

Doc. T92-031

Passed by the Board of Trustees

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**UNIVERSITY OF MASSACHUSETTS
POLICY FOR MANAGEMENT OF UNIVERSITY FUNDS**

1. PURPOSE

The University of Massachusetts *Policy for Management of University Funds* describes procedures to establish and administer all funds as authorized by Section 11 of Chapter 75 of the Massachusetts General Laws, as amended.

2. APPLICABILITY

This policy applies to all campuses and components of the University of Massachusetts and shall include any and all financial resources allocated, negotiated, earned or collected by the University to further the missions of research, teaching and public service including those funds appropriated by the Commonwealth of Massachusetts.

3. EXPENDITURE AUTHORITY

The Board of Trustees delegates to the President, each Chancellor, the Senior Vice President for Administration, Finance, and Technology and Treasurer, the Vice Chancellors for Administration and Finance, the Controllers and their designees, the authority to authorize payments on the University systems on behalf of the University. Any such payments must be consistent with the policies and procedures of the University and adhere to reasonable and prudent business principals.

4. EXPENDITURE OF FUNDS

All funds, regardless of the source or the manner in which they are acquired, are considered to be University Funds. The interpretation of this policy as well as the expenditure of these funds are based solely on reasonable and prudent actions by University employees expending public funds. All University employees should exercise their fiduciary responsibility in a manner consistent with the confidence and trust granted to them by the Board of Trustees in disbursement of these funds.

The President and Chancellors are responsible for the overall fiscal integrity of the University. The Vice Chancellors for Administration and Finance and the Senior Vice President for Administration, Finance, and Technology and Treasurer are operationally responsible for all transactions affecting both the Financial Records System and the fiscal status of the University.

Fund expenditures must meet the following minimum guidelines and criteria. These criteria represent the minimum acceptable standards, and campus guidelines may be more, but not less, restrictive.

- a. Expenditures must relate to and support the purpose for which the fund was established. Expenditures must be consistent with the statement of purpose for that fund.
- b. Expenditures from any fund must be used to promote the educational, research or public service mission of the University.
- c. University employees may not expend funds for personal gain.
- d. Any expenditure for supplies, printing, equipment, or any other real property shall conform to the *University Purchasing Policy* (Document T92-031, Appendix A).
- e. All expenditures for employee travel must conform to the *University of Massachusetts Travel Policy* (Document T92-031, Appendix B).
- f. Any expenditure related to compensation, benefits or perquisites for the President or Campus Chancellors must comply with the *Executive Compensation Policy for University President and Campus Chancellors* (Doc. T93-062).
- g. Expenditures for political contributions are prohibited.
- h. Expenditures for business expense activities are subject to the *University Business Expense Policy*, (Document T92-031, Appendix C).
- i. Personal gifts showing gratitude to another employee may not be purchased with University funds.
- j. Awards or gifts given to University employees in recognition of distinguished or meritorious service to the institution must have prior approval from the campus Vice Chancellor for Administration and Finance or designee.
- k. Funds may not be expended for personal violations or fines.
- l. Contributions and gifts given to external organizations by the University must be approved by the Chancellor, Vice Chancellor or designee. Written approval must accompany any documentation for any such expenditures.

5. IMPLEMENTATION

The University of Massachusetts Board of Trustees recognizes that each campus is unique. Faculty, staff, and students, based upon experience and campus mission, are encouraged to conduct research, education and public service activities in a manner consistent with the campus academic and institutional objectives. Implementation of this policy shall not impede the progress of campus objectives.

The President, in consultation with the Vice President(s) and Chancellors, will issue administrative directives and procedures to implement this policy. In addition, where specified within this policy, each campus may develop its own internal guidelines for implementation of this policy. The

guidelines must be submitted by the Campus Chancellor to the President or his designee for approval. Campus guidelines may be no less restrictive than directives in this document.

6. BUDGETING FOR UNIVERSITY FUNDS

An annual operating budget for the University is prepared and approved by the Board of Trustees each fiscal year. The operating budget presents projected revenue and expenditures for all five campuses as well as the President's Office and Institute for Governmental Services.

The University Senior Vice President for Administration, Finance, and Technology and Treasurer has primary responsibility for planning and coordinating the annual budget process. Schedules, standards, guidelines, formats and budget parameters are promulgated through the Senior Vice President for Administration, Finance, and Technology and Treasurer.

7. RECORDS

The official financial records of the University are maintained in the University's Financial Records System (FRS). Supplemental financial records may also be retained, but must be consistent with and reconcile to the official information maintained in the Financial Records System. All data used to generate internal or external financial information must reconcile to the Financial Records System.

8. REPORTING

The University Controller is responsible for the fiscal integrity of the Financial Records System. The University Controller will issue guidelines for the categorization of funds to ensure that reporting will comply with the National Association of College & University Business Officers (NACUBO) classification and American Institute of Certified Public Accountants (AICPA) and FASB/GASB guidelines. Each campus will submit as requested to the University Controller a periodic report defining the campus' categorizations for each segment of its chart of accounts. There will be annually audited financial statements for the University. The Senior Vice President for Administration, Finance, and Technology and Treasurer or his designee will issue procedures and guidelines for the University Financial Report. All University-wide financial reports will be reviewed by the Senior Vice President for Administration, Finance, and Technology and Treasurer. Campus financial reports must be reviewed by the Campus Vice Chancellor for Administration and Finance, Campus Financial Officer, or designee. All external reporting must reconcile to the Financial Records System.

9. AUDITS

Audits of all University funds covered in this policy will be subject to the process established by the Trustees' *Audit Protocols* (Doc. T92-062).

10. INTERNAL CONTROLS

Internal controls are designed to safeguard assets, verify the accuracy and reliability of accounting data, and promote operational efficiency. The University Controller is responsible for the promulgation of internal control policies and procedures. Each campus shall develop and document

internal controls consistent with generally accepted accounting principles. University Auditing shall periodically make recommendations, review department activities and internal controls.

11. CASH MANAGEMENT AND INVESTMENT POLICY

The University Treasurer is responsible for the investment of University funds as described in the *Investment Policy and Guidelines Statement*. (Trustee Document T92-031, Appendix F).

12. TRUST FUND INTEREST

The Board of Trustees of the University of Massachusetts collects funds which are deposited and invested by the University Treasurer. Annually on June 30 one percent (1%) of the average book value of the quasi-endowment will be set aside from the Trust Fund interest earnings for use by the President of the University for development efforts. All remaining investment income generated from all University funds net of the expenses associated with cash management operations, will be returned to the campus from which it was generated. To insure the long-term financial viability of the University, funds will be invested according to the *Investment Policy and Guidelines Statement*. (Appendix F). These funds are allocated in accordance with the annual budget process (Section 6).

These funds are subject to all institutional guidelines of this policy.

13. LOANS BETWEEN FUNDS

Short-term, inter-or-intra-campus loans exclusive of reimbursable grants, contracts, and cooperative agreements may be made between funds when necessary. Loans shall require approval of the Board of Trustees, upon recommendation by the President, when they exceed \$20,000, when the repayment schedule exceeds five years, or when a loan involves more than one campus. No loan of any amount or any duration shall be made without the written approval of the Chancellor. A rate of interest equivalent to 50 basis points more than the comparable United States Treasury instrument as determined by the University Treasurer will be applied to these loans. Interest payments shall be returned to the fund that provided the loan. Each loan shall be accompanied by a loan agreement, which must be approved by the Chancellor or Board of Trustees, as appropriate. Any loan to an external organization shall be approved by the Board of Trustees. All loans will be recorded in FRS.

Funding for reimbursable grants, contracts, and cooperative agreements are covered under other University policy guidelines.

14. TRANSFERS BETWEEN FUND TYPES

Transfers allow for the re-allocation of monies between and among funds. There are two types of transfers: mandatory and non-mandatory. Mandatory transfers are required by law and are used for items such as debt service. Non-mandatory transfers occur between fund groups and are so designated in the financial statement. Certain non-mandatory transfers are direct subsidizations and must be approved by the appropriate Vice Chancellor for Administration and Finance or Campus Fiscal Officer and reported annually during the budget process. Any funds used for direct subsidization must be for specific uses that are substantially related to the statement of purpose of the operation making the transfer.

15. RESERVES

Reserves are critical to operational planning. Reserves may be either dedicated (available for a specific future use) or temporary (available for short-term operating needs). Activities may establish reserves to cover facility and equipment repair as related to the fund operation. Dedicated reserves for repair of plant and equipment should not be transferred back to current operations. The appropriate Vice Chancellor and the Vice Chancellor for Administration and Finance or appropriate Fiscal Officer must approve the process for establishing and funding reserves.

16. PERSONNEL POLICIES

All personnel policies established by the Board of Trustees and all relevant state laws shall be applied as appropriate to employees of University funded activities.

17. REVENUE-BASED OPERATIONS

Revenue-based operations are a major subset of University funds. The University of Massachusetts Board of Trustees has the authority under Massachusetts General Laws Chapter 75, as amended, to establish, administer, and manage revenue-based funds for self-amortizing projects and self-supporting activities. Under that authority many activities have been established that are actually revenue-based operations essential to supporting a large portion of the institution's activities. This section describes the procedures to establish and manage these revenue-based operations.

a) Establishment of Revenue-Based Operations

Any request to establish a new revenue-based operation or to substantially change the purpose or name of an existing revenue-based operation must be presented to the Board of Trustees for approval as a specific item. Normally, this will take place during the annual budget process. All requests made by the campus must be submitted by recommendation of the Chancellor to the President. The President will certify to the Board of Trustees that the request has received appropriate financial and legal review and that it adheres to existing Board of Trustee policy and state law.

New cost centers may be established within existing multi-function revenue-based operations upon approval of the Campus Controller and/or Budget Office (off-cycle) if the activity is consistent with the statement of trust/purpose. This process requires a budget revision which must be approved by the Campus Budget Office as well as the appropriate campus fiscal officer. All cost centers established off-cycle must be specifically listed in the next program statement revision for approval by the Board of Trustees. Revenue-based operations must comply with the parameters as required by federal tax law.

To consolidate and reduce the number of revenue-based operations that are considered separate Board of Trustees approved operations, no revenue-based operations should be established where anticipated annual expenditures are less than \$100,000. This parameter serves as a guideline. A campus may justify exceptions during the annual budget approval process. Each revenue-based operation must be assigned to a major campus budgetary organizational unit.

b) Budgeting for Revenue-Based Operations

Annual budgets are developed and reviewed to assist management in the effective allocation of resources and to provide others with an understanding of the operations of the University. Each campus will follow an annual budget cycle as described in Section 6, Budgeting for University Funds.

c) Modified Indirect Overhead Cost

Revenue-based activities increase the operational cost of certain administrative units. Therefore, non-state funded operations shall be assessed a charge which will reflect either: 1) an allocable share of the operational costs of support services and administrative activities or 2) the actual cost of such services and activities.

Identifiable costs may be determined and assessed by individual campuses.

Each campus will develop and file with the Senior Vice President for Administration, Finance, and Technology and Treasurer a cost methodology every two years, noting any exceptions for review. This rate must be based on actual costs recorded in the Financial Records System. The modified indirect overhead cost rate will be assessed in whole or in part to all revenue-based operations.

d) Reporting on Revenue-Based Operations

The Senior Vice President for Administration, Finance, and Technology and Treasurer will establish an annual year-end review process of all revenue-based operations. This will be done in addition to the regular, on-going review of all funds conducted by the campus Budget Directors, Controllers and Vice Chancellors. This review will consist of an examination of the previous fiscal year's income and expenses, in addition to a comparison of budget versus actual figures. Any operating deficits must be reported to the President's Office with a specific plan for correction that will be implemented during the next six months. Any surplus operating funds in excess of 25% of the previous year's expenditures that are not designated as reserves must be calculated and incorporated into the current year's budget plans.

18. EXCEPTIONS TO THIS POLICY

The Hospital and Group Practice Plan at the University of Massachusetts Medical Center have certain unique features. While this policy applies to these operations, the following exceptions should be noted:

a) Definition

The Hospital and Group Practice Plan use a separate general ledger sub-system that reconciles to the Financial Records Systems but contains categories and attributes unique to their health care operations.

b) Reporting

The Hospital and Group Practice Plan use reporting guidelines developed by their respective national organizations.

c) Personnel Policies

The Group Practice Plan follows specific personnel policies outlined in Chapter 733 of the Acts of 1974, the state law that established the Plan.