

**sbi**

student owned

**Sub-Board I, Inc.  
Accounting Manual**



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# Introduction

Sub-Board I, Inc. (SBI) is a student-owned, student-run not-for-profit service corporation. It was created in 1970 through the cooperative efforts of the student governments located at the University at Buffalo. This was to provide students with greater control of the mandatory student activity fees paid to the student governments by each student. The student governments petitioned the State University of New York to recognize SBI as the Fiscal Agent for their mandatory student activity fees. In granting the petition, the State University of New York established guidelines and procedures governing the collection and use of student activity fees which were to be required of the student governments and their Fiscal Agent, SBI. These guidelines and procedures are intended to protect student fees from potential abuse and to insure that accounting records are adequately maintained.

Over the years, SBI has maintained and upheld its original philosophy and advocacy of self-determination and self-control by the student governments over their student fees. This philosophy can only be maintained through an accounting system based on the guidelines and policies required by the State, generally accepted accounting principles and strong financial controls which help to insure the integrity and proper administration of student finances. SBI also provides accounting and management services for independent corporate clients as well. Collectively the student governments and the independent corporate clients are referred to as the student organizations.

Our Accounting System has several objectives:

1. To assist the officers of the student organizations in meeting their **fiduciary obligation** to their members, the students.
2. To provide the student organizations with accounting records which provide the basis for complete and accurate annual financial statements and an annual independent audit of those financial statements.
3. To provide an adequate structure of internal controls to safeguard assets and prevent the potential misuse of funds.
4. To assure the University that SBI, as Fiscal Agent, is in compliance with all policies and procedures of which it is required.

SBI can only meet these objectives with the cooperation of the student organizations that it serves. In addition to complying with the policies and procedures included in this manual, all Student organizations are expected to observe the following:

1. Complete and accurate copies of approved minutes of all meetings conducted by the governing bodies of each student organization must be carefully maintained. Copies of approved minutes are required as a standard part of the annual independent audit.
2. Copies of all contracts to which the student organization is a party must be made available to SBI for inclusion in the financial records. This includes contracts for amounts due from outside parties as well as amounts due to outside parties.
3. Compliance with and implementation of the reasonable requests of SBI, and the recommendations of internal and independent auditors.
4. In order to provide accurate and complete financial statements, there can be no financial activity conducted outside the accounting system of SBI. Students, clubs, student governments or independent corporate clients are not allowed to establish and maintain outside accounts of any kind. This includes but is not limited to bank accounts, investment accounts and credit cards. Outside checking accounts or accounts maintained by other University Agents (e.g. U.B. Foundation, F.S.A.) are not permitted. Self-administered accounting functions are not permitted without the approval and participation of SBI.
5. SBI will not routinely file necessary government returns and reports (except those required for payroll such as 941's and NYS 45's). SBI may prepare other government returns and reports (such as Form 990's and CHAR 500's) at its discretion and only if the student organization is in compliance with all Federal & State requirements.

It is our hope that the information included in this manual will assist you in understanding the accounting policies and procedures which you are expected to follow. This manual is intended only as a general guide and cannot possibly address every situation that may arise in the normal course of business. Therefore, we encourage you to ask questions, to seek information, and to view SBI as a resource that can assist you in making prudent business decisions. Maintaining regular communication and frequent dialogue with SBI will help us both to insure that the accounting system operates as effectively and efficiently as possible.

We look forward to serving your organization and are confident that your tenure in student services and activities will be a rewarding one.

# Budgetary Control

The State University of New York Fiscal and Accounting Procedures for Mandatory Student Activity Fee Programs require the Fiscal Agent (SBI) to establish and maintain budgetary accounts. The basic structure for recording and monitoring revenues and expenditures is the Annual Operating Budget. As part of its accounting system, SBI provides a Budgetary Control System modeled after those commonly used by governments and other not-for-profit entities which satisfies the fiscal guidelines, policies and procedures of the Board of Trustees and the State University of New York. All student governments and clients for whom SBI acts as Fiscal Agent must use the Budgetary Control System.

## I) What is a budget?

A budget is your management's structured plan which projects or anticipates the desired outcome of financial activity for a specific set of resources, for a fixed period, usually one year. For our purposes, the Annual Operating Budget is divided into two separate components:

- 1) **Budgeted Revenues** - What are the anticipated sources of revenue and how much can management realistically expect to receive.
- 2) **Budgeted Expenditures** - How much does management expect to spend, and for what purposes are resources to be spent.

## II) Why is a budget important?

A budget acts as the formal process that establishes the authority on how funds are to be collected and spent. Management's objective is to provide a logical, detailed and realistic spending plan. Once a plan has been decided upon and is formally adopted by the student organizations' governing body, the budget acts as an effective management tool by providing a means of identifying and allocating limited resources (**Revenues**), and monitoring their use (**Expenditures**).

The budget also is used to help prevent the student organization from overspending. Budget reports provide management with information on operations, allowing the organization to monitor and control spending and revenue collection while they are in progress. Hence, budgets alone are meaningless unless they are used to motivate responsible action and to direct operations toward accomplishing objectives that have been established by management as desirable.

The budget is the single most important source of financial information. Almost all financial transactions are recorded in the budget. The budget is used to track all cash receipts, encumbrances and cash disbursements, and provides a means of tracking these transactions back to original source documents.

## III) How is the budget structured?

In determining the basic elements of **Estimated Revenues** and **Estimated Expenditures**, a logical structure must be developed to codify and arrange the elements into units or sections that reflect the nature and structure of the operations themselves. The basic structural tool is the **budgetary account**. A budgetary account identifies a specific source of revenue or a particular type of expenditure by using a **budgetary account number**. SBI's Budgetary Control System uses the following budgetary account number format.

**Fund:** The **first three digits** of the account number identify the student organization and the overall purpose of the funds accounted for in a particular budget, e.g. operating funds, capital funds, etc.

**Department:** The **next four digits** of the account number identify the department, division, activity center, etc. within the internal operations of the student organization.

**Item:** The **next four digits** of the account number identify the specific source of revenue or the type of expenditure for a particular department, e.g. Advertising Revenue, or Telephone Expense.

**Project:** In certain situations, the account number may be extended by an **additional four digits** to further identify a particular project, and is specifically used for SBI Programming Grant revenues and expenditures.

**Location:** In limited situations the account number may be extended by an additional four digits to signify suspense accounts.

Therefore, the account number format is:

<b>XXX.</b>	<b>XXXX.</b>	<b>XXXX.</b>	<b>XXXX.</b>	<b>XXXX.</b>
<b>Fund</b>	<b>Department</b>	<b>Item</b>	<b>Project</b>	<b>Location</b>

SBI assigns budgetary account numbers for all student organizations according to a Chart of Accounts.

#### **IV) How are different types of expenditures classified in the budget?**

Expenditures are classified in the budgetary accounts by type. Expenditure types can then be grouped and sub-totaled for budgetary reporting. This enables management to more clearly appraise the results of past operations and project the results of future operations, and to control operations while they are in progress. Valid classifications are:

##### **Line Item**

1XXX Personnel Expenditures: This classification designates the expenditure of employee gross wages and employer-related expenses relating to payroll transactions. Examples include: **1101** Regular Pay.

2XXX Asset Expenditures: This classification designates expenditures for the purchase of fixed assets, such as equipment. Examples include: **2101** Capital Equipment Purchases.

3XXX Liability Expenditures: This classification designates payments that relieve a liability, usually associated with a previously recorded cash receipt transaction. Examples include: **3141** Refunds.

4XXX Operating Expenditures: This classification designates routine operating expenses that are incurred in the normal course of business. Examples include: **4105** Office Supplies.

5XXX Prepaid Expenditures: This classification designates certain types of routine expenditures that are prepaid in quarterly, semi-annual or annual installments. Examples include: **5101** Prepaid Insurance Premiums.

6XXX Principal on Debt: This classification designates the payment of principal on outstanding loans, mortgages, etc. Examples include: **6102** Equipment Lease – Principal.

7XXX Interest on Debt: This classification designates the payment of interest or finance charges on outstanding loans, capital leases, mortgages, etc. Examples include: **7102** Equipment Lease – Interest.

8XXX Internal Expenditures: This classification designates the transfer of cash from one fund to another, such as transfers from the Operating Budget to the Capital Equipment Budget. Examples include: **8115** Inter-fund Transfers.

All expenditures must be properly classified in the Estimated Expenditure Budget according to the types listed above. Budgets should be prepared accordingly with valid line item numbers to anticipate the nature and timing of expenditures.

#### **V) How are different types of receipts classified in the Estimated Revenue Budget?**

Like expenditures, receipts are classified in the revenue budgetary accounts according to type. All revenue budgetary accounts have line items that begin with 0. Valid classifications are:

##### **Line Item**

01XX Revenue Receipts: This classification designates sales revenue derived from cash sales. Examples include: **0101** Student Activity Fees

02XX Asset Receipts: This classification designates cash received against outstanding accounts receivable or other assets, such as the sale of equipment. Examples include: **0213** Local Advertising Sales on Account

03XX Liability Receipts: This classification designates cash received that incurs a liability. Examples include: **0310** Prepaid Accounts Receivable

04XX Expenditure Receipts: This classification designates cash returned against a previously recorded expenditure, such as refunds from overpayments to vendors, and returns on the unused portions of cash advances. Examples include: **0402** Cash Returns

05XX Internal Revenues: This classification designates the transfer of cash from one fund to another, such as a transfer into a Designated Budget from the Operating Budget. Examples include: **0502** Internal Revenue Transfers

06XX Capital Fund Internal Revenues: This classification specifically designates the transfer of cash into the Capital Equipment Budget from the appropriation of depreciation in the Operating Budget. Examples include: **0604** Service Organization Depreciation Transfer

07XX Interest on Outstanding Accounts / Notes Receivable:  
This classification designates the interest or service charges collected on outstanding accounts or notes receivable. Examples include: 0703 Interest/Service Charges

All cash receipts must be properly classified according to the types listed above. Budgets should be prepared accordingly with valid line item numbers to anticipate the nature and timing of cash receipts.

#### **VI) How does the budgetary process begin?**

The first step in the budgetary process is to look at the student organization's operations. You need to evaluate what is working well and what needs to be changed? What are management's goals and objectives for the coming budget year? What projects does the student organization wish to support? Which recognized clubs and organizations has management agreed to fund? What are the primary sources of revenue? Clubs, organizations, project managers and department heads may be required to submit budget requests to whoever is responsible for preparing the initial or "proposed" budget. These requests can then be reviewed and modified before being incorporated into the proposed budget. It may also be helpful for whoever is preparing the proposed budget to review past budgets – historical information can be very helpful in determining how the student organization has operated in the past and can help identify areas that management would like to continue, eliminate or change.



All student organizations must prepare their budgets according to the **fiscal year**. The fiscal year begins on August 1 and ends on July 31 of the following year.

Once the proposed budget has been prepared, it must be formally approved or “adopted” in accordance with the student organization’s constitution, by-laws or governing rules. During this process, the budget may be discussed, modified, or challenged before being formally adopted.

For student organizations that maintain more than one fund (first three digits of account number) in addition to the operating budget (e.g., Capital Equipment Fund, Restricted Fund, etc.), a separate budget for each Fund must be adopted.

**VII) After the budget is adopted, what is the next step?**

For all student organizations subject to administrative review and certification, approved budgets must be submitted in a proper Budget Format to the Administrative Designee no later than June 1 prior to the start of the fiscal year. For independent clients whose budgets are not subject to administrative review and certification, approved budgets must be submitted to the SBI Corporate Office no later than June 1 prior to the start of the Fiscal Year. Budgets **must** be accompanied by a completed **Certification of Budget Form**, signed by at least two officers or authorized representatives of the student organization, attesting that adoption and approval procedures were correctly followed. For student organizations that maintain more than one budget, a separate Certification of Budget Form must be submitted with each budget. **In order to continue operating without an interruption in accounting services, budgets must be submitted by the due date of June 1.**

**VIII) What happens after the budget is submitted and certified?**

Upon receiving the adopted budget, SBI will review the budget for accuracy and conformity to fiscal guidelines. Budgets must be **balanced**; i.e. Total Estimated Revenue **must** equal or exceed Total Expenditure. **Unbalanced budgets will be returned to the student organization unprocessed.** Estimated Revenues and Expenditures must be based on realistic projections.

Assuming that budgets have been submitted by the required deadline, in the required format, and with the proper officer certification, and the administrative designee, where applicable, has approved the budgets, SBI will enter the adopted budgets into the accounting system. On August 1, the adopted budgets will go into effect. All student organizations will receive initial budget reports as of August 1, before any activity begins, as verification that SBI has accurately entered the budgets. The student organization should closely review these initial budget reports and report any problems or errors immediately to SBI for correction.

**IX) Will any activity from the prior year budget have an effect on the current budget?**

Since there may be financial activity in process between the end of one fiscal year and the beginning of the next, the budget will be affected in several ways.

First, on the revenue side, the Fund’s cash balance as of July 31 will be added to Estimated Revenues and Annual Revenue Receipts in the new budget on the first day of the new fiscal year, August 1. This cash balance, if sufficient, can be used as a reserve to accommodate outstanding encumbrances and accrued payroll expenses (see below). Any remaining cash balance not reserved for other purposes may be re-appropriated in the new budget.

Second, on the expenditure side, any encumbrances outstanding at the end of the fiscal year (July 31) will be added to budgeted expenditures in the next fiscal year’s budget. Until this final accounting for outstanding encumbrances is completed and the prior year budget is “closed”, the accounting system will automatically account for encumbrances from the prior fiscal year that are paid in the new fiscal

year. This is done so that budgetary expenditures for the new fiscal year are not depleted by payments for which encumbrances existed in the prior fiscal year's budget.

Third, accrued payroll expenses, if any, as of July 31 will be added to expenditures in the next fiscal year. You must provide a sufficient reserve in your budget to accommodate this additional expenditure and to maintain a balanced budget.

**X) What if the budget needs to be modified or adjusted during the course of the fiscal year?**

It is not realistic to prepare a budget at the beginning of the fiscal year and then leave it as a rigid plan of action. Important unforeseen changes in internal or external conditions may require budget revisions during the fiscal year. It is essential that management receive timely information on its actual results in comparison with the plan. A comparison of actual operating results with the original budget plan would show management what the organization did in comparison with what it initially planned to do. It may not reveal, however, how well the organization did with regard to how it should have performed under the conditions which actually existed. The rev/exp comparison control report should be used to assess performance of actual results with the original plan and the adjusted budget plan.

Whenever an adjustment or revision to the original budget is necessary, the student organization must notify SBI of the adjustment(s) to be made by entering a Budget Adjustment into the on-line Accounting System. Budget Adjustments require the approval of two officers. In addition, student organizations who are subject to administrative review must have all budget adjustments or changes to the budget reviewed and certified by the administrative designee. All approvals can be done on-line. SBI will update the budget adjustments only after all approvals have been entered.

Please contact the SBI Corporate Office for instructions and training on the on-line budget adjustment process.

**XI) How do I go about adjusting the budget?**

There are many ways that a budget can be adjusted. First and most simply, the budgetary expenditure for one account may be decreased and another expenditure account or accounts may be increased by the same amount. The net effect on the budget in this situation will be zero, because Total Budgeted Expenditures are being decreased and increased equally.

If it is discovered that Estimated Revenues are underestimated or additional revenue is collected over and above the original estimate, the budget may be "expanded" to take this additional revenue into consideration. In other words, an original estimated revenue amount may be increased by the additional amount of revenue collected (or anticipated to be collected), and correspondingly, this additional revenue may be allocated by increasing one or more expenditure accounts for future expenditures. Again, the net effect on the Total Budget will be zero because both Estimated Revenues and Expenditures are being increased by the same amount.

If it is discovered that Estimated Revenues are overestimated or a particular source of anticipated revenue will not be collected, the budget should be "contracted" to recognize the fact that revenue will not meet expectations and spending should be reduced accordingly. In this situation, the original amount of the affected Estimated Revenue account should be decreased, and one or more expenditure accounts should also be decreased. Again, the net effect on the Total Budget will be zero because both Estimated Revenues and expenditures are being decreased by the same amount.

There may be other situations where adjustments may be necessary. If you are unsure of how to prepare a budget adjustment, please contact the SBI Corporate Office – we'll be happy to assist you.

Whenever the budget is adjusted, regardless of the reason, the total budget must remain balanced, i.e. Total Estimated Revenues must equal or exceed Total Expenditures.

**XII) What information will budget reports provide?**

The Budgetary Control System provides budget reports for both Revenue and Expenditure. One of the reports is the Rev/Exp Comparison Control Report. The report compares actual financial activity to the original budget and the adjusted budget, and should be used by management to monitor and control activity during the year.

**XIII) What is a “budget surplus” or “budget deficit”?**

A budget surplus exists when the total budgeted revenues exceeds the total budgeted expenditures. This is considered balanced budget. A budget deficit exists when the total budgeted expenditures exceeds the total budgeted revenues. This is considered an unbalanced budget. Under SUNY Guidelines, unbalanced budgets (budget deficits) are not allowed. The Rev/Exp Comparison Control Report can be used to calculate the budget surplus or deficit at any time.

**XIV) Conclusion**

A budget that is carefully prepared, closely monitored and accurately interpreted can mean the difference between success and failure. Also, budgets will only be reliable if management routinely holds accountable its officers, employees and departments for strictly adhering to budgetary procedures regarding cash receipts, encumbrances and cash disbursements. Budgetary goals and objectives should be clearly communicated to all responsible individuals, with the expectation that procedures be followed so as not to compromise or jeopardize the student organization's financial health.

# Encumbrance Approval

According to the State University of New York Fiscal and Accounting Procedures for Mandatory Student Activity Fee Programs the Fiscal Agent (SBI) must establish and maintain an encumbrance approval system. Encumbrance approval systems are commonly used in governmental and certain other not-for-profit accounting systems.

## I) What is an encumbrance?

An encumbrance is a special type of accounting transaction that anticipates a future expenditure. Funds are encumbered, or set aside, in a particular budgetary account for a specific future purchase. An encumbrance is the first part of a three-part process for purchasing and paying for goods or services. (The other two processes are the Accounts Payable process and the Cash Disbursements process). The document used to record an encumbrance is called a Purchase Order.

## II) What are the advantages of using an encumbrance approval system?

First, an encumbrance system requires that proper authorization must be obtained before a purchase takes place and before a financial commitment occurs. The officers of the student government organization have a fiduciary obligation to be fully informed regarding all aspects of their organization's operations and to act in the best interests of their organization. An encumbrance system enables the officers to fulfill their fiduciary obligation by informing them of a purchase before it takes place, and by giving them the opportunity to authorize the purchase in advance. The signatures on the Purchase Order insure that this authorization has taken place. Conversely, an encumbrance system also enables the officers to disallow or prevent a purchase from taking place, if they feel that the purchase would not be in the best interests of the organization, or if the purchase would not conform to the organization's goals and objectives. Therefore, an encumbrance approval system is proactive rather than reactive since the officers have the ability to approve, question, or if necessary, pre-empt a potential commitment of funds from taking place before a legal liability is incurred.

Second, an encumbrance approval system recognizes budgetary constraints. By insuring that the available balance in a budgetary account is sufficient to allow the purchase commitment, the organization is prevented from over-spending before the commitment takes place. If a budgetary account lacks sufficient funds to place the encumbrance, management can then take steps to adjust or revise its budgetary plan if it wishes to move forward with the purchase. Therefore, the fiscal integrity of the budget and management's budgetary goals and objectives are not compromised or circumvented.

Third, an encumbrance approval system places the authority and responsibility for spending at the proper level of management, namely, the chief officers of the student government organization.

## III) How does the encumbrance system work?

The student organization must enter a Requisition into the accounting system. Remember that the Requisition must be entered and approved before the purchase takes place and before incurring any fiscal commitment.

**Check Routing:** It is important to indicate whether you wish the SBI Corporate Office to mail the payment to the vendor address or whether you wish to pick up the check. In the case of an advance payment, the check must be picked up in person at the SBI Corporate Office by a responsible person. All advances must be picked up and signed for at the SBI Corporate Office regardless of which check-routing option is indicated on the Requisition.

**Complete Description and Specifications:** You must provide a complete description of the anticipated purchase. Think of answering the questions "what, when, where and why" when providing

the description. If you are purchasing goods, you may use the Qty (Quantity), Unit and Unit Price columns if you wish. Remember that the information you provide will be copied to the Purchase Order so it is better to provide more information rather than less.

**Total:** Enter a reasonably accurate estimate of the how much the purchase will cost. Since at this point the purchase has not yet occurred, an estimated amount is sufficient if you are unsure of what the actual cost will ultimately be. The estimated amount on the Purchase Order eventually will be adjusted to the actual amount when payment is made to the vendor.

#### **IV) After a Requisition is entered into the accounting system, what happens next?**

After the Administrative Designee approves your Requisition, the SBI Corporate Office will review it to insure that all information is complete and accurate. We will check that the budgetary account on the form adequately reflects the nature and purpose of the anticipated purchase. If we determine that the appropriation budgetary account does not adequately correspond to the purchase, then we will “hold” the Requisition until the student organization corrects the account.

If the appropriation budgetary account is valid, we will further review the nature of the anticipated purchase to determine if the vendor is subject to IRS “1099” regulations. If the SBI Corporate Office determines that the vendor is a “1099 vendor”, then IRS Form W-9 must be completed and signed by the vendor. The student organizations are responsible for obtaining a valid Form W-9 from the vendors they chose to conduct business with. Payment will not be made unless a valid Form W-9 is received from the vendor. A “1099 vendor” needs to complete and submit a Form W-9 only once. Once we have the signed Form W-9 from the vendor on file, it is valid for all future purchases made from that vendor, unless the tax status of the vendor changes.

If the vendor is based in a foreign country they are subject to W-8 regulations. If the vendor is an individual they must complete a W-8BEN. If the vendor is an entity such as a corporation they must complete a W-8BEN-E. Depending on how these forms are completed the vendors may be subject to Federal tax withholdings up to 30%.

If the vendor for this purchase is not subject to IRS “1099” regulations, no Form W-9 is required. The SBI Corporate Office will then review the Requisition to determine if this is a purchase of a fixed asset, i.e. capital equipment or other depreciable property. If we determine that this is a purchase of a fixed asset, we will attach a three part Capital Expenditure Requisition to the printed Purchase Order. The Capital Expenditure Requisition must be completed by the student organization and returned to the SBI Corporate Office with the approved, completed Purchase Order at the time of payment. Please refer to the Fixed Asset policy for a more complete description of procedures for the purchase of equipment and other depreciable property. Once the SBI Corporate Office has completed the review of the Requisition, we will “release” the Requisition to a Purchase Order.

Assuming that all procedures have been correctly followed, and the designated appropriation budgetary account balance is sufficient to allow creation of the Purchase Order, the SBI Corporate Office will print the Purchase Order and send it to the student organization for authorization by the officers. After the officers have approved the Purchase Order, the purchase may be initiated by placing the order for goods, or, if applicable, negotiating a contract with the vendor for the services to be performed. You may use a photocopy of the approved Purchase Order to notify the vendor that the purchase has been properly authorized. In most cases, a reputable vendor will accept the Purchase Order as your promise to pay after the vendor has provided the goods or services.

#### **V) How long does the encumbrance process take?**

From the time the SBI Corporate Office receives the approved Requisition from the Administrative Designee, to the time the printed Purchase Order is sent to the student organization for authorization,

the process normally takes no more than 24 hours. Therefore, your Purchase Order should be ready the next business day after we receive your approved Requisition from the Administrative Designee. This is assuming that the student organization has correctly followed all procedures in completing the Requisition, and that the designated appropriation budgetary account has sufficient funds. There may be unusual circumstances when the SBI Corporate Office may need more time to process your Requisitions, e.g. if our computer system is down, if the volume of activity is unusually heavy, etc., but these instances are generally quite rare.

**VI) If I need to submit a Requisition, and the correct appropriation account does not have sufficient funds, can I encumber a different account that has sufficient funds?**

No. One of the purposes of maintaining budgetary accounts is to provide accurate financial information on the nature of operations. If encumbrances (and expenditures) are charged to the wrong account, budgetary information will be inaccurate and misleading. While it may be expedient to use an account that has sufficient funds (even if that account does not accurately reflect the nature and purpose of the purchase), the correct procedure is to prepare a budget adjustment to provide adequate funds in the correct appropriation budgetary account before entering a Requisition.

**VII) How does the SBI Corporate Office determine whether a vendor is subject to IRS “1099” regulations?**

According to the Internal Revenue Service (IRS), all payments for nonemployee compensation or miscellaneous income (i.e. payments to independent contractors or “1099” vendors) must be supported by IRS Form W-9, Payer’s Request for Identification Number and Certification. Sub- Board I uses Form W-9 to satisfy the IRS requirements for obtaining tax information from vendors who are to receive such payments. SBI must report all miscellaneous income paid to “1099” vendors to the IRS on Form 1099 in the event that payments to any such vendor exceed \$600 in a calendar year. The IRS has published guidelines that SBI uses to determine which vendors are subject to 1099 regulations. Form W-9’s will be required from vendors in these situations:

1. All rentals (equipment, machines, motor vehicles, etc.)
2. All royalty payments
3. All prizes and awards that are not for services rendered
4. All physicians or suppliers or providers of medical or health care services
5. All services rendered, including:
  - a. Attorneys’ and accountants’ fees for professional services
  - b. Fees paid by one professional to another, such as referral fees
  - c. Payment for services, including parts or materials used to render the services, unless the person rendering the service is in the business of selling parts and materials
  - d. Commissions paid to non-employee salespersons, subject to repayment but not repaid during the calendar year
  - e. Payments to non-employee entertainers and speakers for services
  - f. All co-sponsorships with non-exempt outside parties
  - g. Exchanges of services between individuals in the course of their trade or businesses

It may sometimes be unclear whether a vendor is an independent contractor or an employee. SBI follows the common law rules for determining whether an employer-employee relationship exists or whether a vendor is a bona-fide independent contractor. Because SBI is liable to the IRS for any misrepresentation or reporting violations, if and when any unique judgements need to be made (in addition to what is listed above), SBI will make the determination.

In order to insure compliance with IRS regulations, the following procedures must be followed:

1. When you enter a Requisition, the SBI Corporate Office will determine from the description you provide whether this vendor is subject to IRS “1099” regulations. Therefore, to avoid any confusion

or delays, it is important that you provide a sufficient description so that we can make an accurate determination.

2. If the SBI Corporate Office determines that this is a “1099” vendor, you will mail or fax the Form W-9 to the vendor.
3. When the vendor returns the completed Form W-9 to the SBI Accounting, we will review the form to make sure it is valid. The vendor's tax identification number must be either a nine-digit Social Security number or a nine-digit Federal Tax Identification number issued to the vendor by the IRS. The name of the vendor signing the Form W-9 or the name of the entity must match the name of the vendor on the Requisition. The vendor must correctly check off the appropriate Type of Payee on the Form. The SBI Corporate Office will not process payment to a vendor whose Form W-9 is incomplete, inaccurate or questionable. It is important that you enter your Requisitions at the earliest date possible to avoid any delays in payment.
4. If the vendor does not return the Form W-9 by the date payment is due, one of two things will happen:
  - a. The SBI Corporate Office will not process payment to the vendor until the vendor submits a valid Form W-9, or
  - b. The SBI Corporate Office will be legally required to withhold 28% of the payment to the vendor as backup withholding which must be paid to the Internal Revenue Service.

Unless there is no alternative, the SBI Corporate Office will not deduct and remit backup withholding; rather, we prefer to delay

5. If the SBI Corporate Office determines that an employee-employer relationship exists, and the vendor should be paid as an employee, the Requisition will be deleted and the student organization must submit the proper employment forms. Please refer to the Payroll and Personnel Policy for a more complete description on employment procedures.

You may wish to notify your vendors that payment to them could be delayed or reduced if they do not complete and submit the Form W-9 on a timely basis.

Unless a vendor's tax status changes, they need submit a Form W-9 only once. The SBI Corporate Office will maintain a file of completed Form W-9's and will do its best to check them on a consistent basis.

#### **VIII) What is a “prepaid expenditure”?**

Certain types of expenditures, such as annual, semi-annual or quarterly payments for equipment maintenance agreements, insurance premiums, magazine and periodical subscriptions, dues and memberships, etc., are considered prepaid expenditures if they exceed \$100 per year. According to generally accepted accounting principles, expenditures of this type are recorded not as operating expenses, but rather as assets at the time of payment. This asset, called a prepaid expense, expires or decreases over the time period covered by the payment. The periodic amount of the decrease in the asset is recorded as an expense as the asset expires over time, so that at the end of the period covered by the initial payment, the value of the asset will be \$0, and the full amount of the payment will have been recorded as an expense. Because of this special accounting requirement, Requisitions must have specific appropriation account numbers for payments of this type. Please refer to the Budgetary Control Policy for a more complete description on the classification of appropriation account types. The description on your Requisition must clearly indicate the period of time covered by the prepaid expenditure with the exact starting date and ending date of the coverage period.

### **IX) How do you plan for encumbrances?**

In order for an encumbrance approval system to work effectively, the student organizations should become accustomed to planning for things in advance. As you and your recognized clubs and organizations begin the process of planning activities, events and programs, procedures should exist in the earliest stages of planning to routinely include entering Requisitions and obtaining Purchase Orders. Also, any routine operating expenses that can be anticipated in advance, such as monthly telephone expenses, annual maintenance agreements on equipment, dues and memberships, conference registrations, contractual payments to printers for publications such as newspapers, yearbooks, etc. – anything that you can foresee in the coming weeks or months – can and should be encumbered as early as possible. Remember, all you need is an estimate and the name and address of the vendor. If you have the Purchase Orders processed, approved, and on hand before you need them, you will be saved the frustration of trying to rush something through at the last minute. Of course, you can't anticipate every purchase – after all, emergencies do arise from time to time – but the better you are at planning in advance, "emergencies" can at least be kept to a minimum.

The Encumbrance Approval System will only be reliable if you effectively and thoroughly educate your officers, employees and departments on how to conscientiously use the encumbrance system, and by holding them accountable if they don't. Finally, you should keep in mind that the Encumbrance Approval System is intended to help protect the financial integrity of your organization and to reduce the risk that your officers face in fulfilling their fiduciary obligation.



# Accounts Payable

The student organization must provide proper evidence that goods or services are obtained prior to payment. An advance deposit or pre-payment is acceptable in special cases when required. Advances to individuals are not allowed. Receipt of the goods or services ordered must be verified by completing the Receiving Report on the Purchase Order. The expenditure must be documented by attaching vendor documentation for the purchase, or a signed contract for services, to the Purchase Order. This is called the Purchasing Packet. Valid forms of documentation include: vendor invoice, sales slip, cash register receipt or contracts. The documentation should be adequate to minimize the potential for duplicate payments and fraud. Hardcopy vendor invoices received directly from a vendor or through the mail are always preferable as supporting documentation. In the event a hardcopy vendor invoice cannot be obtained, a vendor invoice that has been received through email may be submitted as documentation for a purchase. Vendor invoices received through email must still have all of the characteristics of a vendor invoice as listed below. You must also submit the email chain from the vendor which corresponds to the vendor invoice that was emailed. Also the packing slip, or sales slip, should be included in the payment packet (if one was received). A member of the student organization must stamp, initial and date the vendor invoice that was received through email to indicate that it is the master copy.

A vendor invoice, sales slip or cash register receipt must include:

1. A unique identification number (such as Invoice number or transaction number)
2. The Date
3. Vendor specific information:
  - a. Vendor name
  - b. Vendor Address
4. Itemization:
  - a. Clear description of what was purchased
  - b. Quantity of what was purchased
  - c. Unit price of what was purchased
  - d. Extended price for each type of item purchased
5. The amount of sales tax (if applicable)
6. The amount of shipping (if applicable)

An original contract must clearly describe the responsibility of both parties which includes:

1. The names of both parties
2. The address of both parties
3. The services to be provided
4. The date(s) of the services to be provided
5. The reason for the services
6. The cost of the services
7. Any other requirements or expectations of the parties
8. The valid authorized signatures of both parties
10. The date the contract was made.
11. Any changes to a contract must be initialed by all parties.

If the purchase is for capital equipment, the Capital Equipment Requisition must be completed and attached to the Purchase Order. If necessary, the payment amount should be adjusted according to the vendor documentation. SBI and all of the Student Governments who are members of SBI are exempt from paying New York State and local sales taxes on purchases. The sales tax exempt certificate must be completed and signed by SBI personnel. You may request a certificate for a specific purchase by notifying SBI in person, by phone, or by indicating your request on the Requisition Request form which you submit prior to making a purchase. In order to obtain the certificate you must have obtained a Purchase Order number. Vendors are required to obtain proof that the purchaser is qualified for such an exemption by obtaining a valid sales tax exemption certificate from the purchaser. Non-Student Government clients are not entitled to use SBI's Sales Tax Exemption Certificate.

# Cash Disbursements

Accounting procedures for cash payments are intended to ensure that cash is disbursed only by responsible persons. Cash is paid for goods and services only after proper documentation indicating that the correct type and quantity of goods or services have been received. All cash payments, except the very smallest (see Petty Cash Procedures) are made by check. Checks show specifically how much was paid and to whom, and the endorsements on cancelled checks are evidence that the payee received payment. Procedures for cash disbursements are as follows:

1. After the approvals have been obtained, the Purchasing packet is submitted to the SBI Corporate Office for payment. Except for petty cash expenditures, all payments are made by SBI check.
2. SBI Corporate Office personnel will review the Purchasing Packet to insure compliance with all procedures. Any irregularities, insufficient documentation, missing information, or other questions will be brought to the attention of the student organization for resolution before payment is made. The officers of the student organization have a fiduciary obligation to insure that all expenditures are in compliance with these procedures, and may be held legally liable for any expenditures that are not in compliance.
3. SBI Corporate Office personnel will create a payment voucher and will send the entire purchasing packet to the administrative designee for review and approval.
4. The fully approved purchasing packet is returned to SBI and the check is issued and signed by the SBI Corporate Office. The check, together with any remittance advice required by the vendor will be routed according to the instructions on the Purchase Order form.

## **I) Deposits, Advances and Pre-payments:**

In unusual cases where a vendor requires a deposit or payment in advance, an Encumbrance, with "**Advance**" clearly indicated on the form and the reason the advance is necessary. Advances to individuals are not allowed. If the advance is subject to IRS 1099 regulations, the vendor must complete a valid Form W-9 before payment is made. SBI will issue a Purchase Order Form to the student organization for completion and authorization. The completed, authorized Purchase Order is submitted to SBI for payment along with a valid quote or copy of a contract stating the amount due in advance. Pending satisfactory review and availability of budgetary funds, SBI will issue the check. The check will be held in the SBI Corporate Office and must be picked up in person by a responsible individual. This individual will be required to sign a statement of liability personally guaranteeing the timely submission of valid documentation from the vendor and/or the return of the cash, together with proper evidence that the goods or services have been received. SBI personnel will either give the check to the individual who signs it out or will mail it if requested.

## **II) Reimbursement for purchases made by individuals (third party reimbursements):**

In cases where a vendor will not agree to extend credit for a purchase of goods, an Encumbrance Request must be submitted prior to making the purchase for any amount which is over \$100. The encumbrance request should identify the vendor as the individual (third party) who is to be reimbursed for the purchase, and the description must clearly indicate that the payment is to be a reimbursement. SBI will issue a Purchase Order form to the student organization. After completion and authorization of the Purchase Order form, the individual (third party) may make the purchase using their personal funds. The individual (third party) must submit valid original vendor documentation together with proof of payment (customer receipt, cancelled personal check, credit card statement, etc.) and proper evidence that goods have been received prior to reimbursement. Payments for services or other 1099 payments greater than \$50 should not be made as reimbursements. Since the vendor of record is the individual (third party) being reimbursed and is acting as an unauthorized independent contractor, SBI will require a Form W-9 from the individual (third party) being reimbursed for any payment subject to IRS 1099 regulations. The individual (third party) may ultimately be subject to income tax on payments received that exceed IRS limits. IT IS IMPORTANT TO PLAN AHEAD TO AVOID SUCH SITUATIONS!

### **III) Exemption from New York State and local sales taxes:**

Because of the not-for-profit, tax exempt status of SBI, all purchases made by Student Governments who are members of SBI are exempt from paying New York State and local sales taxes on purchases. Vendors are required to obtain proof that the purchaser is qualified for such an exemption by obtaining a valid sales tax exemption certificate from the purchaser. The sales tax exemption certificate has been issued by New York State to SBI. To avoid unauthorized use, the certificate must be completed and signed by SBI personnel. You must obtain an approved requisition for the purchase prior to requesting a sales tax exemption certificate. You can request a certificate in person at the SBI Corporate Office. Non-Student Government clients are not entitled to use SBI's Sales Tax Exemption Certificate. They must apply to the State for their own certificates. **UNAUTHORIZED USE OF SBI'S SALES TAX EXEMPTION WILL BE PURSUED TO THE FULLEST LEGAL EXTENT.**

### **IV) Purchases and sales of merchandise for fund-raising activities:**

Since some clubs and organizations may wish to sell merchandise such as t-shirts, mugs, posters, etc. as a means of fund-raising, certain procedures must be followed or the sale of such merchandise could be subject to collection and remittance of sales tax. New York State Sales Tax regulations regarding fund-raisers for exempt organizations state that if goods are sold in a shop or store environment for an indefinite period of time and are on perpetual display, sale of the merchandise is considered taxable. In order to avoid sales tax liability, organizations that are conducting a sale of merchandise to increase awareness of their cultural or educational mission must purchase the merchandise according to the procedures in the Encumbrance Approval System. The Encumbrance Request must clearly indicate whether the merchandise being purchased is for resale as a fund-raising activity. When the merchandise is received, the organization must take the merchandise to the SBI Ticket Office. The Ticket Office will then coordinate the sale either by selling the merchandise directly through the Ticket Office window; and/or by arranging for the organization to sell some or all of the merchandise on a consignment basis at a table or temporary location that cannot be construed as a shop or store. All proceeds from consignment sales must be reconciled with the merchandise sold and must be deposited at the Ticket Office. Upon Ticket Office verification of the sales, SBI will deposit the proceeds into the organization's budgetary revenue account. Since the Ticket Office is not a retail operation, the merchandise cannot be on display at the Ticket Office window, and the sale must be for a period not to exceed six months. The organization may advertise the sale in the campus media as a fund-raising event. At the conclusion of the fund-raising period, the Ticket Office will return all goods to the sponsoring organization. Subsequent to this, the organization can destroy or give away the unsold merchandise. In any event, there should be adequate documentation to support the disposition of all unsold merchandise. SBI will not be responsible for any student or organization operating outside of these procedures.

# Purchasing Card

The Treasurer of the student organization is responsible for the custody of the purchasing cards and all purchases made with them.

1. A Purchase Order approved by the officers of the student organization and Administrative Designee must be issued prior to the purchasing card being signed out. All purchasing cards must be used in accordance with SUNY Student Mandatory Fee Guidelines.
2. The Treasurer of the student organization is responsible for ensuring that all purchases made with purchasing cards comply with all Sub-Board I, Inc., University at Buffalo and SUNY policies, rules and regulations.
3. The Treasurer of the student organization must maintain a Sign Out List (Attachment B) which details:
  - a. The signature affirming the certification of the individual signing the card out.
  - b. The name of the individual signing out the purchase card.
  - c. The date the card was signed out.
  - d. The card number.
  - e. The club
  - f. The Purchase Order number (which must correspond to the approved purchase).
  - g. The date the card was returned.
4. The receipt for all purchases must be attached to the Purchase Order and submitted to SBI for payment.
5. The purchasing cards can only be established and maintained by SBI for the use of the student organization. The Treasurer of the student organization will be the contact person for all such accounts.
6. All purchase cards utilize Sub-Board I, Inc.'s tax ID number and therefore are sales tax exempt.
7. Any unauthorized purchases made with purchasing cards will be the responsibility of the Treasurer of the student organization.
8. If a purchasing card is lost or stolen, the Treasurer must immediately notify SBI so the purchase card can be canceled.

#### Certification:

I hereby agree to comply with the terms and conditions as outlined above. I acknowledge receipt of the purchasing card policy and confirm that I have read and understand its terms and conditions.

As the Treasurer of the student organization, I am responsible for the protection and proper use of the purchasing cards listed on the attached list. I will only allow the purchasing cards to be used for approved purchases that have been issued through a valid Purchase Order. I will track the use of the purchasing card and maintain a purchasing card Sign out Sheet. I understand that the use of the purchasing card may be audited. Should the purchasing card be used for an unauthorized purchase, I understand that I will be personal responsible for payment of any charges on the purchasing card, and shall indemnify, and hold harmless Sub Board I, Inc. from any and all loss or liability relating to the unauthorized use of a purchasing card.

I understand that SBI or the Administrative Designee may terminate the rights of student organization to use any purchasing card at any time for any reason. I agree to return cards to SBI immediately upon request. I agree that at the end of my term, I will return all purchasing cards and the completed purchasing card Sign Out Sheet to SBI.

Treasurer's name \_\_\_\_\_ Date \_\_\_\_\_  
(Print Name)

Treasurer's Signature \_\_\_\_\_

# Petty Cash

According to the State University of New York Fiscal and Accounting Procedures for Mandatory Student Activity Fee Programs the Fiscal Agent may establish petty cash funds.

## **I) What is a “petty cash fund”?**

Petty cash is an imprest fund that is used only for expenditures of an incidental nature. An imprest fund is a fund established for a fixed amount that is replenished in the exact amount expended from it. Therefore, a petty cash fund can never contain more than the original amount that was used to establish it; e.g. a petty cash fund established for \$250.00 can never contain more than \$250.00.

## **II) How are withdrawals made from petty cash?**

There are two methods of withdrawing funds from petty cash:

- 1) The reimbursement method: Petty cash may be used to reimburse an individual for a purchase that was made using their personal funds. Upon presentation of an original receipt, vendor invoice, or other adequate documentation to support the expenditure, the petty cash custodian will reimburse the individual for the exact amount of the purchase, based upon the documentation presented.
- 2) The advance method: The petty cash custodian may advance petty cash to an individual in anticipation of a purchase. Since the purchase has not yet been made at the time of the petty cash withdrawal, the amount withdrawn may vary from the amount of the actual purchase. Documentation must be submitted to the petty cash custodian within three days. If the actual expenditure was less than the amount advanced, the individual must return the excess cash together with valid documentation of the expenditure. If the actual expenditure was more than the amount advanced, requiring an outlay of personal funds by the individual making the purchase, the individual may be reimbursed for the excess amount after submitting adequate documentation to support the expenditure.

Method #1 is preferred because it is less complicated, there is no risk of loss of petty cash due to failure to submit documentation, the petty cash fund can be replenished more quickly, and responsibility is transferred from the petty cash custodian to the individual making the purchase.

In any event, a petty cash expenditure is no different from any other expenditure in that all withdrawals from petty cash must be supported by adequate and original vendor documentation.

## **III) How is the petty cash fund replenished?**

Upon receipt of valid documentation of a petty cash expenditure, the petty cash custodian must submit to the SBI Corporate Office an Encumbrance Request payable to the custodian for the exact amount of the expenditure so that funds may be encumbered against the applicable appropriation budgetary account(s). The SBI Corporate Office will issue a Purchase Order Form to the student organization for approval. The documentation of the cash purchases must be attached to the Purchase Order. Upon return of the approved Purchasing Packet, the SBI Corporate Office will issue a check and forward it to the custodian to replenish the petty cash fund. The custodian cashes the check and then puts the cash in the petty cash box.

Un-deposited cash receipts from revenue or other sources cannot be used to replenish petty cash. Petty cash can only be replenished through the purchasing process. Purchasing Packets submitted to replenish petty cash will not be processed without adequate documentation.

**IV) Are there forms that can be used to help keep track of petty cash?**

To account for petty cash transactions, a triplicate petty cash voucher (Cashier's Voucher) should be prepared every time funds are withdrawn from petty cash. The pink copy of the voucher is given to the individual receiving the cash. The yellow copy is retained by the petty cash custodian and is subsequently submitted to the SBI Corporate Office with an Encumbrance Request Form when the expenditure is documented and the fund is to be replenished. The white copy (original) is retained with the petty cash fund. At any time, the total of cash and outstanding petty cash vouchers (white copies) should equal the total amount of the fund as originally established.

When the petty cash fund is replenished by SBI check, the white copy of the petty cash voucher is removed from the fund and may be filed with the Accounts Payable Voucher form for audit purposes.

# Cash Receipts

Since cash is the most liquid of assets, strong controls over the collection of cash receipts are vital to a sound accounting system. A cash receipt means the receiving of cash from some source. The cash receipts can take many forms such as the receipt of currency, coin, checks, money orders, credit card transactions and any other negotiable instrument easily converted to cash.

Cash receipts must be deposited at the SBI Corporate Office promptly (daily, if possible) after collection to secure them against the possibility of loss or misappropriation, and to insure that interest revenue on cash deposits is maximized. Access to cash receipts should be limited to as few individuals as possible, preferably only to officers and other responsible personnel. All individuals who handle cash must be adequately bonded. **It is mandatory that you contact the SBI Corporate Office BEFORE you begin collecting cash for any activity, event, or program so that revenue controls can be established for your specific needs.**

In order to facilitate the proper accounting of all cash receipts adequate supporting documentation must accompany each cash receipt. All student organizations are required to record all contributions received, comply with restrictions on contributions, comply with endowment terms and board designations, properly value and record promises to give, properly value and record contributed securities, services and gifts-in-kind and comply with IRS's substantiation and disclosure requirements. Examples of adequate supporting documentation for different types of cash receipts are described below. In order to comply with IRS and fiduciary requirements SBI will not accept any cash receipts that lack adequate supporting documentation. If a club, student organization or anyone else submits a cash receipt which lacks adequate supporting documentation to SBI they will be required to complete a triplicate receipt ticket.

## I) Collection of cash receipts

A) There are several common activities that generate cash receipts. For each activity there is specific documentation that is adequate to support the transaction. **If adequate documentation is not obtained by the individual, club or student organization at the time the cash receipt is received then a triplicate receipt ticket must be completed when it is submitted to SBI.** The common activities are:

- 1) **Ticket Office Sales (Ticketed Events, Merchandise, Vendor Tables or Raffles):** Student organizations which sell tickets or charge admission for events, sell merchandise, sell vendor tables or sell raffle tickets must do so through the SBI Ticket Office. You must contact the Ticket Office manager at 645-2353 at least **ten business days in advance** to make arrangements for selling tickets, merchandise, vendor tables or raffle tickets. See the ticket office policies and procedures for further discussion of ticketed event, merchandise, vendor table and raffle sales.
  - (i) For ticket sales the Ticket Office will provide revenue controls, which include pre-numbered tickets and reconciliation of ticket sales.
  - (ii) Sale of merchandise must be coordinated through the Ticket Office. The Ticket Office will provide revenue controls which include inventory of merchandise and a reconciliation of merchandise sales and receipts.
  - (iii) Sales of vendor tables must be coordinated through the Ticket Office. The vendor tables are sold as ticketed events. The Ticket Office will provide revenue controls which include pre-numbered tickets and reconciliation of ticket sales.
  - (iv) For raffle ticket sales the Ticket Office will provide revenue controls, which include pre-numbered tickets. The money raised should be counted by two people and a SBI triplicate receipt ticket should be completed to document the total sale. The cash receipt and one copy of the triplicate receipt ticket should then be submitted to SBI. The triplicate receipt ticket should state the following.
    - a) **Date:** The date the cash receipt was collected by the club or organization.

- b) **Org. Name:** The name of the Student government or independent corporate client.
  - c) **Club Name:** The name of the club if applicable.
  - d) **Customer Name:** The name of the customer.
  - e) **Detailed Description:**
    - (1) Write "Raffle".
    - (2) Name of event.
    - (3) The beginning and ending numbers of tickets sold.
    - (4) The total number of tickets sold.
  - f) **Payment Method:** Check all that are applicable
  - g) **Revenue Account No.:** The revenue account number the cash receipt should be credited to.
  - h) **Total \$:** The total amount of the cash received for the raffle.
  - i) **Print:** The person who prepares the receipt and collects the cash must print their name.
  - j) **Sign:** The person who prepares the receipt and collects the cash must sign their name.
- 2) **Non-charitable contribution:** Donations, gifts, or contributions received by a student club or student organization are non-charitable contributions. This means that the Contributor is not entitled to a tax deduction for the contribution. The Contributor should complete the Non-charitable Contribution Agreement as supporting documentation. One copy should be retained by the Contributor and one copy should be included with the cash or check submitted to SBI. Please Contact the SBI Corporate Office for directions on submitting the non-charitable contributions and documentation.
- 3) **Charitable contributions:** Donations or gifts to or for the use of a 501(c)3 organization that are voluntary and made without receiving, or expecting to receive, something of equal value are charitable contributions. This means that the Contributor is entitled to a tax deduction for the contribution. SBI is a 501(c)3 corporation so all charitable contributions must be made to SBI. The Charitable Contributions Agreement must be completed by the Contributor and the contribution must be made by check. The Charitable Contribution Agreement and check should be submitted to SBI. Please Contact the SBI Corporate Office for directions on submitting the non-charitable contributions and documentation. A student organization can set up a charitable event through the ticket office to accept payments by credit card. At the event an SBI ticket office employee will collect the Charitable Contribution Agreements and process the credit card transaction. See the Charitable Contributions Policy for further discussion of charitable contributions.
- 4) **Restricted contributions:** Sometimes contributors wish to make donations or gifts that are restricted. The student organizations and SBI have a fiduciary responsibility to use the contribution for the purposes for which they are given. In order to facilitate the proper accounting of restricted contributions the Contributors should contact SBI Corporate Office at (716) 645-2954. SBI staff will document and deposit the contribution.
- 5) **Grants:** Grants are provided by an organization or government entity and often have specific terms and conditions outlined in a contract or grant agreement. These terms and conditions must be satisfied. A copy of the contract or grant agreement must be submitted along with the cash receipt to SBI.
- 6) **Donation canisters:** Donation canisters or "fishbowl donations" are containers placed at an event to collect anonymous contributions of cash and checks. When possible the containers should be sealed and monitored continuously. Also, the canister should expressly state that the "Contributions made to (*Name of club or organization*) are non-tax-deductible". The canister should then be counted by two people and a SBI triplicate receipt ticket should be completed.



The cash receipt and one copy of the triplicate receipt ticket should then be submitted to SBI. The triplicate receipt ticket should state the following:

- a) **Date:** The date the cash receipt was collected by the club or organization.
- b) **Org. Name:** The name of the Student government or independent corporate client.
- c) **Club Name:** The name of the club if applicable.
- d) **Customer Name:** The name of the customer.
- e) **Detailed Description:**
  - (1) Write "Donation Canister".
  - (2) Name of event.
  - (3) Date of event.
- f) **Payment Method:** Check all that are applicable
- g) **Revenue Account No.:** The revenue account number the cash receipt should be credited to.
- h) **Total \$:** The total amount of the cash received for the raffle.
- i) **Print:** The person who prepares the receipt and collects the cash must print their name.
- j) **Sign:** The person who prepares the receipt and collects the cash must sign their name.

- 7) **Food and small merchandise sales:** Food or merchandise is often sold during the year as fundraisers. Most merchandise sales should be run through the ticket office, however, small sales can be conducted by a club or organization if the proper internal controls are used. Please check with the ticket office before conducting any merchandise sales. Cash registers for these types of sales should be used whenever possible.

If a cash register cannot be used when food or merchandise is sold a Sales Sheet itemizing the sales activity should be prepared. The sales sheet should document each item sold, the quantity sold, the price of what was sold and the extended (total) amount. All of the sales on the Sales Sheet should be totaled at the bottom and the total should equal the cash and checks collected. The Sheet should be initialed and dated by the individual who is in charge of the sale. A triplicate receipt ticket should be prepared for any customer who requests a receipt. One copy of any triplicate receipt tickets prepared should be stapled to the Sales Sheet and submitted with the cash deposit.

- 8) **Vendor fundraiser:** A club or organization can partner with local restaurants and other vendors to host fundraisers. The vendors give the club or organization a percentage of sales revenue. There should be an agreement with the vendor outlining the fundraiser and the percentage of revenue sharing. This agreement and any correspondence between the vendor and the organization should be submitted along with the cash receipt. The detail should state that the contribution is non-charitable.
- 9) **No adequate supporting documentation:** If no adequate supporting documentation is prepared or obtained when the cash receipt is collected by the individual, club or organization SBI still is required to obtain some form of documentation of the cash receipt. When this occurs the person presenting the cash receipt to SBI will be required to fill out a general triplicate receipt ticket to document the cash receipt. At a minimum the triplicate receipt ticket should state the following.
- a) **Date:** The date the cash receipt was collected by the club or organization.
  - b) **Org. Name:** The name of the Student government or independent corporate client.
  - c) **Club Name:** The name of the club if applicable.
  - d) **Customer Name:** The name of the customer.
  - e) **Detailed Description:**
    - (1) Describe what was sold in as much detail as possible.
    - (2) If it is a contribution state that it is "free from restrictions" or if there are restrictions state what they are in as much detail as possible.

- f) **Payment Method:** Check all that are applicable
  - g) **Revenue Account No.:** The revenue account number the cash receipt should be credited to.
  - h) **Total \$:** The total amount of the cash received.
  - i) **Print:** The person who prepares the receipt and collects the cash must print their name.
  - j) **Sign:** The person who prepares the receipt and collects the cash must sign their name.
- B) Cash receipts, when collected, mainly take on three forms: cash, checks and credit card transactions.
- 1) Cash and Checks:
    - (i) Whenever possible, the use of a cash register for the collection of cash and checks is encouraged. A cash register can be used to help reconcile daily cash collections with what was sold.
    - (ii) **Unless a cash register is used to record the receipt of cash or checks, a triplicate receipt ticket, non-charitable contributions form, charitable contributions form or sales sheet must be prepared each time a receipt of cash is made. Cash receipt forms must be press-numbered and controlled.** One copy of the cash receipt ticket is given to the payer or customer, the student organization retains one copy, and one copy is delivered to SBI with the cash. (Books of blank, press numbered customer receipt tickets may be obtained from SBI. Please Contact the SBI Corporate Office for locations where the receipt books can be obtained.)
  - 2) Credit card transactions occur at the designated points of sale established by SBI and on the SBI website.
- C) A club or organization that collects cash on a regular basis must use locked security bags. These bags may be purchased through the SBI Corporate Office.
- D) Cash receipts **MUST BE DEPOSITED INTACT**. Never, under any circumstances should cash disbursements or payments be made from un-deposited cash receipts. Cash disbursements are made through the cash disbursements process by SBI checks **only**, or through petty cash, if the disbursement is less than one hundred (\$100) dollars. Since making cash payments out of un-deposited cash receipts represents a serious weakness in controls over cash receipts and cash disbursements, SBI reserves the right to assess a penalty or surcharge to any organization that violates this rule.
- E) Paychecks, personal checks, or business checks, may not be cashed out of un-deposited cash receipts.
- F) Un-deposited cash receipts must be safe-guarded, preferably in a combination safe that has been bolted to the floor or is otherwise immovable. Use of locked strongboxes, while less expensive and more convenient, are less secure than money safes, and their use to store cash is discouraged.
- G) Organizations will be held directly responsible for any unexplained loss of cash receipts. Legal action will be taken if circumstances warrant. Losses or thefts of cash must be reported **immediately** to Public Safety and to SBI for insurance purposes.
- H) Any check drawn against an organization's budget which is payable to another student organization will be deposited directly by the SBI Corporate Office and entered against the receiving organization's budgetary revenue account(s).

## **II) Depositing cash receipts**

- A) An organization that receives cash is responsible for bringing the cash receipts and adequate supporting documentation to SBI on a daily basis. The organization is responsible for entering the receipt into KVS. The organization must write the KVS receipt number for the cash receipt on the supporting documentation so the supporting documentation can be matched with the KVS receipt. Any cash returns such as refunds or unused portions of cash advances must be fully explained and referenced to the expenditures to which they pertain including the Purchase Order number.
- B) The cash receipts and supporting documentation can be submitted to the SBI Corporate Office. Organizations which are located outside of the Student Union may use various drop-off sites located on the North and South campus for your personal safety. Armed security will pick up your deposit at one of the drop-off sites and deliver it to the SBI Corporate Office. If the volume of cash collected is large and frequent, we will arrange for armed security to pick up your deposit directly at the site of your cash collection or at a location that is convenient for you.
- C) The SBI Corporate Office will scan the supporting documentation to the receipt that has been entered in to KVS.
- D) Your cash receipts must be delivered to the SBI Corporate Office intact. We will count and verify the deposit against the supporting documentation. Any difference between the SBI Corporate Office total and the organization total will be reported to the organization and held until there is a resolution.

**III)** If there are any questions regarding cash receipts or what constitutes adequate supporting documentation for cash receipts, please see the Director of Accounting and Finance.

# Accounts Receivable and Billing

In order to properly maintain complete financial records and prepare accurate financial reports, SBI as Fiscal Agent, requires that all amounts due to any student organizations from outside parties be properly billed or invoiced through the Accounts Receivable system.

## I) Sales procedures

### A) Contracts

Standard contracts must be prepared and signed by each customer **before service is provided** to the customer and before invoices can be issued. The contracts should include the names, addresses and telephone numbers of the parties, the date the contract was made, a standard pricing schedule of the service being provided (or a separate Standard Rate Card may be used), a description of any discounts for which the customer may be eligible (e.g., prepayment discount, volume discount, etc.), a description of the service being purchased by the customer and the appropriate cost of the service, and any other special considerations agreed to by the parties. The completed, signed and dated contract must be submitted to the SBI Corporate Office before the service can be provided and before invoices can be issued. Copies of the contract should be retained by the customer and the student organization for their records.

### B) New customer accounts

The student organization must complete a Customer File Maintenance Sheet for each new customer to be billed. The complete business name and mailing address, including ZIP Code and telephone number must be included on the Customer File Maintenance Sheet. If the party being billed is a student or student business, both a local and permanent address must be included. SBI will assign a Customer Account Number to each customer and will return the Customer File Maintenance Sheet to the student organization after processing. Any changes in customer information should be reported immediately to the SBI Corporate Office so that records can be maintained on an up-to-date basis. On request, SBI will send the student organization a Customer Name and Address Register for their files.

### C) Billing control sheet

Once the service has been provided to the customer, the student organization must notify SBI by submitting a Billing Control Sheet. The Billing Control Sheet must be submitted within two business days of the service date. This is especially crucial at midmonth and month-end when reports are generated. If the billings are not done promptly, these sales cannot be recorded in the accounts receivable records for the period in which the service occurred. The Billing Control Sheet must be accurate, legible and complete, with all pertinent information, including: a description of each service to be billed; customer account number; customer (account) name; dollar amount to be billed; salesman number (if applicable); units of service provided and rate per unit (if applicable); customer Purchase Order number (if available); and if applicable, the notation "PPD" for any amount prepaid by the customer with the corresponding receipt number assigned to the payment and the amount prepaid. Each Billing Control Sheet must be headed with pertinent information, such as page number, name of organization providing the service, date submitted, volume ID and date (if applicable), etc., and each page must be sub-totaled with the grand total of all pages on the bottom of the last page. For publications, a copy of the magazine, newspaper, brochure, program, etc. must be submitted with the Billing Control Sheet.

### D) Invoices

After reviewing the Billing Control Sheet, SBI will issue a four-part invoice for each customer that appears on the Billing Control Sheet. Sub Board I will retain one copy of the invoice. The remaining

copies are given to the student organization for insertion of tear sheets, etc. and mailing to the customers. Invoices should be mailed promptly to the customers to insure prompt payment.

#### **E) Customer statements**

Customers whose invoices are outstanding (unpaid) at month-end will be sent a statement of account showing the unpaid balance due and the age of the unpaid balance. It is strongly recommended that student organization aggressively pursue any customer whose unpaid balance extends beyond a specific period of time, e.g., sixty days. Responsibility for the collection of overdue accounts rests with the student organization.

#### **F) Account executives.**

Organizations that pay commissions to salespersons or account executives for selling services and managing customer accounts must complete a Payroll Appointment Authorization (see Payroll and Personnel) for each new salesperson within three days of hire. The student organization may determine the commission percentage to be paid. Commissions are paid to salespersons monthly according to the SBI Monthly Payroll Schedule for all customer accounts that have been paid (not merely sold).

### **II) Customer payments and credits**

#### **A) Customer payments.**

Customers are encouraged to send their payments to SBI's corporate office to insure prompt receipt and recording of their payment. Customers who do not send payments to the corporate office must be given a receipt at the time of payment whether payment is made in person or through the mail. The student organization must then deliver these payments to the SBI corporate office within two business days. Pre-payments must be received in the SBI corporate Office at least one day prior to billing. Payments must be accompanied by a copy of the Customer Receipt Form which shows the customer account number, customer name, invoice number(s) (unless the customer is prepaying), and the corresponding amount to be applied to each invoice. See the Cash Receipts section for more information.

#### **B) Credit memos**

In the event that a customer account is to be credited for reasons other than payment, e.g., failure to provide the service, error in providing the service, amounts deemed uncollectible, etc., a Credit Memo form must be prepared by the student organization and submitted to SBI. The Credit Memo must indicate the customer account number, customer name, invoice number being credited, a detailed reason for the credit, and the amount to be credited. The credit memo must be properly approved and signed by an officer of the student organization.

### **III) Trade Agreements**

While it is acknowledged that trade agreements are a common business practice in the private sector, the nature of SBI and the Student organization is such that trade agreements are **not permitted** because of the potential for abuse. Corporate or Student Government assets are not to be used at individual discretion or for personal gain or traded to outside parties in exchange for goods or services which may go unrecorded in the accounting records and which may be of unequal value.

### **IV) Reports**

Once each month SBI will provide the student organization with an Accounts Receivable Ledger Report summarizing by customer accounts the unpaid balance of each customer account and an aging breakdown of each unpaid balance. Once a month at month-end, SBI will provide an Accounts Receivable Statement summarizing all accounts receivable activity for the month, including total sales, adjustments to sales, receipts or payments, adjustment to receipts (e.g., pre-payments), credit memos, debit memos, and a listing of pre-payment balances.

# Charitable Contributions and the SBI Development Fund

Student organizations may receive charitable contributions through the SBI Development Fund. Charitable contributions are contributions that are tax-deductible to the contributor. The SBI Development Fund should be used only for charitable, i.e., tax-deductible contributions. Examples of contributors are individuals, businesses, partnerships, corporations, etc.

The SBI Development Fund should not be used by contributors who are not interested in the tax-deductibility of their contributions, or from government agencies. Student government organizations should deposit these contributions directly in their student government accounts.

## **I) Charitable contribution agreement**

Charitable contributions to a student organization must be accompanied by a Charitable Contribution Agreement form that has been completed and signed by the contributor. The contributor should indicate the amount being contributed. The contributor should also indicate the name of the club, and the student government, student or organization for which the contribution is being made. The contributor must sign and date the form. Checks should be made payable to SBI Development Fund. The contributor may send the completed form, with their check, to the address on the form. Or, the contributor may give the completed form and their check to a representative of the student government organization; the student government organization representative should then bring the completed form and the check, as soon as possible, to the SBI Corporate Office, 341 Student Union.

## **II) Receipt and deposit of contribution checks**

Once the SBI Corporate Office receives the contribution check and completed Charitable Contribution Agreement, the check will be deposited and a budgetary account will be established for the student government organization in the SBI Development Fund.

## **III) Contribution acknowledgment**

SBI will send a letter to the contributor as acknowledgment of their contribution. The letter will state the amount of the contribution, the intended purpose of the contribution, and the tax-deductibility of the contribution. The letter should be retained by the contributor for tax purposes. In order for the contributor to receive the maximum tax deduction, no goods or services can be given to the contributor in exchange for the contribution.

## **IV) Expenditure of funds**

When the student organization wishes to make a purchase from their SBI Development Fund account, they must complete a SBI Development Fund Encumbrance Request Form. The student organization should strive to use the funds in the manner that was suggested by the contributor. The form must be completed and submitted to the SBI Corporate Office before making the purchase or before ordering goods or services from the vendor, i.e., funds must be encumbered before a purchase is made. Upon receipt of the form, the SBI Corporate Office will issue a Purchase Order for approval by two SBI officers. A copy of the approved Purchase Order will be sent to the student government organization. After receiving the copy of the Purchase Order, the student government organization may then place the order or make the purchase.

After the goods or services have been received, the student government organization must complete the Receiving Report section of their copy of the Purchase Order. The student government organization must attach to the Purchase Order valid supporting documentation for the purchase creating a Purchase Order packet. Valid supporting documentation consists of an original invoice from the vendor,

or an original sales slip or cash register receipt, or an original signed contract for services. If the student organization is requesting reimbursement for a purchase made by an individual, they must also provide proof of payment, such as a cancelled check, credit card statement, etc., as verification that the individual being reimbursed actually made the payment to the vendor. If the payment is for a conference, the student government organization must attach proof of attendance (e.g., a copy of the conference program, or a letter from the conference director verifying attendance). The copy of the Purchase Order, with all required documentation attached, may then be submitted to the SBI Corporate Office for payment.

In rare instances when a vendor requires a pre-payment or payment in advance, the student government organization must provide valid supporting documentation of the purchase within ten days after the event or purchase has occurred.

**V) Financial reporting**

A student organization may request a copy of their SBI Development Fund account activity, or may obtain the balance in their account at any time by calling or coming to the SBI Corporate Office in 341 Student Union, 645-2954.

# Payroll and Personnel

The process of hiring and paying employees can be a complex process. Not only is an employer subject to its own policies (salary structure, job description and employee evaluation and other personnel policies), but, more importantly, employment and compensation practices are heavily regulated by Federal and State legislation. As Fiscal Agent, SBI acts as the employer of all employees hired by student organizations for Federal and State reporting purposes only. The student organization is the employer in all other respects and is responsible for complying with all Federal & State laws in existence. It is strongly recommended that you consult SBI or legal counsel whenever a question of compliance arises. In turn, we will notify you when we feel you are in danger of violating Federal or State statutes. Because of the potential exposure to possible violations, SBI must strictly monitor its payroll procedures and employers are expected to comply with those procedures.

## **I) Federal Fair Labor Standards Act and New York State law.**

Employment practices are governed by broad and complex federal and state laws. These laws cover such practices as wages, hours, benefits, employment discrimination, record-keeping, etc. and are meant to protect employees against unfair practices of the employer. With few exceptions (which are described below), all employees are covered under these laws, and all employers must comply.

### **A) Employees exempt from wage and hour laws.**

Certain employees may be exempt from coverage under certain sections of federal and state labor laws. These employees are commonly referred to as "Exempt Employees". Exempt employees are individuals employed in a "bona fide executive, administrative or professional capacity". They perform duties, which are generally managerial in nature; exercise discretion and independent judgment; and/or require advanced knowledge or specialized intellectual instruction. They are paid on a salary basis regardless of the number of hours worked, and the salary must meet or exceed the federally prescribed threshold.

### **B) Employees covered under wage and hour laws**

All other employees are covered under federal and state labor laws. These employees are commonly referred to as "Non-exempt Employees". They may be paid on either a salary or hourly basis; but hours worked is a crucial factor because non-exempt employees must be paid overtime of at least one-and-one-half times their normal hourly rate for all time worked in excess of forty hours in a week. Non-exempt employees must be paid wages at least semi-monthly in frequency, and wages must be paid no later than ten working days after the end of a pay period, on regular pay days designated in advance by the employer. In conformity with the law, SBI pays non-exempt employees on a bi-weekly basis (every two weeks) on payday that are designated in writing in advance and distributed to all employers. Student organization employers must comply with this schedule for their non-exempt employees.

## **II) Hiring a new employee**

A student organization employer must formally determine whether a position is exempt or non-exempt as described above. The following paperwork must be completed at the time a new employee is hired regardless of the exempt or non-exempt nature of the position:

### **A) Employment Eligibility Verification (Form I-9)**

The Immigration and Naturalization Reform Act of 1986 requires the employer to determine a potential employee's legal eligibility to work before the employee begins work on behalf of an employer. **Newly hired employees must complete and sign section 1 of Form I-9 no later than the first day of employment.** If an employee is hired to work for less than three days (e.g., Fests), then the I-9 Form must be completed by the end of the first workday. The employee is required to



produce documentation (listed in columns A, B or C on the I-9 Form) which establish his/her identity and employment eligibility. If an employee claims that he/she does not possess the required documentation, then the employee must present a receipt as proof that he/she has applied for the required documentation; the employee then legally has a maximum of ninety days from the date of hire to procure and submit the required documentation. If the employee fails to present the required documentation to the employer within the required time, then the employee will be terminated on the very next day. The employee will receive pay only for days worked up to that point. It is the employer's responsibility to notify the SBI Corporate Office by the ninetieth day that either the required documentation has been obtained and is being sent to the SBI Corporate Office, or that the documentation was never received and the employee is being terminated. The employer should sign and date the identification copies so that verification of the received date is on file. Failure to comply with the law can result in fines for each unauthorized person hired. Additional penalties may be assessed against employers who fail to follow document verification and record-keeping requirements, regardless of the employee's legal status. Because of the harshness of the penalties, SBI requires photocopies of the documents used to establish identity and employment eligibility. These documents must be stapled to the original I-9 Form and submitted to the Corporate Office. There are detailed instructions on the I-9 Form.

#### **B) Employee's Withholding Allowance Certificate (IRS Form W-4)**

Each new employee must complete a W-4 Form at the time of hire. The form must be completed in full and signed and dated by the employee. Improperly completed forms will be voided and returned to the employee's department unprocessed, and a new form must be completed and re-submitted. For any employee who does not submit a valid W-4 Form, taxes will be withheld at the highest rate (Single, 0 allowances) until a valid form is submitted. Corrections or changes in an employee's withholding status cannot be made retroactive, but will be processed with the next payroll following the date the valid form was received by the Corporate Office. An employee who claims exemption from withholding must meet the eligibility requirements for the exemption and a new W-4 Form must be completed annually at the beginning of each calendar year. Employees may change their withholding status at any time by submitting a new W-4 Form.

#### **C) Payroll Appointment Authorization Form**

The employer must complete a Payroll Appointment Authorization as soon as the employee or volunteer is hired. The form should be typed using the information provided by the employee or volunteer on his/her employment application or by having the employee or volunteer complete a photocopy of an appointment authorization. The employer must complete the form fully, including the following:

1) Every appointment made will fall under one of three categories:

**Appointment Authorization** - Check this box when you are hiring an employee or volunteer for the first time, or when you are hiring an existing employee to a new Job Title. Check the circle to indicate what type of appointment:

- Regular
- Volunteer
- Work-study

**Change in Appointment** - Check this box when you are making any changes in an employee's status, rate of pay, University Status, etc. A change in appointment will automatically override an existing appointment in the same funding code for the same Job Title.

**Termination of Appointment** - Check this box when employment terminates for an employee. Be sure to indicate the last day of employment in the space marked "Termination Date" and the reasons for the termination in the "Recommended Action or Remarks" section of the Appointment Authorization

**Organization:** Enter the name of the student organization.

**Department:** Enter the name of the department

**Job Title:** Provide the name of the position to which the employee has been appointed

**Budgetary Account No.:** Use your organization's Budgetary Expense Accounts for personnel.

**Start /Change Date:** Record the date (month, day and year) of the employee's first day of work in this Job Title or the date of the change in status.

**Termination Date:** All appointments terminate on the last day of the fiscal year, which is July 31. New Appointment Authorizations must be completed for all employees to reactivate their employment on the first day of the next fiscal year (August 1). In completing this item, use either the current fiscal year ending date (July 31) or the ending date of employment in this Job Title, if sooner.

**Citizenship:** Check the box marked United States if the person is a Citizen of the United States. If they are a citizen of another country check the box marked other and document the country on the line. Document the expiration date of the person's visa on the expiration date line.

**University Status:** Check the correct box to indicate the employee's student or non-student status.

**Term:** Check the correct box to indicate the employee's term of employment.

**Cycle:** This represents the Payroll Period tax cycle.

- Check the box marked "Bi-weekly" for an employee paid according the Bi-weekly Payroll Schedule. The employee must use one of the approved bi-weekly time sheets and will have payroll taxes assessed on a biweekly cycle. All non-exempt employees must be paid on a bi-weekly cycle.
- Check the box marked "Monthly" for an employee paid according to the Monthly Payroll Schedule. The employee must use one of the approved monthly time sheets and will have payroll taxes assessed on a monthly cycle. (All employees whose payment status is "Commission" are paid on a monthly cycle.)

There are no approved cycles other than bi-weekly or monthly. You must pay employees according to one of these cycles.

**Payment Status:**

- **Salaried** - Check this box for non-student employees being paid a fixed dollar amount corresponding to a fixed number of hours per week and for a fixed time period. You must enter the amount of the **annual salary**. The annual salary is the salary for the entire twelve month fiscal year, even if the employee is being appointed part-way into the fiscal year. All employees in this payment status are paid on a bi-weekly cycle whether exempt or non-exempt.
- **Hourly** - Check this box for employees being paid on an hourly basis for all hours worked, and indicate the amount of the hourly rate. All employees in this payment status are non-exempt and must be paid on a bi-weekly cycle.
- **Stipend** - Check this box for student employees being paid a fixed dollar amount corresponding to a specific exempt position or Job Title, and for a fixed time period. Indicate the amount to be paid per week.

- **Bonus** - Check this box if an employee is paid a bonus, one-time merit award, or other special payment, and indicate the amount and provide a description under the section for "Remarks".
- **Other** - Check this box for any other type of payment not adequately described elsewhere, and give a complete description under the section for "Remarks".

**Recommended Action or Remarks:** This section should contain:

- the number of hours normally worked per week for nonstudent employees to determine eligibility under the Welfare Benefit Plan,
- a full description of the circumstances for a termination of employment,
- a description of the terms and percentage for an employee who is Payment Status is "Commission",
- a description for an employee whose payment status is Bonus" or "Other. This includes a description of the terms and percentage for an employee whose paid a Commission,
- any other information pertinent to this appointment which is not sufficiently stated elsewhere on the form, such as exempt or non-exempt status.

**Payment Options:** Indicate if the employee would like a physical paycheck cut or if they would like a direct deposit in to their bank account.

**Distribution Options:** The employee must be given this option. Whenever an employee changes his/her address and/or Paycheck Distribution Option they must notify both the SBI Corporate Office and their supervisor or department head. A completed Change in Pay Distribution Form must be submitted to the SBI Corporate Office.

**Approval:** All Payroll Appointment Authorizations, Changes in Appointment, or Terminations of Employment require at least two authorized signatures by officers of the student organization. Only authorized signatures on file at Sub Board I, Inc. will be considered valid.

The supporting forms and documentation should be attached behind the Appointment Authorization during the approval process to insure they are not misplaced. After obtaining the required signatures, the Appointment Authorization, with attached forms and documentation, is due in the SBI Corporate Office within three days of hire. The student organization will be notified of any authorization that cannot be processed because of missing information, inadequate documentation, etc.

### III) Payment of wages

**A) Wages** are paid according to the official SBI Payroll Schedule(s), bi-weekly or monthly, depending on the employee's cycle. SBI will provide copies of the Payroll Schedules to all student organizations who are employers. The student organizations must provide a copy of the Payroll Schedule to each of its employees. Payment of wages is by SBI payroll check or direct deposit. All non-exempt employees must be paid bi-weekly. Payroll schedules are provided on the SBI website.

**B) Student Organizations:** All time sheets must be submitted to SBI Corporate Office by 4:00 p.m. on the date indicated on the Payroll Schedule(s). Any time sheets from any student organization received after this deadline will not be processed with the current payroll. It will be processed in the following payroll. It is the employer's responsibility to make sure that all hours have been properly recorded and authorized on the time sheet, and that the time sheet is submitted when due. If the employer is unable to obtain a time sheet from the employee, the supervisor is to complete the employee's time sheet to the best of their knowledge to document the time worked. On the employee

signature line the supervisor should write "Completed by Supervisor". The supervisor then should submit the completed time sheets to the SBI Corporate Office by 4:00 p.m.

- C) Sub-Board I, Inc.:** All employees must complete a time sheet for each pay period and submit it to their supervisor for review and approval. Supervisors are responsible for ensuring that employee time sheets are properly completed and submitted on time to help facilitate the payroll process. If the supervisor does not receive the employee's time sheet by 3:00 PM on the date indicated on the Payroll Schedule(s), they are to attempt to contact the employee. If they are unable to obtain a time sheet from the employee, the supervisor is to complete the employee's time sheet to the best of their knowledge to document the time worked. On the employee signature line the supervisor should write "Completed by Supervisor". The supervisor then should submit the completed time sheets to the SBI Corporate Office by 4:00 p.m.
- D)** Since cash disbursement procedures require proper evidence that services are rendered prior to payment, payment of wages in advance of the scheduled pay dates is not permitted.
- E)** Any timesheet associated with a late or invalid Payroll Appointment Authorization will not be processed until the following cycle or until the next cycle following satisfactory resolution of all problems with the Appointment Authorization.

#### **IV) Employee welfare benefit plan**

The SBI Employee Welfare Benefit Plan covers all eligible employees of SBI and the Student Governments. Other clients must elect to adopt the Plan in its entirety by a resolution of their appropriate governing bodies. SBI is the Administrator of the Plan. In order to retain SBI as Fiscal Agent, no student organization is permitted to offer any welfare benefits other than those described in the Plan. For a complete description of benefits and the classes of employees eligible under the Plan, please refer to the Employee Welfare Benefit Plan Resolution and Summary Plan Description.

#### **V) Retirement plan**

The SBI Retirement Plan covers all eligible employees of SBI and the student organizations. Other clients must elect to adopt the Plan in its entirety by a resolution of their appropriate governing bodies. Sub Board I, Inc. is the Administrator of the Plan. No student organization is permitted to offer any retirement benefits other than those defined in the Plan. For a more complete description of the Retirement Plan and the classes of employees eligible under the Plan, please refer to the Retirement Plan Document and Summary Plan Description. Copies are available in the SBI Corporate Office.

#### **VI) NYS Unemployment, Disability Paid Family Medical Leave and Workers Compensation Insurance**

- A) NYS Unemployment Insurance.** All employers are required to contribute to the NYS Unemployment Insurance Fund on behalf of their employees. As Fiscal Agent, SBI will maintain the necessary records and remit employer contributions for student organization employers. If an employee applies for New York State Unemployment Insurance benefits, all forms and information requested by the Department of Labor in connection with the claim must be forwarded by the student organization to the SBI Corporate Office immediately. Any fines or penalties assessed by the Department of Labor due to untimely notification to SBI by the student organization will be charged to the student organization by Sub Board I, Inc. The student organization must fully document the circumstances and reasons for an employee's loss of employment whether the loss of employment is voluntary or involuntary.
- B) NYS Disability Insurance.** All employers are required to pay premiums for NYS Disability Insurance on behalf of their employees. As Fiscal Agent, and as policyholder, SBI will maintain records and remit premiums for student organization employers. No employee is required to contribute to the

cost of premiums. All non-work-related illnesses, injuries or medical conditions incurred off the job (including pregnancy), which result in a loss of work of at least seven days (one week) must be reported to the SBI Corporate Office immediately. SBI will file a claim for NYS Disability benefits. Salaried employees who are eligible for employer-paid sick leave are required to first exhaust all available sick leave credits before they can receive NYS Disability benefits. Any fines or penalties assessed by New York State due to untimely notification to SBI by the student organization will be charged to the student organization by SBI.

**C) NYS Paid Family Leave.** All employees are required to pay premiums for NYS Paid Family Leave Insurance. As Fiscal Agent, and as policyholder, SBI will maintain records, withhold and remit premiums for student organization employees. Student organizations must notify SBI if an employee is going to use the Paid Family Leave benefit. Any fines or penalties assessed by New York State due to untimely notification to SBI by the student organization will be charged to the student organization by SBI.

**D) NYS Workers' Compensation Insurance.** All employers are required to pay premiums for NYS Worker's Compensation Insurance on behalf of their employees. As Fiscal Agent, and as policyholder, SBI will maintain records and remit premiums for student organization employers. All injuries incurred on the job or any job-related illnesses must be reported to the SBI Corporate Office immediately. SBI will file a claim for NYS Worker's Compensation benefits and will notify the student organizations of any determination by the NYS Worker's Compensation Board. Any fines or penalties assessed by New York State due to untimely notification to SBI by the student organization will be charged to the student organization by SBI.

#### **VII) Personnel Policies and Procedures**

New York's Labor Law does not require that an employer provides employees with paid vacation or holidays, or sick or personal leaves. However, the law does require that an employer establish a specific policy concerning these benefits, and that it notify employees, either in writing or via a public posting, of the terms of this policy.

For its own employees, SBI has documented its personnel policies and procedures in a written manual. Student organization employers should adopt similar written documents which will help them to describe clearly and apply consistently such things as working conditions, salary administration, employee evaluation procedures, accrued leave, paid and unpaid time off, disciplinary procedures, and other conditions of employment.

# Fixed Assets

The purchase and use of property and equipment are treated differently from other operating expenditures and are subject to special accounting requirements. The *State University of New York Fiscal and Accounting Procedures*, in recognition of these special accounting rules, require that an “inventory control system shall be maintained to assure the proper disposition of equipment items costing in excess of a specified amount”. Therefore SBI, as the fiscal agent, has implemented the following procedures for fixed assets.

## **I) What are “fixed assets”?**

Fixed assets are physical items that are expected to render their services through use over their estimated useful lives, usually several years. Examples of fixed assets include furniture, equipment, buildings and other types of tangible property that are used in the course of operations. Costs incurred to acquire fixed assets are called capital expenditures. Capital expenditures are treated differently from operating expenditures, such as telephone expenses or purchases of office supplies. Rather, purchase of fixed assets are not recorded as operating expenses, but instead recorded as assets at the time the property is placed into service.

Fixed assets are depreciated over their estimated useful lives. Depreciation is the periodic expense incurred as the value of the asset decreases over time. Depreciation expense is an operating expense that does not involve the use of cash, a non-cash expense. Even though no cash is expended to record depreciation, a budgetary account should exist in the expense budget to recognize the fact that an expense will be incurred that does not involve cash. The cash that is “saved” by budgeting for depreciation can then be used to purchase or replace fixed assets in the future.

## **II) What is the general policy for fixed assets?**

SBI has a fixed asset policy for all student organization which considers a capital expenditure as the purchase of an item of depreciable property costing at least \$500 and which has an expected useful life of longer than two years

## **III) How are capital expenditures recorded in the budget?**

All capital expenditures must be recorded using a special appropriation budgetary account number whose line item is 2101. Because they are not routine operating expenses, and have a long-term affect (greater than two years), a student organization that wishes to purchase a fixed asset should first consider the need and advisability for such a purchase. Since capital expenditures are not normal operating expenses, some student organizations have established a special fund, separate from the operating fund, called a Capital Equipment Fund that is designated solely for such expenditures. A Capital Equipment Fund is normally funded from the operating budget based on the estimated amount of annual depreciation on fixed assets. In essence, the cash that is “saved” by appropriating non-cash depreciation can be transferred to the Capital Equipment Fund. Once established, all fixed assets are purchased from the Capital Equipment Fund.

## **IV) What is the procedure for purchasing a fixed asset?**

A student organization who wishes to purchase a fixed asset must submit a Requisition. The usual encumbrance process must be followed; i.e. the capital equipment budgetary account must be encumbered before the purchase is made. A student organization that maintains a separate Capital Equipment Fund must make such purchases from the proper account in the Capital Equipment Fund.

If more than one item of depreciable property is being purchased, each item and its estimated cost must be listed on a separate form so that the correct number of Capital Expenditure Requisitions can be forwarded with the Purchase Order Form to the student organization. Multiple fixed assets that are

part of a single purchase cannot be grouped on one Capital Expenditure Requisition. Each asset requires a separate Capital Expenditure Requisition.

Payment to a different vendor for services that are part of a fixed asset purchase (e.g. installation, freight, etc.) must be submitted on a separate requisition, with a valid capital expenditure account number, for 1099 purposes. Such payments should be included on a pro-rata basis on the Capital Expenditure Requisition for each item being purchased.

**V) What is the Capital Expenditure Requisition used for and how should it be completed?**

The Capital Expenditure Requisition acts as a written record of all information pertaining to the acquisition and disposal of a fixed asset, and is used as the source document to enter fixed asset information into the accounting system. Each asset is given a unique Fixed Asset Number that is used to track the asset throughout its life.

After the order has been placed and the fixed asset has been received, the student organization must complete the Capital Expenditure Requisition(s) and return it/them with the completed, approved Purchase Order to the SBI Corporate Office for payment. The Capital Expenditure Requisition includes the following information:

**Organization Name:** Enter the name of the student organization that is purchasing the fixed asset.

**Department:** Enter the name of the department, division or activity center (if applicable) that will be using the fixed asset.

**Requisition Date:** Enter the date that the requisition was prepared.

**Prepared By:** Enter the name of the person completing the requisition.

**Form of Acquisition:** Indicate how the asset is being acquired, either as a purchase, a capital lease or a donation.

- **Purchase:** A purchase occurs when the fixed asset is purchased outright with payment going directly to the vendor who is selling the fixed asset.
- **Capital Lease:** A capital lease is similar to a loan or mortgage whereby the student organization makes installment payments to the vendor or to a bank, over a predetermined period of time. The installment payments include principal and interest. Because the interest payments on capital leases are usually very costly, and the accounting requirements complex, SBI does not recommend that fixed assets be acquired in this manner.
- **Donation:** Sometimes an individual or organization may agree to donate a fixed asset to the student organization or to one of its departments. While such donations can be extremely beneficial to the student organization, it should first be determined whether the item being donated is both necessary and cost-effective. Since most fixed assets require the subsequent outlay of operating funds for maintenance, upkeep, replacement of parts, etc., the student organization should first evaluate its ability to maintain the asset in good working condition and the costs associated with such maintenance, and to determine the ability to replace the asset in the future when it is no longer of use. In addition, a donation agreement must be negotiated between the student organization and the donor. Such an agreement is necessary to determine the ownership of the asset and whether the donor has placed any restrictions on its use. Generally, the student organization should not accept any donated asset unless the donor relinquishes all ownership rights surrounding the asset to the student organization. There is little advantage to the student organization to pay for the upkeep of an asset it does not own. In instances where a donor wishes to contribute a fixed asset to a student government as a charitable contribution, i.e. as a contribution that is tax-deductible to the

donor, the contribution may be made to the SBI Development Fund. The donor must complete a Charitable Contribution Agreement for Property. It is the donor's responsibility to assess the market value of the asset being contributed. If the value of the asset is greater than \$5,000 the IRS requires that the donor must have an appraisal from a qualified appraiser to support the contribution as a charitable deduction. SBI will send an acknowledgement to the donor indicating only a description of the item contributed and not its value.

**Date of Acquisition:** Enter the month, day and year that the fixed asset is placed in to service.

**Anticipated Location of Fixed Asset:** Enter the exact address including room number and building where the fixed asset will be located.

**Estimated Useful Life:** Enter the approximate length of time that the asset will be in use. Most assets can be estimated to have a useful life of five years (computers, office equipment, etc.) but there may be certain situations where the useful life of an asset may be greater or less than five years. SBI accounting personnel will make the final determination on the useful life of any asset.

**Trade-in or retirement:** If an asset is being acquired as part of a trade-in or retirement of an existing item, enter a full description of the asset that is being traded in or retired, especially its fixed asset number.

**Description of Property Being Acquired:** Enter a complete description of the asset so that it can be easily identified, including, where applicable, the manufacturer, model number, serial number, color, etc.

**Cost of Property Acquired:** Enter the cost of the asset. The cost is the market price that would be paid if the asset were purchased outright, i.e. the invoice cost. Do not include the trade-in allowance or other credits. For assets acquired through a capital lease, do not include the amount of interest on the lease in determining the cost of the asset. If the asset is being donated, and you are reasonably certain of its value, enter the amount. Also indicate the cost of freight, delivery, installation and any other costs associated with placing the asset into service, even if these costs were paid to different vendors.

**Comments:** Provide any additional information about the asset that may be helpful in record keeping.

#### **VI) How does SBI keep track of fixed assets?**

After a fixed asset has been acquired, and the Capital Expenditure Requisition has been completed, the SBI Corporate Office will assign a number to the asset for identification and recording in the accounting records. The asset will be tagged with an identification sticker which has the asset number imprinted on it. The tag is necessary to keep track of the asset over its useful life.

Annually, the student organizations must conduct physical inventories of all fixed assets they own. Once a year, usually during the summer months, the SBI Corporate Office will send the student organization a Fixed Asset Inventory Report, which is used to record current information from the fixed asset inventory. The purpose of reporting the fixed asset inventory is to insure that fixed assets are still in existence at their proper location, to determine the condition of fixed assets and to determine if any changes have occurred so that the accounting records can be updated.

#### **VII) What if a fixed asset is physically changed or modified?**

There may be times when physical changes are made to a fixed asset. These may include enhancements, addition or replacement of parts and components, movement to a new location, etc. An officer of the student organization must report all changes to a fixed asset including a change in



location, to the SBI Corporate Office in writing. The reporting may take place at the time the Fixed Asset Update Report is completed. In addition, any alterations to a fixed asset (disassembling or reassembling, etc.) must be reported to the SBI Corporate Office in writing so that the accounting records can be updated.

**VIII) What happens when a fixed asset is no longer of use?**

There may come a time when a fixed asset is no longer useful, either through normal wear and tear, obsolescence, breakage, etc. Such an asset must then be "retired", either by disposing of it, by selling it or by trading it in for a new asset. If an asset is no longer usable, the student organization should report the condition as soon as possible to the SBI Corporate Office so that arrangements can be made to retire the asset, repair it, or replace it if necessary, and to adjust the accounting records accordingly. If the retired asset is being replaced with a new asset, the retirement of the old asset must be recorded on the Capital Equipment Requisition that is used for the replacement asset.

A fixed asset that is no longer useful, but which has value on the open market may be sold. Any proceeds from the sale of the asset must be deposited in a valid Revenue Budgetary Account established specifically for proceeds from such sales, or in the Capital Equipment Fund (if such a fund has been established) for the future purchase of other fixed assets.

A fixed asset which is no longer usable and which needs to be replaced may sometimes be traded in when purchasing a new asset at the discretion of the vendor. All trade-ins must be reported on the Capital Expenditure Requisition when the replacement asset is acquired.

**IX) What happens when a fixed asset is no longer of use?**

The student organization is responsible for the safeguarding and protection of all fixed assets located in its departments. Any theft or vandalism of property should be reported immediately to the University Police. Also, as part of its Accounting and Management Service, Sub Board I maintains insurance on all property. Therefore, the student organization must also notify the Executive Director of SBI to file an insurance claim. The insurance company will then reimburse the student organization for the loss, minus a deductible.

**X) Are there any reports for fixed assets?**

Yes, there are several useful reports pertaining to fixed assets.

The Asset Master/Detail Report provides a listing of each fixed asset on record for the student organization, including the asset number, description, date of acquisition, original cost, present book value, department and location. The report can be sorted in a variety of ways (numerically by asset number, by department, by location, by asset type, by date of acquisition, etc.).

The Depreciation Projection Report calculates the amount of depreciation for each fixed asset that has a remaining book value. The report can be run for the current year or for any number of future years, and can be helpful in determining an estimate of depreciation expense for preparing annual budgets

There are also reports for current year fixed asset acquisitions and current year fixed asset disposals. Any of these reports can be provided at any time by contacting the SBI Corporate Office.