

Financial Policy & Procedure Instructions Manual
FPI H-10 Continuing Education
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A. Purpose

These policies and procedures provide guidelines for establishing, monitoring, and administering activities in department accounts linked to Continuing Education (CE) courses or conferences and to establish guidelines for CE and related department activities whose sole purpose is to administer Colorado State University's (CSU's) educational outreach programs. These policies and procedures have been established to provide consistent operational practices within the 1-2 and 3-2 Funds. In addition, they are designed to ensure that activities and use of these funds are accounted for in accordance with CCHE regulations, TABOR limits, Generally Accepted Accounting Principles and federal Cost Accounting Standards.

The University's financial policies and procedures for CE activities are described in the following pages. These are not intended to answer all questions regarding the operation of these activities.

B. Policy

1-2 FUND – This fund is used exclusively by CE. All external revenues related to CE activities are recorded in the 1-2 Fund. The net amount due the department's 3-2 Fund account, based on the Memorandum of Understanding (MOU) negotiated between CE and the academic department, will be transferred to the department's 3-2 Fund account at the conclusion of the course.

3-2 FUND – This fund is for use by departments, colleges, and administrative units to account for courses, conferences, and other programs conducted under CE. CE is not responsible for the 3-2 Fund accounts, but will transfer funds to these accounts per MOUs. The 3-2 Fund accounts are the responsibility of the departments to whom the various accounts were assigned when created. Managers of departmental self-funded activities are expected to comply with the University's policies and procedures and to implement good management practices. Failure on the part of account managers to comply may result in the termination of the activity or other imposed sanctions. Individual departments are responsible for any disallowance, fine, or penalty for failure to comply with these policies and procedures. Departments and colleges must thoroughly review and analyze proposed activities prior to submitting requests to the central administration. Departments and colleges are required to assume financial responsibility for failed activities. All program expenses will be fully costed and comply with CCHE regulations in the 3-2 accounts.

A. Departmental Accounting and Budgeting

Financial Control

The institution's financial officers and CE director are responsible for compliance with CCHE policies, state fiscal rules, recognized accounting practices and good management practices.

Separation of Accounts and Funds

CSU shall maintain separate financial accounts for cash-funded and state-funded instruction and funds shall not be commingled. Colorado's Article X, Section 20 (C.R.S) the TABOR amendment imposes a ten percent limit on the percentage of annual revenue that institution's programs operating as enterprises may receive from state and local governments. CSU's continuing education program is designated an enterprise under this law. Separate financial accounting records should clearly distinguish between cash and governmental funding sources.

Tuition and Fees

Tuition and fees for courses shall be set at levels that ensure that at least full instructional and administrative costs associated with the courses are recovered.

3-2 Fund Cost Accounting Standards

Costing standards are needed to fairly cost the course. All costs directly related with a course, either current or a planned future program, are to be recorded in the 3-2 accounts. Costs that should be included are instructor pay and benefits, materials, classroom rental, and other related and necessary expenses.

1. Course Costing:

Instructor cost at (1) actual negotiated rate for non-CSU employee or adjunct, (2) for costing purposes, accounts will be reviewed to see if compensation, equal to a least 10% of the college average annual Resident Instruction (RI) Funded compensation plus fringes for CSU faculty or staff, has been appropriately charged to the account. However, the supplemental pay would be what is actually negotiated by the department and the instructor. The 10% costing standard represents a three-credit offering and will be in the form of an overload pay for faculty working above a fifteen-credit load or an inload cost credit to the RI Fund for faculty working under a fifteen-credit load for that academic year. To assure that an overload payment is for overload work, such payments can only be processed after the second semester begins and the total first plus second semester actual teaching load is equal to or above fifteen credits. (3) guest lecturer cost at actual negotiated compensation.

Course specific: materials; instructor travel to classroom; promotion; classroom rental; student accommodations (e.g., refreshments, transportation).

2. Program Costing:

A program is defined as a series of courses that will satisfy requirements for a degree or certificate. Program staff costs are based upon the level of effort in designing, maintaining, and performance monitoring of programs under their control. Costs should include salary and fringes.

Program specific: marketing and promotion, alternative delivery costs related to outreach, independent study, and distance education.

3. College costing:

College staff directly involved in programming, quality control, and performance monitoring of educational outreach academic efforts. Costs should include salary and benefits based on their level of effort.

Business & Financial Services Oversight

Business & Financial Services will oversee the activity in the Continuing Education 1-2 Fund and 3-2 Fund accounts. Periodically, these accounts will be reviewed for reasonableness of salaries/professional fees expense in relation to revenues generated, large dollar transactions, types of expenses, and other compliance with costing principles. Failure to comply with proper costing of salaries and expenses in the 3-2 Fund departmental accounts will result in the department losing its authority to manage this activity, termination of the activity, or other imposed sanctions. If the activity is managed by CE, a fee will be assessed to the department's account for CE's management of the account.

Funds in Excess of Expenses

Funds that are generated by their CE programs that are above actual expenses may be used to support additional CE programs (and the funds may be rolled-forward for use in the succeeding year); acquisition of technological equipment and expenses associated with its implementation; support of Off-Campus State-Funded programs, including provision of necessary library materials and other academic support; or directed to other institutional purposes at the discretion of the university's Chief Executive Officer.

Budgets

Although there is no established policy for budgets in the 3-2 Fund accounts, it is recommended that managers of 3-2 Fund accounts prepare and submit annual budgets showing expected revenue and planned expenditures for the upcoming year. The departments enter their own budgets. 3-2 Fund accounts are self-funded and budgets are estimates of revenue and expenses. They do not constitute actual amounts available for departments to spend. The amount of revenue generated in the account is what determines the amount available to spend and each account must stand alone. Departments are responsible for any deficits caused by overspending, regardless of the accuracy of their budgets.

Budgets for the 1-2 Fund accounts are submitted to Office of Budgets and Institutional Analysis (OBIA) for approval and then entered into ABYSS by CE.

B. Account numbers

1-2 Fund - General ledger account numbers are 0-12000 through 0-12499 and subledger account numbers are 1-20000 through 1-24999.

3-2 Fund – General ledger account numbers are 0-12500 through 0-12899 and subledger account numbers are 1-25000 through 1-28999.

C. Account coding and mapping rules

FRS rules require that when a subledger account is created it must be linked (or “mapped”) to a general ledger account for the proper reporting of real and nominal account balances. The CE administration determines how 1-2 Fund accounts are to be mapped. In most cases, accounts are grouped by program. Usually, an unlimited number of subledger accounts are mapped to one general ledger account, with each general ledger account designated for a particular CE program. This results in automatic summarization of revenues and expenses by program in each general ledger account, and with the revenue and expense detail in the pertinent subledger accounts. In general, the 3-2 Fund accounts are mapped on a one to one basis; i.e., one general ledger account is mapped to one subledger account.

D. Subcodes

The 1-2 Fund uses subcode 402X to record payments from CE to academic departments for service connected with outreach programs. CE debits one of the following subcodes as appropriate:

4021 – Department Miscellaneous Fees
4022 -- Course Tuition/Fees Department Share
4023 -- Department Fees

and credits subcode 08XX in a departmental 3-2 Fund account as appropriate. This in effect is a transfer of Funds from the 1-2 Fund to the 3-2 Fund. The department's responsibility is to use the payment from CE to cover legitimate expenses related to courses activity incurred by the department out of their 3-2 accounts.

E. Invalid Subcodes

The following are invalid subcodes in the 1-2 Fund:

02XX – Extraordinary items
0300-0379 – Federal/state appropriations and contract/grants revenue
0770 – 2-1 Revenue from 2-2
96XX – 13 Fund G&A subcodes

The following are invalid subcodes in the 3-2 Fund:

0001-0799 – External Revenues
9XXX – G&A subcodes

Business & Financial Services (B&FS) may invalidate other subcodes in the 1-2 and 3-2 Funds when deemed necessary. The most up to date list of valid/invalid subcodes can be found by reviewing the GSE Rule List (FRS Screen 44).

F. Accrual Basis of Accounting

Revenues and expenses are recognized on the accrual basis of accounting in accordance with Governmental Accounting Standards Board (GASB).

Accounts Receivables – At year-end, CE will send B&FS a detailed listing of accounts receivables to include customer, date of invoice and amount of receivable. Based on this listing, the accounts receivables amount recorded in CE's Accounts Receivables accounts in the 1-2 fund are adjusted to agree with the CE's independent subsystem accounts receivables in the 1-2 Fund. Accounts receivables are not recorded in the 3-2 Fund.

Expenses and Deferred Revenue – Many CE courses cross fiscal years. Revenue received will be prorated based on the number of days the program runs. The prorated portion that occurs in the next fiscal year will be recorded as deferred revenue. Salaries associated with the current fiscal year revenues, but not actually paid until the next fiscal year, should be reported as accrued salaries. Accrued expenses are recorded in both the 1-2 Fund and in the 3-2 Fund accounts. Deferred revenue is only recorded in the 1-2 Fund accounts because funds are not distributed to the departmental accounts in the 3-2 Fund until a class has ended.

Other costs in both, the 3-2 Fund accounts and the 1-2 Fund accounts, should be analyzed to determine if they are current fiscal year expenses or prepaid expenses for the next fiscal year. Self-Funded Accounting should be informed of these expenses so the appropriate journal entry can be made at year-end.

G. G&A Overhead Prorates

Prorate entries (recurring mechanical entries) are used in the 1-2 Fund to charge general and administrative (G&A) overhead to various accounts. OBIA determines the annual charge. Based on OBIA's schedule the 1-2 Fund accounts are automatically charged and the offsetting credit is to the appropriate central university G&A recovery accounts in the 1-3 (General and Education) Fund.

H. Deficits

3-2 Fund accounts are not permitted to incur deficits. On occasion, departments may incur temporary deficits because of the time lag in receiving CE revenue. Deficits incurred for any other reason, especially year-end deficits, must be covered immediately.

C. Definitions

The following definitions address terminology used throughout this Financial Procedure Instruction:

B&FS: Business and Financial Services

CCHE: Colorado Commission on Higher Education

Deficit: The amount that the costs of providing a service exceed the revenue generated by the service during a fiscal year.

CE: Continuing Education

Direct Operating Costs: All costs that can be specifically identified with a service provided by a self-funded activity. These costs include salaries, wages and fringe benefits of University faculty and staff directly involved in providing the service, travel expenses, materials and supplies, purchased services, equipment rental or depreciation, interest associated with equipment acquisitions, etc.

Enterprise: The Continuing Education program is a CSU enterprise. Under TABOR rules, an enterprise must generate sufficient revenues from outside customers to be self-supporting. Enterprises are allowed to earn as much revenue as they can generate, and revenues generated from conducting enterprise business are generally exempt from the TABOR revenue limits.

GASB: Governmental Accounting Standards Board

Institutional Indirect Costs: The costs of administrative and supporting functions of the University. Institutional indirect costs consist of administration and general expenses, such as executive management, payroll, accounting, and personnel administration; operations and maintenance expenses, such as utilities, building maintenance, and custodial services; building depreciation; administrative and supporting services provided by academic departments; libraries; and special administrative services provided to sponsored projects.

MOU: Memorandum of Understanding. This is a written agreement between CE and another university department, defining the educational outreach activity, services to be provided, and fees to be charged under the agreement.

OBIA: Office of Budgets and Institutional Analysis

Revenues: (Internal and External) Internal revenues are payments received from other university departments for goods or services provided. External revenues are amounts due or received from outside customers. Internal revenue payments appear as revenue in subcode accounts 08XX. Note that students, faculty, and staff are external customers. In some cases, a university department may pay the required tuition and fees for a faculty or staff person enrolled in a CE course. Because the source of the revenue is a university department, this is classified as internal revenue. However, if the faculty or staff person is personally responsible for the payment of tuition and fees, it is external revenue since the revenue source is an external customer. Generally, external revenues generated by CSU enterprises are considered TABOR exempt.

RI: Resident Instruction

Self-Funded Accounting Office: Self-Funded Accounting Office within Business and Financial Services has been designated oversight responsibility for the Continuing Education Funds.

Surplus: The amount that the revenue generated by a service exceeds the costs of providing the service during a fiscal year.

TABOR: The Tax Payer Bill of Rights (TABOR) is an amendment to the State Constitution that restricts the amount of revenue that can be earned by the State.

Revenue growth is limited to inflation and population growth. As a unit within State of Colorado government, the university is limited in the amount of non-enterprise revenue it may collect from students and other customers in a given fiscal year.

D. Procedures

How Does a Department get a 3-2 Fund Account

A. General

An account may only be established in the 3-2 Fund after a department or college has a signed agreement with the CE to provide outreach service. The purpose of this account is to record departmental support of CE activities. There are two general types of account classifications:

Department Account: Academic

This type of account is linked to academic courses in which CE pays the department for teaching CE students. The department, in turn, is required to record salary and other directly associated costs in the same account to ensure proper matching of revenue and expense. If revenues exceed expenses, the surplus is to be used as startup or seed money to generate new outreach programs. If expenses exceed revenues, the department must cover the deficit. These accounts operate as long CE and departments have agreements for providing the service.

Department: Conference/Short Course/Other Programs

These temporary accounts are for recording revenues and expenses of a specific conference, short course, or other program. A university department sponsors the activity, subject to the terms of a specific MOU between CE and the department. An MOU must be completed and signed before an account may be set up. This type of account will be closed after the conference, short course, or other program has been completed, all revenue and expenses have been properly recorded, and the other terms of the governing MOU have been met. An account may be reopened later if the activity is identical or very similar to the original purpose, but a new MOU must always be executed before an account can be re-used. The department may not hold this type of account open indefinitely, nor may it be used for other than its original purpose. If expenses exceed revenues, the department must cover the deficit as soon as the conference or program has ended.

B. MOU Procedures

1. An MOU will be created describing the program, specifying the department's provision of outreach services on CE's behalf and

stating how the revenues are to be shared by CE and the department. The MOU form may be obtained from the CE office.

2. CE officials and the department will both sign this agreement. This ensures that CE has reviewed the proposed activity and qualified it as a bona fide CE activity and that the proposed activity budget demonstrates proper activity costing, including appropriate charges for faculty/staff salaries and fringe.
3. A copy of the MOU agreement should be forwarded to Self-Funded Accounting. The 3-2 Fund accountant will review the agreement for proper costing data for the budget before the account will be created.
4. An account request form should accompany the MOU identifying the number and name of department and the person responsible for the account. The account request form can be found under "New Account Request" at <http://www.colostate.edu/Depts/BusFin/fm.html>
5. Self-Funded Accounting will create the requested account and notify CE and the department when the account has been created.