4.2 Ledgers

All the accounts within the Tally Accounting System are contained in either a subsidiary ledger or a general ledger.

- **Subsidiary Ledgers** - the accounts used by most departments will be part of a subsidiary ledger. These ledgers contain the revenue and expenditure accounts of the College. Depending on the nature of each account, it may show data on the financial year basis (July 1 to June 30) or on a project-to-date basis (from the date the project began to the present date). For example, a grant would be on a project-to-date cycle, while a fees collection account would be on a financial year cycle. The basic shilling data shown in these accounts are budgets, revenues, expenditures, commitments, obligations and budget balance available.
- **General Ledger** - the general ledger accounts are used to record the College's cash, accounts receivable and other assets, accounts payable and other liabilities and the balancing amount (fund balance). These accounts also carry summaries of the budgets, revenues and expenditures in the subsidiary ledger (also called control accounts). Operating units need not concern themselves with the general ledger.

4.3 Relationship of Ledgers

The subsidiary and general ledger accounts have a predefined relationship designed in the system. In some cases there are many subsidiary ledger accounts reporting to one general ledger account. In other instances there are one-for-one relationships between the two ledgers. Any transaction posted to subsidiary ledger account is automatically posted to its related general ledger to update the claim on cash, fund balance and the appropriate summary revenue or summary expenditure control. The updating of the general ledger is performed simultaneously with the processing of each subsidiary ledger transaction. Because of this, the ledgers are always in balance with each other.

4.4 ACCOUNTING CONCEPTS

These greatly simplified accounting concepts are included here as informational background material only. These concepts explain some of the basic principles upon which the system is based and why it operates the way it does.

a) Accounting Equation

Tally is based on the double entry accounting system. The double entry concept simply means that the basic accounting equation is always in balance.

$$\text{ASSETS} = \text{LIABILITIES} + \text{FUND BALANCE}$$

An asset is something you own such as cash or equipment. A liability is something you owe

such as accounts payable. The fund balance is the difference between the two—the equity or “ownership” you have.

In any accounting system, it is necessary to describe a financial transaction as either a debit or credit in order to affect an increase or decrease in any of the elements of the accounting equation. The formula dictates that the debits must always equal the credits. When a debit is entered into the system, an equal corresponding credit must also be entered. The rules are quite simple: (1) assets are increased by debits and decreased by credits; and (2) liabilities and fund balances are increased by credits and decreased by debits.

b) Expense and Revenue Accounts

Accounts that are used to record revenues and expenses are actually part of the fund balance or equity. When there is revenue the fund balance is increased. When there is expenditure the fund balance is decreased. Since expenditure decreases a fund balance, the fund balances are decreased by a debit - it follows that expenditures are increased by a debit. The opposite is true of revenues.

c) Fund Additions and Deductions

There are certain occasions when a fund balance must be increased or decreased and the transaction is not a revenue or expenditure. These are called fund additions and fund deductions. A gift is an example of a fund addition.

4.5 GENERAL LEDGER

All valid general ledger entries, and only those entries, are accurately recorded in the general ledger. Banner uses different terms for the ledgers. Ledger accounts pertaining to Balance Sheet are called “general ledger” and ledger accounts relating to Statement of Revenues and Expenditures is called “Operating Ledger.

The general ledger consists of control accounts for accounts in the College’s chart of accounts. These accounts are listed in the general ledger in alpha-numeric or numerical order with the account title.

4.5.1 Procedures

a. Posting Monthly Activity to the General Ledger

There are two ways to post activity to the ledger accounts that are manual or system

generated. Manual entries are prepared and posted by the accountants only upon approval from the College Bursar or Director of Administration and Finance. Ledger accounts are updated constantly as transactions are processed on the system from various modules. The postings to the general ledger accounts may come from any and all of the following sources:

- General journal-adjusting journal entries
- Purchasing Module
- Student or Financial Aid Module
- Human Resource Module for the payroll
- Accounts Payable Module

b. Documentation of Entries Not Originating from Journals

All entries (recurring and non-recurring) that do not originate from journals are supported by journal vouchers that are numbered using the initials of the accountant posting the journal voucher. These journal vouchers are properly approved as mentioned in above. Certain entries, called recurring adjusting journal entries, are made every period. These entries include, but are not limited to, the following:

- Amortization of prepaid expenses
- Amortization of deferred revenue
- Accrual of interest expense on bonds payable that are not paid within each accounting period

The College identifies these recurring adjusting journal entries for posting to the general ledger in each accounting period. Non-recurring adjusting journal entries must be prepared to properly reflect account balances. Non-recurring adjusting journal entries include, but are not limited to, the following items:

- Correction of posting errors
- Accrual of income and expense items
- Recording of noncash transactions

c. Adequate documentation for all journal vouchers

All journal vouchers for journal entries are prepared only on the basis of adequate supporting documentation.

d. Authorization of Entries

All journal vouchers for entries into the general ledger are authorized and approved by the College Bursar or Director of Administration and Finance who is not involved in the origination of the entries.

4.6 GENERAL LEDGER MAINTAINENANCE

The general ledger should be adequately maintained. General as stated throughout this section, the general ledger accounts are the source of all of the financial reports used by management. It is therefore critical that the accounting records, after the entry of transactions in them, are properly controlled so that they continue to reflect accurately the operations of the business.

4.6.1 Procedures

a. Close of Income and Expense Items

At the end of the financial year, all items of income and expense are closed so that they will not carry over to the next financial year. The closing of the income and expense accounts is automatically handled by the Banner/Tally/Equinox system. Refer to Banner/Tally/Equinox Finance Manual to review the closing process.

5.0 REVENUE AND CASH ACCOUNTING

Whenever a revenue account is established under the jurisdiction of the College, all revenues received for that account automatically fall under the regulations and procedures applicable to College and state at large and must be accounted for as such.

Student Activity Accounts are for the most part supported by student activity fees collected and monies budgeted from Student Affairs. In addition, some student activity accounts raise extra revenues through various fundraising events.

Third-Party Receivables

When it is necessary to bill a third party for student tuition and fees, or services contact, the credit and collection specialist, will assist in the issuance of a College invoice. In addition to sending out the original invoice, the credit and collection specialist will issue monthly printed statements to all open third party accounts until payment is received, and monitor the receivable.

6.0 CASH MANAGEMENT

The College maintains an effective system of cash management that anticipates cash needs and plans adequately to satisfy them. Cash is required to pay for all assets and services purchased by the College and to meet future obligations as they come due. The disbursement of cash is daily, and a sufficient level of cash must be kept available to meet these requirements. However, cash is not a productive asset and earns no return. Therefore, only cash necessary to meet anticipated day-to-day expenditures plus a reasonable cushion for emergencies should be kept available. Any excess cash should be invested in liquid income-producing instruments. This Policy applies to the investment of all College funds unless specified by approved restricted agreements or bond covenants. The College will consolidate cash balances from all funds to maximize investment opportunities and will invest balances cognizant of cash flow needs and/or requirements only in depositories approved by the Governing Council. The primary objectives of investment activities shall be safety, liquidity, and yield.

a. Safety

Safety of principal is the most important objective of the investment programme. Investments must be in instruments which ensure the preservation of capital, and reduce the risk of both credit and interest rates. The College must pre-qualify financial institutions to require standards of quality and to ensure that no conflict of interest is present.

b. Liquidity

The investment portfolio must remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This will be accomplished by structuring the investment portfolio so that securities mature concurrent with cash needs.

c. Yield

The investment portfolio shall be designed to attain a market rate of return, with any necessary adjustments for risk constraints and liquidity needs. Return on investment is of secondary importance compared to the safety and liquidity objectives.

d. Standards

All College investments will be made under the guidance of the Governing Council or designee. The prudent person standard shall be used in the management of our overall

portfolio, and the use of due diligence shall be expected for ensuring that there are no apparent conflicts of interest in the investment process. Employees and investment officials shall disclose to the Governing Council any material interests in financial institutions with which they conduct business.

- Investment Parameters

Investments shall be diversified by investing in securities with varying maturities, continuously investing a portion of the portfolio in readily available funds to meet cash flow needs, and to meet on-going obligations. Investments must also be made in those types authorized by Governing Council.

Investments will not normally be made in securities maturing more than five years from the date of purchase or in accordance with state statutes or revenue bond resolutions, although bond revenue bond funds may be invested in securities exceeding five years if the maturity of such investments is made to coincide with the expected use of funds.

- Reporting

A report of all investments will be made to the Governing Council on a quarterly basis. This report must include each depository holding College funds, the amount and the average interest earned on those deposits/investments. The standard of performance to be used is the 90-day Treasury Bill to determine its effectiveness in meeting investment criteria.

7.0 COLLECTION PRACTICES

A review of accounts receivable listings for past due balances is performed on a continuous basis. Delinquent accounts are contacted immediately, not after the next billing cycle. The Office of Administration and Finance is responsible for collecting delinquent account receivables for the college from students and others while maintaining compliance with all state rules, regulations, and statutes governing debt collection.

- i. Billing Statements***

Collections are part of the Bursar's function, which reports to the Office of Administration and Finance. The collection department is responsible for billing, collection and notification of students, employees' and others with delinquent accounts. The Banner/Tally/Equinox Accounts Receivable module is used to maintain account, billing and collection records.

Billing statements and collection notices are mailed to the most current address of record. Address records are maintained and updated by the Registrar's Office.

ii. Student Collection Accounts

Delinquent accounts are generally caused by:

- Non-payment of balance due on deferred payment plan or
- Adjustments made to financial aid awards after funds are disbursed.

iii. Internal Collection Process

The Collection Department bills all delinquent accounts, including the service charge for non-payment and the final request for payment.

iv. Payroll Withholding

Employees are notified about their debt and billed for collection, as described in the internal collection process. A payroll deduction will be made from any amounts payable to the debtor if the debt remains outstanding after the collection process is completed.

v. Deferring Disbursements

Cash disbursements are made at the latest acceptable time, without affecting relationships with vendors. Early payment discounts should be taken advantage of if they result in benefit. Checks should be delivered at the end of the day and, if possible, at the end of the week.

vi. Cash Budgets

A short-term cash budget is prepared in order to effectively manage cash balances. The cash budget is built around the three basic aspects of cash management: operations, cash flow, and financial condition. The short-term cash budget is prepared on a monthly basis to monitor cash position. The Budget Department prepares an annual budget to track long-term performance. Monthly budget to actual reports are used to monitor performance with budget, both for the current month and cumulatively.

8.0 CASH RECEIPTS

All college departments must make daily deposits intact with the College Cashier of all receipts received in their office. Any departmental receipt submitted to the Cashier should have a Cash Transmittal Report that will explain the source and nature of funds being deposited.

Cash receipts must be protected from misappropriation. Physical access to cash receipts and cash receipt records is limited to authorized personnel. Additionally, cash receipts are recorded daily to ensure they are recorded in the appropriate period.

8.1 Procedures

i. Opening the Mail and Cash Payments

The departmental deposits are made at the Cashier window or mail is to be opened and a listing of cash and/or checks received is prepared under the supervision of the Cashier Supervisor. A listing of cash receipts is produced including the name, amount, socialsecurity/other identification number, date, and the total of all receipts.

ii. Retention of Copies for Departmental Files

College policies require that adequate documentation be included to support and identify all deposits. Supporting documents are attached to the daily Cash Transmittal Report that will explain the source and nature of the funds being deposited. Examples of documents include correspondence, check stubs, receipts copies, etc. Copies of these documents should also be retained in departmental files.

iii. Documentation Requirements

All checks, cash or electronic payments received by departments should be documented by one of the following methods:

- Pre-numbered receipt
- Cash register Report
- Check Receipt Log

iv. Bank Deposits

All cash sales and check remittances are deposited in the bank. No checks should ever be cashed from receipts, as receipts should be deposited intact. Expenditures must never be made from receipts.

v. Reconciliation of Cash/Checks Received to Bank Deposit

Records of cash receipts log and Tally daily summaries are compared to deposit slips and

bank statements by the accounting staff. Tally's cash closing procedures automatically post the cash receipts to the general ledger.

vi. Reconciliation of Deposits

At month end each deposit should be reconciled with the cash receipt shown on the monthly Financial Officers Report.

8.2 Cashier's Office Operations

The cashiering operations control the receipts of all cash and negotiable instruments for the college, including payments for tuition and fees, receipt of funds from grants and contracts, daily parking fees and parking decal and sales receipts. The Department is also responsible for cashing employee checks, and the deposit of all receipts into the proper bank accounts. In addition, the cashiering function includes the disbursement of semi-monthly payrolls to college employees, and financial aid stipend and loan checks to students.

a) Daily Operations

i. Daily Operations

The hours of the Cashier's Office are 8:00 a.m. to 5:00 p.m., Monday, Tuesday, Wednesday and Friday.

ii. Cash Receipts

Included in the duties of the cashiers is the coding of all receipt data for entry into the Tally Finance module. Transaction detail codes for each revenue and cash receipt activity are used to record the transaction in Tally. Each transaction detail code corresponds to a FOAP accounting entry in the Tally Finance module. The use of detail codes ensures consistency of accounting entries for each FOAP. The totals of the daily receipts are checked to assure that they are in agreement with the bank deposits. Periodically, the Head Cashier or Internal Auditor conducts a surprise audit of the cashier's office to determine if the reported cash balances are in agreement with the physical count of all funds on hand.

iii. Payroll Disbursement

- a) Payroll establishes and publishes the schedule of pay dates for the calendar year taking into account the minimum number of working days necessary to assure preparation and transportation time. No payroll checks will be distributed contrary to

this published schedule. Bursar's staff will release to the payroll staff (upon receipt) the following:

- Direct Deposit pay stubs
- A list of employees who have received a notification form from the state instead of a pay-check

Cashier's staff will sort all pay-checks in distribution order and deliver the checks to the Cashier's Office prior to 2 p.m. on disbursement dates. The statement of earnings should be available ASAP on disbursement dates.

- b) Cashier will release payroll checks and direct deposit statements to employees with the proper identification.
- c) The Cashier's staff will pull departmental checks and direct deposit statement of earnings on written authorization submitted to the Cashier's Office the day before disbursement dates. The department is responsible for distribution and any special arrangements concerning individuals within their area.
- d) Administrative, department, and student payroll checks not picked up from the Cashier's Office within three working days after payday will be mailed to their home using the address listed on the check/check stub.
- e) Direct Deposit Statements not picked up are mailed to the departments the day after payday.

9.0 CASH DISBURSEMENT

Disbursements from bank accounts are made for approved and for valid transactions. The payment for goods and services, whether accomplished by check or bank transfer, is organized to ensure that no unauthorized payments are made, that complete and accurate records are made of each payment, and that payments are recorded in the appropriate period. Additionally, physical access to cash and unissued checks is restricted to authorized personnel.

9.1 Procedures

i. Preparing Checks and Bank Transfers

Checks and bank transfers should be prepared based on the determination that the transaction is valid and is in accordance with the following college procedures. A determination that the transaction is valid should be accomplished by reviewing the following supporting documentation as applicable:

- Invoices (together with receiving reports and purchase orders)
- Payroll records
- Direct Payment Voucher

All supporting documentation should be signed by a responsible official indicating proper authorization. Cheques and bank transfers should be prepared by persons other than those who initiate or approve any documents that give rise to disbursements.

ii. Check Signing

Cheques are signed by officials (“signatories”) other than those who approved the transaction for payment. Prior to signing of cheques the original supporting documentation is reviewed to ensure that each item has been checked and approved in accordance with the college’s procedures.

- There is adequate physical control over the custody and use of the signature plates if a mechanical check signer is used.
- The copies of the checks should be distributed as follows:
 - Vendor (negotiable copy),
 - Attached to voucher package

iii. Disbursement of cheques

After printing, all cheques are forwarded directly to the payee, without being returned to the originators or others who are in a position to introduce documents into the cash disbursement system. Exceptions approved by the Accounts Payable Supervisor are allowed for certain dues payments, conference fees and other situations where the originator requires the check or it should be hand delivered.

iv. Cancel Supporting Documents

The supporting documents should be cancelled by the accounts payable department to prevent subsequent reuse.

v. Maintenance of Check Control Log

A separate record of cheques being processed is maintained by using a check register log. The register list the sequence of cheques issued; the name of the person to whom the cheques are issued; the date the issue was made; and the sequence of cheques returned and/or voided.

All cheques are sequentially pre-numbered so that it can be established that all cheques have been accounted for. All transactions are recorded on pre-numbered documents. Cheques contain two numbers, the pre-printed number and the number printed by Tally. These two numbers should be the same, to ensure all cheques are accounted for. The usage of cheques is reviewed by reconciling the quantity of cheques issued to cash disbursement records by the accounting department on a weekly basis.

vi. Disbursement of Funds

Prior to the disbursement of any funds, a voucher should be prepared with supporting evidence such as payroll records, receipts, or other miscellaneous supporting detail and approved where appropriate.

vii. Summarize Disbursements

A summary of all disbursements should be maintained (e.g., cheque register) and an analysis should be performed in order to charge the proper general ledger accounts.

10.0 BANK RECONCILIATIONS

Confirm the accuracy of the bank balances shown in the general ledger monthly. Data on cash receipts and disbursements journals should be compared with the details reported on bank statements on a monthly basis. Unmatched and mismatched data are used to reconcile the book and bank balances. The reconciliations are performed by the general accounting personnel (who do not have access to cash and are not directly involved in processing or recording cash transactions).

Bank reconciliations are to be prepared by each accountant on a monthly basis using an acceptable format approved by the Accounting Department. Bank reconciliations and bank reconciliation journal entry sheets are due by the **15th** of the **2nd** month following the period being reconciled. For example, the July 31 bank reconciliation and journal entry sheet are due by September 15th. After the bank reconciliation and journal entry sheet are completed, a copy of the journal entry sheet should be provided to the Bursar or his/her designated employee for input to the GL. The original bank reconciliation and journal entry sheet and any other statements or support should be attached to the Bank Reconciliation and journal entry form. The preparer and the person inputting the journal entry to the GL should sign the bank reconciliation and journal entry sheet.

The bank reconciliation journal entry sheet should be posted within five (5) days of the bank reconciliation's due date. For example, the July 31 bank reconciliation should be posted no later than September 20. The Director of Administration and Finance or his/her designated person should approve any exception to this policy.

11.0 PROPERTY CONTROL

Adequate control over physical assets of the College should be maintained. The Principal designates each financial officer of the accounts of the College with the responsibility of maintaining accountability and control of the equipment within his/her jurisdiction.

11.1 Procedures

a) Assets - Net Acquisition Costs

Assets are carried in the accounting records at the original net acquisition cost. Capital assets (e.g., land) customarily should be carried in the records at the original net cost. Purchased items of property, plant, and equipment are capitalized if all of the following criteria is met:

- They are for acquisition of visible tangible personal property
- They are non-consumable in nature
- Their anticipated life is at least one year

The capitalized amount includes invoice price plus all charges incurred to prepare the asset for operations.

b) Posting to Detailed Ledger (Property Module)

Tally Property Module automatically capitalizes the asset additions whenever an equipment item using certain expenditures account codes is procured. These additions are then posted to the Property Module extract process. When an item is deleted from the Property Module it also removes it from the general ledger accounts in Plant Funds.

c) Reporting of General Ledger

Every quarter the bursar prepares the C-15 Fixed Asset Report for the Principal's Office based on general ledger activity.

d) Expenditures-Capitalization vs. Expense

Repair expenses are distinguished from expenditures for improvements, additions,

renovations, alterations, and replacements. Expenditures are repair expense if they do not materially add to the value of the property and do not materially prolong the life of the property.

Examples of repair expense:

- Replacing loose or damaged shingles
- Replacing broken glass
- Painting and decorating a showroom
- Resurfacing a parking lot
- Making temporary repairs to last less than one year
- Making minor repairs to fully depreciated assets

Repair costs that increase the value of property, prolong its life, or adapt it to a new or different use are capital expenditures. If the life of the asset has been significantly extended, the remaining original cost and the repair cost should be depreciated over the new life.

Examples of repair expenditures that are capital expenditures:

- Replacing floors
- Replacing a roof, thereby substantially prolonging its life
- Reconditioning machinery, thereby extending its life
- Replacing an auto's or a truck's engine
- Overhauling an auto or truck that was substantially worn out

12.0 DISPOSAL OF CAPITAL ASSETS

Disposal of capital assets occurs only after proper authorization has been obtained. Control over the disposition of property is maintained not only to preserve the accuracy of the records but also to ensure that assets are safeguarded, improper disposal is avoided, and the best possible terms are received for disposal.

12.1 Procedures

- i. The following disposal methods are used to dispose of inventory:

- a) *Removal from Inventory*

Property Control has been established as the College's distribution department for equipment

that is no longer of use to a department. If a department has equipment to be transferred to Property Control, it should initiate the “Inter-Departmental Equipment Transfer” form filling in all necessary information as instructions indicate and forward the form to the Property Control Office. If the requesting department needs movers to transfer the equipment to the Property Control Office, a Work Order form has to be completed by the transferring department and sent to the Physical Plant/Facility Administration which will arrange for the pickup of the equipment.

b) Scrap

Equipment in scrap condition, with the exception of large items that might be difficult to move, is to be turned over to Property Control by the initiation of the “Inter-Departmental Equipment Transfer” form

c) Trade-in

Before an item of equipment is traded in, approval must be obtained from both the Property Control Office and the Department of Central Management Services. The “Inter-Departmental Equipment Transfer” form, along with the requisition for new equipment, is to be forwarded directly to the Purchasing Office. The Purchasing Office, in the course of processing the request will forward it to the Property Control Office for approval.

d) Lost or Stolen

When a department discovers that equipment may have been stolen, the first thing to do is to contact the College Officer concerned and then Police. The sooner the two are informed, the more likely effective steps may be taken to recover stolen property. An “Inter- Departmental Equipment Transfer” form, with all appropriate information must be submitted to Property Control when any equipment is determined to be missing. Property Control will then report the equipment missing and remove it from departmental records.

e) Equipment Out of Location

If a financial officer finds equipment in his/her area that has an inventory tag number, which is not on his/her inventory, the Property Control Office should be notified. The financial officer needs to relate the tag number and description of equipment found from which the responsible fiscal officer can be identified.

In instances when equipment are found in locations other than stated on the Property Control records, the fiscal officers having accountability over those equipment should complete an “Inter-Departmental Equipment Transfer” form, to effect transfer of the equipment to the department receiving them. The completed form should then be forwarded to the Property Control Office to adjust the property records accordingly.

f) Identification

Equipment that is the property of the College is identified with a tag or other marking. This metal tag is designed to be placed in a conspicuous place for easy review.

g) Loans

At times it is desirable for a department to borrow an item of equipment from another department. The form, “Inter-Departmental Equipment Transfer”, is used. The signature of the borrowing financial officer must be obtained acknowledging receipt and responsibility for the equipment, with the lender retaining one copy and the borrower, the duplicate of such form. Such forms, on file in the respective offices of the department will be considered adequate evidence that the necessary records have been maintained. It is not necessary to notify Property Control of the loan.

ii. Documentation of Disposal

The following procedures are applied to the retirement and disposal of college assets. No item of property, plant, and equipment is removed from the premises without a properly approved disposal form. A disposal form is completed for all disposals in accordance with the provided guidelines. This disposal form is reviewed and approved either by Burasr or Director of Administration and Finance who is knowledgeable and not directly responsible for the asset.

iii. Recording Disposal

Once the retirement has been properly approved and documented, the following procedures apply to the recording of the transaction. At the time the property is retired, the cost is removed from the appropriate asset account. In no instance should such cost exceed the fair market value for the new asset.

13.0 PURCHASING

Determination of college needs for goods and services should be made by financial officers according to college guidelines. The determination of needs for goods and services such as commodities, equipment and professional services should be made by financial officers in the college and according to guidelines with consideration to adequate quantities, reasonable prices, timely receipt, proper specifications, and desired quality. The guidelines must also consider and avoid the disruption of operational efficiency because of improper or untimely purchases and potential losses and use of cash caused by excessive purchases.

The college will try to their ability use as much as possible the interpretations of the PPDA Act to safe guard against wrong purchases. Competitive bidding for purchases is required the PPDA Act will be adhered to especially in purchases above (five million shillings) 5,000,000/=. The College Purchasing Office is responsible for overseeing the bidding process at the college and solicits bids in accordance with the time lines mandated by statute.

13.1 Procedures

The Purchasing Office coordinates the purchasing process for all college departments or offices seeking goods and services. The major responsibility for seeing that full value is received rests with the Purchasing Office. The following are various ways a department may purchase goods and services from outside vendors:

a) Purchase requisition:

Used for the purchase of goods and services of 1,000,000 or more.

b) Direct payment voucher:

Used for the purchase of goods and services less than 1,000,000. When paying reimbursements, a Direct Payment Voucher can be used for any dollar amount.

c) Standing order:

Used for the purchase of goods and services of a recurring nature from the same vendor.

d) Contract or lease:

Used for honoraria, consultant fees, leases for real property, etc.

13.2 Purchase Requisitions

13.2.1 Procedures

- a) A Purchase Requisition is used to provide the Purchasing Office with all the information necessary to furnish products or services. The following information should be completed by the requesting department:

i. *Vendor-name and address*

This should be completed when it is appropriate for user department to specify the vendor from which they desire to purchase the product or service.

ii. *Billing address (optional)*

Specify the location where invoices should be sent.

iii. *Date requested*

Enter the date when requisition was made by the user department.

iv. *Date required*

Specify the date that items requested is needed. Always estimate or project a specific preferred date the material or service is to be delivered. This consideration will assist the purchasing department in determining priorities. Always provide as much lead-time as practical by determining your needs as far as possible in advance. Denote "RUSH" when relevant to alert the purchasing personnel of the need for prompt action or priority of purchase. The fiscal officer or his designee is responsible for requisitioning materials or services in sufficient time to allow purchasing department to transact and arrange shipment and/or delivery in the most cost-efficient manner.

v. *Ship or deliver to*

Specify location where goods or services are to be delivered

vi. *Item*

List in numeric sequence (if part numbers are used) each separate item to be purchased.

vii. *Quantity*

Specify quantity to be purchased and delivered.

viii. *Unit of measure*

Unit of measure is important and should be entered to assist the purchasing department.

ix. *Description*

Specify complete description of items ordered, including part number, name, catalog number, reference, model number, colour, dimensions, and so on.

x. Unit price

List estimated unit price.

xi. Requested by

Specify the name of individual submitting the requisition.

xii. Approval

The authorized fiscal officer will approve all expenditures.

xiii. Control number

The Purchase Requisition form is pre-numbered to identify specific requisitions

- b) When the requisition is out for bid, the Purchase Requisition or in a separate document attached to it, should include the criteria for evaluating the bid in addition to low cost. Only those criteria should be considered during the evaluation of the bids in accordance with the Procurement Code.
- c) All Purchase Requisitions should be signed by the financial officer or his designee and sent to the Purchasing Office.
- d) Once the Purchasing Office has received the Purchase Requisition, it should review for completeness and availability of funds and then follow the limitations in purchase authorisations.
- e) Upon selection of the vendor, and finalizing of contract terms and price, a Purchase Order is issued by Purchasing. Two copies are sent to the fiscal officer; the yellow copy for departmental files, and the pink receiving report for return to Purchasing after the goods or services have been received or completed satisfactorily.
- f) If there is an urgent need, the department may want to follow the routing of Purchase Requisition to be sure that signatures of approval are obtained promptly. Purchasing Office personnel cannot act until the approved Purchase Requisition is received in the Purchasing Office.

13.3 Direct Payment Voucher

Determination of College needs for goods and services should be made by financial officers according to College guidelines.

13.3.1 Procedures

Direct Payment Vouchers (DPV's) are used to expedite payment in certain situations where

the normal process of encumbrance funding is not practical, required or a direct payment is necessary. Generally, a DPV should be used only for expenditures of 100,000 or less.

After receiving the goods or services, the requesting department should attach the original vendor's invoice to a completed Direct Payment Voucher (DPV's). The DPV should include the following information:

a) *Payee name and address*

Specify the name and address of the vendor

b) *Date requested*

Enter the date when requisition was made by the user department

c) *Description*

Enter the complete description of the item

d) *Amount*

Enter the amount to be paid

e) *Account name/department*

Specify the account name or department to be charged

f) *Office location/ phone extension*

Specify the office location and phone extension of the department

g) *Account number*

Specify the account number to be charged

h) *Major sub-code*

Enter the account major object classification, if any

i) *Expense description*

Enter the account major object classification /expense description (optional)

j) *Control numbers*

Specify the number used to identify DPV. The DPV form may be pre-numbered

13.4 Receipt and Acceptance

Controls are established over goods and services received as a basis for determining and recording the liability for goods and services received. The physical receipt of all purchased goods should be the responsibility of a receiving department or designated individual. The receiving function should inspect goods for conformity with specifications on purchase orders. Quantities should be verified by counting, weighing, or measuring. Receipt and

acceptance of a shipment should be documented on a receiving report with copies of the receiving reports being routed to the purchasing department.

13.4.1 Procedures

i. Inspection of All Goods and Services

- a) Purchased goods should generally be delivered to the College's Central Receiving department. In some cases, the goods can be delivered directly to the requesting department, in which case, Property Control should be notified.
- b) Upon receipt of any item, the following immediate action should occur:
 - Check the bill of lading for the correct delivery point.
 - Verify the number of containers with the bill of lading.
 - Examine containers for exterior damage.
 - Note on the bill of lading any discrepancy (i.e., missing containers, damage, etc.).
 - Sign and date the bill of lading.
 - Retain a copy for the receiving department files.
 - Examine goods for physical damage.
 - Count or weigh items. Similarly packaged items may be counted on a test basis, if deemed appropriate. If goods are of a high dollar value and subject to breakage from shipment, the College may want all goods counted and tested upon receipt to avoid delays in production when parts are found to be defective. Make an indication of the counts on the copy of the purchase order.
- c) The inspection process should be timely. Delays in inspection can cause delays in production due to material shortages, and inaccurate accounting information can be caused by inventory and accounts payable not being recorded on a timely basis.

- d) The financial officer is ultimately responsible for verifying that all goods and services are received and completed. The pink copy of the Purchase Order can be used as the receiving report. The financial officer should sign the pink copy to certify receipt of the goods or services. Services that are received should also be inspected or reviewed by the user department to determine that the work was done in accordance with the purchase order or contract. If the work is of a confidential or highly technical nature, the College may desire to have an officer of the College review the documentation for inspection and approval.
- e) After inspection, the requesting department should submit the signed pink copy of the Purchase Order to the Purchasing Department to initiate recording of the liability and payment.

13.5 Return of Goods to Suppliers

Returns of goods to suppliers should be adequately controlled, documented, and recorded. The return of goods to suppliers is done under a controlled system of procedures. These procedures include the authorization of the return by the requisitioning department or purchasing function and preparation of a change order by the purchasing department.

13.5.1 Procedures

- a) Claims for return of goods are likely to be non-routine and infrequent. If a financial officer decides to return or exchange an item, he should notify the Purchasing Department so that a Return Merchandise and Shipping Memo can be filled out. It is important to note on the memo whether the item is to be returned or cancelled so that Purchase Order Payables department will know what action to take when processing an invoice for payment. The memo should include the following information, as applicable:
 - Item Description
 - Department and person rejecting the part
 - Quantity received and rejected
 - Reason for rejection
 - Purchase order number
 - Date received
 - Vendor
 - Authorization signatures:

- Person in charge of department in which rejected goods are noted
 - Financial Officer or head of the department who made the requisition, if this authorization is deemed necessary
 - Purchasing Department
- b) When the rejected goods are received in the respective department, a copy of the Return Merchandise and Shipping Memo should be attached to the item being returned.
- c) Copies of the memo should be sent to the following:
- Vendor
 - Purchasing department
 - Purchase Orders Payable department. This allows the Purchase Order Payables department to adjust the payments to the supplier and thus avoid paying for goods that have been returned.
- d) The Return Merchandise and Shipping Memo prices should be compared to the original invoice by persons other than the preparer of the memo. In addition, extensions and additions should be checked to an adequate extent.

13.6 Standing Orders

13.6.1 Procedures

- a) The need for services that are provided on a recurring basis by the same vendor such as utilities, telephone, periodicals, or janitorial services, should be determined initially by the fiscal officers and thereafter provide for continuous service/delivery until not re-determined or until the end of the contract period. Procedures for purchase requisitions should be followed during the initial requisition.
- b) The Purchasing Department will issue a standing order for the estimated amount. After the standing order has been issued, the department may order (either in writing or verbally) goods or services as needed, regardless of the dollar amount, as long as the amount of the standing order is not exceeded. The initial amount of the standing order may be easily amended in most instances. Departments should contact the Purchasing Office to arrange for amendments.
- c) On open orders that show a firm amount to be paid monthly, quarterly, etc., Purchase Orders Payables will process payment unless notified of a problem. Example of firm prices for orders is maintenance, rental or lease agreement. All other open orders will

continue to have each invoice signed by the fiscal officer or department head.

- d) When the goods/services are received and when the department has received an invoice identified with the standing order number, the department should notify the Purchasing Department in writing that payment can be made. The Purchasing Department will process the invoice against the standing order, paying the vendor and reducing the available balance.

13.7 Contracts or Leases

13.7.1 Procedures

Requisitions for specialized services, typically, should be initiated by the financial officer authorized to make such purchases. If the purchase is to be for goods or services that can be requested on the requisition form, the requisition form should be used. If the goods or services are complex, highly technical, or require a formal request for proposal or contract, the appropriate contract or document should be prepared by an authorized individual. Review and approval of the document or contract should be performed by the following, as deemed appropriate by the college:

- Authorized financial officer or department head
- Authorized college officer such as the Bursar or Principal
- Committee formed or authorized to commit to such a purchase by the Board of Trustees
- Review by College Legal Counsel
- Final approval by the Principal

14.0 FINANCIAL RESOURCE REQUIREMENTS

The College has an orderly process for anticipating financial resource requirements and analysing the most effective means of providing for those needs. Debt, in the broadest definition of the term, is the result of borrowing funds for a specific purpose for a specific period of time. Long-term financing is primarily debt that will not be repaid within the normal operating cycle of the business or within one year. This financing, used for longer-term needs such as capital improvements and repair and renovation, will take the form of

mortgages, bonds, and capital leases.

14.1 Procedures

Interest expense is accrued on all notes and leases payable. Interest is accrued monthly over the term of the note based upon the balance of the notes payable and the interest payment dates specified on the notes.

a) Instalment and Mortgage Loans

Instalment and mortgage loans are debt instruments used primarily to finance the acquisition of a specific asset. Most frequently, these loans are collateralized by the land, buildings or equipment acquired. The repayment terms of an instalment or mortgage loan usually call for periodic payments to be made over the life of the debt. These payments include both an interest and principal portion. The lender should provide the borrower with an amortization schedule showing a breakdown between the interest and principal portion of each payment.

b) Bonds

Bonds are the more prevalent forms of financing used to fund larger capital projects such as the construction of a new building or significant construction project. The bonds are secured by the assets of the project, as well as its related cash flow.

Amortization of bond premiums must also be recorded at the time of the payment of principal and interest based upon amortization schedules prepared when the bonds were issued. Detailed records are maintained of the periodic deposits into a sinking fund required under the bond agreements.

- The deposits are made on a timely basis into a separate fund.
- Statements from the fund trustee are reviewed and any discrepancies investigated and resolved.

Investment income from the fund should be recorded on a timely basis.

c) Long term leases

Long-term capital leasing is another means by which the purchase of equipment is financed. The terms of a lease agreement usually call for equal periodic payments over the life of the lease. If a lease meets the criteria classification as a capital lease, the present value of the minimum lease payments is considered to be the long-term debt while the remaining portion of the minimum lease payments is considered to be the interest related to this debt.

An amortization schedule is prepared showing the breakdown of each payment between the principal and interest portions. As with other instalment loans, the principal portion of the minimum lease payments due and the interest portion of capital leases should be recorded based on the amortization schedule referred to above.

15.0 ASSUMPTION AND AUTHORIZATION OF DEBT

Determination of the need to assume debt should be made by Management and the Board of Trustees, and all debt must be appropriately authorized and within the scope of State. The issuance of all new debt, as well as the refinancing of any existing debt is authorized by the board of trustees. This authorization is documented in the minutes of the board of trustees meetings in the form of a resolution.

15.1 Procedures

a) Board of Trustees Resolution

A resolution of the board of trustees should be prepared so as to document the board's approval of the issuance of the debt.

b) Debt Approval and Agreement

A copy of the resolution approving the issuance of the debt should be maintained with the executed copy of the debt agreement.

c) Records and Collateralization of Debt

A record should be maintained of the assets collateralizing the debt, if any.

- The assets should be specifically identified.
- The record should be updated periodically (e.g., property records) to reflect the current book value of the assets.

15.2 DEBT PAYMENTS

All payments should be properly recorded in the general ledger on a timely basis. Payment on notes payable and other long-term debt made through the Purchasing Department or DPV disbursements system, through the transfer of funds by wire or other method should be recorded on a timely basis.

15.2.1 Procedures

a) Separate Principal and Interest Components

For debt that combines both principal and interest into one payment, it is necessary to record the separate principal and interest components of each payment. If an amortization schedule is to be provided by the creditor, it should be obtained when the debt agreements are executed or as soon thereafter as possible. If an amortization schedule is not provided, it should be prepared based on the terms of the debt agreement. A copy of the amortization schedule should be maintained with the original executed debt agreements. A copy should also be sent to the accounting department so that each periodic payment can be properly recorded in the general ledger.

b) Debt Payment through General Ledger Distribution

If the debt payment is made through the College's standard disbursement system, reliance should be placed on the general ledger account distribution process. The account distribution coding for these payments should be reviewed to ensure that the notes payable or other long-term debt and the related interest accrual are properly relieved in accordance with the applicable amortization schedule and other supporting documents.

c) Debt Payment by Other Method

Payments made by wire transfer or other method should be recorded through a general journal entry. The general journal entry account distribution for each payment should be supported by the related amortization schedule and other documentation.

15.3 MONITORING OF ACCRUED LIABILITIES

The College should establish a method of monitoring and accounting for accrued liabilities. Accrued liabilities, often referred to as accrued expenses or, more simply, accruals, are items for which a service or benefit has been received and for which the related liabilities are both acknowledged and reasonably determinable, but which are not yet payable, either because of the terms of the commitments or because invoices have not yet been received.

15.3.1 Procedures

a) Establishing List of Expenses

The accounting department should establish a list of commonly incurred expenses that may have to be accrued at the end of an accounting period. This list will serve as a reminder and

help ensure that all expenses have been identified. A few examples of such expenses are:

- Salaries and wages Payroll taxes Vacation and sick pay
- Deferred compensation Commissions Professional fees
- Rent
- Insurance
- Interest

b) Preparation of Detailed Register

Once identified, each expense should be maintained in a detailed register.

c) When and How Accrued Liabilities Occur

The amount recorded for accrued expenses should be properly measured. For example: A College pays its employees twice per month, and the first pay check of the new year includes salaries and wages for three days in the current year and two days in the subsequent year. In this case, the College would record a journal entry at the end of the year to accrue 30% of the payroll amount.

Accrued liabilities come into existence with the passage of time or with the occurrence of an event. Most accrued liabilities occur with the passage of time. Examples of these include interest, rent, etc. Some accrued liabilities occur with the occurrence of an event, such as a service being performed. Examples of these include payrolls, retirement, and payroll taxes.

d) Recording the accrual

The accountants prepare a journal entry to record the accrued liability and the matching expense. The preparer signs or initials the journal entry. The entry is reviewed and approved by the Bursar and initiated.

e) Review of the Account Balance

At the end of each accounting period, the Bursar reviews the adequacy of accrued expenses. If any adjustments are deemed appropriate to the account balance, a journal entry should be made to adjust both the accrued expenses and accrued liabilities. Reconciliations after year end are performed to help ensure the accuracy of the detailed records and the control. All discrepancies should be investigated and corrected on a timely basis.

16.0 PAYROLL -

Personal Service funds can be expended in only one way, through the Payroll Department of the college. There are three main categories of personal service funds:

i. Academic Payroll

The academic payroll consists of all Departments staff, Department assistants, part-time lecturers, student tutors, and other support staff. All hiring of academic employees is initiated through the Office of Academic Registrar and Contract Administration, and the employees' files are maintained by the Office of Human Resources. After the prospective employee has accepted the employment contract or offer to hire, a hiring form is filled out by Office of the Academic Registrar, which then requires the signatures of the Head of Department, Deputy Principal, and the Principal.

After the above administrators have signed their approvals, the hiring form is transmitted to the Budget Office for budgetary review. Budget Control Accountant reviews the hiring forms to determine if there are funds available in the specified account. All hiring forms must have the signed approval of the Office of Sponsored Programs or Budget Control Accountant prior to processing by the Payroll Department.

17.0 PAYMENT TO COLLEGE EMPLOYEES

Payment for wages and salaries are made only to college employees. Controls are established to ensure that only valid college employees receive payroll payments.

17.1 Procedures

a) Distribution of Payroll

Payroll payments (through bank accounts) are distributed by Cashier's Office who do not approve time reports, are not responsible for hiring/firing, and do not control the preparation of the payroll.

b) Unclaimed Payroll Checks

Unclaimed payroll (checks) are reported and returned to the accounting department. Subsequent payment requires the presentation of appropriate evidence of employment by the employee.

c) Pay Schedules

As a general rule, all academic and non-academic employees are paid monthly, on the last day of the month. As weekends sometime interfere with this general rule, a calendar of paydays is distributed by the Payroll Office every January.

18.0 USE OF TELEPHONES

The intent of the policy is to allow employees to make reasonable telephone calls, but to guard against telephone abuse. This policy is intended to permit college employees to make reasonable use of the telephone system, but to guard against telephone abuse. The use of the telephone system is limited to official business. Official business calls include emergency calls and calls that are in the best interest of the college.

18.1 Procedures

A monthly report of long distance calling will be distributed to all Heads of Departments. It will be reviewed for accuracy, including the extension, name and extension. If corrections are necessary or if local calls are required they will be all provided.

Distribute the long distance call detailed report to the appropriate employee, have each employee validate and verify that each call made was either business or personal. In the event that calls made were personal, payment must be made, within two weeks, to the Office of the Cashier. Payment may be made with cash or cheques. Checks should be made payable to TCBM account. Receipts will be issued for each payment.