NOVA SOUTHEASTERN UNIVERSITY
FINANCIAL OPERATIONS POLICIES
AND PROCEDURES

GENERAL POLICIES

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101 Financial Operations

101.1 Overview

The Vice President for Finance, as the university’s chief financial officer, together with the assistance of his staff, is responsible for preparing financial reports for appropriate institutional officials, board officers, and outside agencies. Written monthly operating reports are provided to the University president, the Board of Trustees Finance Committee, and the full Board of Trustees. The Vice President for Finance together with NSU management is responsible for preparing the University’s annual audited financial statements which are certified by an independent Certified Public Accountant firm.

Monthly reports are also produced for academic deans and administrative department heads for the purpose of reviewing the accuracy and propriety of revenue and expense transactions made to their accounts. These reports show monthly and year-to-date revenues, expenditures, and net revenues by account. Additionally, they present the original annual budget and revised budgets for these accounts.

The Vice President for Finance oversees the following departments:

- Budget Administration
- Risk Management
- Treasury Operations
- Controller’s Office
  - Accounts Payable
  - Fixed Assets
  - Contract and Grant Accounting
  - Payroll
  - Taxation and Special Funds Reporting
  - Financial Reporting/General Accounting/Auditing

101.2 Responsibilities of Financial Operations

The primary responsibilities of Financial Operations consist of:

- General Ledger
- Budgeting
- Cash and Investment Management
- Asset Management
- Grants and Contracts Administration
- Cash Receipts
Cash Disbursements
Accounts Payable
Payroll
Financial Statement Processing
External Reporting of Financial Information
Bank Reconciliations
Reconciliation of Sub-Ledgers
Compliance with Government Reporting Requirements
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101.3 Organization Chart

PLEASE FOLLOW LINK BELOW TO THE FINANCIAL OPERATIONS ORGANIZATIONAL CHART.

http://www.nova.edu/fop/index.html
102 General Ledger and Chart of Accounts

102.1 Introduction

The general ledger is defined as a group of accounts that supports the information shown in the major financial statements. The general ledger is used to accumulate all financial transactions of Nova Southeastern University, Inc. (the “university”), and is supported by a subsidiary ledgers that provide details for certain accounts in the general ledger. The general ledger is the foundation for the accumulation of data and reports.

NSU uses the Banner Software System to record accounting transactions. Banner provides for separate, self-balancing sets of accounts in accordance with generally accepted accounting principles and procedures for colleges and universities. The accounting system was purchased from SunGard SCT.

102.2 Policy

NSU’s policy is to establish a chart of accounts which accumulates all financial transactions of the university. The chart of accounts includes fund/account codes for general ledger activity and organization/account codes for subsidiary ledger entries.

102.3 Chart of Accounts

The chart of accounts is the framework for the general ledger system, and therefore the basis for NSU’s accounting system. The chart of accounts consists of account titles and account numbers assigned to the titles. General ledger accounts are used to accumulate transactions and the impact of these transactions on each asset, liability, net asset, revenue, expense and gain and loss.

NSU’s chart of accounts is comprised of six types of accounts:

1. Assets
2. Liabilities
3. Net Assets
4. Revenues
5. Expenses
6. Gains and Losses

102.4 Distribution of Chart of Accounts

All NSU employees involved with account coding responsibilities or budgetary responsibilities will be issued a current chart of accounts. On a monthly basis, as the chart of accounts is revised, an updated copy is distributed to these individuals.
102.5 Control of Chart of Accounts

NSU’s chart of accounts is monitored and controlled by the University Budget Director. Responsibilities include the handling of all account maintenance, such as additions and deletions. Any additions or deletions of accounts should be approved by the University Controller, who ensures that the chart of accounts is consistent with the organizational structure of NSU and meets the needs of each division and department.

102.6 Fund Format – General Ledger

Each six digit general ledger fund account always starts with zero and is followed by five digits which identify the ledger’s purpose.

General ledger funds consist of:

- 0-1XXXX Current Unrestricted Funds (Education & General)
- 0-2XXXX Current Unrestricted Funds (Auxiliary Enterprises)
- 0-3XXXX Current Restricted Funds
- 0-4XXXX Loan Funds
- 0-5XXXX Endowment Funds
- 0-6XXXX Annuity & Life Income
- 0-7XXXX Plant Funds
- 0-8XXXX Library Funds
- 0-9XXXX Agency Funds

102.7 Account Code Structure for General Ledger

For the general ledger, there are four digit account codes which identify specific assets, liabilities, and net assets.

The general ledger codes follow this pattern:

1XXXX  Assets
    0XXX Cash (Interfund)
    11XX Cash (Non Interfund)
    12XX Investments
    13XX Receivables
    14XX Loans
    15XX Inventories
    16XX Prepaid and Clearing
    17XX Fixed Assets
2XXXX  Liabilities
       21XX  Accounts Payable
       22XX  Payroll-Related Payables
       24XX  Accruals
       26XX  Long Term Debt

3XXXX  Fund Balance

9XXXX  Controls
       91XX  Current Budgets
       92XX  Future Budgets
       93XX  Actual YTD
       95XX  Prior Year Accruals

A complete list of account codes is available by generating Banner’s Account Hierarchy Report, FGRACTH. The report also shows how codes are grouped and totaled for various reporting purposes.

102.8  Organization Format – Subsidiary Ledger

The subsidiary ledger records actual revenue and expenditures, budgets, and commitments. The subsidiary ledger is structured as follows:

1-XXXXX  Current Unrestricted

2-XXXXX  Current Unrestricted Auxiliaries

3-XXXXX  Grants and Contracts
       3-31XXX  Federal
       3-32XXX  Other Government
       3-33XXX  Private
       3-36XXX  Gifts
       3-38XXX  Endowment Income

7-70XXX  Plant – Unexpended
7-73XXX  Plant – Renewal and Replacement
7-76XXX  Plant – Debt Service
7-77XXX  Plant – Investment

8-8XXXX  Library

9-9XXXX  Agency Funds
102.9  Account Code Structure for Subsidiary Ledger – Income & Expense

Account codes are used for income or expenses and permit sorting for various purposes. The format is as follows:

0XXX Income

- 01XX Tuition and Fees
- 03XX Gifts and Grants Revenue
- 04XX Investment Income
- 06XX Educational Activities Income
- 07XX Auxiliary Services Income
- 08XX Interdepartmental Income
- 09XX Miscellaneous Income

XXXX Expense

- 1XXX Salaries Expense
- 2XXX Fringe Benefit Expense
- 3XXX Supplies and Purchased Services
- 4XXX Travel and Entertainment Expense
- 5XXX Minor Equipment Expense
- 6XXX Resale Purchases
- 7XXX Transfers and Debt Service
- 8XXX Student Aid Expense
- 9XXX Capital Expense and Other

A complete list of account codes is available by generating Banner’s Account Hierarchy Report, FGRACTH. The report also shows how codes are grouped and totaled for various reporting purposes. An income and expense code directory with explanations for each is available on the web at http://www.nova.edu/budget/LQGH[.htm]

102.10  Fiscal Year of Organization

NSU’s fiscal year begins July 1 and ends June 30. Any changes to the fiscal year of the organization must be ratified by majority votes of NSU’s Board of Directors.

102.11  Accounting Estimates

NSU utilizes numerous estimates in the preparation of its interim and annual financial statements. Some of those estimates include:

1. Useful lives of property and equipment
2. Adequacy of receivables and promises to give
3. Fair market values of investments
4. Fair market values of donated assets
5. Values of contributed services
6. Allocations of income between contribution income and exchange transactions
7. Joint cost allocations
8. Allocations of certain indirect costs
9. Allocations of time/salaries

It is NSU’s policy that all such estimates shall be reassessed, reviewed, and approved by the University Controller on an annual basis. Documentation shall be maintained supporting all key conclusions, bases, and other elements associated with each accounting estimate. All material estimates, and changes in estimates from one year to the next, shall be disclosed to the Organization’s Finance Committee, the Audit Committee, and NSU’s external audit firm.

102.12 Journal Entries

All general ledgers entries that do not originate from a subsidiary ledger shall be supported by journal vouchers or other documentation, which shall include a reasonable explanation of each such entry. Examples of such journal entries include:

1. Recording of non-cash transactions
2. Corrections of posting errors
3. Non-recurring accruals of income and expenses

Certain journal entries, called recurring journal entries, may occur in every accounting period, quarterly, or annually. These entries may include, but are not limited to:

1. Depreciation of fixed assets
2. Amortization of prepaid expenses
3. Accretion of discounts on promises to give
4. Accruals of recurring expenses
5. Amortization of deferred revenue
Support for recurring journal entries shall be in the form of a schedule associated with the underlying asset or liability account or, in the case of short-term recurring journal entries or immaterial items, in the form of a journal voucher.

It is the policy of NSU that all journal entries not originating from subsidiary ledgers shall be authorized in writing by the University Controller by initialing or signing the entries.
103 Revenue

103.1 Revenue Recognition Policies

NSU receives revenue from several types of transactions. Revenue for each of these types is recognized in the financial statements in the following manner:

1. Tuition and Fees
   The tuition and fees category includes all tuition and fees assessed for educational purposes. Tuition and fees revenue is recognized on the accrual basis, that is, as the revenue is earned by the institution.

   A special situation arises at fiscal year end, June 30, because tuition and fees for certain programs are assessed for an academic term that encompasses more than one fiscal year. In this instance, NSU apportions revenue on a pro-rata-basis using the class dates of each course.

   Tuition and fees are reported net of exchange transactions, such as discounts or scholarship allowances. Unearned student tuition and fees relating to future instructional periods are recorded as current deferred revenue.

2. Contributions
   Contributions are recognized as revenue when received, unless accompanied by restrictions or conditions. Unconditional contributions are recorded as unrestricted support. Unconditional contributions with donor-imposed stipulations are reported as temporarily restricted and reclassified to unrestricted assets when conditions are satisfied. Contributed assets to be maintained in perpetuity are classified as permanently restricted. Income from permanently restricted assets is classified according to the terms of the contribution.

   Conditional pledges are not recognized until the conditions are met. Contributions to be received more than on year in the future are discounted based on the expected date of receipt. Amortization of the discount is recorded as contribution revenue and used in accordance with donor-imposed stipulations, if any. Please refer to Section 104 Contributions for additional discussion and disclosures on contributions.

3. Government Grants
   Government grants includes all amounts received or made available by grants, contracts, and cooperative agreements from government agencies that are not considered to be contributions. Revenue from grants is recognized as expenses when incurred. Grant revenue received and expended within the same fiscal year is included as temporarily restricted revenue and net assets released from restrictions in the Statement of Activities.
4. **Auxiliary Operations**  
Auxiliary operations exist predominantly to furnish goods or services to students, faculty, or staff. Auxiliary operations include residence halls, food services, intercollegiate athletics, college unions, and college stores. Revenues are recognized when earned, and expenses are recognized when incurred. Revenue is considered earned as expenses are incurred.

5. **Interest and Dividends**  
Revenue is recognized when cash is received.

6. **Loan Program Income**  
NSU created a loan program through the establishment of an Eligible Lender Trust (ELT). The ELT is an eligible lender under the Higher Education Act and originates federally guaranteed student loans on behalf of NSU to its graduate Stafford Loan borrowers. Proceeds to fund the loans are received pursuant to a loan origination agreement with a financial institution. NSU receives income on the sale of the loans to the purchaser, an affiliate of the financial institution,

7. **Educational Activities**  
Educational activity revenue is income received from the university’s medical clinics, including Medicare and Medicaid payments, client fees and insurance payments. Revenue is recognized when services are performed.

8. **Net Unrealized Gain (Loss) On Securities**  
Net unrealized gain or loss represents the difference between the cost basis of the securities and the market value on the statement date, either quarterly or at fiscal year end.

9. **Net Realized Gain (Loss) On Securities**  
Realized gain and losses are recognized when an exchange takes place. The specific identification method is used in computing the realized gain or loss on sale of securities.

10. **Realized Gain (Loss) On Sale Of Property**  
Recognition of gain or loss is realized when all services that need to be performed by the seller are made.

11. **Other**  
All other income not categorized above is reported as other income. This includes rental income, such as rent of physical facilities, and consulting services.
104 Contributions

104.1 Definitions

The following definitions shall apply with respect to the policies described in this section:

**Contribution** – An unconditional transfer of cash or other assets to NSU, or a settlement or cancellation of NSU’s liabilities, in a voluntary nonreciprocal transfer by another entity acting other than as an owner.

**Condition** – A donor-imposed stipulation that specifies a future and uncertain event whose occurrence or failure to occur gives the promisor a right of return of the assets it has transferred to NSU or releases the promisor from its obligation to transfer the asset.

**Restriction** – A donor-imposed stipulation that specifies a use for the contributed asset that is either limited to a specific future time period or is more specific than the broad limits resulting from the nature of NSU, the environment in which it operates, and the purposes specified in NSU’s articles of incorporation and bylaws. Restrictions of NSU’s use of an asset may be temporary or permanent.

**Promise to Give** – A written or oral agreement to contribute cash or other assets to NSU.

**Exchange Transaction** – A reciprocal transaction in which NSU and another entity or person each receive and sacrifice something of approximately equal value.

104.2 Distinguishing Contributions from Exchange Transactions

NSU receives income in the form of contributions, revenue from exchange transactions, and income from activities with characteristics of both contributions and exchange transactions. NSU considers the following criteria, and any other relevant factors, in determining whether income will be accounted for as contribution income, exchange transaction revenue, or both:

1. NSU’s intent in soliciting the asset, as stated in the accompanying materials;

2. The expressed intent of the entity or person providing resources to NSU (i.e. does the resource provider state its intent is to support NSU’s programs or that it anticipates specified benefits in exchange);

3. Whether the method of delivery of the asset is specified by the resource provider (exchange transactions) or is at the discretion of NSU (contribution);
4. Whether payment received by NSU is determined by the resource provider (contribution) or is equal to the value of the assets/services provided by NSU, or the cost of those assets plus a markup (exchange transaction);

5. Whether there are provisions for penalties (due to nonperformance) beyond the amount of payment (exchange transaction) or whether penalties are limited to the delivery of assets already produced and return of unspent funds (contribution); and

6. Whether assets are to be delivered by NSU to individuals or organizations other than the resource provider (contribution) or whether they are delivered directly to the resource provider or to individuals or organizations closely connected to the resource provider.

104.3 Accounting for Contributions

NSU recognizes contribution income in the period in which NSU receives restricted or unrestricted assets in nonreciprocal transfers, or unconditional promises of future nonreciprocal asset transfers, from donors. Contribution income shall be classified as increases in unrestricted, temporarily restricted, or permanently restricted net assets based on the existence or absence of such restrictions.

Unconditional promises to give shall be recorded as assets and increases in temporarily restricted net assets (contribution income) of NSU in the period that NSU receives evidence that a promise to support the university has been made. Unconditional promises to give that are to be collected within one year shall be recorded at their face value, less any reserve for uncollectible promises, as estimated by management.

Unconditional promises to give that are collectible over time periods in excess of one year shall be recorded at their discounted net present value. Accretion of discount on such promises to give shall be recorded as contribution income in each period leading up to the due date of the promise to give. The interest rate that shall be used in calculating net present values of unconditional promises to give is the risk-free rate of return, compiled based on an average of rates applicable to the current year.

When the final time or use restriction associated with a contributed asset has been met, a reclassification between temporarily restricted and unrestricted net assets is recorded.

When support in the form of volunteer labor is received, NSU shall record contribution income and assets or expenses, if one of the following two criteria is met:

1. The contributed service creates or enhances a non-financial asset (such as a building or equipment), or
2. The contributed service possesses all three of the following characteristics:
   a. It is the type of service that would typically need to be purchased by NSU, if it had not been contributed,
   b. It requires specialized skills (i.e. formal training in a trade or profession), and
   c. It is provided by an individual possessing those specialized skills.

Contributed services that meet either one of the two preceding criteria shall be recorded at the fair market value of the service rendered.

Contributions of non-cash assets (artifacts, food, clothing, etc.) shall be recorded at fair market value as of the date of the gift. The value assigned to such non-cash assets shall be determined by NSU’s Director of Institutional Advancement. Values provided by donors shall be considered in establishing these valuations, however, the final value used for accounting purposes shall be the value determined by NSU. Further, it is the policy of NSU not to certify any valuation of non-cash assets provided by donors.

104.4 Receipts and Disclosures

NSU and its donors are subject to certain disclosure and reporting requirements imposed under the Internal Revenue Code and the underlying Regulations. To comply with those rules, NSU shall adhere to the following guidelines with respect to contributions received by the university.

For any separate contribution received by NSU, it shall provide a receipt to the donor. The receipt shall be prepared by the Office of Institutional Advancement. All receipts prepared by NSU shall include the following information:

1. The amount of cash received and/or a description of any non-cash property received;
2. A statement of whether NSU provided any goods or services to the donor in consideration, in whole or in part, for any of the cash or property received from the donor, and
3. If any goods or services were provided to the donor by NSU, a description and good faith estimate of the value of those goods or services.

104.5 Disclosures of Promises to Give

As stated earlier, NSU shall record an asset and an increase in net assets for unconditional promises to give. In addition, in connection with its annual financial statements, NSU shall prepare a schedule of unconditional promises to give that discloses the annual amounts to be collected in each of the next five years, and a total amount due thereafter, less the amount representing interest as a result of discounting long-term promises to give to net present value.
In connection with conditional promises to give, which shall not be recorded on the financial statements, NSU shall nonetheless prepare a similar schedule of future payments for disclosure in the university’s annual financial statements.

104.6 Gift Acceptance Policy

NSU shall accept charitable contributions of all types of assets from any type of donor, with the following exceptions:

1. Contributions of non-liquid assets or assets possessing legal or other characteristics rendering the asset difficult to sell or convert to liquid assets, as determined by the Director of Institutional Advancement;

2. Contributions with donor-imposed restrictions that provide excessive control to the donor over future uses of the donated asset(s), as determined by the Director of Institutional Advancement;

3. Contributions with donor-imposed restrictions that violate or involve uses that go beyond the university’s current mission statement and tax-exempt purposes, as determined by the Director of Institutional Advancement; and

4. Contributions from donors involved in businesses or activities that are deemed inconsistent with NSU’s mission.
105 Accounts Payable Management

105.1 Overview

NSU strives to maintain efficient business practices and good cost control. The accounts payable function assists in accomplishing this goal through processing invoices and making payment for authorized transactions.

The recording of assets or expenses and the related liability is performed by an employee independent of ordering and receiving. The amounts recorded are based on the vendor invoice for the related goods or services. The vendor invoice is supported by an approved purchase order where necessary, and is reviewed and approved by a center/department head prior to being processed for payment. Invoices and related general ledger account distribution account codes are reviewed prior to posting to the subsidiary system.

105.2 Policy

NSU policy related to processing and payment of invoices requires that:

- The vendor master file be maintained and updated on a regular basis.
- Only original invoices will be accepted for payment.
- Disbursements be properly authorized.
- Invoices be processed in a timely manner.
- Duplicate payments be avoided.
- Vendor credit terms and operating cash be managed for maximum benefits.

105.3 Vendor Master File

NSU academic and administrative departments are responsible for obtaining appropriate documentation to establish new vendors. When payment is submitted for a new vendor or person, the department will forward the appropriate documentation to Accounts Payable for processing. Accounts Payable personnel will check to see that the following information is provided:

- Completed IRS Form-1099 for domestic payments.
- Completed IRS Form-W-8-Ben for foreign payments.
- Vendor’s legal name and any DBA name(s)
- Street Address
- Telephone Number
- Fax number, if applicable
- Contact name.
When the preceding information is not complete, all paperwork will be returned to the originator for completion.

On an annual basis, vendors that have not been utilized over the preceding [24-month] period will be frozen in Banner. In addition, on an ongoing basis, the Manager of Accounts Payable should perform the following procedures:

- Cross-check vendors for matching street or P.O. Box addresses.
- Review payment histories for signs of repeat invoice numbers or other signs of duplicate payments.

### 105.4 Verification of New Vendors

NSU performs additional procedures on a random basis to validate the legitimacy of new vendors that will be paid one-time or when the payment exceeds $100,000. For such vendors, the Accounts Payable Manager will perform a limited public records search and shall contact the vendor to validate the vendor’s existence.

### 105.5 Receipt and Recording of Payment Requests

Invoices with a value of $200 or must be approved by the Budget Office prior to processing by accounts payable. All invoices received by accounts payable, including those under $200 will be date stamped with the date of receipt. The accounts payable clerk forwards all documentation to the Manager of Accounts Payable for review and approval. The Manager distributes invoices to appropriate personnel for processing.

All accounts payable transactions must be supported by adequate documentation that explains the nature and purpose of the expense. Accounts payable transactions are processed for payment on the next check run, unless a future date is specified. Information is entered into the accounts payable Banner module from approved invoices or disbursement vouchers with appropriate documentation attached.

When the original invoice is not available, a duplicate copy may be submitted to process the payment. The duplicate copy must be approved by the Accounts Payable Manager and verification must be made that the invoice has not been paid previously. Vendor statements shall not be used to support payments.

Vendor invoices that are received, approved and supported with proper documentation by the last business day of each month will be recorded as an accounts payable liability at the end of that month, providing the invoice pertains to goods and services delivered by month-end.
105.6 Independent Contractor Agreements

Goods and services performed by independent contractors under non-grant agreements up to $10,000 should be processed using the Independent Contractor Agreement form located on accounts payable’s website at:

KWWS ZZZ QRYD HGX DFFRXQWV SD\DEOH IRUPV LQGH\KWPO

Non-grant agreements in excess of $10,000 must be submitted to NSU’s Vice President for Legal Affairs for review prior to execution. For independent contractor services under grant and contract agreements, a consultant agreement available from the Office of Grants and Contracts (OGC) must be completed and signed by appropriate parties. This form can be downloaded from OGC’s website under Independent Consultant Agreement at:


Independent Contractor Agreements processed by accounts payable are forwarded to the payroll office to determine whether the payee is a university employee. Agreements for personnel that are on the university’s payroll are returned to the originating department. They must submit the payment request to the payroll office for processing through NSU’s Banner payroll system. Payment requests for individuals not on the payroll are handled by accounts payable.

105.7 Processing of Invoices

The accounts payable clerk should perform the following steps to process invoices for payment:

- Check the mathematical accuracy of each vendor invoice
- Compare the nature, quantity and prices of all items ordered per the vendor invoice to the purchase order, if applicable.
- Verify the general ledger distribution, using the university’s current chart of accounts.
- Verify the approval of the center/department head (or their designee) associated with the goods or services purchased. Approvals shall be documented with initials or signatures of the approving individual.

105.8 Vendor Discounts

To the extent practical, NSU shall take advantage of all prompt payment discounts offered by vendors. When availability of such discounts is noted, and all required documentation in support of payment is available, payments will be scheduled so as to take full advantage of the discounts.
105.9 Processing Checks/ACH Payments

Checks and ACH payments are processed on a daily basis using positive pay. All checks greater than $24,999 require two signatures. Vendor payments are processed on Monday, Wednesday and Friday and people payments on Tuesday and Thursday. After processing the check run, the Accounts Payable System Coordinator performs the following steps:

- Forwards printed checks over $25,000 to the Accounts Payable Manager for review and approval. Then, approved checks are given to authorized check signers for signature.
- Sends the approved check run to SunTrust Bank via online transmission.
- Reconciles the disbursement report provided to the bank to the bank’s mismatched and rejected items. All imbalances are investigated.

Prior to mailing each check and transmitting the ACH Payment run to SunTrust Bank, an Accounting Assistant matches the vendor name and the amount on the check (or ACH print run), to supporting documentation for each payment. Supporting invoices and a copy of the check are stamped for proof of payment.

105.10 Manual Checks

The following procedures apply to the issuance of manual checks.

- The Manager of Accounts Payable approves manual checks.
- The Accounts Payable Systems Coordinator notifies SunTrust Bank of each check issued, providing check number, date, payee, and amount.
- The Accounts Payable Systems Coordinator enters each check’s data in the Banner Accounts Payable System.

105.11 Voided Checks

Checks issued by the university that need to be voided must be approved by the Accounts Payable Manager. The Accounts Payable Systems Coordinator provides SunTrust Bank with data on each void, including check number, date, payee, and amount.

105.12 Unclaimed Property

NSU complies with the State of Florida laws regarding unclaimed property. Accordingly, if uncashed checks are subject to state reporting and transfer requirement, the university will file timely all appropriate forms and remit unclaimed property to the appropriate jurisdiction.
105.13 Electronic (E-Drives)

Payments to certain university vendors with multiple monthly invoices are processed on electronic (E-drives) to reduce the volume of payments entered in the Banner accounts payable system. Charges to the user department for each invoice are credited to a clearing account periodically, during the month. Checks are issued debiting the clearing account on the next business day following recording of activity. The number of checks issued to a vendor is based on the monthly volume of activity.

105.14 Reconciliation of A/P Subsidiary Ledger to General Ledger

On a monthly basis, amounts due to vendors per the accounts payable subsidiary ledger are reconciled to the total per the accounts payable general ledger account (control account). All differences are investigated and adjustments are made as necessary. The reconciliation and the results of the investigation of differences are reviewed and approved by the university controller.

105.15 Additional Accounts Payable Operating Procedures

Please click the icon below to access additional accounts payable operating procedures for the accounts payable department. Topics discussed include:

   People and Vendor Payments
   Rush Payments
   Utility Payments
   Car Leases
   Apartment Leases
   Building (classroom) Leases
   DME’s
   Construction
   Fixed Assets
   Vendor/People Payment Maintenance
   Senior Accounts Payable Systems Coordinator
   Unclaimed Property
   Outstanding Airfares
   SunTrust Visa Cards (Corporate)
   Accounts Payable Systems Coordinator
   Check Runs
   SunTrust Online Treasury
   Manual Checks
   Voided Checks
   E Drives
   Records Coordinator
   Accounting Assistants
106 Travel Policy

106.1 Overview

Nova Southeastern University recognizes that, for many employees, travel expenses are incurred in order to further the mission of the university. By setting forth the requirements necessary for obtaining approvals and reimbursement of these expenses, the university endeavors to assist its travelers.

106.2 Policy

University policy reimburses employees for those ordinary and necessary expenses incurred while traveling on official university business. Employees will utilize the most economical means to travel consistent with the nature of the trip.

106.3 Travel Expense Reports

The university uses an Internal Revenue Service “Accountable Plan” for reimbursement of actual travel expenses. Reimbursements for travel expenses, business meals, or other approved costs will be made only upon the receipt of a properly approved and completed travel expense report.

The maximum actual daily limit for meals is limited to $50 per day. All expenses incurred within this limit require detailed itemized receipts. The full text of NSU’s Travel Policy can viewed at http://www.nova.edu/hr/policies/travel.html
107 Cash Disbursements (Check-Writing) Policies

107.1 Policy

NSU’s policy is to print vendor checks and expense reimbursement checks on a daily basis. Checks shall be prepared by persons independent of those who initiate or approve expenditures, as well as those who are authorized check signers. NSU policy requires that each check shall be signed by an individual other than the one who approved the transaction for payment.

107.2 Check Preparation

All vendor and expense reimbursement checks shall be produced in accordance with the following guidelines:

1. Expenditures must be supported in conformity with the purchasing, accounts payable, and travel and business entertainment policies described in this manual.

2. Timing of disbursements should generally be made to take advantage of all early-payment discounts offered by vendors.

3. Generally, all vendors should be paid by the corresponding due date shown on the invoice after delivery of the requested goods or services.

4. Total cash requirements associated with each check run is monitored in conjunction with available cash balance in bank prior to the release of any checks.

5. All supporting documentation is attached to the corresponding check prior to forwarding the entire package to an authorized check signer.

6. Checks shall be utilized in numerical order (unused checks are stored in a locked safe in the accounts payable department).

7. Checks will never be made payable to “bearer” or “cash”.

8. Checks will never be signed prior to being prepared.

9. Upon the presentation of a check, vendor invoices and other supporting documentation will immediately be canceled in order to prevent subsequent reuse.
107.3 Check Signing

Checks of less than $25,000 require a single signature. Checks of $25,000 or more require two signatures. No checks will be signed prior to the check being completed in its entirety (no signing of blank checks).

Check signers should examine all original supporting documentation to ensure that each item has been properly reviewed prior to signing a check. Checks should not be signed, if supporting documentation is missing or there are any questions about the disbursement.

107.4 Use of Positive Pay System

NSU utilizes a “Positive Pay” system with its financial institution, SunTrust Bank, for all checks drawn on the accounts payable account. Under this Positive Pay system, the Accounts Payable Department (APD) electronically transmits to the financial institution a list of check numbers, amounts, and vendors in connection with each check run. The financial institution then notifies the APD, if any check is presented for payment that does not match the three characteristics for valid checks.

107.5 Mailing of Checks

Checks are returned to the accounts payable individual who prepared them for signature. This person then forwards these checks immediately to the mailroom. Checks are not mailed by or returned to individuals who authorize expenditures.

107.6 Voided Checks and Stop Payments

Checks may be voided due to processing errors by making proper notations in the check register and defacing the check by clearly marking it as “VOID”. All voided checks shall be retained to aid in preparation of bank reconciliation.

Stop payment orders are made for checks lost in the mail or other valid reasons. Stop payments are communicated electronically to the bank by the Assistant Accounts Payable Manager and/or an accounts payable person with this authority. Either employee records the stop payment in the banner system to void the transaction.

107.7 Record-Keeping Associated with Independent Contractors

NSU shall obtain a completed IRS FORM-1099 or W8-BEN accompanied with a signed Independent Contractor Agreement. A record shall be maintained of all vendors to whom an IRS Form-1099 is required to be issued at year end. Payments to such vendors shall be accumulated over the course of a calendar year.
108.1 Policy

It is the policy of NSU to use petty cash for small purchases. NSU provides imprest funds (for minor office expenditures, not for travel or employee advances). Accounts Payable replenishes these funds up to its authorized balance.

108.2 Opening a Petty Cash Fund Account

Departments that need a petty cash fund to support operations must provide accounts payable with justification for the account and designate an employee as custodian of the monies. Subsequent to opening an account, departments may request an increase or decrease of their fund, providing the reason for the change.

All disbursements from the petty cash fund must be accompanied by a completed and approved petty cash voucher. Receipts are required for all disbursements from petty cash. It is the responsibility of the petty cash custodian to ensure that the petty cash fund is locked at all times.

108.3 Replenishing a Petty Cash Fund

It is suggested that custodians replenish petty cash funds when approximately fifty per cent of the funds have been expended. However, at fiscal year end, custodians should replenish funds within two weeks of the close of each fiscal year, to ensure expenditures are recorded in the proper fiscal year. Custodians and department heads periodically need to review the frequency of replenishments to determine whether a fund needs to be increased, decreased, or closed.

108.4 Closing a Petty Cash Fund

Reconciliation of petty cash funds must be made whenever the current custodian is no longer responsible for the funds for whatever reason. If the department’s need for the fund still exists, a new custodian must be designated.

When a petty cash fund is being closed, all outstanding receipts need to be forwarded to accounts payable to be booked and any unused funds must be forwarded to the cashier in the Bursar’s Office. Accounts payable is not permitted to accept cash.

Forms and more detailed procedures to open, replenish, and close petty cash funds are provided at accounts payable’s web site at http://www.nova.edu/accounts-payable/forms/index.html.
109 Credit Cards

109.1 Policy

It is the policy of the university to issue a corporate credit card to all employees who frequently travel on university business.

109.2 Issuance of Corporate Credit Cards

NSU employees who travel frequently on university business may request a corporate credit card by contacting the Business Services Department. Cardholders are required to sign a statement acknowledging that the card shall be used exclusively for legitimate university-related business purposes and that the cardholder agrees to take reasonable precautions to protect the card from loss or theft by storing it in a secure location. Upon approval from the credit card company, a card will be issued bearing the names of both the individual and NSU.

109.3 Cardholder Responsibilities

Every month, each cardholder will receive a statement detailing the current month’s expenditures. The cardholder is expected to review this statement timely. Any fraudulent or other unauthorized charges should be immediately reported to the credit card company and the manager of accounts payable.

Employees must pay each statement in full monthly to the credit card company. Any unpaid balance that is carried forward to the next billing cycle will be assessed a late fee. Cardholders, not the University, are responsible for this fee.

Cardholders should report the loss or theft of a corporate credit card immediately by notifying the credit card company, as well as, the Business Services Department. Cardholders are reimbursed for expenses by submitting a properly completed Travel Expense Report to the Accounts Payable Department.

109.4 Revocation of Corporate Credit Cards

Employees that fail to comply with any of the policies related to the University’s corporate credit cards shall be subject to revocation of credit card privilege. The Director of Business Services determines whether credit cards should be revoked.
110 Payroll and Related Policies

110.1 Classification of Workers as Independent Contractors or Employees

It is the policy of NSU to consider all relevant facts and circumstances regarding the relationship between NSU and the individual in making determinations about the classification of workers as independent contractors or employees. This determination is based on the degree of control and independence associated with the relationship between NSU and the individual. Facts that provide evidence of the degree of control and independence fall into three categories:

1. Behavioral control
   a. Instructions given by NSU to the worker that indicate control over the worker (suggesting an employee relationship), such as:
      (1) When and where to work
      (2) What tools or equipment to use
      (3) What workers to hire or assist with the work
      (4) Where to purchase supplies and services
      (5) What work must be performed by a specified individual
      (6) What order or sequence to follow
   b. Training provided by NSU to the worker (i.e. employees typically are trained by their employer, whereas contractors typically provide their own training).

2. Financial control:
   a. The extent to which the worker has unreimbursed business expenses (i.e. employees are more likely to be fully reimbursed for their expenses than is a contractor).
   b. The extent of the worker’s investment in the facilities/assets used in performing services for NSU (greater investment associated with contractors).
c. The extent to which the worker makes services available to the relevant market.

d. How NSU pays the worker (i.e. guaranteed regular wage for employees vs. flat fee paid to some contractors).

e. The extent to which the worker can realize a profit or loss.

3. Type of Relationship:

   a. Written contracts describing the relationship that NSU and the individual intend to create.

   b. Whether NSU provides the worker with employee-type benefits, such as insurance, paid leave, etc.

   c. The permanency of the relationship.

   d. The extent to which services performed by the worker are a key aspect of the regular business of NSU.

If an individual qualifies for independent contractor status, the individual will be sent a Form 1099 if total compensation paid to that individual for any calendar year, on the cash basis, is $600 or more. The amount reported on a Form 1099 is equal to the compensation paid to that person during a calendar year (on the cash basis). Excluded from “compensation” are reimbursements of business expenses that have been accounted for by the contractor by supplying receipts and business explanations.

If an individual qualifies as an employee, a personnel file will be created for that individual and all documentation required by NSU personnel policies shall be obtained. The policies described in the remainder of this section shall apply to all workers classified as employees.

110.2 Payroll Administration

NSU operates on a bi-weekly payroll. For all NSU employees, an official personnel file is established and maintained in Human Resources, that includes payroll data, such as Form W-4, Employee Federal Withholding Certificate, approved salaries, and payroll account distribution. The employee personnel file shall also indicate whether the employee is exempt or non-exempt under the provisions of the Fair Labor Standards Act.

The following forms, documents and information shall be obtained and included in the payroll files of all new employees:
1. Direct Deposit Forms
2. Changes to W-4 form
3. Supporting documentation for payroll adjustment
4. Documentation for all student hires, such as a SEAF
5. Leave and absentee forms on all employees

110.3 Changes in Payroll Data

It is the policy of NSU that all of the following changes in payroll data are to be authorized in writing:

1. New hires
2. Terminations
3. Changes in salaries and pay rates
4. Voluntary payroll deductions
5. Changes in income tax withholding status
6. Court-ordered payroll deductions

New hires, terminations, and changes in salaries or pay rates shall be authorized in writing by the appropriate department director.

Voluntary payroll deductions and changes in income tax withholding status shall be authorized in writing by the individual employee.

Documentation of all changes in payroll data will be maintained in each employee’s personnel file. Additionally, all changes to payroll data processed by Human Resources are audited by payroll staff.

110.4 Payroll Taxes

The Payroll Department is responsible for ensuring all required tax forms are properly completed and submitted, and that all required taxes are withheld and paid, including state and federal taxes. State taxes are remitted to respective states bi-weekly, monthly, or quarterly.
110.5 Preparation of Timesheets

Non-exempt employees must submit a signed and approved timesheet to payroll no later than 12:00 noon on Thursday prior to the close of each pay period. Timesheets should be prepared in accordance with the following guidelines:

1. Each timesheet should reflect all hours worked during the pay period (time actually spent on the job performing assigned duties), whether compensated or not

2. Timesheets should be prepared in ink.

3. Errors should be corrected by crossing through the incorrect entry, filling in the correct entry, and placing the employee’s initials next to the change (i.e. employees should not use “white out” or correction tape).

4. Employees should identify and record hours worked based on the nature of the work performed

5. Compensated absences (vacation, holiday, sick leave, etc.) should be clearly identified as such

6. Timesheets should be signed by the employee prior to submission

After preparation, timesheets should be approved by department heads or their designees, prior to submission to the payroll department. Corrections identified by an employee’s supervisor shall be authorized by the employee by placing the employee’s initials next to the change.

A university employee who is on leave, on travel, or is ill on the day that timesheets are due may telephone or e-mail timesheet information to his or her supervisor (or designated alternate). Time so submitted must reflect the actual time worked and the appropriate classifications. The employee must initial a timesheet submitted in this manner immediately upon his/her return to the office. Timesheets submitted in this manner shall bear the notation, “time reported by telephone or e-mail by (employee) to (supervisor or designated alternate).” The timesheet should be signed by the supervisor or the designated alternate.

For further instructions, click on the following link:
http://www.nova.edu/payroll/index.html

***SEE LINK ON PAYROLL WEBSITE REGARDING TIMESHEET INSTRUCTIONS***
110.6 Processing of Timesheets

Processing of timesheets in the payroll department is performed by payroll specialists. They check all timesheets for mathematical accuracy, then input all timesheets data into the payroll system.

Payroll specialists may not change or correct timesheets. When errors are noted, if a corrected and approved timesheet is not re-submitted in time to the payroll specialist, the employee may not receive a pay check until the next pay period.

Tampering with, altering, or falsifying time records, recording time on another employee’s time record, or willfully violating any other timesheet policy or procedure may result in disciplinary action, up to and including discharge.

110.7 Review of Payroll

Upon production of all payroll reports and checks, the Payroll Manager reviews payroll prior to its distribution to employees. The Payroll Manager should sign the payroll register, indicating approval of the payroll.

110.8 Distribution of Payroll

Payments to employees for salary earned are made either directly to their bank(s) account (direct deposit) or by check mailed directly to an address provided by the employee. No checks may be picked up in the payroll department or forwarded to the employees home department.

110.9 Internal Audit of Payroll Data

It is the policy of NSU to conduct an annual internal audit (if scheduling permits) of certain payroll data. This internal audit shall be performed by the university’s internal audit department. The purpose of this internal audit is to determine the integrity of the university’s payroll records, including regular salary, overloads, deductions, and net payments to employees.

110.10 Additional Payroll Operating Procedures

Please click on the icon below to access additional operating procedures for the payroll department. Topics discussed include:

- Tuition Waivers
- Payroll Process
- Foreign Payroll
- Labor Distribution Report
Reverse Direct Deposits
Returned Direct Deposits
Stop Payments
Overpayments
Employee Reimbursement (to the university)
Garnishments
Moving Expenses
State Taxes
Quarterly State Unemployment Taxes & Workers Compensation
Labor Statistics
United Way
Unclaimed Property
941 Reports
111  Cash and Cash Management

111.1 Policy

The university seeks to maximize its return on surplus operating funds. To meet this objective, the master depository account maintains only those funds sufficient to cover immediate needs. Excess surplus funds are transferred to Trusco, for short-term investment.

111.2 Overview

Treasury Operations maintains, monitors, and directs accounting functions related to cash and cash management. The university’s banking system maintains 22 memo bank accounts, including payroll and Grande Oaks that sweeps daily activity (zero-balance account, ZBA) into the master depository account. Also, 22 individual accounts are maintained, including three in Jamaica and two in the Bahamas, to handle cash receipts and disbursement transactions related to operational activities and emergency loans. Daily, excess funds in the master depository account are transferred into an over night repo account.

111.3 Establishment of Accounts

The Treasurer establishes and maintains all university bank accounts. Requests for new accounts forwarded to the Treasurer for review and approval must include the purpose and justification for the account. Once the request has been reviewed and the need determined, the Treasurer processes approved request, as follows:

- Contacts the bank and makes the necessary arrangements to open the account.
- Obtains bank resolutions and signature cards and signs the appropriate forms.
- Forwards the resolutions and signature cards to the President for his signature.
- Obtain the signature of other designated person to sign on the account.
- Return resolutions and signature cards to the bank.

111.4 Authorized Signers

Personnel in the following positions at NSU are authorized to sign checks and approve ACH and wires drawn on the general operating and payroll accounts. Those positions are:

- President/CEO
- Executive Vice President/COO
- Vice President for Legal Affairs
- Vice President for Finance
- University Controller
It is the policy of NSU to promptly notify the university’s financial institution of changes in authorized signatures upon the departure/resignation of any authorized signer.

111.5 Bank Reconciliations

The Treasury Department receives bank statements directly from the university’s financial institution, usually within three business following the close of each month. The employee assigned to reconcile a bank account opens the statement and reviews its contents for unusual or unexplained items, such as unusual endorsements on checks, indications of alterations to checks, etc. Unusual and unexplained items shall be reported to the Treasurer immediately.

The employee assigned to reconciling bank accounts should not have check signing authority, check preparation responsibilities, or cash recording responsibilities.

All bank reconciliations are reviewed and approved by the Treasurer on a monthly basis. Any adjusting journal entries resulting from preparing bank reconciliations are approved by the University Controller. Reconciling items that require research are followed up by the individual performing the reconciliation with the appropriate department.

111.6 Cash Flow

The Treasurer monitors cash flow needs on a daily basis to eliminate idle funds and to ensure that payment obligations can be met. Cash transfers between accounts are performed on an as-needed basis.

111.7 Wire Transfers

Employees authorized to approve wire transfers from university bank accounts for vendor related payments are included in section 111.4. Vendor payments are not to be made via wire unless required by the vendor (e.g. international vendor). All other vendor payments are to be made via ACH or check.

For wire transfers related to (1) investment of NSU funds or (2) transfers among NSU bank accounts, authorized individuals and applicable thresholds are set forth via corporate resolution. Appropriate treasury staff may enter/initiate wires for processing; however, only the individuals listed below may approve and release the wires through the bank’s system. The treasurer may only approve and release in the bank’s system after the necessary approvals have been obtained from authorized individuals. Personnel in the following positions have the limits stated below:

- President - Unlimited
- Chief Operating Officer - Unlimited
- Vice President for Finance - Unlimited
- University Controller - $30 Million
111.8 Additional Treasury Operating Procedures

Please click the icon below to access additional Treasury (Cash Management) operating procedures.
112 Inventory

112.1 Policy

It is the policy of NSU to accurately account for all inventories on a quarterly and year end basis and to price them in accordance with GAAP.

112.2 Description of Inventory

NSU maintains an inventory of goods for resale. Specifically, items that are held in inventory for resale include:

- Printing Supplies
- Computer Supplies
- Contact Lens
- Eye Glass Frames and Lens
- Dental Implants
- Prescription Drugs
- Hearing Aids

112.3 Accounting for Inventory

It is the policy of NSU to account for purchased inventory items at cost, using the first-in, first-out method of valuation. Unit cost shall be computed by adding freight, insurance and other shipping costs to the actual cost of purchased inventory, dividing this total amount by the number of units purchased.

112.4 Physical Counts

It is the policy of NSU to perform a physical count of inventory on a quarterly and annual basis. Any inventory items that appear damaged, obsolete or otherwise unable to be sold will be excluded from the counts. A detailed record of the physical count will be kept by the individuals involved in taking the inventory.

At the conclusion of the physical count, the inventory count sheets will be extended by applying the most recent unit costs to the physical quantities of each item on hand. The general ledger balance will be adjusted to reflect the total inventory on hand as determined by the physical count.
112.5 Contributed Inventory

Inventory items donated to NSU shall be recorded as assets or the university at the fair market value as of the date of the contribution, unless the university is acting as an agent in connection with a contribution by a donor through the university to another charity specifically identified by the donor. Contributed inventory items will be subject to the same physical counting and other policies as purchased inventory items.
113 Prepaid Expenses

113.1 Policy

It is the policy of NSU to treat payments of expenses that have a time-sensitive future benefit as prepaid expenses, such as insurance and taxes, and to amortize these items over the corresponding time period. For purposes of this policy, payments of less than $500 will be expensed as paid and not treated as prepaid expenses, regardless of the existence of a future benefit.

Prepaid expenses with future benefits that expire within one year from the date of the financial statements will be classified as current assets. Prepaid expenses that benefit future periods beyond one year from the financial statement date will be classified as non-current assets.

113.2 Procedures

As part of the account coding process performed during the processing of accounts payable, all incoming vendor invoices will be reviewed for the existence of time-sensitive future benefits. If future benefits are identified, the payment will be coded to a prepaid expense (asset) account code.

Financial Operations will maintain a schedule of all prepaid expenses. The schedule will indicate the amount and date paid, the period covered by the prepayment, the purpose of the prepayment, and the monthly amortization. This schedule will be reconciled to the general ledger balance as part of the monthly closeout process.

113.3 Prepaid Insurance

NSU typically pays for insurance premiums when coverage begins. Usually, coverage is bought for a year in advance. NSU records prepaid insurance premiums as an asset, reflecting insurance coverage for the future that has already been paid. Premiums are amortized monthly to the center/department that receives the insurance coverage.

113.4 Prepaid Property Taxes

Prepaid property taxes with benefit in a future fiscal year will be amortized monthly over the period covered by the tax assessment.
114 Investments

114.1 Policy

NSU’s investment policy is to preserve and protect the university’s assets, as well as the maintenance of liquid reserves to meet obligations arising from unanticipated activities, by earning an appropriated return on investments.

114.2 Delegation of Authority

NSU’s board of directors has delegated supervisory authority over its investing activities to the Investment Sub-Committee of the Finance Committee. The Investment Sub-Committee is responsible for regularly reporting on the university’s investments to the Finance Committee and the board of directors.

114.3 Accounting Treatment

NSU records investments in equity securities with readily determinable market values, debt securities, and assets held in trust at fair market value. Investments received as gifts are recorded at fair market value at the date of donation.

Permanently restricted investments are subject to restrictions requiring that the principal be invested in perpetuity. Income and net realized and unrealized gains or losses from these investments are classified based on donor restrictions, if any.

114.4 Invested Funds

NSU has established separate investment policies for its Endowment Funds and monies invested at Trusco, including investment objectives, diversification, and excluded investments. The full text of these policies are provided below, please click icon.

114.5 Short Term Investments

Short-term investments generally have a maturity of three months to one year from the purchase date. NSU has investments classified as short-term with maturities beyond one-year due to their highly liquid nature. All short-term investments are recorded at market value using the specific identification method; unrealized gains and losses are reflected in net unrealized gain or loss on securities.
114.6 Long Term Investments

Long-term investments have a maturity beyond one-year from the purchase date, except as noted above. Long-term investments are subject to market and credit risks customarily associated with debt, equity, and real estate.

114.7 Other Investments

Non-exempt entities owned by the university with a greater than 50 percent ownership shall be consolidated into NSU’s financial statements. A non-exempt entity here means any for-profit entity that is not exempt for federal income taxes, such as corporations, limited partnerships, s-corporations, LLPs, and LLCs.

114.8 Additional Investment Operating Procedures

Please click the icon below to access additional investment operating procedures.
115 Property and Equipment

115.1 Policy

It is the policy of NSU to capitalize property and equipment with a unit cost of $1,000 or higher, in accordance with OMB Circular A-110. Items with a unit cost below this threshold shall be expensed in the year purchased.

NSU complies with ASC958-360, of the Financial Accounting Standards Board (FASB) in recognizing depreciation on long-lived assets and providing proper disclosure in the financial statements.

115.2 Depreciation and Useful Life

Both real and personal property are recorded at cost and depreciated using the straight-line method of depreciation. NSU uses a half-year convention in the year of acquisition and disposition. This means depreciation is calculated for a half year only, in the year of acquisition and disposition, regardless of how long the asset is held that year. Estimated useful lives are established by class of asset and range from 3 to 50 years.

115.3 Fixed Assets

The full text of NSU’s policies and procedures regarding Fixed Assets are provided in detail below.
116 Leases

116.1 Classification of Leases

Prior to assessment of whether a lease is capital or operating, NSU shall determine whether the lease involves a construction project. Construction costs related to a lease shall be accounted for as a capital asset. NSU shall refer to Emerging Issues Task Force 97-10, The Effect of Lessee Involvement in Asset Construction for guidance on this issue.

It is the policy of NSU to classify all leases in which the university is a lessee as either capital or operating leases. NSU shall utilize the criteria described in Statement of Financial Accounting Standards No. 13 in determining whether a lease is capital or operating in nature. Under those criteria, a lease shall be treated as a capital lease if, at the time of entering into the lease, any of the following factors are present:

1. The lease transfers ownership to NSU at the end of the lease term;
2. The lease contains a bargain purchase option;
3. The lease term is equal to 75% or more of the estimated economic life of the lease property; or
4. The present value of the minimum lease payments is 90% or more of the fair value of the leased property (using, as the interest rate, the lesser of NSU’s incremental borrowing rate or, if known, the lessor’s implicit rate).

All leases that do not possess any of the four preceding characteristics shall be treated as operating leases. In addition, all leases that are immaterial in nature shall be accounted for as operating leases.

116.2 Accounting for Leases

All leases that are classified as operating leases and immaterial capital leases shall be accounted for as expenses in the period in which the obligation to make a lease payment is incurred. For leases with firm commitments for lease payments that vary over the term of the lease (i.e. a lease with fixed annual increases that are determinable upon signing the lease), the amount that NSU shall recognize as monthly lease expense shall equal the average monthly lease payment over the entire term of the lease. Differences between the average monthly payment and the actual monthly payment shall be accounted for as an asset or liability of NSU.

All leases that are classified as capital leases shall be treated as fixed asset additions of NSU. As such, upon the inception of a capital lease, NSU shall record a capitalized asset and a liability under the lease, based on the net present value of the minimum lease payments (or the fair value of the leased asset, if it is less than the present value of the lease payments). Periodic lease payments shall be allocated between a reduction in the lease obligation and interest expense. The capitalized asset recorded under a capital lease shall be depreciated over the term of the lease, using the straight-line method of depreciation.
NSU shall maintain a standard checklist to facilitate the steps to be performed to identify leases related to construction and to determine proper classification between operating and capital leases. In addition, NSU shall also maintain a control list of all operating and capital leases. This list shall include all relevant lease terms, including a schedule of future annual lease payment obligations.

NSU shall also maintain a control list of all operating and capital leases. This list shall include all relevant lease terms, including a schedule of future annual lease payment obligations.

116.3 Scheduled Increases in Rent Payments

Leases with fixed (determinable amounts stated in the lease) increases in monthly rental payments shall be accounted for in a manner that results in an equal monthly rent expense being reported in each month over the entire initial lease term. Accordingly, monthly rent expense in the first year of such leases shall be greater than the monthly cash payment, with the difference being recorded as a liability. This liability will be reduced in the later years of the lease when the monthly cash rent payment is less than the monthly rent expense. To the extent future rent increase are not determinable at the beginning of the lease (because they are based on inflation or other factors), the preceding policy shall not apply and monthly rent expense shall be equal to the monthly cash payment, except as noted below.

116.4 Rent Abatements and Other Lease Incentives

Abatements of monthly rent payments, cash incentives, and other lease incentives shall be accounted for in a manner that results in an equal amount of monthly rent expense over the term of the lease agreement (before considering the effects of inflation-based rent increases, which will increase rent expense over the term of a lease). As a result, incentives received up front or over the early months of a lease, shall be established as a liability in NSU’s accounting records (as deferred lease incentives or some similar name). This liability shall be amortized as an offset (credit) to rent expense over the term of the lease agreement.

116.5 Changes in Lease Terms

Leasehold improvements and deferred rent incentives are amortized over the initial lease term. If such lease term is changed prior to the expiration of the initial lease term, it is the policy of NSU that such amortization be revised to reflect the remaining lease term as of the effective date of the lease modification.
117 Accrued Liabilities

117.1 Policy

The accounting department shall establish a list of commonly incurred expenses that may need to be accrued at the end of an accounting period. Expenses that shall be accrued by NSU at the end of an accounting period include:

- Salaries and wages
- Payroll taxes
- Vacation pay
- Rent
- Interest on bonds payable
- Interest on notes payable
- Property taxes
- Self-Originating loan program
- Leases
- Utilities and other accounts payable

NSU records a liability for deferred revenue (revenue received but not yet earned) in accordance with the revenue recognition policies described in the Revenue section of this manual.

117.2 Accrued Leave

*Vacation Pay*

Personnel policies of NSU permit employees to carry forward up to one week of unused leave per year. Any unused leave is payable to an employee upon termination of employment. Accordingly, NSU’s records a liability for accrued leave to which employees are entitled. The total liability at the end of the fiscal year shall equal the total earned but unused hours of leave, up to a maximum of 37.5 hours, multiplied by each employee’s current hourly pay rate.

*Sick Leave*

Sick leave that is not used at the end of each fiscal year shall not be accrued as a liability of NSU.
118  Notes/Bonds Payable

118.1 Policy

It is the policy of NSU to maintain a schedule of all notes and bonds payable, mortgage obligations, lines of credit, and other financing agreements. This schedule shall be based on the underlying loan documents and shall include all of the following information:

1. Name and address of lender
2. Date of agreement or renewal/extension
3. Total amount of debt or available credit
4. Amounts and dates borrowed
5. Description of collateral, if any
6. Interest rate
7. Repayment terms
8. Maturity date
9. Address to which payments should be sent
10. Contact person at lender

118.2 Accounting and Classification

An amortization schedule shall be maintained for each note and bond payable. Based upon the amortization schedule, the principal portion of payments due with the next year shall be classified as a current liability in the statement of financial position of NSU. The principal portion of payments due beyond one year shall be classified as long-term/non-current liabilities in the statement of financial position.

Demand notes and any other notes without established repayment dates shall always be classified as current liabilities.

Unpaid interest expense shall be accrued as a liability quarterly and at fiscal year end.

A detailed record of all principal and interest payments made over the entire term shall be maintained with respect to each note payable. Periodically, the amounts reflected as current and
long-term notes payable per the general ledger shall be reconciled to these payment schedules and the amortization schedules, if any, provided by the lender. All differences shall be investigated.

118.3 Non-Interest-Bearing Notes Payable

For demand loans, recording of interest expense and contribution income shall be performed quarterly and at fiscal year end, based on the outstanding principal balance of the loan during that period, multiplied by the difference between a normal interest rate for that type of loan and the rate, if any, that is required to be paid by NSU.

For loans with fixed maturities or payment dates, the note payable shall be recorded at the present value of the future principal payments, using as a discount rate the difference between a normal interest rate for that type of loan and the rate, if any, that is required to be paid by NSU. The difference between the cash proceeds of the note and the present value shall be recorded as contribution income in the period the loan was made. Thereafter, interest expense shall be recorded in each accounting period using the effective interest method, with the corresponding credit entry increasing the note payable account to reflect the amounts(s) that shall be repaid.

118.4 Bonds Payable

NSU issues bonds through the Broward Educational Facilities Authority (BCEFA). BCEFA was established by Ordinance Number 86-15 of the Broward County Commission for the purpose of assisting institutions of higher education in the construction, financing, and refinancing of projects for public purposes. BCEFA bonds are issued on behalf of the university and are direct obligations of NSU.

NSU has established reserve requirements for debt service and a reserve for renewal and replacement on the BCEFA Series 2000A bonds. Interest is paid semi-annually on all issues. Additionally, interest costs are capitalized during the construction period of the facility for which the debt is issued.

The objective of capitalizing interest is to obtain a measure of acquisition cost that more closely reflects the institution’s total investment in the asset and to charge a cost that relates to the acquisition of a resource that will benefit future periods against the revenues of each of those future periods. The amount of interest capitalized should theoretically be the amount of interest charged during the assets’ acquisition period that could have been avoided if the assets had not been acquired.

NSU amortizes bond issuance cost, such as underwriting costs, over the life of the bonds. The effective interest method is used.
119 Net Assets

119.1 Policy

It is the policy of NSU to classify net assets based upon the existence or absence of donor-imposed restrictions as follows:

**Unrestricted Net Assets** – Net assets that are not subject to donor imposed stipulations.

**Temporarily Restricted Net Assets** – Net assets subject to donor imposed stipulations that may or will be satisfied through the actions of NSU and/or the passage of time.

**Permanently Restricted Net Assets** – Net assets subject to donor imposed stipulations that the university permanently maintain certain contributed assets. Generally, donors of such assets permit the university to use all or part of the income earned from permanently restricted net assets for general operations or for specific purposes. Permanent restrictions do not pass with the expiration of time, nor can they be removed through the organization’s actions.

Net assets accumulated by NSU that are not subject to donor imposed restrictions, but which the board of directors of the university has earmarked for specific uses, are segregated in the accounting records as “board-designated” funds within the unrestricted category of net assets.

Restrictions may be associated with either a time period (e.g. a particular future time period) or a purpose (e.g. specific programs). A purpose stipulation will be considered a restriction only if it is more specific than the broad limits resulting from the nature of the university, the environment in which it operates, and the purposes specified in NSU’s articles of incorporation and bylaws.

119.2 Reclassification from Restricted to Unrestricted Net Assets

The university shall report in its statement of activities a reclassification from restricted to unrestricted net assets if any of the following events occur:

1. Fulfillment of the purpose for which the net assets were restricted (e.g. spending restricted funds for the stipulated purpose)

2. Expiration of time restrictions imposed by donors

3. Death of an annuity beneficiary

4. Withdrawal by the donor (or by a court) of a time or purpose restriction
If a donor stipulates multiple restrictions, such as a purpose and a time restriction, the reclassifications from temporarily restricted to unrestricted net assets shall be reported only upon the satisfaction of the final remaining restriction.

119.3 Reclassification from Unrestricted to Restricted Net Assets

If the university receives a restricted contribution from a donor who further stipulates that the university set aside a portion of its unrestricted net assets for that same purpose, the organization shall report in its statement of activities a reclassification of net assets from unrestricted to temporarily or permanently restricted, based on the specific nature of the restriction.

119.4 Disclosures

It is the university’s policy to provide within its financial statements footnote disclosures that describe the different types of temporary and permanent restrictions associated with the university’s net assets as of the end of each fiscal year.
120  Financial Statements

120.1 Policy

NSU’s policy is to prepare accurate financial statements in accordance with generally accepted accounting principles and distribute them in a timely and cost-effective manner.

The standard set of financial statements described below will be produced on an annual basis. The Statement of Financial Position and the Statement of Activities are also prepared on a monthly basis. These financial statements shall be prepared on the accrual method of accounting.

120.2 Standard Financial Statements of the University

Preparing financial statements and communicating key financial information is a necessary and critical accounting function. Financial statements are management tools used in making decisions, in monitoring the achievement of financial objectives, and as a standard method for providing information to interested parties external to the organization. Financial statements may reflect year-to-year historical comparisons or current budget to actual comparisons.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, requires NSU to make estimates and assumptions about the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

The basic financial statements of NSU that are maintained on an organization-wide basis are:

1. **Statement of Financial Position** – reflects assets, liabilities and net assets of the organization and classifies assets and liabilities as current or non-current/long-term.

   Assets are probable future economic benefits obtained or controlled by the organization as a result of past transactions or events. Assets of NSU are classified as current assets, fixed assets, contra-assets, and other assets.

   Current assets are assets that are available or can be made readily available to meet the cost of operations or to pay current liabilities. Some examples are cash, temporary investments, and receivables that will be collected within one year of the statement of financial position date.

   Fixed assets (property and equipment) are tangible assets with a useful life of more than one year that are acquired for use in the operation of the organization and are not held for resale.
Contra-assets are accounts that reduce asset accounts, such as accumulated depreciation and reserves for uncollectible accounts receivable.

Other assets include long-term assets that are assets acquired without the intention of disposing them in the near future. Some examples are security deposits, property, and long-term investments.

Liabilities are probable future sacrifices of economic benefits arising from present obligations of the organization to transfer assets or provide services to other entities in the future as a result of past transactions or events. Liabilities of NSU are classified as current or long-term.

Current liabilities are probable sacrifices of economic benefits that will likely occur within one year of the date of the financial statements or which have a due date of one year or less. Common examples are accounts payable, accrued liabilities, short-term notes payable, and deferred revenue.

Long-term liabilities are probable sacrifices of economic benefits that will likely occur more than one year from the date of the financial statements. An example is the non-current portion of a mortgage loan.

Net assets are the difference between total assets and total liabilities.

2. **Statement of Activities**—presents revenues, gains, and other support, expenses, and changes in net assets of the university, by category of net assets (unrestricted, temporarily restricted and permanently restricted), including reclassifications between categories of net assets.

Revenues are inflows of the university or other enhancements of assets, or settlements of liabilities, from rendering services, delivering or producing goods, or other activities that constitute the university’s ongoing major or central operations. Examples include tuition and fees, contributions, investment income, government grants, and auxiliary operations.

Expenses are outflows or other using up of assets or incurrences of liabilities from rendering services, delivering or producing goods, or carrying out other activities that constitutes NSU’s ongoing major or central operations. Expenses are classified by functions, such as, program expense, management and general expense, and fund-raising expense.

Program expense includes the following categories:
a. Instruction – includes expenses for all activities that are part of the university’s instruction program.
b. Academic Support – includes expenses incurred to provide support services for the university’s primary missions of instruction, research, and public service.
c. Student Aid – includes expenses for activities that provide financial aid services and assistance to students.
d. Student Services – includes expenses for organized administrative activities that provide assistance and support (excluding academic support) to the needs and interests of students.
e. Auxiliary Enterprises – includes expenses relating to the operation of auxiliary enterprises, including expenses for operation and maintenance of plant, depreciation and administration.
f. Educational Activities –
g. Research – includes all expenses for activities specifically organized to produce research, whether commissioned by an agency external to the university or separately budgeted by an organizational unit within the university.
h. Public Services – includes expenses for activities established primarily to provide noninstructional services beneficial to individuals and groups external to the institution.

Management and general expense includes the following categories:

a. Operation and Maintenance – includes all expenses for the administration, supervision, operation, maintenance, preservation, and protection of the university’s physical plant.
b. Institutional Support – includes expenses for central, executive-level activities concerned with management and long-range planning for the entire university.

Fund-raising expenses are those amounts used to bring in additional revenue, typically (but not only) through public donations. An example of fund-raising expenses are the costs of printing and mailing to the general public flyers that encourage them to support the university’s mission by sending a donation.

3. **Statement of Cash Flows** – reports the cash inflows and outflows of the organization in three categories: operating activities, investing activities, and financing activities.

The notes to the Consolidated Financial Statements provide information regarding the significant accounting policies of the university, and are used to help users of the financial statements interpret some of the more complex items. These notes are considered an integral part of the Consolidated Financial Statements and are prepared on an annual basis.
120.3 Review and Distribution of Financial Statements

Monthly and annual financial statements and supporting schedules are prepared by the University Financial Operations department. Monthly reporting packages include both budget to actual reports as well as GAAP based consolidated financial statements. Monthly reporting packages are reviewed and approved by the Vice President for Finance, the Executive Vice President and Chief Operating Officer, and the President and CEO prior to being issued by Financial Operations. Once approved, the reporting package is distributed to the Finance, Investment and Audit Committee of the Board of Trustees for review and acceptance.

The fiscal year-end consolidated financial statements are audited by Ernst & Young LLP and included in the published Annual Report, after review and acceptance by the Finance, Investment and Audit Committee of the Board of Trustees and the full Board of Trustees.
121  Tax Reporting

121.1  Policy

It is the policy of the university to comply with all obligations for tax and information returns filed with federal, state and local jurisdictions, including federal income tax returns for NSU, two Area Health Education Centers, the Health Professions Division Foundation, Inc., and NSU Grande Oaks LLC. NSU’s also files periodic tax and information returns for property taxes, sales taxes, retirement and other fringe benefit plans, and payroll tax withholding.

121.2  Filing of Returns

The University Controller shall be responsible for identifying all filing requirements and assuring that NSU is in compliance with all such requirements. NSU shall file complete and accurate returns with all authorities.

Specific filings made by NSU are as follows:

1. **Form 990** – Annual information return of tax-exempt organizations, filed with the IRS. Form 990 for NSU is due on the fifteenth day of the fifth month following year-end. An automatic 3-month extension of time to file Form 990 may be obtained by filing Form 8868. Upon expiration of the first 3-month extension, a second 3-month extension may be requested using Form 8868.

2. **Form 990-T** – Annual tax return to report NSU’s unrelated trade or business activities (if any), filed with the IRS. Form 990-T is due on the fifteenth day of the fifth month following year-end. An automatic 6-month extension of time to file Form 990-T may be obtained by filing Form 8868.

3. **Form 5500** – Annual return for NSU’s employee benefit plans. Form 5500 is due July 31, but a request for extension of time to file may be filed.

4. **Personal Property Tax Return** – Filed with the State of Florida to report personal property and officers of the corporation. NSU’s personal property tax return is due April 15.

5. **W-2’s and 1099’s** – Annual report of employee and non-employee compensation, based on calendar-year compensation, on the cash basis. These information returns are due to employees and independent contractors by January 31 and to federal government by February 28.
6. **Form 940** – Annual federal unemployment tax return filed with IRS for Grande Oaks LLC. The return is due January 31.

7. **Form 941** – Quarterly payroll tax return filed with IRS to report wages paid to employees and federal payroll taxes. Form 941 is due by the end of the month following the end of each quarter, or 10 days later if all payroll tax deposits have been made in a timely manner during the quarter.

Federal and all applicable state payroll tax returns are prepared by the payroll office of the university. NSU complies with all state payroll tax requirements by withholding and remitting payroll taxes to the state of residency of each NSU employee.

NSU’s fiscal and tax year-end is June 30. All annual tax and information returns of NSU, including Form 990, and Form 990-T, are filed on the accrual basis of accounting.

### 121.3 Public Access to Information Returns

Under regulations that became effective in 1999, NSU is subject to federal requirements to make the following forms “widely available” to all members of the general public:

1. The three most recent annual information returns (Form 990), excluding the list of significant donors (Schedule B) that is attached to the Form 990, but including the accompanying Schedule A, and

2. NSU’s original application for recognition of its tax-exempt status (Form 1023 or Form 1024), filed with the IRS, and all accompanying schedules and attachments.
122  Budgeting

122.1  Overview

Budgeting is an integral part of managing NSU and is concerned with meeting organizational goals and objectives. The budget is designed and prepared to direct the efficient and prudent use of the university’s financial and human resources. The budget is management’s commitment to a plan for present and future organizational activities to ensure a going concern. It provides an opportunity to examine the composition and viability of the university’s programs and activities simultaneously in light of available resources.

122.2  Preparation and Adoption

It is the policy of NSU to prepare a budget annually. The university Budget Director gathers proposed budget information from all department directors and prepares the first draft of the budget. Budgets proposed and submitted by each department should be accompanied by a narrative explanation of the sources and uses of funds and explaining all material fluctuations in budgeted amounts from prior years.

After appropriate revisions and a compilation of all department budgets, a draft of the university-wide budget, as well as individual departmental budgets, is presented to the Chief Operating Officer and Vice President for Finance for discussion, revision, and initial approval. The final draft is then submitted to the Finance Committee of the Board of Directors, and finally to the entire Board of Directors for adoption.

It is the policy of NSU to adopt a final budget about 90 days before the beginning of the university’s fiscal year. The purpose of adopting a final budget at this time is to allow adequate time for the accounting department to input the budget into the accounting system and establish appropriate accounting and reporting procedures (including any necessary modifications to the chart of accounts) to ensure proper classification of activities and comparison of budget versus actual once the year begins.

122.3  Monitoring Performance

It is the policy of NSU to monitor its financial performance by comparing and analyzing actual results with budgeted results. This function shall be accomplished in conjunction with the monthly financial reporting process.

On a monthly basis, financial reports comparing actual year-to-date revenues and expenses with budgeted year-to-date amounts shall be produced by the budget department and distributed to each department head with budgetary responsibilities. Also, financial operating reports summarizing activity by academic and administrative centers are distributed to Executive Management and the full board of directors.
122.4 Budget Modification

After the budget has been approved by the Board of Directors and adopted by the university, reclassification of budgeted expense amounts within a single department may be made by the department head, with approval from the university Budget Director. Reclassifications of budgeted expense amounts across departments may be made only with approval of the Chief Operating Officer. Also, reclassification and any budget modification resulting in an increase in budgeted expenses or decrease in budgeted revenues can be made only with approval of the Chief Operating Officer.
123 Annual Audit

123.1 Policy

It is the policy of NSU to arrange for an annual audit of the university’s financial statements to be conducted by an independent accounting firm. The independent accounting firm selected by NSU will be required to communicate directly with the university’s audit committee upon the completion of their audit. In addition, members of the audit committee are authorized to initiate communication directly with the independent accounting firm.

123.2 How Often to Review the Selection of the Auditor

NSU will review the selection of its independent auditor in the following circumstances:

1. Anytime there is dissatisfaction with the service of the current firm.
2. When a fresh perspective and new ideas are desired.
3. Every 5 years to ensure competitive pricing and a high quality of service. This is not a requirement to change auditors every five years, simply to re-evaluate the selection.

123.3 Selecting an Auditor

The selection of an accounting firm to conduct the annual audit is a task that should be taken very seriously. The following factors will be considered by NSU in selecting an accounting firm:

1. The firm’s reputation in the nonprofit community.
2. The depth of the firm’s understanding of and experience with not-for-profit organization and federal reporting requirements under OMB Circular A-133.
3. The firm’s demonstrated ability to provide the services requested in a timely manner.
4. The ability of firm personal to communicate with NSU’s personnel in a professional and congenial matter.

If NSU decides to prepare and issue a written Request for Proposal (RFP) to be sent to prospective audit firms, the following information will be included:

1. Period of services required.
2. Type of contract to be awarded (fixed fee, cost basis, etc.)
3. Complete description of the services requested (audit, management letter, tax returns, etc.)

4. Identification of meetings requiring their attendance, such as staff or Board of Director meetings.

5. Organization chart of NSU

6. Chart of account information.

7. Financial information about the university.

8. Copy of prior year reports (financial statements, management letters, etc.)

9. Other information considered appropriate.

10. Description of proposal and format requirements.

11. Due date of proposals.

12. Overview of selection process.


Minimum Proposal Requirements from prospective CPA firms will be:

1. Firm background.

2. Biographical information (resumes) of key firm members who will serve NSU.

3. Client references.

4. Information about the firm’s capabilities.

5. Firm’s approach to performing an audit.

6. Copy of the firm’s most recent quality/peer review report, including any accompanying letter of findings.

7. Other resources available with the firm.

8. Expected timing and completion of the audit.

10. Cost estimate including estimated number of hours per staff member.

11. Rate per hour for each auditor.

12. Other information as appropriate.

In order to narrow down the proposals to the top selections, the Vice President for Finance will meet with the prospective engagement teams from each proposing firm to discuss their proposal. Copies of all proposals will be forwarded to each member of the Audit Committee. After the Vice President for Finance narrows down the field of prospective auditors to three firms, final interviews of each firm are conducted by the Audit Committee, who makes the final recommendation to the board of directors for approval.

**123.4 Preparation for the Annual Audit**

NSU will be actively involved in planning and assisting the university’s independent accounting firm in order to ensure a smooth and timely audit of its financial statements. In that regard, the accounting department will provide assistance to the independent auditors in the following areas:

**Planning** – The University Controller is responsible for delegating the assignments and responsibilities to accounting staff in preparation for the audit. Assignments will be based on the list of requested schedules and information provided by the independent accounting firm.

**Involvement** – University staff will do as much work as possible in order to assist the auditors and, therefore, reduce the cost of the audit.

**Interim Procedures** – To facilitate the timely completion of the annual audit, the independent auditors may perform selected audit procedures prior to the university’s year-end. By performing significant portions of the audit work as of an interim date, the work required subsequent to year-end is reduced. University staff will assist as much as possible in order to provide requested schedules and documents to auditors during any interim fieldwork that is performed.

Throughout the audit process, it will be the policy of NSU to make every effort to provide schedules, documents and information requested by the auditors in a timely manner.

**123.5 Concluding the Audit**

Upon receipt of a draft of the audited financial statements of NSU from its independent auditor, the University Controller will perform a detailed review of the draft, consisting of the following procedures:

1. Carefully read the entire report for typographical errors.
2.
3. Trace and agree each number in the financial statements and accompanying footnotes to the accounting records and/or internal financial statements of NSU.

4. Review each footnote for accuracy and completeness.

Any questions or errors noted as part of this review will be communicated to the independent auditor in a timely manner and resolved to the satisfaction of the Vice President for Finance.

It will also be the responsibility of the University Controller to review and respond in writing to all management letter or other internal control and compliance report findings and recommendations made by the independent auditor.
124 Insurance

124.1 Policy

NSU’s policy is to maintain an active risk management program that includes a comprehensive insurance package. This will ensure the viability and continued operations of NSU. The university seeks to maintain adequate insurance against general liability, as well as coverage for buildings, contents, fine arts, equipment, machinery and other items of value.

124.2 Coverage Guidelines

As a guideline, NSU will arrange the following types and level of insurance at a minimum:

- **General Liability**: $1,000,000
- **Excess Liability**: $45,000,000
- **Automobile (Owned, leased, borrowed)**: $1,000,000
- **Crime (Employee dishonesty)**: $1,000,000
- **Property**: $1,000,000
- **Educators Legal Liability**: $10,000,000
- **Worker’s Compensation**: Statutory Limits
- **Worker’s Compensation (Other States)**: Statutory Limits
- **Medical Mal Practice**: $1,000,000 Primary/$10,000,000 Excess
- **Professional Liability**: $3,000,000 Primary/$3,000,000 Excess
- **Marine Policy**: $1,000,000 P&I/Property
- **Foreign Liability**: $1,000,000
- **Pollution**: $1,000,000
- **Bonds (Various States)**: Varies

NSU should maintain a detailed listing of insurance policies in effect. This listing should include the following information, at a minimum:

1. Description (type of coverage)
2. Agent and insurance company, including all contact information
3. Coverage and deductibles
4. Premium amounts
5. Policy effect dates

NSU should maintain an accounting breakdown of all insurance premiums and the allocations of those premiums.
124.3 Actuary Studies

The Director of Risk Management should obtain actuarial studies each fiscal year to determine that the university has adequate reserves or funding for the following exposures. The Medical Mal Practice Policy and the Educators Legal Liability Policy are claims made, therefore it is required that the university have reserves for the tail coverage.

1. Medical Mal Practice (HPD)
   a. Funding of the $250,000 per occurrence deductible into the Captive
   b. Reserves for extended reporting period (tail coverage, claims made policy)

2. Educators Legal Liability
   a. Funding of the $250,000 per occurrence deductible into the Captive
   b. Reserves for extended reporting period (tail coverage, claims made policy)
   c. Reserves for the $250,000 deductible to cover claims not through the Captive

3. Workers’ Compensation
   a. Reserves for those claims under the self-insured program
125 Record Retention

125.1 Policy

NSU retains records as required by law and destroys them when appropriate. The destruction of records must be approved by the appropriate department head. The formal records retention policy of NSU is as follows:

Accident reports/claims (settled cases) 7 Years
Accounts payable ledgers and schedules 7 Years
Accounts payable unclaimed property 5 Years (updated 06/11/12)
Accounts receivable ledgers and schedules 7 Years
Annual audit reports Permanently
Bank reconciliations 3 Years
Bank statements 3 Years
Chart of accounts Permanently
Cancelled checks 7 Years
Contracts, mortgages, notes and leases:
  Expired 7 Years
  Still in effect Permanently
Correspondence:
  General 2 Years
  Legal and important matters only Permanently
  Routine with customers and/or vendors 2 Years
Deeds, mortgages and bills of sales 7 Years Following Sale
Depreciation schedules Permanently
Duplicate deposit slips 3 Years
Expense analyses/expense distribution schedule 7 Years
Financial statements:
  Year end Permanently
  Quarterly 7 Years
Garnishments 7 Years
General ledgers/year end trial balance 7 Years
Insurance policies (expired) 3 Years
Insurance records (policies, claims, etc.) Permanently
Internal audit reports 3 Years +
Internal reports 3 Years
Inventories of products, materials and supplies 7 Years
Invoices (to customers, from vendors) 7 Years
Journals 7 Years
Minute books of directors, bylaws and charters Permanently
Notes receivable ledgers and schedules 7 Years
Payroll records and summaries 7 Years
Petty cash vouchers 3 Years
Physical inventory tags 3 Years
Property records (incl. depreciation schedules) Permanently
Purchase orders:
   Purchasing department copy 7 Years
   Other copies 1 Year
Subsidiary ledgers 7 Years
Tax returns and worksheets, examination reports and other documents relating to determination of income tax liability Permanently
Time sheets/cards 7 Years
Trademark registrations and copyrights Permanently
Training manuals Permanently
Voucher register and schedules 7 Years
Withholding tax statements 7 Years
126  Functional Expense Allocation

126.1 Overview

It is the policy of NSU to charge expenses to the appropriate category of program service or supporting activity. Expenses that serve multiple functions or are not readily identifiable with one function will be allocated between functions whenever possible. As one of its financial management objectives, NSU strives to determine the actual costs of carrying out each of its program service and supporting activities.

Program and supporting service functions of NSU are:

**Programs:**

Instruction – includes expenses for all activities that are part of the university’s instruction program.

Academic Support – includes expenses incurred to provide support services for the university’s primary missions of instruction, research, and public service.

Student Aid – includes expenses for activities that provide financial aid services and assistance to students.

Student Services – includes expenses for organized administrative activities that provide assistance and support (excluding academic support) to the needs and interests of students.

Auxiliary Enterprises – includes expenses relating to the operation of auxiliary enterprises, including expenses for operation and maintenance of plant, depreciation and administration.

Research – includes all expenses for activities specifically organized to produce research, whether commissioned by an agency external to the university or separately budgeted by an organizational unit within the university.

Public Services – includes expenses for activities established primarily to provide noninstructional services beneficial to individuals and groups external to the institution.

**Supporting Services:**

Operation and Maintenance – includes all expenses for the administration, supervision, operation, maintenance, preservation, and protection of the university’s physical plant.
Institutional Support – includes expenses for central, executive-level activities concerned with management and long-range planning for the entire university.

Fund-raising – expenses incurred to bring in additional revenue, typically (but not only) through public donations. An example of fund-raising expenses are the costs of printing and mailing to the general public flyers that encourage them to support the university’s mission by sending a donation.

126.2 Direct Charging of Costs

Certain internal costs will be directly charged to the appropriate NSU function based upon underlying documentation. The following costs shall be charged directly based on the documentation or factor listed next to each:

<table>
<thead>
<tr>
<th>Cost</th>
<th>Basis For Charge</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries</td>
<td>Timesheets (hours) or number of employees in a function</td>
</tr>
<tr>
<td>Occupancy (facilities) costs</td>
<td>Actual square footage used by each function</td>
</tr>
<tr>
<td>Long-Distance Telephone</td>
<td>Actual use, based on codes</td>
</tr>
<tr>
<td>Photocopying</td>
<td>Actual use, based on codes</td>
</tr>
<tr>
<td>Postage</td>
<td>Actual, per postage log</td>
</tr>
<tr>
<td>Supplies</td>
<td>Actual, per usage forms</td>
</tr>
</tbody>
</table>

With the exception of salaries, which are recorded with each payroll cycle, and occupancy costs, which are charged to an operation and maintenance account and then allocated during the year end institutional cost allocation, all other costs identified above will be initially charged to one account when incurred, then allocated and recorded to the appropriate functions by a monthly journal entries.

126.3 Allocation of Overhead Cost

On a monthly basis, an allocation of overhead to each program service and supporting activity area will be recorded by a journal entry. Overhead will be allocated based on [direct salaries charged to each function]. Costs included in overhead to be allocated include all costs associated with building occupancy, building and equipment maintenance, and any other cost that benefits all functions of the university.

General and administrative costs shall not be allocated to program service or other supporting functions of the university.

126.4 Accounting for Joint Activities that Include Fund-Raising

NSU engages in certain activities that simultaneously accomplish a programmatic purpose and a fund-raising purpose. It is the policy of NSU to account for such activities in accordance with the AICPA’s Statement of Position (SOP) 98-2.
One hundred percent of the costs of each such activity will be accounted for a fund-raising costs unless all three of the criteria described in SOP 98-2 are met with respect to that individual activity. The three criteria that must met are:

1. The purpose criterion
2. The audience criterion
3. The content criterion

A complete explanation of these criteria goes beyond the scope of this policy statement. However, generally, the purpose criterion involves a call for programmatic action by the recipient (beyond simply making a donation to the university), as well as a “compensation” test and a “comparison” test. The audience criterion requires that if the audience includes prior donors or is otherwise selected (even in part) based on a perceived ability or likelihood to make a contribution, the audience must either have a need for or use of the call to action described in the purpose criterion or have the ability to take that action (i.e. the audience criterion necessitates that proper targeting of a message to individuals). The content criteria is met if the call for action helps to accomplish NSU’s specifically stated tax-exempt mission by benefiting either the recipient or society.

It is the policy of NSU not to apply the provisions of SOP 98-2 to activities or communications that are predominantly programmatic or management and general in nature, with only an incidental element of fund-raising.

For joint activities that meet all three SOP 98-2 criteria, the university will identify costs as 1) exclusively associated with the programmatic portion of the activity, 2) exclusively associated with the fund-raising element of the activity, or 3) joint costs of the joint activity. For all joint costs associated with a joint activity, the university will develop and utilize cost allocation methods that are appropriate for the nature of the cost and activity involved. One example of joint cost allocation method used by NSU is the physical units method, in which joint costs are allocated between program and fund-raising costs in proportion to the number of units of output that can be attributed to each purpose.
127  Administration of Grant and Contracts

127.1  Overview

Contract and Grant Accounting (CGA) reports to the University Controller and is responsible for all post award accounting activities related to sponsored projects. This office also maintains accounting control over all university gifts and internally designated research. CGA is entrusted with ensuring that all budget, revenue, and expense transactions for restricted accounts are properly recorded.

CGA works closely with the Office of Grants and Contracts (OGC) in the financial administration of awards made to NSU. The accounting staff becomes involved when a sponsored agreement is fully executed and forwarded from OGC. CGA remains involved until an agreement is financially closed.

Policies and procedures issued by OGC related to post award activities are incorporated in the Accounting & Financial Policies and Procedures Manual. Following is a list of those policies and procedures with a link to the documentation http://www.nova.edu/osp/policies/index.html.

- Cost Sharing on Sponsored Projects
- Time and Effort Reporting on Grant and Contract/Restricted Accounts
- Salaries on Sponsored Agreements
- Request for Use of Unobligated Balance from a Fixed-Price Grant/Contract
- Independent Consultant Sample Agreement
- Financial Conflict of Interest with Respect to Sponsored Projects
- Waiver of Facilities and Administration Costs (Indirect Costs)

NSU receives financial assistance from several agencies including federal, state, and local governments, and private foundations. Types of funding support include:

**Grants:** A financial assistance award given to the organization to carry out its programmatic purpose.

**Contracts:** A mutually binding legal agreement where the organization agrees to provide supplies or services and the donor agrees to pay for them.
Cooperative Agreements: A legal agreement where the organization implements a program with the direct involvement of the donor. This type of agreement is a grant-type instrument.

127.2 Policy

It is the policy of NSU to maintain a financial management system that provides accurate, current, and full disclosure of operating results. This will assist in ensuring compliance with laws, regulations, and provisions of awarding agencies and to ensure bills and required reports are filed timely.

127.3 Compliance with Laws, Regulations and Provisions of Awards

NSU recognizes that as a recipient of funds, the university is responsible for compliance with all applicable federal and state laws, regulations, and provisions of contracts and grants. To ensure that the university meets this responsibility, the Manager of CGA must be familiar and comply with directives of the Office of Management and Budget (OMB) and other publications, including:

1. **OMB Circular A-21** – establishes principles for determining allowable costs applicable to grants, contracts, and other agreements with educational institutions. All federal agencies that sponsor research and development, training, and other work at educational institutions apply the provisions of this circular in determining allowable costs.

2. **OMB Circular A-110** – establishes uniform administration requirements for federal grants and agreements awarded to institutions of higher education, hospitals, and other non-profit organizations.

3. **OMB Circular A-133** – establishes audit requirements for federally sponsored awards and defines federal responsibilities for implementing and monitoring higher education and other non-profit institutions that receive federal awards.


5. **The Blue Book** – provides guidance to financial accounting staff who handle fiscal recordkeeping, accounting, and reporting functions for federally funded student financial aid programs.

The Manager of CGA will cooperate with the university’s independent Auditors by informing the CPA firm as to applicable laws, regulations, and provisions of contracts and grants. Also, he should communicate known instances of noncompliance with laws, regulations, and provisions of contracts and grants to the auditors.
127.4 Preparation and Review of Proposals

Individual departments are responsible for preparing proposals for projects that the department intends to pursue. All proposals shall be reviewed by OGC prior to submission to government agencies or other funding sources. Final proposals shall be reviewed and approved in writing by either the Executive Director of Contracts and Grants, Vice President for Finance, or Chief Operating Officer.

127.5 Post-Award Procedures

After an award has been received, the following steps should be taken by Contract and Grant Accounting staff:

1. Verify specifications of the grant or contract. Compare the terms, time periods, award amounts and expected expenditures per the award with data included in the project digest forwarded by OGC. A CFDA (Catalog of Federal Domestic Assistance) number must be provided for each federal award. All reporting requirements under the contract or award should also be reviewed.

2. Create new general and subsidiary ledger account numbers. Review the propriety of budgeted account codes established for all receipt and expenditure categories.

3. Gather documentation and establish a file for each grant or contract. The file should contain the proposal, all correspondence regarding the grant or contract, the final signed award document and all reports submitted to the funding sources.

127.6 Billing and Financial Reporting

NSU strives to provide management, staff and funding sources with timely and accurate financial reports applicable to all institutional awards. These reports include monthly and cumulative expenditures, a project budget, and a balance remaining column.

NSU will prepare and submit financial reports as specified by the financial reporting clause of each grant or contract award document. Preparation of these reports will be the responsibility of staff in Grant and Contract Accounting.

The following policies shall apply to the preparation and submission of billings to agencies under awards made to NSU:

1. It is the policy of the university to request reimbursement after expenditures have been incurred, unless an award specifies another method.
2. Each award normally specifies a particular billing cycle; therefore, a schedule will be established for each grant and contract to ensure that reimbursement is made on a timely basis along with any other reporting that is required in addition to the financial reports.

3. Requests for reimbursement of award expenditures will use the actual amounts posted to the subsidiary ledger as the source for all invoice amounts.

4. All financial reports required under each award will be prepared and filed on a timely basis. To the extent the year-end audit results in adjustments to amounts previously reported to agencies, revised reports will be prepared and filed in accordance with the terms of each award.

The university will maintain separate billing records in addition to the official general ledger accounting records. Billing records will be reconciled to the general ledger on a monthly basis.

If an award authorizes the payment of cash advances to the university, the Manager of Contracts and Grants may request such advance funds. Upon receipt of the cash advance, the university shall recognize revenue equal to the advance. As part of the quarterly and year end close-out process, revenue will be reduced and a liability established in an amount equal to the amount of unspent funds.

127.7 Cash Draw Downs Under Letters of Credit

NSU has established letters of credit (LOC) with several federal agencies, including the National Science Foundation, Office of Education, and the Department of Health and Human Services. Cash draw downs under LOC’s will be made bi-weekly. All federal funds will be deposited into an interest-bearing cash account under the cash receipts policies and procedures described in this manual.

The following schedule will be completed to reconcile federal cash on hand and to estimate the organization’s need for additional federal funds:

\[
\text{ Federal cash drawn to date } + \text{ YTD expenses as of the end of the prior month } - \text{ Estimated disbursements this month to date } = \text{ Subtotal (Estimated cash on hand today)} - \text{ Estimated disbursements for the biweekly period } = \text{ Amount to be requested}
\]

127.8 Procurement Under Awards

Procurement of goods and services whose costs are charged to awards received by the university are subject to all of the specific purchasing policies established by NSU. In addition,
procurements associated with grants and contracts are subject to the following supplemental policies:

1. NSU will avoid purchasing items that are not necessary for the performance of the activities required by the award.

2. Where appropriate, an analysis will be made of lease and purchase alternatives to determine which would be the most economical and practical procurement method.

3. Documentation of the cost and price analysis associated with each procurement decision will be retained in the procurement files pertaining to each award.

4. Specific policies and procedures exist for goods and services up to $5,000 between $5,000 and $25,000, between $25,000 and $250,000, and purchases in excess of $250,000. Goods and services purchased between $25,000 and $250,000 require the approval of either the Chief Operating Officer or the Associate Vice President of Business Services.

5. NSU will make all procurement files available for inspection upon request by an awarding agency.

NSU does not purchase goods and services from companies or individuals where there is a recognized potential for conflict of interest. Also, it is contrary to university policy for any university employee to personally solicit, demand or receive any gratuity of any kind from a firm or individual in connection with any decision affecting a university purchase.

127.9 Equipment and Furniture Purchased with Federal Funds

NSU may occasionally purchase equipment and furniture that will be used exclusively on a program funded by a federal agency. For purposes of federal award accounting and administration, "equipment" shall include all assets with a unit cost equal to or greater than $1,000.

All purchases of “equipment” with federal funds shall be approved in advance in writing by the federal awarding agency. In addition, the following policies shall apply regarding equipment purchased and charged to federal awards:

1. Any equipment that is owned by the federal government and given to NSU for use in a program shall be marked as such.

2. Adequate insurance coverage will be maintained with respect to equipment and furniture charged to federal awards.
3. A physical inventory of all equipment purchased with federal funds shall be performed at least once every two years. The results of the physical inventory shall be reconciled to the accounting records of and Federal reports filed by NSU.

127.10 Standards for Financial Management Systems

In accordance with OMB A-110, it is the policy of NSU to maintain a financial management system that provides for the following:

1. Accurate, current and complete disclosure of the financial results of each federally-sponsored project or program in accordance with the reporting requirements of Circular A-110 and/or the award.

2. Records that identify adequately the source and application of funds for federally-sponsored activities. These records shall contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, outlays, income and interest.

3. Effective control over and accountability for all funds, property and other assets. NSU shall adequately safeguard all such assets and assure they are used solely for authorized purposes.

4. Comparison of outlays with budget accounts for each award. Whenever possible, financial information shall be related to performance and unit cost data.

5. Written procedures to minimize the time elapsing between the transfer of funds to NSU from the U.S. Treasury and the issuance or redemption of checks, warrants or payments by other means for program purposes by the recipient.

6. Written procedures to determine whether costs are reasonable, allocable and allowable in accordance with the provisions of the applicable Federal cost principles and the terms and conditions of the award.

7. Accounting records including cost accounting records that are supported by source documentation.

127.11 Budget and Program Revisions

It is the policy of NSU to request prior approval from federal awarding agencies for any of the following programs or budget revisions:

1. Change in the scope or objective of the project or program, even if there is no associated budget revision requiring prior written approval.
2. Change in a key person (project director, etc.) specified in the application or award document.

3. The absence for more than three months, or a 25 percent reduction in time devoted to the project, by the approved project director or principal investigator.

4. The need for additional Federal funding.

5. The transfer of amounts budgeted for indirect costs to absorb increases in direct costs, or vice versa, if approval is required by the Federal awarding agency.

6. The inclusion, unless waived by the Federal awarding agency, of costs that require prior approval in accordance with OMB Circular A-122.

7. The transfer of funds allotted for training allowances (direct payment to trainees) to other categories of expense.

8. Unless described in the application and funded in the approved awards, the sub-award, transfer or contracting out of any work under an award (however, this provision does not apply to purchases of supplies, materials, equipment or general support services).

127.12 Close Out of Federal Awards

NSU shall follow the close out procedures described in OMB Circular A-110 and in the grant agreements as specified by the granting agency. University financial records on federal contracts and grants generally must be closed within 90 days, state contract 45 days, of the stated termination date in the awarding document. Upon termination, no further expenses or encumbrances should be charged to the project account number. Also, university staff and all sub-recipients shall liquidate all federal obligations within 90 days and state obligations within 45 days of the end of the grant or contract agreement.

The CGA accountant will prepare the final fiscal report after consultation with the Principal Investigator (PI) and the appropriate departmental fiscal person, to determine that all appropriate expenditures have been charged against the account, including both direct and indirect costs. When cost sharing is included as part of the agreement, the accountant must determine that the university has met cost share requirements. For fixed price agreements, the CGA accountant will notify the PI that residual funds may be transferred to another restricted account.
128 Finance Committee

128.1 Policy

The primary responsibility for the university’s financial reporting and management rests with senior operating management, as overseen by the university’s Board of Directors (the “Board”). The purpose of the Finance Committee (the “Committee”) is to assist the Board in fulfilling this responsibility by providing oversight of the financial management and financial reporting function.

128.2 Authority

The Finance Committee should have the resources and authority necessary to discharge its duties and responsibilities. The Committee has sole authority to retain and terminate outside counsel or other experts or consultants, as it deems appropriate, including sole authority to approve the firm’s fees and other retention terms. The Committee may form and delegate authority to subcommittees and may delegate authority to one or more members of the Committee.

128.3 Membership

The Finance Committee should be a standing committee of the Board of Directors, comprised of not less than 10 members of the Board. Members of the Committee should:

1. Have no relationship to the university that may interfere with the exercise of their independence from management and the university; and

2. Be financially literate regarding the specialized matters of the university or shall acquire such financial literacy within a reasonable time period after appointment to the Committee.

128.4 Responsibilities

The Finance Committee’s role is one of oversight, recognizing that the university’s management is responsible for financial management and for preparing the university’s financial statements. The Committee should have oversight responsibilities in certain areas of financial management and reporting as follows:

1. Oversee the university’s assets, including policies associated with safe-keeping and protection of those assets.

2. Review and evaluate the university’s financial viability.

3. Review the annual budget and recommend it to the full Board for approval.
4. Review new initiatives involving request for funding.

5. Review the university’s cash flow management.

6. Review the financial impact of agenda items being considered by the full Board.

7. Monitor budget implementation and accounting and financial policies and procedures.

8. Prepare a report, signed by the chair of the Committee, for presentation to the full Board of Directors, describing the activities and responsibilities of the Committee.

9. Review overall organizational risk management and adequacy of insurance carried by the university (and report annually to the board of directors on the university’s risk management function).

10. Review all borrowing arrangements of the university.

11. Review annual income tax and information returns filed with the Internal Revenue Service and State government agencies.

12. Review this Charter on an annual basis and propose any recommended changes to the Board.

13. Oversee the management of the university’s investments, including review of investment policies, use of external investment managers, and other matters associated with investment management.

The Committee should meet on a regular basis and call special meetings as deemed necessary in fulfilling the responsibilities described above. For duties related to the audit committee, refer to section 129, *Audit Committee*. 
129 Audit Committee

129.1 Policy

The primary responsibility for the university’s financial reporting and internal controls rests with senior operating management, as overseen by the university’s Board of Directors (the “Board”). The purpose of the Audit Committee (the “Committee”) is to assist the Board in fulfilling this responsibility by providing oversight of the university’s audit functions (external and internal), as well as other investigations (external and internal).

129.2 Authority

In fulfilling its responsibilities, the Committee is empowered to retain the university’s external auditors. The Committee is further authorized to investigate any matter brought to its attention with complete and unrestricted access to all books, records, documents, facilities, and personnel of the university. The Committee also has the sole authority to retain outside counsel, auditors, investigators, or other experts in the fulfillment of its responsibilities, including the sole authority to approve the firm’s fees and other retention terms. The Board will review the adequacy of this Charter on an annual basis. The Committee may form and delegate authority to subcommittees and may delegate authority to one or more members of the Committee.

129.3 Membership

The Audit Committee shall be a standing committee of the Board of Directors, comprised of not less than three members of the Board. Members of the Committee shall:

1. Have no relationship to the university that may interfere with the exercise of their independence from management and the university;

2. Be financially literate regarding the specialized matters of the university or shall acquire such financial literacy within a reasonable time period after appointment to the Committee.

In addition, at least one member of the Committee should be a financial expert possessing the following characteristics:

1. An understanding of generally accepted accounting principles applicable to the university and financial statements;

2. The ability to assess the application of generally accepted accounting principles in connection with accounting for estimates, accruals, and reserves of the university.
3. Experience preparing, auditing, analyzing, or evaluating financial statements of comparable complexity to those of the university;

4. Understanding of internal controls and procedures for financial reporting; and

5. Understanding of audit committee functions.

129.4 Responsibilities

The Committee’s role is one of oversight, recognizing that the university’s management is responsible for preparing the university’s financial statements and that the external auditors are responsible for auditing those financial statements. The Committee recognizes that the university’s internal financial management team, as well as, the external auditors, have more time and detailed information about the university than do Committee members. Consequently, in discharging its oversight responsibilities, the Committee is not providing expert advice or any assurances as to the university’s financial statements or any professional certification as to the external auditor’s services.

The Committee should have certain responsibilities in the areas of financial reporting, internal control, and organizational governance.

In the areas of financial reporting and internal control, the Committee should:

1. Oversee the external audit process, including nomination of the external audit firm, auditor engagement letters and fees, timing and coordination of audit fieldwork visits, monitoring of audit results, review of auditor’s performance, and review of non-audit services provided by the external audit firm for compliance with professional independence standards.

2. Review accounting policies.

3. Review the university’s financial statements, including year-end and interim financial statements, other reports requiring approval by the Board before submission to government agencies, and auditor opinions and management letters.

4. Determine that all required tax and information return filings with Federal, State and local government agencies are current and in compliance with reporting requirements.
5. Receive and review any other communications from the external auditors that the external auditors are required to submit to the Board or Committee under currently applicable professional auditing standards.

6. Review and discuss with management the findings and recommendations communicated by the external auditor.

7. Inquire about the existence and nature of significant audit adjustments proposed by the external auditors and significant estimates made by management.

8. Meet privately with the external auditors to discuss the quality of management, financial, accounting, information technology and internal audit personnel, and to determine whether any restrictions have been placed by management on the scope of their external audit or if there are any other matters that should be discussed with the Committee.

9. Review the letter of management representation provided to the external auditors as part of the annual audit and inquire as to whether any difficulties were encountered in obtaining the representation letter.

10. Prepare a report, signed by the chair of the Committee, for presentation to the full Board of Directors, describing the activities and responsibilities of the Committee.

11. Direct special investigations into significant matters brought to its attention within the scope of its duties.

12. Review this Charter on an annual basis and propose any recommended changes to the Board.

The following area addresses organizational governance. Steps 5 through 10 relate to the internal audit function which is the responsibility of the internal audit sub-committee of the Finance Committee. The Committee should:

1. Review university policies regarding compliance with laws and regulations, ethics, employee conduct, conflicts of interest, and the investigation of misconduct or fraud.

2. Review current and pending litigation or regulatory proceedings impacting organizational governance in which the university is a party.

3. Establish and monitor university procedures for receiving and handling complaints about accounting and auditing matters.

4. Review significant cases of employee or director conflict of interest, misconduct or fraud.
5. Review and approve the internal audit charter, which explains the framework for providing internal audit services to management and the Committee.

6. Review and approve management’s appointment and termination of the university’s Director of Internal Auditing.

7. Review plans and budgets associated with the internal audit function to determine that audit objectives, plans, financial budgets, and schedules provide for adequate support of the Audit Committee’s goals and objectives.

8. Require the Director of Internal Auditing to prepare a written report on an annual basis describing the scope and results of internal audit procedures.

9. Discuss with the Director of Internal Auditing and the external audit firm the reliability of the university’s information technology system and any specific security measures in protecting the university against fraud and abuse.

10. Meet regularly with the university’s general counsel to discuss legal matters that may have a significant impact on the university.

The Committee should meet on a regular basis and call special meetings as deemed necessary in fulfilling the responsibilities described above.