# UNIVERSITY OF THE PACIFIC
## BUSINESS POLICIES AND PROCEDURES

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PREFACE

This chapter outlines the roles and responsibilities of various University officers and organizations in managing the University's financial assets. It also describes the University's funds and budgets, including its basis of accounting, fund groups, and the various kinds of expenditure activities/accounts within the University's accounting system. A brief discussion is presented of the financial reports available to University administrators. Further, guidance is provided covering time requirements for retaining financial records and security requirements for disposing of old records. Finally, this chapter outlines general policies on expense reimbursement by the Federal government and discusses the importance of assigning correct account numbers and General Ledger codes to expenses and credits.

Section headings are as follows:

GENERAL
UNIVERSITY FUNDS
UNIVERSITY ACTIVITIES/ACCOUNTS
FINANCIAL REPORTS
RETENTION OF FINANCIAL RECORDS
COST POLICY

I. GENERAL

a. Legal Status - by the terms of the University Charter and subsequent legal decrees, the University’s regents hold the properties of the University of the Pacific in trust for the educational purposes connected with the corporation or for the benefit of the institution under its management or control. The regents have corporate powers and privileges; that is, they may organize and act as a Board of Regents, elect officers, and adopt by-laws.

b. Delegated Responsibility-

President - The Board of Regents has assigned responsibility to the President for the managerial and educational affairs of the University. Additional information may be obtained from the University’s by-laws.
University Officers - The provost and vice presidents have such authority and responsibilities, as the president shall determine with the advice and consent of the Board of Regents.

Schools and Departments - Schools and departments at all three University campuses are responsible for appropriateness of expenditures and for recording transactions correctly. For information on approving and authorizing expenditures, see Chapter 5 Authorizing and Reimbursement of Expenditures.

Division of Business and Finance - The Division of Business and Finance, headed by the Vice President for Business and Finance, plays a central role in assuring that the Regents meet their fiduciary responsibility to donors, government officials, employees, students, and the general public. Offices responsible for overseeing key financial functions are:

- **Office for Treasury Management** – The Office for Treasury Management is charged with the responsibility of providing active management and oversight of the collection and investment functions of the University’s financial assets. This office is responsible for all University cash management activities; receiving and depositing gifts and other receipts of the University; overseeing the collection of student accounts; and administration of the University’s student loan programs.

- **Controller’s Office** – The mission of the Controller’s Office is to deliver financial and accounting services to the University community. The Controller’s Office exercises fiduciary responsibility over funds entrusted to the University by maintaining systems of internal control and financial reporting. The office supports decision making by providing financial information and it is responsible for establishing a sound business environment so that funding sources can confidently provide resources to support Pacific’s academic mission. The Controller’s Office is responsible for overseeing general accounting functions, accounts payable, payroll, procurement, and sponsored programs accounting.

- **Office of Budget & Risk Management** – The mission of the Office of Budget and Risk Management is to provide budget oversight and control to ensure that budget limits for dollars and positions established by the Board of Regents are not exceeded. Further, this office is responsible for risk management, including maintenance of adequate casualty, property and loss insurance for the University.

Internal Audit – The Internal Audit Department exists to assist University management and the Board of Regents in the effective discharge of their responsibilities. The Internal Audit Department reports directly to the Finance Committee of the Board of Regents and administratively to the Vice President for Business and Finance. Internal Audit is responsible for examining and evaluating the adequacy and effectiveness of the systems of internal control and their related accounting, financial and operational policies; and procedures for financial and compliance monitoring and reporting. The Director of Internal Audit has authority to make specific reports directly to the Board of Regents and has independent access to
the Board of Regents. Internal Audit has direct access to all University books and records.

c. **Annual Audit** - To assure that the University's assets are protected and that transactions and events are recorded properly, an independent auditor selected by the Finance Committee of the Board of Regents audits the annual financial statements of the University on an annual basis.

II. UNIVERSITY FUNDS

a. **Basis of Accounting**

**Fund Accounting** - The accounts of the University are maintained in accordance with generally accepted accounting principles. Because the University's money is received from a variety of sources with different restrictions, it is tracked in individual funds and their related expenditure accounts. Each fund is a separate accounting entity with its own assets, liabilities and fund balance.

**Restrictions on Use of Funds** - Depending on their source, funds may be:

- Restricted by a source external to the University, such as a donor or a sponsoring agency.
- Designated for a specific purpose by action of the Board of Regents.
- Unrestricted, meaning they may be used for any institutional purpose.

**Chart of Accounts** – The University’s accounting system uses an alphanumeric coding in its chart of accounts. The Controller's Office and the departments and individuals authorized to spend funds in an account share responsibility for using the chart of accounts appropriately. The Controller's Office is responsible for maintaining the integrity of the chart of accounts and for assigning fund and expenditure account numbers. Schools and departments are responsible for requesting needed accounts and communicating any restrictions on use of funds so that the account may be set up correctly.

b. **Fund Groups** - The University combines funds with similar characteristics into fund groups for planning and reporting purposes.

**Current Funds** - Funds in the Current Funds Group are available for the current operation of the University, plus reserve balances for future expenditure. Sources of funds include:

- **Tuition and Fees** - The Board of Regents sets tuition and fee rates. The Bursar's Office collects tuition and fee payments from registered students each semester. Income from tuition and fees is unrestricted.
• **Contracts and Grants** – Funds provided by sponsors to reimburse direct costs of contracts and grants are restricted. The terms of the award and the applicable regulations determine how the money may be spent. To apply for a contract or grant, the principal investigator for the project submits a proposal through the Sponsored Programs Office to the sponsor. For more information on this process, contact the Sponsored Programs Office.

• **Gifts and Income from Previous Gifts** - The donor specifies the purpose of the gift and whether or not the principal may be spent. The principal of gifts that may not be spent becomes part of the University's endowment or student loan funds. Both the principle of expendable gifts and any income earned from endowment investment are restricted to the purpose of the gift. Institutional Advancement solicits and processes gifts to the University.

• **Reimbursement of Facilities and Administrative Costs (Indirect Costs)** - The University calculates and submits to the federal government a rate percentage that is charged each contract and grant to pay for those costs, such as utilities, building maintenance, and administrative support, that cannot easily be identified for each individual project. The cognizant agency for the federal government approves these rates. Indirect cost reimbursements are unrestricted funds.

• **Designated Unrestricted and Restricted Funds (both Sponsored and Non-sponsored) which do not otherwise cover facilities-related costs (e.g., through Indirect Cost Recovery)** contribute a percentage to unrestricted funds to offset the operations and maintenance and utilities costs borne by University unrestricted funds.

• **Auxiliary Activities** - Auxiliaries are self-contained financial entities. Their income is used to support their own operating expenses. Examples include bookstore operations, food service, housing, and athletics.

**Endowment Funds** - Funds in the Endowment Funds Group include:

• **True Endowment** - Gifts that are subject to the restriction that the principal be invested in perpetuity and that the income only be made available for spending.

• **Funds Functioning as Endowment (or Quasi-Endowment Funds)** - Expendable funds (both restricted and unrestricted) that are invested to function in a manner similar to endowment.

To protect the intrinsic value of the endowment against the expected impact of inflation, the Board of Regents sets a payout rate for endowment funds income that provides a prudent rate of real growth of endowment funds while also funding a relatively constant portion of the University's current funds expenditures. Income in excess of the payout rate is reinvested in endowment principal. If the payout rate exceeds the yield, then previously reinvested yield and/or accumulated realized gains might be transferred to current funds to make up the difference.
Student Loan Funds - Student Loan Funds are loaned to students as a portion of the financial aid package. As these loans are repaid, the principal and accumulated interest become available for new loans to students.

Note: Scholarships to students are expensed within the current funds group.

Plant Funds - Plant Funds are funds that have been received or designated for facilities, retirement of indebtedness and they also include all of the University's investments in long-lived capital assets and related liabilities.

Agency Funds - This fund group includes funds that are held for others, with the University acting as the custodian. For example, ASUOP and other student organizations and clubs are treated as agency funds.

III. ACTIVITIES/ACCOUNTS

a. Operating Budget Activities/Accounts

Purpose - Operating budget activities/accounts are the primary activities/accounts for the University's core academic programs and support services. Operating budget activities/accounts are used to record accounting transactions for these core activities.

Establishment - The Controller’s Office establishes and maintains activities/accounts funded from the University's operating budget. To request a new operating budget activity/account, a person who has signature authority on the group of activities/accounts to which the new activity/account will belong sends a memo to the Controller. In order to gain access to view and print budget information, a person having signature authority for an activity must contact the Controller in writing (e-mail acceptable) specifying the level of access needed (i.e., purchase requisition processing and/or budget transfers/reporting).

Fiscal Year End - At fiscal year end (June 30), all operating budget activities/accounts are returned to a zero balance.

Closing an Operating Budget Activity/Account - At any time during the year, a department may send a memo to the Controller's Office requesting that an operating budget activity/account be closed to expense. The activity/account will be closed as of the first of the month following receipt of the memo, unless otherwise stipulated.

b. Grant and Contract Activities/Accounts

Purpose – Sponsored programs include both grants and contracts – supported by outside agencies, donors, etc. A grant or contract fund and related expenditure activities/account(s) are used to record accounting transactions for a sponsored project. The Sponsored Programs Office sets forth criteria for determining if external
support for a project should be handled as a sponsored project. Note that external support that does not meet these criteria is handled as a gift.

**Source of Funds** - A grant or contract fund receives money from the agency sponsoring the research, instruction, or other sponsored activity at the University. Proposals for grants and contracts are processed through the Sponsored Programs Office.

**Establishment** - When a grant or contract has been awarded, the Sponsored Programs Accountant assigns a fund number, organization number, and index number for the project, establishes the fund and related expenditure account(s), and handles any subsequent accounting system maintenance during the life of the award.

**Ongoing Activity/Account Management** - The Principal Investigator (PI) is accountable for the accuracy, allowability, allocability, appropriateness and timely review of charges to a grant or contract activity/account (or a related cost sharing activity/account) and for ensuring that expenditures do not exceed the level authorized by the award.

**Approvals** - The terms of the award and governing cost principles may require approval from the agency for such actions as amending budgets, travel, or purchasing capital equipment. The Sponsored Programs Office processes approval requests.

**Review** - The principal investigator must review the activity/account each month. Monthly budget reports are available on-line or they may be printed for this review.

**Fiscal Year End** - Accounting records for grant and contract activities/accounts are closed for reporting purposes at fiscal year end. The entire budget and expenditures for the period of the award are carried forward to the new fiscal year expenditure statements can be seen on the Grant Inception to Date Report. However, the fund statement for the award will show only the net funding carried forward from the prior fiscal year, and any new funds received in the current year.

**Closing a Grant or Contract Activity/Account** -

- **Definition** – Close out is the administrative process whereby sponsors determine whether all technical and administrative requirements of the grant or contract have been completed. Projects are considered completed or "closed out" only after the sponsor receives and approves all technical, financial, invention and property reports as required by the terms and conditions of the award and notifies the University of its acceptance and signoff.

- **Principal Investigator's Responsibilities** - At the close of a grant or contract, the Principal Investigator is accountable for ensuring that the expenses recorded are complete, allowable, allocable, and without overdrafts.
• **Office of Sponsored Programs Responsibilities** – The Office of Sponsored Programs prepares the final financial reports.

c. **Cost Sharing Activities/Accounts**

**Purpose** - Cost sharing represents that portion of the total project costs of a sponsored agreement borne by the University, rather than the sponsor. Separate activities/accounts may be established to track committed cost sharing.

**Source of Funds** - The Principal Investigator must identify and provide resources to fund the cost-sharing account. Funds from other federal awards may not be used as the source of cost sharing except as authorized by statute. Funds generally come from unrestricted, gift, endowment income, or designated funds.

**Establishment** - The notice of award prepared by the Sponsored Programs Office and the signed award document indicate if the project involves cost sharing. The Sponsored Programs Office will not open the sponsored activity/account until the related cost-sharing activity/account is opened. When a cost-sharing activity/account is required, a person with signature authority over the fund from which the cost-sharing activity/account will be funded or guaranteed must approve the application of funds to the cost-sharing purpose.

**Ongoing Activity/Account Management** - Cost-sharing activities/accounts are subject to the same activity/account management procedures as described above for grant and contract activities/accounts.

**Fiscal Year End** - Cost-sharing activities/accounts must be fully funded at the end of the University's fiscal year. Cost-sharing budgets and expenditures carry over to the new fiscal year, as described above for grant and contract activities/accounts.

**Closing a Cost Sharing Activity/Account** - The cost-sharing activity/account is closed at the same time as the related grant or contract account, as described above.

d. **Gift Activities/Accounts**

**Purpose** - A gift activity/account is used to record the expenditures that execute the purpose of the gift.

**Source of Funds** - The source of money for a gift fund may be a single gift or multiple gifts that have a common purpose and any related income generated by the gift itself or its associated endowment.

**Establishment** - When a gift is received whose terms require the opening of a separate fund, the Central Records Department in Institutional Advancement sends the Controller’s Office a memo requesting a new fund, along with copies of donor correspondence regarding the restricted purpose of the gift. The Controller’s Office
assigns a fund number, organization number, index number, and program number, and establishes and maintains the fund and related expenditure activity/account. If the gift creates a new endowment fund, a related expendable endowment income fund is created to receive the endowment income.

**Fiscal Year End** - At fiscal year end the balance of the gift fund automatically carries over into the new year.

**Closing a Gift Activity/Account** -

- **Endowment** - Endowment gift funds and their related endowment income funds are very seldom closed. In the event that an expenditure activity/account funded by an endowment income fund needs to be closed, the department should contact the Controller’s Office.

- **Expendable Gift Activities/Accounts** - At any time during the year, departments may send a memo to the Controller’s Office requesting that an expenditure activity/account for an expendable gift fund be closed or made inactive. The memo should include the reason for closing or inactivating the activity/account. The activity/account will be closed/inactivated at the end of the month following receipt of the memorandum, unless otherwise stipulated.

e. **Designated Funds and Related Activities Accounts** -

**Purpose** - Designated funds contain unrestricted funds that the University (rather than a donor or sponsoring agency) segregates for a specific purpose.

**Source of Funds** - There are two sorts of designated funds:

- General funds that have been transferred to a department for a specific purpose, such as departmental research support.
- Income that has been generated by the department and designated for departmental use.

**Establishment** - To open a designated fund and related expenditure account, the department sends a memo to the Controller’s Office. Information needed in the memo to include the source of funds, a detailed description of the purpose of the expenditure account, and the reason why the money should not be added to an existing designated fund.

The Controller’s Office assigns a fund number, an organization number, an index number and a program number.

**Fiscal Year End** - At fiscal year end the balance of the designated fund automatically carries over into the new fiscal year.
Closing a Designated Fund Activity/Account - At any time during the year, the department may send a memo to the Controller requesting that designated fund be closed and made inactive.

The memo should include the reason for closing the activity/account. The activity/account will be inactivated as of the first of the month in which the memo is received, unless otherwise stipulated.

f. Capital Asset Activities/Accounts

Purpose - Capital Asset activities/accounts capture expenditures related to facilities projects. They allow the University to categorize expenditures as capital assets or expenses and to collect expenditures in a way that facilitates financial reporting.

Source of Funds - Multiple sources of funding may support a specific capital expenditure activity/account. Examples are gifts, departmental funds, University unrestricted funds, University facilities reserves, and debt.

Establishment - A department planning a facilities construction or renovation project works with the Physical Plant, Vice President for Business and Finance, and/or the Facilities Committee depending upon scope to develop plans. When the project is approved, the Controller’s Office is informed so that the proper account(s) may be established.

Fiscal Year End - At fiscal year end the entire budget and expenditures for the project are carried forward to the new fiscal year expenditure statements. Expenditures must be fully funded.

Closing a Capital Asset Activity/Account - The project manager informs the Controller’s Office that a project has been completed. The Accounting Department reconciles outstanding commitments, returns any unexpended funds to their original source, and informs the Controller that the account may be closed.

g. Student Aid Activities/Accounts - A student aid activity/account is a special kind of activity/account used to record departmental expenditures for student aid from current funds. Student aid activities/accounts are set up and managed in the same way as Operating Budget, gift, or designated activities/accounts, depending on the source of funds. Note: Salaries to student employees and graduate research and teaching assistant tuition allowance are not student aid.
h. Auxiliary Activities/Accounts -

**Purpose** - Auxiliary enterprises are self-supporting entities that support the University's teaching and research mission. They service principally faculty, students, staff and the Pacific community. Major University auxiliaries include Housing and Residential Life, dining services, the bookstores, and Athletics Department.

**Source of Funds** - The source of funds for auxiliary activities/accounts is the income generated by the auxiliary activity. The amount budgeted for the fiscal year is based on a forecast of expected income and expenses for the year.

**Establishment** - To establish a new auxiliary account, the department sends a written request (e-mail acceptable) to the Controller’s Office stating:

- Department name
- Suggested activity/account title
- A detailed description of the purpose of the account
- Name of person responsible for reconciling and monitoring the activity/account
- Name of person(s) with signature authority

**Activity/Account Management** - Auxiliaries are managed similar to a business enterprise. In addition to income and expense activities, they may have assets, liabilities, and reserve (fund) activities/accounts.

**Fiscal Year End** - Any surplus or deficit is transferred at year-end to the general University's reserves.

**Closing an Auxiliary Activity/Account** - At any time during the year, the auxiliary may send a memo to the Controller requesting that an expenditure activity/account for the auxiliary be closed or made inactive. The memo should include the reason for closing/inactivating the account. The activity/account will be closed/inactivated as of the first of the month in which the memo is received, unless otherwise stipulated.

i. Service Center Activities/Accounts

**Purpose** - A service center is an organizational unit of the University that provides a specific service, group of services, or products to users principally within the University. Large service centers include the Physical Plant.

**Source of Funds** - The costs of service center services or products are charged directly to all users based on the actual level of activity using a nondiscriminatory rate schedule. Departments request services by completing an Interdepartmental Request form and forwarding the completed form to the service center. The servicing department (i.e., duplicating, physical plant) recovers costs for services provided by
preparing journal entries against the authorizing department’s budget. All charges will appear on department budget detail reports.

j. Agency Accounts

**Purpose** – Agency accounts are established for affiliated organizations such as student clubs, resident hall social funds, and ASUOP funds. These funds do not belong to the University – the University merely holds these funds in a fiduciary capacity for the club or organization.

**Source** – Source of funding for these types of accounts are ASUOP funds and, to a lesser degree, membership dues.

**Establishment** – A written request must be submitted to the Controller’s Office to establish an agency account. This request must include the source of funds, a detailed description of the purpose of the account, and persons authorized to approve expenditures/transfers on behalf of the account.

The Controller’s Office assigns a fund number, an organization number, and an index number.

**Closing an Agency Account** - At any time during the year, the agency may send a memo to the Controller requesting that an agency account be closed or made inactive. The memo should include the reason for closing/inactivating the account. The account will be closed/inactivated as of the first of the month in which the memo is received, unless otherwise stipulated.

IV. FINANCIAL REPORTS

a. **Purpose of Financial Reports** – The University has two major purposes for gathering and reporting financial information:

- To carry out its legal and fiduciary responsibilities.
- To assist schools, departments and administrative offices with managing the funds entrusted to them.

b. **Sources of Financial Information** - The Controller's Office maintains the records for funds and activities/accounts used by schools, departments, and other University activities. Each transaction is recorded in the accounting system by activity/account, dollar amount, and general ledger classification. The daily transactions of funds and expenditures are accumulated for each activity/account. This accumulated information is updated as transactions are posted. It is available online and is used to prepare monthly and annual financial reports.

c. **Reports** - Reports may be viewed online or produced in hard copy from the University's Banner system. Authorized access is required to view and/or print
financial information. To obtain read authority to view and/or print information from the University’s Banner finance system, the individual having approval authority for the account must submit a written request to the Controller. This request should include the level of access needed and individual(s) required to have access. Please contact the Controller’s Office for further information.

d. **Expenditure Information** - The following printed reports and inquiry screens are available to the department responsible for the activity/account or group of activities/accounts:

- **Monthly Organizational Budget Status Report (FGIBDST)** – This report is a detailed on-line report of expenditures charged against the activity/account during the preceding month. This report also shows the amount of funds encumbered against the activity/account. Encumbered funds generally represent outstanding purchase orders.

- **Monthly Program Detail Activity Report (FGZBDAT)** – This report is a printed report of expenditures charged against an activity/account during the preceding month. This report also indicates the amount of funds encumbered against the activity/account and remaining budget allotment available.

- **Budget Status with Activity (FGZBDSC)** – This report displays adjusted budget, current and year to date activity, budget reservations, and available balance for each account sorted by fund for each organization.

- **Document History (FOIDOCH)** – Departments may also view budget and expenditures on-line. Should a department wish to check the status of requisitions, purchase orders, or invoices; they may use the Document History (or FOIDOCH) inquiry form of the Banner system. This screen will display the underlying detail transactions observed in the budget status report.

- **Invoice Inquiry Form (FAIINVE)** – This on-line inquiry form allows departments to view detailed invoice information on a query basis. It may be accessed directly or via the FOIDOCH screen.

- **Purchase Order and Requisition Inquiry Form (FPIPURR and FPIREQN)** – These inquiry forms are available for departments to view detailed information related to requisitions and purchase orders. These screens may be accessed directly or through the FOIDOCH screen.

- **Document Retrieval Inquiry Form (FGIDOCR)** – This form may be utilized to view detailed information on-line related to journal entries or other transactions posted to individual budgets.

e. **Annual Reports** - At fiscal year end, the Controller's Office closes the accounting records for the year and prepares reports on the year's financial activity. To assure that the University's assets are protected and that transactions and events are recorded properly, an independent auditor selected by the Regents’ Finance Committee audits the annual financial statements in accordance with generally accepted auditing standards to provide reasonable assurance that the financial statements are not materially misleading or contain material errors.
V. RETENTION OF FINANCIAL RECORDS

a. Purpose - Retaining records serves two purposes. In the short term, it provides those responsible for the management of accounts with the means to monitor transactions and resolve problems. In the long term, it enables the University to comply with Internal Revenue Service regulations and other federal, state and local regulations governing auditability and retention of records.

b. Responsibility - The office that receives the original document is responsible for retaining it. In most cases, a central administrative office (such as Payroll or Accounting) is responsible for retention. An exception is monthly grant and contract time and effort reports signed by the principal investigator; copies of these reports must be retained by the principal investigator’s school or department with the original filed in the Sponsored Programs Office.

c. Retention Times - Financial records are retained for a period of three years after the external audit is completed.

Legal and Audit Requirements - When requirements for long-term retention of records overlap, the responsible office should retain records for the maximum period needed to meet legal and audit requirements. General rules are:

<table>
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<th>Record</th>
<th>Retention Period</th>
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<tr>
<td>Direct Charges to Contracts/Grants</td>
<td>Three years following submission of the final expenditure report, except when there is an audit or litigation in process.</td>
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<tr>
<td>Accounts Included in Indirect Cost Rate</td>
<td>Three years following acceptance by the Federal Government</td>
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<tr>
<td>University Business Transaction Records</td>
<td>Three years after audit completion</td>
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<td>Employee Payroll Information</td>
<td>Seven years from retirement or termination</td>
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Management Information - When a central office has retention responsibility, the department initiating a transaction may discard copies of documentation supporting the transaction when it is no longer needed for management purposes; for example, when the transaction is complete and the expenditure statement containing the transaction has been reviewed. Departments may, at their discretion, keep copies of documents for longer periods.

d. Disposal of Old Documents - To safeguard the privacy of individuals; documents that contain salary information, social security numbers, and/or taxpayer identification numbers must be shredded. Departments may do this internally or they may arrange for service from a business record destruction vendor.
VI. COST POLICY

a. General - The University receives funding from the federal government and other agencies. Most of this funding comes in the form of direct support for sponsored projects, but a portion also comes in the form of reimbursement for indirect costs. Pacific tracks whether University activities are allowable for reimbursement through the activity/account number to which transactions are charged, and tracks allowable and unallowable cost objects through the General Ledger code used to record transactions.

b. Definitions –

Direct Costs are expenses that are specifically associated with a particular sponsored project or other direct cost objective, such as Auxiliary Activities or Instruction, or expenses that can be directly assigned to such activities relatively easily with a high degree of accuracy.

Indirect Costs are expenses that cannot be identified specifically with a particular project or activity. They are expenses that benefit more than one activity. For a more in-depth discussion regarding indirect costs, please see Chapter 11, Section VII.

c. General Rules - Rules for allow ability are covered in the government document OMB Circular A-21 and federal regulations. In many cases the issue of whether a particular cost is allowable is a complex one. When in doubt, consult the Sponsored Programs Accountant. All unallowable activities and objects (line items) must be coded as such. In general, expenses are chargeable to the federal government only if they are:

- Reasonable - A prudent person would have purchased this item and paid this price.
- Allocable - Expenses can be allocated to the government activity based on benefit derived, cause and effect, or other equitable relationship.
- Consistently Treated - Like expenses must be treated the same in like circumstances.
- Allowable - Allowable or not unallowable as specified by government regulations.

If an expense does meet the above criteria, it is not eligible to be charged to a federal grant or contract no matter what its purpose.

Note: Agencies that sponsor grants and contracts use the term allowable to mean permitted as a direct cost under the terms of a specific grant or contract. Expenses, which are generally allowable for federal reimbursement, may not necessarily be permitted under the terms of a specific grant or contract.
c. **Unallowable Costs** - Expenses, which are unallowable for federal reimbursement, may still be reasonable and necessary business expenses permitted by the University, as outlined in the University Business Policies and Procedures Manual. Departments may incur these expenses, but they must be coded as unallowable so they can be readily identified and excluded from the indirect cost calculation. Please contact the Sponsored Programs Office for more information regarding specifically unallowable activities and costs.
CHAPTER 2
THE REVENUE PROCESS

PREFACE

This chapter provides guidance on cash receipting and general deposit procedures. The policies in this chapter seek to ensure that revenue collected by the University is deposited in the University’s accounts intact and in a timely manner. Further, this chapter provides guidance on collection and management of accounts receivable. Section headings are:

GENERAL DEPOSIT PROCEDURES
RECEIPT CLASSIFICATIONS AND PROCEDURES FOR HANDLING
MONITORING ACCOUNTS RECEIVABLE
COLLECTION OF ACCOUNTS RECEIVABLE

I. GENERAL DEPOSIT PROCEDURES

These procedures should be used for depositing all cash, checks, and money orders drawn on U.S. banks. Due to excessive collection charges, the University will not accept checks drawn upon foreign banks.

a. Receipting – Departments receiving cash and checks should ensure that all receipts are secured during the day. This may be accomplished using a locked cash drawer and/or safe. All incoming checks should be endorsed immediately upon receipt. The endorsement should state “For Deposit Only to University of the Pacific.” The Bursar’s Office may be contacted to obtain an endorsement stamp.

b. Deposit Procedures – Deposits must be made to the University’s cashiers promptly. Promptly is generally defined to mean on the same business day. For those departments receiving less than $500 on a weekly basis, deposits may be made each Friday. Under no circumstances should departments hold funds over a weekend.

c. Preparing a Cash Deposit – Two forms are to be used when preparing a cash deposit: the Cash Deposit Form and the Deposit Transmittal Form. Both are available in the Cashier’s Office. Coins should be rolled by denomination where possible and currency should be wrapped by denomination. Departments should submit a check register listing checks by name and amount with the deposit. All charge slips should be batched by type (i.e., Visa/Master Card, Discover, American Express) and date with a summary attached. This summary may be either an adding machine tape, an Excel spreadsheet, etc. These must be submitted to the Finance Center on at least a weekly basis. Departments having questions on batching cash deposits may contact the Accounting Department.

d. Gifts – All gifts to the University must be processed through the Central Records Office for proper receipting and acknowledgement. Please see Chapter 3 for more information on gifts.
The following table lists possible reasons for a department to receive a check or cash and indicates the section in this chapter that explains how to handle each kind of transaction.

<table>
<thead>
<tr>
<th>Description of Transaction</th>
<th>Section</th>
</tr>
</thead>
<tbody>
<tr>
<td>Application Fees</td>
<td>Income</td>
</tr>
<tr>
<td>Box office receipts</td>
<td>Income</td>
</tr>
<tr>
<td>Canceled order/fee</td>
<td>Reimbursement</td>
</tr>
<tr>
<td>Contract payment</td>
<td>Sponsored Programs</td>
</tr>
<tr>
<td>Course fee</td>
<td>Income</td>
</tr>
<tr>
<td>Damages</td>
<td>Reimbursement</td>
</tr>
<tr>
<td>Equipment or facility use fee</td>
<td>Income</td>
</tr>
<tr>
<td>Gifts</td>
<td>Gifts</td>
</tr>
<tr>
<td>Grant payment</td>
<td>Sponsored Programs</td>
</tr>
<tr>
<td>Lab fees</td>
<td>Income</td>
</tr>
<tr>
<td>Overpayment</td>
<td>Reimbursement</td>
</tr>
<tr>
<td>Payroll overpayment</td>
<td>Other checks</td>
</tr>
<tr>
<td>Personal Telephone calls</td>
<td>Reimbursement</td>
</tr>
<tr>
<td>Personal postage</td>
<td>Reimbursement</td>
</tr>
<tr>
<td>Receivable</td>
<td>Income</td>
</tr>
<tr>
<td>Rental Fees</td>
<td>Income</td>
</tr>
<tr>
<td>Sales</td>
<td>Income</td>
</tr>
<tr>
<td>Service by Dept. to non-University party</td>
<td>Income</td>
</tr>
<tr>
<td>Supplies for personal use</td>
<td>Reimbursement</td>
</tr>
<tr>
<td>Surplus property sales</td>
<td>Income</td>
</tr>
<tr>
<td>Tickets for athletic event or other performance</td>
<td>Income</td>
</tr>
<tr>
<td>Travel advance or adjustment</td>
<td>Reimbursement</td>
</tr>
<tr>
<td>Transcript Fees</td>
<td>Income</td>
</tr>
</tbody>
</table>

II. RECEIPT CLASSIFICATIONS AND PROCEDURES FOR HANDLING

a. Income

**Overview** - Departments generate income by producing a product or providing a service for which a fee is charged. If departments are generating any kind of income, even on a break-even or partial recovery basis, those receipts should be deposited in an appropriate index and account. In many instances these funds are deposited in a designated fund established specifically for the department. For assistance in establishing a designated fund, contact the Controller's Office.

**Procedure for Handling Income** - If a check is received for the following types of items it may be considered income:

- Sale of items produced by department, e.g., publications, class notes, syllabi, photocopies, audio or video tapes, software.
- Special fees charged to students, e.g., lab fees, course fees, placement fees, etc.
- Public events for which a fee is charged
- Fees for use of specialized dept. services (e.g., consulting) or equipment
- Box office receipts (drama or music dept.)
- Fees for workshops, symposia and conferences

On the Deposit Transmittal Form, credit the appropriate index and account code.
Use of Department Income - Departmental income funds are unrestricted to the department and can be budgeted for use on associated expenses, used to support the department's operating budget, or transferred to other designated funds to support another activity.

Sales Tax - Many income transactions require the payment of state sales and use taxes, which must be paid even if the department fails to collect them. For more information related to Sales and Use Tax, contact the accounting department.

Relation to University Mission - All income producing activities should be related to the University’s mission, unless the Provost or Vice President for Business and Finance has specifically granted permission for a department to engage in an unrelated business activity.

Additional Information - Never record income directly to an operating budget account. These accounts only accept expense transactions.

One University department should never request that a check be issued to another University department. Movements of cash between departments are handled through accounting transactions that do not require checks: transfers, transfers of expense or interdepartmental requests.

b. Gifts

Overview - Gifts may only be recorded by the Central Records Department in the Institutional Advancement Division. Detailed information on gift processing may be obtained through the Central Records Department.

Note: If gifts are recorded any other way (such as reimbursement of expense), the donor does not receive credit on the University’s books for the donation, and the records for departmental support and expenses are inaccurate.

Procedure for Handling Gifts - On the day the gift is received, the cash/check should be delivered to Central Records along with any donor correspondence, the envelope from the donor, and a brief memo from the department with the appropriate gift account.

Specific Expenses - A check should be considered a gift when it is from an outside entity to enable the department to support an activity, and that entity receives nothing other than an acknowledgment in return; that is, the University provides no goods or services to the entity. The fact that the donor chooses to support a specific expense, or is billed for an exact amount after the fact, does not make the support any less a donation than if a check is sent up front.
Institutional Allowances - Occasionally departments will receive a check from either a government or a non-government granting agency for what is known as an "institutional allowance," that is, an allowance to the University or department (or both) that is intended to compensate some of the administrative expenses involved with a grant.

Procedure for Handling Institutional Allowances - For government institutional allowances, see "Sponsored Agreements" in this document. Nongovernmental institutional allowances are considered gifts.

What NOT To Do – Do not record a gift as a credit to expense. This understates both the amount of the actual expense and the amount of total gifts to the University.

Important - The Internal Revenue Service has developed complex guidelines on the tax law obligations of charities with respect to donors of noncash property and donors who receive something in exchange for their contribution. Whenever a fund-raising activity is designed to solicit payments that are partially a gift and partially the purchase of admission to an event or other benefit to the donor, separate amounts must be clearly stated in the solicitation and on any ticket or evidence of payment furnished to the donor. The department for a period of five years must keep copies of solicitation material. A separate fund should be set up to account for the gross receipts and expenses of the fund-raising activity.

Tax forms associated with noncash gifts (e.g., IRS Form 8283) should be directed to the Central Records Office. To help our donors as taxpayers to comply with the income tax laws and to avoid possible embarrassment to them and to the University, any proposed fund-raising activities should be cleared with the Institutional Advancement Division.

c. Reimbursement of Expense

Overview - Cash receipts should only very rarely be recorded as a credit to expense. When it is appropriate, the line item account number and index that were originally charged must receive the credit. Appropriate credits to expense include overpayments, refunds and rebates. Reimbursements of personal expenses are allowed when a personal expense, such as a phone call, has been charged to a University account inappropriately. Credits may not be issued to a line item account number or index code that did not incur the cost.

Procedure for Handling Expense Reimbursements - If the check or cash received for:

- An overpayment, rebate, or refund on a previously paid expense;
- A third party reimbursement of travel expenses charged to a University account;
- Reimbursement for personal use of University telephones, postal services, or supplies (see next section for policies); or
• Repair of damaged property charged to an individual or group.

It is considered a reimbursement of an expense. On the Deposit Transmittal Form, indicate the index code, line item account number, and activity code that incurred the expense.

**Personal Expenses** - Reimbursement of personal expenses should be very limited. Neither students nor employees should be using University phones, postal services, supplies, etc., for their personal use on a regular basis. The amount received should be for the actual expense incurred.

**Damages** - Repair expenses for damaged property charged to an individual or group are reimbursed to the index that originally incurred the expense for the damaged item.

**Refunds** - Refunds are received on a previously paid expense such as: canceled orders, conference fees paid by Pacific that are refunded when the conference is not attended, overpayment of an expense, etc.

**Third Party Reimbursement of Travel Expenses** - A third party may reimburse University faculty, staff, or students for travel expenses that were originally paid by the University. The reimbursement should be credited to the index, account, and activity to which the original expense was charged. A gift that is restricted to travel expenses is not considered reimbursement of expense. Please consult Chapter 9 regarding the University’s travel and entertainment policies.

d. **Other Checks**

**Overview** – The table below explains what to do with checks for purposes other than departmental income, gift, or expense reimbursement.

**Procedure Checklist** - The following table describes procedures for some frequently received checks.
<table>
<thead>
<tr>
<th>Check Type</th>
<th>Send To</th>
<th>With Accompanying…</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payroll overpayments</td>
<td>Payroll</td>
<td>Written explanation, employee’s name, social security number, and account number to be credited</td>
</tr>
<tr>
<td>Benefit payments</td>
<td>Human Resources</td>
<td>Documentation (to include insured’s name and Social Security Number)</td>
</tr>
<tr>
<td>Student Aid overpayment</td>
<td>Student Accounts Receivable section of Bursar’s Office</td>
<td>Written explanation, student’s name and account number to be credited.</td>
</tr>
<tr>
<td>Travel adjustment other than third party reimbursement</td>
<td>Accounting Department</td>
<td>Completed Expense Report.</td>
</tr>
</tbody>
</table>

**Non-University Programs** - Departments may sometimes agree to administer a non-University program that is sponsored by an outside entity on campus, such as a conference (including meetings, workshops, symposia, etc.) or a professional journal. The department must furnish a University account number to incur expenses on campus for non-University programs, just as an account number must be provided to record any other expense. Expenses for non-University programs might include such things as housing and food service, telephones, postal services, etc.

Operating budgets, designated funds, and restricted funds should not be used for this purpose. The correct type of account for non-University program expenses is an agency account. Departments may require the outside entity to pay at least a portion of the projected expense in advance. Departments should submit this information in writing along with supporting documentation to the Accounting Department. The Accounting Department will then invoice the outside entity. The outside entity will be instructed to remit payment directly to the Accounting Department. If payments are received by the department in error, the department should hand deliver the payment to the Accounting Department to be credited to the account.

e. **Sponsored Agreements**

**Overview** - Cash receipts involving sponsored agreements require particular care and are usually handled by the Sponsored Programs Accountant.

**Grant or Contract Payment** - Normally checks for payments on grants and contracts are sent to the Sponsored Programs Office. Occasionally checks are sent directly to a department in error. When this happens, the department should send the check to the Sponsored Programs Accountant to ensure that the appropriate accounting entries are made. This becomes particularly important during year end and grant closeout.
**Institutional Allowances** - Occasionally departments will receive a check from either a government or a non-government agency for what is known as an "institutional allowance." This is an allowance to the University or department (or both) that is intended to compensate for some of the administrative expenses involved with a grant.

**Procedure for Handling Institutional Allowances**

- Non-government institutional allowances are considered gifts (see "Gifts" in this chapter above).
- A Government institutional allowance received as a separate check is recorded in the appropriate designated or restricted fund. Send the check with a Deposit Transmittal Form to the Cashier's Office. Allowances received as part of a grant should be transferred to the Sponsored Programs Accountant for processing.

**Program Income** - Program income is occasionally received on a grant or contract. Examples are service fees, sales of commodities, usage or rental fees, or fees from participants at a conference or symposium. By their very nature, grants and contracts usually do not produce income. Program income on government grants or contracts is extremely rare. Before the University can accept program income, prior approval must be obtained from the agency. Contact the Sponsored Programs Accountant for procedures.

**III. MONITORING OF ACCOUNTS RECEIVABLE**

*a. General* – It is the responsibility of each campus to monitor outstanding accounts receivable to ensure that the University collects outstanding accounts in a timely manner and that collections are deposited promptly with the University’s cashiers. The individuals responsible and their areas of responsibility are outlined below.

*b. Responsibilities* –

- **University Controller** – Monitor outstanding accounts receivable for all three campuses and calculate allowance for doubtful accounts University-wide.
- **Senior Accountant, Stockton** – Responsible for billing all miscellaneous accounts receivable for Stockton Campus and monitoring collection efforts thereon.
- **Bursar, Stockton** – Responsible for billing and collection efforts for all Stockton campus student accounts and for administration of the University’s loan program and collections thereon.
- **Associate Dean, Business and Financial Services, School of Dentistry** – Responsible for overseeing billing and collection efforts of School of Dentistry student accounts, miscellaneous receivables, and various clinic receivables.
- **Chief, Office of Administration, McGeorge School of Law** – Responsible for overseeing billing and collection efforts of McGeorge student accounts and miscellaneous receivables.
• **Sponsored Programs Accountant** – Responsible for billing, status and collection of all grant and other sponsored programs receivables.

IV. **COLLECTIONS OF ACCOUNTS RECEIVABLE**

*a. General* – The University seeks to receive payment for all tuition and fee related amounts prior to the beginning of the semester. Students should make financial arrangements with the business offices of their respective campuses to ensure that a suitable payment plan is negotiated and/or other suitable financial arrangements are made prior to the beginning of class. Students are permitted, in most cases, to charge expenses for books and supplies, room and board to their student accounts. It is imperative that student accounts be monitored, to ensure that accounts are kept current.

The University also receives income from miscellaneous sources, including clinic revenues, outside agency contracts, and grants. Miscellaneous receivables shall be monitored and collected in a timely manner.

Unless otherwise noted, accounts receivable includes student accounts, miscellaneous receivables, and loans receivable.

*b. Collection Policies* – Individuals having responsibility for monitoring accounts receivable should do so on a monthly basis. A detailed aging schedule facilitates this review. General guidelines for actions are presented in the table below. Please note that procedures for student accounts apply to students who have graduated or withdrawn from the University. See procedures above for currently enrolled students.

<table>
<thead>
<tr>
<th>Type</th>
<th>Days Past Due</th>
<th>Action</th>
<th>Party Responsible</th>
</tr>
</thead>
<tbody>
<tr>
<td>Student Accounts</td>
<td>Thirty</td>
<td>Reminder letters and/or telephone calls to student. Do not release transcript/degree until resolved.</td>
<td>Bursar</td>
</tr>
<tr>
<td>Student Accounts</td>
<td>Sixty</td>
<td>Reminder letter and/or telephone calls. Do not release transcript/degree until resolved.</td>
<td>Bursar</td>
</tr>
<tr>
<td>Student Accounts</td>
<td>Ninety</td>
<td>Collection letter and/or telephone call to student. Do not release transcript/degree until suitable payment arrangements are made.</td>
<td>Bursar</td>
</tr>
<tr>
<td>Type</td>
<td>Days Past Due</td>
<td>Action</td>
<td>Party Responsible</td>
</tr>
<tr>
<td>---------------------</td>
<td>---------------</td>
<td>------------------------------------------------------------------------</td>
<td>--------------------------------------------</td>
</tr>
<tr>
<td>Clinic Receivables</td>
<td>Thirty</td>
<td>Inform patient of past due status if patient is currently undergoing treatment. Complete only those procedures currently in process. Do not begin new procedures until account is brought current or appropriate arrangements made.</td>
<td>Clinic Manager</td>
</tr>
<tr>
<td>Clinic Receivables</td>
<td>Sixty</td>
<td>Letter(s) requesting payment are sent to patient. Dental procedures in process completed, new procedures are not started.</td>
<td>Clinic Manager</td>
</tr>
<tr>
<td>Clinic Receivables</td>
<td>Ninety</td>
<td>Collection letter sent to patient. No treatment programs initiated.</td>
<td>Clinic Manager</td>
</tr>
<tr>
<td>Miscellaneous Receivables</td>
<td>Thirty</td>
<td>Reminder letter and/or telephone call to entity/agency.</td>
<td>Business Offices at respective campuses</td>
</tr>
<tr>
<td>Miscellaneous Receivables</td>
<td>Sixty</td>
<td>Reminder letter and/or telephone call.</td>
<td>Business Office of respective campus</td>
</tr>
<tr>
<td>Miscellaneous Receivables</td>
<td>Ninety</td>
<td>Reminder letter and/or telephone call.</td>
<td>Business Office of Respective Campus</td>
</tr>
<tr>
<td>Student Accounts</td>
<td>One Hundred Twenty</td>
<td>Send student final demand for payment letter advising that account will be converted to loan. Have student execute promissory note. If note not executed, turn over for collection.</td>
<td>Bursar</td>
</tr>
<tr>
<td>Clinic Receivables</td>
<td>One Hundred Twenty</td>
<td>Send final demand for payment letter. Advise patient account will be turned over for collection. Submit to collection agent within five business days.</td>
<td>Clinic Manager, School of Dentistry</td>
</tr>
<tr>
<td>Miscellaneous Receivables</td>
<td>One Hundred Twenty</td>
<td>Send final demand for payment letter. Advise debtor that account will be turned over for collection.</td>
<td>Business Office, respective campus</td>
</tr>
</tbody>
</table>

Once an account exceeds 120 days, it should be turned over to a collection agency and removed from the University’s financial records. If payment is received on an account that has been turned over to collections it must be remitted to the University’s collection agency.

c. **Allowance for Doubtful Accounts** – The University Controller is responsible for reviewing the aging of outstanding receivables at year-end and establishing the appropriate allowances for noncollectible accounts. This process represents an
accounting estimate for financial statement reporting and purposes and will be done in consultation with the responsible individuals at each campus.

d. **Forgiving Debt** – The University may, at its discretion forgive debts incurred against the University. For a debt to be forgiven, written approval based upon the thresholds outlined below must be obtained. The amount will be written off as a bad debt expense to be charged to the campus requesting the write-off. This option is not available for accounts that have been turned over for collection.

<table>
<thead>
<tr>
<th>Amount of Debt to be Forgiven</th>
<th>Approval Level Required</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to $2,500</td>
<td>University Bursar</td>
</tr>
<tr>
<td>$2,501 - $15,000</td>
<td>Associate Vice President for Business and Finance</td>
</tr>
<tr>
<td>&gt; $15,000</td>
<td>Vice President for Business and Finance</td>
</tr>
</tbody>
</table>
CHAPTER 3

GIFT ACCOUNTING

PREFACE

The University of the Pacific relies upon gifts from alumni, parents of students, friends, corporations, and foundations to meet a substantial portion of its operating costs. This chapter outlines policies on the accounting methodologies for gifts and procedures for establishing funds. It provides general information regarding the various types of gifts accepted by the University and general procedures for handling these gifts. Lastly, this chapter discusses the recording and processing of equipment donations. Section headings are:

    DEFINITION
    GENERAL INFORMATION
    RESPONSIBILITIES
    AFFILIATED ORGANIZATIONS
    GIFT PROCUREMENT POLICIES
    TAX CONSIDERATIONS
    RECEIVING AND PROCESSING PROCEDURES
    YEAR-END GIFTS
    DONATED EQUIPMENT

I. DEFINITION

A gift is any item of value given to the University by a donor who expects nothing of value in return, other than recognition (for example, listed on an honor roll or naming a building, fund, professorship, etc. in the donor's honor).

a. "Quid Pro Quo" Situations - If the University has given something of value in return for a gift (i.e., tickets), the donor's tax deduction is reduced by the fair market value of the benefit received. There are certain regulatory guidelines for reporting the value of contributions received in quid pro quo situations where the contribution exceeds $75. The Internal Revenue Service requires colleges and universities to provide donors with a written statement that (1) informs the donor that the tax deductible amount of the contribution is limited to the excess of the amount contributed by the donor over the value of the goods or services provided by the university; and, (2) provides the donor with a good-faith estimate of the value of the goods or services furnished to the donor by the university. Failure to comply with these federal guidelines may result in penalties to the University. Therefore, any quid pro quo gifts or gift solicitations must be reported to and cleared with the Central Records Office.
b. Non-Gifts

- **Sponsored Projects** - Consult the Sponsored Programs Office for information regarding the distinction between gifts and sponsored projects.

- **Income** - Payment received for goods or services must be handled as income. For more information, please refer to Chapter 2.

II. GENERAL INFORMATION

a. **Designation of Gifts to Pacific** - All gifts, regardless of value, form, or designated use, should be made payable to, or title should be transferred in the name of The University of the Pacific. However, donors of securities can facilitate Pacific’s gift processing effort by not re-registering the securities or by signing the stock certificates before giving them to the University. It is preferable for the donor, following consultation with University personnel, to transfer securities electronically from his/her personal brokerage account to an appropriate University account and provide a letter of instruction to the University regarding the application of the proceeds of the securities.

b. **Recording of Gifts** - All gifts of cash, securities, real estate, and capital equipment are recorded at market value as of the date of the gift by the Central Records Office. Gifts of tangible personal property other than capital equipment are not recorded unless sold. In the event gifts of tangible personal property are sold, the sales proceeds will be recorded as the gift amount. Gifts-in-kind such as airline tickets or other assets that qualify as nonreciprocal transfers will be recorded both as contributed resources and operating expenses.

c. **Information About Gifts** - Questions about methods of giving, assignment, acknowledgment, recording, restrictions on, or purpose of a gift should be directed to the Institutional Advancement Division.

III. RESPONSIBILITIES

a. **Board of Regents** - The Board of Regents has responsibility for ensuring that gifts are properly accepted (or refused), processed, acknowledged, and used according to their terms and restrictions and in accordance with applicable local, state, and federal laws.

b. **University President** - The President has ultimate administrative responsibility for determining the use of both unrestricted and restricted gifts, setting priorities for gift fund raising, and reviewing and setting policies concerning gifts, in consultation with the Board of Trustees.

c. **Vice President for Institutional Advancement** - The Vice President for Institutional Advancement is responsible for managing the University's gift procurement and
processing operations, for coordinating the fund raising operations of various Schools, and for implementing policies set by the Board of Regents, the Provost, and the President.

d. **Gift Acceptance Committee** – The University’s Gift Acceptance Committee, staffed by individuals drawn from the Business and Finance Division, Development Office and the Office of the Provost will review all potential gifts where any issues relating to restrictions, terms, or valuations of a proposed gift may rise. The Committee has the responsibility for reviewing such restrictions, terms or valuation questions and advising the President on the acceptance of said gift. The President then recommends action to the Board of Regents.

IV. **AFFILIATED ORGANIZATIONS**

Certain groups affiliated with Pacific that raise funds for University Purposes might derive tax-deductible status for donors' contributions if gifts are made to and processed through the University. Such groups are encouraged to contact and consult with the Institutional Advancement Division prior to conducting any fund raising effort or event to ensure compliance with local, state, and federal laws as well as with University policy.

V. **GIFT PROCUREMENT POLICIES**

a. **Gift Classification and Methods of Giving** – Any asset of value may be gifted to the University. A variety of methods of giving to the University allows donors to choose the one most appropriate for their circumstances and interests.

**Gifts of cash and checks** – The most frequent method used to make a gift to the University is a personal check. Checks should be made payable to the University of the Pacific. For gifts made in person, the date the gift is presented to the University is the gift date. For gifts mailed to the University, the postmark date on the envelope is the gift date used.

**Noncash Gifts** - Besides cash and checks, the University receives noncash gifts described below. Donors should be aware that tax laws distinguish between certain types of gifts for purposes of determining their charitable contribution deduction.

**Marketable property** - Gifts that are readily sold such as securities (e.g., stocks and bonds), real estate, and salable personal property. The value of publicly traded securities will be the mean of the highest and lowest selling prices quoted for the stock on the day of the gift. Donors may give shares of closely held corporate securities to the University in the same manner as other types of marketable property. However, because closely held securities are not publicly traded, these securities present special concerns and valuation issues. The Gift Acceptance Committee and legal counsel may accept gifts of closely held securities only after review. Gifts of real estate may be accepted by the University pending review by the Gift Acceptance Committee.
Committee and acceptance by the Board of Regents. Gifts are recorded at their fair market value as determined by a qualified appraisal conducted in accordance with Internal Revenue Service standards.

**Gifts in kind** – These types of gifts include assets to be used in the form in which they are given, such as art objects, books, equipment, etc. The University’s capitalization level is generally $5,000. Therefore, gifts meeting this threshold that can be used or sold are recorded at fair market value on the date of the gift. An exception exists for donations of art. The University currently does not capitalize and depreciate its art collection. Therefore donations to the University’s art collection are not recorded.

**Contributed Services** – From time to time the University may receive contributions of services. Contributions of services shall be recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

**Rights and insurance** - Gifts which assign to the University the right to receive payments such as royalties or licensing fees, or that vest ownership in copyrights or trademark rights, and insurance policies that name the University as a beneficiary.

**b. Promises to Give** - The University also receives gifts in the form of promises to give, commonly referred to as pledges. The University records only those promises to give that are communicated to the University in written form. Promises to give may be either conditional or unconditional. The University records unconditional promises to give at fair market value as of the date of the promise. Conditional promises to give are recorded at fair market value on the date the condition is substantially met.

Over time it may become necessary for the University to adjust the amount of a promise to give due to changes in collectibility and/or changes in the expected fair value of the underlying asset. Decreases in the expected value of a promise to give due to changes in collectibility will be recognized as a bad debt expense for unrestricted promises to give and losses if the promise to give involves temporarily or permanently restricted net assets. Decreases in the expected fair value of an underlying asset related to a promise to give will be reflected in the University’s financial statements as decreases in contribution revenues. In general, financial accounting standards provide that no adjustments be made to reflect increases in the value of a promise to give; however, one important exception exists in that increases in the value of an equity or debt security pledged to the University will result in the recognition of additional contribution revenue in accordance with SFAS 124.
c. **Donor Designation of Gift Use**

**Expendable and Endowment Gifts** - A gift may be designated by the donor as expendable (i.e., immediately usable for current purposes), or as endowment (i.e., to be invested and held in perpetuity, with only the investment returns available to support University purposes). While donor intent is usually clear, certain types of gifts, such as bequests, may need additional research. Gifts will be recorded as expendable unless there is specific indication otherwise. Expendable gifts are invested in the University’s unrestricted fund. Endowment gifts are invested in the University's Endowment Fund. For further advice concerning donor designation of expendable and endowment gifts, contact the Institutional Advancement Division.

**Purpose** - Absent stipulations of purpose from the donor, gifts will be recorded as unrestricted expendable funds to support University purposes. If the donor designates a specific purpose for use of the gift (e.g., scholarships, student housing, a particular department, etc.) then the gift is considered to be restricted and the University is responsible for assuring that restrictions on use are honored unless (i) the donor specifically waives the restriction or (ii) court approval to change or void the restriction is granted. Approval to seek changes in the purpose of a gift fund by the above means can only be granted by the President.

d. **Establishing a Fund** - The department is responsible for instructing the Central Records Department whether an existing fund should be credited with a gift (in which case, the index number must be supplied), or whether a new fund should be established. Gifts with different restrictions may not be commingled in a common fund. If the donor designates a specific purpose and/or named fund, and no appropriate fund already exists, the department should forward the gift and all relevant documentation to Central Records. Central Records will then coordinate establishment of new funds with the Controller’s Office. Funds will be held in the Endowed and/or Regents Holding Accounts until the proper fund is established. Monies deposited into these holding accounts may not be spent, nor will they earn interest until transferred to a valid fund.

**VI. TAX CONSIDERATIONS**

The Internal Revenue Service has several requirements that relate to donor tax deductions for cash and non-cash gifts to charities.

a. **Receipts** - It is the University’s policy to issue receipts for all gifts. The IRS requires a receipt to substantiate most charitable contribution deductions. The donor should retain the receipt in his/her records.

b. **Deductibility** - Gifts to the University of the Pacific are usually deductible at their full fair market value as of the date of the gift for both state and federal tax purposes. One important exception to this rule is that for gifts of tangible personal property that
will be sold by the University. Tax laws governing charitable gifts are complex; the University encourages donors to consult their professional tax advisor on tax issues.

c. **Noncash Charitable Contributions (IRS Form 8283)**

**Noncash Gifts Over $500** - If a donor wishes to claim an income tax deduction of $500 or more in any year for gifts to charity which are not cash, then the donor must file IRS Form 8283 (Noncash Charitable Contributions) with his or her federal income tax return. The University is not required to complete Section B Part IV of Form 8283 for gifts of $500 or less. The University will acknowledge receipt of the donated noncash gift by describing the property donated; but, in accordance with IRS guidelines, the University will not assign a value to the donated property.

**Noncash Gifts Over $5,000** - In addition, if a donor wishes to claim charitable income tax deductions totaling $5,000 or more in any tax year for gifts that are not cash or publicly traded securities, then the donor needs to obtain qualified appraisals of the property donated and the University must acknowledge receipt by signing the IRS Form 8283 Section B Part IV, which the donor then files with his or her federal income taxes. Normally the University cannot provide or pay for an appraisal for a donor's tax purposes, nor will the University attempt to estimate the fair market value of any real or personal property gift.

Form 8283 is processed through the Central Records Department and signed by the Associate Vice President for Business and Finance or the University’s Controller. The individual accepting the gift should make sure that the donor's name and Social Security number are on the Form 8283, and that the Finance Center is provided with the donor's address. It is the donor's responsibility to notify the University that they will require the University's acknowledgment on Form 8283.

d. **Gifts of Securities**

**Securities Not Publicly Traded** - A qualified appraisal and the University’s acknowledgment of receipt on IRS Form 8283 are required for gifts of securities that are not publicly traded if their total value is more than $5,000.

**Publicly Traded Securities** - Additional documentation is not required for gifts of publicly traded securities (regardless of their value).

**Donee Information Return (IRS Form 8282)** - Under certain circumstances described below, if the University sells, transfers, exchanges or otherwise disposes of donated property within two years of the date of receipt of the property, the University must file Form 8282 (Donee Information Return) with the IRS reporting such action. A department that becomes aware of such a disposition should immediately notify the Associate Vice President for Business and Finance or the University Controller. Among the information required is the name of the donor, their address and tax ID or Social Security number, and any amount received upon
disposition. If the transfer is made to a successor donee (that is, another nonprofit entity), information concerning that donee must be included as well. Form 8282 must be filed with the IRS within 125 days of the date of disposition, with a copy to the donor. The Vice President for Business and Finance is responsible for preparation of the Form 8282 and its transmittal to the IRS and to the donor. This filing requirement applies only to the following items of donated property or equipment:

- Property for which the University has completed the donee acknowledgment section of the donor's IRS Form 8283 (see Section V.c. above).

- Property that is considered a restricted donation under Section 170 (e)(4) of the Internal Revenue Code. This consists of donated equipment where the University has committed 80 percent of its use for research, experimentation, or research training conducted in the United States, in the physical or biological sciences.

- Property for which the University has not completed the donee acknowledgment section of the donor's IRS Form 8283 but which the University later becomes aware should have been so substantiated, e.g. where such property had a fair market value of more than $5,000 as of the date of donation and the donor failed to submit Form 8283 to the University for acknowledgment. In this case Form 8282 must be filed within 60 days from the date that the University becomes aware of the omission.

VII. RECEIVING AND PROCESSING GIFTS

a. General Procedures –

Prompt Delivery of Gifts - All gifts arriving at or transferred to any part of the University should be hand-delivered on the same day the gift is received to the Central Records Department in Institutional Advancement. For gifts of equipment, see Section VIII below. The University unit that has received the gift must attach:

- A short memorandum or note describing the name(s) of the donor(s) who made the gift and the purpose of the gift (including unrestricted).

- All correspondence and/or letters of transmittal pertaining to the gift. The office forwarding the gift should make copies if it wishes to retain a record.

- The postmarked envelope in which gifts received by mail were delivered, to ensure the proper gift date is verified and recorded by Central Records.

Donor Record Files - Central Records maintains complete donor records, including all University alumni and friends, as well as corporations and foundations that support the University. Copies of all University correspondence pertaining to gifts should be sent to Central Records.
VIII. YEAR END GIFTS

a. **Calendar Year End** - During the month of December the volume of gifts to be processed increases sharply. Departments or other units receiving gifts during this very busy time of year should expedite delivery of gifts to Central Records and should take steps (described below) to verify the date of the gift so that the receipt issued by Central Records to the donor will reflect the proper date for the donor's tax purposes. The gift receipt will bear a December date even where the gift is processed in January if the gift is received by the University on or before December 31 or if the date is verified in one of the following ways:

**Hand Delivery** - Gifts may be delivered to any University representative on or before December 31 in order to be treated as a gift made during that tax year. The University representative should provide the donor with a signed and dated memo acknowledging receipt for securities or cash, keeping a copy to send to Central Records with the gift. In addition, the University representative should sign or initial a notation of the date the gift was delivered directly on the check, or on the remit or any correspondence accompanying the gift.

**Postmarks** - The date of receipt for gifts received by mail is the postmark date that appears on the envelope. Therefore during December and early January it is especially important to include the postmarked envelope along with the gift when forwarding it to Central Records.

b. **Transfers** - Broker to broker transfers of securities and wire transfers of cash must be completed and the transferred property must be in the University’s account by December 31 to count as a gift for that tax year.

c. **Fiscal Year-End** - The University fiscal year ends June 30. To be reflected in the University's record for a given fiscal year, gifts must be received in Central Records by 12:00 p.m. on the last working day of the fiscal year. Gifts processed later, even if dated before June 30, will be entered in the University's records in the following fiscal year. After the end of the fiscal year, requests for corrections to gift records should be made to Central Records, who will coordinate the necessary journal entries with the Accounting Department.

IX. DONATED EQUIPMENT

a. **Recording Policy** -

**Gifts for University Purposes** - A donation of capital equipment such as a computer, laboratory equipment, vehicle, or machinery having a value greater than $5,000 must be recorded in the University’s gift system. Capital equipment donations are recorded at fair market value as of the date of donation.
Gifts for Resale - A donation of equipment that is given with the understanding that the University intends to resell it upon receipt will not be entered into the University’s accounting system until the sale is consummated. Once the sale has been completed the proceeds are recorded as gift income in the University’s financial accounting system and included in the donor’s gift records.

b. Definitions –

Capital Equipment - Capital equipment is equipment that individually at the time of donation has (i) a minimum market value of $1,000 or more and (ii) a useful life of more than one year.

Determination of Fair Market Value:

Educational Discount - If an educational discount is normally available to the University for purchase of the equipment, its recorded value should be net of the applicable educational discount; i.e., the fair market value is the price at which the vendor (donor) would sell the equipment to the University.

New Equipment From Private Individuals - Equipment purchased for the purpose of a donation is valued at the invoice price to the donor. Donation must occur within 60 days of purchase.

Used Equipment - Fair market value is obtained from backup paperwork or appraisal (at the donor’s expense) verifying the value at the time of the donation.

Additional Costs - Any installation or modification costs, attachments, accessories or auxiliary apparatus that are paid for by the department to make the donation usable for the purpose that it was given are NOT included in the equipment valuation. However, these costs ARE included in the acquisition cost when the item is entered into the University’s accounting system.
c. **Responsibilities with regards to donated equipment** –

<table>
<thead>
<tr>
<th>Party</th>
<th>Responsibility</th>
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</table>
| Donor                                      | ▪ Providing proof of a fair and equitable value to the University at the time of donation  
▪ Bearing the cost of appraisal if required  
| School/Department                          | ▪ Bearing any other costs incurred for or associated with the donation  
| Faculty member/department official physically receiving donation | ▪ Informing Central Records of the donation on or before the date of receipt  
▪ Providing Central Records with a legible copy of all documentation received on or before the date of receipt  
| Central Records                            | ▪ Ensuring that Noncash Charitable Contributions forms (IRS Form 8283) and any other documents received from a donor with respect to gifts of donated capital equipment are sent to Associate Vice President for Business and Finance Recording gifts with an appraised value of $5,000 or above in the University’s gift system  
| University Controller                      | ▪ Verifying that the donation is appropriately recorded into the University’s Accounting System.                                                                                                                                                                                                                                               |

d. **Disposal of Donated Equipment** – Disposal requests must be cleared through the Purchasing Department before disposal of equipment occurs.

e. **IRS Filing Requirements** - See Section VI above for circumstances under which the IRS requires submittal of IRS Form 8282.

f. **Sale of Equipment Claimed as a Tax Deduction** -

**Unrestricted Donations** - Resale or cannibalization, within two years of the date of receipt, of equipment that is donated with no utilization restrictions may reduce the donor's tax deduction, and should be done only by mutual written agreement between the University and the donor.

**Restricted Donations** - Equipment donated to the University and claimed as a tax deduction under Internal Revenue Code Sec. 170(e)(4) (which restricts its use to research, experimentation, or research training in the United States, in physical or biological sciences) must be held in the University’s possession for at least two years from the date of receipt, after which disposition must be cleared through the normal surplus property channels. Restricted donations may not be sold.
**Successor Donees** - If property is transferred to another organization, external to Pacific, within two years of receipt, an IRS Form 8282 must be filed. Contact the Associate Vice President for Business and Finance for more information.

**Sale Proceeds** - All proceeds from the sale of unrestricted donated equipment are credited in accordance with the terms stated by the donor or as defined in the donation agreement. If no terms are specified then all proceeds are credited to the fund that originally recorded the gift.

**Source for More Information** - Policy on sale of surplus property may be found in Chapter 4 Section XVI Surplus Property.
CHAPTER 4

PROCUREMENT

PREFACE

This chapter presents policies and procedures to assist the faculty and staff in understanding the responsibilities of the University’s Purchasing Department in acquiring the goods and services necessary for the operation of the University.

The primary purpose of the Purchasing Department is to procure all goods and services on the best terms and at the lowest overall cost consistent with an appropriate level of quality. A uniform approach and singular point of contact with suppliers will work toward ensuring that all departments obtain their required goods and services in the specified form, quality, quantity and time-frame required, and delivered at the most advantageous price.

These policies and procedures apply uniformly to all funds administered by Pacific, whether they are departmental budget funds or restricted or capital funds. They do not restrict in any way what the funds are expended for, only the method of expending them. Departments may choose to impose more restrictive policies. Purchasing practices less restrictive than those documented herein will not be acceptable by the University.

Since these policies and procedures serve the interests of the departments as well as policy requirements of the University, we ask that the faculty and staff give their full support and cooperation. Acquisition will be without favoritism and on a competitive basis, whenever practical, to obtain maximum value for each dollar expended. All interested suppliers will receive fair and impartial consideration.

Affirmative action will be taken to provide maximum practical opportunity to minority and women businesses to participate as suppliers and contractors in the provision of goods and services to the University.

Those responsible for procurement shall conduct a continuing and reasonable search of the market for new sources of supply. To prevent suppliers from becoming critically dependent on University business, every effort shall be made to ensure that business awarded does not represent a substantial portion of a given supplier's gross sales.

Any form of discrimination or reciprocity is prohibited in the awarding of business. Disciplinary action up to an including termination will be taken against those engaging in discriminatory activities, accepting “kick backs” or other forms of reciprocal services.
I. AUTHORITY TO COMMIT UNIVERSITY FUNDS

The Purchasing Department is primarily responsible for placing orders for goods and services, subject to the receipt of a purchase requisition. The Purchasing Department is the sole holder of this authority at the University. University officials may purchase certain goods and services directly rather than through the procurement process. These exceptions are discussed in greater detail below under the headings of Authorization for Payment, University Procurement Cards, and Petty Cash.

Individuals either committing Pacific funds to purchase goods and services or purchasing goods and services on behalf of the University not in accordance with the guidelines contained herein will be in violation of the University’s purchasing policies. The University may consider such acquisition efforts null and void and decline to pay the resulting invoice(s). In such instances, the supplier may look to the individual placing the order for payment or reimbursement.

II. DEFINITIONS

a. **Procurement**—The acquisition of goods or services by purchase, lease, or rent.

b. **Goods and Services**—Any commodity offered to or procured by the University for use in the conduct of its operation. Goods include, but are not limited to, tangible commodities such as equipment, material, and supplies. Services include, but are not limited to, intangible commodities such as advertising, maintenance contracts, consulting, etc.
c. **Transaction**—A business proceeding that acquires goods or services through negotiation and execution of an agreement, contract, or purchase order issued on behalf of the University.

d. **Supplier**—An individual, proprietorship, partnership, corporation, association or other business organization that offers or furnishes goods or services to the University. Included do agents or representatives of a supplier and any organization own a controlling interest therein. The term "supplier" as used in this includes contractor, lessor, and vendor.

### III. BUSINESS RELATIONSHIPS AND ETHICS

Employees conducting business transactions on behalf of the University hold a position of trust that dictates that their actions be governed by the highest standards of personal and business conduct. Employees shall use the University’s reputation as it relates to buyer strength fairly, objectively, and legally in all situations.

Except in rare circumstances, the University does not purchase goods or services for the personal use of its employees. In certain circumstances, the University may provide equipment and/or memberships in organizations or clubs to individuals. In many instances, both a business purpose and personal benefit may be derived. Employees are required to report both business and personal usage of these items to the Controller on a monthly (or at least quarterly) basis so that any personal benefits may be properly reflected in the employee’s income for tax reporting purposes.

Ethical business standards shall govern all transactions. Employees must be aware of situations and circumstances requiring prudent action, including the following:

a. **Proprietary Information**—Proprietary information exchanged during transactions shall be identified and its treatment clearly agreed upon by both the University and the supplier (e.g., specifications, proposal or quotation particulars, proofs, printing plates, etc.)

b. **Gifts**—Employees shall not solicit, accept, or agree to accept any significant gift (significant is defined as having a value greater than $25) from a supplier or prospective supplier. A gift is defined as any tangible item, service, favor, monies, credits, or discounts not available to others.

c. **Entertainment, Hospitality, and Meals**—Supplier offers of entertainment and hospitality shall be tactfully but clearly refused. Acceptance of invitations to business meals shall be subject to prudent judgment as to the appropriateness of the occasion, frequency, choice of facilities, and future opportunities to reciprocate.

d. **Conflict of Interest**—Employees directly responsible for purchasing should not have any personal or family interest, involvement or financial relationship with a supplier.
that might impair objectivity or freedom of judgment. If possible, these employees should avoid using University suppliers for personal needs.

IV. PURCHASING AUTHORITY LIMITS

Authorization Levels - Authorization levels related to the commitment of University funds shall be in accordance with the following authorization limits:

<table>
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<tr>
<th>Title</th>
<th>Authorization Limit</th>
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<tbody>
<tr>
<td>Directors, Department Chairs</td>
<td>$1 - $24,999</td>
</tr>
<tr>
<td>Associate/Assistant Deans and Associate/Assistant Vice Presidents</td>
<td>$24,999 - $49,999</td>
</tr>
<tr>
<td>Principal Investigators</td>
<td></td>
</tr>
<tr>
<td>Deans (Stockton Campus), CIO</td>
<td>$50,000 - $149,999</td>
</tr>
<tr>
<td>Vice Presidents, Dean San Francisco Campus, Dean Sacramento Campus</td>
<td>$150,000 - $499,000</td>
</tr>
<tr>
<td>President</td>
<td>&gt; $500,000</td>
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</tbody>
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Individuals authorized to requisition goods and services and their respective authorization levels should be communicated annually in writing to the Purchasing Department by each department.

Any special authorization or approval requirements shall be publicized and incorporated in the departmental lead-time, so as not to delay the desired acquisition, and to facilitate prompt procurement and payment processes.

Contracts and lease execution shall be accomplished by a University representative (i.e., vice president, dean, director, or designee) or the Director of Purchasing. All contracts and leases should be placed on a contract purchase order in order to reserve budget and a copy of the signed contract must be forwarded to the Purchasing Department.

V. ON CAMPUS SOURCES OF GOODS AND SERVICES

The University provides many goods and services on campus, generally at less cost than an individual order placed off-campus. On campus services provided by the University include printing and duplicating, copying, media services, dining and catering services, and physical plant services. Departments should utilize these services when possible.

VI. COMPETITION

a. **General** - Acquisition of products or services will be by competition between potential suppliers, to the maximum practical extent and subject to the requirements of quality, price and performance. Solicitation of competitive quotations or bids is the responsibility of the Purchasing Department and is based on a clear and accurate description of the technical requirements for the material, product, or service to be
procured. Such a description should not, in competitive procurement, contain features that unduly restrict competition. It is recognized and encouraged that highly technical equipment purchases will require the direct participation of the requestor and possibly others, to ensure that the item purchased is as the requestor requires and that such items as transit insurance, warranties, installation, transportation, etc., are adequately covered. The Purchasing Department will be responsible for determining that prudent procurement practices are followed and documented. All such documentation will be retained in the Purchasing Department. Bids should be requested from at least three vendors, whenever possible. Bids will be qualified to meet all specifications and requirements. Purchases from sole or single source vendors are the only exceptions to this requirement.

The requirement for competitive quotations depends upon the total cost of goods or services to be procured during the term of the agreement; such cost may be incurred either at one time or over a period of time, as in the case of a lease or rental agreement. The total cost of a transaction should not be fragmented to circumvent the requirement for competitive quotations.

b. **Thresholds** - Competitive quotes (verbal) or bids (written) are required for the following purchases:

- **Purchases between $999 and $1,999** require an approved purchase requisition. Competitive quotes are encouraged but they are optional.

- **Purchases between $2,000 and $4,999** require an approved purchase requisition and three verbal quotations from qualified suppliers. Purchasing will work with departments regarding obtaining quotations.

- **Purchases over $5,000** require an approved purchase requisition and three written bids from qualified suppliers. Bids will be obtained by the Purchasing Department.

- **Sole and single source purchases** with a cost of $5,000 or more require a written source justification. Such justification shall be made by the cognizant budget officer for the department and must include:
  - A specific description of the supplies or services required to meet needs, and a statement of facts that show the unique qualifications of the services or items selected to satisfy those needs;
  - A description of efforts made to locate other sources of supply;
  - Documentation that the anticipated cost is fair and reasonable; and
  - Any other information supporting the use of other than full and open competition.

c. **Evaluation of Bids and Proposals** – The evaluation of bids and proposals and ultimately the vendor award are based on a number of criteria. These include product
quality, the vendor’s compliance with University specifications, total cost, delivery requirements, vendor service capabilities, product warranties, the vendor’s financial stability, the vendor’s acceptance of the University’s terms and conditions, and any other relevant factors that should be considered.

d. **Award** - A vendor award will be made in the best interest of the University based on the criteria listed above and any other factors that should be considered. When formal bids are received, evaluated and analyzed, and all things being equal, the low bidder shall be awarded the contract. If department elects to award the contract to a bidder other than the low bidder, the department must provide written support for the decision to the Purchasing Department. The department will assure that the documentation of the data required to support the award is proper and complete. All documentation will be retained in accordance with the University’s retention guidelines. The University reserves the right to reject any and all bids when it is in the best interest of the University to do so.

The Purchasing Department will notify the successful vendor and issue a purchase order. The decision to notify unsuccessful vendors is to be made by the Buyer and/or Purchasing Director.

e. **Competitive Quotations/Bid Waivers** - The requirement to obtain competitive quotations may be waived in certain unique situations, such as the following:

- Procurement can be made under an existing agreement;
- An emergency situation exists;
- The price and terms are known to be substantially identical among all suppliers;
- The request is for an identical requirement that has been procured recently through the quotation procedure; and/or
- The available supply is limited and procurement must be made immediately or an opportunity will be lost.

**VII. PURCHASING METHODS**

The acceptable methods for the purchase of goods and services are through a University Purchase Order or reimbursement through an Authorization for Payment, University procurement card, or petty cash.

a. **Purchase Order** - A purchase order represents a commitment of University funds. It is a contractual arrangement between a supplier and the University upon acceptance by the supplier either through written acknowledgment or delivery. A purchase order is required for most University purchases (See Section VII.c. below). University administrative and academic units must request purchase orders via a purchase requisition. Departments having Banner access must enter authorized purchase requisitions into the computer system. The hard copy of the requisition is kept with the department. The Purchasing Department will assign a purchase order number,
print the purchase order, mail copy to vendor, and return the department’s copy, along
with a receiving copy to the department.

The standard terms and conditions of a purchase order pertain to essential and
infrequently changed subjects, such as warranty, shipping, taxes, and title.

b. **Blanket Purchase Order** - A blanket purchase order is a contractual arrangement
setting forth terms and conditions applicable to certain repetitive transactions with a
supplier that are expected to result in significantly high dollar expenditures over a
specified, extended period, within or for an entire University fiscal year (i.e., July 1-
June 30). The department will enter a requisition requesting a blanket purchase order
into the Banner system. Each time goods or services are received under this blanket
purchase order, the department must complete a release form. The release should be
sent to accounts payable immediately upon receipt of the goods for entry into the
computer and for matching against invoices associated with the blanket purchase
order number. Departments should request the price of goods ordered from the
vendor at the time the order is placed. The accounts payable department will not
photocopy invoices for departments.

c. **Examples of Expenses Required to be Processed on Purchase Orders:**

- Furniture, fixtures, and equipment > $999
- Hazardous and controlled substances
- Contracts
- Construction, repairs and maintenance
- Computer equipment
- Other operating expenses in excess of $999

d. **Expedited Orders** - Emergency procurement requests will receive special handling
and be expedited as appropriate. An emergency situation is understood to be one that
critically affects maintenance or seriously and adversely affects the ability of
employees to perform their duties, and does not allow sufficient time to follow
normal procedure. Please contact the purchasing department for further information.

e. **Change Orders** - Change orders must be processed against existing purchase orders when:

- The price charged is different from the amount on the original purchase order;
- Departments add additional items to the original purchase order;
- Departments delete items from the original purchase order;
- Departments substitute items on the original purchase order.

*Departments must not issue additional purchase orders for these types of changes.*
Change orders must be processed immediately when departments receive notification
from the vendor or desire to change any aspect of the purchase order.
To process a change order, notify the Purchasing Department in writing (i.e., e-mail, facsimile, or campus mail). Once the notification is received by Purchasing, a change order will be processed and sent to the vendor, the department, and the accounting department.

f. **Cancellations** – A purchase order represents a commitment or contract between the University and the vendor. Therefore, the University is obliged to accept the goods delivered as ordered provided they are of acceptable quality and free of defects. In the event that a department desires to cancel an order, the department must immediately notify the Procurement Department in writing. Provided the goods have not left the vendor’s location, the order can be cancelled. However, departments should note that goods are shipped “free on board” meaning that once the shipment leaves the vendor’s warehouse, the University is obliged to accept and pay for the goods ordered.

g. **Authorization for Payment and Procurement Cards** - Although the use of purchase orders for most goods and services is required, departments may use authorizations for payment, commonly referred to as “check requests,” or procurement cards for the following types of payments (Note: See Section XVII below for further information on procurement cards):

- Conference and registration fees
- Subscriptions
- Moving expenses
- Payments to contractors for services (also requires Independent Contractor From – available from Human Resources)
- Payments to federal, state or local government for taxes, licenses, permits
- Memberships and dues
- Travel expenses
- Postage
- Utilities
- Local retail purchases (<$999)

Authorizations for payment and procurement cards may not be used in lieu of a University purchase order for purchases normally requiring an authorized purchase requisition and purchase order. Authorizations for payment must be completed and signed by an individual having the authority to review and approve the expenditure of funds for the budget unit claiming reimbursement. Original receipts/invoices must accompany the Authorization for Payment and procurement card log.

h. **American Express Corporate Cards.** University of the Pacific American Express Corporate Cards are personal cards. These cards identify the holder as a Pacific employee thereby offering corporate rates for authorized travel and hospitality commitments and other authorized reimbursable expenses. The University does not encourage employees to utilize this card for the purchase of goods (such as office supplies, etc.); however; should employees use this card to make purchases on behalf of the University, please note that the University does not reimburse American Express directly. Reimbursements will be made to the University employee. It is
then the employee’s responsibility to pay American Express. Approved Authorizations for Payment and original itemized receipts/invoices must be submitted before payment will be issued. The cardholder is personally liable and responsible for keeping the card current. The University will reimburse no finance charges.

**i. Petty Cash.** Petty cash funds enable departments to pay cash for minor business expenses that otherwise would require an Authorization for Payment or purchasing card. Individual transactions may not exceed $100.

**Permitted uses:**

- Local Retail Purchases
- Local transportation, tolls, parking
- Photocopy services
- Meals < $35
- Books and periodicals
- Postage and mailing expenses

**Prohibited petty cash transactions:**

- Personal services performed by UOP employees
- Payroll advances or other loans
- Contracted services performed by independent contractors
- As a check cashing service

*Misuse of petty cash funds will result in revocation of the fund and possible disciplinary action.*

**j. Procurement Cards –** Procurement cards may also be used as a purchase method. Please see Section XVII below for further information.

**VIII. INSUFFICIENT FUNDS**

Purchase requisitions will only be approved provided there are sufficient budget funds available. If there are insufficient budget funds available by budget pool, but budget funds are available in the department’s overall budget, the department must process a budget allocation adjustment either online or through the Director of Budget; or, for the Academic Division and OISR - the Academic Budget Officer. Once the budget allocation has been accomplished, the purchase requisition may then be processed. Reclassifications may not be made between operating expenses and salary line items without the approval of the vice president of business and finance.

**IX. CONTRACTS**

**a. Definition -** A contract is an agreement stating terms and conditions under which goods or services will be provided on request for a specified price. While a purchase order or a letter that is acted upon by the other party may technically constitute a contract, the term "contract" here means a formal, written agreement signed by all parties. How extensive a particular contract should be ultimately is a matter of judgment dependent on the awards and risks involved.
Contracts will be entered into the purchasing system each fiscal year for the purpose of budgetary control.

b. Authority to Execute Contracts - Depending on their nature, the authority to execute contracts resides with the Board of Regents, the President, and the vice presidents.

Board of Regents - The Board of Regents has the authority and responsibility to authorize the following types of contracts:

- Debt financing arrangements or loans;
- Contracts relating to new construction, capitalization of deferred maintenance, and major renovation of existing buildings in excess of $100,000;
- Contracts relating to the purchase, sale and management of all land, buildings, or major equipment.

University Officers - Delegation of authority to execute contracts on behalf of the University may be delegated by the appropriate vice president in accordance with purchasing thresholds defined under Section IV above. However, only the President or the Vice President for Finance may execute contracts on behalf of the University if the contract grants exclusive rights related to the University.

The President’s Office through the Executive Assistant to the President must authorize the use of any legal counsel and must approve all related invoices.

Contracts for professional services (i.e., independent contractors) such as consulting contracts must be approved and signed by the appropriate department administrator in accordance with authorization levels set forth in Section IV above.

X. PURCHASE OF COMPUTER EQUIPMENT AND PERIPHERALS

Each department is responsible for determining its own unique computer needs. However, in order to provide greater assurance that Stockton campus computers will be compatible with other University systems, the Office of Information Services and Resources has compiled a list of standard hardware configurations that may be viewed on the web at [www.uop.edu/computerpurchases/index.html](http://www.uop.edu/computerpurchases/index.html). If one of these standards is purchased, a requisition no longer must be routed to OISR for review. The requestor must obtain departmental approval. Once obtained, the requestor only needs to include model numbers of the desired system on the Banner requisition form.

XI. CONSTRUCTION / RENOVATION OF UNIVERSITY FACILITIES

The University is required to comply with Federal, state and local regulations governing asbestos-related issues, permits, and inspections. Therefore, any purchases involving construction or renovation to University facilities requires the written approval of the Director of Physical Plant before any work can commence. Generally an
interdepartmental request (IDR) is used to initiate this process. The Director of Physical Plant will provide assistance in terms of a need assessment and plan review. Under no circumstances should a vendor be contacted or work commenced without the written approval of the Director of Physical Plant. Projects requiring prior approval include any additions, renovations, improvements or maintenance work to University facilities; including, but not limited to carpeting, window coverings, wiring, carpentry, installation of alarms, etc. Further, consistent with Section IX, the Board must approve any new construction of or major renovations to existing facilities in excess of $100,000.

XII. HAZARDOUS MATERIALS

a. General - The use of hazardous materials requires the University to comply with various regulatory requirements regarding handling, storage, and disposal. For example, all incoming chemicals must be properly labeled and accompanied by a material safety data sheet (MSDS). Normally, these MSDSs are forwarded to the hazardous materials safety officers at the three campuses. Copies of these MSDSs must be kept in the work area where the chemical(s) is used and the original centrally located with the campus environmental safety officer. All purchases of hazardous materials must be accomplished via the use of a purchase requisition and purchase order. No purchases of hazardous materials may be accomplished via Authorization for Payment, University purchasing card or cash. No exceptions will be made to this policy.

The following information and guidelines for the handling, storing, and disposing of hazardous materials on the campus have been established to protect the health and ensure the safety of our University community.

The Occupational Safety and Health Act of 1970 (OSH Act) is the regulatory vehicle that ensures that the safety of workers, in firms larger than 10 employees, is addressed. It sets standards of safety that helps prevent injury or sickness among workers. The key factors of the OSH Act are regulating employee exposure and informing workers of the dangers of certain materials.

b. Definitions - Hazardous material and hazardous waste are defined as follows:

Hazardous Material - Any identified chemical capable of causing physical hazard (flammable or explosive) or a health hazard (irritant or corrosive) that is currently in use or stored for use within an appropriate/authorized period. Some common hazardous materials are aerosols, art supplies, cleaning chemicals, solvents, gasoline and petroleum-based products, pesticides and photography/printing inks and chemicals.

Hazardous Waste - A solid or liquid material that is intrinsically hazardous, or has become hazardous due to a combination of or use of hazardous material, and has been designated to be either thrown away or stored until quantity or time parameters require disposal. The State EPA considers waste hazardous if it has certain properties
that could pose dangers to human health and the environment after it is discarded. The waste also possesses certain characteristics, such as: ignitability, corrosives, reactivity, or toxicity.

Medical biohazard waste disposal is contracted differently and separately from other hazardous wastes. The University contracts with a biomedical services contractor for necessary pickup and disposal of hazardous materials in compliance with applicable regulations. Temporary special storage areas are identified and maintained at the Health Center, the clinics, and Athletic Department training rooms.

c. **Responsibility** - It is the responsibility of all personnel having hazardous material or hazardous waste as part of their responsibilities to ensure that all persons involved are aware of these procedures and are familiar with precautionary and follow-through actions resulting in safe and proper use, storage, and disposal.

### XIII. **USE OF LOGO OR NAME**

University of the Pacific, “Pacific” and the acronym “UOP” are registered service marks of University of the Pacific. The University uses the marks for advertising, signage and promotional materials for its higher education services. The marks are registered in the United States Patent and Trademark Office on the Principal Register established by the Act of July 5, 1946.

University of the Pacific has the sole right to grant or prohibit use of the registered service marks. In general, unless the University’s logo or seal are to be used for classified advertising (i.e., for open positions, etc.), permission from University Relations must be obtained in writing prior to use of any University registered trademarks. Written requests should be addressed to: Assistant Vice President for Marketing and University Relations, University of the Pacific, 3601 Pacific Ave., Stockton, CA 95211.

### XIV. **FOLLOW-UP, RECEIPT**

**a. Status of Open Purchase Orders** - The progress and status of procurement agreements shall be monitored at regular intervals (i.e., at least quarterly) both by departments and by the Purchasing Department. This is essential for agreements that are critical to departmental operations and those with time-phased provisions. Monitoring enables the Purchasing Department to anticipate and act quickly in resolving problems that arise in carrying out the terms and conditions of a procurement agreement, such as expediting delivery of goods or the provision of services and handling claims when goods or services do not meet specifications or agreed upon quality or quantity. Further, monitoring enables departments to effectively manage their budgetary resources. Open purchase orders may be viewed on-line via the FPIOPOF screen or on report FGZOPPO.
b. **Responsibility for Claims** - The Purchasing Department is responsible for handling claims with the supplier for replacement, repair, or correction of deficient goods or services, and for any invoicing adjustments. The ordering department has the obligation to furnish prompt, complete, and accurate information relative to the transaction. Claims that can be supported under the warranty provisions of the procurement agreement should be processed in Purchasing. All significant claims should be reviewed with legal counsel before final action is taken.

c. **Processing of Supplier Invoices and Payment** - Suppliers' invoices will be processed for payment promptly upon receipt. The department verifies physical receipt of goods by completing the receiving copy of the purchase order and forwarding this copy to accounts payable. It is the department’s responsibility to sign, date and return this receiving report to the accounts payable department immediately upon receipt of the goods from the vendor. In the event that partial shipments are received, the department should photocopy the receiving report, indicate the goods received, sign, date and return the form to accounts payable immediately upon receipt of the goods.

When a discrepancy exists between the procurement agreement and the supplier's invoice, the procurement agreement prevails. All discrepancies between procurement agreements and suppliers' invoices will be resolved prior to payment of the amounts in question. Discrepancies of 15% or less resulting from tax and/or shipping will be paid by accounts payable. All other discrepancies should be referred to the Purchasing Department for resolution.

**XV. FISCAL YEAR-END CLOSE AND CUT-OFF DATES**

The University’s fiscal year ends June 30. In accordance with generally accepted accounting principles the University may only record as purchases those goods that have been received and placed in service on or before June 30. To that end, the University will establish a cut-off date each fiscal year for the processing of purchase orders. Generally, the cut-off date will fall on or about May 15 for capital equipment and on or about June 1 for all other commodities. The Controller will communicate cut-off dates annually to the University community.

All purchase orders received after the cut-off date will be charged to the following fiscal year. Purchases made through the Bookstore, other internal campus services, procurement cards or petty cash for the current fiscal year will have a deadline date generally one week prior to June 30. All documentation related to these purchases must be submitted to the Accounting Department immediately thereafter to provide assurance that they will be processed in the appropriate fiscal year. Similarly, supplier invoices and receiving reports should be promptly sent to accounts payable for processing.
XVI. SURPLUS PROPERTY

a. **Responsibility** - The Director of Purchasing is responsible for the disposition of surplus or obsolete furniture and equipment. Departments may not give or sell property to individuals, including University employees, or to non-University entities. Departments wishing to dispose of surplus property must first contact the Purchasing Department. The Purchasing Department will forward a *Surplus Inventory Detail Form* with instructions to the requesting department. Once the form is completed by the department and returned to Purchasing, the Purchasing Director will make arrangements to have the property picked up by Physical Plant. Generally, the time frame for pick-up is five business days. The department requesting pick-up will not be charged for this service. If the property might be contaminated in any way, the department must first contact the appropriate safety officer for advice on cleaning the equipment prior to contacting the Director of Purchasing.

b. **Surplus Computers** – Departments should contact the Customer Service Center (CSC) in OISR to declare surplus computer equipment. CSC will send a technician to evaluate the equipment for possible allocation to another department, utilization for spare parts or scheduled for destruction. CSC will be responsible for removing UOP fixed asset tags, erasing disk drives, and completing the Surplus Inventory Form. The department will be responsible for storing the equipment until it is picked up by OISR or their designate.

c. **Disposal/Sale of Property** - The Director of Purchasing will determine whether the surplus property is marketable. All nonmarketable property will immediately be disposed of. To the extent that property is marketable and generally in good condition, the Director of Purchasing will make every attempt to reallocate the property to other University department(s). Provided that no other University departments have need of the property, the Director of Purchasing will make every attempt to sell the property. Property will first be marketed to University personnel. Items not sold following this internal sale will then be donated to a nonprofit organization.

d. **Storage by Departments Discouraged** - University departments are strongly discouraged from storing surplus property, particularly if such storage involves the renting of storage facilities. All property is titled to the University of the Pacific and not to individual departments. Therefore, every effort will be made to reallocate property not currently used by a University department to other areas in need of such property.

e. **Reporting** - The Director of Purchasing will make a quarterly report to the Controller detailing all activity with regards to the disposition of surplus property.
XVII. Procurement Cards

a. Introduction - The procurement card allows authorized cardholders to purchase small dollar goods and services for the University eliminating the need for authorizations for payment, blanket purchase orders and small dollar purchase orders. This change will allow departments greater convenience, control, and flexibility and, at the same time, reduce the costs associated with initiating and paying for these purchases. The University Purchasing Department is responsible for managing the program and each academic or administrative department is responsible for managing its cardholder accounts.

b. Definitions -

Procurement Card: A card issued to an individual for the purpose of making authorized purchases on the University’s behalf. The University will issue payment for charges made with the procurement card.

Cardholder: A person to whom a University procurement card has been issued. The cardholder is accountable for all charges made with that card. The Cardholder is responsible for obtaining purchase documentation from the vendor to support all purchases made with the procurement card and verifying that the documentation complies with the requirements for support documentation i.e., original receipts.

Budget Supervisor: The person responsible for monitoring the departmental budget. The budget supervisor, in consultation with the cognizant dean or vice president, designates an individual as a cardholder and delegates limited authority to a cardholder to charge against the department’s budget.

Reconciler: The person in the department assigned to reconcile the cardholder’s charges for the month and to review daily transactions. The reconciler is responsible for assuring that all support documentation and the corresponding cardholders statement of account are copied for the department files and the originals are forwarded to the Accounting Department.

Program Administrator: The Director of Purchasing is responsible for administering the procurement card program for the University and acting as the main contact between the University and the purchasing card vendor.

Transaction/Charge Limit: A dollar limitation of purchasing authority assigned to the cardholder for each total charge made with the purchasing card.

Monthly spending limit: A dollar limitation of purchasing authority assigned to the cardholder for the total of all charges made during each monthly billing cycle.
Statement of Account: A listing of all transactions charged to the cardholder’s card account up to the end of the monthly billing cycle.

Default Account: The University index and account codes assigned to an individual cardholder’s procurement card.

Supporting/Back-up Documentation: A vendor-produced original document that records the relevant details for each item purchased including quantities, amounts, a description of what was purchased, the total charge amount and the vendor’s name and address (e.g. sales receipt, original invoice, packing slip, etc.)

Procurement card log: A log that has been designed to assist the cardholder in recording all transactions made with the purchasing card.

Preferred Vendor: A vendor that has offered special pricing or terms to the University.

c. Receiving a Procurement Card - A completed purchasing card application must be submitted for each prospective cardholder. The budget supervisor and cognizant dean/vice president must sign this form for the default account, indicate the approved credit limit, and then forward to the Director of Purchasing.

All prospective cardholders must attend a training session and sign a Cardholder Agreement Form to be eligible to receive a procurement card.

d. Authorized Card Use - Cardholders are authorized to use the procurement card to purchase any merchandise or services required as a function of their duties at the University with the exception of the following:

- Alcoholic beverages
- Construction/renovations services
- Donations
- Floor and window treatments
- Gasoline
- Insurance
- Internet auctions
- Hazardous or radioactive materials
- Personal purchases
- Cash advances of any type
- Contractual agreements
- Consulting services
- Meals/entertainment
- Gifts or gift certificates
- Items prohibited by grant/research contract
- Leases/lease purchases
- Computers/capital purchases

Exceptions to these restricted purchases may be authorized on a case by case basis upon the approval of the Director of Purchasing.
e. **Unauthorized and/or inappropriate card use**

The procurement card must never be used to purchase items for personal use or for non-University purposes even if the cardholder intends to reimburse the University.

A cardholder who makes an unauthorized purchase with the procurement card or uses the procurement card in an inappropriate manner will be subject to disciplinary action including card cancellation.

f. **Ordering Process**

**General** - The procurement card may be used to purchase approved goods in person (at the point of sale), via telephone, fax, mail or the Internet. Please remember when using your card over the Internet be sure that you are using a secure site.

When placing your order provide the vendor with the following information:

- Identify yourself as a UOP employee;
- State that you are making a purchase using a procurement card;
- Provide the procurement card number and expiration date;
- Provide your name and complete delivery address;
- Verify the total cost of the purchase with the vendor;
- Furnish any other information that may be required.

**Note:** Please inform the vendor not to send an invoice to the ordering department or Accounts Payable. Submitting an invoice for a purchasing card transaction may result in a duplicate payment.

**Shipping Instructions** – Request that the vendor include the following information on the address label/packing list that accompanies the package:

- Cardholder’s name
- Building and room number
- City, state, and zip
- Department
- Street address

Failure to label as directed above may delay the delivery of your order.

**Receive the Goods and obtain a Receipt** - For goods ordered by phone, fax, or mail, this will be done after receipt of goods in the form of a receipt or packing slip. When purchasing at the point of sale obtain an itemized receipt.

**Merchandise Returns and Exchanges** - The cardholder is responsible for contacting the vendor when merchandise purchased with the procurement card is not acceptable (incorrect, damaged, defective, etc.) and arrange a return for credit or exchange.
If merchandise is returned for credit, the cardholder is responsible for obtaining a credit receipt from the vendor and retaining that receipt with the support documentation for that purchase. Receiving cash or checks to resolve a credit is prohibited.

If merchandise is exchanged, the cardholder is responsible for returning the merchandise to the vendor and obtaining a replacement as soon as possible. Documentation showing the proper resolution of the exchange is to be retained with the support documentation for that purchase.

**Cardholder Charge Dispute Resolution** - In case of a disputed charge, the cardholder must try to resolve the dispute directly with the vendor. If the dispute cannot be resolved, the cardholder must complete a Cardholder Dispute form within 60 days of the date noted on the statement that lists the disputed charge and forward the completed form to and a copy to the Director of Purchasing.

When the cardholder disputes a charge, the nature of the dispute and the final resolution must be documented. This documentation must be retained with the statement of account on which the disputed charges appears.

g. **Reconciliation Process** - Cardholders are accountable for all charges made with their procurement cards. Further, cardholders are responsible for checking all transactions against the corresponding support documentation or on-line to verify accuracy and for posting all transactions to the Procurement Card Log provided by the Purchasing Department.

Adequate support documentation must be attached to the Procurement Card Log so that the reconciler can ascertain that the purchase is valid. Adequate documentation, at a minimum, includes an original itemized receipt.

Upon receipt of the monthly statement the procurement cardholder will have two days to verify all charges/credits listed on the statement against that month’s purchasing log. After all entries have been verified, forward the statement, procurement card log and all documentation to the department’s reconciler. Any purchases not listed on the statement need to be transferred to the next month’s procurement card log.

**h. Responsibilities of the Reconciler:**

- Complete a Reconciler Designation Form and attend the mandatory training session.
- Assist the cardholder in verifying and resolving returns, credits, and discrepancies, as needed.
- Review each transaction online for proper account information and if necessary process a Re-allocation online.
- Maintain a copy of the purchasing card log with support documentation from all the department cardholders:
In a secure location;
- In accordance with University retention requirements; and
- To ensure timely retrieval for auditing purposes.

i. **Timelines** - Upon receipt of the monthly statement and procurement card log from the cardholder the reconciler will have **three days** to review the documents for accuracy and completeness. The reconciler will then forward the original statement and support documentation to the Accounting Office. Failure to do so may result in card suspension. *If no action is taken by the reconciler within this three day period, the transactions will automatically be charged against the default account.*

j. **Procurement Card Security** - Only authorized cardholders and secondary users may use the procurement card. The authorized cardholder may grant a maximum of two individuals within the department secondary use of the card. In granting this secondary authorization it should be noted that the cardholder remains directly responsible for the proper use of the card in accordance with established procedures.

Cards and card numbers must be safeguarded by the cardholder against use by unauthorized individuals within or outside the University.

k. **Lost, Stolen, or Damaged Procurement Card** - If a procurement card is lost, stolen or damaged, the cardholder must notify the Unit budget supervisor and the Director of Purchasing immediately.

l. **Cardholder Account Maintenance** - Whenever any personal or departmental information contained on a purchasing card application changes, a **Cardholder Account Change Form** must be completed and then signed by the budget supervisor for the default account listed on the purchasing card application. The completed cardholder account change form is then forwarded to the Director of Purchasing.

m. **Cardholder Transfer within the University** - Cardholders, who transfer to a new position within the University must surrender his/her procurement card immediately to the unit budget supervisor and/or the Purchasing Director. Should individuals require the use of a procurement card as part of their new duties a properly executed procurement card application must be submitted for the new position.

n. **Procurement Card Cancellation** - The Program Administrator must be notified immediately when a procurement card is to be canceled. The card must be hand delivered to the Program Administrator along with a completed Cardholder Account Change Form. In the event cardholders separate from the University, the procurement card must be surrendered and corresponding support documentation submitted to the Program Administrator in the Purchasing Department.

o. **Unauthorized Use of Card, Violations and Penalties**
All purchasing card transactions are subject to review by the following:

- Unit budget supervisor/reconciler
- Purchasing Department personnel
- Internal Audit
- Accounts Payable personnel
- Sponsored Programs
- External Audit

The following acts violate the terms of the Purchasing Card agreement:

- Using the purchasing card for personal transactions
- Obtaining cash advances with the purchasing card
- Splitting purchases to stay within established limits
- Unauthorized purchases (see Section XVII.c. above)
- Failure to comply with reporting, records retention and documentation policies

*Failure to comply with the policies established herein will result in revocation of the purchasing card.*
CHAPTER 5
AUTHORIZING EXPENDITURES

PREFACE

This chapter applies uniformly to employees having responsibility for management of funds in their departments. Section headings are:

- RESPONSIBILITY FOR UNIVERSITY FUNDS
- AUTHORIZATION PROCEDURES
- REVIEW AND ERROR CORRECTION
- EXPENDITURES OF RESTRICTED FUNDS
- EXPENDITURES FOR PURCHASES
- CASH EXPENSE ADVANCES
- REIMBURSEMENT OF EXPENSES
- PAYMENTS TO NON-EMPLOYEES
- CONTRIBUTIONS
- MANUAL CHECKS

I. RESPONSIBILITY FOR UNIVERSITY FUNDS

a. University Officers’ Responsibility – The Board of Regents has delegated to the president, vice presidents, deans, department chairs, directors, principal investigators and other University representatives the responsibility for management of University funds. These individuals have the authority to expend these funds to accomplish assigned responsibilities and are responsible for assuring that expenditures charged to University activities/accounts are:

- Reasonable and necessary.
- Consistent with established University policies and practices applicable to the work of the University, including instruction, research, and public service.
- Consistent with sponsor or donor expenditure restrictions.

II. AUTHORIZATION PROCEDURES

a. Specimen Signatures – Departments are responsible for insuring that specimen signatures of University officers and a list of the activities/accounts for which they are responsible are on file in the Controller’s Office.
b. **Limitations on Signature Authority** –

- **Expense Reimbursement** – No person may approve his or her own expense reimbursement, or the expense reimbursement of an individual to whom he or she reports either directly or indirectly. Expense reimbursements require the signature of the person incurring the expense and the person responsible for the management of the activity/account.

- **Salaries** – No person may sign any payroll/personnel form that affects his or her own salary, or payroll/personnel forms that affect the salary of an individual to whom he or she reports either directly or indirectly.

- **Conflict of Interest** – No person may authorize payment to any individual or business where there is a conflict of interest.

**III. REVIEW AND ERROR CORRECTION**

a. **Department Review** – The deans, department chairs, directors, principal investigators and other University representatives are responsible for reviewing their expense transactions and monthly expenditure/operating statements to assure that:

- Any expenditure is necessary and for University purposes.
- Charges are correct.
- Charges are allowable for the activity/account.
- Charges are correctly coded as allowable or unallowable for inclusion in the University’s indirect cost rate calculations.
- Charges are allocable to the activity/account.
- Any allocation of costs is reasonable and equitable
- Charges are appropriately documented, and are recorded in a consistent manner within departmental accounts.

b. **Responsibility for Error Correction** – The department is responsible for notifying the Accounting Department in writing of any errors within 15 days of month’s end. Expenditure transfer requests may be prepared to correct errors when expenditures are posted incorrectly. See Chapter 10 for additional information. The accounting department processes all expenditure transfers.

**IV. EXPENDITURES OF RESTRICTED FUNDS**

a. **Conformity to External Restrictions** – Expenditures of restricted funds, such as organized research or gift funds, whether from Federal or non-Federal sources, must conform to any limitations or exclusions set forth in the agreement or gift document. Expenditures of funds for federally sponsored projects are subject to the allowability, allocability, and reasonableness standards of the Office of Management and Budget (OMB) Circular A-21, Cost principles for Educational Institutions, and to negotiated agreements between the University and the Federal government.
Cost-sharing accounts are subject to the same standards as the sponsored project that they support.

A charge to a restricted expenditure is correct if (a) the cost is specifically incurred for the sole benefit of a project; and (b) the goods or services are identified and allocated to advance the work under the terms of the project. Please note that costs may not be shifted to other research agreements in order to meet deficiencies caused by overruns or other fund considerations.

V. EXPENDITURES FOR PURCHASES

a. Authorizing Expenditures for Purchases – Payments for purchases of materials or services from vendors must be supported by a purchasing document to authorize the expenditure, a receiving or acceptance report (the receiving copy of the purchase order signed and dated by the recipient) to verify the receipt of specified materials or services, and an invoice.

b. Changes to Authorized Expenditures – From time to time it may be necessary to make changes to purchase orders. If the amount of the price difference is less than 15% and relates to shipping and/or taxes, accounts payable is authorized to approve the price change on behalf of the department. All other variations must be processed through a change to the purchase order. See Chapter 4, Section VII.e.

c. Verifying Expenditures for Purchases – Copies of purchasing documents are sent to accounts payable pending receipt of invoices. As each invoice is received, Accounts Payable reviews the supporting documents to verify the following:

- The specified material or services were received.
- The authorization for the expenditure shows substantial agreement between the amount of the invoice and the prices that were negotiated, or there is an approved change to the purchasing document to authorize the additional expenditure.
- The expenditure charged to the authorized account and expense classification is a proper charge against the particular source of funds.

When an invoice is paid, the authorized expenditure is charged to the account.

d. Authorizing Expenditures for Interdepartmental Services – An Interdepartmental Request (IDR) form is used to authorize expenditures for services or material provided by departments of the University. Requests for IDR’s must include the title and account number of the account to be charged. The approval signature on the IDR authorizes the expenditure of funds from the account and expense classification. The service department(s) prepares a journal entry reflecting the charges for entry into the Banner system when the work is completed. Charging the account of the department receiving the service or supplies, and crediting this amount to the service department account accomplish payment for IDR services.
VI. CASH EXPENSE ADVANCES

a. Funds Advanced for Business Expenses – Expense advances may be requested for anticipated cash expenditures to be incurred on behalf of the University for official activities. No University funds may be advanced for personal reasons.

Departments authorize cash expense advances, but funds are issued to the individual who will be incurring the expenses. Responsibility for the University’s funds remains with the individual until an accounting is made to the Accounting Department on an expense and reimbursement report. The University will not advance funds for travel requiring government agency approval unless such approval has been obtained from the government agency in advance.

Funds not used for expenses are to be returned with a completed expense and reimbursement report to the Accounting Department within ten (10) working days of the date of return from travel. Additional expense advances will not be issued to anyone who has an outstanding travel balance that has not been accounted for or returned within one month after the date of return from travel. The amount advanced should not exceed estimated cash needs.

If any funds advanced are not expended for official University business in accordance with University policies, the individual must repay them immediately. When an authorized trip is canceled or postponed, the advance must be refunded to the University.

Please note that the University cashiers will not cash travelers checks obtained from the Accounting Department as cash advances. Should you need to cash a University expense or advance check, you must contact the Bursar two days prior to insure that adequate funds are on hand.

b. Requesting a Cash Expense Advance. The department requests a cash expense advance on an Authorization for Payment. Cash expense advances should be requested at least five working days before the date of travel. Cash travel advances will not be issued more than ten days before departure. Separate advances should be requested for each trip; however, exceptions may be made for those individuals taking multiple trips within a short time frame (i.e., Athletics recruiting and team travel; and admissions recruiting).

The Authorization for Payment must provide the following information:

- The amount of the advance and a detailed estimate of the type and character of expenses to be covered by the advance.
- The name of the department and individual receiving the expense advance.
- The business purpose for which the advance is to be used.
- The inclusive dates the advance covers and the destination(s).
• The date the check is desired and any delivery instructions. The traveler must pick up and sign for travel advance checks in the Accounting Department.
• The account number to which the expenses will be charged.
• If the funds are being paid to a non-resident alien, the type of entry visa must be included.
• The employee’s immediate supervisor and/or the University official who has the authority to review and approve the expenditure of funds must approve the Authorization for Payment. Under no circumstances should a subordinate be authorized to approve an advance for an individual to whom he/she reports either directly or indirectly.

c. Advances Reported as Personal Income. The Internal Revenue Service requires that advances be accounted for within a reasonable period of time. Advances that are not cleared within a reasonable time (i.e., quarterly) will be expensed to the specified account and will be reported as personal income for the person to whom or on whose behalf the advance was made. Thus, if an individual does not clear his/her advance within three (3) months of returning from a trip for which an advance was made, the amount of the advance will be automatically reported as personal income and the appropriate payroll taxes withheld accordingly. If the specified account is for a restricted fund, the department responsible for the restricted account is also responsible for transferring the expense to an allowable account. A report of the personal income will be made to the appropriate vice president, dean or other responsible senior University official.

VII. REIMBURSEMENT OF EXPENSES

a. Reimbursement Policies – The University authorizes reimbursement of reasonable and necessary expenses incurred by individuals in the conduct of official University activities. Both the person who incurs the expenses and the person who approves the reimbursement of expenses are responsible for ensuring maximum practical economy in the expenditure of funds. For purposes of determining economical purchases, the price paid by the individual is compared with the price that would have been paid by the University in a similar transaction. When the price paid by the individual exceeds that which would have been paid by the University, the lesser amount will be reimbursed.

b. Reimbursable Expenses – The following are reimbursable expenses:

• Retail purchases of supplies, books, and other low-cost items. See Chapter 7 regarding procedures for petty cash and see Chapter 4 for further guidance on procurement policies.
• Travel expenses and expenses associated with professional meetings are authorized within the policies and limitations established by the University and by specific sponsored project or agency regulations. See Chapter 9 regarding travel and entertainment policies for further information.
• Moving expenses for faculty and staff as described in Chapter 6.
• Reasonable expenses for improvement of working conditions, employer-employee relations, and employee performance are appropriate. Examples of items in this classification include in-house publications and employee morale activities such as a holiday party, summer picnic, anniversary lunch, or retirement reception. It is important to identify on the Authorization for Payment the purpose for employer-employee relation expenditures and the names of individuals or groups involved.

d. **Sources of Funds for Expenses** – Expenses may be paid personally and reimbursed by the University, or by charging the expense and submitting an invoice for payment. Most minor expenses (less than $100) may be paid from petty cash funds. See Chapter 7 for further guidance.

e. **Non-reimbursable Expenses** – The University does not allow reimbursement for costs incurred for amusement, social activities, or entertainment except as specified in Chapter 9 Travel and Entertainment; University parking permits for employees or students; traffic citations for either personal or University vehicles; personal services or personal purchases; contributions; interest charges for late payment of bills; or any costs specifically disallowed by school, department, or sponsoring agency policy.

f. **Capital Purchases** – There are a number of special requirements for purchasing capital equipment, as well as for recording its purchase, that are effective whether or not the equipment is charged to unrestricted, temporarily restricted, or restricted funds. To ensure that these requirements are met, capital equipment must be purchased using a purchase order. No employee or non-employee will be reimbursed for the purchase of a capital item through an Authorization for Payment. This includes payments for individual components that together constitute a piece of capital equipment.

**VIII. PAYMENTS TO NONEMPLOYEES**

a. **Classification of Work Performed** – Whether an individual is an employee or an independent contractor is determined by the facts in each case. Many individuals perform services for the University such as lecturing, teaching, research, consulting, technical and/or clerical work. Further, the University may pay honoraria to non-employees. These types of payments require special processing for government tax requirements. For more information about how the University determines whether an individual is an employee or an independent contractor, see Chapter 8 regarding University Payroll policies.

b. **Tax Reporting** – The University reports all payments to both the State of California and the IRS as required by law. Payments to independent contractors are reported monthly to the State of California and annually on IRS Form 1099-Miscellaneous, mailed in January for the previous calendar year.
c. **Correct Method of Payment** – Before a payment for services is authorized, it is necessary to determine the correct method of payment. The method of payment depends on the nature of the service, the regular working affiliation or occupation of the individual performing the services and his/her taxpayer status for income earned.

**Professional fees and honoraria** - Professional fees, honoraria, and other payments are authorized when the individual performs services that are of such a nature that he/she is not in an employee relationship with the University. Professional fees, honoraria, and other payments to these non-employees are processed via an Authorization for Payment. The individual’s social security number and current mailing address are required before a payment will be processed. Form W-9 may be obtained from the Human Resources Department to request this information from the contractor.

**Payments for Services to Employees** - Current tax regulations require that payments to anyone who is on the University’s payroll and who perform additional services of any type for the University for which they will be compensated must be paid through the University’s payroll system, not through an Authorization for Payment. Payments to exempt employees for these additional services must be authorized on a separate Employment Authorization form. In addition to the Employment Authorization form, a Voucher for Salary Payments for Faculty, Administration, and Staff – Additional Assignments must be completed at the time the assignment is performed. Additional services performed by non-exempt employees are treated as overtime if hours worked are in excess of the University’s normal workweek. Please contact the Human Resources or Payroll Office for additional information.

d. **Payments to Nonresident Aliens** – All offers of reimbursements, travel payments or honoraria to foreign visitors are contingent on the visitor entering the United States on a visa that allows the visitor to receive payments. Please contact the Payroll Office with questions regarding honoraria payments to nonresident aliens.

**Tax Information** – For payments to foreign visitors holding valid visas, the following IRS Forms must be submitted with the Authorization for Payment:
- IRS Form 8233 Exemption from Withholding on Compensation for Independent (and Certain Dependent) Personal Services of a Nonresident Alien Individual;
- IRS Form W-8BEN Ownership, Exemption, or Reduced Rate Certificate for Fellowships or Canadian Residences; and
- IRS Form W-8 Certificate of Foreign Status.

These forms are available in the Payroll Office. If there is no tax treaty with the nonresident alien’s country, 30% will be withheld from honoraria payments. The host department should contact the Payroll Office well in advance of the proposed performance dates to ensure that proper documentation is on file for reporting and payment purposes. Please note that, absent the appropriate documentation, payment will not be made.
IX. CONTRIBUTIONS

a. General - The University may from time to time be called upon to contribute to civic or other non-profit causes. Such expenditures may be viewed as a type of marketing expenditure.

b. Submission and Approval Process – Expenditures for contributions as defined under Section IX.a above may be made on an Authorization for Payment. Account 7012 must be utilized for these types of expenses. The cognizant dean or vice president must sign the Authorization for Payment indicating his/her approval for the expenditure.

c. Political Contributions Prohibited – Payments for political contributions, to political action committees or other political organizations are strictly prohibited by the University as they are in violation of the University’s tax exempt status as a 501(3)(c) corporation.

X. MANUAL CHECKS

The University processes accounts payable checks twice per week. University personnel should submit authorizations for payment five to ten business days before a check is needed. The Assistant Controller at his/her discretion may approve the processing of checks on a rush basis. Such priority checks should be hand delivered to the Accounting Department and given to a senior accountant. Requests for manual checks will be processed on an emergency basis only. There will be a $20 processing fee charged to the department for this service. Permit fees are the only exception under this policy.
CHAPTER 6
MOVING EXPENSES

PREFACE

This chapter addresses issues faced during relocations of faculty and staff. It addresses the tax implications of moving and other relocation expenses and it provides guidance on procedures to be followed when submitting for reimbursement of such expenses. Section headings are:

- TAX IMPLICATIONS
- GENERAL POLICIES
- HOUSE HUNTING EXPENSES
- EN ROUTE EXPENSES
- TEMPORARY LIVING EXPENSES
- MOVING OF HOUSEHOLD AND PERSONAL EFFECTS
- EXPENSES FOR RETURN TRIPS TO FORMER RESIDENCE
- REPAYMENT PROVISIONS
- REIMBURSEMENT PROVISIONS

I. TAX IMPLICATIONS

a. Reimbursement Reported as Additional Income – When applying this relocation policy, departments should be aware that the Internal Revenue Service (IRS) requires the University report any reimbursements and advances associated with the move.

b. Reimbursement Not Tax-Reported – Reimbursements and advances of “qualified moving expenses” are not tax reportable. IRS guidelines identify the following time and distance tests in defining qualified moving expenses:

Time test – During the twelve-month period immediately following the move, the employee must work full-time for at least 39 weeks in the general location of the new workplace.

Distance test – The new workplace must be at least 50 miles farther from the employee’s old residence than the previous workplace was. For example, if the employee’s previous job was 15 miles from his old residence, the new job must be at least 65 miles from the old residence. If there was no previous workplace, the new workplace must be at least 50 miles from the employee’s old residence.
Moving expenses generally include reasonable costs for:

- Moving household goods and personal effects;
- En route travel (If by car, mileage allowance is 10 cents per mile);
- En route lodging (No meals);
- Storage of household goods for up to 30 consecutive days.

c. **Tax-Reportable Reimbursements** – The University may pay additional reimbursements and advances not classified as “qualified moving expenses” per IRS regulations. These reimbursements will be reported as additional income to the employee. Please contact the Controller’s Office or the Payroll Office for further information.

d. **More Information** - Guidance on tax issues may be obtained from the Controller's Office. Further information about tax reporting of moving expenses may be obtained from the IRS web site at [www.irs.gov](http://www.irs.gov) in Publication 521.

II. **GENERAL POLICIES**

a. **Responsibility for administering policy** - The cognizant vice president, dean or director is responsible for proper administration of this policy. Guidance on policy interpretation and procedural issues may be obtained from the Controller.

b. **Responsibility for Relocation Costs** - The unit approving the relocation generally bears all costs.

c. **Charges to Sponsored Projects** - Where costs are to be charged to a sponsored project, the terms of the applicable sponsored project award will take precedence.

d. **Letter of Authorization** - When an offer is made to pay moving expenses, a letter of authorization must be sent to the new employee at the time employment is offered, and a copy of the letter must be attached to any reimbursement requests. The letter of authorization must specify:

- Reimbursable expenses and the maximum actual expenses that will be paid by the University;
- Any lump sum amounts that would be in excess of actual expenses;
- Any expenses subject to tax reporting and withholding.

e. **Thresholds** – In general, thresholds are determined on a case-by-case basis with dean or vice presidential approval for amounts in excess of $5,000.

f. **Deadline for Submittal** – Requests for reimbursement of moving expenses should be made within 30 days of arrival.
III. HOUSE-HUNTING EXPENSES

a. Policy - All or part of the expenses associated with a trip to the University for the purpose of house hunting may, at the discretion of the president, cognizant vice president, dean or director, be reimbursed to a prospective employee. Reimbursement for meals must be based upon actual costs as substantiated by original receipts. Per Diem rates for meals may not be used in this circumstance.

b. Procedure - In any instance where house-hunting trip expenses are to be reimbursed by the University, the cognizant University officer (president, vice president, dean or director) should specify in writing to the prospective employee the terms and conditions of the reimbursement, including a maximum dollar amount to be reimbursed. Original receipts must be submitted before expenses will be reimbursed. Requests for reimbursement should be made on an Authorization for Payment.

Tax Note: The IRS does not consider expenses for house-hunting to be tax deductible. Therefore, all house-hunting expenses are reported to the IRS as additional compensation.

IV. EN-ROUTE TRAVEL EXPENSES

a. Policy - All or part of the actual expenses associated with a new employee's travel to assume a position at the University may be reimbursed. This policy also covers spouses/domestic partners and dependant children living at home. Costs covered include reasonable transportation costs and actual and reasonable costs of lodging, meals and gratuities.

b. Procedure - In any instance where en-route travel expenses are to be reimbursed by the University, the cognizant University officer should specify in writing to the prospective employee the terms and conditions of the reimbursement, including a maximum dollar amount to be reimbursed. Original receipts must be submitted before expenses will be reimbursed. Requests for reimbursement should be made on an Authorization for Payment.

c. Guidelines - The president, cognizant vice president, dean or director defines the terms and upper thresholds for en-route travel expenses. However, certain regulatory guidelines prevail. These are as follows:

Transportation Costs – Both commercial transportation (i.e., airline, train, etc.) and private automobile expenses may be reimbursed. If a personal vehicle is driven, the IRS permits reimbursement at the rate of 10 cents per mile. If a rental vehicle is driven, the rental cost of the vehicle and actual gasoline expenses will be reimbursed.
Tax Note: Certain en-route/travel expenses may be tax reportable under IRS regulations. Tax-reportable items for en route/travel expenses include:

- Meals and gratuities
- Vehicle mileage allowance over 10 cents/mile

V. TEMPORARY LIVING EXPENSES

a. Policy - A reasonable part (as defined in writing by the president, cognizant vice president, dean or director) of the actual or incremental expenses associated with temporary living arrangements while relocating near the University may be reimbursed. Temporary living arrangements may include, but are not limited to, hotels, apartments, and University residence facilities.

b. Procedure - In any instance where temporary living expenses are to be reimbursed by the University, the cognizant University officer should specify in writing to the prospective employee the terms and conditions of the reimbursement, including a maximum dollar amount to be reimbursed. Original receipts must be submitted before expenses will be reimbursed. Requests for reimbursement should be made on an Authorization for Payment.

Tax Note: The IRS regulations do not allow a tax deduction for temporary living expenses. Therefore, all temporary living expenses may be subject to income taxes, except for the day of departure from the old location and day of arrival in the new location. On the day of departure and the day of arrival, the IRS permits the cost of lodging to be reimbursed with no tax-reportable consequences.

VI. MOVING OF HOUSEHOLD AND PERSONAL EFFECTS

a. Policy - All or part of the actual and reasonable expenses of moving the household and personal effects of a new employee may be reimbursed. This policy also covers spouses/same-sex domestic partners and dependent children living at home. Where a mobile home is the principal place of residence, the University may reimburse the employee for expenses associated with unblocking, wheel rental, transportation and resetting at the new location.

b. Procedure - In any instance where moving of household and personal effects expenses are to be reimbursed by the University, the cognizant University officer should specify in writing to the prospective employee the terms and conditions of the reimbursement, including a maximum dollar amount to be reimbursed. Original receipts must be submitted before expenses will be reimbursed. Requests for reimbursement should be made on an Authorization for Payment.
c. **Reimbursable Costs** - The moving allowance may include:

| • Actual cost of packing, crating, transporting, unpacking and uncrating household effects | • Storage costs become tax-reportable after 30 consecutive days |
| • "All risk" replacement cost insurance (which should be arranged through the shipping agent or carrier) | • Costs incurred for moves to and from storage |
| • Costs of connecting and disconnecting household equipment | • Household pets |

**VII. EXPENSES FOR RETURN TRIPS TO FORMER RESIDENCE**

a. **Policy** - In a case where a new employee must return to his/her former residence to help with a move, or where the new employee is separated from his/her family for more than one month, the cognizant officer may authorize reimbursement for expenses relating to trips to the employee's former residence.

b. **Procedure** - Any reimbursement should cover transportation costs only and should be confirmed in writing before the travel takes place. Original receipts are required for reimbursement. Reimbursement requests should be made on an Authorization for Payment.

**Tax Note:** The IRS does not permit a tax deduction for return trips to the former residence. Therefore, any expenses reimbursed for return trips are tax reportable.

**VIII. REPAYMENT PROVISIONS**

a. **General** - Faculty or staff members who receive relocation assistance to accept a University position will be required to reimburse the University for relocation assistance if they voluntarily leave the University for any reason within 12 months from their date of hire. Reimbursement to the University will be pro-rated according to the number of months the employee has worked at the University. (For example, an employee who leaves after six months would be required to repay half the relocation allowance paid.) This repayment provision must be included in the offer letter.

**Tax Note:** Non-repayment of relocation allowances is tax reportable.

**IX. REIMBURSEMENT PROCEDURES**

a. **An Authorization for Payment** - To claim reimbursement for relocation expenses or to pay the moving company, the individual should submit a properly approved
Authorization for Payment to the Accounting Department within 30 days of his/her arrival. Original receipts are required for reimbursement.

b. **Accounting** - Relocation expenses must be coded to moving expense general ledger code – Account #7178.

c. **Tax Withholding** - For reimbursements on which income tax and Social Security withholding are required at the time of payment, the Accounting Department will arrange with the Payroll Office for payments to be reported to the IRS. Income and Social Security taxes will be withheld from the employee’s next payroll check.

d. **Advances** – Advances will be issued only with the approval of the cognizant vice president. When an advance is issued a payroll voucher must be used. Please note that payroll taxes (FICA, FIT, SIT and SDI) will be deducted and the individual will receive a net check. Further, it becomes the individual’s responsibility to track and report moving expenses to the IRS.
CHAPTER 7

PETTY CASH FUNDS

PREFACE

The purpose of this chapter is to outline policies and procedures regarding the establishment and use of petty cash funds. Petty cash funds provide a convenient method for departments to acquire and pay for minor business expenses. However, it is imperative that custodians understand that these funds represent financial assets of the University. Therefore, appropriate measures should be taken to ensure their security. Section headings are:

PURPOSE OF PETTY CASH FUNDS
ESTABLISHING A PETTY CASH FUND
CUSTODIAN RESPONSIBILITIES
CLOSING A PETTY CASH FUND
CONFIRMATION OF PETTY CASH FUND

I. PURPOSE OF PETTY CASH FUNDS

Petty cash funds enable departments to pay cash for minor business expenditures that otherwise would require an Authorization for Payment.

a. When Petty Cash May be Used – Reimbursements for petty cash are authorized for purchases and expenses up to $100. Petty cash may be used for local retail purchases, minor meeting expenses (i.e., monthly luncheon meetings, etc.), meal expenses up to $35, local transportation (i.e., parking, tolls, bus/train fare, etc.), books and periodicals, photocopy services, postage and mailing expenses.

b. Limitations on the Use of Petty Cash – Petty cash may not be used for:

- Purchases > $100
- Gifts
- Social club dues
- Payment for services performed by University Employees
- Traffic citations
- Interest charges
- Payroll advances, personal loans
- As a check cashing service
- To purchase hazardous materials
- University parking permits (these are personal expenses)
- Personal expenses
- Meal expenses > $35
c. **Replenishment of Fund** – Reimbursement for petty cash must be the exact amount of the expense. Original receipts are required as documentary evidence. Splitting one transaction into several parts to avoid the $100 limit, or requesting reimbursement of less than the full amount of the expense to avoid the $100 limit are specifically not allowed. Petty cash custodians should complete an Authorization for Payment for the exact total of the original receipts. This Authorization for Payment should be submitted to accounts payable along with the original receipts and a summary that totals the receipts (i.e., an adding machine tape or Excel spreadsheet).

II. **ESTABLISHING A PETTY CASH FUND**

a. **One Petty Cash Fund Per Department** – Unless a department is very large or geographically dispersed, a single petty cash fund per department is usually adequate for all its petty cash transactions. Reimbursements from one petty cash fund may be charged to several budgets, contracts, and/or sponsored accounts.

b. **Size of Petty Cash Fund** – A petty cash fund should be small enough to require replenishment at least once monthly in order for expenses to appear on the budget statement in the appropriate period. A petty cash fund should be large enough so that reimbursements are not needed more than two or three times per month. The Controller reserves the right to decrease petty cash funds deemed excessive in amount.

c. **Establishing or Increasing a Petty Cash Fund** – Department heads (i.e., director, department chair, etc.) may request a new petty cash fund or an increase to an existing fund by sending a memorandum to the University Controller. The memorandum should include the amount requested, the name of the petty cash custodian, and physical location of the petty cash fund. Except in rare circumstances petty cash funds will be limited to division offices and schools (as opposed to individual departments).

d. **Petty Cash Custodian** – The department head must appoint an individual to be custodian of the department’s petty cash fund.

III. **CUSTODIAN RESPONSIBILITIES**

a. **Assignment of Petty Cash Funds to Custodian** – The Accounting Department issues a check for the amount of petty cash funds and obtains a receipt from the petty cash custodian. The custodian remains accountable for the petty cash fund until another person is officially designated as the new custodian or until the fund is closed.

b. **Protection of Petty Cash Funds** – To prevent access by anyone except the custodian, petty cash should be kept in a locked box in a desk or cabinet that is locked whenever the custodian is absent. Only the custodian should have access to the keys. In case of theft or disappearance, Public Safety and the Director of Internal Audit must be
notified as soon as the loss is discovered. A copy of the police report should be included with the petty cash receipts when reimbursement is requested.

c. **Absence of the Custodian** – During absence or vacation, a custodian may place the petty cash fund with a temporary custodian. The temporary custodian and regular custodian must inventory the petty cash box and prepare a list of cash, receipts and reimbursement requests in process. These must total the value of the petty cash fund. The temporary custodian signs a copy of the inventory as a receipt. The regular custodian retains this receipt since that individual is transferring personal responsibility for the value of the fund. When the regular custodian returns, the same procedures must be followed with the receipt retained by the temporary custodian.

If it becomes necessary to replenish the fund when the temporary custodian is in charge, a memo from the department head identifying the temporary custodian must be sent to the Accounting Department. Without this notification, the check to replenish the fund will be automatically generated in the name of the regular custodian and cannot be cashed by the temporary custodian.

d. **Change of Custodian** – The department head may transfer the petty cash fund to a new custodian by sending a memorandum to the Controller. The fund must be counted and reconciled prior to the transfer. Except on a temporary basis described above, one custodian may not transfer a fund to a new custodian. The petty cash fund must be in balance before the new custodian accepts it.

IV. **CLOSING A PETTY CASH FUND**

If a petty cash fund is no longer needed the custodian must close the fund. The remaining cash should be deposited in the Cashier’s Office at the Finance Center. Do not send cash through inter-campus mail. The Cashier’s Office will prepare a cash receipt with a credit to Petty Cash, give the custodian a copy, and send a copy directly to the Accounting Department. The remaining expenses and receipts are reported to the Accounting Department. In cases where a custodian leaves without closing the fund and there are not receipts or records, the balance will be charged to the operating budget of the custodian’s department, reported to the IRS as income to the custodian, reported to the Director of Internal Audit and/or Public Safety for investigation.

V. **CONFIRMATION OF PETTY CASH FUNDS**

On at least a monthly basis custodians should reconcile his/her petty cash fund and submit an Authorization for Payment to the Accounting Department to replenish the fund. The following steps accomplish this task:

1. Count funds on hand;
2. Prepare a summary of total receipts (i.e., Excel spreadsheet or adding machine tape);
3. Complete a petty cash reconciliation form;
4. Prepare an Authorization for Payment that equals the amount of the receipts and appropriately charges each expense to the proper account; and

5. Submit reconciliation form, original receipts and Authorization for Payment to the Accounting Department.

In addition to the monthly processes defined above, all petty cash funds must be reconciled on June 30 – the University’s fiscal year end. Further, various petty cash funds may be selected each year by the University’s internal audit department for an audit of cash and receipts on hand and to verify the balance. Approvers of petty cash transactions should also periodically verify the cash on hand.
CHAPTER 8
UNIVERSITY PAYROLL

PREFACE

This chapter contains general policies concerning the University payroll. The University’s Payroll Department may be contacted for detailed information on payroll procedures.

Section headings for this chapter are:

- EMPLOYER/EMPLOYEE RELATIONSHIP
- EMPLOYMENT CATEGORIES
- COMPLIANCE WITH EMPLOYMENT LAW
- PAYROLL ACCOUNTING
- TAXES ON SALARIES AND WAGES
- PAYROLL DEDUCTIONS
- DELIVERY OF CHECKS AND BANK DEPOSIT ADVICES
- SALARY AND WAGE CALCULATIONS
- SPECIAL SITUATIONS
- EMPLOYER PROVIDED VEHICLES

I. EMPLOYER/EMPLOYEE RELATIONSHIP

Whether an individual is a University employee or an independent contractor is a determination with important practical and legal consequences.

a. General Rule - An individual who performs work directly for the University is normally considered an employee of the University unless the individual is an independent contractor or the individual is working at the University as an employee of another employer, including a temporary help agency.

Generally, federal tax rules define an employee is an individual who performs services subject to control by an employer both as to what services shall be performed and as to how they shall be performed. If the University has the legal right to control both the method and result of services that person is considered an employee and, therefore, is subject to withholding of income tax.

In general, if an individual is subject to the control or direction of another with respect to work objectives, but not with respect to the means and methods for accomplishing the work objectives, that person is considered an independent contractor and not an employee.
b. **Getting Help** - In cases of doubt about how an individual should be categorized, contact the Human Resources Office for advice.

II. EMPLOYMENT CATEGORIES

The University has established classification categories of employment for determining an individual’s eligibility for pay, working conditions and benefits of employment. The University uses three employment categories for staff:

a. **Regular Full-Time Staff** – Regular full-time staff are those who are continuously assigned to work a minimum of thirty-seven and one-half hours per week and who have an employment period of at least nine months per year.

b. **Regular Part-Time Staff** - Regular part-time staff are those who are continuously assigned to work less than thirty-seven and one-half but at least twenty hours per week, and who are employed at least nine months per year. Benefits are prorated for these employees. Part-time staff who work less than twenty hours per week are not eligible for University benefits.

c. **Temporary Staff** - Temporary staff are those hired with the expectation that their employment is limited to a particular period of need and will likely terminate on or before the end of that period, according to the needs of the department. Temporary staff are not eligible for University benefits.

Every member of the staff is classified as either “exempt” or “non-exempt” as required by law. Exempt employees are not eligible for overtime pay. For more information regarding employment categories and classification, please consult the University Staff Handbook and/or the Human Resources Office.

III. COMPLIANCE WITH EMPLOYMENT LAW

a. **Documentation of Eligibility for Employment** - The hiring department must submit an Immigration and Naturalization Service (INS) Form I-9, Employment Eligibility Verification, with the hiring paperwork package for all new and rehired employees. The employee must provide the department with evidence of U.S. citizenship or, if not a U.S. citizen, must produce evidence of a foreign status that is eligible for employment.

b. **Tax Requirements** -

**Withholding Tax Information** - New employees must complete a *Federal W-4 Form* and a *California DE-4 Form* before their salaries can be processed. If these tax forms are not received before the deadline of the employee’s first pay period, the payroll system will tax the employee as if a claim had been made for W-4 and DE-4 “Single” status with no exemptions.
Tax Treaties - Some employees who are not residents of the U.S. may qualify for full or partial exemption from withholding tax based on tax treaties between the U.S. and their countries of residence. Assistance may be obtained from the Payroll Office.

To obtain exemption from withholding, eligible employees should complete IRS Form 8233, Exemption From Withholding on Compensation for Independent Personal Services of a Nonresident Alien Individual, and the appropriate country attachment form (CO 8233 series). Forms and attachments are available in the Payroll Office. Completed forms should be submitted to the Payroll Office.

Social Security Number – The Payroll Office will not issue a check until the employee’s social security number is on file.

III. PAYROLL ACCOUNTING

a. Pay Periods - University employees are paid on a monthly, semi-monthly, or bi-weekly basis depending upon employment classification and/or campus.

b. Salary Approvals - Department heads or other authorized University officers approve charges of salaries and wages to their expenditure activities/accounts in accordance with budgets, compensation policies, and collective bargaining agreements. In addition to the department head, certain offices have responsibility for reviewing salaries and wages for specific categories of employees. Salary changes, supplementary compensation, salary during leave of absence, and termination of salary require the same authorization and review.

c. Charges to Expenditure Activities/Accounts - The Controller's Office charges salary and wage expenditures to activities/accounts designated by the department. Charges are reported on monthly expenditure or operating statements.

d. Multiple Activities/Accounts - If an employee is paid from more than one activity/account, the authorized portion of salary or wage is allocated to the appropriate activities/accounts. The paycheck or bank deposit advice delivered to the employee combines all earnings into one check.

IV. TAXES ON SALARIES AND WAGES

a. Taxable Earnings - The University withholds Federal and State taxes from all taxable earnings paid to employees. Taxable earnings include regular pay, overtime pay, supplementary compensation, and any additional and miscellaneous payments for work performed for the University or taxable benefits provided by the University.

The University prepares a Statement of Earnings and Income Tax Withheld, Form W-2, and sends it to each employee at home in January each year. The University sends copies to the Federal and State governments.
b. **Tax Exemptions** - Employees may not claim more withholding allowances than those allowed by the Internal Revenue Service. Fewer allowances may be claimed if an employee wishes to increase the amount of tax withheld, or additional taxes may be withheld.

c. **Student Employees** - Students who take jobs with the University while pursuing their studies are paid through the University payroll. When classes are in session, student employees do not pay Social Security taxes or Disability Insurance; however, students who work during breaks of six weeks or more are subject to both Social Security taxes and Disability Insurance.

d. **Scholarships and Fellowships** - Scholarships and fellowships are not payments for work performed, and the recipients are not placed in an employer-employee relationship because of receipt of this money from the University.

e. **Research and Teaching Assistants** - Research assistantships and teaching assistantships are taxable, and tax is withheld from the check.

f. **Non-California Residents** - All employees who physically work in California are treated as California residents for California tax purposes.

g. **Tax Status of Non-U.S. Residents** - Salaries and wages paid to aliens come under the tax laws of the United States and the State of California. The Internal Revenue Service and the California Franchise Tax Board handle the specific provisions of the tax laws, treaties, conventions, and determinations in regard to aliens. The Payroll Office can assist aliens in filling out University-required forms, and can provide a copy of the tax information that has been published by the Federal and State governments.

V. **PAYROLL DEDUCTIONS**

a. **Deductions for Benefits** - Employees eligible for benefits pay the employee's share of the cost of some insurance programs and benefits by payroll deduction authorized in writing by the employee through the Human Resources Office.

b. **Other Authorized Deductions** - The University has authorized certain voluntary payroll deductions. Any employee interested in obtaining additional information regarding other authorized deductions should contact Human Resources.

c. **Reporting Deductions** - Deductions from each paycheck are itemized on the stub of the check or bank deposit advice. The amounts deducted are sent to the designated organizations.
d. **Cessation of Deductions**

**Benefits** - Payroll deductions for benefits cease during leaves of absence without pay, upon termination of employment, upon change in employment status to a non-benefit eligible position, or upon retirement. If that happens, arrangements to pay for the employee's share of the costs of applicable insurance plans must be made through Human Resources in order for the employee to continue insurance coverage.

**Other Authorized Deductions** - Payroll deductions arranged through an organization external to Pacific are available to all employees, and are not affected by a change in employment status. Such deductions may cease during leaves of absence without pay, upon termination of employment, or upon retirement.

VI. **DELIVERY OF CHECKS AND BANK DEPOSIT ADVICES**

a. **Direct Deposit of Paychecks** - Employees are encouraged to have their paychecks deposited directly into their bank accounts. Employees who are temporary, part-time, or student employees are not eligible to participate in the direct deposit program. Employees may use any bank, savings and loan, or credit union that is a member of the Automated Clearing House and that can accept electronic transfer of funds. Authorization forms for direct deposits in participating banks may be obtained from the Human Resources Office or Payroll Office.

b. **Delivery of Paychecks and Advices** - Payroll distributes paychecks and statements showing direct bank deposits through interdepartmental mail. Checks and advices are normally delivered to the employee's primary department. If an employee works in more than one department, and it is more convenient for the employee to receive the check in the other department, the employee may request a change in delivery address. This may be done through Human Resources. However, employees who work temporarily in different departments during vacation or between quarters are advised not to change from their regular paycheck address.

c. **Undelivered Checks** - The department may hold a paycheck for an absent employee until the employee's return, if the absence is for no longer than one week. If an employee is expected to be absent for more than one week, the check should be hand delivered to the Payroll Office. Employees may request that the checks be mailed to their home address in the event of an extended paid leave period. To accomplish this change, employees must request an address change in writing through the Human Resources Office.

d. **Delivery of Final Paycheck** - An individual's final paycheck must include the total amount of salary or wages owed as of the date of termination. This includes all payments due less authorized deductions. California law requires the University to issue checks to employees within a certain time frame depending on whether the termination is voluntary or involuntary. Paychecks must be issued to employees
terminating involuntarily within 24 hours. Paychecks must be issued to employees terminating voluntarily within 72 hours. The department should work closely with both the Human Resources Office and the Payroll Office to ensure that all paperwork for terminating employees is completed and submitted in a timely manner to ensure compliance with statutory regulations.

VII. SALARY AND WAGE CALCULATIONS

a. Vacation Payment and Vacation Credit - Vacation earned but unused upon termination is paid on the basis of the employee's hourly rate.

b. Partial Month Pay Calculation - Pay for less than a full month for new or terminating salaried employees is calculated and paid on the basis of workdays in the applicable pay period. Holidays are counted as workdays when the employee works or is on paid leave (including vacation) both the day immediately preceding and the day following a holiday.

VIII. SPECIAL SITUATIONS

a. Late Paperwork – Payroll authorization forms should be submitted to the Human Resource office immediately upon date of hire. Under no circumstances should employees be allowed to work for three days or more without this paperwork being submitted to the Human Resources department. Further, deadlines for receiving time sheets or variance reports (for those employees paid monthly) depend upon how frequently the employee is paid:

Monthly Employees – The first day of the month following the pay period.
Semi-Monthly Employees – Employees who are paid on a semi-monthly basis must submit time sheets on the 16th of the month for the period covering the 1st – 15th of the month and on the first day of the following month for the period covering the 16th through the last day of the month.
Bi-Weekly Employees – Employees paid on a bi-weekly basis (every other week) must submit their time sheets for the pay period no later than the Friday preceding the pay date. A payroll calendar listing pay dates and due dates for time sheets are available in the Payroll Office.

Each department is responsible for insuring that time sheets are collected and submitted to the Payroll Office. Supervisors should batch timesheets, in alphabetical order, and hand-deliver them to the Payroll Office. All documentation received in the Payroll Office is time and date stamped. Any manual check resulting from late paperwork will be subject to a $20 fee. This fee will be charged directly to the department.

b. Salary Advances - Under no circumstances will the University issue salary advances.
IX. EMPLOYER PROVIDED VEHICLES

a. **General** – Certain University employees are provided with University-owned vehicles. IRS regulations require that these individuals maintain mileage logs attesting to business and personal usage of the vehicle. Further, IRS regulations mandate that an amount depicting personal usage be calculated and added to the employee’s compensation as a non-cash fringe benefit. These regulations apply whether the vehicle is leased or owned by the University or the vehicle is loaned to the University.

b. **Mileage Log** – Each employee provided with a University vehicle must therefore maintain a detailed mileage log and submit this log along with a *Calculation of Personal Usage – University Provided Vehicles* to the Payroll Manager on a monthly basis.

c. **Commuting Mileage** – IRS regulations stipulate that miles driven to and from work (even though business may be conducted en route) are not considered business miles. Commuting miles are considered personal miles.

d. **Calculation of Personal Benefit** – The University calculates the percentage of personal use and multiplies this percentage by the monthly lease value and operating costs (calculated at 5.5 center per mile for gas and oil). This amount constitutes additional compensation and will be added to the employee’s income. Appropriate payroll taxes (FICA, FIT, SIT, and SDI) will be withheld during the next pay period.

e. **Due Dates** – These reports must be submitted to the Payroll Manager on or before the 10th day of the following month and reflect usage for the previous calendar month.

f. **W-2 Reporting** – The amount of this non-cash fringe benefit is recorded on Form W-2 in Box 12.
PREFACE

This chapter applies uniformly to employees and non-employees traveling on authorized University business, and to all travel expenses reimbursed by the University regardless of the source of funds. Departments may choose to impose more restrictive policies, i.e., offer reimbursement rates below the levels contained herein; however, no department may follow practices less restrictive than those documented herein. Section headings are:

- GENERAL POLICY
- METHODS OF REIMBURSEMENT
- RECORDS AND REIMBURSEMENT
- COMMERCIAL AIR TRAVEL
- MEALS AND LODGING
- PRIVATE AUTOMOBILES
- RENTAL CARS
- OTHER FORMS OF TRANSPORTATION
- COMBINATIONS OF UNIVERSITY TRAVEL WITH PERSONAL TRAVEL
- TRAVEL EXPENSES OF SPOUSES AND OTHERS
- MISCELLANEOUS TRAVEL EXPENSES
- STUDENT TRAVEL AND TAX ISSUES
- FOREIGN VISITOR TRAVEL
- SPECIAL TRAVEL
- ENTERTAINMENT

I. GENERAL POLICY

a. Reimbursement Policy - The University’s policy is to reimburse employees and non-employees for necessary and reasonable travel and entertainment expenses incurred for authorized University business. The intent of this policy is that the reimbursement be fair and equitable to both the traveler and the University and consistent with federal regulations. Individuals traveling on business are responsible for compliance and should exercise the same care incurring expenses as they would in personal travel.
b. Non-Reimbursable Travel and Entertainment Expenses –

The following items are listed to illustrate those types of expenses, which the University generally deems to be personal, and would not be reimbursed to the employee. This listing is not intended to be all-inclusive:

- Dependent care services.
- Spouse travel. (See Section X below for further explanation)
- Premiums for travel accident insurance.
- Theft, loss of funds, damage or loss of personal luggage and effects. These losses should be submitted to the traveler’s personal homeowner’s/renter’s insurance company.
- Personal entertainment, in-room movies, video rentals, personal toll calls in excess of one per day, barbering services, health club/recreational club fees and other non-business items.
- Alcoholic beverages and snacks not related to official business entertainment purposes.
- Dry cleaning.
- Gifts not related to official business purposes (Business gifts are limited by the IRS to $25 per recipient per year).
- Flowers not related to official business purposes.

Expenses Prohibited by Law:

- Payments or donations to political organizations or candidates are never reimbursable.

c. Minimum Requirements – The University of the Pacific has adopted IRS regulatory policies related to travel and entertainment. Expenses that are reimbursed under IRS regulations are not reported as income on the traveler’s Form W-2; hence, the traveler need not account for them on his/her tax return. These standards also apply to expenses reimbursed by the University that are incurred in other than travel situations.

The following tests must be met:

- There must be a business connection for the expenses;
- The traveler must substantiate the expense; and
- The traveler must return to the employer amounts advanced in excess of the substantiated expenses.

Documentary evidence, such as original receipts or paid bills, generally is required to reimburse expenses that exceed $25. For expenses below $25 not substantiated by a receipt, a detailed listing of expense and amount must be supplied. Itemized receipts are required for all meal and entertainment expenses.
d. **Approval Authority** - Travel expenses are reimbursable only when all required approvals, including approval from government agencies or other project sponsors, are obtained prior to incurring the expense. Employees may not approve a reimbursement for themselves, or for a person to whom they report either directly or indirectly.

e. **Economical Transportation Required** – To be fully reimbursed by the University, the traveler must use the most economical mode of transportation available, consistent with the authorized purpose of the trip. This includes charging no more than the rate for the most direct and usually traveled route and measuring such costs as subsistence and lost work time in addition to actual transportation costs. More expensive transportation may be used if the traveler pays the incremental difference over the allowed cost.

Automobile transportation is generally most appropriate for round trips up to 300 miles and commercial air travel is generally the most economical and practical for longer trips. For ground transportation, rental or privately-owned vehicles and taxis should be used only if other means of transportation are unavailable, more costly, impractical, or if the time saved is advantageous to the conduct of the University’s business.

f. **Limitation on Group Travel** – Travel by a group of employees in the same aircraft, automobile, or other means of transportation is discouraged when the employees’ responsibilities are such that an accident could seriously affect the functioning of a University activity.

g. **Charges to Sponsored Projects** – When travel costs are to be charged to a sponsored project, the terms of the applicable award take precedence. Some projects may require the sponsor to pre-approve each trip, or each trip to or from a destination outside of the United States.

h. **School and Department Guidelines** – At their discretion, schools, departments, laboratories, and institutes may impose more restrictive guidelines for budgetary control reasons, but they may not be less restrictive than guidelines stated in this policy.

i. **Prepayment** – Certain travel expenses such as airfare, conference registration fees, or hotel deposits may require prepayment. An Authorization for Payment or purchase requisition, approved by the dean, director or appropriate vice president must be submitted before a prepayment will be processed. The prepayment will be treated as a travel advance until the travel has actually been completed.
II. METHODS OF REIMBURSEMENT

a. Corporate Credit Card – The University will make a Corporate Credit Card available free of charge to regular faculty and staff. This card, which is provided to replace cash advances, may be used for personal as well as business expenses.

These cards are issued with personal (not University) liability to the employee. Cardholders are personally responsible for paying for ALL charges on their cards. The University will not reimburse or pay late charges. The University will reimburse the cardholder directly for properly substantiated University-related expenses.

b. Travel without Card – Individuals may choose to travel at their own expense and then be reimbursed after the trip. An approved Authorization for Payment, Expense and Reimbursement Report, and original itemized receipts must be submitted within ten business days of the return from travel before reimbursement will be made.

c. Travel Advances – Although reimbursement for expenses under option a. or b. above is the standard method for paying for travel expenses, the University will provide, with appropriate vice presidential approval, travel advances to University employees traveling on pre-approved University-related business. Travel advances will not be issued to student travelers. No more than 80% of the cost of the trip will be advanced. Cash advances are a personal liability of the traveler until a complete accounting as to the use of the travel advance (including original receipts) is submitted to the Accounting Department. This accounting is due within ten business days of the return from travel. This accounting should take the form of a properly approved Expense and Reimbursement Report and all original receipts and any excess advance should be returned at that time. A University cash receipt representing the amount of the excess advance returned should accompany the Expense and Reimbursement Report.

The IRS requires the University to withhold FICA and income taxes of recipients of travel advances on the entire amount of the advance if the vouchers and excess advance are not returned in a timely fashion. Please be aware of this requirement to avoid additional and unnecessary taxation and return the required documentation within ten days of the return from travel. The University will deduct the advance from the traveler’s paycheck if the documentation is not returned on a timely basis. Therefore, travel advances not substantiated within thirty days of the return from travel will be deducted from the traveler’s paycheck. Acceptance of the advance constitutes authorization to deduct from the traveler’s paycheck. See Chapter 4 for further guidance on Expense Advances.

Please note that American Express Travelers checks obtained from the Accounting Department for travel advance purposes will not be cashed by University cashiers. Further, should you need to cash a travel advance check, you must notify the Bursar two business days prior to the date you need the cash to insure that adequate funds are on hand.
III. RECORDS AND REIMBURSEMENT

a. Receipts – Dated original receipts or invoices for expenses must be sent to the Accounting Department as backup to a properly completed Authorization for Payment and Expense and Reimbursement Report. Credit card payment forms and/or statements are not considered to be itemized receipts for purposes of reimbursement. Where expenses are being shared with external organizations, a duplicate copy of the receipts will suffice. A detailed explanation of who is paying the balance of the expenses is required on the Authorization for Payment. The following original documentation must be submitted for reimbursement:

- Invoice
- Transportation Tickets – Passenger copies of air, rail, boat, helicopter, and nonlocal bus tickets. For electronic tickets, submit itinerary and/or obtain passenger coupon at the airline ticket counter.
- Car Rentals – Car rental agreements or invoices.
- Lodging – Itemized lodging bills. Meals and incidentals on lodging bills must be itemized separately. When the method of per diem for meals is chosen, there will be no reimbursement of meals charged to the lodging bill.
- Other Expenses – Original itemized receipts or invoices for other expenses. Expenses under $25 for which no receipts are available, such as tolls and tips, do not require receipts. However, the amounts claimed must be itemized, accurate, reasonable, necessary, and customary.

b. Foreign Exchange Rate – The U.S. dollar equivalent should be included on receipts for purchases in foreign currencies. If a copy of the traveler’s credit card statement is included with receipts, reimbursement will be for the amount shown for the item on the statement.

c. Missing Original Receipts – The traveler must seek a duplicate of a missing original receipt from the billing agency. In the Authorization for Payment and Expense and Reimbursement Report documentation, include the duplicate along with proof of payment and a memorandum or statement, signed by the person incurring the expense and the appropriate Vice President, stating that:

- No original receipt or cancelled check is available.
- The expense was incurred on behalf of the University.
- The item and amount of the expense are accurate.
- No other reimbursement of expense has been or will be sought or accepted from any source.

d. Expense and Reimbursement Report / Authorization for Payment – The University requires both an Authorization for Payment and a properly approved Expense and Reimbursement Report to account for any travel expenses that are to be charged to a
University account. These documents should be submitted within 10 business days after returning from each trip. If the traveler does not expect to receive some invoices within this period, the Authorization for Payment and Expense and Reimbursement Report should be submitted without listing such expenses. When the invoices or receipts are received, they should be submitted with another Authorization for Payment and Expense and Reimbursement Report. For those individuals traveling on behalf of the University for extended periods of time, the traveler on a bi-weekly basis may request reimbursements. In these instances, documentation should be sent via overnight service to the traveler’s immediate supervisor for review, approval and submission to the Accounting Department. A check will be processed and available for pick-up or it will be mailed to the traveler’s home.

**Business Purpose** – The Expense and Reimbursement Report must include a statement of the purpose of the travel that shows the direct relationship of the travel to an official University function. The purpose for any stopover en route must also be included. If conference expenses are charged to a sponsored project, the conference must directly support the purpose of the sponsored project. A copy of the conference agenda or program must be included with the Expense and Reimbursement Report documentation.

**Dates** – All days from the time (day and hour) of departure to the time (day and hour) of return must be included on the Expense and Reimbursement Report. Days for personal use must be shown as such.

**Expenses** – Costs of transportation, meals, lodging, and miscellaneous expenses must be listed by date and location.

**Social Security Number** – The traveler’s Social Security number must be shown on the Authorization for Payment.

**Signatures** – The person who incurred the expenses and his/her immediate supervisor must sign the Expense and Reimbursement Report. Individuals must sign their own names; they cannot have others sign for them. No one may approve expenses for himself/herself or for an individual to whom he/she reports either directly or indirectly.

**Improperly Completed Forms** – The traveler is responsible for the accuracy and completeness of the documentation submitted. Improperly completed forms will be returned to the department.

e. **Explanation Required for Travel Expenses and Arrangements** – Written explanations for the following must be submitted with the Expense and Reimbursement Report:

**Reimbursement from Other Sources** – The traveler must report, including all pertinent details, if expenses for any part of the trip were or will be reimbursed by any
source other than the University. Source name, address, and amount must be included on the Expense and Reimbursement Report, even though the University will reimburse only the portion attributable to The University.

**Expenses not Expressly Allowed** – Expenses that are not expressly allowed in this chapter must be fully explained in order to support a claim for reimbursement.

**Unusual Travel Arrangements** – If the cost of business class or first-class rates, private or rental air transportation, or travel by private automobile is claimed, an explanation is required. Approval of full reimbursement is contingent upon meeting the guidelines and limitations established in this chapter.

**Expenses for Others** – If reported expenses include entertainment, meals, lodging, or transportation provided for others, the requirements herein must be met.

**Prior Approval** – Whenever travel policy states that prior written approval or invitation is necessary, a copy of such must be submitted with the Expense and Reimbursement Report. The same is true for any approved deviation from this chapter.

**f. Travel Expenses as Income**

**Moving Costs** – The University is required to report as additional income to the individual certain reimbursements for moving allowances and travel costs associated with initial employment or termination. See Chapter 6 for further details.

**Unsubstantiated Reimbursements** – In accordance with the regulations of the IRS, the University will report as additional income the reimbursement of any expense that is not substantiated by an appropriate itemized receipt or adequate explanation. Amounts will be added onto the employee’s earnings and subject to withholding.

**g. Reimbursement** – Every effort will be made to reimburse expenses within five working days of receipt of a properly prepared and approved Expense and Reimbursement Report and Authorization for Payment. All documentation should be submitted to the Accounting Department. Checks for expense reimbursement may be delivered to the department via campus mail, sent by U.S. mail to the payee, or picked up at the Finance Center.

**IV. COMMERCIAL AIR TRAVEL**

**a. Lowest Available Airfare** – All University staff, faculty members, students and University visitors traveling on official University business are expected to travel at the lowest available airfare. Federal regulations require that only the cost of the lowest available airfare may be charged directly or indirectly to government sponsored projects. Criteria used to determine the lowest available airfare are:
• Does not include charter flights unless requested by the traveler.
• Does not require staying over Saturday night unless requested by the traveler.
• The class is reasonably adequate for the medical needs of the traveler.

b. **University of the Pacific Reimbursement** – The University reimburses fares up to:

- Coach class for domestic flights and international flights of less than eight hours.
- Business class for international flights of eight hours or more, if it enables the traveler to perform the business purpose of the trip and the traveler is on a tight schedule.

c. **Accounting for Fares Over Lowest Available** – If a traveler incurs charges in excess of the lowest available airfare, as defined above, the difference, up to the fare authorized for University reimbursement, must be paid by the traveler.

d. **Charges in Excess of Authorized Airfare** - When a traveler prefers a higher class than that authorized for reimbursement, the traveler must pay the incremental difference.

e. **Change Penalties** – If a ticket has to be changed and a penalty is incurred due to business considerations, the traveler may claim reimbursement from the University for the penalty.

f. **Unused Flight Coupons** – Unused flight coupons must be deducted from the airfare reimbursement requested.

V. **MEALS AND LODGING**

a. **Lodging Choice** – University business travelers are expected to use lodging accommodations that are necessary and reasonable.

b. **Reimbursement Options** – The traveler may claim reimbursement by one of two methods for expenses incurred in connection with official University travel of more than one day. *The method selected must be used for the duration of the trip.*

*Actual Expenses* – The traveler may be reimbursed for the actual costs of meals, lodging, and gratuities. An itemized receipt must be obtained and submitted with the reimbursement request. Tips for meals will be reimbursed at a rate of 15% of the cost of the meals (inclusive of tax). Tips in excess of this percentage are not reimbursable. *The University will pay the actual cost of meals incurred when there is no overnight travel only when the meal has a defined University business purpose. Such business purpose shall be clearly stated on the expense report.*

Payments for alcohol and related taxes and tips may not be charged to a government-sponsored account or activity.
Actual Lodging Expenses Plus Per Diem for Meals – The traveler may be reimbursed for actual lodging cost plus the applicable meal per diem rate. This rate varies by geographic location. Rates for several of the major cities are listed below. For cities not included, the traveler may submit a per diem based on $30 per day or the traveler may consult the Federal Travel Regulations to determine the appropriate meal per diem rate for other domestic cities, Alaska, Hawaii, and international cities. The Federal Travel Regulations and per diem rates may be found at http://policyworks.gov/org/main/mt/homepage/mtt/perdiem/travel.shtml. Individuals using rates published in the Federal Travel Regulations should access the Web site listed above, locate the city to which they are traveling, print the page with the appropriate MI&E (meals, incidentals and entertainment) rate and attach this page to their expense report as audit documentation. Please note, that the per diem rates listed in this policy and in the Travel Regulations represent ceiling rates. Departments may, at their discretion, limit the applicable rate for budgetary reasons. Under no exceptions shall reimbursements be claimed in excess of published rates.

<table>
<thead>
<tr>
<th>State/City</th>
<th>Daily Per Diem Rate</th>
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<tbody>
<tr>
<td><strong>California:</strong></td>
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<tr>
<td>Fresno</td>
<td>$38</td>
</tr>
<tr>
<td>Los Angeles/Orange County</td>
<td>$46</td>
</tr>
<tr>
<td>Monterey Peninsula</td>
<td>$42</td>
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<tr>
<td>Palo Alto</td>
<td>$42</td>
</tr>
<tr>
<td>Redding</td>
<td>$38</td>
</tr>
<tr>
<td>Sacramento</td>
<td>$42</td>
</tr>
<tr>
<td>San Francisco</td>
<td>$46</td>
</tr>
<tr>
<td>San Luis Obispo</td>
<td>$38</td>
</tr>
<tr>
<td>San Diego</td>
<td>$42</td>
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<tr>
<td><strong>Colorado:</strong></td>
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<tr>
<td>Denver</td>
<td>$42</td>
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<tr>
<td><strong>District of Columbia</strong></td>
<td>$46</td>
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<tr>
<td><strong>Florida:</strong></td>
<td></td>
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<tr>
<td>Miami</td>
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<td>Orlando</td>
<td>$42</td>
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<td><strong>Georgia:</strong></td>
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<td>Atlanta</td>
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<td><strong>Illinois:</strong></td>
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<td>Chicago</td>
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<td><strong>Idaho:</strong></td>
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<td><strong>Louisiana:</strong></td>
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<td>New Orleans</td>
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<td><strong>Massachusetts:</strong></td>
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<tr>
<td>Boston</td>
<td>$46</td>
</tr>
</tbody>
</table>
State/City | Daily Per Diem Rate
--- | ---
Nevada:  
Las Vegas | $38  
Reno | $38
New York  
New York | $46
Oregon:  
Portland | $38
Texas:  
Dallas | $46  
El Paso | $38  
San Antonio | $34
Utah:  
Ogden | $34  
Provo | $42  
Salt Lake City | $42

c. **One Day Travel** – In general, trips of less than 50 miles one way do not qualify for an overnight stay nor do meals consumed during these one-day trips qualify for reimbursement.

d. **Per Diem Applications** – There are several different rate applications:

**Per Diem for Days of Departure and Return** – Per diem for the days of departure from and return to home are prorated, depending on the times of departure and return. The location where lodgings are obtained determines the applicable per diem rate. Meals will be reimbursed at the following percentages of the daily per-diem rate:

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<tbody>
<tr>
<td>Breakfast</td>
<td>20%</td>
</tr>
<tr>
<td>Lunch</td>
<td>20%</td>
</tr>
<tr>
<td>Dinner</td>
<td>60%</td>
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</tbody>
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For example: If an employee leaves his/her house at 6:00 am or after, he/she is expected to eat breakfast at home and therefore reduce the daily per diem rate by 20%. If an employee leaves the office at 1:00 pm or after, he/she is expected to reduce the daily per diem by 40%. If an employee returns home before 7:00 pm, he/she is expected to dine at home and reduce the daily per diem by 60%.

**Multiple Stops** – When a trip includes more than one University business stop and the cities involved have different per diem rates, the per diem rate for each calendar day is determined by the location where the lodgings are obtained for that night.

**Deduction for Meals Included in Registration Fees** – When a meal has been paid for as part of a registration fee or included in the hotel rate, a deduction must be made...
from the applicable per diem rate. Note: Agendas/programs for conferences attended must be submitted with the Authorization for Payment. The percentage to be deducted is as follows:

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<tbody>
<tr>
<td>Breakfast</td>
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</tr>
<tr>
<td>Dinner</td>
<td>60%</td>
</tr>
</tbody>
</table>

**Per Diem and Entertaining or Business Meals** – When a traveler who is reimbursed for meals at a per diem rate furnishes a meal to others, either as entertainment or during a business discussion, the traveler may seek reimbursement for the actual cost of the guest(s) meals only. The traveler’s portion of the meal will be reimbursed at the per diem rate. If multiple business or entertainment meals occur during a trip, the use of a per diem rate for meals is not appropriate for the trip. Payment for actual meal expenses with appropriate receipts should be requested for the entire trip. Entertainment / fund raising meals may not be reimbursed when they occur during a trip charged to a government grant or contract unless the actual meal expense reimbursement method is chosen for the entire trip. In this way, the correct amount can be charged to an unrestricted account.

**VI. PRIVATE AUTOMOBILE**

*a. Expenses Allowed* – The University will pay a standard rate per mile of 31¢ for official travel by private automobile based on the actual driving distance by the most direct route.

**Standard Mileage Allowance** – The standard mileage allowance is in lieu of all actual automobile expenses such as fuel and lubrication, towing charges, physical damage to the vehicle, repairs, replacements, tires, depreciation, insurance, etc.

**Automobile-related Expenses** – In addition to the standard mileage allowance, necessary and reasonable charges for the following automobile-related expenses are allowed: tolls, ferries, parking, bridges, etc. Traffic tickets and parking violations will not be reimbursed.

*b. Local Travel* – Mileage may be computed from the traveler’s home when travel occurs during weekends, holidays, or outside normal business hours (usually 8:00 am to 5:00 pm). Mileage must be computed from home whenever the trip does not involve a business stop at a University of the Pacific campus and the distance from home is less than the distance from campus.

*c. Automobile in Lieu of Commercial Air* – When the use of a personal automobile has been authorized and the automobile is used in travel for which air is generally most appropriate, reimbursement may not exceed actual miles the automobile is driven at the standard rate per mile, and may not exceed the allowable cost that would have been incurred had travel been by air. For calculating the equivalent airfare to replace
more expensive mileage charges, the coach fare plus ground transportation costs are applicable. If two or more people travel together by automobile for a business purpose, the equivalent airfare calculation is the sum of airfare plus ground transportation costs for all of the travelers.

d. **Trips of More than One Day** – The University will pay the mileage allowance, meals, and lodging expenses if travel by automobile is the most economical mode of transportation available. Otherwise the University will pay the cost of the least expensive alternate method of travel. The University will calculate an en-route per diem based on an average driving distance of 300 miles per day by the most direct route, or actual number of days taken, whichever is less. Each passenger claiming payment for meals and lodging must prepare a separate Expense and Reimbursement Report and Authorization for Payment.

e. **Two or More People Traveling Together** – Because private automobile reimbursement is to reimburse the owner for the use of the automobile, mileage and related expenses are payable only to the owner.

f. **Temporary Off-Campus Assignment** – If the employee has a temporary assignment away from campus, reimbursement will be made for mileage between campus and the assignment location, or home and the assignment location, whichever is less.

g. **Commuting Expenses** – Commuting expenses between home and campus are not reimbursable.

h. **Insurance and Accidents** – All accidents should be immediately reported according to the prevailing requirements of the state or other legal jurisdiction. Additionally, the accident should be reported to the Office of the Director of Budget and Risk Management and, if on campus, to the University’s Department of Public Safety.

### VII. RENTAL CARS

a. **Economical Alternatives** – The University will reimburse the traveler for the cost of renting a compact or standard size car and for the automobile-related expenses, if use of the rental vehicle is the most economical mode of transportation. Before renting a car, the traveler should consider shuttle services and taxis, particularly for transportation between airport and lodging.

b. **University Name on Rental Agreement** – Car rental agreements for both employees and non-employees renting for University business should, for insurance reasons, whenever possible include “University of the Pacific” with the name of the individual. Use of the American Express Corporate Credit Card serves this purpose for employees.
c. **Driver and Location Limitations** – For the traveler to be covered by the rental agency’s basic insurance, the rental vehicle may not be driven by persons other than the renter, or leave the state in which it is rented, without the agency’s permission.

d. **Accident Notification** – If a rented vehicle is involved in an accident, notify the rental agency and follow the procedures noted in Section VI.h. Above.

e. **Additional Insurance Needed?**

**Within the United States:** No – The University’s insurance policy provides coverage in excess of the rental agencies’ within the United States, travelers should not buy and will not be reimbursed for extra insurance from a car rental agency. Visitors to the University should be advised that additional insurance is unnecessary and not reimbursable.

**Outside the United States:** Yes – A traveler planning to drive a rental vehicle in any foreign country must purchase the rental agency’s insurance. The cost of such insurance is reimbursable.

VIII. **OTHER FORMS OF TRANSPORTATION**

a. **Railroads, Nonlocal Buses, Commercial Vessels** – The University will pay the cost of the lowest first-class accommodations available for the trip. Reimbursement will not exceed the commercial airfare that would be reimbursable for the same trip.

**Rail or Bus** – For each night that the railroad or bus accommodation is used, an amount equal to the lodging allowance will be deducted from the per diem rate, if applicable.

**Ship** – Payment of per diem will not be allowed for the period of travel aboard a ship where the cost of subsistence is included in the fare for passage and stateroom.

IX. **COMBINATIONS OF UNIVERSITY TRAVEL WITH PERSONAL TRAVEL**

a. **Expenses Payable by Others** – Travelers are encouraged to combine University travel with other business so that travel expenses can be shared with other organizations, and are responsible for seeking reimbursement for expenses payable by others. If a traveler is taking a trip payable jointly by the University and another entity, the University will pay for its share of the actual fare necessary for University business. Fares greater than coach fare (first class, business class, etc.) cannot be used as the basis for prorating air travel costs. When an outside organization pays for lodging or meals, the traveler may not claim per diem from the University. In no case may the reimbursement to the traveler from all sources exceed the total expenses incurred.
b. **Nonbusiness Expenses** – The University does not pay travel expenses that are not required for official University travel.

c. **Indirect Routes** – If, for other than University business, the traveler takes an indirect route or interrupts a direct route, reimbursement for airfare will be at either the actual charge or the charge that would have been incurred by traveling the direct route by the most economical means, whichever is less.

d. **Rental Cars** – Any personal portion of the cost of a rental car must be subtracted from the total rental bill before requesting reimbursement. The personal portion is calculated by prorating the cost of the rental over the number of days for personal use and number of days for business use.

If the traveler accepts extra insurance cost for a domestic car rental in order to be covered during the personal portion of the trip, the entire cost of the insurance coverage for the rental period will be considered a personal expense and not reimbursable.

X. **TRAVEL EXPENSES OF SPOUSES AND OTHERS**

a. **Nonbusiness Expenses** – In general, the expenses of a spouse, family, or others accompanying the business traveler are not reimbursable.

b. **Spouse’s Role** –

   **Incidental Duties** – The IRS has ruled that when a spouse or other person attends a meeting or conference and has no significant role or performs only incidental duties of a clerical, secretarial, or medical nature, the attendance does not constitute a business purpose.

   **Business Purpose** – When a spouse who attends a function has a significant role in the proceedings or is involved in fund-raising activities, this constitutes a business purpose under IRS regulations. In such cases the University will reimburse the business traveler for the spouse’s non-personal expenses directly resulting from travel on University business. The business purpose for the spouse’s expenses must be stated on the expense report. Other expenses for spouses of travelers, if reimbursed, are tax-reportable.

c. **Hotel Rates** – when the business traveler and others whose attendance does not constitute a business purpose occupy a double hotel room, the University will pay the single room rate. In all cases, only reasonable and necessary accommodations will be reimbursed.

XI. **MISCELLANEOUS TRAVEL EXPENSES**

a. **Registration Fees** – Registration fees may be expensed at the time of registration by requesting payment on an Authorization for Payment. In the event that the
registration fee is paid in advance of a conference to the extent that payment and attendance will fall in separate fiscal years, the prepayment will be treated as an advance and expensed in the fiscal year of the conference.

b. **Miscellaneous Expenses** – Miscellaneous expenses essential to the purpose of the authorized travel must be submitted for reimbursement on the same expense report as other travel expenses.

**Meeting Expenses** – Registration (if not prepaid), costs of presentations, published proceedings, rental of meeting rooms and other actual expenses in connection with professional meetings, conferences, and seminars are reimbursable.

**Telephone, Fax and Computer Connections** – Actual costs of necessary and reasonable business telephone calls, faxes and computer connections are allowable. Single telephone calls that cost over $25 must be itemized by business purpose and name of person called, even if the call is to a University number. Employees are permitted to claim reimbursement for one personal telephone call, of reasonable length, per day.

**Excess Baggage** – Charges for excess baggage are reimbursable only when the traveler is transporting University materials or when the extended period of travel necessitates excess personal baggage. In the latter case, the traveler must obtain advance authorization from his/her immediate supervisor for a maximum amount to be reimbursed by the University. A copy of this authorization must be submitted with the Expense and Reimbursement Report and Authorization for Payment.

**Foreign Travel Costs** – Actual costs of acquiring passports, visas, tourist cards, necessary photographs, birth certificates, required inoculations, immunizations, health cards, and fees for the conversion of funds to foreign currencies are reimbursable expenses.

**Insurance** – Insurance costs such as life insurance, flight insurance, personal automobile insurance, rental car insurance (except for in foreign countries as previously noted), and baggage insurance are not reimbursable expenses.

**Expenses on Behalf of Others** – Ordinary and necessary business expenses incurred on behalf of others, including but not limited to food, beverages, refreshments and social or recreational activities will be reimbursed. Expenses for personal entertainment are not reimbursable. See guidelines for entertainment expenses below at Section XV.

**Personal Expenses** – Expenses that are not directly related to and required for official University travel but incurred for the personal use or convenience of the traveler will not be reimbursed. Except for unusual circumstances, laundry costs will not be reimbursed.
XII. STUDENT TRAVEL AND TAX ISSUES

a. Reimbursements Not Reportable to IRS – Students who are also University of the Pacific employees may be reimbursed for business travel related to their employment. In most cases, such reimbursements are not tax-reportable to the IRS as income to the student, provided documentation is available showing that the travel is directly related to the student’s employment at the University.

b. Reimbursements Reportable to IRS – Students who receive travel-related costs not applicable to a program cost or included, as part of the program fees must pay taxes on the reimbursement. Requests for such payment should be made on an Expense and Reimbursement Report and an Authorization for Payment with the student’s Social Security Number and mailing address before the payment is processed.

XIII. FOREIGN VISITOR TRAVEL

Documentation Required – Payments to foreign visitors might be made only if the visitor enters the United States on an appropriate visa. In addition to the documentation required for all travel reimbursements, requests for reimbursement to nonresident aliens must include a signed Form LA-6 (Declaration of Tax Status), photocopies of the traveler’s passport, visa, I-94 card, and, for J-visas, a copy of the Form IAP-66 (Certificate of Eligibility for Exchange Visitor J-1 Status). Foreign visitors with visas sponsored by other institutions must include a letter from the sponsor allowing payments from this University.

XIV. SPECIAL TRAVEL

a. Interview Travel – Travel expenses in connection with employment interviews are authorized when necessary to acquire key personnel for employment at the University. Travel expenses are allowed to the extent authorized in a formal written invitation to the prospective employee, as long as they do not exceed the limits and are consistent with the policies and procedures in this policy. A copy of the invitation and receipts to document actual expenses must be submitted to support the Expense and Reimbursement Report and Authorization for Payment. Travel expenses of spouses accompanying prospective employees are also allowed to the extent authorized in the invitation. Requirements and limitations in specific sponsored project awards apply.

b. Postdoctoral Employment Expenses – Postdoctoral employment interviews and recruitment are considered to be business expenses. Employee moving expenses may be considered business reimbursement if the position is a regular 100% FTE payroll position of 39 weeks or longer.

c. Moving and Relocation Expenses – The University of the Pacific follows IRS regulations for moving and relocation expenses. In general, the University will
reimburse actual expenses in connection with relocation. Allowable expenses include travel and hotel en route, moving costs of household belongings, and storage expenses (up to 30 days). See Chapter 6 for further details.

XV. ENTERTAINMENT EXPENSES

a. Entertainment - Expenditures associated with meals and entertainment of one or more business guests at a meal are allowable if the entertainment is related to a business purpose and the entertainment is reasonably expected as a part of the employee’s responsibilities with the University. Ordinary and necessary expenditures directly related and in support of the conduct of University business are normally reimbursable. Expenses for meals and entertainment of one University employee by another will be reimbursable when the individual is acting on behalf of the University (e.g. observance of a special occasion or reward for special effort). To qualify as reimbursable business entertainment or meal expenses, the meeting must have, as its primary purpose, legitimate University business. Special recognition or holiday events for faculty and/or staff may be reimbursed with the approval of the appropriate Vice President or the President.

All meals and entertainment expenditures must be documented with the original receipt as well as the following criteria:

- Type of entertainment – Breakfast, lunch, dinner, or other (specify);
- Place of entertainment or name of firm to which payment is made;
- Name of person or group entertained as well as company name;
- Business relationship;
- Business purpose (topic of discussion) unless self-evident from item 4;
- If the group entertained is large, please attach a separate listing documenting the above to the expense report and Authorization for Payment.

b. Per Diem and Entertaining or Business Meals – When a traveler who is reimbursed at the per diem rate furnishes a meal to others, either as entertainment or during a business discussion, the traveler must prorate the cost of the meal and seek additional reimbursement only for the guest(s) meals. If multiple business or entertainment meals occur during a trip, reimbursement of per diem for meals is not appropriate. Payment for actual meal expenses with appropriate receipts should be requested for the entire trip. Entertainment / fund raising meals may not be reimbursed when they occur during a trip charged to a government grant or contract unless the actual meal expense reimbursement method is chosen for the entire trip. In this way, the correct amount can be charged to an unrestricted account.

c. Entertainment in Personal Homes – is applicable to employees of the University at the discretion of his/her supervisor. Only actual expenses incurred may be submitted for reimbursement. Per Diem or “per head” costs are not applicable. A properly completed and approved Expense and Reimbursement Report and an Authorization for Payment are required for reimbursement.
CHAPTER 10
EXPENDITURE TRANSFERS AND COST ALLOCATIONS

PREFACE

This chapter sets forth policies and procedures for transferring already incurred costs from one expenditure account to another. Cost transfers may also be called transfers of expense. This chapter also addresses policies and procedures for expense allocations and salary distribution offsets, which are a form of cost transfers.

Section headings are:

EXPENDITURE TRANSFER POLICIES
EXPENDITURE TRANSFER PROCEDURES
EXPENSE ALLOCATION POLICIES

I. EXPENDITURE TRANSFER POLICIES

An expenditure transfer is an after-the-fact reallocation of the cost associated with a transaction from one activity/account to another. Although it is preferable to charge costs to the correct activity/account when they are incurred, cost transfers are on occasion necessary. To be allowable, cost transfers must be timely, be fully documented, conform to University and sponsor allowability standards (that is, allowable under the terms of the sponsored agreement), and have appropriate authorizing signatures. See Chapter 5 Authorizing Expenditures.

a. Error Correction - Correction of errors is required on all activities/accounts. Errors may include clerical errors (such as typographical errors or transposition of account digits). Other errors may be detected upon review of monthly expenditure reports. For example, it may be determined that a purchase had been charged to an activity/account different from that which ultimately benefited from the use of the items purchased, an Employment Authorization Form had not been updated to reflect approved changes, or an individual's time and effort had been redirected. All errors should be corrected as soon as they are detected.

b. Pre-Award Costs - For the effective and economical conduct of a sponsored project, it is sometimes necessary for costs to be incurred before the Banner account for the project has been established. In such cases, a department may later determine that costs related to a sponsored project were charged to a departmental activity/account. These costs may be transferred to the sponsored project activity/account, once it has...
been established provided the costs are direct costs of the sponsored project/activity and were incurred during the period covered by the award/contract.

c. **Active Sponsored Project Activities/Accounts** - Sponsors have varying guidelines on expenditure transfers; departments should consult the Office of Sponsored Programs when in doubt about the acceptability of a proposed cost transfer.

d. **Closeout of Sponsored Project Activities/Accounts** - Administrators of sponsored accounts should be particularly careful to manage and monitor their activities/accounts so as not to incur unreimbursable costs. Generally, no costs incurred after the end date are allowable. Ongoing correction of incorrectly charged expenses is preferable to adjustments in the last month of a project. Guidelines are:

- Cost overruns after the end date of a project may not be cleared to another sponsored activity/account. Generally, departments must absorb these costs internally in their current unrestricted budget.

- Unspent balances at the close of a project must, in most cases, be returned to the sponsor. Notable exceptions are fixed price contracts and sponsored agreements allowing carry-forward of funds. For clarification of the terms of a specific sponsored project call the Sponsored Programs Office.

Well before the close of the award the project administrator should ensure that:

- Expendable materials transferred to the project are allowable direct charges and are properly approved. Transfers of the costs of expendable materials into the project in the last month of an award may not be acceptable and require further documentation. The materials should have been invoiced and used prior to the end date of the award. In some cases materials received in the last month are considered pre award costs when the project is ongoing and funding for the next period is assured. Consult the Sponsored Programs Accountant for clarification.

- Commitments and approvals are in place for equipment, negotiated agreements, travel, service and report costs that have been incurred prior to the award expiration date but are unlikely to be paid by that date. Transfer of such costs to the closed award is allowable if documented and acceptable under the terms of the agreement.

- Adjustments of indirect/facilities and administrative costs or fringe benefits by the Office of Sponsored Programs are allowable when identified as part of the final fiscal reporting process.

e. **Disallowances and Unfunded Costs** -- If a disallowance and/or unfunded cost is identified during preparation of the final fiscal report, and approval which makes the cost allowable has not been received, the cost must be treated in the same manner as a cost overrun (see Section I.d. above).
f. **Cost Transfer Deadlines** - Cost transfers should be prepared and submitted as soon as the need for a transfer is identified. Deadlines for cost transfers are two weeks after the end of each fiscal quarter. There is no difference in deadline for a salary cost and a non-salary item. Please note that expenditure transfer requests received after the deadlines will be made in the subsequent quarter. The deadlines for transfers are as follows:

<table>
<thead>
<tr>
<th>Quarter Ending</th>
<th>Transfer Deadline</th>
</tr>
</thead>
<tbody>
<tr>
<td>September 30</td>
<td>October 15</td>
</tr>
<tr>
<td>December 31</td>
<td>January 15</td>
</tr>
<tr>
<td>March 31</td>
<td>April 15</td>
</tr>
<tr>
<td>June 30</td>
<td>July 15</td>
</tr>
</tbody>
</table>

II. **EXPENDITURE TRANSFER PROCEDURES**

a. **Getting Started** - Cost transfers are submitted in writing. The type of transfer dictates the department to receive the request. For example, transfers of income or expenditures should be forwarded to the Accounting Department. Payroll transfers should be submitted to the Human Resources Office. Please note that budget transfers are not cost transfers. Budget transfers must be processed through the Budget Office.

b. **Choice of Entry Forms** -

- Income/Expenditure Transfer Forms are used for transfers of income and/or expenditures between accounts. An explanation and supporting documentation are required before the Accounting Department will process the transfer.

- Redistribution of Salary Forms are required to transfer or redistribute salaries. Again, an explanation and supporting documentation are required before the Payroll Office will process the redistribution.

c. **Signatures** - The person responsible for the account to be charged is required. Signature for the account to be credited is not required; however, the department initiating the transfer should make sure all individuals responsible for affected accounts receive a copy.

III. **ALLOCATIONS AND OFFSETS**

**General** - An expense allocation is a method that enables apportionment of a particular expense or expenses to accounts that specifically benefit from those charges. Allocations are used in situations where it is difficult to determine in advance how much to charge each activity/account for a shared supply or service. They are used to distribute expenses to activities/accounts receiving the benefit of the good or service. Allocations
are often used to distribute costs from service centers. They may also be used to distribute costs between benefiting activities/accounts when a purchase was originally charged to one activity/account and one or more other activities/accounts also benefited from the purchase. Often allocations are repetitive or required on a regular basis.

**Allocation Basis** - The basis of allocation/distribution (e.g., effort, square footage, headcount) must logically relate to the type of costs being allocated. It must produce an allocation to each activity/account in reasonable proportion to the benefits received. The allocation methodology must produce a result that is allowable, allocable and reasonable.

**Documentation** - Expense allocation documentation must clearly show the nature of the cost being allocated. The originator of the journal entry must include comments about the distribution basis in the documentation and retain documentation of the allocation methodology and calculation results in accordance with the government and University's record retention requirements.

**Approvals** - Before an allocation journal is submitted to the accounting system, the department processing the journal must have received approval from the Vice President for Business and Finance.

**Deadlines** - Allocation journals should be prepared and submitted before the end of the month following the month the expense was posted.
CHAPTER 11
SPONSORED PROGRAMS

PREFACE

This chapter presents policies and procedures to assist the faculty and staff in understanding the responsibilities associated with the financial administration of sponsored programs once they are awarded. The Sponsored Programs Administrator should be contacted with regards to any pre-award policies.

Sponsored programs are externally-funded activities in which a formal written agreement, i.e., a grant, contract, or cooperative agreement, is entered into by the University and by the sponsor. A sponsored program may be thought of as a transaction in which there is a specified statement of work with a related, reciprocal transfer of something of value.

Section headings are:

GENERAL OVERVIEW
CRITERIA FOR DEFINING SPONSORED PROGRAMS
PROCEDURES FOR SUBMISSION OF PROPOSALS
FISCAL RESPONSIBILITIES – PRINCIPAL INVESTIGATOR
FISCAL RESPONSIBILITIES – OFFICE OF SPONSORED PROGRAMS
COST POLICY
INDIRECT COSTS
FRINGE BENEFIT RATE
COST SHARING
GRANT AND CONTRACT EXPENSES
TIME AND EFFORT REPORTING
GRANT CLOSEOUT & YEAR END REQUIREMENTS
RETENTION REQUIREMENTS

I. GENERAL OVERVIEW

Sponsored programs are established when funds are awarded to the University by external sources in support of research, instruction, training, or service under an agreement. Proposals for grants and contracts are processed through the Office of Sponsored Programs. The Office of Sponsored Programs sets out criteria for determining if external support for a project should be handled as a sponsored program. See Section II below. Note: External support that does not meet these criteria is handled as a gift.
a. **Account Creation** - When a grant or contract has been awarded, the Office of Sponsored Programs assigns a fund number for the project, establishes the related expenditure accounts based on the budget provided, and handles any subsequent accounting system maintenance during the life of the award. The primary purpose of a grant or contract fund and related expenditure accounts is to record accounting transactions for a sponsored program.

b. **Reporting** - The Office of Sponsored Programs prepares financial reports for submission to funding agencies, submits invoices, and processes payments. In addition, this office reviews charges to sponsored accounts to determine compliance with both the University and agency regulations. Furthermore, this office is responsible for reporting on sponsored activity at the University and for the coordination of audit activity on sponsored accounts.

c. **Closeout** - Accounting records for grant and contract accounts are closed for reporting purposes at fiscal year end. The entire budget and expenditures are carried forward to the new fiscal year expenditure statements and can be seen on the Grant Inception to Date Report. However, the fund statement for the award will show only the net funding carried forward from the prior fiscal year, and any new funds received in the current year.

d. **Sub-allocations** - A sub-allocation of a grant or contract may be set up to handle accounting for:

- A subcontract
- Separate portions of the work
- Fabrication of capital equipment
- A conference associated with the project

e. **Sponsor Approval** - The terms of the award and governing cost principles may require approval from the agency for such actions as amending budgets, travel or purchasing capital equipment. The Office of Sponsored Programs processes these approval requests. No-cost extensions (an extension of the grant ending date, with no additional funding) and carry-forward of funds (to the next project year) are processed by the Office of Sponsored Programs as well. Generally, line item transfers that are more than 10% are to be approved by the funding agency. The grant document and the Office of Sponsored Programs can assist in making a determination when permission to transfer funds between budget line items is to be approved by the funding agency.

f. **Individual Responsibility** - Ethics and integrity are the responsibility of each individual. Therefore, every member of the faculty and staff, and any other person acting on behalf of the University, is responsible for ethical conduct consistent with the University’s policies. University administration, principal investigators, department heads and others in supervisory positions must assume responsibility for
ensuring that their conduct and the conduct of those they supervise complies with this code.

g. **Business Activities** - Business activities undertaken on behalf of the University with the public, the government, suppliers, students and one another must reflect the highest standards of honesty, integrity and fairness. Each individual must be especially careful to avoid even the appearance of misconduct or impropriety.

II. **CRITERIA FOR DEFINING SPONSORED PROGRAMS**

The following conditions characterize a sponsored program agreement and help to distinguish such agreements from gifts.

a. **Statement of Work** - Sponsored programs are typically awarded to the University in response to a detailed statement of work and commitment to a specified project plan. As described below, this statement of work is usually supported by both a project schedule and a line-item budget, both of which are essential to financial accountability. The statement of work and budget are usually described in a written proposal submitted by the University to the sponsor for review.

b. **Detailed Financial Accountability** - The sponsored program agreement includes detailed financial accountability, typically including such conditions as:

- A line-item budget related to the project plan. The terms of the agreement may specify allowable or unallowable costs, requirements for prior approvals for particular expenditures, etc.
- A specified period of performance typically defined with "beginning" and "ending" dates.
- A requirement to return any unexpended funds at the end of that period.
- A regular financial reporting and audit including, for federal and state awards, accountability under the terms of OMB A-21 Cost Principles for Educational Institutions and OMB A-110 Grants and Other Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations.
- A sponsored program budget will include the University's indirect cost rate, unless an exception has been approved.

These conditions generally define the level of financial accountability associated with a sponsored program. While not all of the above conditions are necessary to define a sponsored program, they are collectively indicative of the increased level of financial accountability associated with such programs.

c. **Disposition of Properties (Deliverables)** – Sponsored program agreements usually include terms and conditions for the disposition of tangible properties (e.g., equipment, records, specified technical reports, theses or dissertations) or intangible
properties (e.g., rights in data, copyrights, inventions). The presence of such terms and conditions in the agreement indicate that the activity is a sponsored program.

d. **Source of Funds** - Any funding provided by government agencies, at the federal, state, or local level, in support of the University’s activities is treated as sponsored program funding. Government funds are not treated as gifts. Funding from Voluntary Health Organizations or Associations, such as the American Cancer Society or American Heart Association, is usually treated as a sponsored program and not a gift.

e. **Intent of Sponsor** - In remaining cases, e.g., where funding is being provided by corporations, foundations or others not specified above, the distinction between gifts and sponsored programs will be made based on the proposal, statement of work, and terms of the agreement, taking into consideration the intent of the donor/sponsor.

*Note:* In some situations, communication, including the proposal and award as well as conversations, makes it clear that the donor's/sponsor's intent is to classify an award to the University as either a gift or a sponsored program. In these cases, the terms of the accompanying agreement may have to be adjusted in consultation with the donor/sponsor in order to clearly document the intent and avoid unintended classification.

Principal Investigators who expect to solicit funding from sponsors should consult with the Office of Sponsored Programs prior to any solicitation efforts and especially when non-standard agreements are anticipated.

### III. PROCEDURES FOR SUBMISSION OF PROPOSALS

a. **Pre-Submission Activities** –

**Proposals** - Before approaching federal, state or private granting agencies, contact the Office of Sponsored Programs to ascertain whether or not other proposals from the University are being considered by the agency. If the granting agency is a corporation or private foundation, it is also necessary to contact the Prospect Research Office. This will prevent needless duplication of effort.

**Internal Review** - Every formal application or proposal for sponsorship, renewal, or expansion of research and training programs within the University, with funds to be furnished from an outside source, but administered by the University, must undergo an internal administrative review before transmission to the outside source or before any commitments are made. This internal review is not designed to control or restrict the activities of faculty. Rather, it is to protect faculty’s legitimate interests and those of the University and granting agency. For more information on the University’s internal review process, see Section III.b below.

**Criteria** - The following criteria will be of primary consideration in the internal review and approval of proposals:
• The program should fit within the objectives of the University.
• The program should be soundly based and give promise of significant results, and
• The personnel involved should be qualified.
• The program should not extend the activities of the faculty and staff to the
detriment of undergraduate or graduate education.
• Adequate facilities should be available or provisions made for adequate facilities.
• The budget should be adequate for the work proposed, including allowance for
contingencies.
• Provisions should be made for any University funds required, either in the form of
direct costs or indirect costs computed in accordance with University practices.
• All contracts and grants should conform to the patent and proprietary research
policies of the University.

b. Routing & Responsibilities -

Routing - Before a formal proposal can be forwarded to a granting agency, it must
receive the approval of the:

• Dean of the school/college
• Sponsored Programs Administrator
• Director of Prospect Research (for foundation grants only)
• Sponsored Programs Accountant
• Provost

It may also be appropriate for the appropriate department chair to review the
proposal; however, his/her approval is not required on the routing form.

Academic Dean - The primary responsibility of the Academic Dean of the
school/college is to insure that appropriate pre-award approvals such as radiation
safety, animal care, IRB, hazardous materials, etc. have been obtained. Further, the
Academic Dean’s approval represents the Dean’s acknowledgement that the
appropriate facilities are available, the project fits within the mission/scope of the
department, and that appropriate resources or matching funds will be provided.

Sponsored Programs Administrator - The Sponsored Programs Administrator must
approve the substance of the proposal and is responsible for the supervision of its
internal review.

Director of Prospect Research - The Director of Prospect Research ensures that no
other proposals (corporate and private foundation proposals only) are being
considered by the granting agency or, if there are other proposals, that the agency is
aware of and welcomes these multiple requests.

Sponsored Programs Accountant - The Sponsored Programs Accountant verifies
the budget portion of the proposal for accuracy and appropriateness.
Provost – The primary responsibility of the Provost is to endorse the program as evidenced by his signature on the routing form.

Routing Sheet - to ensure that approval has been secured from the relevant officials, a routing sheet must accompany each proposal package. Routing sheets may be obtained from the Office of Sponsored Programs.

Time Frame - To ensure time for adequate review of the final proposal, the completed proposal package must be submitted to the Sponsored Programs Office five (5) working days prior to the deadline for submission to the granting agency.

IV. FISCAL RESPONSIBILITIES ON GRANT AND CONTRACT ACCOUNTS – PRINCIPAL INVESTIGATORS

a. General - Faculty and staff members who direct sponsored programs under University auspices have an important public, as well as professional, responsibility to manage these programs carefully. Although the legal agreement funding a sponsored program is between the sponsor and the University, the overall responsibility for management of a sponsored program within funding limitations rests with the Principal Investigator (PI). Funds must be expended within the restrictions of the contract or grant, and if any overdraft should occur, it is the responsibility of the PI to clear the overdraft by transferring charges to an appropriate account.

b. Responsibilities – Principal Investigators serve as the primary individuals responsible for the scientific integrity and fiscal and administrative management of the program. The PI should be cognizant of, and adhere to, all sponsor-imposed terms and conditions, as well as University policies and procedures related to administering sponsored agreements. This includes all relevant government and University regulations regarding the use of human and animal subjects, biohazards and bio-safety, occupational health and safety, conflicts of interest, and purchasing and equipment management policies.

The Principal Investigator must obtain prior approvals from the Office of Sponsored Programs or work with the Office of Sponsored Programs to request prior approval from the sponsor for post-award changes related to the conduct or scope of the work and/or expenditure of funds awarded.

Principal Investigators must observe University and campus policy and procedures to protect intellectual property rights and academic freedom.

Principal Investigators must supervise program personnel including co-PIs, post-doctoral associates and students (both graduate and undergraduate).
Principal Investigators must submit technical/programmatic progress reports in a timely fashion to the sponsor as required by the terms and conditions of the award.

Principal Investigators must manage and control project funds in a prudent manner and expend funds in accordance with the restrictions imposed by the award terms and conditions and University policy. Funds should only be expended to directly support the project effort and expenditures should not exceed the total amount of funds awarded. Deficits and disallowances incurred against the sponsored program account are the responsibility of the PI.

The Principal Investigator (PI) is accountable for the accuracy, allowability, allocability, appropriateness and timely review of charges to a grant or contract account (or a related cost sharing account) and for ensuring that expenditures do not exceed the level authorized by the award. The PI should review each monthly Budget Status Report for the program.

V. FISCAL RESPONSIBILITIES ON GRANT AND CONTRACT ACCOUNTS – OFFICE OF SPONSORED PROGRAMS

The Office of Sponsored Programs will:

- Serve as the office of record for all awards made on behalf of the University.
- Serve as a liaison between the PI/project staff and the sponsor.
- Monitor and coordinate the submission of reports required by the terms of the award and the administrative closeout of the project when the award expires.
- Assist in the completion of all closeout procedures.
- Establish a separate fund number for each sponsored program and maintain the official ledger of expenditures for sponsored agreements.
- Monitor payroll and nonpayroll expenditures for compliance with University policies and the terms of the agreement.
- Prepare and submit expenditure reports to sponsors and coordinate the financial closeout of contracts and grants.
- Coordinate responses to financial audit reports and/or recommendations of expenditure disallowances under sponsored program agreements.
- Invoice sponsors for interim and final payments under grants and contracts as appropriate or required.
VI. COST POLICY

a. General - The University receives funding from the granting agency, most of which comes in the form of direct support for sponsored programs. A portion of this funding, however, may also come in the form of reimbursement for indirect costs of federally sponsored programs.

b. Definitions -

Direct costs – Direct costs are expenses that are specifically associated with a particular sponsored program or other direct cost objective, such as Auxiliary Activities or Instruction, or expenses that can be directly assigned to such activities relatively easily with a high degree of accuracy. Examples include salaries and wages, supplies, travel and communication costs.

Indirect costs – Indirect costs are expenses that cannot be identified specifically with a particular project or activity. These costs benefit more than one activity. Examples include general administration expense, research administration, plant operation and maintenance, library expenses and depreciation.

Both types of costs represent real costs to the University and must be satisfied by the terms of the contract or grant. Otherwise, the program becomes a liability rather than an asset to the University.

c. Allowability - Rules for allowability are covered in the OMB Circular A-21 Cost Principles for Educational Institutions and other federal regulations. In many cases the issue of whether a particular cost is allowable is a complex one. When in doubt, contact the Office of Sponsored Programs. In general, expenses may be charged to the federal government only if they are:

Reasonable - A prudent person would have purchased this item and paid this price.

Allocable – Expenses can be allocated to the government activity based on benefit derived, cause and effect, or other equitable relationship.

Consistently Treated – Like expenses must be treated the same in like circumstances.

Allowable – Allowable or not unallowable as specified by government regulations.

If an expense does not meet the above criteria, it is not eligible to be charged to a federal grant or contract regardless of its purpose.

Note: Agencies that sponsor grants and contracts use the term allowable to mean permitted as a direct cost under the terms of a specific grant or contract. Expenses
that are generally allowable for federal reimbursement may not necessarily be permitted under the terms of a specific grant or contract.

Expenses that are unallowable for federal reimbursement may still be reasonable and necessary business expenses permitted by the University, as outlined in the University Business Policies and Procedures Manual. Departments may incur these expenses, but they must be coded as unallowable so that they can be readily identified and excluded from the indirect cost calculation. Please contact the Office of Sponsored Programs for more information regarding specifically unallowable activities and costs.

VII. INDIRECT COSTS

Sponsored programs are charged indirect costs, whether identified in the award or not, unless the funding agency has a written policy that precludes such recovery and the University has accepted the award with this restriction. The rates to be applied will be consistent with University policy. University Policy provides for an allocation of indirect costs on a monthly basis at the rates of 50% to the University’s current unrestricted fund, 30% to the academic unit, and 20% to support the Office of Sponsored Programs.

The University negotiates an indirect cost rate with the U.S. Department of Health and Human Services for use on all grants. The current rate can be obtained by contacting the Office of Sponsored Programs. Proposals should include indirect cost recovery to the maximum allowed by the sponsor. The Office of Sponsored Programs, after consideration of the proposed award, may choose to accept an alternative indirect cost arrangement. No agreement is binding upon the University unless endorsed by the Office of Sponsored Programs.

A project, or part of a project, is considered to be performed off-campus if the activity is conducted at a location other than on University's property and the majority of indirect costs (e.g., operation and maintenance, depreciation or lease of buildings, equipment and improvements) associated with the University's facilities, both owned and leased, is not applicable. If a project is located in leased space and the lease is a direct charge to the project, then the project is considered off-campus. If the project is not charged directly for the lease cost and the lease is a part of the University's indirect cost rate, then the project is considered on-campus. Essentially, the classification of on- or off-campus is solely for the purpose of applying the correct indirect cost rate.

VIII. FRINGE BENEFIT RATE

The University negotiates a benefit rate with the U.S. Department of Health and Human Services for use on all grants. The current rate can be obtained by contacting the Office of Sponsored Programs. This rate is applied to all non-student salaries, for both full- and part-time employees. The negotiated rate is charged to all grants on a monthly basis. The staff benefit charge is recorded in the month immediately following the salary
expense, except for the month of June. In June, the benefits are accrued before the end of the fiscal year.

**IX. COST SHARING**

Cost sharing, sometimes referred to as “matching,” represents that portion of the total program costs of a sponsored agreement borne by the University, rather than the sponsor. Separate activities/accounts may be established to track committed cost sharing.

The PI must identify and provide resources to fund the cost-sharing account. Funds from other federal awards may not be used as the source of cost sharing except as authorized by statute. Funds generally come from unrestricted, gift, endowment income, or designated funds.

The signed award document indicates whether the program involves cost sharing. The Office of Sponsored Programs will not open the sponsored activity/account until the related cost sharing activity/account is opened. When a cost sharing activity/account is required, a person with signature authority over the fund from which the cost-sharing activity/account funds will be drawn must approve the application of funds to the cost-sharing purpose.

Cost-sharing activities/accounts are subject to the same activity/account management procedures as described above for grant and contract accounts.

Cost-sharing activities/accounts must be fully funded at the end of the University’s fiscal year. Cost-sharing budgets and expenditures carry over to the new fiscal year, as described above for grant and contract accounts.

The cost-sharing activity/account is closed at the same time as the related grant or contract account, as described above.

**X. GRANT AND CONTRACT EXPENSES**

Grant and contract expenses should be carefully reviewed for allowability, proper supporting documentation and correct coding. The same procedures that are used for other types of University expenses should be followed subject to any additional specific restrictions imposed by the sponsor.

**a. Payroll Expense** - See Chapter 8 for detailed information on the University’s Payroll Policy.

**Calculation of Base Pay** - Base pay for purposes of sponsored programs is considered to be all compensation for personal services paid to the currently or accrued by the University for employee services rendered to the grant-supported project. Forms such as the Approval to Recruit and Employment Authorizations must
be routed through the Office of Sponsored Programs for verification/review. Contact the Office of Sponsored Programs for additional information.

b. **Scholarships and Graduate Assistantships** - The project director should work with the Financial Aid Office regarding scholarships and graduate assistantships to ensure that all eligibility requirements are met.

c. **Purchase Orders** - See Chapter 4 for detailed information on the University’s Procurement Policy.

A copy of the purchase requisition must be provided to the Office of Sponsored Programs for verification/review. Contact the Office of Sponsored Programs for additional information.

d. **Services** - Requests for payment for a service is to be made on an Authorization for Payment. In addition, an independent contractor form must be completed. See Chapter 5 for detailed information on the authorizing expenditures.

The Authorization for Payment and original invoice must be routed to the Office of Sponsored Programs for verification/review before payment is made. Contact the Office of Sponsored Programs for additional information.

e. **Miscellaneous Expenses** - Certain miscellaneous expenses may be processed on an invoice basis rather than through the procurement process. Payment for these expenses may be requested on an Authorization for Payment form. See Chapters 4 and 5 for additional information on the University’s policies with regards to procurement and authorizing expenditures.

The Authorization for Payment and original invoice must be routed to the Office of Sponsored Programs for verification/review before payment is made. Contact the Office of Sponsored Programs for additional information.

f. **Travel** - Chapter 9 may be consulted for detailed information on the University’s Travel and Entertainment Policy.

Please note that entertainment expenses and alcohol expenses are specifically prohibited in Section J of the Circular OMB A-21 Cost Principles for Educational Institutions. Therefore, expenditures for these types of expenses will not be reimbursed from program funds.
XI. TIME AND EFFORT REPORTING

a. General - all individuals whose salary is charged, in whole or in part, to a grant or is used to meet cost sharing or matching requirements on a grant must complete Time and Effort Reports. The University is required by the Federal government to document effort that is charged to sponsored programs. It is the responsibility of each department chair and dean to see that a system is in place to ensure that the PIs in their areas fulfill the requirements for review and certification of salaries, and to assure that salaries charged to sponsored programs correspond to effort expended on those programs, within the appropriate limitation for the school.

b. Reporting Period and Submission - These reports must be completed on a monthly basis and should be signed by the employee and the program director. His/her supervisory official should sign the program director’s report.

These reports must be forwarded to the Office of Sponsored Programs on a quarterly basis. The Office of Sponsored Programs will review these reports for timely submission. In addition, the office will make any necessary adjustments for the actual expenses charged to the grant.

c. Key Points - Important points to keep in mind are:

1. Pay is considered to be remuneration for all work that benefits the University. For full-time employees, this is 100% FTE. This applies to regular exempt employees, including faculty, who are paid through the payroll system.

   Note: 100% FTE does not equate to any set number of hours, e.g., 40 or 50 hours per week; it equates to the totality of University-compensated effort. The University does not pay faculty for personal time devoted to external consulting.

2. Each month, the University's payroll system permits the charging of salary earned by employees to the proper accounts, based on the nature of the work performed. For example, if the work of a full-time exempt employee (100% FTE) is devoted entirely to teaching, 100% of the earned salary should be charged to accounts associated with instruction.

The key assumptions underlying this process are:

- The basic function of instruction has benefited 100% from the employee’s work; and
- The basic function of instruction is allocated 100% of the employee's salary charges.

Similarly, if the employee's effort is devoted half time (50% FTE) to teaching, and half time (50% FTE) to work on sponsored research programs, one-half of the
salary should be allocated to instruction and one-half to the sponsored program(s).

d. Allocating Salary via the Employment Authorization Form - The Employee Authorization form controls the percentage of salary allocated to each major function, and within each function, to specific project accounts. For example, authorization of a faculty member who devotes one-half time to teaching and one-half time to three sponsored programs might distribute salary charges as follows:

- 50% to instruction
- 20% to sponsored program #1
- 20% to sponsored program #2
- 10% to sponsored program #3

This distribution is normally set up at the beginning of an academic period, based on a presumption about how the employee's effort is going to be allocated. If the actual distribution of effort differs significantly from this presumed distribution, University policy requires that the Employment Authorization be changed to reflect the actual distribution.

e. Responsibility for Verification and Review - Government sponsors expect to pay only for those portions of employee effort that are actually devoted to their programs. Periodically, auditors review payroll charges to verify that the percentage of an employee's salary charged to a sponsored program account reasonably approximates the actual proportion of the employee's FTE effort that was devoted to that program.

As a general rule, exempt employees should understand how their salary charges are being distributed, and should verify for themselves that there is a reasonably close relationship between the allocation and the actual proportion of their effort devoted to the functions and programs being charged. For research assistants and support staff, the PI, who is assumed to be most knowledgeable about the relationship between effort devoted and benefit received, often makes these allocation decisions.

XII. GRANT CLOSEOUT AND YEAR END REQUIREMENTS

a. Grant Closeout - Closeout is the administrative process whereby sponsors determine whether all technical and administrative requirements of the grant or contract have been completed. Programs are considered completed or “closed out” only after the sponsor receives and approves all technical, financial, invention and property reports as required by the terms and conditions of the award and notifies the University of its acceptance and signoff. PIs are responsible for overseeing the proper closeout of sponsored programs, including the timely submission of all required reports (including final technical reports). PIs must assure that such documentation is adequate and readily available. In addition, some financial reports may require the PI's signature. Reporting requirements vary among agencies as to type, content, and timing. Consult the award document, agency policies, and/or the Office of Sponsored Programs for instructions.
At the close of a grant or contract, the PI is accountable for ensuring that all expenses recorded are complete, allowable, allocable, and without overdrafts. Care must be taken to ensure that charges are not made to a grant or contract beyond the close date.

The Office of Sponsored Programs prepares the final financial reports and performs a review.

b. Year End - For sponsored programs that end with the University’s fiscal year end and that have been awarded additional funding, new accounts must be established. Award letters and budgets must be submitted to the Office of Sponsored Programs in order to create new accounts prior to year-end. Additionally, new payroll authorizations must be completed to ensure that employee time is not charged to a closed grant after June 30.

XIII. RETENTION REQUIREMENTS

Financial and programmatic records, supporting documents, statistical records and all other records of the Principal Investigator, department, and institutional office that are required by the terms of an award or may reasonably be considered pertinent to an award, must be retained in accordance with University policy. Generally, the University’s policy with regards to grant and contract documents stipulate a retention period of three years following the date of submission of the final expenditure report for the grant or contract, except when there is an audit or litigation in process.