



**BOISE STATE UNIVERSITY**

University Policy 6380

## Proper Funds Management

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### **Effective Date**

November 05, 2020

### **Responsible Party**

Vice President and Chief Financial Officer, (208) 426-1200

Vice President for Research and Economic Development, (208) 426-5732

### **Scope and Audience**

This policy applies to all financial transactions created during the normal course of business and any University staff with financial responsibility.

### **Additional Authority**

- Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (2 CFR Part 200) (the “Uniform Guidance”)
  - NIH Grants Policy Statement (Rev. 10/2018) (“NIHGPS”) Section 7.5, Cost Transfers, Overruns, and Accelerated and Delayed Expenditures
  - University Policy 5090 (Sponsored Programs Cost Transfer)
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## **1. Policy Purpose**

To establish guidelines for proper funds management of the University’s Financial Data by ensuring transactions are coded to the correct Funding Source when first incurred, preventing the necessity for correcting entries through careful, timely review of financial expenditures.

## 2. Policy Statement

The University is committed to charging costs to the correct Funding Source, regardless of fund, when first incurred. There are circumstances in which it may be necessary to transfer expenditures to, from, or among other Funding Sources after the Original Transaction Date. Those transactions must comply with University policy, federal regulations (e.g. Uniform Guidance), and sponsor-specific terms and conditions, policies, and procedures.

To ensure appropriate fiscal management of Financial Data, this policy (1) applies to the management of all Funding Sources regardless of fund, and (2) establishes the expectations and requirements necessary to ensure Financial Data is managed appropriately.

## 3. Definitions

### 3.1 Accountable Party

Individual who ultimately justifies actions or decisions regarding the use of financial resources.

### 3.2 Administrators

Staff who have financial responsibilities and the individuals who are held accountable for managing financial resources of the University.

### 3.3 Allowable Cost

A cost is allowable if the cost: (1) is permitted to be charged under the terms and conditions of the fund, including appropriations, public relations (PR) funds, Sponsored Project, etc; (2) satisfies Cost Allowability requirements; and (3) is treated consistently, regardless of Funding Source, through the application of Generally Accepted Accounting Principles appropriate to the circumstances (See, e.g., 2 CFR § 200.403).

### 3.4 Appropriated Funds

Those amounts provided or “Appropriated” to the colleges and universities by the Idaho State Legislature. Appropriated Fund expenditures represent a claim on authorized budget and are reimbursed after the State receives documentation of authorized expenditures from the Accounts Payable Department.

### 3.5 Correcting Entry/Cost Transfer

An after-the-fact reallocation or correction of costs (either payroll or non-payroll), to, from, or among various funds generally within a 90-calendar day period from the Original Transaction

Date. However, at the end of a budget period or project period, there may be a shorter period to make corrections due to different regulatory or award-specific requirements.

### **3.6 Cost Allowability**

The process of ensuring costs charged to funds, including Appropriated, Local, or Sponsored Projects are Allowable Costs and Reasonable Costs.

### **3.7 Financial Data**

Detail or summary data that represents the financial health of a unit.

### **3.8 Funding Source**

Includes all segments of the funding string and may be referred to as FDCC, account, segment string, and/or costing.

### **3.9 Funding Source Approvers**

Individuals responsible for ensuring the accuracy of the Funding Source on financial transactions before the transaction is approved or rejected.

### **3.10 Local Funds**

Represent cash deposits in the form of student fees, auxiliary revenues, and other miscellaneous revenues deposited to the Boise State University general bank account. A Local Fund reserve represents a claim on cash, as it results from an excess of deposits over expenditures from prior years' operations.

### **3.11 Original Transaction Date**

The date the original expenditure was posted to the University's financial system.

### **3.12 Reasonable Cost**

A cost is reasonable if the nature and amount of the cost reflects actions that a prudent person would have taken under circumstances prevailing at the time. Among other factors, a Reasonable Cost is one generally recognized as necessary for the University's operation, is consistent with established University policies and practices generally applicable to the University's work, including Sponsored Projects, and reflects sound business practices, arm's-length bargaining, and market prices for comparable goods/services (See, e.g., 2 CFR § 200.404).

### 3.13 Responsible Party

Individual(s) who complete tasks related to financial resources, including but not limited to, transaction entry and/or reconciling financial records to confirm the completeness and accuracy of information.

### 3.14 Restricted Funds

Local Funds restricted to specific uses by a third party also referred to as Sponsored Projects.

### 3.15 Salary Savings

The difference between what was budgeted versus paid for a specific position.

### 3.16 Sponsored Project

A grant, contract, cooperative agreement, sub grant, subcontract, consortium agreement, purchase order, or memorandum of understanding that formalizes the transfer of money or property from a sponsor in exchange for specified activities (e.g., research and development, instruction, public services etc.), and may require specific deliverables such as detailed financial and/or technical reporting by the University. Performance is usually to be accomplished within a specified time frame, with payment subject to revocation. It may include provisions related to intellectual property and publication rights. The University's Office of Sponsored Programs ("OSP") in the Division of Research and Economic Development is responsible for accepting and administering Sponsored Projects.

## 4. Responsibilities and Procedures

Administrators must ensure that all costs, regardless of account code or Funding Source (e.g., appropriated, local, or sponsored programs), are charged to the appropriate segment string when first incurred. Specifically, it is against this policy to modify the Funding Source on a transaction with the intent to:

- a. Absorb Salary Savings,
- b. Consume carryforward balances,
- c. Incur charges against any Funding Source with the intent of later transferring such costs to the correct Funding Source(s), or
- d. Spend-down remaining balances.

There are rare circumstances where it may be appropriate to move expenditures to another Funding Source after the Original Transaction Date. Those transactions require monitoring for compliance with University policy, the Uniform Guidance, other federal laws/regulations, and sponsor-specific guidelines.

#### **4.1 Review of Financial Data**

Financial Data must be reviewed for accuracy on a regular cadence. Funding Source Approvers are responsible to confirm the accuracy of Funding Sources prior to approving transactions as a strategy to ensure transactions are charged to the appropriate Funding Source when first incurred. Administrators are responsible to reconcile financial records on a monthly basis to confirm accuracy. Payroll data is required to be reviewed each pay period. Administrators are responsible to identify and correct the root issue to avoid future transactions from posting to inaccurate Funding Sources.

#### **4.2 Timeliness**

All correcting entries must be posted in the financial system within 90 days following the Original Transaction Date and must be thoroughly justified with supporting documentation, including documentation consistent with OSP procedures, where applicable. The justification must elaborate on what caused the incorrect coding and confirm that the root cause of the issue has been corrected. Refer to University Policy 5090 (Sponsored Programs Cost Transfer) for additional requirements for Cost Transfers where the correction period may be less than 90 days.

#### **4.3 Activities that may be Indicative of Inadequate Internal Control Systems**

Proper funds management is essential to uphold the University's fiduciary responsibilities. Sponsors and external auditors may regard the following activities as indicative of inadequate internal control systems:

- Frequent Correcting Entries;
- Repeating Correcting Entries;
- Correcting Entries with high dollar amounts;
- Inadequately documented or poorly explained Correcting Entries;
- Correcting Entries involving Sponsored Projects with overruns or unexpended balances;
- Correcting Entries among federally-funded Sponsored Projects;

- Correcting Entries initiated after Sponsored Projects have ended;
- Correcting Entries that impact Appropriated Funds that occur after the fiscal year has ended;
- Correcting Entries that occur greater than 90 days after the Original Transaction Date;
- Correcting Entries that occur at the end of a grant; and
- Correcting Entries that occur at the end of the fiscal year.

#### **4.4 Exceptions**

In rare cases, there may be compelling circumstances where exceptions to this policy may be warranted. Exceptions to policy will be reviewed and made on a case-by-case basis by the Vice President and Chief Financial Officer, or designee.

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## **Revision History**