

COMPTROLLER POLICY & PROCEDURES

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COMPTROLLER POLICY MANUAL

 NORTHERN ARIZONA UNIVERSITY	POLICY: CMP 101
	Section: 100 General
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	Responsible office: Comptroller
	Origination date: 01/01/2000
Subject: Comptroller's Office Mission and Organization	Effective date: 01/01/2000
	Revision date: 3/22/2017

PURPOSE

CMP 101: Comptroller's Office Mission and Organization

In support of the mission of the Chief Financial Officer and Northern Arizona University, the Comptroller's Office serves the university community by timely processing financial transactions and providing accounting, financial management reporting, and treasury management services. The Comptroller's Office mission statements are:

To provide superior service to students, faculty, staff, departmental units, external agencies and the public in the diverse programs and functions supported by the Comptroller area.

To maintain an effective, efficient and all-inclusive financial management system in compliance with applicable regulations and professional standards.

To provide friendly service with optimal efficiency, teamwork and cooperation.

To effectively use technology to achieve full-service operations in the Comptroller area.

To function with optimal efficiency, teamwork and cooperation, to department staff and sponsoring agencies.

To expand the creativity and professional growth of the staff.

The Comptroller's Office consists of the following areas: Financial Accounting Services, Student and Departmental Account Services (Student Accounts), Travel, Financial Controls Analysis and Reporting, Cost Accounting & Service Center Rate Management, and the Treasury Function.

A complete office [directory](#) of the Comptroller's Office is now available on the [Comptroller's Office Web site](#). This guide identifies staff in each area and provides phone numbers.

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	Effective date: 01/01/2000
	Revision date: 3/22/2017

CMP 101: Comptroller's Office Mission and Organization

The following gives an abbreviated description of each area in the Comptroller's Office:

Financial Accounting Services (FAS)

Financial Accounting Services is responsible for university-wide financial accounting.

This area also oversees general accounting (state, local, and agency funds), reconciliation of the university's bank accounts, endowment accounting, and the recording of payroll and related expenses into the accounting system. This area also provides accounting services and analysis for plant fund and debt service accounts.

FAS also oversees treasury services. Treasury services perform various treasury-related responsibilities, including cash management and the maintaining and monitoring of university investments.

Student and Departmental Accounts Services (Student Accounts)

[Student Accounts](#) is responsible for collecting and processing all University monies including student fee payments, AR charges and departmental charges. Student accounts is also responsible for cashiering, emergency loans, institutional loans, sponsored billing and processes all 1098T's.

Financial Controls, Analysis and Reporting

Financial Controls, Analysis and Reporting is responsible for financial reporting, including the Comprehensive Annual Financial Report ([CAFR](#)). [Compliance](#) performs continuous controls monitoring, is responsible for compliance reviews and financial controls. Tax preparation is also under this area, including 1099 and payroll reporting.

Travel

The [travel](#) function allows departments to be responsible for overseeing all aspects of travel including reimbursement to the traveler.

Recharge Centers/Cost Accounting

The [Recharge Center](#) is responsible for setting the Federal Facilities and Administration rate calculation. This area also reviews Service Center rates and requests for new Service Centers.

OnBase Services

OnBase Services is responsible for consultation services, business process streaming, OnBase solution design and implementation, and to train and assist staff on solution development and support.

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 NORTHERN ARIZONA UNIVERSITY	POLICY: CMP 102-02
	Section: 100 General
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	Responsible office: Comptroller
Subject: Budget Activity and Expenditure Detail Reports	Origination date: 01/01/2000
	Effective date: 01/01/2000
	Revision date: 03/22/2017

PURPOSE

To list the reports available for budget management at NAU.

SOURCE

ITS/Comptroller's Office/University Policy

DISCUSSION

Financial reports are vital tools for every NAU Business Manager. Financial reports are available to departments through [Enterprise Reporting](#) . Business Managers and other users of financial data should review budget reports at least monthly in order to get the status of their fiscal year budgets. The following categories of reports are available in the Financial Management Reports Folder:

- Budget
- General Accounting
- Grants
- Help
- Payroll and Human Resources
- Purchasing
- Status of Funds

There are many useful reports in each category to help with the reconciling of monthly data. Please contact the Comptroller's department if you need help with reconciliations.

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 NORTHERN ARIZONA UNIVERSITY	POLICY: CMP 102-03
	Section: 100 General
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	Responsible office: Comptroller
	Origination date: 01/01/2000
Subject: Interface Document Identifiers	Effective date: 07/01/2012
	Revision date: 11/14/2015

PURPOSE

To list the various document codes interfaced from PeopleSoft subsidiary systems.

SOURCE

Comptroller's Office

DISCUSSION

University departments utilize several different subsidiary financial systems that upload into PeopleSoft Financials. This information below will hopefully assist the users of PeopleSoft reports in identification of the various transactions in reading those reports.

CMP 102-03: Interface Document Identifiers

Systems That Upload Directly To PeopleSoft Financials:

The following subsidiary systems interface to PeopleSoft Financials on a periodic or daily basis. Most interfaces are run in PeopleSoft as part of the nightly batch process; however, some transactions are entered manually. Each interface uses at least one and in some cases more than one document code to record transactions from the subsidiary system.

Subsidiary System Document Identifier

Facility Services

Work orders (Expense to Expense Transfer) from the TMA System have a Document Type of 'FAC'. The Document ID begins with FAC followed by seven digits. An example on the State and Local Financial Transactions report is FAC0046878.

Campus Supply

Campus Supply purchases from the TMA System have a Document Type of 'SUP'. The Document ID begins with SUP followed by seven digits. An example on the State and Local Financial Transactions report is SUP0045940.

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CMP 102-03: Interface Document Identifiers

Post Office:

Postal purchases and transactions have a Document Type of 'UPS'. The Document ID begins with UPS followed by seven digits. An example on the State and Local Financial Transactions report is UPS0043268.

Telephone Services and Charges:

IET documents are used for telephone services and charges. The Department Code is 'TEL'. The Document ID begins with TEL followed by seven digits. An example on the State and Local Financial Transactions report is TEL042922.

E-Business

Documents are uploaded from the E-Business System for departments that receive payments through the E-Business process (see [E-Business Web Site](#)). The Department Type is 'EBZ'. The Document ID begins with EBZ followed by seven digits. An example on the State and Local Financial Transactions report is EBZ0111414.

Staples

Staples purchases have a Document Type of 'STP'. The Document ID begins with STP followed by seven digits. An example on the State and Local Financial Transactions report is STP0041659.

PeopleSoft Student Financial Document Identifiers: See [CMP 102-04](#)

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	Section: 100 General
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	Responsible office: Comptroller
Subject: Document Identifiers –PeopleSoft Student Financials	Origination date: 01/01/2000
	Effective date: 07/01/2012
	Revision date: 11/14/2015

PURPOSE

To list the various document codes interfaced from NAU's PeopleSoft Student Financial System.

SOURCE

Comptroller's Office

DISCUSSION

The following information is intended to assist users of PeopleSoft Financials reports in identifying transactions from the PeopleSoft Student Financial System.

CMP 102-04: Document Identifiers – PeopleSoft Student Financials

PeopleSoft Student Information System:

PeopleSoft Student Financial System (PS) transactions are interfaced to PeopleSoft Financials on a nightly basis (Monday through Friday). Activity occurring over the weekend interface to PeopleSoft Financials on Monday night. Several types of PeopleSoft Financials documents are generated from the PS interface, SFC documents for cashiering transactions, and SF documents for account receivable transactions.

Cashiering:

SFC transactions from PS are assigned a transaction number from the PS system. The number consists of SF and seven digits (SF0006852)

Accounts Receivable:

PS accounts receivables charges typically do not interface to PeopleSoft Financials until the charge is satisfied through one of several sources, including: cashier payments, waivers, financial aid disbursements, pay plans (NAU or 3rd Party), and reversals. Satisfied charges are interfaced to PeopleSoft Financials documents with a transaction number starting with SFC and seven digits (SFC0007425)

Refunds to students through PS are interfaced to PeopleSoft Financials with an SF or VOU document.

Please refer to [Financial Reports](#) for information on available PS Business Object reports.

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	Responsible office: Comptroller
	Origination date: 01/01/2000
Subject: Departmental Record Retention	Effective date: 01/01/2000
	Revision date: 11/14/2014

PURPOSE

To determine a sufficient time period to retain university financial records.

SOURCE

University Policy

BACKGROUND

Departments should retain financial records for various periods of time. One reason for maintaining records is to provide source documents to substantiate charges to grants and contracts. Interdepartmental billing computations and receipt acknowledgments for services or materials are particularly important source documents for this purpose. Often sponsors do not audit grants and contracts until a number of years after the project terminates.

CMP 103: Departmental Record Retention

Financial records shall be retained by all NAU departments for the periods listed below:

Retention Periods for Financial Records		
Type of Records	Retention Period	Comments
Interdepartmental billing computations, receipt acknowledgments, and other documents of servicing departments substantiating interdepartmental charges	5 years after fiscal year prepared	Failure to adhere to this policy could result in cost disallowances to NAU and possible charge-backs of previous billings to departments.
Documentation of purchases made with an NAU Purchasing Card. Documentation includes itemized cash register receipts and other point of sale documents that specify what was purchased.	5 years after fiscal year prepared	All documentation for Purchasing Card transactions is maintained in the department making the purchase. The documentation must be available for review/audit for five years.
Cash receipts details and cash register tapes	5 years after fiscal year prepared	

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Subject: Departmental Record Retention	Effective date: 01/01/2000
	Revision date: 11/14/2014

All other financial records including PeopleSoft Financial accounting system computer printouts	3 years after fiscal year prepared	The Comptroller's Office typically maintains a copy of these records for seven years.
Telephone and fax records (long distance, in state and out of state)	5 years	Long distance telephone calls (both in state and out of state) must be verified by each department. The documentation must be available for review/audit for five years.

University departments with limited storage space may consider storing records outside the office area, or scanning and saving.

CROSS-REFERENCE

For guidance in storing records outside the office area and other information regarding records and retention, Contact the [Special Collections and University Archives](#). Also see [Cline Library record retention web page](#).

COMPTROLLER POLICY MANUAL

 NORTHERN ARIZONA UNIVERSITY	POLICY: CMP 104
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	Responsible office: Comptroller
Subject: Collection of Debts Owed to the University by Employees	Origination date: 07/01/2016
	Effective date: 07/01/2016
	Revision date: 1/5/2017

PURPOSE

To establish a debt collection policy for money owed to the university by its employees for charges incurred while an employee (ex: copay at Campus Health Services, unpaid parking fines).

- Collecting outstanding debts is a sound financial practice for managing the public and other funds entrusted to the university. [A.R.S. 23-352](#) authorizes employers to deduct amounts owed from employee pay.
- To communicate expectations of employee obligations to resolve outstanding debts and to establish standards by which employee debts should be managed and collected.

Unpaid student related charges (tuition, meals, housing, etc.) owed by an employee may be sent to a collection agency for resolution.

DEFINITIONS

Account Review – A process through which an account charge, any pertinent details and context may be reviewed by people independent of the Issuing Department.

Account Review Group – A group which reviews charges through the Account Review process. This group consists of a representative of the Comptroller's Office, Human Resources and the Office of the Provost.

Debt – Any amount of money or value owed to the University for a service rendered or fine charged to the university employee. Debts may include, but are not limited to, unpaid parking fines, library fines, campus health fees, etc.

Debt Set Off – A method that the university may use to collect unpaid debts of employees and students. The university may intercept Arizona state tax refunds to collect defaulted debt per statute [A.R.S. 42-1122](#).

Delinquent / Past Due – An account or amount owed to the university that is not paid by the due date of the charge.

Departmental Charge Schedule – The schedule that departments must follow to ensure timely posting of amounts due to the university.

Due Date – Generally the 15th of the month following the statement date.

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Employee – Any regular or temporary, full time or part time employee of Northern Arizona University.

Financial Hold – A restriction on an account that prevents registration for classes, issuance of refunds, issuance of transcripts, diplomas or other certificates of degrees which may impact an employee if they are also a student. Financial holds are placed in accordance with [Arizona Board of Regents Policy 4-103\(B\)](#).

Issuing Department – The department from which charges originate. The most common departments are Campus Health Services and Parking Services.

Late Fee – Late payment fees are applied on the last Saturday of the month to accounts that are thirty (30) or more calendar days past due. The [late payment fee amount](#) is based upon the total amount past due.

Statement – A document which outlines the current unpaid balance plus any new charges are added to the account. Statements are generally created on the 16th of the month. An email notification is sent when the statement has been generated and posted to the associated LOUIE account.

POLICY

Employee Responsibilities

1. Employees who access university services for which there is a fee or who incur a fine are required to pay the full amount at the time services are rendered or by the due date of the charge as listed on the account in LOUIE. A charge remains current for 30 calendar days.
2. Employees are encouraged to pay charges when they incur the fee.
3. Employees who have a past due account must resolve it by taking one of the following actions:
 - a. Paying the debt and associated late fees;
 - b. Authorizing the university to withhold the past due amount and associated late fees from the employee's paychecks until the debt is paid in full; or
 - c. Following the Charge Review procedure for the purpose of contesting the debt.

University Responsibilities

1. Student and Departmental Account Services will send a notice via university email when charges are added to an account.
2. Student and Departmental Account Services will send a notice via university email on approximately the 16th of each month to inform employees that a statement of the charges is available on the LOUIE account.
3. The university will apply late fees in accordance with the Late Payment Fee structure.

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	Revision date: 1/5/2017

4. The university will place a financial hold on all accounts where the balance is seven calendar days or more past due which will impact an employee if they are also a student.
5. The University Comptroller will establish and communicate the Account Review procedure (see below).
6. The university may withhold a delinquent amount and associated late fees from the employee's paycheck in accordance with state statute [A.R.S. 23-352](#) if the employee does not resolve the debt as outlined in the Employee Responsibilities section above. As such, Payroll is authorized to withhold the greatest amount allowable by law, in accordance with garnishment restrictions. In addition, a \$5 service fee will be assessed for each paycheck from which funds must be withheld to cover debts to the university.
7. The university may use the debt set off procedure to withhold delinquent amounts from an employee's Arizona state tax refund in accordance with statute [A.R.S. 42-1122](#).
8. The university will comply with applicable federal, state and ABOR regulations regarding collections of a debt owed by employees.

Department Responsibilities

1. The department is responsible for posting all amounts due to the university within 3 business days of the transaction and in accordance with the Departmental Charges schedule.
2. The department must report any changes to departmental charges to Student and Departmental Account Services within three business days.
3. The department will review any charge or account questions within three business days of receipt.

Employee Disciplinary Actions

If the debt constitutes an obligation created by a violation of university policy or misuse of university property, disciplinary action may also be taken against the employee who incurred the debt, up to and including termination of employment.

Debts of Terminating Employees

Upon separation from employment with the university all outstanding debts owed to the university are payable. If the account is not paid in full, the university is authorized to withhold any amounts owed from the employee's final paycheck. If the amount of the final paycheck is insufficient to collect the entire amount owed and the separating employee does not pay the remaining balance in full within 15 calendar days of separation from employment, the entire amount will be sent to an outside collections agency.

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	Revision date: 1/5/2017

QUESTIONS REGARDING SPECIFIC CHARGES

1. To see charge details, the employee must log into LOUIE to review their account, outstanding charges or their invoice.
2. If the employee has questions regarding a specific charge, they must contact the Issuing Department (see **Contacts and Resources** below).
3. The Issuing Department will:
 - a. Review the charge within three business days,
 - b. Answer the question.
 - c. If appropriate, reverse or modify the charge.
 - d. If applicable, review the employee account for late fees. If the account has late fees that should be updated due to the modification of the charge, the Issuing Department will:
 - i. Contact [Student and Departmental Account Services](#) who will modify the late fees as appropriate.
 - ii. Contact the employee to alert them to changes in the account balance.
4. If no changes are made to the account, the employee must, within 15 calendar days of concluding discussions with the Issuing Department:
 - a. Pay the balance,
 - b. Authorize the university to withhold the balance from the employee's paycheck(s) until the debt is paid in full; or
 - c. Request an Account Review via email with all appropriate history, context and details (see below).

REQUEST for ACCOUNT REVIEW

1. The employee has 15 calendar days from the date of concluding discussions with the Issuing Department to request an Account Review.
 - a. The employee must email all details, history, context and documentation as to why they believe that the charge is not valid to AccountReviewRequest@nau.edu.
 - i. The employee must copy the Issuing Department (see **Contacts and Resources** below).
 - ii. The employee must copy [Student and Departmental Account Services](#) so that late fees will not accrue during this process.
2. The **Account Review Group** will:
 - a. Review all documentation submitted and confer to derive a final determination on the status of the charge in question.
 - b. Notify the employee by email of the final decision within 30 calendar days.

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	Revision date: 1/5/2017

3. If the charge is determined to be valid, the employee must pay the charge (as stated in point 4 above) within 15 calendar days.
4. If the charge remains unpaid:
 - a. The balance will be deducted from the employee paycheck(s) and a \$5 service fee per check will be also be assessed.
 - b. The employee's Arizona state tax refund may be intercepted to settle the debt.
5. If the charge is overturned, the Account Review Group will notify the Issuing Department and Student and Departmental Account Services.

CONTACTS AND RESOURCES

Campus Health Services campushealthservices@nau.edu 928-523-6313
Parking Services ask.parking@nau.edu 928-523-6623
Student and Departmental Account Services sdas@nau.edu 928-523-1503

[Arizona Revised Statutes 23-352](#)
[Arizona Revised Statutes 42-1122](#)
[Arizona Board of Regents Policy 4-103\(B\)](#)
[Payroll Deduction Authorization form](#)
[Student and Departmental Account Services – Past Due Accounts](#)
[Purchasing Policy 801-03](#)

COMPTROLLER POLICY MANUAL

 NORTHERN ARIZONA UNIVERSITY	POLICY: CMP 105
	Section: 100 General
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	Responsible office: Comptroller
Subject: Fiscal Year-End Closing	Origination date: 01/01/2000
	Effective date: 01/01/2000
	Revision date: 02/10/2016

PURPOSE

To define fiscal year-end closing responsibilities, processing deadlines and procedures.

SOURCE

University Policy

INTRODUCTION

NAU's fiscal year ends on June 30th. Financial Accounting Services (FAS) is responsible for establishing and coordinating fiscal year-end processing deadlines and procedures to ensure that financial transactions are posted timely and accurately for financial reporting purposes. Departments are responsible for adhering to the year-end deadlines and procedures.

CMP 105: Fiscal Year-End Closing Procedures

The fiscal year-end processing deadlines and procedures are posted to the PeopleSoft Financials SharePoint site at: <https://nau0.sharepoint.com/sites/PSFUG>

COMPTROLLER POLICY MANUAL

	POLICY: CMP 106
	Section: 100 General
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	Responsible office: Comptroller
	Origination date: 01/01/2000
Subject: Month-End Closing	Effective date: 01/01/2000
	Revision date: 07/30/2020

PURPOSE

To publish the month-end closing date for the PeopleSoft Financials system

SOURCE

University Policy

CMP 106: Month-End Closing Procedures

The PS Financials system month-end closing dates are established by the Comptroller's Office. The close dates are 6 business days after calendar month end. If a split payroll for the month occurs after the close date, the month's split payroll transactions will be posted by the split payroll dates shown below.

Month	Period	Close Date	Split Payroll **
Fiscal Year 2020			
June	12	TBD	
June	998*	TBD	
Fiscal Year 2021			
July	1	8/10/20	8/12/20
August	2	9/8/20	9/9/20
September	3	10/8/20	
October	4	11/9/20	
November	5	12/8/20	12/16/20
December	6	1/8/21	1/13/21
January	7	2/8/21	2/10/21
February	8	3/8/21	3/10/21
March	9	4/8/21	
April	10	5/10/21	
May	11	6/8/21	6/16/21
Fiscal Year End	12	7/9/21 (tentative)	

* Period 998 in PS Financials is an adjustment period used for audit adjustments and typically closes after the Auditor General's Office has finished their year-end financial statement audit. As part of the adjustment period close, the actual fiscal year is closed and balances are rolled forward, including fund "balance forward" amounts shown on Enterprise Reporting status of funds reports.

** Month end close date for split payroll transactions per [payroll calendar](#). See earlier close date for all other transactions.

See the [PeopleSoft Financials SharePoint](#) site for month-end and other important announcements.

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 NORTHERN ARIZONA UNIVERSITY	POLICY: CMP 106
	Section: 100 General
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	Responsible office: Comptroller
	Origination date: 01/01/2000
Subject: Month-End Closing	Effective date: 01/01/2000
	Revision date: 07/30/2020

CMP 106: Month-End Closing Procedures

Reporting:

Month end reports for PS Financials are available in [Enterprise Reporting](#) and can be run on demand throughout the month. Enterprise Reporting reports will have an "as of" date to identify the last update for a particular accounting period. Once an accounting period is closed, the last "as of" date for the accounting period should reflect the close date for the period. Please note that on Friday's after the Month End Close, reports will still show the month as being open. This is a timing issue that only effects reporting on the day after the Month End Close.

Reminders:

See important reminders for processing transactions during month end close period below:

- Please make sure **receipts** for goods/services received in closing month are entered before the close date.
- Please approve any **unapproved travel authorizations** and expense reports that were entered and budget checked in closing month before the close.
- Please approve any **unapproved Departmental Journals (IDT, IPT, and IST)** that were entered and budget checked in closing month before the close date. A re-edit process will be run the day after the close to un-budget check closing month journals not approved. Those journals will have to be copied to a new journal as you cannot change the accounting date on journals. See reviewing journal status procedures at: [PeopleSoft Financial Training Documentation](#)
- All procurement card transactions for the month must be verified, approved and budget checked as of the date that is transmitted in the reminder e-mail from Purchasing.

COMPTROLLER POLICY MANUAL

 NORTHERN ARIZONA UNIVERSITY	POLICY: CMP 108
	Section: 100 General
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	Responsible office: Comptroller
	Origination date: 01/01/2000
Subject: Sales Tax	Effective date: 01/01/2000
	Revision date: 10/30/2018

PURPOSE

To define university sales transactions subject to Arizona sales tax

SOURCE

Arizona Administrative Rules and Regulations, R15-5-101 to R15-5-2237

Arizona Department of Revenue

University Policy

BACKGROUND

The university has one Arizona sales tax license covering all taxable sales. Sales tax payments to the Department of Revenue are compiled by the Comptroller's Office. Departments desiring to sell goods or services should contact the Comptroller's Office to determine whether these sales are taxable and, if taxable, for the procedures to be followed.

Responsibility for making inquiries to the Comptroller's Office for sales tax determinations and collection of taxes rests with each university department. The Comptroller's Office responsibility is to facilitate the overall sales tax process and provide guidance to departments.

CMP 108: Sales Tax

Deposit Transmittal Procedure:

Departments are responsible for collecting and reporting Sales Tax through their deposit transmittal. Sales tax should be separated from departmental revenue on the Deposit Transmittal form. Sales tax should be recorded to account 202110 - Sales Tax Remittance under the same fund as the department's revenue deposit.

The university is subject to Arizona sales tax; however, this sales tax does not apply to interdepartmental transactions and sales that are casual or inconsequential at the university level. The sales areas subject to sales tax are listed in the table below.

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Subject: Sales Tax	Effective date: 01/01/2000
	Revision date: 10/30/2018


State Sales Tax Categories		Tax Rate	
Tax Area	Definition		Effective 1/1/15
1. Printing	Sales of printing apply to job printing, engraving, embossing, and copying.		6.90%
2. Retail	Retail sales include tangible personal property, except textbooks sold by the NAU Bookstore.		6.90%
3. Publishing	Publishing revenues include sales of newspapers, magazines, or other periodicals, including gross income from subscriptions.		6.90%
4. Rental of Commercial Property	Includes rental or leasing of any tangible commercial property.		0.30%

Goods Purchased for Resale

Goods purchased for resale can be exempt from state sales tax at the time of purchase.

Departments must collect state sales tax at the time of the retail sale. Additionally, the department must remit the state sales tax collected at the time of the retail sale through the university-wide monthly tax return prepared by the Comptroller's Office.

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 NORTHERN ARIZONA UNIVERSITY	POLICY: CMP 109
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	Responsible office: Comptroller
	Origination date: 01/01/2000
Subject: Parking, Traffic, and Library Fines	Effective date: 01/01/2000
	Revision date: 11/18/2014

PURPOSE

To ensure that parking, traffic, and library fines are not paid with university funds

SOURCE

University Policy

CMP 109: Parking, Traffic, and Library Fines


Parking, traffic, and library fines shall not be paid from any state or local Department. This includes fines for citations issued to university-owned vehicles. Each university vehicle is assigned to a designated person. If a citation is issued while someone other than the designated driver has possession of the vehicle, payment must be arranged between the designated driver and the actual driver. Payment must not be charged to an NAU Department.

CROSS-REFERENCES

For further information about prohibited transactions, see [CMP 401-03](#), Prohibited Transactions.

For further information about parking and traffic fines, see [NAU Parking Services](#) Regulations.

COMPTROLLER POLICY MANUAL

 NORTHERN ARIZONA UNIVERSITY	POLICY: CMP 110
	Section: 100 General
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	Responsible office: Comptroller
Subject: Information Security Plan for Northern Arizona University	Origination date: 01/01/2000
	Effective date: 05/23/2003
	Revision date: 12/1/15

PURPOSE

To document the University Information Security Plan as required by the FTC for the administrative, technical, and physical safeguarding of customer information.

SOURCE

University policy

[NACUBO Data Security Resources](#)

[Federal Trade Commission, Regulation of Commercial Practices](#)


BACKGROUND

Financial institutions, including colleges and universities, must meet a general standard in order to comply with the requirements of the [Gramm-Leach-Bliley Act](#) "to develop, implement, and maintain a comprehensive written information security program that contains administrative, technical, and physical safeguards" appropriate to the size and complexity of the institution, the nature and scope of its activities, and the sensitivity of any customer information at issue. The information security program developed should be flexible, designed to address the needs of the individual institution.

The final rules indicate that the objectives of the information security program should be:

- to ensure the security and confidentiality of customer information;
- to protect against any anticipated threats to the security or integrity of such information; and
- to guard against the unauthorized access to or use of such information that could result in substantial harm or inconvenience to any customer.

COMPTROLLER POLICY MANUAL

 NORTHERN ARIZONA UNIVERSITY	POLICY: CMP 110
	Section: 100 General
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	Responsible office: Comptroller
Subject: Information Security Plan for Northern Arizona University	Origination date: 01/01/2000
	Effective date: 05/23/2003
	Revision date: 12/1/15


CMP 110: Information Security Plan for Northern Arizona University

I. The designated group for the coordination and execution of the Information Security Plan is the Information Security Committee of Northern Arizona University. All correspondence and inquiries should be directed to the Committee.

II. The following have been identified as relevant areas to be considered when assessing the risks to customer information (this list is meant to be as inclusive as possible but the policy is applicable to all university departments and their affiliates which collect financial information from their customers whether listed below or not):

- Academic Departments (which collect financial data during payment of fees for affiliated programs)
- Accounts Payable
- Admissions
- Alumni Association
- Aquatic Center
- Athletics (including Summer Sports Camps)
- Bookstore
- Central Ticket Office
- Cline Library
- Dental Hygiene
- Dining Services
- Distance Learning
- Financial Aid Office
- Campus Health Services
- Information Technology Services
- KNAU
- JacksCard Office
- Student and Departmental Account Services (includes Accounts Receivable and Student Loans)
- Parking and Shuttle Services
- Performing Arts (Including Summer Camps)
- Postal Services
- Property Administration
- Contracting and Purchasing Services
- Recreation Center
- Registrar's Office

COMPTROLLER POLICY MANUAL

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CMP 110: Information Security Plan for Northern Arizona University


- Housing and Residence Life
- Skydome
- Transportation Services
- University Advancement

III. The Information Security Committee will coordinate with various University Offices to maintain the information security program. The Information Security Committee will provide guidance in complying with all privacy regulations. Each relevant area is responsible to secure customer information in accordance with all privacy guidelines. A written security policy that details the information security policies and processes will be maintained by each relevant area and will be made available to the Information Security Committee or Internal Auditor's office upon request. Such a policy would include procedures to physically and electronically protect both hard copy and electronic data. In addition, ITS will maintain and provide access to policies and procedures that protect against any anticipated threats to the security or integrity of electronic customer information and that guard against the unauthorized use of such information for the information systems they operate.

IV. The University's [Contracting and Purchasing Services](#) will be responsible for selecting which service providers will be given access to customer information in the normal course of business. All contracts with such service providers shall require that the service provider implement and maintain adequate safeguards for customer information. Contracts with service providers shall include the following provisions:

- An explicit acknowledgement that the contract allows the contract partner access to confidential information.
- A specific definition of the confidential information being provided.
- A stipulation that the confidential information will be held in strict confidence and accessed only for the explicit business purpose of the contract.
- A guarantee from the contract partner that it will ensure compliance with the protective conditions outlined in the contract.
- A guarantee from the contract partner that it will protect the confidential information it accesses according to commercially acceptable standards and no less rigorously than it protects its own customer's confidential information.
- A provision allowing for the return or destruction of all confidential information received by the contract partner upon completion of the contract
- A stipulation allowing the entry of injunctive relief without posting bond in order to prevent or remedy breach of the confidentiality obligations of the contract.

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CMP 110: Information Security Plan for Northern Arizona University

- A stipulation that any violation of the contract's protective conditions amounts to a material breach of contract and entitles the University to immediately terminate the contract without penalty.
- A provision allowing auditing of the contract partners' compliance with the contract safeguard requirements.
- A provision ensuring that the contract's protective requirements shall survive any termination of the agreement.

V. The [Human Resources Office](#) will be responsible for a component to all new employee training sessions which cover employee responsibilities to protect personal financial data. This training can be added to the existing training given on [FERPA](#).

VI. This information security plan shall be evaluated and adjusted in light of relevant circumstances, including changes in the University's business arrangements or operations, or as a result of testing and monitoring the safeguards. Periodic auditing of each relevant area's compliance shall be done per the internal auditing schedule. Annual risk assessment will be done through the Internal Auditor's Office. Evaluation of risk of new or changed business arrangements will be done through the legal counsel's office.

CROSS-REFERENCES

[NACUBO - Complying with Domestic Security Legislation](#)

[FTC Regulations on Commercial Practices](#)

[FERPA Web Site at NAU](#)

[FTC Gramm-Leach-Bliley Act web site](#)

COMPTROLLER POLICY MANUAL

 NORTHERN ARIZONA UNIVERSITY	POLICY: CMP 110-01
	Section: 100 General
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	Responsible office: Comptroller
	Origination date: 02/01/2008
Subject: Payment Card Compliance	Effective date: 02/01/2008
	Revision date: 02/26//2016

PURPOSE

To provide the university with clear and manageable steps to protect customer cardholder data and to protect the university from a cardholder breach by complying with Payment Card Industry (PCI) Data Security Standards (DSS)

SOURCE

PCI Compliance
University policy

APPLICABILITY

Required for those who handle, process, support, and manage payment card transactions received by the university to comply with the current version of the PCI DSS.

POLICY

CMP 110-01 PCI Compliance

For a list of definitions please visit the PCI Security Standards [PCI DSS Glossary](#).

This policy sets the requirements for all University departments that accept credit cards using a payment card terminal as well as those processing or sending transactions using e-Commerce.

- 1) Terminal transactions include face-to-face transactions via phone line or cellular terminals. In some cases, a terminal's keypad may be used to enter card-not present transactions where cardholder data was received via postal mail or over the phone.
- 2) e-Commerce transactions include the following:
 - a. Links on university websites redirecting customers to another payment website;
 - b. IP-connected terminals processing payments on the Internet;
 - c. Point of sale transactions at a computer cash register using PCI payment applications including point of sale software on a computer to transmit, process, or store cardholder data;
 - d. Use of third party vendor's virtual payment terminal to transmit, process, or store cardholder data; or
 - e. Transactions transmitted, processed and stored on the university network.
- 3) This policy requires each University department to use pre-approved payment processing methods. Please contact Information Technology Services for help determining that proper payment processing methods are followed.

COMPTROLLER POLICY MANUAL

 NORTHERN ARIZONA UNIVERSITY	POLICY: CMP 110-01
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	Responsible office: Comptroller
	Origination date: 02/01/2008
Subject: Payment Card Compliance	Effective date: 02/01/2008
	Revision date: 02/26//2016

- 4) University departments using third party vendors must comply with the current PCI regulations and university PCI requirements.
- 5) All departments must consult with Contracting and Purchasing Services (CPS) when purchasing any type of technology that accepts credit card payments. CPS will be responsible for adding standard PCI language to all contracts.

It is the responsibility of all individuals to whom this policy applies to be informed of and follow the requirements under this policy and any associated documents to protect cardholder data.

Employees who violate this policy may be subject to disciplinary action, including and not limited to termination of employment and/or potential criminal prosecution under applicable federal, state and local laws.

Other individuals to whom this policy applies who violate this policy are subject to appropriate sanctions, including but not limited to termination of the relationship and/or potential criminal prosecution under applicable federal, state, and local laws.

CROSS-REFERENCES

[PCI Security Standards Council](#)

[PCI Compliance Guide](#)

COMPTROLLER POLICY MANUAL

 NORTHERN ARIZONA UNIVERSITY	POLICY: CMP 111
	Section: 100 General
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	Responsible office: Comptroller
	Origination date: 01/01/2000
Subject: Charges to State Operating Departments	Effective date: 01/01/2000
	Revision date: 1/7/2016

PURPOSE

To describe allowable charges to state operating Departments.

SOURCE

University Policy

CMP 111: Charges to State Operating Departments

State operating Departments for NAU are for current university operations. Principal allowable charges to these Departments are:

1. personnel services
2. operating expenses (e.g., supplies, maintenance, rents)
3. travel
4. equipment purchases, including both movable and fixed equipment

Acquisitions that may not be charged to state operating Departments are:

1. Land, building, and major improvement costs, which are to be funded from state capital outlay or local funds.
2. Awards, both student and faculty/staff awards, where payment is being made for recognition and not for services rendered.
3. Meals, except those for NAU staff, interviewees, guest lecturers, and other independent contractors while in travel status
4. Holiday celebration expenditures.
5. Other charges, upon judgment by the University comptroller that such charges are not appropriate to state funding, with the concurrence of the responsible provost or vice president.

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 NORTHERN ARIZONA UNIVERSITY	POLICY: CMP 112
	Section: 100 General
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	Responsible office: Comptroller
	Origination date: 01/01/2000
Subject: Accounting Questions and Assistance	Effective date: 01/01/2000
	Revision date: 1/25/2016

PURPOSE

To provide guidance to the university community in obtaining assistance regarding financial processing and accounting matters

SOURCE

University policy

BACKGROUND

The Comptroller's office serves the university community by processing financial transactions and providing accounting services. When departmental personnel in the various university offices have questions regarding financial processing and accounting matters, they should first see if their questions can be answered by reviewing the topics covered in the Table of Contents or by using the "Search" feature to find key topics in the manual.

CMP 112: Accounting Questions and Assistance

For any questions not answered by a review of the Comptroller's Policy Manual and/or where there are any concerns regarding a specific financial transaction, departmental personnel should contact:

1. Their business manager located within their college/department
2. Send an e-mail to Ask-FAS@nau.edu
3. [The Comptroller's Office](#)

COMPTROLLER POLICY MANUAL

 NORTHERN ARIZONA UNIVERSITY	POLICY: CMP 117
	Section: 100 General
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	Responsible office: Comptroller
	Origination date: 01/01/2000
Subject: Personal Use of University Resources	Effective date: 10/01/1989
	Revision date: 01/25/2016

PURPOSE

To inform the University Community of the restrictions on the use of university resources for personal use and to describe the process by which NAU employees, who have committed any university resources for personal use, must follow to reimburse NAU.

SOURCE

University Policy

CMP 117: Personal Use of University Resources

NAU employees may not use university equipment, property or resources for personal benefit. Examples include personal use of University vehicles, buildings, equipment, computers, copiers, printers, telephones, [cell phones](#), Purchasing Card, supplies, and ordering merchandise via the university procurement system.

On occasion, some departments have allowed personal use of telephones or copiers with later reimbursement by the employee. **This is not allowed.** In the rare event (e.g. death in family, family medical emergency) where a long-distance phone call is inadvertently made on a university phone, the cost of the call is to be immediately reimbursed to the account to which the call will be charged. This will be a very rare, perhaps once in a career, occurrence due to the availability of telephone calling cards, collect calls, personal cell phones and coin-operated copiers."

Each Department Manager is responsible for monitoring these expenditures on monthly Department reports and for establishing a procedure within his or her area of responsibility to ensure compliance with this policy on the personal use of university resources. Each Department Manager or designee should at least review the monthly listing of telephone charges for toll charges incurred from possible personal telephone usage. Department Managers should also consider establishing and maintaining within their offices a telephone log of all long-distance calls, recording the organization/person called and the date of the call.

If an NAU employee needs to make a personal toll telephone call while at work, the employee should either charge the call to:

1. their own telephone credit card, or
2. their home phone number, or
3. use their personal cell phone.

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	Effective date: 10/01/1989
	Revision date: 01/25/2016

NAU employees should not use university equipment and property for photocopying or other services. These services should be obtained either from coin-operated machines located on the campus or from an off-campus vendor.

CROSS-REFERENCES

For more information on the responsibilities of a Department Manager, see [CMP 203](#), Department Manager Responsibilities.

For more information on the approved uses of university property, see the [Property Control](#) Policies and Procedures manual.

For more information on telephone logs and record retention see [CMP 103](#), Departmental Record Keeping.

For more information on the University cell phone policy see NAU [mobile phone policy](#).

COMPTROLLER POLICY MANUAL

 NORTHERN ARIZONA UNIVERSITY	POLICY: CMP 119
	Section: 100 General
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	Responsible office: Comptroller
	Origination date: 01/01/2000
Subject: Public Purpose Served	Effective date: 01/01/2000
	Revision date: 01/25/2016

PURPOSE

To provide background information on the importance of documenting public purpose served

SOURCE

Arizona Accounting Manual

CMP 119: Public Purpose Served

Public Purpose - public funds are to be expended only for public purposes and cannot be used to foster or promote purely private or personal interests of any individual (Arizona Constitution Article 9, Section 7, Note 4). Dispensation of public funds must serve a public purpose; and, the dispensing public entity must receive "consideration" which is not so inequitable and unreasonable that it amounts to an abuse of discretion, thus providing a subsidy to the private entity. While no hard and fast rule can be formulated, each case must be decided with reference to the object sought to be accomplished and the manner in which such object affects the public welfare.

COMPTROLLER POLICY MANUAL

 NORTHERN ARIZONA UNIVERSITY	POLICY: CMP 120
	Section: 100 General
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	Responsible office: Comptroller
	Origination date: 01/01/2000
Subject: Sales & Use Tax on Purchases	Effective date: 01/01/2000
	Revision date: 03/23/2021

PURPOSE

To provide information on Sales and Use Taxes on purchases. Since ARS is the creator of the laws, it is not NAU policy, and may be subject to change. The information contained herein is to be used as general principles only and specific circumstances may vary. The Department of Revenue offers free tax advice and assistance by telephone.

SOURCE

Arizona Revised Statutes § 42-5001 through § 42-5354

University policy

CMP 120: Sales & Use Tax on Purchases

Introduction

Northern Arizona University has a decentralized environment in which purchasing transactions are initiated, transacted, and recorded at the departmental level. Specifics on the tasks required by those with roles in the purchasing process, including Department Leadership and Purchasing Card Liaison, are outlined in Purchasing Policy. Authority to approve purchasing expenditures is administered at the local level. These policies are intended to provide guidance on the administration of these tasks. Specific items in the policy are set forth to meet systemic and administrative deadlines.

The NAU Sales and Use Tax policy is the guideline for all necessary and required purchases to conduct the business of the University. This policy addresses issues related to all University purchasing expenses. The NAU Sales and Use Tax policy is implemented to ensure compliance with State of Arizona Revised Statutes and Arizona Administrative code.

Noncompliance with NAU Sales and Use Tax policy or the improper claiming of expenses may result in disciplinary action.

Definitions

Transaction Privilege Tax (TPT) - It is the tax imposed on vendors for the privilege of doing business in Arizona.

COMPTROLLER POLICY MANUAL

 NORTHERN ARIZONA UNIVERSITY	POLICY: CMP 120
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	Responsible office: Comptroller
	Origination date: 01/01/2000
Subject: Sales & Use Tax on Purchases	Effective date: 01/01/2000
	Revision date: 03/23/2021

CMP 120: Sales & Use Tax on Purchases

Use Tax - It is the tax imposed on the use, storage, or consumption of tangible personal property in Arizona. Purchasers are liable for the Use Tax on goods purchased from an out-of-state vendor that did not collect Use Tax. If Sales Tax has been paid on the purchase, then it is exempt from Use Tax. The rate is generally 5.6%.

Tangible Personal Property - Tangible Personal Property (TPP) means personal property which may be seen, weighed, measured, felt or touched or is in any other manner perceptible to the senses.

Research and Development means basic and applied research in the sciences and engineering, and designing, developing, or testing prototypes, processes or new products, including research and development of computer software that is embedded in or an integral part of the prototype or new product or that is required for exempt machinery or equipment. Research and Development does not include manufacturing quality control, routine consumer product testing, market research, sales promotion, sales service, research in social sciences or psychology, computer software that is not included in the definition of research and development, or other non-technological activities or technical services.

Department Leadership – Dean, Director, Chair, Provost, supervisor, Vice President, or other appropriate NAU employee.

P-Card - A credit card program designed to reduce the number of requests for travel advances, improve the small dollar traditional purchasing process, and eliminate the need to use personal funds.

Responsibilities

The Vendor has the responsibility to:

1. Collect both state and local Sales Tax for the county and city where the merchandise is purchased.
2. Out-of-state suppliers who do a considerable amount of business in Arizona are required to obtain a state Sales Tax license. If an out-of-state supplier has an Arizona Sales Tax license number, Arizona state Sales Tax applies to that purchase.

The Department Leadership has the responsibility to:

1. Ensure compliance with University and departmental purchasing policy and procedures.
2. Report concerns to the Comptroller's Office.
3. Approve the expenditure of funds for purchases prior to the beginning of the transaction.
4. Assign a Purchasing Card Liaison to understand the purchasing policy and procedures, communicate these to the purchasers, and ensure compliance by the purchaser.

COMPTROLLER POLICY MANUAL

 NORTHERN ARIZONA UNIVERSITY	POLICY: CMP 120
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Subject: Sales & Use Tax on Purchases	Effective date: 01/01/2000
	Revision date: 03/23/2021

CMP 120: Sales & Use Tax on Purchases

5. Deny reimbursement of specific expenditures that do not comply with policy or are not supported with proper documentation.
6. Take appropriate disciplinary action for intentional violations of the Sales/Use Tax and Purchasing policies.
7. Oversee other aspects of purchasing, as required.

The Purchasing Card Liaison has the responsibility to:

1. Verify that their Cardholders have recorded applicable Use Tax when they complete the Procurement Card Transactions in PeopleSoft Financials.

The Purchaser has the responsibility to:

1. Determine which tax, Sales (TPT) or Use Tax, is applicable when purchasing goods.
 - a. When the purchaser transacts business with an out-of-state supplier, they shall ask the supplier if they collect Sales Tax. If the supplier responds, “yes, we do collect Sales Tax”, the purchaser shall be responsible for requesting from the supplier an itemized receipt/invoice that includes and substantiates the itemized tax.
 - b. If the supplier responds “no, we do not collect Sales Tax”, the Purchaser shall then calculate 5.6%, of the cost of goods. If the purchase was made on the P-Card, this amount will be recorded on the Use Tax page in PeopleSoft Financials during the reconciliation of the P-Card. If the purchase was made on account, the usual Purchasing and Accounts Payable procedures shall be in effect.
 - c. Use Tax shall be calculated on the cost of goods only and shall not include shipping, handling, and/or freight costs.
 - d. If the purchase is not subject to tax, or is a purchase of exempt goods and/or services, the Purchaser shall attach documentation to the invoice substantiating this claim.

Accounts Payable has the responsibility to:

1. Document and record the applicable Use Tax
2. Follow the usual policies and procedures for issuing payment to a Vendor.

The Comptroller’s staff has the responsibility to:

1. Report and issue payment of Use Tax to the State of Arizona.

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	Revision date: 03/23/2021

CMP 120: Sales & Use Tax on Purchases

2. Address questions and concerns raised by Departmental Leadership, Purchasing Card Liaison, and/or purchasers.
3. Assist, support, facilitate and train the University community regarding Sales and Use Tax, practices and requirements. They serve as a resource to Purchasers and Purchasing Card Liaisons, and can act as a liaison with the Department of Revenue when technical issues arise.
4. Financial Controls Analysis and Reporting is responsible for review and analyzing P-Card transactions and documents for reasonableness, accuracy, appropriate documentation that supports the expense and can stand alone to provide the details of the transaction. Purchasing Card reviews are conducted by Financial Controls Analysis and Reporting for departmental units. The findings of the reviews are shared and, if necessary, corrective action identified.
5. The Comptroller's Office is NOT responsible for creating or maintaining the legislation or any updates, rulings, or guidance.

General

1. The University is subject to the payment of state and local Sales Tax and state Use Tax. The University shall be responsible for the payment of Sales Tax when the University transacts business, for goods, with a supplier and the supplier collects Sales Tax. Sales Tax shall be determined and collected at the point of sale.
2. The University is not tax exempt unless the purchase of equipment and/or machinery is tied directly to research and/or development.
3. The University shall be responsible for the payment of Sales Tax (TPT) or Use Tax, never both. The University is also responsible for paying Use Tax to the Arizona Department of Revenue for applicable purchases made from out-of-state vendors.
4. The amount of any applicable Sales or Use Tax is not to be considered as a factor in determining the low bid of competing bidders.
5. The University shall be responsible for collection and payment of Use Tax to the State of Arizona.
6. Use Tax is applicable when the University purchases goods (not services) from an out-of-state supplier and the supplier does not collect Sales Tax.
7. All out-of-state purchases for use, storage or consumption within Arizona, other than those from out-of-state suppliers with Arizona Sales Tax license numbers, are subject to Use Tax.
8. The University's financial system (PeopleSoft Financials) accumulates Use Tax for all out-of-state purchases for which tax applies, and the University remits payment directly to the Arizona Department of Revenue.
9. Use Tax added to invoices by out-of-state suppliers will not be paid.
10. Software purchases are subject to Use Tax. Custom software, warranties, installation, service agreements are not subject to Use Tax if listed separately on the invoice.

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CMP 120: Sales & Use Tax on Purchases

- a. The lease, license, or sale of computer software programs is taxable regardless of the method (CD, floppy disk, download) used to transfer the program.
 - b. If the vendor hosts the program, but NAU would still have the right to use the software without the vendor hosting, it would be subject to tax.
 - i. For example, the employee Online Sexual Harassment Prevention Training is available on-line to all employees. The vendor has provided HR with a single CD available for employee use offline. Therefore, this purchase is subject to tax.
 - c. Maintenance agreements for updates, modifications, or revisions are taxable.
11. Internet orders shall be subject to Use Tax if tax is not already charged by the vendor.
12. Publications may be collecting tax, but this may not appear on the invoices. To determine which publications have already remitted tax
- a. Contact the in-state or out-of-state publisher and inquire if they are registered with the Department of Revenue.
 - b. Verify with the vendor if they are charging transaction privilege tax or Sales tax.
 - c. If an order is placed directly with an out-of-state vendor, and the publication is sent directly to NAU, this transaction is subject to Use Tax.
13. If NAU purchases billboard space, radio/TV time, newspaper/magazine ad space, internet domain names, or flyers from an out-of-state vendor to target the Arizona market, the following principles apply:
- a. The purchase of internet domain names is not taxable.
 - b. The printing of flyers is taxable. Use Tax is due for job printing contracted with an out-of-state vendor that is distributed in-state.
 - c. Local advertising by billboards, direct mail, radio, television, newspapers, magazines, other periodicals and publications or by any other means is not taxable.

Exemptions

1. The law indicates that exemptions do not apply to expendable supplies; janitorial equipment and hand tools; office equipment, furniture and supplies; tangible personal property used in selling and distributing activities; motor vehicles; shops, buildings, docks, depots, etc.; and motors and pumps used in drip irrigation systems.
2. If a subsequent Sales Tax audit disallows the exemption from Transaction Privilege Taxes, the department ordering the equipment could be charged at that time for the unpaid taxes.
3. Several technical exemptions apply to auxiliary operations, e.g., the purchase of textbooks by the NAU Bookstore, prescribed drugs and devices sold at Campus Health Services, printed and other media materials for use in the Cline Library.
4. Additionally, a broader exemption was enacted by the State of Arizona effective December 31, 1992, that provides exemption from Transaction Privilege Taxes on machinery and equipment used in research and development. Please complete and submit the Certification form to document this exemption.

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CMP 120: Sales & Use Tax on Purchases

5. Generally, if there is a Sales Tax (TPT) exemption, then there is a corresponding Use Tax exemption. Be sure to document the reason for the exemption.
6. Since the Use Tax and Sales Tax are applied to Tangible Personal Property, services generally do not attract Sales and Use Taxes.
7. Exempt services
 - a) Professional and personal services
 - b) Repair, maintenance and installation services if the charges are separately stated on the invoice
 - c) Warranty or service contracts if charged separately on the invoice
 - d) Delivery charges if charged separately on the invoice
 - e) Internet access and cable services
 - f) Conference registration fees
 - g) Professional association membership dues
 - h) Computer services such as analysis, design, repair, support engineering
8. Exemptions on Tangible Personal Property (TPP)
 - a) Machinery and equipment used solely in research and development, including but not limited to:
 - i. Expendable materials, hand tools, glassware, office equipment, office furniture, office supplies, buildings, and vehicles are taxable.
 - ii. Replacement components of qualifying machinery and equipment are not taxable.
 - iii. Exempt chemicals are those used in manufacturing, processing, fabricating, mining, refining, metallurgical operations, research and development, and printing (if this involves causing or permitting a chemical or physical change to occur in materials as part of the production process.)
 - iv. "Printing" includes job printing, engraving, embossing, copying, and bookbinding.
 - v. Research animals are subject to tax.
 - vi. Breeding animals or production stock such as neat animals, horses, asses, sheep, ratites, swine, or goats are not subject to tax
 - b) Printed and other media materials purchased by NAU library
 - c) Food for human consumption
 - d) Medically prescribed drugs, equipment or devices
 - e) Purchases for resale
 - f) Items purchased from out-of-state vendors on which NAU has paid another state's Sales Tax of at least 5.6%.
 - g) Purchases made from federal funds where title remains with the federal government

Please note that goods or services purchased out-of-state from an out-of-state vendor for consumption outside of the state of Arizona are not subject to Arizona Sales/Use Tax.

9. Services subject to Use Tax

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CMP 120: Sales & Use Tax on Purchases

Types of business activities that may be subject to the Transaction Privilege Tax include, but are not limited to:

- a. Hotel/motel lodging
- b. Amusements
- c. Construction contracting
- d. Transportation
- e. Utilities, communications

Special Circumstances

1. Tax is imposed on Tangible Personal Property regardless of the means of payment, including renting, leasing, buying, or financing.
2. If NAU makes a purchase on which transaction privilege tax has been paid and receives reimbursement from an outside party, reimbursement to the University of the amount paid does not constitute a subsequent sale.
3. Corrections to tax returns, such as credit or refund claims, must be filed by the taxpayer with the Department within four years after the report was required to be filed.
4. To determine the taxability of a purchase, please call either the Comptroller's Office at 523-9162 or Purchasing Services at 523-4557.
5. For assistance in recording, reporting, or correcting Use Tax, please call Ask FAS at 523-4357 or email Ask-FAS@nau.edu.

CROSS-REFERENCES

[Use Tax Decision Tree](#)

[Certification Form for Tax Exempt Machinery and Equipment Purchased for Research and Development](#)

[Purchasing Card Reconciliation and use tax reporting process](#)

[Arizona Department of Revenue - TPT licensing](#)

[Arizona Resale Certificate \(Form 5000A\)](#)

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Subject: NAU Identification Numbers for IRS, State of Arizona, and Duns	Effective date: 01/01/2000
	Revision date: 12/2/2014

PURPOSE

To identify various identification numbers assigned to NAU

SOURCE

Internal Revenue Service

State of Arizona

Dun and Bradstreet

IPEDS Identification Number

[Arizona Board of Regents Bylaws.](#)

CMP 121: NAU Identification Numbers for IRS, State of Arizona, and Duns

NAU Identification Numbers for IRS, State of Arizona, and DUNS

NAU student organizations and other NAU-related organizations are not to use the NAU IRS identification number when opening a bank account or for any other identification purposes. Such separate organizations need to apply to the IRS for their own identification number through submission of the SS-4 Form to the IRS. This form can be obtained from the IRS at 1-800-829-FORM or on the web at <http://apps.irs.gov/app/picklist/list/formsInstructions.html>

NAU Identification Numbers	
Internal Revenue Service (IRS) Federal Identification Number	Contact Comptroller's Office
State Sales Privilege License Number	20204623
Dun and Bradstreet (Data Universal Number System, DUNS) Number	80-634-5542
CAGE Code (commercial and Government Entity Code)	2F318
FICE Code (Federal Interagency Committee on Education)	001082
OPE ID	00108200
IPEDS Identification Number	105330

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CMP 121: NAU Identification Numbers for IRS, State of Arizona, and Duns

The Arizona Board of Regents (ABOR) is a constitutionally created body with perpetual succession of the State of Arizona. *See* A.R.S. § 15-1625(A). Northern Arizona University (NAU) is a state university under the jurisdiction and control of ABOR, and as such, is an instrumentality of the State of Arizona.

Under Section 115 of the Internal Revenue Code (the “Code”), income derived by a State from the exercise of an essential governmental function is not subject to federal income tax. *See* 26 U.S. Code § 115. Therefore, since NAU is a public university under the jurisdiction and control of ABOR, NAU is construed to the “State” for purposes of Section 115, and income derived by ABOR/NAU is therefore not subject to federal income tax in accordance with that Section.

As a consequence of qualifying under the provisions of Section 115 of the Code, the following should be noted:

- Taxpayers are allowed to claim charitable contribution deductions under Section 170 of the Code for gifts, grants, or contributions to NAU in the same manner and to the same extent as if NAU were a tax-exempt organization under Section 501(c)(3) of the Code. *See* 26 U.S. Code § 170; *also see* 26 U.S. Code § 501(c)(3).
- NAU is not a private foundation as defined in Section 509(a) of the Code because that section only relates to those organizations that are tax exempt under Section 501(c)(3) of the Code. *See* 26 U.S. Code § 509(a) and 26 U.S. Code § 501(c)(3).

NAU, as a State body with perpetual succession not subject to federal income tax, is not required to file Form 990 with the IRS.

The University designates the Foundation as the official philanthropic organization for the University, serving in that capacity as the official and coordinating organization for gift solicitation, receiving, recording, receipting, acknowledgement, and gift fund administration management and disbursement.

Sales Tax

NAU is *NOT* exempt from sales tax. State law does not exempt from sales tax sales made to NAU, and vendors may pass on to NAU the burden to pay applicable sales and use tax with the exception of certain qualified purchases described in [CMP 120](#), Sales Tax Exemption for Purchases. *See* [CMP 108](#), Sales Tax, for a listing of sales tax rates.

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CMP 121: NAU Identification Numbers for IRS, State of Arizona, and Duns

IPEDS ID

NAU's IPEDS ID can be used to look up information on the University from the [IPEDS College Opportunities On-Line \(COOL\) web site](#).

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	Origination date: 01/01/2000
Subject: Unrelated Business Income Tax	Effective date: 01/01/2000
	Revision date: 01/26/2016

PURPOSE

To provide an overview of the unrelated business income tax (UBIT) as it relates to the university.

SOURCE

Internal Revenue Service

CMP 122: Unrelated Business Income Tax

Under certain circumstances, the university may be required to pay taxes on unrelated business income. Income earned from unrelated trade or business that is not substantially related to the university's tax-exempt purpose may be subject to taxation. Use of the unrelated income for the university's tax-exempt purpose does not avoid UBIT.

The tax-exempt purpose of a state university is somewhat broad; therefore, the activities subject to UBIT are relatively limited. The University is exempt from federal income tax for engaging in activities which include charitable, scientific, testing for public safety, literary or educational purposes, or to foster national or international amateur sports competition (but only if no part of its activities involve the provision of athletic facilities or equipment), or for the prevention of cruelty to children or animals.


Listed below are several specific examples of university activities that generate income, but are not subject to UBIT:

1. advertising revenue for the student-operated campus newspaper
2. day-care center open only to children of students, faculty, and staff
3. student residence halls
4. laundromat for students, faculty, and staff
5. university sporting events, including admissions and television/radio rights
6. sale by the university bookstore of books, writing supplies, and other items for the convenience of students
7. in general, services provided primarily for the convenience of students, faculty, and staff
8. in general, research activities, except for product testing and other research for commercial or industrial application.

Typical unrelated business activities include but are not limited to:

1. Advertising not related to educational purpose
2. Use of recreational facilities by alumni and general public
3. Operation of parking lots to the general public
4. Rental of equipment to the general public
5. Rental of facilities to the general public with substantial services

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CMP 122: Unrelated Business Income Tax

The rules concerning UBIT are very complex and there are exceptions to the general rules described in this policy. Determining whether income is subject to UBIT can be subjective and depends on the facts and circumstances of each case. Each NAU department is responsible for notifying in writing the Comptroller's Office of any revenues being generated that may be subject to UBIT for an analysis and interpretation.

DEFINITION

Unrelated Trade or Business

A trade or business (i.e., carried on for the production of income, whether or not profit results) regularly carried on (including seasonally) by the organization, that is not substantially related (aside from providing funds) to the exercise or performance of its exempt purpose or function.

CROSS-REFERENCES

[CMP 309 Unrelated Business Income](#)

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	Origination date: 01/01/2000
Subject: Misuse of Public Monies	Effective date: 01/01/2000
	Revision date: 12/2/2014

PURPOSE

To list acts specifically identified in the Arizona Revised Statutes as misuse of funds

SOURCE

Arizona Revised Statutes § 35-301

CMP 124: Misuse of Public Monies

A public officer or other person, including justices of the peace and constables, charged with the receipt, safekeeping, transfer or disbursement of public money is guilty of a class 4 felony who:

1. Without authority of law, appropriates it, or any portion thereof, for his own use, or to the use of another.
2. Knowingly loans it, or any portion thereof.
3. Knowingly fails to keep it in his possession until disbursed or paid out by authority of law.
4. Without authority of law knowingly deposits it, or any portion thereof, in a bank, or with a banker or other person, except on special deposit for safekeeping.
5. Knowingly keeps a false account, or makes a false entry or erasure in an account of, or relating to it.
6. Alters, falsifies, conceals, destroys or obliterates such an account with intent to defraud or deceive.
7. Knowingly refuses or omits to pay over, on demand, public monies in his hands, upon presentation of a draft, order or warrant drawn upon such monies by competent authority.
8. Knowingly omits or refuses to transfer the money when a transfer is required by law.
9. Knowingly transfers the money when not authorized or directed by law.
10. Knowingly omits or refuses to pay over to an officer or person authorized by law to receive it, any money received by him when a duty is imposed by law to pay over the money.

All reports of misuse of University assets (including purchasing cards) will be reported to NAU Internal Audit and/or NAU Police for investigation.

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Subject: Monthly Financial Review and Verification	Effective date: 07/01/2017
	Revision date: 08/22/2019

PURPOSE

This policy establishes the expectation that accounting transactions are coded properly when initially recorded, supported by proper documentation and public purpose, and approved in a timely manner. Reconciling the monthly revenue and expense detail report is a critical fiscal management control to ensure that revenue and expenditure transactions are correct, allowable and applied to the appropriate speechchart and account.

SOURCE

State of Arizona Accounting Manual
University Policy

POLICY

Fiscal management and accountability officially rests with the department director, chair or dean. Departmental staff are responsible for properly coding, documenting, approving transactions, and reconciling accounts.

FINANCIAL TRANSACTION ACCOUNTING

1. TRANSACTION CODING

Transactions are to be coded to the proper speedchart and account.

2. DOCUMENTATION

Transactions are to be adequately supported by documentation. Documentation consists of supporting receipts, papers or other items that help a disinterested third party understand the details of the transaction without additional assistance. Documentation must be uploaded to OnBase wherever that functionality is available.

A complete public purpose explains how the expenditure of university funds meets the needs of the university and may offer addition detail to explain the nature of the transaction.

3. APPROVALS

Transactions are to be approved in a timeframe that allows for the proper recording of the transaction in the accounting period in which the university received the benefit of the good or service.

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RECONCILIATIONS

The preparer should have familiarity with routine transactions for a department's financial activity. The preparer should begin the reconciliation process by retrieving monthly detailed activity reports from Enterprise Reporting. The preparer is responsible for reviewing each transaction to ensure its accuracy, verifying that all expected transactions are charged or credited correctly and matching transactions with supporting source documentation.

Verify that supporting documents match the expense and revenue transactions. Please note some internal service centers do not provide invoices for services rendered, such as monthly fleet rentals. Departments must have knowledge of the expected, customary and routine charges from these units. If any charges appear unusual, the department should contact the charging department to request supporting documentation.

When the reconciliation is complete, the preparer should give the reviewer all documents so they may scan the information and verify the appropriateness and legitimacy of the transactions recorded against the department's accounts. The approver should review in detail any unusual or unexpected high dollar amount transactions.

In order to conform to best practices for reconciling payroll expense, reconciliations should be completed for every pay period as soon as possible after payroll expenses have interfaced into PeopleSoft Financials. Reconciling payroll includes:

- Verification of the compensation rate for each employee documented against an offer letter or other source document;
- Verify that salary/wages paid are correct;
- Verify that employees were paid from the appropriate account;
- Verification that hours worked and leave time reported are accurate and have been approved by a supervisor.

There are a number of different payroll reports in Enterprise Reporting that can be used as a tool in the reconciliation process.

Departments should retain all reconciliations and supporting documentation for state and local fund speedcharts for at least three fiscal years.

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CROSS-REFERENCES

[CMP 102-03 – Document Identifiers \(Subsidiary Systems\)](#)

[CMP 102-04 – Document Identifiers \(Student Information Systems\)](#)

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Subject: Capitalization and Depreciation	Effective date: 07/01/2001
	Revision date: 07/01/2020

PURPOSE

To establish policies and procedures for recording and depreciating fixed assets.

SOURCE

University Policy, GAAP, GASB 34, 35 and 51, ABOR, State of Arizona Accounting Manual (SAAM)

CMP 130: Capitalization and Depreciation

CAPITALIZATION

Land - Capitalized at original cost or value at donation. Land and structures purchased or donated together will be capitalized separately when possible. Cost of readying the land for use will be capitalized along with the cost of the land.

Buildings - Capitalized at cost and depreciated over 40 years.

Mobile Homes or Modular Buildings - Capitalized at cost and depreciated over 25 years

Improvements - Capitalized if cost is \$100,000 or greater, depreciated over 20 years.

Infrastructure - Capitalized at original cost and depreciated over 20-40 years.

Equipment - Capitalized if cost is \$5,000 or greater and depreciated over periods of 5-15 years.

Library Books - Capitalized if the item becomes part of the library volume count. All acquisitions of books, periodicals, and other media for the Cline Library will be capitalized at direct cost including shipping. The total value expended during a fiscal year will be assigned a tag number and capitalized as one item. Annual removals will be determined by a memo from the Library's Bibliographic Services Department which will include the number of volumes/items at a set rate. Library books will be depreciated over a period of ten years.

Major renovations to buildings or systems. Capitalized at cost and depreciated over 20 years.

Intangible Assets - [See CMP 140 - Intangible Assets](#)

Collections – The University does not capitalize and therefore does not depreciate qualifying collections.

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CMP 130: Capitalization and Depreciation

There are two categories of collections:

Qualified Collections are those collections that meet the three provision listed below.

Non-qualifying Collections are those collections that do not meet the three provisions.

A **qualifying collection** is subject to all of the following provisions:

1. The collection is to be held for public exhibition, education, or research in furtherance of public service, rather than for financial gain: and
2. The collection is to be protected, cared for and preserved: and
3. The net proceeds from the sales of collection items are to be used to acquire other items for collections.

“Net proceeds” is defined as the gross selling price less all direct expenses of the sale.

The collections to which the sold items and the acquired items belong need not be the same.

Departments are responsible for maintaining an inventory of each collection. By June 30th of each fiscal year, departments should furnish the Comptroller's Office and Property Administration a summary listing of qualifying collections in their possession; collection name and general type of items in the collection.

Disposal of Collection Items

In the unlikely event that an item is sold, all proceeds from the sale or disposal are to be used to acquire other items or to enhance the universities other special collections.

Non-qualifying collections are to be capitalized at cost or fair market value at time of donation (established by appraisal). Departments with or acquiring non-qualifying collections must notify the Comptroller's Office.

Departments should consult [NAU Risk Management Services](#) to determine the insurability of their collections.

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CMP 130: Capitalization and Depreciation

SALVAGE VALUE

The university will capitalize and depreciate assets using a zero salvage value.

DEPRECIATION

The University will use the Straight Line method over the estimated useful life of the asset. Useful lives will be 40 years for buildings, 20 years for renovations (improvements), 20 – 40 years for infrastructure, 5-15 years for equipment, and 10 years for library books. All Buildings, Improvements, Infrastructure and Library books will use a July 1st acquisition date in the year of completion or acquisition for the start of the calculation of depreciation expense and the disposition date in the year of disposal for the termination of the calculation of depreciation expense. Equipment will use the receipt (PeopleSoft Financials receiver document) date for the acquisition date and the start of the calculation of depreciation expense. Equipment will use the disposition date for the termination of the calculation of depreciation expense. Either the date of the receipt for assets sold, or the PCA, (Property Control Authorization), document date for assets lost or stolen, determines the disposition date.

The University's depreciation program calculates depreciation expense based on the number of days the asset is in service during the calculation period.

DEPRECIATION - NON-TITLED ASSETS

Purchases with non-NAU funds (Office of Sponsored Projects) where title to the asset remains with the sponsor. No depreciation is recognized on these assets. Assets are tracked in the Property Control system as a separate asset type. These assets result in a zero effect on the University Financial Statements (asset and offsetting contra-asset). Office of Sponsored Projects should notify Property Administration when grants, which will be purchasing assets, are received and the sponsor retains title to the asset.

DEPRECIATION - FEDERAL FUNDED ASSETS

These are treated the same as all other capital assets and depreciated, unless the sponsor retains title, see depreciation – non-titled assets.

CONSTRUCTION IN PROGRESS

Buildings under construction will be capitalized upon completion. Construction of a building will be deemed complete when it is ready for occupation.

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CMP 130: Capitalization and Depreciation

VALUATION

All assets will be valued at historical cost, which is the consideration given or received, including purchase price and ancillary charges necessary to place the item in its intended location and condition for use.

LAND

The Comptroller's Office will establish and maintain records of land owned by the University and the value assigned.

LEASED EQUIPMENT

Leased equipment will be recorded and valuation will be determined using current generally accepted accounting principles.

EQUIPMENT TAGGING

All equipment will be tagged and inventoried according to [NAU Property Administration Policy](#).

DEFINITIONS (ABOR and NAU)

Infrastructure – Non-building improvements that directly support operating a facility that is listed in the annual building systems such as, but not limited to, utility delivery systems, roadway systems, external lighting systems, irrigation systems, sidewalks and parking lots. Additional campus infrastructure includes: campus grounds, other circulation systems (bike paths, pedestrian routes, etc.) and parking structures.

Land Acquisitions - The procurement of real property by gift, grant, purchase, lease purchase, condemnation or by other lawful means.

Equipment:

Fixed Equipment - Consists of permanently affixed/installed furniture, fixtures and equipment. Examples include but are not limited to: elevators, bulletin boards, kitchen cabinets, walk in boxes, building directories, library shelving, drinking fountains, signage, plumbing fixtures, building mechanical systems, chalkboards, backbone telecom/data/systems and electrical systems, fixed electronic equipment, and fixed theater or classroom seating, as well as other fixtures and equipment installed with the intent of permanent use in that location.

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	Revision date: 07/01/2020

CMP 130: Capitalization and Depreciation

Furniture/Fixtures and Equipment (FF&E) - Moveable furniture, fixtures, or equipment that requires no permanent connection to utilities or to the structure. They may require utility outlets, but are plug-in types. Examples include but are not limited to: moveable or non-fixed theater or classroom seating, electronic equipment, desks, chairs, bookcases, files, waste receptacles, easels, partitions, refrigerators, tables, credenzas, stools, typing stands, computer stands and other furniture, including interior wall/furniture systems. FF&E also includes scientific or technical equipment such as centrifuges, lasers, spectrometers, shop equipment/tools, kilns, and microscopes.

Building - Structures owed by Northern Arizona University for housing humans, marine, plant or animal life, materials, supplies, equipment, and mechanical apparatus. The cost of buildings includes all expenditures related directly to the acquisition or construction. These costs include materials, labor, overhead, professional fees, and building permits. All costs incurred, from excavation to completion, are considered part of the building costs.

Renovation - The reworking of an existing building or portion of an existing building, including the upgrading of major systems, which extends the useful life. Renovation includes the major replacement, or upgrading of building systems, components, or fixed equipment that is necessitated by facility obsolescence, change in use, code requirements, physical plant wear-out, and/or related interior space modifications and aesthetic improvements. Examples include but are not limited to: demolition of the interior of a building or portion thereof including the removal and subsequent replacement of electrical, plumbing, heating and air conditioning systems, fixed equipment, floor coverings and interior walls and partitions (whether fixed or moveable). The renovation of historical buildings that meet the evaluation criteria listed in the National Register of Historical Places shall be performed in accordance with the Secretary of the Interior's Standards for Rehabilitation and Guidelines for Historic Buildings.

Building Renewal - Major activities that involve the repair or reworking of a building and the supporting infrastructure that will result in maintaining a building's expected useful life. Building renewal does not include new building additions, new infrastructure additions, landscaping and area beautification, routine maintenance, or demolition and removal of a building.

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CROSS-REFERENCES

[Arizona Board of Regents - Policy Manual](#)

[CMP 430-25 Inventory of Capital Equipment](#)

[CMP 140 Intangible Assets](#)

[State of Arizona Accounting Manual \(SAAM\) – Long-Lived Resources: Capital Assets, Etc](#)

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	Responsible office: Comptroller
	Origination date: 01/01/2000
Subject: Use of Bond Proceeds	Effective date: 02/01/2003
	Revision date: 01/26/2016

PURPOSE

To establish policies, procedures and general guidelines for proper use of bond and other long term debt proceeds.

SOURCE

University Policy, ABOR, ARS Section 1681

BACKGROUND

As NAU issues additional bonds for capital improvement, the question has been raised about what expenditures are allowable with the proceeds outside of the renovation of buildings listed in the official bond statement and the Arizona Board of Regents (ABOR) approved Capital Development Plan (CDP). For example, some of the items that have been requested are; purchases of electronic equipment such as computers; furniture and fixtures; and moving and storage expenses. The Official Statement for the issuance of the bonds states that, “The Board is issuing the 20XX bonds to provide funds (i) to acquire, construct, equip and improve the 20XX Projects (as defined herein), and (ii) to pay costs relating to the issuance of the 20XX Bonds.”

ABOR has outlined guidelines in policy regarding Capital Development.

In addition, Arizona Law requires that the projects to be acquired with the proceeds of the bonds be reviewed by the Legislature’s Joint Committee on Capital Review (JCCR). JCCR reviews the capital project budgets as submitted by the Universities on a case-by-case basis. Based on both ABOR policy and past practice of JCCR in the review of capital project budgets, the University has developed the following guidelines to govern the use of bond funds.

The underlying principal is that the bond funds were provided primarily to renovate the buildings on the mountain campus, not to furnish the buildings or pay for other intangible expenses that do not have a life span commensurate with the bond term (30 years). However, certain types of expenditures for FFE have been included in capital project budgets and approved by JCCR, especially when outlined in the various phase of the project.

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CMP 131: Use of Bond Proceeds

Moving Costs

The general practice at NAU has been for departments or their parent unit to pay for moving costs. Appeals are made to the appropriate administrative (executive) office.

Occasionally, moving costs have been allowed in some state agencies by the JCCR, but have been denied in certain circumstances. Moving costs would have to be justified as part of the original capital project budget.

Storage Costs

Storage costs will not be included for the use of NAU bond funds and will need to be absorbed as operating expenses.

FFE

Furniture, fixtures and equipment have been included in a capital projects budget in past practice on a case-by-case basis. The items generally need to be considered “permanent” fixtures. A general guideline being that the lifecycle of such items may not correspond with the term of the bond repayment (30 years). FFE should be identified in the original project request and properly disclosed in the debt financing offering statement.

Electronic Equipment

The purchase of electronic equipment, predominantly computers, is of primary concern to the JCCR due to the life span issue. These items have been consistently denied by JCCR as part of a capital project budget.

Art Work

ABOR policy on Public Art for Major Capital Projects says that funds to provide public art may be budgeted for any major building to be constructed or renovated. Major buildings are those with total project costs of \$1 million or greater. Funds will be for the purpose of placing, maintaining, repairing, removing or inventorying works of art (murals, frescoes, sculptures, fountains, mosaics, etc.) in or around university facilities. The funded amount for public art shall not exceed one-half of one percent (0.5%) of the construction cost for any major building. However, Arizona State University was recently denied a request by the JCCR to include the purchase of artwork in a project. The amount included in the capital project budget was \$264,000 on a \$69,000,000 building.

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Demolition

Cost for demolition and other site preparation are allowed and have been approved as part of the capital projects budgets if the costs are in the original project plan.

Temporary (Swing) Space

Amounts for temporary space can be included for payment with bond proceeds and have been approved by the Board for bond issues.

Summary

The University has issued bonds for the purpose of renovating buildings on the mountain campus. The funds should be used for the direct expenses related to those renovations and amortized over the life of the buildings and bond term (30 years).

There are four distinct projects approved in the 20XX series bond issuance. Any other uses of the funds as outlined in the Official Bond Statement are limited to the following: facilities renovations, major building repairs, and infrastructure improvements subject to receiving all necessary required approvals. As a general rule, the University bond proceeds cannot be expended for storage costs, or other FF&E items that are not considered permanent such as computers, as they are either intangible (in the case of storage costs) or have a short useful life cycle for amortization purposes (computers). Moving cost must be justified as part of the capital project budget and are handled on a case-by-case basis.

CROSS-REFERENCES

[Arizona Board of Regents - Policy Manual](#)

[CMP 430-25 Inventory of Capital Equipment](#)

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	Origination date: 01/01/2000
Subject: Debt Policy	Effective date: 09/01/2008
	Revision date: 01/26/2016

PURPOSE

To establish policies, procedures and guidelines for debt issuance according to Arizona State law and Arizona Board of Regents Policy.

SOURCE

University Policy, ABOR, ARS

BACKGROUND

Debt financing allows NAU to purchase capital assets over time, which better matches the use of the facility or asset over its depreciable life therefore matching expense with revenues. Debt financing may also be financially beneficial if borrowing rates are below investment returns or if the University invests in capital assets which provide investment returns or construction cost savings which are larger than the cost of borrowing. Debt financing also allows the University to provide needed infrastructure more quickly than a pay-as-you go approach may permit, thereby allowing the University to better meet the educational and social needs of its constituent students, as well as the broader community. The ability to fund capital needs with the proceeds of debt issuances is a critically important function of the University as State funding of capital projects on a pay-as-you go basis has not been available since the mid 1980's.

CMP 132: Debt Policy

[NAU Debt Management Policy](#)

[Build America Bonds](#) – The University has issued Build America Bonds. Procedures for application of the subsidy payments are available in the Comptroller's Office.

Debt Capacity. The University, according to Arizona Board of Regents Policy, issues an annual Debt Capacity Report in conjunction with the Capital Improvement Plan.

[Arizona Board of Regents - Policy Manual](#)

[CMP 131 Use of Bond Proceeds](#)

[Continuing Disclosure Annual Report CMP 133](#)

[Build America Bonds Subsidy Policy CMP 134](#)

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	Effective date: 01/28/2013
	Revision date: 03/24/2020

PURPOSE

Annually by February 1st of each year the University will file the following disclosures regarding its outstanding System Revenue and Lease Revenue bonds, Certificates of Participation and SPEED Bonds using the Electronic Municipal Market Access (EMMA) system at <http://emma.msrb.org>

CMP 133: Continuing Disclosures

To ensure that Northern Arizona University efficiently carries out its continuing disclosure obligations with respect to its outstanding municipal securities and the municipal securities it issues in the future pursuant to Rule 15c2-12, as amended, under the Securities Exchange Act of 1934, as amended.

Submission of Annual Report and Comprehensive Annual Financial Report (CAFR)

1. Not later than 270 days after the end of each fiscal year, and annually thereafter, while any Obligations remain outstanding, the University shall submit the CAFR to the Municipal Securities Rulemaking Board (MSRB) through the Electronic Municipal market Access (EMMA). The CAFR shall be submitted to the MSRB within 10 days of its receipt by the Arizona Board of Regents (ABOR)
2. The Annual Report and CAFR may be provided to the MSRB through EMMA in one document or a set of documents submitted to the MSRB, or may be included by specific reference to official statements and other documents available to the public on the MSRB's website. Any such other documents provided by cross reference shall be clearly identified.
3. The Comptroller shall approve submission of the Annual Report and the CAFR to the MSRB.

Reporting of Events

The University shall file, in a timely manner, a notice of the occurrence of any event with the MSRB with respect to any Obligations to which the event is applicable, in a timely manner not in excess of ten (10) business days after the occurrence of the event, as required by the Rule. The events to be disclosed are listed on Schedule 1.

Manner of Submission

The documents, reports and notices required to be submitted to the MSRB pursuant to this Disclosure Policy shall be submitted through EMMA in an electronic format, and shall be accompanied by identifying information, in the manner prescribed by the MSRB, or in such other manner as is consistent with the Rule. A description of such

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format and information as presently prescribed by the MSRB is included in Exhibit A.

Disclosure Training for University Employees

The Comptroller's Office is responsible for conducting annual disclosure training of employees regarding this Disclosure Policy. Such training shall include a review of this Disclosure Policy, the Rule, and the events listed on Schedule 1 hereto, and shall include an overview of the University's obligations under the federal securities laws.

Issuance of Municipal Securities

Whenever the University issues obligations in a public offering, on its own or through another entity, a preliminary official statement and a final official statement shall be prepared containing financial information and operating data relating to the University. The Comptroller shall have primary responsibility for ensuring that all such information is accurate and not misleading in any material aspect. The final official statement shall also include a certification by the Vice President of Finance that the information contained in the official statement regarding the University, as of the date of each official statement, does not contain any untrue statement of material facts or omit any material facts necessary to make the information contained in the official statement, in light of the circumstances under which it was provided, not misleading. The University shall enter into a continuing disclosure agreement with the underwriter of each issue of Obligations. The Vice President of Finance shall approve the preliminary and final official statements and the continuing disclosure agreements prior to dissemination to the public.

Additional Information

Nothing in this Disclosure Policy shall be deemed to prevent the University from voluntarily disseminating any other financial information, operating data or other material information using the means of dissemination set forth in this Disclosure Policy or any other means of dissemination. The following is a list of required documents for each debt type:

System Revenue Bonds:

- Schedule of Historical Gross Revenues;
- Schedule of Gross Revenues and Debt Services Requirements, but only as it relates to the column labeled Total Debt Service Requirements; and
- Receipts from Other Major Revenue Sources.

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SPEED bonds:

- a. Historical State Lottery Distributions by Program, as it relates to distributions to the SPEED Fund;
- b. Schedule of Historical System Revenues;
- c. Schedule of System Revenues and Debt Services Requirements, but only as it relates to the column labeled Total Debt Service Requirements; and
- d. Receipts from Other Major Revenue Sources.

Lease Revenue Bonds:

- a. Schedule of Historical Gross Revenues;
- b. Outstanding System Revenue Bonds, Certificates of Participation and Other Obligations;
- c. Statement of Revenues, Expenses, and Changes in Net Position;
- d. Comparative Breakdown of Current Operating Funds Balance;
- e. Total Student Enrollment;
- f. Undergraduate Applications, Admissions and Enrollments;
- g. Graduate Applications, Admissions and Enrollments.

Certificates of Participation

- a. Total Student Enrollment;
- b. Undergraduate Applications, Admissions, and Enrollment;
- c. Graduate Applications, Admissions and Enrollment;
- d. Statement of Revenues, Expenses, and Changes in Net Position;
- e. Combined University and Component Units;
- f. Schedule of Tuition and Registration Fees Per Student;
- g. Tuition for Out-of-State Students;
- h. Summer School & Other Fees;
- i. Legislative Appropriations;
- j. Comparative Breakdown of Current Operating Fund Balances;
- k. Schedule of Historical Gross Revenues;
- l. Receipts from Other Major Revenue Sources;
- m. Summary of Current Operating Funds, Gifts, Grants & Contracts;
- n. System Revenue Bonds Outstanding;
- o. Certificates of Participation;
- p. Other Obligations;
- q. Debt Service Requirements.

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SCHEDULE 1

SEC Rule 15c2-I2 requires notification of the occurrence of any of the Events listed as (1) through (14) below with respect to any applicable Obligation. Notification must be provided in a timely manner, but not more than ten (10) business days after its occurrence.

1. Principal and interest payment delinquencies;
2. Nonpayment related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, or a Notice of Proposed Issue (IRS Form 5701- TEB) or other material notices of determinations with respect to tax status of the Obligations, or other events affecting the tax status of the Obligations;
7. Modifications to rights of registered owners of the Obligations, if material;
8. Redemptions (excluding mandatory sinking fund redemptions), if material, and tender offers;
9. Defeasances;
10. Release, substitution or sale of property securing repayment of the Obligations;
11. Rating changes;
12. Bankruptcy, insolvency, receivership, or a similar proceeding by an obligated person;
13. Consummation of a merger, consolidation, acquisition involving an obligated person, or sale of all or substantially all of the assets of an obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or determination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

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14. Appointment of an additional or a successor trustee, or the change in name of a trustee, if material.

EXHIBIT A

MSRB PROCEDURES FOR SUBMISSION OF CONTINUING DISCLOSURE DOCUMENTS AND RELATED INFORMATION

Securities and Exchange Commission Release No. 34-59061 (the "Release") approves an MSRB rule change establishing a continuing disclosure service of the MSRB's Electronic Municipal Market Access system ("EMMA"). The rule change establishes, as a component of EMMA, the continuing disclosure service for the receipt of, and for making available to the public, continuing disclosure documents and related information to be submitted by issuers, obligated persons and their agents pursuant to continuing disclosure undertakings entered into consistent with Rule 15c2-12 ("Rule15c2-12") under the Securities Exchange Act of 1934. The following summarizes procedures for filing continuing disclosure documents and related information with the MSRB as described in the Release.

Continuing disclosures consist of important information about a municipal security that arises after the initial issuance of the bond. This information generally reflects the financial or operating condition of the government or agency issuing the bond over time. As well as specific events occurring after issuance that may have an impact on the ability of the issuer to repay the bond, the value of the bond if it is bought or sold prior to its maturity, the timing of repayment of principal, and any number of other key features of the bond. The University or other agency issuing the bond prepares this information. Each bond has its own unique set of continuing disclosures, and not all types of continuing disclosures apply to every bond. Continuing disclosures are intended to assist investors in determining the suitability of a bond, as well as potential risks associated with the credit of the issuer.

All continuing disclosure documents and related information are to be submitted to the MSRB, free of charge, through an Internet-based electronic submitter interface or electronic computer-to-computer data connection, at the election of the submitter. The submitter is to provide, at the time of submission, information necessary to accurately identify: (i) the category of information being provided; (ii) the period covered by any annual financial information, financial statements or other financial information or operating data; (iii) the issues or specific securities to which such document is related or otherwise material (including CUSIP number, issuer name, state, issue description/securities name, date, maturity date and/or interest rate); (iv) the name of any obligated

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person other than the issuer; (v) the name and date of the document; and (vi) contact information for the submitter. Submissions to the MSRB are to be made as portable document format (PDF) files configured to permit documents to be saved, viewed, printed and retransmitted by electronic means. If the submitted file is a reproduction of the original document, the submitted file must maintain the graphical and textual integrity of the original document. In addition, as of January 1, 2010, such PDF files must be word-searchable (that is, allowing the user to search for specific terms used within the document through a search or find function), provided that diagrams, images and other non-textual elements will not be required to be word-searchable.

All submissions to the MSRB's continuing disclosure service are to be made through password protected accounts on EMMA by: (i) issuers, which may submit any documents with respect to their municipal securities; (ii) obligated persons, which may submit any documents with respect to any municipal securities for which they are obligated; and (iii) agents, designated by issuers and obligated persons to submit documents and information on their behalf. Such designated agents are required to register to obtain password-protected accounts on EMMA in order to make submissions on behalf of the designating issuers or obligated persons. Any party identified in a continuing disclosure undertaking as a dissemination agent or other party responsible for disseminating continuing disclosure documents on behalf of an issuer or obligated person will be permitted to act as a designated agent for such issuer or obligated person, without a designation being made by the issuer or obligated person as described above, if such party certifies through the EMMA on-line account management utility that it is authorized to disseminate continuing disclosure documents on behalf of the issuer or obligated person under the continuing disclosure undertaking. The issuer or obligated person, through the EMMA on-line account management utility, is able to revoke the authority of such party to act as a designated agent.

The MSRB's internet-based electronic submitter interface (EMMA Dataport) is at www.emma.msrb.org.


Additional Resources:

[NAU Debt Policy CMP 132](#)

[Form 8038CP Filing Instructions](#)

[Internal Revenue Service Build America Bonds and Direct Payment Subsidy Implementation](#)

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Subject: Build America Bonds Subsidy Procedure	Effective date: 01/01/2010
	Revision date: 12/2/2014

PURPOSE

To establish a procedure for requesting the Build America Bonds subsidy payment under § 54AA of the Internal Revenue Code (“Code”) for the refundable credit payment.

CMP 134: Build America Bonds Subsidy Procedure

Procedure for Build America Bond Subsidy Application

- 1) The University Comptroller’s Office will file, within 90 but not less than 45 days of the debt payment due date, an IRS form 8038CP.
 - a. This form is available online from the Internal Revenue Service
 - b. This form must be completed accurately and timely
 - c. The form should be signed by the University Comptroller or designee
- 2) The 8038CP should be accompanied by a schedule of all CUSIPS related to the Build America bond issuance
- 3) A debt repayment schedule for the Bond issuance should be included
- 4) A copy of the 8038G for the bond issuance should be attached. This form is typically provided by the university bond counsel.
- 5) The completed form should be copied and mailed to: Internal Revenue Service Ogden, UT 84201-0020
- 6) The check or wire from the IRS for the subsidy payment should be deposited / recorded according to University policy for cash handling.

The current due dates for NAU Build America bond payments are:

BABS Series 2009, June 1st and December 1st and BABS Series 2010 (SPEED Bonds) February 1st August 1st. The subsidy form should be filed 45-90 days prior to this debt service payment date.

CROSS-REFERENCES

[NAU Debt Policy CMP 132](#)

[Form 8038CP Filing Instructions](#)

[Internal Revenue Service Build America Bonds and Direct Payment Subsidy Implementation](#)

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Subject: Scholarship Allowances	Effective date: 01/01/2001
	Revision date: 01/26/2016

PURPOSE

To establish policies and procedures for accounting and reporting of Scholarship Allowances under GASB 35

SOURCE

University Policy, GAAP, GASB 34 and 35, ABOR

BACKGROUND

The Governmental Accounting Standards Board issued Statements 34 and 35 to be effective for Governments with total annual revenues of 100 million or more for periods beginning after June 15, 2001. These statements mandated the accounting and reporting of revenues net of discounts and allowances. The statements apply to all public colleges and universities and provide a financial reporting model that shall be implemented for our 2002 fiscal year.

DEFINITION

A scholarship allowance is the difference between the stated charge for goods and services provided by NAU and the amount which is billed to students and/or third parties making payments on behalf of students. Funds received to satisfy student tuition and fees will be reported as revenue only once and only amounts received from students and third-party payers to satisfy tuition and fees will be recognized as tuition and fee revenue. Tuition, Fees and Housing paid by Scholarships or financial aid, which has already been reported as revenue by the University will be excluded from tuition, fees and housing revenue.

CMP 135: Scholarship Allowances

Policy established by NAU:

- A. Scholarship Allowances shall apply only to Tuition and Fees and Housing as agreed upon by the three state universities. It was determined that any other fees (i.e. Health center, parking, other accounts receivable) paid from Financial Aid would be immaterial. For Audit purposes, a report identifying the materiality of Other A/R will be provided.

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CMP 135: Scholarship Allowances

B. Revenue will be disclosed net of Scholarship Allowance with the amount of Scholarship Allowance shown parenthetically on the Financial Statement. The tuition and fees revenue to which Scholarship Allowance is associated includes Instate registration, Out-of-State tuition, Class fees, Music fees, late registration, late payment, recreation center, and Trust. Insurance and ASA fees are not included in Scholarship Allowance as these fees are recorded in the Agency fund.

C. Scholarship Allowance will not change the current accounting practices. Financial reports will be adjusted by information acquired through ad hoc reporting. A year end adjustment will be made to the general ledger in the adjustment fund to reflect the scholarship allowance.

D. The following criteria is to determine if PeopleSoft financial aid item type codes are to be included as a Scholarship Allowance and have been identified in the attached listing:

1. Item Types that pay tuition and fees and housing from Departments where financial aid was recorded as revenue in the Restricted Fund are included as a scholarship allowance. If the financial aid was reported as revenue in the Agency Fund it is not included as a scholarship allowance when tuition and fees and housing are paid. The revenue has not been reported twice.
2. Graduate Waivers are considered Scholarship Allowance and not compensation (employee benefit). Health Insurance provided to graduate students is considered an extension of the scholarship. Graduate health insurance is not a scholarship allowance as the revenue is recorded in the Agency Fund and is not revenue to the university.
3. Special Billing (S/B) is generally not considered to be a Scholarship Allowance. The third party pays the tuition and fees directly to the students account.
4. Department Billing Item Types (D/B) pay tuition and fees from a department. The fees are usually paid from a grant account where revenue has already been reported when the grant money was received. In this case the D/B Item Type would be included as a scholarship allowance. However, if the department is in the agency fund then the D/B Item Type would not be included as a scholarship allowance. D/B Item Types should be reviewed each year to determine exceptions.
5. Federal and State Grants that are reported in the Restricted Fund are considered to be a Scholarship Allowance.
6. Athletic awards for housing rent are not recorded as a financial aid disbursement but are considered to be a Scholarship Allowance. The funds are taken from athletics to pay housing using a document in PeopleSoft Financials. The source of the funds from the athletics account comes from NAU's local tuition and fees account. Therefore the source of the money is internal.

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CMP 135: Scholarship Allowances

The amount of funds transferred from Athletics to Housing can be obtained from the Business Manager in Residence Life or running an ad hoc report on housing internal documents.

7. STAR program awards that are in the Restricted Fund or supported by a State Appropriation are considered to be a Scholarship Allowance.

8. Student Loans are not included as a Scholarship Allowance. The student is actually paying his own fees. It is just being deferred to a later date.

E. Tuition remission policies developed as employee benefits should be accounted for as employee compensation and include Employee Waivers but not Graduate Assistantships. Teacher Certificates and Legislative Interns are considered an employee benefit.

F. Information to report on scholarship Allowance is obtained through the PeopleSoft Data Warehouse. Scholarship Allowance transactions from People Soft Financial Aid Item Types are identified using the following criteria:

1) Any financial item types (item code of “F”) not pointed to an agency fund and with the following item type keyword1:

Key Word
GRANTS
SB CODES
SCHOLARS1
SCHOLARS2
SCHOLARS3

2) Any financial item types with an item code equal to ‘F’ that goes to the Scholarship department ID equal to ‘1700110’.

A complete listing of People Soft Financial Aid Item Types is available from the Comptroller's Office upon request.

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Subject: Intangible Assets	Effective date: 07/01/2009
	Revision date: 11/07/2018

PURPOSE

To establish policies and procedures for identifying and recording intangible assets.

SOURCE

University Policy, GAAP, GASB 51, State of Arizona Accounting Manual (SAAM)

CMP 140: Intangible Assets

140 – Intangible Assets

Intangible assets are defined as intangible resources that lack a physical substance, are nonfinancial in nature (e.g. investment securities) and have a useful life that extends beyond a single fiscal year. Examples include right of way easements, licenses and permits, patents and computer software, both acquired (purchased or licensed) from a vendor or internally generated (e.g. internally developed patent).

This policy does not apply to:

- 1) assets that meet the description in the preceding paragraph if the asset is acquired or created primarily for the purpose of obtaining income or profit,
- 2) assets resulting from capital lease transactions, or
- 3) goodwill created through the combination of a government and another entity.

If more than minimal incremental effort has been expended (i.e., more than thirty percent 30% of the cost of the underlying purchased resource) with respect to an intangible resource in order for it to begin to achieve its expected level of service capacity, the intangible asset is to be treated as an internally generated resource as discussed herein.

If the cost of intangible resources meets or exceeds the monetary thresholds shown in the intangible resource capitalization table below, these intangible resources are to be capitalized and their cost amortized over the applicable useful life. If the cost of these types of intangible resources is less than the monetary thresholds, the intangible resources are to be expensed.

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CMP 140: Intangible Assets

Asset	Capitalization Threshold	Useful Life
Computer Software >\$10 Million	\$10 Million	10 years (4)
Computer Software <\$10 Million	\$1 Million	5 years (4)
Websites	\$100 Thousand	3 years
Non-Software Licenses and Permits	\$100 Thousand	(1)
Patents	\$100 Thousand	(1)
Copyrights and Trademarks	\$100 Thousand	(1)
Rights-of-Way and Easements	\$100 Thousand	(2)
Natural Resource Extraction Rights	\$100 Thousand	(3)
Other Intangible Assets	\$100 Thousand	(1)

Notes:

- (1) The shorter of the legal or the estimated useful life is to be used; if the life is indefinite or unlimited—as may be the case with licenses or permits—then do not amortize.
- (2) If the value is separable from the underlying land, then the shorter of the legal or the estimated useful life; if the life is indefinite or unlimited, then do not amortize. If the value is inseparable from the underlying land, then do not amortize.
- (3) If the value of the intangible asset is identifiable, then the shorter of the legal or the estimated useful life is to be used for amortization; if the legal or useful life is indefinite or unlimited, then the underlying asset is not to be amortized. If the value of the intangible resource is indeterminable, unidentifiable, or inseparable from another asset to which it appertains (as might be the case when the purchase of land includes extraction rights, but no isolatable cost is attributed to those rights), then do not amortize the intangible asset.
- (4) If the computer software is licensed, the shorter of the legal or estimated useful life is to be used.

140.1 - Internally Generated Intangible Assets

Internally generated intangible assets arise in one of two ways. They are either developed internally or are acquired from a third party and require more than minimal effort by the University before their expected level of service capacity is achievable.

In general, capitalizations of costs for internally generated intangible assets are to occur only after all of the following criteria have been met:

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1. The specific objective of the project, including its intended service capacity, has been determined.
2. The technical feasibility of the project has been demonstrated (primarily for internally generated assets).
3. The intention and ability to complete or continue development has been demonstrated and can be exhibited by a commitment to fund the project.

Additional requirements apply to internally generated computer software as described in section [140.2](#).

In determining the costs of incremental efforts, third party contract costs, direct labor and associated employee related expenses, and other direct costs should be included. In general, activities characterized as configuration and customization are to be excluded from the base acquisition cost and should be treated as part of the incremental effort. Allocations of indirect costs or overhead should be excluded from the cost of incremental efforts.

Costs incurred during the application development stage that are to be capitalized should be accumulated as Development in Progress until the project is implemented. Upon implementation, project costs should be transferred from Development in Progress to Intangible Assets, at which time amortization of the cost of the project should begin.

140.12 - Internally Generated Computer Software

In addition to the general capitalization criteria of section 140.1, the following requirements apply to internally generated computer software. The requirements are grouped according to the activities involved in creating and/or significantly modifying commercially available software as follows:

1. The preliminary project stage includes the conceptual formulation and evaluation of alternatives, the determination of needed technology, and the final selection of alternatives for the development of the software. Costs incurred during the preliminary project stage should be expensed.
2. The application development stage includes the design of the chosen path, including software configuration and interfaces, coding, installation to hardware, and testing (including parallel processing). Costs directly related to application development stage activities should be capitalized up to the point that the software is substantially complete and ready for its intended use. If data conversion is necessary to make the software operational, it is considered an activity of the application development stage and, therefore, associated costs are capitalized.

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3. The post-implementation/operation stage includes training and software maintenance. Costs incurred during the post-implementation stage, such as annual maintenance fees should be expensed unless such costs constitute betterment.

140.2 - Software Modifications

For software internally generated or otherwise acquired, updates and minor upgrades to software that are often included with a maintenance subscription should be expensed. Major upgrades that increase the capacity or efficiency or extend the application's useful life and/or can be sold separately from the annual maintenance contract should be capitalized if:

1. The intangible resource to which the upgrade pertains has been capitalized and the upgrade costs are more than thirty percent (30%) of the underlying cost of the originally acquired or internally generated software, the upgrade should be treated as betterment and capitalized.
2. The intangible resource to which the upgrade pertains has not been capitalized (as might be the case with software that went into use before July 1, 2009), but the cost of the upgrade equals or exceeds the relevant capitalization threshold; the upgrade should be treated as a betterment and capitalized.

If the upgrade does not satisfy the conditions set forth in either paragraphs 1) or 2) above, it should be expensed. Other modification outlays, including outlays that do not (a) result in upgrade or improvement, or (b) extend the useful life of internally developed software, are expensed as incurred.

140.3 - Effective Dates and Retroactive Capitalization

The effective date of this policy is 7/1/2009. Software, websites and other intangible resources acquired from an external entity by way of purchase, license or donation on or after July 1, 1980, which have previously been expensed, are to be retroactively capitalized when the resource is still in use and if the applicable acquisition cost equals or exceeds the relevant threshold. When records documenting the cost of such resources are no longer extant, estimates are to be used. No retroactive capitalization of internally generated intangible resources that have previously been treated as expenses is required. Furthermore, no capitalization is required for projects that were started before, but not completed by, June 30, 2009, and the costs of such projects, even if incurred after June 30, 2009, should be expensed.

Costs incurred in connection with projects that begin on or after July 1, 2009, and result in the internal generation of intangible resources should be capitalized if the total of the costs meets or exceeds the applicable threshold.

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Procedures

To ensure compliance with CMP 140 reporting requirements, all activities that generate or result in the acquisition of intangible resources must be appropriately tracked in PeopleSoft Financials as described below if there is more than a remote possibility that the total costs of the intangible resource under consideration that are eligible for capitalization will meet or exceed the relevant [capitalization threshold](#).

Determine need to capitalize costs – if an intangible resource can be broken up into separate modules/phases that are implemented on an individual time table, including different implementation dates, each module/phase should be considered a separate project for the purpose of determining capitalization requirements.

1. Project management establishes a project budget to determine if costs associated with the intangible resource have more than a remote possibility of exceeding the relevant capitalization threshold. The following guidelines should be followed when establishing the project budget:
 - a) Include all estimated costs regardless of funding source.
 - b) The budget should identify development costs to be incurred during the project or application development phase (capitalized costs). Include only those costs that directly contribute to getting the intangible resource ready for use (e.g., contractor costs, personnel service costs and related ERE, and miscellaneous direct costs). Exclude hardware costs and training costs as they are generally expensed, or in the case of hardware capitalized separately if over \$5,000. See Q&A #9, 10 & 11)
 - c) The budget should identify the acquisition cost associated with the resource (e.g. software purchased/licensed from vendor).
 - d) To determine if an intangible resource is to be considered an internally generated asset, divide the development costs (b) by the any acquisition cost (c).

See [Intangible Asset Budget Template](#) for estimating intangible assets costs

2. Project management completes the [Intangible Asset Questionnaire](#) and sends it to [Financial Accounting Services \(FAS\)](#)

Tracking and reporting project costs - Applicable only if it is determined that there is more than a remote possibility the costs associated with the intangible resource will exceed the relevant capitalization threshold.

3. Request that a dedicated project account (Department) be setup through the Budget Office for any new or dedicated funding. The new account should be identified as an intangible asset project account.

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4. Identify a Project Manager who is responsible for developing a project plan. For software projects, the project plan must clearly identify specific begin and end dates for the development phase described in section [140.2](#). Any changes to these dates must be communicated to FAS to ensure capitalization adjustments are accurately reported. It is recommended that appropriate stages similar to those applied to the development of software and websites be established for other internally developed intangible resources (e.g., patents and copyrights) to help determine whether costs should be expensed or capitalized.
5. All project costs budgeted against the dedicated project account must be charged directly to that account (Department) and funds cannot be transferred from the dedicated project account to other accounts to pay for project related costs.
6. At a minimum, any personnel service, ERE and other project costs incurred against the overall project budget must be accumulated and reported to FAS on a monthly basis. Contact FAS for further instructions.
7. FAS will be responsible for making adjustments within PeopleSoft Financials to capitalize personnel service and related ERE costs, recording year-end "Completion-in-Progress" entries and final capitalization entries. All salary and ERE capitalization adjustments will be made through GASB adjustment accounts, and they will not impact the recording of original salary and ERE costs.

Examples

Internally Generated Patent:

Assume a university conducts research on developing medical instruments and supplies that improve the effectiveness and efficiency of surgical procedures. One aspect of the university's research is in the area of supplies used to close surgical incisions, such as stitches and staples. After months of exploratory research in this area, university researchers discovered a combination of microfibers that, when applied in the form of a stitch, proved in initial tests to be significantly more durable than existing stitches. Additionally, they would dissolve upon the natural healing of the wound. The university researchers believe that these new stitches would be especially effective in surgeries requiring large incisions.

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In February 201X, the data accumulated from the research described above were presented to the vice president for research. Based on the presentation, the vice president formally sought approval from the university's cabinet for five full-time researchers and \$500,000 to fund personnel and other outlays for a project to develop the new material for the stitches. The goal of the project would be to acquire a patent for the new stitch material. The vice president demonstrated to the cabinet that the technological advancement of the new stitch supported by the patent would improve the quality of services provided to patients of the hospital operated by the university.

The university should begin to capitalize outlays associated with the development of the project and acquisition of the related patent upon the authorization of resources by the cabinet (February 201X). At this point, the specified-conditions criteria for recognizing internally generated intangible assets appear to be met. The objective of the project has been identified as the acquisition of a patent related to the creation of a new stitch material formed from a combination of specific microfibers. The university has determined that the patent would provide service capacity through the improvement of services provided to patients of its hospital. The initial tests and other general research performed provide a basis for the technical feasibility of the creation of the new stitch material. Lastly, the university's commitment of personnel and the \$500,000 to fund the outlays of the project demonstrate its current intention, ability, and presence of effort to continue or complete the work needed to acquire the patent. The \$500,000 budget exceeds the \$100,000 capital threshold for patents so project costs incurred after February 201X should be capitalized until such time as the project is substantially complete. No outlays associated with the project incurred prior to meeting the specified conditions in February 201X should be capitalized. Those outlays should have been expensed as incurred.

Internally Generated Computer Software:

Assume that in January 201A, a college identified the need for new student receivables billing software. Upon identification of this need, the college assembled a project task force composed of staff from various departments. From February through May 201A, the task force performed numerous tasks related to the project including the following:

- Determining the performance requirements of the new software through interviews with operators of the software and users of information to be provided by the software.
- Determining the system requirements for the new software, including assessing the compatibility of existing hardware and other interfaced software, such as the city's general ledger system.
- Assessing in-house information technology resources to determine whether the software should be developed internally or if commercial software packages should be explored.

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- Issuing a request for proposals for commercial software packages and installation services and conducting interviews with proposing vendors.

Based on the recommendation of the task force, the college reserved \$2.15 million in its FY 201B budget to cover the cost of the implementation project. The college awarded a contract in the amount of \$1.6 million to a software company to acquire a perpetual license to use its application as modified to meet the college's needs. As part of the contract, the company would be responsible for installation and modification of the software, while several college employees would be dedicated to the project full time until its completion.

Installation of the software occurred from October through February 201B. Testing of the software and resulting modifications were completed in April 201B, at which point the software was considered to be substantially complete and operational. Entry of data and training of software users and operators occurred during May 201B so that the software could be used for the FY 201C fall billing.

The college determined that the aggregate outlays for the software project were \$2.30 million, composed of the following:

- Outlays associated with task force activities from February through May 201A: \$.15 million (budgeted in FY 201A)
- Outlays for commercial software and installation services during FY 201B: \$1.6 million
- Outlays for payroll and related costs associated with employees involved in installation, required data conversion, and testing of software during FY 201B: \$0.3 million
- Outlays for training software users and operators during FY 201B: \$0.15 million
- Outlays for payroll and related costs associated with employees involved in entry of data for new students during FY 201B: \$0.1 million

The activities of the task force should be considered preliminary project stage activities, and the related outlays should be expensed as incurred. Therefore, for the fiscal year ended June 30, 201A, the college should record the outlays associated with the task force activities of \$.15 million as an expense.

The acquisition of the license to use the commercially available software and the installation and testing activities occurring in FY 201B should be considered application development stage activities. The related outlays of \$1.9 million (\$1.6 million payment to vendor and \$.3 million of salaries) should be capitalized in FY 201B as the preliminary project stage had been completed in FY 201A, and the college

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allocated resources for the project, providing evidence of its commitment to complete the project.

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The training activities occurring in FY 201B should be considered post-implementation/operation stage activities and expensed as incurred. Additionally, the outlays associated with the data entry activities for new students also should be expensed because they were not essential data conversion related to the implementation. Therefore, for FY 201B, the college should record the outlays associated with the training and new student data entry activities of \$0.25 million as an expense.

Definitions (SAAM and NAU)

Application Development Stage – A phase in the internal development of software which includes design, coding, configuration, testing, installation and, if applicable, parallel processing.

Computer Hardware – Computer hardware consists of all the equipment that can be considered a component of, is typically attached to, or communicates with an information system. The term encompasses processing units, memory apparatus, input and output devices, storage devices, and connectivity equipment.

Computer Software – Computer software includes the non-equipment components—operating systems and applications purchased or licensed — of an information system. Application software is computer software designed to help the user to perform singular or multiple related specific tasks.

Easements – an interest in land owned by another that entitles its holder NAU to a specific limited use or enjoyment.

Excluded Intangibles – Classes of intangibles excluded by GASB 51 from treatment as an intangible asset. Such intangibles include financial assets such as cash, investment securities, receivables and prepayments. Excluded intangibles also include: intangibles that are acquired primarily for the purpose of directly obtaining income; intangibles resulting from capital lease transactions reported by lessees; and, goodwill created through the combination of a government and another entity.

Expensed Intangible — an intangible that, because of its nature and relatively low monetary value, is expensed rather than capitalized.

Incremental Expense – Additional costs incurred with respect to bringing a purchased intangible up to the expected, planned or necessary level of service or capacity. With respect to software, for example, incremental expenses would include custom programming to accomplish needed reporting or integration with other systems.

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Intangible – Lacking physicality; unperceivable by the sense of touch.

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Intangible Asset – An intangible resource that, because of its nature and value, is capitalized.

Intangible Betterment – An improvement made to an intangible asset.

Intangible Resource – An intangible resource is an identifiable resource that lacks a physical substance and has a useful life that extends beyond a single fiscal year. Specifically excluded from the term “intangible resource” are investments and other financial instruments, property held under the terms of a capital lease, and goodwill (which might arise from the creation of an organization that combines a public and a private entity). Also excluded are monetary assets, such as cash, or claims to monetary assets, such as accounts receivable, or prepayments for goods or services. Depending upon its nature and value, an intangible resource is treated, for accounting purposes, either as an expensed intangible or as an intangible asset.

Internally Generated Intangible Resource – An intangible resource is internally generated if it is created by the Government of the State of Arizona, one of its constituent units, or by an entity contracted by the Government of the State of Arizona or one of its constituent units. An intangible resource purchased from an outside source is considered internally generated, if incremental expenses exceed thirty percent (30%) of the cost of the underlying intangible that was purchased.

Internally Generated Intangible Asset – An internally generated intangible resource that by virtue of its cost is capitalized.

Internally Generated Software – A special class of internally generated intangible resource that incorporates the programs and related files designed to operate on a computer.

Internally Generated Software Asset – Internally generated software that, due to its cost and related considerations, is capitalized.

License – a grant by the holder of a copyright or patent to another of any of the rights embodied in the copyright or patent short of an assignment of all rights. For purposes of capitalization thresholds, the computer software threshold should apply to licensed computer software.

Minimal Incremental Effort – A threshold used to determine whether costs related to a given intangible resource—most frequently software—should be capitalized or expensed. Intangible resources, even those resources purchased from a third party, are considered to be internally generated if they require more than

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minimal incremental effort to begin to achieve their expected level of service capacity. The threshold of minimal incremental effort is considered crossed once the government's expenditures to place an intangible resource (such as computer software) into service exceed thirty percent (30%) of the cost of the underlying intangible that was purchased.

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Post-Implementation Stage – A phase in the internal development of software that follows application development. This phase includes the operation and maintenance of the software as well as the training of users, operators and those charged with its maintenance.

Preliminary Project Stage – A phase in the internal development of software. This phase includes the definition of functional and technical needs and the evaluation of alternative approaches to the development or acquisition of software.

Website - A website is a collection of related web pages, images, videos or other digital assets that are addressed relative to a common Uniform Resource Locator (URL), often consisting of only the domain name, or the IP address, and the root path ("/") in an Internet Protocol-based network. A web site is hosted on at least one web server, accessible via a network such as the Internet or a private local area network.

Web Application - A web application is a type of a software application that is accessed over a network such as the Internet or an intranet.

CROSS-REFERENCES

[Arizona Board of Regents - Policy Manual](#)

[CMP 430-25 Inventory of Capital Equipment](#)

[CMP 130: Capitalization and Depreciation](#)

[State of Arizona Accounting Manual \(SAAM\) – Long-Lived Resources: Capital Assets, Etc](#)

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	Origination date: 01/01/2000
Subject: Department and Fund Structures	Effective date: 01/01/2000
	Revision date: 05/01/2020

PURPOSE

To describe the NAU Department, Fund structures and account number structures.

SOURCE

University Policy

CMP 201: Department/Fund Structures

Department Structure

Accounting transactions are charged or credited to expenditure and revenue centers. These expenditure and revenue centers are referred to as Departments. Each department:

1. is assigned to one fund, with each fund having its own purpose and funding sources, e.g., State General Operating Fund, Designated Fund, Plant Fund (see table below for a description of the accounting areas)
2. has a Department Manager who has overall responsibility for the Department (see [CMP 203](#), Department Manager Responsibilities), and
3. may contain (a) revenues only, (b) expenditures only, or (c) both revenues and expenditures and the corresponding fund balance.

All departments/funds must follow University policy and procedures when collecting revenue and making expenditures. University policy applies to all departments/funds. There are no “personal” funds. All funds are University funds.

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CMP 201: Department/Fund Structures

Funds Commonly Used by Departments

Accounting Area	Funds	Number Sequence	Fund Description	Major Funding Sources	
General Operating NAU	State	First two digits of Fund are 11 and 15	State Funds held by the state treasurer distributed monthly to NAU	State appropriations, tuition and fees	See COM 401-03 "Prohibited Transactions" and COM 420-02 "Food and Refreshments"
General Operating NAU - Yuma	State	First two digits of Fund are 12	State Funds held by the state treasurer distributed monthly to NAU	State appropriations, tuition and fees	See COM 401-03 "Prohibited Transactions" and COM 420-02 "Food and Refreshments"
Designated Funds – Summer Session	Hybrid State/ Local	First two digits of Fund are 21	Self-supporting calendar year basis of accounting. Budgeting for Summer Sessions is handled through the local budgeting process	Summer Session registration fees	All Personal Services and all other operating expenditures must be directly related to Summer Session instruction
Indirect Cost Recovery Funds – Designated Funds	Local	First two digits of Fund are 24	Resources received and expended which are to support the research activities of the university and to engage in initiatives for research expansion, these are not personal funds	Indirect cost recovery	See COM 401-03 "Prohibited Transactions" COM 420-02 "Food and Refreshments" and Guidelines for expenses charged to indirect costs

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Accounting Area	Funds	Number Sequence	Fund Description	Major Funding Sources	Prohibited Transactions
Designated Funds – NAU	Local	First two digits of Fund range between 22 and 29, excluding 24 (see above)	Resources received and expended which have been designated for a specific purpose by the university	Gifts, registration fees retained at NAU, investment income, and departmental sales and services	See COM 401-03 “Prohibited Transactions” and COM 420-02 “Food and Refreshments”
Restricted Funds – Grants and Contracts	Grants	First digit of Fund starts with 3	Grants and contracts restricted by donors and outside agencies for a specific purpose, to be used as the grant or donor stipulate	Grants and contracts from governmental agencies and private industry	Transactions outside of donor’s restrictions
Auxiliary Funds – NAU	Local	First two digits of Fund range between 42 and 49	Substantially self-supporting activities such as residence halls, Parking Services, NAU Bookstore and Intercollegiate athletics	Residence hall charges, dining revenue, parking sales, bookstore sales, athletic events, etc.	See COM 401-03 “Prohibited Transactions” and COM 420-02 “Food and Refreshments”
Agency	Local	First two digits of Fund range from 71 to 79	Funds held by NAU as custodian for university-affiliated organizations		
Loan Funds- Financial Assistance	Local	First two digits of Fund range from 51 to 59	Financial assistance awarded to eligible students. These funds are maintained by Student Account Services	Grants from government agencies and gifts from private sources	All transactions except financial assistance payments
Endowment Funds	Local	First two digits of Fund start with 81	Funds where principal is non-expendable (held in perpetuity) use of Income is restricted by donor.	Gifts from donors or internal designations. Income from endowment	Principal (corpus) non-expendable

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Transaction Code Structure

Transactions within each Department are coded to account numbers. These account numbers classify:

1. revenues by source (e.g., state appropriations, private gifts, and auxiliary sales), and
2. expenditures by nature (e.g., student hourly pay, office supplies, maintenance and repair, professional services, and postage).

CMP 201: Account Number Structures

Each department has its own set of account numbers, based on the revenues that should be credited and expenditures that should be charged to the department. The complete account number for a transaction consists of six digits.

The current revenue account numbers and expenditure account numbers are listed in [Enterprise Reporting](#), under General Accounting, PS Financials Code Descriptions.

To request a new revenue account number or expenditure account number, please contact the Comptroller's Office. All requests must be justified in terms of reporting and or budget purposes.

CROSS-REFERENCES

For information on the establishment of new Departments, see [CMP 202](#), Establishment of Departments.

COMPTROLLER POLICY MANUAL

 NORTHERN ARIZONA UNIVERSITY	POLICY: CMP 202
	Section: 200 Departments
	Page 1 of 3
	Responsible office: Comptroller
	Origination date: 01/01/2000
Subject: Establishment of Departments	Effective date: 01/01/2000
	Revision date: 03/27/17

PURPOSE

To provide a procedure for the establishment of new departments

SOURCE

University Policy

APPLICABILITY

All university departments except grant and contract services and facility services departments. See [CMP 211](#), "Office of Sponsored Projects," for a description of a sponsored department.

"Facility Services Departments" are handled differently from other Departments. See description below.

BACKGROUND

The university's accounting system consists of numerous individual Departments (i.e., responsibility centers) designed to record and report transactions related to specific activities. The reporting needs of a particular department may change as the activities of the department change. When the reporting needs of a particular department are not readily met using the currently assigned departments account numbers, establishing a new department may be necessary. Communication between the department, Budget Office, and the Comptroller's Office can determine what additions, changes, or enhancements in the reporting structure are appropriate.

POLICY

The Budget Office and the Comptroller's office have responsibility for establishing Departments and the procedures for requesting new Departments other than Grant and Contract Departments.

COMPTROLLER POLICY MANUAL

 NORTHERN ARIZONA UNIVERSITY	POLICY: CMP 202
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Subject: Establishment of Departments	Effective date: 01/01/2000
	Revision date: 03/27/17

CMP 202: Establishment of Departments

General Guidelines

The department manager should request the new Department by e-mail or memo through their chain of command (this includes their Area Contact Representative listed in [CMP 204-04](#)) to the Budget Office (PS Financial New Department Request Form is referenced below). In your request, please answer the following questions:

WHO - Who will be the department manager, and who will be receiving reports other than the department manager?

WHAT - What is the name of the new Department and what type of activity will it be engaged in (see list below)?

WHEN - When is the new Department to become effective?

WHERE - Where will the new activity be reporting? If the Department is already established, what Department will the organization be assigned to? If a new Department is to be established, what jurisdictional area (i.e. President, Provost, Vice President, etc.) will the new Department be reporting to?

WHY - Why (purpose, necessity, etc.) do you need the new activity?

HOW - How will this new activity be funded?

The information requested is used for:

1. determining whether a new Department needs to be established within the context of reporting and accounting requirements including expense classification by activity type, and
2. obtaining background data, which becomes part of the Department's permanent file if a new a Department is established. This permanent file information is retained in the Comptroller's Office for future reference.

Completion of the Form for a New Department or Department ID

[Department Request Form](#) and [Add New Department ID](#)

These application forms are self-explanatory; please fill out all sections on the forms and return to the budget office.

COMPTROLLER POLICY MANUAL

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	Origination date: 01/01/2000
Subject: Establishment of Departments	Effective date: 01/01/2000
	Revision date: 03/27/17

CMP 202: Establishment of Departments

The Budget Office then completes a Request to Authorize a New Department and sends it to the Assistant Comptroller. The Assistant Comptroller reviews the request and approves what fund and program that the new Department is to be established in. The Accounting Manager then establishes the new Department in PeopleSoft Financials. The Accounting Manager notifies the Budget Office that the Department is established. The Budget Officer sets up the object codes and revenue sources needed and notifies the department that the new Department is complete and ready to use.

Establish new Sub-Department's

If the department desires to account for expenditures at a level of detail lower than the Department or account code, the department may establish sub-departments for use within the existing Department. The establishment of sub-departments should be discussed with the Budget officer in the Budget Office.

Facility Services

The Capital Project Request and Authorization Form trigger a new department request. All the information needed to set up the department is on the on-line form. As it is routed through the workflow, the Financial Accounting Services team receives the request and sets up the new department in PeopleSoft Financials. Once set up, the form moves through the workflow to the budget department where the accounting lines are set up.

CROSS-REFERENCES

For more university accounting systems information, see:

[CMP 204-01](#), Additions/Changes/Deletions in Unit Managers/Authorized Signers


[CMP 204-02](#), Additions/Changes/Deletions in Advantage User IDs

[CMP 211](#), Sponsored Project Departments

[CMP 303](#), Gift Deposits

[CMP 430-01](#), Expenditure Object Codes

COMPTROLLER POLICY MANUAL

 NORTHERN ARIZONA UNIVERSITY	POLICY: CMP 203
	Section: 200 Departments
	Page 1 of 2
	Responsible office: Comptroller
	Origination date: 01/01/2000
Subject: Expectations of Employees with Fiscal Responsibilities	Effective date: 01/01/2000
	Revision date: 01/26/2016

PURPOSE

To describe the expectations of employees with fiscal responsibilities within departments.

SOURCE

Arizona Revised Statutes §§ 38-501 to -511

University Policy

DEFINITIONS

Employee with fiscal responsibility - anyone who initiates, processes and/or approves transactions against a departmental budget. This may be within a transactional system or by other means of written or verbal approval. This responsibility applies to transactions with any type of budget/funding source: state, local, foundation, grant/project or capital.

CMP 203: Expectations of Employees with Fiscal Responsibilities

The expectations of employees with fiscal responsibilities within departments include:

1. Processing transactions against the department's budget only for those transactions that are consistent with the department's purpose.
2. Approving only those transactions for which the approver has reviewed the supporting documentation and is satisfied that the transaction is appropriate, accurate and complies with applicable laws, regulations, policies and procedure.
3. Recognizing and being sensitive to the fact that an important part of the delegated accountability for the financial management of NAU's resources is the establishment and implementation of adequate internal controls. Internal control is the integrated process of checks and balances established by the university and the department to provide reasonable assurance to protect university assets; to prevent unintentional errors; to detect intentional miscoding, misuse, or misappropriation of university resources; and to reduce risk. Additional information can be found in policy [CMP 603: Internal Controls](#).
4. Assuming responsibility for communicating identified operational problems, deviations from established standards, and suspected or actual violations of university policies and procedures or state law to an appropriate department.
5. Being mindful of the expectation of compliance with accounting, financial, budgeting and other related administrative responsibilities. Several resources are available for your reference of these policies and procedures. Please note that this list may not be all inclusive and that there may be other University level or more restrictive departmental policies that apply.

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CMP 203: Department Manager Responsibilities

- a. [Comptroller policies](#)
- b. [Purchasing policies](#) (Sections 100 – 600)
- c. [Purchasing Card policies](#) (Section 800)
- d. [Internal Control Resources](#)
- e. [NAU CERT Program](#)
- f. [Code of Conduct](#) for State of Arizona Employee Engaged in Accounting, Financial and Budgeting Activities, Section 05 Internal Controls Topic 15.

COMPTROLLER POLICY MANUAL

 NORTHERN ARIZONA UNIVERSITY	POLICY: CMP 204-01
	Section: 200 Departments
	Page 1 of 1
	Responsible office: Comptroller
	Origination date: 01/01/2000
Subject: Additions/Changes/Deletions in Department Managers	Effective date: 01/01/2000
	Revision date: 01/27/2016

PURPOSE

To discuss the procedure for:

1. Establishing the department manager and authorized signers for a new department
2. Changing a department manager

SOURCE

University Policy

CMP 204-01: Additions/Changes/Deletions in Department Managers

University departments establish department managers and change or delete existing department managers by sending a written request to the University Budget Office, Box 4118.

The JFR will send a written request for a new or changing department manager, either via memo or email, to the Budget office. The information will then be used to update the appropriate tables in Enterprise Reporting and the web based systems.

CROSS-REFERENCES

For related information, see [CMP 202](#), Establishment of Departments.

COMPTROLLER POLICY MANUAL

 NORTHERN ARIZONA UNIVERSITY	POLICY: CMP 204-02
	Section: 200 Departments
	Page 1 of 1
	Responsible office: Comptroller
	Origination date: 01/01/2000
Subject: Changes & Deletions to PeopleSoft Financial User ID's	Effective date: 01/01/2000
	Revision date: 1/8/2015

PURPOSE

To discuss the procedure for:

1. updating information associated with an existing PeopleSoft Financial User ID, and
2. revoking PeopleSoft Financial User ID

SOURCE

University Policy

CMP 204-02: Additions/Changes/Deletions in Advantage User ID's

Electronic PeopleSoft Administrative Security System (ePASS)

The ePASS (Electronic PeopleSoft Administrative Security System) is an electronic form within Northern Arizona University's PeopleSoft LOUIE system that allows for paperless administrative security requests and security revocation.

An ePASS form is usually initiated by an NAU employee or affiliate requiring administrative access to one of NAU's PeopleSoft systems (LOUIE, HCM, or PS Financials). An ePASS form can also be initiated by a supervisor (listed as employee's reports to) or data steward on behalf of another user. After the ePASS is initiated it will be routed for the appropriate approvals, notifications will be sent at various points in the process and, when complete, security will be automatically updated within PeopleSoft.

Types of forms:

- Security Request—Use to add administrative access to a PeopleSoft system (LOUIE, HCM or PS Financials)
- Security Revocation—Use to revoke access to a PeopleSoft system due to transfer, change in job duties or termination

ePASS information can be found at [ServiceNow KB0010641](#).

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 NORTHERN ARIZONA UNIVERSITY	POLICY: CMP 204-03
	Section: 200 Departments
	Page 1 of 1
	Responsible office: Comptroller
	Origination date: 01/01/2000
Subject: Revocation of PeopleSoft Financials User ID's	Effective date: 01/01/2000
	Revision date: 12/3/2014

PURPOSE

To discuss the procedures for revocation of PeopleSoft Financials User ID's

SOURCE

University Policy

CMP 204-03: Revocation of PeopleSoft Financials User ID's

Every two weeks the User Termination Exception Report (DBA986) is generated by Human Resources and delivered to Information Technology Services. The report lists the employee ID number, name, and status of employees who have terminated employment with the university. The report is used by personnel in Information Technology Services to revoke the user ID from all University computing systems and applications including access to the University Financial System (PeopleSoft Financials).

When an employee transfers from one NAU unit to another, it is the responsibility of the department to complete and resubmit the proper PeopleSoft Financials Security documents (ePASS) to add/remove or delete the employee's user id and access to systems in accordance with [CMP Policy 204-02](#).

The Security Administrator generates reports to periodically verify all current user access.

CROSS-REFERENCES

For related information, see [CMP 204-01](#), Additions/Changes/Deletions in Department Managers and Authorized Signers and [CMP 204-02](#), Changes and Deletions to PeopleSoft User IDs.

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 NORTHERN ARIZONA UNIVERSITY	POLICY: CMP 204-04
	Section: 200 Departments
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	Responsible office: Comptroller
	Origination date: 01/01/2000
Subject: Additions/Deletions of Authorized Department Signers	Effective date: 01/01/2000
	Revision date: 12/3/2014

PURPOSE

To discuss the procedures for adding/deleting authorized signers for Departments.

SOURCE

University Policy

CMP 204-04: Additions/Deletions of Authorized Department Signers

University departments establish authorized signers for departments by sending an e-mail request to their JFR. If you have a question on who your JFR is, please contact the Budget Office representative assigned to your cabinet (<https://nau.edu/Budget/Budget-Management/>). Please include a brief description of why the additional authorized signer is being added, the name of the person being added/removed, and a list of department numbers (7 digits) to be added/removed.

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 NORTHERN ARIZONA UNIVERSITY	POLICY: CMP 205-01
	Section: 200 Departments
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	Responsible office: Comptroller
	Origination date: 01/01/2000
Subject: Audit Liaison	Effective date: 01/01/2000
	Revision date: 03/27/2017

PURPOSE

To monitor university audits and program reviews.

SOURCE

University Policy

CMP 205-01: Audit Liaison

The Chief Financial Officer is responsible for monitoring all audits. The comptroller has university-wide liaison responsibility for all work relative to the university's annual general purpose financial statement examinations performed by the auditor general or auditor general-appointed external auditors, including the specialized work done for federal grants/contracts and financial aid.

The Assistant to the Chief Financial Officer is the liaison for audits by the Arizona Board of Regents. For more information on the current fiscal year audit plan or results, contact Nikki Knoth at 3-9361.

[Northern Arizona University Internal Audit](#) is responsible for conducting selected internal audits within NAU.

Procedures

Financial Statement Audits


Annual financial statement audits are performed by the Arizona Office of the Auditor General. See [NAU Financial Statements](#) for auditor opinion. The Chief Financial Officer notifies the President's Cabinet of each year's audit starting date and reviews the results upon completion.

Single Audits (OMB Circular A-133)

Single audits are performed by the [Arizona Office of the Auditor General](#). See the [Arizona General Accounting Office](#) Financial report web page for the latest Single Audit report which includes NAU programs.

For additional information on Internal Audits, please contact the [NAU Internal Audit Department](#) at (928) 523-4136 or (928) 523-6459.

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 NORTHERN ARIZONA UNIVERSITY	POLICY: CMP 205-02
	Section: 200 Departments
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	Responsible office: Comptroller
	Origination date: 01/01/2000
Subject: Coordination of Audits by Taxing Authorities	Effective date: 01/01/2000
	Revision date: 12/3/2014

PURPOSE

To monitor university audits by government taxing authorities.

SOURCE

University Policy


CMP 205-02: Coordination of Audits by Taxing Authorities

The comptroller has university-wide liaison responsibility for university audits performed by the Internal Revenue Service, the Arizona Department of Revenue, and the Department of Economic Security. Governmental taxing authorities should promptly notify the Comptroller's Office of audits planned for organizations financially related to NAU before the audits begin.

Procedure

Any department that receives notice of an audit or receives an inquiry that could lead to an audit by a governmental taxing authority is to notify the Comptroller's Office. The comptroller will then respond to requests for information from the taxing authority.

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 NORTHERN ARIZONA UNIVERSITY	POLICY: CMP 206
	Section: 200 Departments
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	Responsible office: Comptroller
	Origination date: 01/01/2000
Subject: Administrative Overhead Fee Assessment	Effective date: 01/01/2000
	Revision date: 7/1/2018

PURPOSE

An overhead fee allows the university to recover part of the cost of providing institution-wide support services for those departments who use university resources. The overhead fee will be assessed on all departments of the university that generate income not subject to indirect cost recovery. Many, though not all, of the departments affected are self-supporting or auxiliary departments. Recent years have seen a significant growth in the number and type of revenues generated on university campuses by various departments. These revenues range from fees for sales and services to interest income and special event fees and many are directly for the benefit of and controlled by the departments. Non-tuition based revenues now comprise a significant portion of NAU's overall operating budget, but these added revenues also come at a price to the university. Revenues generated on campus use university resources (e.g. time, utilities, equipment and facilities) that are funded by central monies. As this independent revenue base has grown so has the demand on the university's central resources. In order to ensure that the associated overhead expenses for these revenues produced for departments does not unfairly erode available funding for other university initiatives and priorities it is important that we find an equitable method to recoup a portion of these associated expenses.

SOURCES

University policy

[Arizona Board of Regents Policy Manual](#)


CMP 206: Overhead Fee Assessment

Basing the overhead fee on revenue better reflects the use of university resources, facilitates planning for departments generating revenue, and avoids fluctuations that occur when a department has major, untypical expenditures.

Persons Affected:

It is anticipated that most departments will recover the fee by raising prices by an equivalent percent to their external customers. In that case, it is real revenue. For a variety of reasons, including market considerations, some departments may not be able to adjust their pricing. In these cases, departments will need to look for other cost-cutting measures in their budgets to accommodate the cost of the overhead fee.

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 NORTHERN ARIZONA UNIVERSITY	POLICY: CMP 206
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Subject: Administrative Overhead Fee Assessment	Effective date: 01/01/2000
	Revision date: 7/1/2018

CMP 206: Overhead Fee Assessment

The university will also review internal subsidies that auxiliaries and other departments are charged, and will, as feasible, remove subsidies that should be the responsibility of the university, not the department.

Policy:

In recognition of the need to recoup a portion of central expenses in an equitable method, the overhead assessment will be charged on all defined revenues (see below) generated by any department and will be implemented programmatically as revenues are recorded in the financial information system. These assessment resources will be held in university central accounts. The rate of assessment is currently at 8% for designated funds and 13% for auxiliary funds (in fiscal year 2019). The rate will be re-evaluated annually to determine whether changes are needed.

Definitions:

Parameters for revenues subject to overhead assessment are outlined below.


General Overview:

- Revenues subject to assessment are generally those funds accounted for in activities or operations that are intended to be primarily or partially self-supporting. These activities are classified as auxiliary business enterprise operations or designated operating activities.
- Auxiliary enterprise operations are generally self-supporting business operations that exist primarily to furnish services to students, faculty and staff. Examples would be the Bookstore and Student Housing.
- Designated operating activities account for self-sustaining activities related to the community, public service, non-university-based student, equipment, or other fees. Examples include conferences, workshops, non-instructional camps or seminars offered to general public, theater, athletics and music activities.

Revenue classes subject (generally) to overhead assessment:

- Investment Income- university investments and cash.
- Sales & Service Revenue- revenues derived from business activities generally associated with Auxiliary departments and self-supporting activities. Examples include bookstore merchandise sales and student housing rent.
- Other Fees and Revenue Sources. Examples include application fees, commissions, department fees, ticket sales, other miscellaneous revenues.

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	Revision date: 7/1/2018

CMP 206: Overhead Fee Assessment

Revenue classes generally excluded in overhead assessment:

- Student tuition and mandatory student fees
- Non-profit-generating billings to other university departments
- Internal transfers
- Course and special program fees (ex. fees for study abroad)
- Private funds raised by the Foundation

Procedures:

The fee will be automatically deducted as revenue is accrued. The group of departments that will be assessed the overhead fee will be reviewed carefully, and in some cases revenue class and source codes will be changed to be consistent throughout the institution. The overhead fee should be budgeted.

The fee is administered through the Budget Office.

ABOR policy requires that university funds be deposited only to bank accounts authorized by the regents. This means that all deposits must flow through the Comptroller's Office. It is a violation of ABOR policy for any department to bypass the overhead fee assessment charge by depositing funds directly in an unauthorized bank account.

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 NORTHERN ARIZONA UNIVERSITY	POLICY: CMP 207
	Section: 200 Departments
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	Responsible office: Comptroller
	Origination date: 01/01/2000
Subject: Closing of Departments	Effective date: 01/01/2000
	Revision date: 12/3/2014

PURPOSE

To discuss reviews to be performed when a university department desires to close a Department.

SOURCES

University policy

CMP 207: Closing of Departments

When a department manager desires to close a department, an e-mail must be sent to the Budget Office.

Before the e-mail is sent, any telephone lines must be deleted or moved to a new department. Coordinate the telephone changes with Information Technology Services. Any recurring expenses (i.e. payroll etc.), must be moved to a new department.

If a surplus exists, indicate the department to which the surplus should be transferred. If a deficit exists, indicate a funding source. If the responsible department manager does not indicate a funding source for a deficit, the responsible vice president or dean is responsible for indicating a funding source.

COMPTROLLER POLICY MANUAL

 NORTHERN ARIZONA UNIVERSITY	POLICY: CMP 209
	Section: 200 Departments
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	Responsible office: Comptroller
Subject: Construction Projects from Bond Financing	Origination date: 01/01/2000
	Effective date: 01/01/2000
	Revision date: 12/3/2014

PURPOSE

To describe the policy for committing and spending construction funds on projects financed from bonds.

SOURCES

University policy

CMP 209: Construction Projects from Bond Financing

No funds may be committed or spent for construction on bond financed projects until NAU has received:

1. Board of Regents project approval, and
2. Legislative Joint Committee on Capital Review approval.

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 NORTHERN ARIZONA UNIVERSITY	POLICY: CMP 210
	Section: 200 Departments
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	Responsible office: Comptroller
	Origination date: 01/01/2000
Subject: Business Manager Responsibilities	Effective date: 01/01/2000
	Revision date: 01/27/2016

PURPOSE

To describe business manager responsibilities for reviewing financial reports.

SOURCE

University policy

APPLICABILITY

Business managers and others, performing business manager functions.

CMP 210: Business Manager Responsibilities

Monthly Budget Reports

Business managers must review the monthly reports for their areas, including lower-level operating units. The monthly reviews typically should be done within 30 days of the report preparation date (in the upper left-hand corner of the report). Business managers should:

1. review the monthly reports, checking for accuracy and against the budget, or
2. develop their own written procedures for identifying significant financial variations

Department Manager Responsibilities

In addition to reviewing the monthly reports, business managers must also fulfill any department manager responsibilities assigned to them, e.g., reviewing the monthly reports for departments of their direct supervisor.

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 NORTHERN ARIZONA UNIVERSITY	POLICY: CMP 210
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	Responsible office: Comptroller
	Origination date: 01/01/2000
Subject: Business Manager Responsibilities	Effective date: 01/01/2000
	Revision date: 01/27/2016

CMP 210: Business Manager Responsibilities

Assistance

Upon request, the Comptroller's Office will provide assistance to business managers regarding the accounting data reflected on the monthly reports and on accounting techniques useful to business managers.

Payroll Verification

Business Managers should also verify payroll data using the Payroll Register report. The payroll register report is available via Enterprise Reporting. The reports are usually available the Wednesday of each payroll week prior to the actual payday. The reports should be checked for at least the following:

Pay amount

Correct Department (Department)

Employee status:

Is this individual still employed by the University?

Has the employee transferred to another NAU department?

Is the payee a temporary employee who is no longer being utilized?

Is the payee a part-time (adjunct) faculty who is no longer teaching?

COMPTROLLER POLICY MANUAL

 NORTHERN ARIZONA UNIVERSITY	POLICY: CMP 211
	Section: 200 Departments
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	Responsible office: Comptroller
	Origination date: 01/01/2000
Subject: Sponsored Project Departments	Effective date: 01/01/2000
	Revision date: 12/4/2014

PURPOSE

To describe sponsored project departments

SOURCE

University policy

CMP 211: Sponsored Project Departments

Sponsored project departments are established by the [Office of Sponsored Projects](#). They will prepare an activation notice which will be loaded into PeopleSoft Financials.

A sponsored project is a project supported by an external funding source under a mutually binding agreement that restricts the use of funds to the approved project and stipulates other conditions with which the university must comply. Sponsored projects typically:

1. are initiated by a formal proposal and award notice
2. are restricted to a particular purpose as described in the proposal
3. require technical and/or financial reports
4. entail other administrative requirements.

In some situations it may not be clear if a new department is a sponsored project. The presence of one or more of the following conditions indicates that an department might be a sponsored project:

1. provides funding for limited duration
2. specifies use of funds
3. indicates need for accounting or financial reporting
4. involves human subjects, animal models, hazardous materials
5. restricts the use of funds
6. may require the return of residual funds
7. involves intellectual property issues
8. involves commitment of university personnel or resources
9. obligates the institution to perform
10. requires billing to receive funds
11. has audit and/or record retention requirements
12. requires a technical report on program outcomes
13. provides equipment
14. requires a formal document with signatures of the parties , and

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 NORTHERN ARIZONA UNIVERSITY	POLICY: CMP 211
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Subject: Sponsored Project Departments	Effective date: 01/01/2000
	Revision date: 12/4/2014

CMP 211: Sponsored Project Departments

15. involves federal, state, or other “public” funds.

For Departments with one or more of the foregoing conditions, please contact the [Office of Sponsored Projects](#) for a determination about whether the funds should be accounted for in a sponsored project Department.

CROSS-REFERENCES

For information on department structures, see [CMP 201](#), Department Structures.

For information on establishing departments, other than for a sponsored project, see [CMP 202](#), Establishment of Departments.

For information on establishing a sponsored project department, contact the [Office of Sponsored Projects](#).

COMPTROLLER POLICY MANUAL

 NORTHERN ARIZONA UNIVERSITY	POLICY: CMP 213
	Section: 200 Departments
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	Responsible office: Comptroller
	Origination date: 01/01/2000
Subject: Establishment of Sale, Resale and Fee for Service Activities	Effective date: 03/22/2000
	Revision date: 01/30/2020

PURPOSE

To define when the university may engage in sale, resale or other fee for service activities and to establish guidelines for compliance with the overall University mission in accordance with applicable Federal and State laws and [Arizona Board of Regents Policy 1-105](#) regarding competition with free enterprise.

SOURCE

Arizona Revised Statutes § 41 2753
Arizona Board of Regents Policy Manual 1-105
University policy

BACKGROUND

State law and regents' policy require the university to avoid competition with private enterprise. Unless specifically authorized by statute, the university may not provide to the general public goods, services, or facilities that are practically available from private enterprise unless the provision of the goods, service, or facility offers a valuable educational or research experience for students as part of their education or fulfills the public service mission of the university. In addition, the university may not provide to students, faculty, staff, or invited guests goods, services, or facilities that are practically available from private enterprise except as authorized by the Board of Regents.

APPLICABILITY

All University Departments, both on campus and off campus (statewide) sites.

POLICY

Sale or Resale activity is generally to the general public, including students, faculty and staff, but may be in limited circumstances be to other NAU departments.

If more than 50 percent of the sales revenues are from charges to other university departments, then the university's Service Center Policy is to be followed.

If more than 50 percent of the sales revenues are from charges to the general public, this policy is to be followed. There is however, an exception for any resale activity's sale to other university departments. Instead of sales being based on the greater of (1) full-cost recovery or (2) market prices, the sales prices must be solely on a break-even basis, based on costs incurred by the service center account itself. This break-even requirement is based on federal regulation and university policy.

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 NORTHERN ARIZONA UNIVERSITY	POLICY: CMP 213
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	Responsible office: Comptroller
Subject: Establishment of Sale, Resale and Fee for Service Activities	Origination date: 01/01/2000
	Effective date: 03/22/2000
	Revision date: 01/30/2020

CMP 213: Establishment of Sale, Resale and Fee for Service Activities

Authorized NAU Sale and Resale Activities

- Student and Departmental Account Services
- NAU Bookstore (under contract with Follet)
- Postal Services
- Campus Health Services
- Cline Library
- Property Administration
- Dental Hygiene Clinic
- Physical Therapy
- Central Ticket Office
- Student Union
- NAU Skydome
- Parking & Shuttle Services
- Residence Life
- Performing Arts
- Wall Aquatic Center

All new sale and resale activities must be approved by the Chief Financial Officer.

Definitions

Sale and Resale Activity

A program that sells goods and or services primarily to individuals for personal use rather than to university departments or programs for official use. Payments made by individuals are the primary source of revenue for a resale activity.

Fee for Service Activity

A Fee for Service Agreement is appropriate if providing the services is an integral part of, or reasonably related to, an activity which is essential to the fulfillment of the institution's instructional, research or public service mission. The provision of such services fits with the missions of the University when: 1) the University is uniquely qualified to offer such special services; 2) those services provide additional research experience and training for the University's faculty, staff, and students; or 3) access to those services or specialized equipment is not readily available through local commercial means. This may or may not be associated with an approved NAU Recharge Center. The following are characteristics that

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may or may not be a fee for service agreement.

Invited Guest

A person who enters campus for an educational, research, or public service activity, and not primarily to purchase or receive goods or services not related to the educational, research, or public service activities of the university.

Service Center

A program that sells goods and/or services primarily to university departments or programs for official use. Interdepartmental billings are the primary source of revenue for a service center.

Procedure

1. All sale and resale activities will adhere to all applicable laws pertaining to collection of sales taxes. See [CMP 108](#) regarding sales tax.
2. All sale and resale activities will follow the procedures for Deposits of University funds in [CMP 301-01](#) and [CMP 301-04](#) Authorization to Accept Credit Cards.
3. Requests to establish a new resale or fee for service activity will be submitted through the Comptroller's Office to the Chief Financial Officer for approval.
4. Requests to establish a new resale activity must include the following information:
 - a) Evidence that the proposed resale activity offers or supports a valuable educational or research experience for students as part of their education or fulfills the public service mission of the university OR evidence that the goods and/or services to be provided are not practically available from private enterprise, OR if available, do not satisfy the objective of the program.
 - b) Evidence that similar goods or services are not already being provided by another university department or program.
 - c) A completed new Department Application Form, in accordance with [CMP 202](#).
 - d) A business plan and proposed operating budget.
 - e) The prices charged for sales to external NAU customers or general public, need to be the greater of (1) full cost recovery, including overhead and indirect costs of NAU, or (2) market prices, unless approved in writing by the Associate VP/Comptroller.
 - f) A completed and signed [Sponsored Projects versus External Sales Guideline Questionnaire](#).

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Requests will be submitted to the Comptroller's Office. If the request is approved, the Comptroller's Office will forward the request to the Chief Financial Officer for final review and approval.

CROSS-REFERENCE

[CMP 108 - Sales Tax](#)

[CMP 202 Establishment of Departments](#)

[CMP 214 Rental of NAU Facilities](#)

[CMP 301-01 Deposits of University Funds](#)

[CMP 301-04 Authorization to Accept Credit Cards](#)

[CMP 306 NAU Event Ticketing](#)

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	Origination date: 01/01/2000
Subject: Rental of NAU Facilities	Effective date: 03/22/2000
	Revision date: 01/27/2016

PURPOSE

To define a policy for use and rental of NAU facilities for non-university use.

SOURCES

[Arizona Board of Regents Policies 7-202 and 7-209](#)

University policy

BACKGROUND

The University may allow the use of its facilities by the external community pursuant to Arizona Board of Regents policies 7-202 and 7-209.

APPLICABILITY

All University departments, both on campus and off campus (statewide) sites.

CMP 214: Rental of NAU Facilities

NAU Building Managers

Contract Authorization

Only [authorized NAU personnel](#) may sign contracts on behalf of the university. This includes contracts for the purpose of securing NAU events and the rental/use of NAU buildings and other facilities. The Board of Regents authorizes the University President to:

1. Execute contracts and other written instruments on behalf of the Arizona Board of Regents.
2. Delegate signature authority to other University staff members for limited purposes. Please contact [Contracting and Purchasing Services](#) for a list of authorized signers.

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CMP 214: Rental of NAU Facilities

Facility Managers

Building
Cline Library
University Union
Prochnow Auditorium
Sky Dome
Rolle Activity Center
du Bois Center
Ashurst
Ardrey Auditorium
Clifford White
Black Box Theatre

Please see the [Building Managers List](#) for a list of contacts for the buildings listed above.

The rental rates for use of the university facilities and properties by off-campus organizations shall be approved by the University president. Rental rates should reflect considerations of the fair market value rates charged by comparable facilities, actual expenses incurred in providing the space and inflation. Actual expenses should consider the following:

- operations (utilities, insurance, custodial)
- maintenance
- deferred maintenance

CROSS-REFERENCES

[CMP 213 Establishment of Sale and Resale Activities](#)

[CMP 306 NAU Event Ticketing](#)

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 NORTHERN ARIZONA UNIVERSITY	POLICY: CMP 215
	Section: 200 Departments
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	Responsible office: Comptroller
	Origination date: 01/01/2000
Subject: Rental of University Owned Equipment	Effective date: 03/22/2000
	Revision date: 01/27/2016

PURPOSE

To manage the use and rental of equipment owned by the University.

SOURCE

University policy

CMP 215: Rental of University Owned Equipment

University equipment may be rented by firms or individuals, for functions held on behalf of the University or by outside agencies that have entered into an Intergovernmental Agreement with the University. **The University may not rent its equipment for purposes other than those listed above.** Equipment may not be rented to University employees for personal use.

The University [rents facilities](#) for outside use through Unions and Student Activities, the du Bois Conference Center, and Audrey Auditorium. AVR equipment may be rented through the contact department for functions held in those facilities.

Equipment rentals will be coordinated through the University's [Contracting and Purchasing Services](#) department utilizing a University rental agreement. The firm or individual that is renting University equipment shall be required to meet the minimum State requirements for insurance.

If you have questions regarding this policy or the rental of equipment at Northern Arizona University, please contact Contracting and Purchasing Services at (928) 523-4557.


CROSS-REFERENCES

[CMP 213 Establishment of Sale and Resale Activities](#)

[CMP 214 Rental of University Facilities](#)

[CMP 306 NAU Event Ticketing](#)

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 NORTHERN ARIZONA UNIVERSITY	POLICY: CMP 300
	Section: 300 Deposits of University Funds
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	Responsible office: Comptroller
	Origination date: 01/01/2000
Subject: Classifying Revenue and Expense Reductions	Effective date: 01/01/2000
	Revision date: 05/14/2018

PURPOSE

To provide guidance for properly recognizing, classifying and reporting monies received by the University as either “revenue” or an “expense reduction.”

SOURCE

University policy
GASB Statement 33 and 36.

CMP 300: Revenue Recognition

Identifying Revenue

All monies received by the University from an external source must be identified and treated as either revenue or an expense reduction. Correctly classifying revenue versus expense reductions is critical.

Revenue is defined as funds received from the University’s normal, mission related operations.


Gifts or donations must be directed to the NAU Foundation.

Revenue Examples

Below is a partial list of funds received by the University that should be recorded as revenue. These are examples only and this list is not exhaustive:

- Tuition and fees paid by students.
- State appropriated funds.
- Service center revenue.
- Grants and Contracts: sponsored project revenues when the project is awarded by an external sponsor who stipulates conditions with which the University must comply, and that will generally result in an outcome that benefits the resource provider.
- Auxiliary Services – revenue from non-academic units that supply goods or services to faculty, staff or students such as housing or parking permits.
- Receipts from the sale of University property such as used equipment (surplus property sales) or other capital assets.
- Investment revenue such as earned interest.
- Royalty and commission revenue.

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- Athletic event ticket sales revenue.
- Rental for the use of University facilities.
- Other services performed by the University such as organizing and sponsoring events such as conferences, summer camps, etc.
- Financial gifts or donations directed to the NAU Foundation.

Expense Reduction Examples

The following are examples of payments received by the University that should be recorded as a reduction to the related expense. These are examples only and this list is not exhaustive. In all cases of monies classified as expense reductions, the deposit must offset previously incurred expenses and not create a negative balance in the account. To the extent possible, the reimbursement should be deposited in the same fiscal year as the original expense.

- Vendor refunds for goods or services purchased by the University such as mail-in rebates or credits for returned items.
- Reimbursements for accidental PCard charges for personal items or services.
- Reimbursements for the incidental use of University resources by faculty, staff or students.

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	Responsible office: Comptroller
	Origination date: 01/01/2000
Subject: Deposits General Policy	Effective date: 01/01/2000
	Revision date: 08/30/2017

PURPOSE

To define the procedure for NAU Departments receiving and depositing university funds (hereafter "funds").

SOURCE

Arizona Board of Regents Policy Manual - 3-101

CMP 301-01: Deposits General Policy

Funds received on behalf of, or for the benefit of, NAU must be deposited with Student and Departmental Account Services (Student Accounts). These deposits initiate recording the revenue in the university (PeopleSoft Financials) account. Arizona Board of Regents policy, Chapter 3, Section 3-101, requires that all university funds be deposited only to bank accounts authorized by the Arizona Board of Regents. Student Accounts deposits funds with the bank(s). NAU Departments deal only with Student Accounts, not with the bank unless otherwise authorized in writing by the Comptroller.

University Funds are defined as:

1. Cash, credit card payments, checks, money orders, travelers checks, or other form of money received by an University Administrative Unit or employee for the benefit or support of a NAU program and/or,
2. Any form of money received for the sale of NAU materials, property, and/or services, or for the use of NAU property. University funds are to be deposited daily with [Student and Departmental Account Services \(Student Accounts\)](#) whenever the sum of \$500 or more in CASH and/or \$2,000 or more IN CHECKS or CREDIT CARDS is accumulated. Funds less than \$500 CASH and/or \$2,000 IN CHECKS or CREDIT CARDS may be accumulated for up to five working days. In other words, a deposit is required whenever \$500 IN CASH and/or \$2,000 IN CHECKS or CREDIT CARDS is accumulated, or **five business days** pass, whichever occurs first. Under no circumstances should the department hold university funds for longer than five working days from the date of collection. Deans, Department Chairs, Directors, and Fund Custodians who receive funds must assure compliance to procedure. University funds must be deposited as detailed under [CMP 307](#).

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	Responsible office: Comptroller
	Origination date: 01/01/2000
Subject: Investment Policy	Effective date: 04/15/2009
	Revision date: 04/19/2022

PURPOSE

To define the procedure for investment of university funds.

SOURCE

Arizona Board of Regents Policy Manual - 3-101. The investment policy must, at all times, be in compliance with State law and rules and regulations promulgated by the Arizona Board of Regents. The University invests its short term excess funds in accordance with ABOR Policy 3-301 "University Investments".

CMP 301-02: Investment Policy

Background

Northern Arizona University, as part of its daily ongoing fiscal and budgeting operations, has excess cash balances to invest. The University has a fiscal, as well as board mandated obligation to invest those funds prudently considering both safety and liquidity, in the most efficient way possible for return of investment income to the University budget.

Organization and Reporting

Consistent with ABOR policy, responsibility for guiding the investment of short-term excess funds lies with an Investment Committee as set forth in this policy or as otherwise appointed by the University President. The reporting of cash position is the responsibility of the staff in Financial Accounting Services, reporting through the Associate Vice President for Financial Services/Comptroller.

The Investment Committee includes the President, the Vice President for Finance and Administration, the Associate Vice President for Financial Services/Comptroller, and other members as identified by the President.

Investment results, including the securities held, will be reported to the President at least bi-annually. The Investment Committee will meet at least annually to discuss results and future strategies for the investing of University funds. The Committee also meets at other times as necessary when needed.

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CMP 301-02: Investment Policy

Internal Controls

The internal controls necessary for proper accounting and reporting are:

- Cash is received and deposited by the Student and Departmental Account Services cashier or by armored car pick-up at approved sites (lockboxes);
- Persons occupying positions designated by the University President and certified to the Executive Director of the Board of Regents as having investment authority are authorized to purchase or sell securities on behalf of Northern Arizona University. The purchase or sale of short-term investments is commonly done by telephone with a financial institution or broker/dealer;
- Financial Accounting Services is authorized to initiate pre-set wire transfers online. These pre-set wire transfers are approved by the Associate Vice President for Financial Services/Comptroller and one other check signer when established;
- Bank statements and custody receipt (wire transfers and/or trade tickets) must be mailed directly to Financial Accounting Services. Financial Accounting Services must match a listing of investment purchases and the bank advice of charge. Additionally, Financial Accounting Services must maintain a listing of maturity dates and match the bank's advice of deposit with the respective maturity date. These functions are performed by people not having check signing authorization; and
- The proceeds from securities sold and matured will automatically be deposited, in collected funds, to Northern Arizona University's account. A list of authorized personnel who may execute an order will be sent to all approved financial institutions and broker/dealers.

All investment securities will be held as segregated assets in the name of Northern Arizona University at a Federal Reserve Bank or other federally insured financial institution. The delivery of the securities and the receipt of Northern Arizona University funds must be simultaneous. Under no circumstances will the securities or repurchase agreements with maturity dates greater than 14 days be placed in safekeeping with a broker/dealer or any affiliate of the broker/dealer where the transaction was executed.

Repurchase agreements may only be transacted with a broker/dealer or financial institution that has signed a master repurchase agreement.

Investments are confirmed annually during the Fiscal Year end audit.

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CMP 301-02: Investment Policy

Russian Assets:

Notwithstanding policy 3-301, or any other board policy, and consistent with actions of the Federal Government to sanction the Russian Federation, Northern Arizona University will not invest in Russian assets.

Eligible Securities (per Board Policy 3-301):

Gift and endowment funds normally received for scholarship and student loan purposes will be invested according to the conditions stipulated by the donor, but if no conditions are imposed, such funds may be invested under the direction of the Investment Committee of the University in such a manner as to obtain the most favorable rate of return and income stability commensurate with safety of principal.

University operating funds may be invested in the following instruments in addition to any other instruments as may be permitted by the State Treasurer's investment policy for investment of University funds, including:

- a. Obligations issued or guaranteed by the United States or any of its agencies, sponsored agencies, corporations, sponsored corporations, or instrumentalities.
 - i) Repurchase agreements and tri-party repurchase agreements, collateralized at no less than 102 percent by securities or 100 percent by cash, purchased from securities dealers that make markets in those securities listed in ABOR Policy 3-301 E.2.a. Repurchase agreements and tri-party repurchase agreements collateralized by mortgage-backed securities shall be collateralized at no less than 105 percent. In all cases, collateral must be delivered to the University's custody institution, or held in an account for the benefit of the University in an institution meeting the requirements of an eligible depository. In the case of tri-party repurchase agreements, the eligible depository may price and verify collateral but is required to provide a report of pricing and adequacy of collateral to the University within 24 hours of settlement. The University will measure the volatility and make a professional judgment on appropriateness of the collateral.
- b. Bonds or other evidences of indebtedness of the State of Arizona or any of its counties or incorporated cities, towns or duly organized school districts which carry as a minimum a Baa (Investment Grade) or better rating of Moody's Investors Service or a BBB (Investment Grade) or better rating of Standard and Poor's Rating Service or Fitch Ratings, or their successors.
- c. Arizona State Treasurer's warrant notes issued pursuant to A.R.S. §35-185.01 or registered warrants of a county issued pursuant to A.R.S. §11-605, if the yield is equal to or greater than yields on eligible investment instruments of comparable maturities.

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CMP 301-02: Investment Policy

d. Arizona State Transportation Board Funding Obligations, subject to A.R.S. §35-313(D), delivered pursuant to A.R.S. §28-7678.

e. Commercial paper rated by at least two nationally recognized statistical rating organizations (NRSO's). The three current NRSO's include Standard & Poor's, Moody's and Fitch. The ratings assigned by at least two NRSO's must be of the two highest rating categories for short-term obligations. All commercial paper must be issued by entities organized and doing business in the United States.

f. Bills of exchange or time drafts known as bankers acceptances which are issued by commercial banks chartered and doing business in the United States with ratings as outlined in ABOR Policy 3-301 E.2.e, and/or long-term debt rating of BAA (Investment Grade) or better by Moody's Investors Service or BBB (Investment Grade) or better rating of Standard and Poor's Reporting Service or Fitch Ratings, or their successors.

g. Negotiable certificates of deposit issued by a nationally or state chartered bank or savings and loan association which carry as a minimum a BAA (investment Grade) or better rating of Moody's Investors Service or a BBB (Investment Grade) or better rating of Standard and Poor's Rating Service or Fitch Ratings, or their successors.

h. Bonds, debentures and notes issued by entities which are United States dollar denominated and carry as a minimum, when purchased, a BAA (Investment Grade) or better rating of Moody's Investors Service or a BBB (Investment Grade) or better rating of Standard and Poor's Rating Service or their successors.

i. Securities of or any other interests in any open-end management type investment company or investment trust including exchange traded funds whose underlying investments are invested in securities allowed by state law, registered under the Investment Company Act of 1940 (54 Stat. 789; 15 United States Code §§80a-1 through 80a-64).

j. In the event the University elects to invest in an instrument not specifically identified in ABOR Policy 3-301 2.a-i, but as allowed under section 2 of that policy because it is permitted under the State Treasurer's investment policy for investment of University funds, the University shall report such an election prior to making such investment to the Board's President, who will have delegated authority to authorize the University to proceed with such an investment.

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CMP 301-02: Investment Policy

k. The University may contract to loan securities to the financial or dealer community, through its securities custodian, if the borrower transfers collateral to the University or its custodian in the form of cash or securities specified in ABOR Policy 3-301 E.2. Collateral posted in the form of cash shall be in an amount equal to at least 100 percent of the market value of the loaned securities as agreed. Collateral posted in the form of securities shall be in an amount of no more than 110 per cent of the market value of the loaned securities as established from time to time by the University. The loaned securities shall be valued as to market value daily, and, if necessary, the borrower shall post additional collateral, as agreed, to ensure that the required margin is maintained. The University may collect from the borrower all dividends, interest, premiums, rights and other distributions to which the lender of securities would otherwise be entitled. The University may terminate the contract on not less than five business days' notice, as agreed, and the borrower may terminate the contract on not less than two business days' notice, as agreed.

l. It is the intent of this policy to diversify the University's investment portfolio to minimize losses due to various circumstances. The circumstances include, but are not limited to: issuer defaults, market price changes, non-earning assets, technical complications leading to temporary lack of liquidity, risks resulting from an over-concentration of assets in a specific maturity, a specific issuer, a specific geographical distribution, or a specific class of securities. No more than five percent of the University's total investment portfolio (defined as five percent of the prior month's ending amortized book value on the date purchased), or five percent of the issues outstanding, whichever is less, shall be invested in securities issued by a single corporation and its subsidiaries/affiliates. Securities issued by the federal government or its agencies, sponsored agencies, corporations, sponsored corporations or instrumentalities are exempted from this provision.

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CMP 301-02: Investment Policy

m. The University is specifically prohibited from directly investing operating funds in the following instruments or in similar types of instruments. Securities as provided in E.2.i are exempt from the provision:

1. Reverse repurchase agreements (unless otherwise authorized under a securities lending agreement with a second party)
2. Futures, contractual swaps, options
3. Inverse floaters
4. Interest-only securities
5. Forward contracts
6. Interest-bearing securities that have a possibility of not accruing current income
7. Closed-end management type companies
8. Securities whose yield/market value is based on currency, commodity or non-interest indices
9. Bearer-form securities

Reporting

The University shall submit annually to the Board central office a report on the investment of its operating and endowment funds. The Board's Business and Finance Committee will adopt an appropriate reporting mechanism, including a schedule.

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	Origination date: 01/01/2000
Subject: Deposits – Sponsored Projects	Effective date: 01/01/2000
	Revision date: 02/10/2016

PURPOSE

To deposit federal, state, and local government grant and contract funds properly

SOURCE

University policy

CMP 301-03: Deposits – Grant and Contract Funds


All federal, state, and local government grant and contract funds are to be deposited only into a sponsored project account and not to any NAU departmental accounts. **This includes all federal pass through funds, tribal funds, Bureau of Indian Affairs (BIA), Bureau of Land Management (BLM), and all other government checks.** These funds should be administered by the [Office of Sponsored Projects](#).

DO NOT take these checks directly to a teller in the Student and Departmental Account Services.

The only exception is federal, state, and local government financial aid funds that are to be deposited directly to a financial aid account administered by the [Office of Student Financial Aid](#).

For **private grants and contract funds** meeting the criteria specified in [CMP 211](#), the [Office of Sponsored Projects](#) department is to be contacted for the decision about where to deposit the funds.

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	Origination date: 01/01/2000
Subject: Deposits – Authorization and Procedure for Departmental Credit Card Acceptance	Effective date: 01/01/2000
	Revision date: 12/11/2020

PURPOSE

To establish the approval process and procedures for authorization to accept credit cards.

SOURCE

University policy

CMP 301-04: Deposits – Authorization and Procedure for Departmental Credit Card Acceptance

To be authorized to accept Credit Card payments, you must first obtain permission from the Comptroller's Office by completing a [credit card machine request](#) form. Subsequent to that authorization, you may then initiate arrangements through the [Student and Departmental Account Services \(Student Accounts\)](#) for issuance of a credit card machine through Wells Fargo Bank. The department must contact the Comptroller's Office for the Wells Fargo merchant banker to establish a merchant number.

Departments are encouraged to explore the use of ITS E-Business credit card processing before requesting departmental credit card machines. Please refer to the ITS [E-Business](#) site for more information.


Procedure

Credit Card Point of Sale Charges

Procedure for all departments that receive credit card revenue from credit card receipts processed through the cashiering system or directly through terminals purchased or leased in their department.

- **All credit card receipts** must be processed on their own deposit transmittal form. You can include multiple settlements in summary on the same transmittal. **DO NOT INCLUDE CASH, CHECKS OR OTHER TENDERS ON A CREDIT CARD TRANSMITTAL.** This will insure that only departments that have Credit Card sales are correctly charged fees based on their actual sales.
- Departments must submit their credit card receipts on a transmittal within **5 business days** after they settle their terminals. Any deviations from this policy must be approved in writing by the Comptroller's office.

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	Revision date: 12/11/2020

CMP 301-04: Deposits – Authorization and Procedure for Departmental Credit Card Acceptance

If you lease equipment there is also a terminal lease fee based on the type of equipment you are leasing.

Visa, MasterCard, Discover and American Express have different Fee structures.

Fees:

- Terminal Fees will be charged to a specific Department under Account 755115

Web Payments

Web Credit Card payments will continue to be assessed using the following formula:

- Department Sales/Total Sales x Total Fees
- Fees are charged to Account 759110
- Terminal Fees are charged to a specific Department to Account 755115
- No annual reconciliation occurs

CROSS-REFERENCES

"Departmental Receipts and Deposits" - [CMP 307](#)

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 NORTHERN ARIZONA UNIVERSITY	POLICY: CMP 302
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	Origination date: 01/01/2000
Subject: Class Fees	Effective date: 01/01/2000
	Revision date: 01/29/2016

PURPOSE

To define procedures for establishment of special class fees

SOURCE

[ABOR policies Chapter 4 Section 104](#)

[ABOR Guidelines / Protocols](#) – Guidelines for Class Fees

University policy

CMP 302: Class Fees

Class fees are established through the [Office of the Provost](#) according to ABOR policy in conjunction with the University Budget Office. Fees are setup in the Louie system and are interfaced to PeopleSoft Financials when paid by the student.

To apply for establishment of a special class fee, please complete a [Request/Edit Course Fee](#) form.

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	Responsible office: Comptroller
	Origination date: 01/01/2000
Subject: Gift Deposits	Effective date: 01/01/2000
	Revision date: 01/29/2016

PURPOSE

To deposit gift receipts properly

SOURCE

University policy. Faculty Handbook Section 5.7 - Charitable Gift Reporting Procedures

CMP 303: Gift Deposits

Cash Gifts

Cash gifts and any documentation should be forwarded to the University Advancement Office as soon as possible after receipt of a gift. Information should include donor name, address, city, state, zip code, gift amount and donor's intention for use of the gift.

University personnel have an ethical obligation to use charitable gifts in the manner intended by the donor, if the gift has been accepted with an intended use stated by the donor. All cash gifts are deposited within the [NAU Foundation](#), therefore donors should make checks payable to the NAU Foundation. Gifts of stocks, bonds, and securities are not to be accepted without prior approval from the Senior Vice President of University Advancement or his/her designee.

Contact the NAU Foundation to ensure proper transfer of securities.

Upon acceptance of a gift or receipt of information regarding acceptance of a gift by university personnel, the Advancement Office will take certain actions, dependent upon the type of gift.

1. Cash and checks will be forwarded to the NAU Foundation for deposit.
2. Securities, stocks and bonds will be placed in the name of and forwarded to the NAU Foundation for retention or liquidation.
3. An official letter of appreciation, which also serves as a receipt for the donor's tax purposes, shall be prepared.
4. Information shall be entered into the university's charitable gift database.
5. University personnel authorized to expend charitable funds will be notified.

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CMP 303: Gift Deposits

6. University personnel should make arrangements for appropriate publicity, public relations, or acceptance ceremonies in coordination with the Advancement Office and the Office of Public Affairs and Marketing.

The NAU Foundation will maintain an accounting of designated gifts as well as those given without restrictions. The Foundation will maintain records on earnings from endowed accounts and upon request will notify appropriate personnel regarding the amount available for expenditure. The designated area may contact the Foundation for the use of available funds, within the limits of the donors' wishes, when needed and will provide documentation regarding expenditures. The expenditures must be made in compliance with Foundation policies and procedures. The Foundation will advise each area within the university as to the status of its specific accounts upon request.

Non-Cash Gifts

Non-cash gifts must be approved by the Senior Vice President for University Advancement or his/her designee prior to acceptance. Upon acceptance of the gift, the campus recipient must complete a Gift-In-Kind form (available in the Advancement Office) and will forward the form to the Advancement Office. University personnel are not authorized to provide appraisals of non-cash gifts for donor tax purposes. Estimated values of non-cash gifts as entered on the Gift-In-Kind Form are for Advancement Office use only and are not to be provided to the donor or used in publicity about the gift or other donor recognition. University personnel are not to obligate the university regarding the retention and/or placement of non-cash gifts, the expenditure of university funds in providing an independent appraisal of the item, or other conditions related to the acceptance of the gift, without prior approval of the Senior Vice President for University Advancement or his/her designee.

Upon receipt of the Gift-In-Kind form, the Advancement Office will distribute the form as follows:

1. Original - University Advancement Office
2. Copy - Comptroller
3. Copy - Unit or area designated as the recipient of the gift
4. Copy - Property Control

The Property Control Office will tag and record the item, thereby making it a permanent part of the university's inventory records. The Comptroller's Office shall initiate a journal entry to formally enter the

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gift item in the general accounting records. Non-cash gifts to the NAU Foundation will not be entered into the university's accounting or inventory records unless such gift is transferred to the university.

Non-cash gifts of an intangible nature, such as donations of services or gifts that are not intended to remain in the university's possession, such as gift certificates, are to be reported to the Advancement Office in the same manner as cash gifts.

The NAU Foundation (NAUF)

The NAU Foundation is a separate, non-profit (tax-exempt) corporation that exists solely for the benefit of Northern Arizona University. The NAUF is charged with the receipt, investment, management, and disbursement of charitable contributions, with the exception of some non-cash gifts, according to the wishes stipulated by the donors. The Foundation is managed by a 24-member Board of Directors and is represented on campus by the Executive Director of the Foundation, appointed by the Board of Directors.

Endowed accounts, those from which only the earnings are available for expenditure, must maintain principle. Earnings for each endowed fund are based upon the Foundation's total investment earnings for a given year. Endowed accounts are managed, and the earnings are disbursed according to the stipulations of the Letter of Understanding among the donor or donor's representative, the Executive Director of the NAU Foundation, and the university President. The process of establishing an endowed account is initiated by contacting the Advancement Office.

NAU Foundation Reimbursements

Reimbursements to NAU accounts from the NAU Foundation are to be made in accordance with the Foundation's "[Guidelines on Disbursements of Foundation Funds](#)". In general, Foundation funds represent private gifts, and reimbursements to NAU accounts should be deposited accordingly. In most all cases, reimbursements from the Foundation Funds must be recorded to revenue source 533910.

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	Origination date: 01/01/2000
Subject: Gift Coordination Guidelines with Facility Services	Effective date: 07/19/2011
	Revision date: 01/29/2016

PURPOSE

This guideline is designed to establish a procedure that all NAU personnel must use as they pursue or solicit gifts-in-kind that affect Facility Services operations. The purpose in developing this is to assure a smooth transition for those gifts that the University wants to receive, and that Facility Services may be helpful in securing and placing into operation. The NAU Foundation is the only organization that accepts gifts and gifts-in-kind to the University. The NAU Foundation accepts gifts-in-kind under the following two conditions:

The first, and preferable, scenario is if the asset is available for sale. In this circumstance, the Foundation accepts the gift and then immediately puts it up for sale. In the case of land donations, the Foundation will conduct a level 1 environmental assessment before agreeing to accept the land donation.

The second scenario requires that the University expressly indicate that they want the gift, and then the Foundation would immediately deed the asset to the University upon successful completion of the following due diligence procedure.

SOURCE

University policy

BACKGROUND

On occasion, companies and individuals have good intentions in providing the University a gift opportunity. If the gift involves renovations, or some form of capital construction or design services, it is necessary to involve the Facility Services staff early on in the process. Some gifts, although well intentioned, may cost the University more than the value of the gift to install or operate. Consequently, it is prudent that all potential gifts involving Facility Services be evaluated thoroughly before the gifts are accepted.

CMP 303-01: Gifts Coordination Guidelines with Facility Services

This procedure is intended to identify this process as follows:

1. When a potential donor contacts a University representative, or an NAU Foundation representative, or the NAU Foundation representative or the University representative contacts a potential donor for a potential gift, the NAU Vice President responsible for the gift must determine if the gift involves installation, or construction services.

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CMP 303-01: Gifts Coordination Guidelines with Facility Services

2. If the NAU Vice President determines that the gift involves the need of Facility Services, they should contact the Facility Services Chief Facilities Officer or her/his designee before accepting the gift and provide the Department with the following, but not limited to, minimum information:

- a) Written description of the gift, size, capacity, special design considerations, etc.;
- b) Any specifications of the gift that would affect installation or operation;
- c) Insurance considerations, special or standard;
- d) Funding source to pay for the expenses necessary for the gift to provide value to the University;
- e) The NAU Vice President must provide a written summary as to how the gift furthers NAU's mission or goals of a specific program or project;
- f) Written description of the condition of the gift, for example, if it is a vehicle how many miles on the odometer and the condition of the vehicle, if it is a boiler or chiller, how many hours of operation did it endure before it would be gifted to the University Foundation, if it is a new piece of equipment, what additional parts or equipment must be purchased before the gift may provide value to the University, etc.;
- g) Any special conditions, for example, the piece of equipment is located out of State and decommissioning, disassembly, transportation, and re-assembly costs must be incurred in order for it to be delivered to and used by the University;
- h) Information concerning the donor's ability to provide insurance or a summary of the insurance coverage required by the donor that the university would be responsible to provide;
- i) Any analysis of the life cycle costs of the gifted equipment, (Note: if none exists, the NAU Vice President must contact Facility Services for this analysis before the gift may be accepted); and
- j) Often times the manufacturer may gift the piece of equipment but not alert the University representative to the need to contract with the donor for ongoing operation costs, or maintenance agreements. The cost of the maintenance may exceed the value of the gift. Consequently, the NAU Vice President must inquire of the donor of all ongoing operation costs and involve Facility Services in the analysis of these ongoing costs as well to assure that no procurement codes or regulations will be violated by acceptance of the gift and the ultimate exercise of the maintenance contract.

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CMP 303-01: Gifts Coordination Guidelines with Facility Services

3. The timing of construction is also critical for gifts consideration. If the project construction is underway, some gifts, although well meaning, may impact the construction schedule or project costs substantially. Under these circumstances, Facility Services will need to make the decision as to the true value of the gift in relation to the costs and disruption. If the project timing is critical to be available by a certain date and the gift is too disruptive, then the gift should be refused. This will be a delicate issue as the University does not wish to offend the donor so the NAU Vice President and the NAU Foundation representative should discuss before any gift is declined or accepted.

4. Facility Services will assist the NAU Vice President in evaluating the gift if the following information is not available from the potential donor:

- a) Budget for the installation;
- b) Budget for the operating costs, to include staffing requirements; and
- c) Life Cycle costs estimates.

5. After this information has been assembled or provided, the potential donation should be presented to the responsible NAU Vice President ;

6. A memorandum of understanding (MOU) should be drafted identifying the departments and accounts that will be committed to cover any costs of installation, operating and staffing costs, etc. The responsible Vice President must sign off on this MOU; and

7. Finally, the last step is to have the potential donation/project presented to the University administration. The benefitting Vice President and NAU Foundation representative will have the responsibility of presenting the project to the VPs and the President for final approval. If the project is approved and requires Facility Services assistance, then the NAU Vice President must complete the insurance requirements through Purchasing Services, and a project initiation form through Facility Services.

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	Responsible office: Comptroller
	Origination date: 01/01/2000
Subject: Gifts and Gratuities	Effective date: 01/01/2000
	Revision date: 01/29/2016

CMP 304: Gifts and Gratuities

The university's definitive policy on the acceptance of gifts and gratuities from vendors and others is found in the Purchasing Services Policies and Procedures Manual - Introductory Material, Section 104, - Gifts and Gratuities. The policy directs employees to report to the University Advancement Office any gift made to the university and restricts employee acceptance of personal gifts and gratuities to those of nominal or minor value (e.g., advertising tokens, food, and refreshments).

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	Responsible office: Comptroller
	Origination date: 01/01/2000
Subject: Jury Duty Reimbursement	Effective date: 03/14/2000
	Revision date: 4/28/2015

SOURCES

University Policy, NAU Personnel Policy 4.08 - Leaves

BACKGROUND

An employee called upon for service as a jury member or as a material witness, unless related to the employee's business or personal matters, must be granted leave sufficient to provide the subject service. Any employee who receives a fee as a juror in accordance with A.R.S. 12-303 shall either remit such fee to the institution or have an equal amount deducted from his/her pay. Reimbursements for travel expenses may be retained by the employee. [NAU Personnel Policy 4.08](#).

CMP 305: Jury Duty Reimbursement

NAU employees, who have received reimbursement for jury duty service while on jury duty leave from the University, shall deposit the reimbursement to [the Student and Departmental Account Services \(Student Accounts\)](#) at the cashier window in the Gammage building. Employees should not remit to the university any reimbursement received for travel related to the jury service.

Jury Duty	Amount Reimbursed	Amount to Deposit At NAU Fee Payment Services
Flagstaff Municipal Court	\$15.00 per day (includes \$3.00 for mileage)	\$12.00
Superior Court	\$12.00 per day (plus 30 cents per mile)	\$12.00
Federal Court (Prescott)	\$40.00 per day plus mileage and accommodations	\$40.00

Jury duty reimbursement will be deposited to the following PeopleSoft Financials account:

Dept: 1700100
Fund: 1500
Program: W001
Account: 555500

Additional Information:

For additional information on NAU jury duty policy, please contact the [NAU Human Resources Office](#).

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	Responsible office: Comptroller
	Origination date: 01/01/2000
Subject: NAU Event Ticket Sales	Effective date: 11/23/1993
	Revision date: 03/22/2021

PURPOSE

To set minimum standards, consistency, and greater assurance as to how tickets are purchased, distributed, and reported. This policy is compulsory at physical and virtual events held at NAU facilities where one or more of the following criteria are met:

- Access requires payment that will be received directly or indirectly as a university revenue.
- There is a need for assigned seating or total venue capacity control per Fire Marshal occupancy calculations or other regulations.
- There is limited amount space available or other need to control access via specific eligibility criteria that must be met.
- Official reporting outcomes require an auditable or third-party record of attendance.

SOURCE

University policy

BACKGROUND

NOTE: This policy shall not conflict with the university's current exclusive ticketing agreement.

Events

- All NAU-sponsored events (such as entertainment, sports, dinner theater, etc.) **FOR WHICH AN ADMISSION PRICE IS CHARGED**. "NAU-sponsored" includes events sponsored/held by NAU departments or any sub-unit thereof including student clubs.
- Any Non-NAU Sponsored event held on the NAU campus, even though sponsored/promoted by an off-campus organization.

Contract Authorization

Only authorized NAU personnel may sign contracts on behalf of the university. This includes contracts for the purpose of securing NAU events and the rental/use of NAU buildings and other facilities. The Board of Regents authorizes the University President to:

- Execute contracts and other written instruments on behalf of the Arizona Board of Regents.
- Delegate signature authority to other University staff members for limited purposes. Please contact [Contracting and Purchasing Services](#) for a list of authorized signers.

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Facility Managers for Reservation Requests

<https://nau.edu/campus-services-and-activities/reservations/>

ALL TICKET SALES MUST BE MADE THROUGH THE NAU CENTRAL TICKET OFFICE.


All events held at NAU facilities that include an in-person component must register through the Campus Event Operations and Support office via the [Event Information Form](#).

1. The [NAU CENTRAL TICKET OFFICE \(CTO\)](#), must be contracted to issue tickets for events covered by this policy. The CTO service includes the following features to provide control over revenue from event ticket sales; barcoded tickets; an audit trail in the form of a daily, detailed journal report; an "event audit" showing the number of tickets sold at what price and the total revenue from the event; and daily intact deposit of ticket sales proceeds.
2. Release of "sold seats" is prohibited without the express consent of the ticketholder in compliance with university venue capacities per the NAU Fire Marshal FLS Fire Protection Manual. Consignment sales are generally prohibited. Exceptions are approved at the sole discretion of the CTO Manager.
3. Ticket sales in advance of the event will be administered through the CTO located in the University Union. Ticket Sales at the door of the event will be administered by the CTO staff.
4. Security over gate sales proceeds: Security for the Box Office may be required for some events. It is the responsibility of the event sponsor to contract and pay for security personnel.
5. The CTO Manager will be responsible for implementing the policy related to event ticket sales on campus. NAU employees who are planning an event must contact CTO Manager as far as possible in advance of the event, and at least 5 days in advance of when ticket sales are to begin.
6. CTO will transfer the proceeds from the event to the sponsor. Proceeds from ticket sales cannot be transferred to sponsors prior to completion of the event due to the possibility that the event may be cancelled, in which case patrons will look to CTO for their refund.
7. Events are subject to per ticket charges including but not limited to: CTO service fee, transaction fee, set-up fee and labor fee. Fees reflect considerations of the fair market value charged by comparable ticketing services, actual expenses incurred in providing the services and inflation. Fees subject to change at any time.
8. **Advertisement of any event should not take place until a contract with CTO has been executed.**

CROSS-REFERENCES

[Central Ticket Office](#)

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Subject: Departmental Cash and Check Receipting	Effective date: 01/01/2000
	Revision date: 02/01/2016

PURPOSE

To set minimum standards for cash and check receipting by departments and to define the procedure for NAU Departments receiving and depositing university funds (hereafter "funds").

SOURCES

University policy, Arizona Board of Regents policy, [Chapter 3, Section 3-101](#)

CMP 307: Departmental Cash and Check Receipting

University funds are defined as cash, credit card payments, checks, money orders, travelers' checks, or other form of money received by a university department or employee for the benefit or support of an NAU program and/or, any form of money received for the sale of NAU materials, property, and/or services, or for the use of NAU property. University funds are to be deposited daily with [Student and Departmental Account Services \(Student Accounts\)](#) whenever the sum of \$500 or more in CASH and/or \$2,000 or more IN CHECKS or CREDIT CARDS is accumulated. Funds less than \$500 CASH and/or \$2,000 IN CHECKS or CREDIT CARDS may be accumulated for up to five working days.


In other words, a deposit is required whenever \$500 IN CASH and/or \$2,000 IN CHECKS or CREDIT CARDS is accumulated, or **five business days** pass, whichever occurs first.

Under no circumstances should the department hold university funds for longer than five working days from the date of collection. Deans, Department Chairs, Directors, and Fund Custodians who receive funds must assure compliance to procedure.

Any department using the Desktop Deposit should retain copies of checks for 30 days and then shred them immediately.

Funds received on behalf of, or for the benefit of, NAU must be deposited with Student and Departmental Account Services. These deposits initiate recording the revenue in university accounts per the Deposit Transmittal Log Details. Arizona Board of Regents policy, [Chapter 3, Section 3-101](#), requires that all university funds be deposited only to bank accounts authorized by the [Arizona Board of Regents](#). Student and Departmental Account Services will deposit funds with the bank(s). NAU Departments deal only with Student and Departmental Account Services, not with the bank(s) unless otherwise authorized in writing by the Comptroller.

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CMP 307: Departmental Cash and Check Receipting

Credit Cards

To be authorized to accept Credit Card payments, you must first obtain permission from the Comptroller. Subsequent to that authorization, you may then initiate arrangements through Student and Departmental Account Services for issuance of a merchant number and credit card machine.

Separation of Duties

An individual other than the person preparing the deposit (fund custodian) should open mail containing revenue, restrictively endorse any checks or other negotiable instruments, and record the revenue in ink, in a mail log. The funds should then go to the fund custodian for processing. The mail log should be reviewed/reconciled daily to the deposit transmittal.

The fund custodian and the supervisor of the fund custodian should reconcile/review the deposit transmittal and listing of revenues received. Both the fund custodian and the fund custodian supervisor must sign the deposit transmittal.

The person(s) performing the mail/cashiering function must not be the same person who performs accounts receivable functions. (Extending credit by allowing accounts receivable must be pre-authorized by the Comptroller in writing).

Cash drawers in registers should only be used by one cashier. At the end of each cashier's shift, the drawer is to be counted out and reconciled with the day's activities. This process should be well documented and performed by the cashier and the manager.


A person outside of the mail/receipting function must prepare monthly reconciliations of the general ledger to the mail log or cash register log.

The duties of employees connected with the cash receipts function should be rotated.

Ideally, this process includes three to four people so that the following duties are segregated:

- Custody
- Recordkeeping
- Reconciliation
- Authorization

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CMP 307: Departmental Cash and Check Receipting

However, this may not be possible in all departments due to staffing sizes. Therefore, a minimum of two people must be part of each transaction per policy [CMP603: Internal Controls](#). If the size of a department prohibits the proper segregation or rotation of these functions, the Financial Controls Analysis and Reporting Department should be notified, so as to ensure that proper internal control procedures are followed.

Securing University Funds

All university funds received should be secured in a locked cash register, drawer, or locking cash box and kept, when not physically guarded, in a secure safe, room, or cabinet not accessible to anyone other than the responsible employee. Common sense dictates that larger amounts of cash should not be kept any longer than is absolutely necessary to reduce exposure to loss.

All drawers and cash boxes must be locked during the fund custodian's absence.

Safe combinations and keys to drawers or cash boxes must be restricted to a minimum number of employees. Combinations and duplicate keys may need to be issued to individuals other than the employees holding the keys or combinations for backup purposes. If it is necessary to issue keys or combinations to a third party person for infrequent backup in the absence of the two primary people, then a sealed envelope should be used, the seal of which is to be broken only if the first two people are absent.


Safe combinations and locks are to be changed periodically and when indicated by employee turnover.

Fiscal year End

To the extent possible, revenue deposits should be recorded to the fiscal year in which goods/services were provided. Please contact Financial Accounting Services (FAS) at ask-FAS@nau.edu with the deposit number and copy of deposit transmittal for any deposits greater than \$5,000 that meet either of the year end crossover criteria below:

1. Deposits made on or before June 30th for goods/services provided after June 30th.
2. Deposits made after June 30th for goods/services provided on or before June 30th.

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Based on the information provided by the department, FAS will determine what if any accounting adjustments will be made for year-end reporting.

Departmental Procedures

Departments must perform the following functions relative to the collection of receipts:

1. Verify the cash and/or check amounts.
 - a. Checks must be made payable to Northern Arizona University.
 - b. Note driver's license number or NAU ID in the upper left corner, as appropriate.
 - c. For any deposit, all coin must be rolled and currency strapped, if possible.
2. Restrictively endorse all checks as soon as they are received.
3. Complete a receipt giving the original to the customer or record in mail log, as appropriate
 - a. All receipt forms must be pre-numbered, preferably multi-copy and bound in a book. These must be controlled and accountability must be maintained.
4. Attach an adding machine tape that supports the total of the checks.
5. Prepare, review, approve and sign the Deposit Transmittal form.
6. Deliver the funds to be deposited along with the original Deposit Transmittal form to Student and Departmental Account Services.
 - a. A locking bank bag (available from Student and Departmental Account Services for a nominal fee) or pre-numbered tamper proof bag must be used to transport the cash, checks, credit card settlement (for authorized departments only), and deposit transmittal form(s). This bag must have the department name and box number clearly visible on the outside of the bag.
 - b. If sealing plastic bags are used for fund transportation, you must include in the sealing plastic bag the cash, checks, credit card settlement (for authorized departments only), deposit transmittal form(s), and a return addressed inter-departmental envelope.


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CMP 307: Departmental Cash and Check Receipting

- c. Deposits may be taken directly to SDAS or they may be dropped at the following secure drop box locations. Contact SDAS for the depository combination. Note that deposits not secured properly will not be picked up by the armored car service due to the lack of protection against tampering.
 - i. University Union, Building 30, Activities Office Room 111
 - ii. du Bois, Building 64, front lobby area
 - iii. Health and Learning Center, Building 25
- d. Two people must accompany the departmental deposit from their office to the nearest depository or Student and Departmental Account Services.
 - i. This will ensure a witnessed chain of custody.
 - ii. A video surveillance camera is located at each drop box for your safety and to verify that a drop was made.
 - iii. A designated individual(s) from a nearby office will provide a key to open the depository with the armored car service. This method requires two keys (one NAU, one armored service) to open the depository. The designated individual(s) will count the number of bags and the armored car service will verify the number of bags collected and that all bags are locked / sealed.
 - iv. Standardized record logs are required when individual are transporting funds. The log should at least include:
 - 1. The first and last name of both individuals transporting the deposit.
 - 2. The dollar amount of the deposit that matches the deposit transmittals and the tamperproof bags, as applicable.
 - 3. The bank bag number or serial number(s) of the bag(s) transported as applicable.
 - 4. Destination of the deposit bag.
 - 5. Date and time.

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6. Signature of the transporters.
7. Affidavits stating the employees signing the record log are transporting the deposit as indicated by their signature. Penalties for failure to comply with Comptroller policy could result in job restrictions, loss of employment, or other penalties assessed by management.
8. For special events or after hours transports, please contact the [NAU Police Department](#) for arrangements.
7. Verify the validated information on the receipt copy returned to the department to the copy of the Deposit Transmittal form that was retained.
8. Review monthly PeopleSoft reports to verify proper posting of deposit amounts.
9. Reconcile the general ledger to the receipt book, mail log or cash register as appropriate.
10. Someone outside of the cash receipting function must review discrepancies and document the processes involved.

Student and Departmental Account Services Procedures:

1. Log and verify the departmental deposits delivered by the armored car service.
2. Verify that the receipt is complete and free of obvious errors.
3. Verify that the total cash deposited agrees with the receipt total (all cash received is counted before the receipt is validated).
4. Verify that the adding machine tape totals attached to the checks agree with each other and with the receipt total.
5. Verify that the credit card batch report agrees with the receipt total.
6. If any discrepancy is found, two individuals will individually recount the deposit. If each arrives at the same total, the deposit transmittal will be changed and both will sign it. The department will be called and notified of the change if the discrepancy amounts to \$10.00 dollars or more.

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CMP 307: Departmental Cash and Check Receipting

7. Process the receipt in PeopleSoft Financials.
8. Return locking / sealed bag strips with the deposit receipt via campus mail.
9. Forward the funds to the bank for deposit.

Voids

Voids are considered exceptions to the normal process and may occur at the department level or in Student and Departmental Account Services.

Voids require management approval demonstrated by standard cash register override or the signature and date in a receipt book. On a monthly basis, someone outside of the funds handling function must review voided transactions. This review should include a comparison of the total number of voids by an individual to the average number of voids. Voids should also be reviewed for high dollar amounts.

For voided transactions that are not promptly reposted or not reposted at all, there should be a review to determine if the same employee is processing a number of similar transactions.

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	Origination date: 01/01/2000
Subject: Revenue Account Numbers	Effective date: 01/01/2000
	Revision date: 02/01/2016

PURPOSE

To present a list of revenue source codes

SOURCE

PeopleSoft Financial accounting system

CMP 308-01: Revenue Account Numbers

The PeopleSoft Financial chart of accounts requires revenue account codes as listed in [Enterprise Reporting](#), under Public Folders, Financial Management, General Accounting, PS Financials Code Descriptions.

To request that a new revenue account code be setup, please contact the Comptroller's Office. All requests must be justified in terms of reporting and or budget purposes.

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	Section: 300 Deposits of University Funds
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	Responsible office: Comptroller
	Origination date: 01/01/2000
Subject: Carry Forward/State Appropriations	Effective date: 01/01/2000
	Revision date: 02/01/2016

PURPOSE

To explain carry forward fund balances and state appropriations

SOURCE

PeopleSoft Financial accounting system

CMP 308-11: Carry forward/State Appropriations

Carry Forward Fund Balance (Revenue)

If a local department has a fund balance from the previous fiscal year, that fund balance is brought forward by the accounting system at the beginning of the new fiscal year as a funding source (balances usually roll forward in August or September).

State Appropriations

The revenue sources for state appropriations to NAU consist of:

1. a lump sum appropriation (State General Funds authorized specifically for the current operations of the university);
2. a building renewal appropriation (State General Funds authorized specifically for land and building capital expenditures from university plant funds), and;
3. other appropriations (any other appropriations not described above).

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	Responsible office: Comptroller
	Origination date: 01/01/2000
Subject: Revenue Transfers	Effective date: 01/01/2000
	Revision date: 04/21/2020

PURPOSE

To list and define the use of revenue to revenue transfers

SOURCE

University Policy

POLICY

Revenue to revenue transfers between or within PeopleSoft financials departments can be performed to correct revenue classification or to distribute revenue collected by one department to another department. Revenue account budget lines must exist for the departments involved in the transfer before the transfer can be completed.

A revenue to revenue transfer between departments is different from voluntary fund transfers in that they represent a correction of collected revenue.

CMP 308-30: Revenue Transfers

Procedure

Revenue to Revenue transfers must be processed by the Comptroller's Office for non-grant accounts and the Office of Sponsored Projects for grant accounts. Departments may request transfers by filling out a "[Transfer of Funds](#)" form and submitting the form to the Comptroller's Office, Box 4080.

Transfers over \$5,000 should first be sent to the Budget Office, Box 4118 for approval.

For grant accounts, departments may request transfers by filling out the [Grant Transfer of Funds](#) form and submitting it to Office of Sponsored Projects, Box 4070.

For information on expense to expense transfers, see [CMP 430-29: Expense Transfers - Non Payroll](#)

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	Origination date: 01/01/2015
Subject: Unrelated Business Income	Effective date: 01/01/2015
	Revision date: 02/01/2016

PURPOSE

To list and define Unrelated Business Income.

SOURCE

IRS Policy

POLICY

The University is exempt from federal income tax for engaging in activities which include charitable, scientific, testing for public safety, literary, educational, to foster national or international amateur sports competition, or for the prevention of cruelty to children or animals. However, section 511 and corresponding Treasury Regulations place a tax on income that is not related to the organization's exempt purposes.

CMP 309 Unrelated Business Income

Procedure

For income to be unrelated business income and taxable (UBIT) the activity generating the income must be:

1. A trade or business -- Conducted with intent to generate profit.
2. That is regularly carried on -- Determined by looking to frequency, continuity, and whether manner conducted is consistent with the manner of a commercial taxable organization.
3. And not substantially related to the exempt purpose of the organization -- Does not contribute importantly to furthering the university's purposes; motivated primarily for the production of income.

There are possible exceptions and modifications for each of these prongs depending on the activity in question. Possible activities that might generate UBIT are as follows:

Advertising Income

The University sells advertising in multiple ways, including commercial ads in the student newspaper, professional journals, and athletic programs, and sponsorship agreements for using and displaying the company's product. As a general rule, advertising income is UBIT. Advertising is given a fairly broad definition as slogans, trademarks, logos, and other information similar to listings in professional journals, newspapers, and the yellow pages. Income from ads on an organization's facility wall space was also held

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to be UBIT from advertising.

To be advertising, a trade or business must exist, and is present when the advertising activity or the sale of the publication is generally profitable. When one or both activities are operated at a loss year after year, it can be argued there is no profit motive and no trade or business. In addition, such business must be regularly carried on, meaning the ad is part of a journal, newspaper, or similar periodical published on a regular basis.

The following are a few exceptions to the usual UBIT determination. In *Reg. § 1.513-1(d)(4)(iv), Ex 5* – An exempt university provides facilities, instruction, and faculty supervision for the student-operated campus newspaper. The newspaper also contains paid advertising, which is solicited, sold and published by students. However, there is no UBIT as this advertising contributes importantly to the university's educational program through student training. The same would be true if the newspaper were published by a separate section 501(c)(3) organization, if qualified under university rules for recognition of student activities, even if the organization uses its own facilities and is not under faculty supervision. It would have to perform its function by means of student instruction and participation in editorial and advertising activities. Under *TAM 199914035*, a 501(c)(3) organization that was separately incorporated but had a close working relationship with the university published a university's daily student newspaper. The university had donated office space where the department of journalism was located. Students and faculty members comprised the board of directors, and students conducted the reporting and writing functions of the paper. The business functions were conducted by 17 students and 10 non-students. It was held the ad income was still substantially related, but this is a "safe-harbor" and not a bright line test.

Activities with a History of Consistent Losses

Under the test for UBIT, one prong is whether the activity is conducted for the primary purpose of generating income/profit. The IRS and Tax Courts have adopted a facts-and-circumstances test to answer this question. It should be noted that while many universities have used the argument of an activity with a history of consistent losses not being conducted for the primary purpose of generating income or profit, and hence not being an unrelated business activity, the IRS has used this to disallow claimed loss deductions for allegedly unrelated business activities. Such history should be determined on an activity by activity basis.

In *National Water Well Association v. IRS*, the court held a contractual right to receive commissions or fees is not necessary to find a profit motive; such can be inferred from the objective facts that the petitioner was extensively involved in endorsing and administering a program that proved highly profitable for the petitioner. In *PLR 8846002*, a 501(c)(3) organization's primary activity consisted of providing public television broadcasting to a particular region of the US. It rented certain facilities to the general public, including studio space and equipment. It reported a large loss from this activity, due to accelerated depreciation and administrative costs, and argued its losses have substantially decreased over the years and it has always had a profit motive in this activity. The IRS held a series of consistent losses

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is relative, but not the only factor. The loss this year could be attributable to factors such as the depreciation, which will not be present in future years. Its pricing was competitive, and it conducted this activity in a businesslike manner. The rentals are more than incidental and there is repeat business. The organization was subject to UBIT. In *PLR 8428008*, a 501(c)(5) organization provided qualified officer personnel and maintained an office for the provision of insurance to union members. For three years the organization sustained a loss and in the fourth year the agreement was changed, giving the organization its first profit. The IRS found a profit motive based upon the following reasons: the organization was not independently negotiating contracts that produced losses, increasing volume was a factor in reaching a break-even point, the organization made a profit in the last year, and the losses under the contracts were decreasing every year. Finally, in *TAM 8508004*, X operated a clubhouse for its members and guests. It consistently suffered substantial losses from all of its activities with nonmembers and sales to nonmembers were at prices insufficient to recover the cost of sales. There was not a profit motive and X may not use these sales to deduct against other income.

Athletic Events/Television and Broadcast Rights

This occurs when a university earns income from admissions to athletic events or from the sale of television and broadcast rights. *HR Report No. 2319* states income from admission charges is not UBIT because athletic activities are substantially related to a university's educational purpose. In the following PLR and Rev. Ruling, the IRS held income from the sale of radio or television rights are likewise not UBIT because these are other methods of exhibiting the game to the public. In *PLR 7948113*, the IRS ruled the gift of the rights, title, and interest in the operation, production and exhibition of an all-star college football game played by a university to an exempt organization which supported the university would not endanger the organization's exempt status. In addition, an agreement with another entity to broadcast the game for profit would not generate UBIT. In *Rev. Ruling 80-296*, the sale of broadcasting rights to a national radio and television network by an organization created by a regional collegiate athletic conference made up of universities to hold an athletic event was not UBIT. Finally, in *PLR 200151047*, the IRS ruled income from video production and satellite uplink services provided by a exempt public broadcasting corporation to a noncommercial television network, and income from educational programming services provided to a commercial television station, was not UBIT.

Bookstore Operations

The IRS breaks down this area into two categories:

Situation 1 -- University leases bookstore facilities to a for-profit company and receives rental income. A question is raised as to whether the relationship is a bona fide lease, with payments received qualifying for rental income exclusion, or the for-profit company is simply acting as an agent in return for a

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management fee.

Situation 2 -- University retains a for-profit company to manage under a management contract, or University operates the bookstore itself or arranges for operation by a separate, nonprofit entity controlled by the University. Under this category, all bookstore sales are UBIT, unless the sale is either

- i. A sale to students, faculty and staff of items directly related to the school's educational purposes (i.e. books, general supplies) and athletic wear used in the athletic and physical education programs or
- ii. A sale of non-educational items for the convenience of students and faculty, and other employees (not alumni). This is determined by a convenience test with two requirements – the item should be of recurrent demand because of day-to-day campus living, like toiletries, and the item should not have a useful life of more than one year. The IRS goes by a general rule that any non-educational item with a useful life of more than one year does not fall within the exception, except for clothing, and novelty and other items embossed with the school's logo.

There are a few additional considerations. The sale terms might affect the convenience test. For example, if a refrigerator or television set is leased on a short-term basis, it is considered for convenience. In addition, while the sale of one computer to a student/faculty member may be considered exempt, the sale of multiple computers to a single student or the sale of a computer to someone not enrolled may be UBIT.

Catering Activities

This arises when an university provides its own catering services for the following: (1) university or affiliated group sponsored events; (2) university department invitation to a nonaffiliated group; (3) university permission for a nonaffiliated group to use the dining facilities in connection with a meeting; (4) university caters wedding receptions, graduation and birthday parties, or private parties for senior officials; (5) catering department of university advertises to the general public for catering services. Under *Rev. Ruling 81-69*, a social club that sells food and beverages to non-members at prices insufficient to recover the costs may not deduct losses from its other UBIT because the activity is not profit motivated. Under *PLR 8020010* university-held functions requiring the use of the facilities, including alumni dinners and class reunions, are not UBIT because these activities kept the alumni abreast of current development on campus and as such, the catering for these events was a related activity.

Concession Sales

This occurs when university makes sales of food, novelty items, t-shirts and other such items. If the university makes concession sales to students, faculty, and staff, the activity falls within the convenience exception and is not treated as UBIT. If the concessions are sold to anyone at a related event, such as a

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football game or a student play, the sales are treated as an integral part of the event and not subject to UBIT. If the concessions are sold to members of the general public or to anyone else in connection with an unrelated event, the concession activity will not be treated as related and will be subject to UBIT.

Conferences, Meetings, and Training Programs

This arises in one of three instances: (1) university has conference center/facilities at which institution related meetings and conferences are conducted; (2) university rents such facilities to other entities, both non-profit and profit; (3) university enters into a contract with another entity to provide special training programs and classes for its employees.

There is no UBIT in the first situation. If under the other two UBIT is determined, it might be excluded under the rental income exclusion, depending on the degree and extent of the university-provided services. In *TAM 9137002*, a state university entered into contracts with an operating company to provide instruction in support of certain courses. The contract provided all material which became an integral part of the contract, as well as information prepared by the university, or as a result of work done for the course, should be the exclusive property of the operating company. The university and the operating company both provided computing resources, and the university provided two instructors, teaching assistants, and a secretary. The operating company provided instructional materials and classroom space. The teaching was part of the instructors' regular load and undergraduate credit if desired. The IRS held it was demonstrated the courses were educational and furthered the mission of the university. Therefore the income was not taxable. In *TAM 7840072*, a state college leased its facilities to various non-profit and commercial entities to conduct various conferences, seminars, and training programs and who used the college's dormitories, cafeterias, meeting halls, and other facilities. The college also conducted conferences and seminars open to the general public. The IRS held the college's direct conduct of conferences and seminars is substantially related to its exempt function. The leasing activities do not contribute importantly to the exempt purposes and are included in UBIT. Finally, in *PLR 9824048*, income from a conference center and lodging facility constructed and operated by an organization affiliated with a university, which was used primarily for executive education and continuing professional education types of training, was not subject to UBIT.

Corporate Sponsorship Payments

A corporation or a business makes a payment to the University in return for some mention or acknowledgement of the business's products or services. The issue is whether this is fundraising and acknowledgement, or the sale of advertisements. Under *Reg 1.513* a qualified sponsorship payment is not UBIT. A qualified sponsorship payment occurs when a payment is made to an organization by a person engaged in a trade/business and there is no expectation the person will receive a "substantial return

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benefit" in exchange. It does not matter whether the sponsored activity is related or unrelated to the exempt purposes of the organization or whether the activity is temporary or permanent. The regulations apply to ongoing events like annual fundraisers.

A substantial return benefit is any benefit other than a use or acknowledgement of the payer's name or logo in connection with the organization's activities, or certain goods/services with an insubstantial value. A use or acknowledgement can include logos or slogans that do not contain qualitative or comparative descriptions of the payor's products, services, facilities or company. Such logos/slogans need to be an established part of the payor's identity. A good/service has an insubstantial value when the aggregate fair market value of all the benefits provided to the payor/persons designated by the payor in connection with the payment during the organization's taxable year is not more than 2% of the payment amount. The existence of a written sponsorship agreement does not prevent the qualified classification –the agreement terms determine the classification. If payment is based on the degree of public exposure to a message the payment will be classified as nonqualified; however, a contingent event will not have the same effect.

On the Internet, an exempt organization can provide links on its website and notices of certain benefits provided to the organization's members by certain providers. If the organization does not charge a fee for the listings or the links, the IRS has held the links are not advertising – they were acknowledgments and not subject to UBIT. In addition, banner advertising featured on the website is not advertising if it appears on the website generally, and not part of an online periodical. If a corporate sponsorship payment were for both periodical advertising and advertising that appeared on the website generally, then the payment would have to be allocated.

Residence Hall Rentals

Residence hall space is rented to other organizations or individuals, usually in the summer. A question arises as to whether this rental activity is substantially related to the school's education purposes. A 1990 IRS ruling analyzed the following summer rental programs at a college:

- a. *Summer internship rental program* – Students from schools around the country stayed in dorms while taking part in summer internship programs at local corporations and law firms. The college also conducted career counseling sessions for the students and a biweekly seminar program focusing on law and business, and allowed the use of the library and other education facilities.
- b. *Organizational education* – Organizations (both profit and non-profit) rented space to conduct educational classes, seminars, and workshops. Some classes used the college's facilities. For profit-organization classes, the college required the following: classes be educational in nature and not directed at enhancing the sponsor's commercial objectives, the sponsor use the school's facilities, and the company submit a course description to allow the college to monitor the classes to ensure the educational nature.

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The IRS held both programs did not generate UBIT for three reasons: the school established requirements and criteria to ensure activities were educational in nature, the school provided other educational benefits, such as career counseling, and it made it non-dormitory facilities available to the individuals.

Two other IRS rulings are also instructive. In the first, a state college could allow a non-profit professional theatre group to use its facilities each summer, as well as various non-profit and commercial entities which conduct conferences, seminars, and training programs. However, the lease of facilities and dormitories to a NFL football team as a pre-season training camp did not contribute importantly to its exempt purpose and was UBIT. In the second, a college held two summer sessions of hockey camp for boys ages 8 to 14, as well as a summer camp run by a professional football team and outside organizations' educational conferences. The hockey camps were considered in furtherance of exempt educational purposes, as were the educational conferences. The leasing of the facilities to the professional football team did not further the educational purposes, but was exempt under the rental exclusion.

Exclusivity Contracts

These contracts are divided into two subcategories, and examples are in the Regulations:

- a. Exclusive sponsor arrangements – a company sponsors an event and the organization agrees the company will be the exclusive sponsor; then in most cases states such in its event publicity. The IRS holds this arrangement, in and of itself, is not regarded as a substantial return benefit that generates UBIT.
- b. Exclusive provider arrangements – "an arrangement that limits the sale, distribution, availability, or use of competing products, services, or facilities in connection with an exempt organization's activity." *Treasury Reg 1.513-4*. Such an arrangement is held by the IRS to be a substantial return benefit and taxable as UBIT.

Internet

This occurs when non-profit organization utilizes the Internet for fundraising or advertising purposes. The rulings in this area are not as developed as other areas concerning UBIT. The *2002 Tax Exempt Organizations and World Wide Web Fundraising and Advertising on the Internet, Training Manual for Field Agents* states that use of the Internet to accomplish a particular task does not change how the tax laws apply to that task, but it can change the manner in which the tasks are accomplished, affecting the resulting tax treatment. Use of a hypertext link in a message that otherwise meets the corporate sponsorship guidelines will retain the passive character of a corporate sponsorship while a moving banner is more likely to be considered advertising. A distinction is drawn between periodicals and most online content except where the organization has online editions and print publications that are sufficiently

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segregated from other traditional Website materials.

In *PLR 200225046*, a 501(c)(3) educational incorporated N as a for-profit corporation with the same mailing address as a wholly owned subsidiary of the organization. The organization entered into licensing agreements with N, and N delivered products and services to business professionals through an Internet vertical portal. The license granted was non-exclusive, non-transferable, and non-sublicensable, except N had an exclusive North American license to use the organization's trademarks, logos, trade dress, and domain name for the purpose of hosting or sponsoring a website on the Internet. The organization established standards and guidelines relating to permitted use, depiction, and display or licensed marks and content and quality control procedures. The two parties also entered into an advertising agreement whereby N agreed to give the organization banner advertising space on the website and in consideration for such, the organization would provide N advertising in its periodicals and publications. The organization would report any additional revenue from N as UBIT. The IRS held income from the licensing agreement was to be considered royalties and income from the ads should be UBIT. Similarly, in *PLR 200303062* a 501(c)(5) organization was committed to the advancement and prosperity of agriculture. It regularly published news publications, and accepted advertising, treating it as UBIT. M had membership benefits through other service providers, and provided information in brochures and on its website about these companies. It simply listed the service provider on its webpage and provides benefit information. It did not encourage the use of such benefits nor provide a link to the service provider's website. The organization did not accept advertising from the service providers for its website, although it did for other periodicals. Some of these service providers also sponsored activities, and the organization asked for permission to acknowledge the sponsors on the website with links to the main corporate page of the sponsors' websites without recognition of UBIT. The IRS held the information listing of service providers does not generate UBIT. Any website advertising that is offered in addition to periodical advertising has some separate value and may or may not have to be included in the computation of periodical advertising. As long as the corporate sponsorship listings and links can be categorized as an acknowledgement, rather than an advertisement, such would not generate UBIT.

Finally, in *Rev. Ruling 2004-112* – Two examples are given and a distinction is drawn:

a. A trade association exempt under 501(c)(6) maintains an information website about its trade shows. In conjunction with its semi-annual trade show, it adds a section enhancing the trade show by allowing members and the public to access information. This section is available during the 10 day trade show, and during a 3 day period prior to and a 3 day period after the trade show. The IRS held the activities conducted on the supplementary website section during the 16 day period that coincides with the trade show meet the requirements of a qualified convention and trade show activity and therefore do not generate UBIT.

b. A similar trade association establishes an Internet site available to the general public 24 hours a day, 7 days a week for a 2 week period. The 2 week period does not overlap or coincide with any international, national, state, regional, or local convention, annual meeting or show. The IRS held the Internet activities are not carried on in conjunction with or enhancing any convention, meeting, or trade show. Therefore the operation of the website, even for a short period of time, is

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an unrelated trade or business.

Operation of Parking Lots

This issue arises when a school has excess parking spaces available and leases these spaces to local businesses or members of the general public. Such operations were a key concern, shown by legislative history, and the resulting Regulations hold a strong position in favor of treating revenue from such leases as UBIT. Because of inconsistent previous rulings a 1990 GCM was issued to make the IRS's position clear, and it stated the following:

- a. A tax-exempt organization that engages in the operation of a parking lot for unrelated use will never qualify for the rental income exclusion because of the Regulation's strong statements tracking the legislative history.
- b. A tax-exempt organization that "net leases" the parking lot to a third party lot operator can qualify for the rental income exclusion, if the organization provides only minimal services as part of the arrangement.

The IRS has also held parking lot income is exempt under the convenience exception, but only in the context of income generated from students, faculty, and staff, not outside public or visitors.

Participation in Partnerships

IRS §512 requires an exempt organization to include in its UBIT its share of the gross income from any activity conducted by a partnership that would not be a related activity if the organization conducted the activity itself. Any income included under this section is still subject to the other UBIT modifications. In addition, the Tax Court has held there is no distinction drawn by the status between a general and a limited partnership interest. Finally, the IRS issued a major ruling in 1998 that set forth guidelines on the extent to which a tax-exempt organization can enter into a partnership with a for-profit entity. In such the IRS requires the tax-exempt organization to be in control of the partnership, and failure to meet this requirement can result in loss of 501(c)(3) status. In public presentations IRS officials have stated if the partnership arrangement violates the control requirement, but the facts are insufficient to support loss of the status, partnership distributions will be treated as UBIT.

Professional Entertainment Events

This situation arises when a university sponsors a professional performance involving paid entertainers,

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not students. Such events are related to a school's educational purposes only if "operated primarily as an integral part of the educational program of the university, but unrelated if operated in substantially the same manner as a commercial operation." In a 1991 TAM and GCM, the IRS set forth factors used to distinguish between related and unrelated events. In these, a state university owned and operated an auditorium at which many related activities were conducted, including registration, athletic events, and commencement. The university also held 45 different "ticket events" in the facility, including performances by rock bands, contemporary professional entertainers, and professional boxing matches and basketball games. In its analysis, the IRS listed the following nonexempt factors:

- a. General public fees are comparable to those charged by commercial facilities.
- b. Only those who purchase the goods/services benefit from the activity in direct proportion to the fees charged.
- c. The organization's own employees perform substantial services and the organization furnishes the facilities.
- d. The organization's reputation as an educational institution is secondary, if even a factor, in attracting attendees.
- e. The predominant motivation underlying the organization's conduct of the activities is revenue maximization.

The following was of great importance in the IRS concluding the ticket events generated UBIT:

- a. A director with more than 30 years' experience in promoting commercial events managed the facility.
- b. The fine arts department of the university had no involvement in the selection of events or their presentation.
- c. During the year, more than 25% of the tickets were sold off-campus.
- d. No pricing discrimination existed between students and the general public, and students received discounts on only 3 occasions. No records were maintained distinguishing between student sales and general public sales.
- e. The events were indistinguishable from similar commercial events in price or type of performance.
- f. Entertainers received the same pay as they would have at a for-profit facility, under university negotiations.

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g. The university and the entertainer jointly negotiated the ticket price.

h. Tickets were sold through a commercial ticket service.

i. The university included in its standard contract a non-compete clause forbidding artists from performing within a 75-mile radius of the university 60 days before or after the performance.

The IRS further stated the focus is on the manner in which a university decides to secure performers and the business considerations used as the decision foundations. The emphasis on revenue maximization to the exclusion of other factors indicates the trade or business is not operated as an integral part of educational programs.

This issue also involves the fragmentation rule. Although all 45 events were grouped together in this analysis, the question is unanswered whether the IRS would do the same in the future or instead view each activity as separate. The concern here is events that are unprofitable will be viewed as related and events that generate a profit will be classified as unrelated, thus leaving no losses to offsets the gains of unrelated business income.

Publishing Activities

This issue usually arises where an organization's sole or primary activity is publication. Colleges and universities usually do not have to worry about this area because they meet the four part test below. The four part test to determine whether an organization's publication activities are educational based on the facts and circumstances is as follows:

- The publication content is educational in nature.
- The material preparation follows methods generally thought to be educational in character.
- The material distribution is necessary or valuable in achieving the organization's educational purpose.
- The distribution manner is distinguishable from ordinary commercial publishing practices.

In example, the IRS has held the publication and sale of foreign-language books and a scholarly magazine by a university were substantially related to its exempt purpose, and the publication of a bimonthly journal containing scholarly business articles by the business administration department of a university was substantially related.

However, the *1999 IRS Training Manual Textbook* stated a university press may generate UBIT if it

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publishes a large number of different books each year, has more than a nominal per-book press run, and pay normal commercial royalties to authors.

Research

This is an area of concern when a university enters into research contracts with governmental agencies and commercial entities. Such a research contract will almost always be treated as a trade or business activity, and usually the test is applied to the sum total of all the university's research projects. This also holds true for the regularly carried on prong of the UBIT test. The most difficult is the third prong, whether the activity is substantially related to the university's exempt purposes. Certain types of activities are clearly related such as those educational in nature if significant involvement by students in the activity or scientific research in the public interest under 501(c)(3) status.

Under the second type, scientific research in the public interest, a three prong test has developed. Each prong will be discussed in the paragraphs following. The activity must be (1) scientific research; (2) not conducted incident to commercial or industrial operations; and (3) conducted in the public interest. Scientific research is defined under *Reg. §1.501(c)(3)-1(d)(5)* as including practical and applied, fundamental, or theoretical research, even social sciences research. *GCM 39,883* stated scientific research is present if the activity has three elements: project supervision and design by professionals, a specific design to solve a problem through use of a scientific method and a research goal that consists of discovering a demonstrable truth. Under *Reg §1.501(c)(3)-1(d)(5)(ii)* examples of commercial or industrial operations include the ordinary testing or inspecting of materials or products, and the designing or constructing of equipment and buildings. Two subsequent cases have held research can encompass a wider range of activities than those listed in the regulations.

Testing was defined as when "a standard procedure is used, no intellectual questions are posed, the work is routine and repetitive, and the procedure is merely a matter of quality control." under *GCM 39883*. Research is conducted in the public interest when it meets the following factors listed in *Reg. §1.501(c)(3)-1(d)(5)(iii)* –

- a. the results of research are made available to the public on a nondiscriminatory basis, or
- b. the research is performed for a governmental entity, or
- c. the research is directed towards benefiting the general public. Ex -- aiding in the scientific education of college and university students; obtaining scientific information published in a form that is available to the interested public; discovering the cure for a disease; aiding a community by attracting new industry to the community or encouraging the development or the retention of an industry in that location.

It should be noted that an university can also use one of two other statutory provisions to avoid UBIT treatment for the research activity. Under *IRC §512(b)(7)*, income derived from research for the U.S.

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government or any of its agencies/instrumentalities, or for any state/political subdivision is exempt from UBIT. Under *IRC §512(b)(8)*, "In the case of a college/university/hospital, income derived from research performed for any person" is not UBIT. The only restriction here is the word research, meaning the activity cannot be carried on for commercial or industrial operations, and the same "testing" rules will apply.

Restaurant Operations

This issue arises when a university operates a restaurant on or near campus for students, faculty, visitors, and the general public. If a school can demonstrate a restaurant is used as an integral part of its educational activities, such as cooking school, then it will be judged as substantially related to the school's exempt purposes. It is very difficult to show restaurant operation is a substantially related activity. For example, in *GSC 38,060*, the Chief Counsel proposed the following situation: a college operates a restaurant located adjacent to the school's campus year round and general public patronage is gained through magazine advertisements, brochures and meeting guides. Prices charged are comparable to area commercial establishments. The restaurant is not operated for providing practical, on-the-job training as part of a course of instruction. No substantial causal connection between the restaurant operation and the college's exempt purposes was found, particularly where other commercial facilities were available. However, the IRS also stated if a school is isolated and lacking in reasonably available food facilities, a restaurant's income from persons have a demonstrable connection to students, faculty or staff could escape taxation under the convenience exception.

As another example, *PLR 9720002* held a museum which operated a restaurant, café, and cafeteria on its premises was partially subject to UBIT. The restaurant was located on the museum's second floor and only accessible through its front entrance. However, patrons were allowed to enter without paying the museum's general admission. The museum contracted with a commercial enterprise to operate the restaurant, and the prices charged were comparable with area finer dining establishments. In addition, the museum advertised the restaurant in a local magazine, its own advertisements, and the yellow pages. At least one of the ads noted admissions was waived for patrons. Under the fragmentation rule, the IRS held sales to museum's visitors and employees were substantially related and not subject to UBIT. However, sales to the public (who did not visit the museum) were subject to UBIT.

Finally, *PLR 8248074* featured an exempt organization that oversaw certain universities and established a hotel, conference center, administration building, and a restaurant and lounge. The restaurant and lounge were open to the general public and during normal business days was frequented primarily by conference members and faculty. In the evenings and during Sunday brunch, the general public primarily comprised the diners. Use for in-house training and conferences, board meetings, and other college sponsored events promoted the exempt purposes of the university and did not qualify for UBIT. However, use for sponsored conferences with contracted clients, commercial business conferences with or without university instructors, social activities, and other organizations for their private purposes was not

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substantially related and was subject to UBIT. This included banquets, weddings, and anniversaries.

Summer Sports Camps

There are two categories under which this issue arises: (1) camp is conducted by the university using its own facilities and employees, or (2) camp is conducted by third party leasing facilities from University. In *Rev. Ruling 80-297*, the IRS analyzed the following two situations for a university:

a. School used its tennis facilities, including locker rooms, for 10 weeks during the summer to conduct a tennis camp for the general public. Attendees were charged a fee. Two school employees operated the camp, collecting fees and scheduling court time. The IRS held any income generated was UBIT because the school provided more than just facilities; the two employees provided substantial services to the camp members.

b. Same facts as above except the school made its facilities available to an unrelated individual for a fixed fee not dependent on the profit from the camp's operation. The individual and two others operated the camp. The IRS held income generated was UBIT, but was exempt under the rental income exclusion, because it was not dependent upon the camp profit, and the school did not provide any services to the third party individual.

The IRS has also found the following to be related to a school's exempt purpose: a university who operated a summer sports camp featuring tennis, swimming, and basketball lessons and instruction for disadvantaged youth; a university who operated a summer hockey camp for children up to high school age; a university sponsoring several athletic summer camps for boys and girls supervised by employees of the university because they provided instruction in sports skill; and an association formed by a parent university for promoting, managing, and conducting all forms of athletics at the university sponsoring a sports camp for the purposes of improving the athletic ability of the participants, encouraging them to attend the university in the future and providing experience for the camp counselors who were primarily college students.

However, when a university allowed a corporation wholly owned by the college's nationally recognized coach to conduct a summer sports camp using the college's athletic facilities, UBIT was generated because the camp was not part of the educational program offered by the school. In addition, when a school (operating primary and secondary) rented its facilities in the summer to various sports-related camps it generated UBIT because it negotiated between the camps and the food service, essentially providing a substantial service.

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Treatment of Alumni

This occurs when the university makes a sale of some item to a former student. This needs to be viewed in conjunction with the area of the item sold. For example, many affinity card programs use university alumni as their primary targets. IRS holdings regarding alumni have been conflicting and depend on the circumstances involved. In example, under *PLR 8340102*, the IRS held golf course operation for the student golf team and students, faculty, staff and alumni did not generate UBIT. The IRS made a distinction between the alumni and the general public, stating providing the golf course to the alumni and sustaining university contributors was an inducement for them to provide continuing support. Therefore the activity contributed importantly to the university's exempt purposes. However, under *PLR 9645004*, the IRS held income received from alumni usage of a university held golf course was UBIT. These individuals were held not to be sufficiently distinguishable from the public and the IRS rejected the argument the university was providing an inducement for financial contributions or other involvement.

Three different scenarios were presented in *TAM 8020010*. The university offered memberships to alumni for its recreational facility during the months of June, July, and August when the university was not in session. The IRS grouped alumni with the general public and held the membership sales provided the alumni the opportunity to engage in personal recreational activities, unrelated to the university's exempt purpose of education. The same was held for a university sponsored ice skating rink. However, the IRS held catering and the renting of university facilities for alumni dinners and class reunions were traditional and commonplace functions universities nationwide and facilitated the university's interactions with other schools. These were activities which kept the alumni abreast of current developments on the campus and as such were related to the exempt purposes of the university.

Use of Facilities by the General Public

A university might have facilities it allows students and faculty and staff to use for free or for a reduced fee and allows the general public to use without the fee reduction. Facility usage by students, faculty and staff is related to a university's exempt purpose, although the discount value provided to an employee may be treated as additional compensation. *Rev. Ruling 78-98* provides the example of a university operating a ski facility located several miles from campus. The university's physical education program used the facility, as well as students and general public for recreational purposes. Operation and fees were substantially similar to commercial ski facilities. It was held providing a recreational facility to the general public was not an exempt purpose of the school, and so generated UBIT. The IRS has reached identical conclusions with respect to: health club operation for the general public with comparable fees to commercial establishments; recreational facility memberships to the general public and alumni including use of a golf course; and ice time rental in a school's hockey rink to the general public. However, *TAM 8020010* states activities such as wedding receptions, receptions for faculty or students from other schools, and alumni dinners and class reunions are substantially related and do not generate UBIT. These

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activities allowed alumni to stay abreast of current developments on campus and further the educational purpose.

It should be noted this depends greatly on the entity's exempt purposes. In *PLR 200051049*, the IRS held a hospital's operation of a fitness center was related because it served the community's health care needs. The health care center members consisted of the general public, hospital employees and former cardiac rehabilitation patients. The joiner fee paid was set, the IRS held, so that an "economic cross-section" of the community could join. In *PLR 9732032* the IRS held a university which operated a health and fitness facility open to students, faculty, and staff (both active and retired), trustees, alumni, a fundraising group on campus and family members of each of these groups generated related business income as regards to the "wellness" programs offered. The IRS did not offer an opinion as to the other activities available because the question was not raised.

CROSS-REFERENCE

Internal Revenue Service – Unrelated Business Income Tax

<https://www.irs.gov/charities-non-profits/unrelated-business-income-tax>

[CMP 122 Unrelated Business Income Tax](#)

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PURPOSE

This document explains credit card security requirements as required by the Payment Card Industry Data Security Standard (PCI DSS) Program. Management is committed to these security policies to protect information utilized by the University in attaining its business goals. All employees are required to adhere to the policies described within this document.

SOURCE

Comptroller's Office
State of Arizona Accounting Manual
Payment card Industry Data Security Standard Program

SCOPE

The PCI requirements apply to all systems that store, process, or transmit cardholder data. Currently, Northern Arizona University's cardholder environment consists only of limited payment applications (typically point-of-sale systems) connected to the internet, but does not include storage of cardholder data on any computer system.

Due to the limited nature of the in-scope environment, this document is intended to meet the PCI requirements as defined in Self-Assessment Questionnaire (SAQ) C, version 3.2 revision 1.1, released January 2017. Should Northern Arizona University (NAU) implement additional acceptance channels, add additional connected systems, begin storing cardholder data in electronic format, or otherwise become ineligible to validate compliance under SAQ C, it will be the responsibility of NAU to determine the appropriate compliance criteria and implement additional policies and controls as needed.

POLICY

COMPLIANCE AND RESPONSIBILITIES

Requirement 1: Build and Maintain a Secure Network

Firewall Configuration

Firewalls must restrict connections between untrusted networks and any system in the cardholder data environment. An "untrusted network" is any network that is external to the networks belonging to the entity under review, and/or which is out of the entity's ability to control or manage. Access to the

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internet must be through a firewall, as must any direct connection to a vendor, processor, or service provider.

Inbound and outbound traffic must be restricted by the firewalls to that which is necessary for the cardholder data environment. All other inbound and outbound traffic must be specifically denied.

Perimeter firewalls must be installed between any wireless networks and the cardholder data environment. These firewalls must be configured to deny or control (if such traffic is necessary for business purposes) any traffic from the wireless environment into the cardholder data environment.

Firewall configuration must prohibit direct public access between the Internet and any system component in the cardholder data environment as follows:

- Direct connections are prohibited for inbound and outbound traffic between the Internet and the cardholder data environment.
- Outbound traffic from the cardholder data environment to the Internet must be explicitly authorized by management and controlled by the firewall.
- Ensure the firewall allows only established connections into the network and denies any inbound connections not associated with a previously established session.

Any mobile and/or employee-owned computers with direct connectivity to the Internet (for example, laptops used by employees), which also have the ability to access the organization's cardholder data environment must have a local (personal) software firewall installed and active. This firewall must be configured to specific standards, and not alterable by mobile and/or employee-owned computer users.

Requirement 2: Do not use Vendor-Supplied Defaults for System Passwords and Other Security Parameters

Vendor Defaults

Vendor-supplied defaults must always be changed before installing a system on the network. Examples of vendor-defaults include passwords, SNMP community strings, and elimination of unnecessary accounts.

Default settings for wireless systems must be changed before implementation. Wireless environment defaults include, but are not limited to:

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- Default encryption keys
- Passwords
- SNMP community strings
- Default passwords/passphrases on access points
- Other security-related wireless vendor defaults as applicable

Firmware on wireless devices must be updated to support strong encryption (such as WPA or WPA2) for authentication and transmission of data over wireless networks.

Configuration Standards for Systems

Configuration standards for all system components must be developed and enforced. NAU must insure that these standards address all known security vulnerabilities and are consistent with industry-accepted system hardening standards.

Configuration standards must be updated as new vulnerability issues are identified, and they must be enforced on any new systems before they are added to the cardholder data environment. The standards must cover the following:

- Changing of all vendor-supplied defaults and elimination of unnecessary default accounts.
- Implementing only one primary function per server to prevent functions that require different security levels from co-existing on the same server.
- Enabling only necessary services, protocols, daemons, etc., as required for the function of the system.
- Implementing additional security features for any required services, protocols or daemons that are considered to be insecure.
- Configuring system security parameters to prevent misuse
- Removing all unnecessary functionality, such as scripts, drivers, features, subsystems, file systems, and unnecessary web servers.

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System administrators and any other personnel that configure system components must be knowledgeable about common security parameter settings for those system components. They must also be responsible to insure that security parameter settings set appropriately on all system components before they enter production.

System administrators are responsible to insure that security policies and operational procedures for managing vendor defaults and other security parameters are documented, in use, and known to all affected parties.

Non-Console Administrative Access

Credentials for non-console administrative access must be encrypted. To be considered “strong cryptography,” industry-recognized protocols with appropriate key strengths and key management should be in place as applicable for the type of technology in use:

- Must use strong cryptography, and the encryption method must be invoked before the administrator’s password is requested.
- System services and parameter files must be configured to prevent the use of telnet and other insecure remote login commands.
- Must include administrator access to web-based management interfaces.
- Use vendor documentation and knowledge of personnel to verify that strong cryptography is in use for all non-console access and that for the technology in use it is implemented according to industry best practices and vendor recommendations.

Requirement 3: Protect Stored Cardholder Data

Prohibited Data

Processes must be in place to securely delete sensitive authentication data (defined below) post-authorization so that the data is unrecoverable.

Payment systems must not store sensitive authentication data in any form after authorization (even if encrypted). Sensitive authentication data is defined as the following:

- The full contents of any track data from the magnetic stripe (located on the back of a card, equivalent data contained on a chip, or elsewhere) are not stored under any circumstance.

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- The card verification code or value (three-digit or four-digit number printed on the front or back of a payment card) is not stored under any circumstance.
- The personal identification number (PIN) or the encrypted PIN block are not stored under any circumstance.

Displaying PAN

NAU will mask the display of PANs (primary account numbers), and limit viewing of PANs to only those employees and other parties with a legitimate need. A properly masked number will show at most only the first six and the last four digits of the PAN. This requirement does not supersede stricter requirements in place for displays of cardholder data—for example, legal or payment card brand requirements for point-of-sale (POS) receipts. Policies and procedures for masking the display of PANs must mandate the following:

- A list of roles that need access to displays of full PAN is documented, together with a legitimate business need for each role to have such access.
- PAN must be masked when displayed such that only personnel with a legitimate business need can see the full PAN.
- All other roles not specifically authorized to see the full PAN must only see masked PANs.

Requirement 4: Encrypt Transmission of Cardholder Data Across Open, Public Networks

Transmission of Cardholder Data

In order to safeguard sensitive cardholder data during transmission over open, public networks, NAU will use strong cryptography and security protocols. These controls will be implemented as follows:

- Only trusted keys and certificates are accepted.
- The protocol in use only supports secure versions or configurations.
- The encryption strength is appropriate for the encryption methodology in use.

Industry best practices (for example, IEEE 802.11i) must be used to implement strong encryption for authentication and transmission for wireless networks transmitting cardholder data or connected to the

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cardholder data environment. Weak encryption (for example, WEP, SSL) is not to be used as a security control for authentication or transmission.

Sending unencrypted PANs by end-user messaging technologies is prohibited. Examples of end-user technologies include email, instant messaging and chat.

Requirement 5: Use and Regularly Update Anti-Virus Software or Programs

Anti-Virus Protection

All systems, particularly personal computers and servers commonly affected by viruses, must have installed an anti-virus program which is capable of detecting, removing, and protecting against all known types of malicious software.

For systems considered to be not commonly affected by malicious software, NAU will perform periodic evaluations to identify and evaluate evolving malware threats in order to confirm whether such systems continue to not require anti-virus software.

All anti-virus programs must be kept current through automatic updates, be actively running, be configured to run periodic scans, and be capable of as well as configured to generate audit logs. Anti-virus logs must also be retained in accordance with PCI requirement 10.7.

Steps must be taken to insure that anti-virus mechanisms are actively running and cannot be disabled or altered by users, unless specifically authorized by management on a case-by-case basis for a limited time period.

Requirement 6: Develop and Maintain Secure Systems and Applications

Risk and Vulnerability

NAU will establish a process to identify security vulnerabilities, using reputable outside sources for security vulnerability information, and assign a risk ranking (for example, as “high,” “medium,” or “low”) to newly discovered security vulnerabilities.

Risk rankings are to be based on industry best practices as well as consideration of potential impact. For example, criteria for ranking vulnerabilities may include consideration of the CVSS base score, and/or the classification by the vendor, and/or type of systems affected. Methods for evaluating vulnerabilities and assigning risk ratings will vary based on an organization’s environment and risk-assessment strategy. Risk rankings should, at a minimum, identify all vulnerabilities considered to be a “high risk” to the environment. In addition to the risk ranking, vulnerabilities may be considered

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“critical” if they pose an imminent threat to the environment, impact critical systems, and/or would result in a potential compromise if not addressed. Examples of critical systems may include security systems, public-facing devices and systems, databases, and other systems that store, process, or transmit cardholder data.

All critical security patches must be installed within one month of release. This includes relevant patches for operating systems and all installed applications. All applicable non-critical vendor-supplied security patches are installed within an appropriate time frame (for example, within three months).

Upon completion of a significant change, all relevant PCI DSS requirements must be implemented on all new or changed systems and networks, and documentation updated as applicable.

Requirement 7: Restrict Access to Cardholder Data by Business Need to Know

Limit Access to Cardholder Data

Access to NAU’s cardholder system components and data is limited to only those individuals whose jobs require such access.

Access limitations must include the following:

Access rights for privileged user IDs must be restricted to the least privileges necessary to perform job responsibilities.

Privileges must be assigned to individuals based on job classification and function (also called “role-based access control”).

Requirement 8: Assign a Unique ID to Each Person with Computer Access

User Accounts

The following must be followed for all user accounts that have access to the system or systems that are part of the payment environment:

- Assign all users a unique ID before allowing them to access system components or cardholder data.
- Limit repeated access attempts by locking out the user ID after not more than six attempts.

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- Set the lockout duration to a minimum of 30 minutes or until an administrator enables the user ID.
- If a session has been idle for more than 15 minutes, require the user to re-authenticate to re-activate the terminal or session.

Vendor Accounts

All accounts used by vendors for remote maintenance shall be enabled only during the time period needed. Vendor remote access accounts must be monitored when in use.

User Authentication

In addition to assigning a unique ID for each user, ensure proper user-authentication management for non-consumer users (i.e.: employees and contractors) and administrators on all system components by employing at least one of the following methods to authenticate all users:

Passwords/phrases must meet the following:

- Require a minimum length of at least seven characters.
- Contain both numeric and alphabetic characters.

Alternatively, the passwords/phrases must have complexity and strength at least equivalent to the parameters specified above.

Change user passwords/passphrases at least every 90 days.

Do not allow an individual to submit a new password/phrase that is the same as any of the last four passwords/phrases he or she has used.

Set passwords/phrases for first-time use and upon reset to a unique value for each user, and change immediately after the first use.

Remote Access

Secure all individual non-console administrative access and all remote access to the cardholder data environment using multi-factor authentication.

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- Incorporate multi-factor authentication for all non-console access into the cardholder data environment for personnel with administrative access.
- Incorporate multi-factor authentication for all remote network access (both user and administrator, and including third-party access for support or maintenance) originating from outside the entity's network.

Document and communicate password/authentication policies and procedures to all users.

Do not use group, shared, or generic IDs, passwords, or other authentication methods as follows:

- Generic user IDs are disabled or removed.
- Shared user IDs do not exist for system administration and other critical functions.
- Shared and generic user IDs are not used to administer any system components.

Ensure that security policies and operational procedures for identification and authentication are documented, in use, and known to all appropriate personnel.

Requirement 9: Restrict Physical Access to Cardholder Data

Physically Secure All Areas and Media Containing Cardholder Data

Appropriate facility entry controls must be used to limit and monitor physical access to systems in the cardholder data environment.

Using video cameras, access control mechanisms, or both, individual physical access to sensitive areas shall be monitored. Collected data shall be reviewed and correlated with other entries. This data shall be stored for at least three months, unless otherwise restricted by law.

All publicly accessible network jacks must have physical and/or logical controls to restrict access to the secure network by unauthorized personnel.

Hard copy materials containing confidential or sensitive information (e.g., paper receipts, paper reports, faxes, etc.) are subject to the following storage guidelines:

All media must be physically secured.

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Strict control must be maintained over the internal or external distribution of any kind of media containing cardholder data. These controls shall include:

- Media must be classified so the sensitivity of the data can be determined.
- Media must be sent by a secure carrier or other delivery method that can be accurately tracked.
- Management approval must be obtained prior to moving the media from the secured area.

Strict control must be maintained over the storage and accessibility of media containing cardholder data.

Destruction of Data

All media containing cardholder data must be destroyed when no longer needed for business or legal reasons.

Hardcopy media must be destroyed by shredding, incineration or pulping so that cardholder data cannot be reconstructed.

Containers storing information waiting to be destroyed must be secured (locked) to prevent access to the contents by unauthorized personnel.

Protection of Payment Devices

Devices that capture payment card data via direct physical interaction with the card (such as swipe readers and any other payment terminals) must be protected. This protection must include preventing the devices from being tampered with or substituted.

NAU must maintain an up-to-date list of devices. Employees shall be instructed to maintain the integrity and currency of the inventory. The list should include the following:

- Make and model of all devices.
- Location of each device (for example, the address of the site or facility where the device is located).
- Device serial number or other method of unique identification.

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The payment devices must be periodically inspected. Check surfaces to detect tampering (for example, addition of card skimmers to devices). Checks must also be made that will detect substitution (for example, by checking the serial number or other device characteristics to verify it has not been swapped with a fraudulent device).

Employees and contractors who interact with the payment devices must be provided with training that enables them to be aware of attempted tampering or replacement of devices. Training should include the following:

- Employees must verify the identity of any third-party persons claiming to be repair or maintenance personnel prior to granting them access to modify or troubleshoot devices.
- Employees must be instructed not to install, replace, or return devices without verification from management. The inventory list (required previously) must be updated by the employee when device locations are changed or new devices are added.
- Employees need to be aware of suspicious behavior around devices (for example, attempts by unknown or unauthorized persons to unplug or open devices).

Requirement 10: Regularly Monitor and Test Networks

Audit Log Collection

NAU will implement technical controls that create audit trails in order to link all access to system components to an individual user. The automated audit trails created will capture sufficient detail to reconstruct the following events:

- All actions taken by any individual with root or administrative privileges
- All invalid logical access attempts (failed logins).
- Any use of and changes to identification and authentication mechanisms—including but not limited to creation of new accounts and elevation of privileges—and all changes, additions, or deletions to accounts with root or administrative privileges.

Northern Arizona University's log generating and collecting solution will capture the following data elements for the above events:

- User identification.

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- Type of event.
- Date and time.
- Success or failure indication.
- Origination of event.
- Identity or name of affected data, system component, or resource.

Audit Log Review

NAU's systems administrators will perform daily review of the audit logs. This review may be manual or automated but must monitor for and evaluate:

- All security events.
- Logs of all system components that store, process, or transmit CHD and/or SAD, or that could impact the security of CHD and/or SAD.
- Logs of all critical system components.
- Logs of all servers and system components that perform security functions (for example, firewalls, intrusion-detection systems/intrusion-prevention systems (IDS/IPS), authentication servers, e-commerce redirection servers, etc.).

The audit review must also check the logs of all other system components periodically based on the organization's policies and risk management strategy, as determined by the organization's annual risk assessment.

Subsequent to log review, systems administrators or other responsible personnel will follow up exceptions and anomalies identified during the review process.

NAU must retain audit trail history for at least one year, with a minimum of three months immediately available for analysis (for example, online, archived, or restorable from backup).

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Requirement 11: Regularly Test Security Systems and Processes

Testing for Unauthorized Wireless Access Points

At least quarterly, NAU will perform testing to ensure there are no unauthorized wireless access points (802.11) present in the cardholder environment.

The methodology must be adequate to detect and identify any unauthorized wireless access points, including at least the following:

- WLAN cards inserted into system components.
- Portable or mobile devices attached to system components to create a wireless access point (for example, by USB, etc.).
- Wireless devices attached to a network port or network device.

To facilitate the detection process, NAU will maintain an inventory of authorized wireless access points including a documented business justification.

If automated monitoring is utilized (for example, wireless IDS/IPS, NAC, etc.), the configuration must be capable of generating alerts to notify personnel. Detection of unauthorized wireless devices must be included in the Incident Response Plan (see PCI Requirement 12.10).

Vulnerability Scanning

At least quarterly, and after any significant changes in the network (such as new system component installations, changes in network topology, firewall rule modifications, product upgrades), NAU will perform vulnerability scanning on all in-scope systems.

Internal vulnerability scans must be performed at a minimum quarterly and repeated until passing results are obtained, or until all “high” vulnerabilities as defined in PCI Requirement 6.1 are resolved. Scan reports must be retained for a minimum of a year.

Quarterly external vulnerability scan results must satisfy the ASV Program guide requirements (for example, no vulnerabilities rated higher than a 4.0 by the CVSS and no automatic failures). External vulnerability scans must be performed by an Approved Scanning Vendor (ASV), approved by the Payment Card Industry Security Standards Council (PCI SSC). Scan reports must be retained for a minimum of a year.

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For both internal and external vulnerability scans, NAU shall perform rescans as needed to validate remediation of failures detected during previous scans, as well as after any significant change to the network. Scans must be performed and reviewed by qualified personnel.

If segmentation is used to isolate the CDE from other networks, perform tests at least annually and after any changes to segmentation controls/methods to verify that the segmentation methods are operational and effective, and isolate all out-of-scope systems from in-scope systems. These tests need to be done from multiple locations on the internal network, checking both for improper accessibility from the out-of-scope zones to the in-scope zone as well as the reverse.

For all in-scope systems for which it is technically possible, NAU must deploy a change-detection mechanism (for example, file-integrity monitoring tools) to alert personnel to unauthorized modification of critical system files, configuration files, or content files; and configure the software to perform critical file comparisons at least weekly. The change detection software must be integrated with the logging solution described above, and it must be capable of raising alerts to responsible personnel.

For change-detection purposes, critical files are usually those that do not regularly change, but the modification of which could indicate a system compromise or risk of compromise. Change-detection mechanisms such as file-integrity monitoring products usually come pre-configured with critical files for the related operating system. Other critical files, such as those for custom applications, must be evaluated and defined by the entity (that is, the merchant or service provider).

Requirement 12: Maintain a Policy that Addresses Information Security for Employees and Contractors

Security Policy

NAU shall establish, publish, maintain, and disseminate a security policy that addresses how the company will protect cardholder data.

This policy must be reviewed at least annually, and must be updated as needed to reflect changes to business objectives or the risk environment.

Critical Technologies

NAU shall establish usage policies for critical technologies (for example, remote-access technologies, wireless technologies, removable electronic media, laptops, tablets, personal data/digital assistants (PDAs), email, and internet usage).

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These policies must include the following:

- Explicit approval by authorized parties to use the technologies.
- Authentication for use of the technology.
- A list of all such devices and personnel with access.
- Acceptable uses of the technologies.
- Acceptable network locations for the technologies.
- Automatic disconnect of sessions for remote-access technologies after a specific period of inactivity.
- Activation of remote-access technologies for vendors and business partners only when needed by vendors and business partners, with immediate deactivation after use.

SECURITY BREACH RESPONSE

Security Responsibilities

NAU's policies and procedures must clearly define information security responsibilities for all personnel.

Incident Response Policy

NAU's ITS department shall establish, document, and distribute security incident response and escalation procedures to ensure timely and effective handling of all situations.

Incident Identification

Employees must be aware of their responsibilities in detecting security incidents to facilitate the incident response plan and procedures. All employees have the responsibility to assist in the incident response procedures within their particular areas of responsibility. Some examples of security incidents that an employee might recognize in their day to day activities include, but are not limited to,

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- Theft, damage, or unauthorized access (e.g., papers missing from their desk, broken locks, missing log files, video evidence of a break-in or unscheduled/unauthorized physical entry).
- Fraud – Inaccurate information within databases, logs, files or paper records.

Reporting an Incident

The Comptroller's Office and ITS department should be notified immediately of any suspected or real security incidents involving cardholder data:

- Contact the ITS Department to report any suspected or actual incidents. The ITS phone number should be well known to all employees and should page someone during non-business hours.
- No one should communicate with anyone outside of their supervisor(s) or the Comptroller's Office and the ITS Department about any details or generalities surrounding any suspected or actual incident. All communications with law enforcement or the public will be coordinated by the Comptroller's Office.
- Document any information you know while waiting for the ITS Department to respond to the incident. If known, this must include date, time, and the nature of the incident. Any information you can provide will aid in responding in an appropriate manner.

Incident Response Policy

Responses can include or proceed through the following stages: identification, severity classification, containment, eradication, recovery and root cause analysis resulting in improvement of security controls.

Contain, Eradicate, Recover and perform Root Cause Analysis

1. Notify applicable card associations.

Visa

Provide the compromised Visa accounts to Visa Fraud Control Group within ten (10) business days. For assistance, contact 1-(650)-432-2978. Account numbers must be securely sent to Visa as instructed by the Visa Fraud Control Group. It is critical that all potentially compromised accounts are provided. Visa will distribute the compromised Visa account numbers to issuers and ensure the confidentiality of entity and non-public information. See Visa's "What to do if compromised" documentation for additional activities that must be

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performed. That documentation can be found at

<https://usa.visa.com/dam/VCOM/download/merchants/cisp-what-to-do-if-compromised.pdf>

MasterCard

Contact your merchant bank for specific details on what to do following a compromise. Details on the merchant bank (aka. the acquirer) can be found in the Merchant Manual at http://www.mastercard.com/us/wce/PDF/12999_MERC-Entire_Manual.pdf. Your merchant bank will assist when you call MasterCard at 1-(636)-722-4100.

Discover Card

Contact your relationship manager or call the support line at 1-(800)-347-3083 for further guidance.

2.Alert all necessary parties. Be sure to notify:

- a. Merchant bank
- b. Local FBI Office
- c. U.S. Secret Service (if Visa payment data is compromised)
- d. Local authorities (if appropriate)

3.Perform an analysis of legal requirements for reporting compromises in every state where clients were affected. The following source of information must be used: www.ncsl.org

4.Collect and protect information associated with the intrusion. In the event that forensic investigation is required the Comptroller's Office will work with legal and management to identify appropriate forensic specialists.

5.Eliminate the intruder's means of access and any related vulnerabilities.

6.Research potential risks related to or damage caused by intrusion method used.

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Root Cause Analysis and Lessons Learned

Not more than one week following the incident, members of the Comptroller's Office and the ITS Department and all affected parties will meet to review the results of any investigation to determine the root cause of the compromise and evaluate the effectiveness of the *Incident Response Plan*. Review other security controls to determine their appropriateness for the current risks. Any identified areas in which the plan, policy or security control can be made more effective or efficient, must be updated accordingly.

Security Awareness

NAU shall establish and maintain a formal security awareness program to make all personnel aware of the importance of cardholder data security.

Service Providers

NAU shall implement and maintain policies and procedures to manage service providers.

This process must include the following:

- Maintain a list of service providers.
- Maintain a written agreement that includes an acknowledgement that the service providers are responsible for the security of the cardholder data the service providers possess.
- Implement a process to perform proper due diligence prior to engaging a service provider.
- Monitor service providers' PCI DSS compliance status.
- Maintain information about which PCI DSS requirements are managed by each service provider, and which are managed by the entity.

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RELATED INFORMATION

Comptroller's Office Policies

Policy 301-01

Policy 108

ITS Policies

<https://nau.edu/its/policies/>

Bank Card Merchant Security Requirements:

[Visa U.S.A. Cardholder Information Security Program \(CISP\)](#)

[MasterCard International Site Data Protection \(SDP\) Program](#)

[American Express Data Security Standards \(DSS\)](#)

[Discover Information Security and Compliance \(DISC\) Program](#)

[Payment Card Industry \(PCI-DSS\) Standards](#)

[Payment Application Best Practices \(PABP\)](#)

[Arizona Revised Statute \(A.R.S.\) 44-7501](#) – Notification of Breach of Security System

Approved Service Providers:

[PCI Security Standards Council Validated Payment Applications](#)

[Visa Global Registry of Service Providers](#)

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PURPOSE

This section outlines policies and procedures pertaining to the authorization granted to University departments and affiliates, hereon referred to as merchants, to accept bank/credit cards as a form of payment for services performed or for merchandise sold. Merchants are subject to and must comply with this policy and the guidelines in the exhibits to this policy.

SOURCE

Comptroller's Office
State of Arizona

SCOPE

Northern Arizona University departments that accept bank/credit/debit cards as a form of payment for services performed and/or merchandise sold.

DEFINITIONS

Acquiring Bank-Merchant bank contracted through Comptroller's Office on behalf of all University units and affiliates to perform bank card processing services.

Approved Scanning Vendor (ASV)-Approved Scanning Vendors (ASVs) are organizations that have been approved by the Payment Card Industry Council that validate adherence to certain Payment Card Industry Data Security Standards requirements by performing external vulnerability scans of internet public facing environments of merchants and service providers.

Authorization-Process by which a merchant obtains prior confirmation from the acquiring bank that a specific financial transaction will be processed successfully when settlement is completed.

Bank/Credit Card- Unexpired credit card affiliated with a credit card company (e.g., Visa U.S.A., MasterCard International) or branded debit card, ATM cards, and any other card or device other than cash or checks affiliated with recognized banking networks for which a merchant has established card acceptance with the acquiring bank.

Bank/Credit Card Acceptance Fees/Charges-Costs imposed on merchants by the acquiring bank in exchange for the privilege of accepting a card. Discount fees are comprised of four components:

1. Bank Discount Rate Fee- Acquirer bank charge on all bank/credit card transactions for processing card sales and credits.

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2. Interchange--non-negotiable fees established by the credit card associations which are collected from the merchant by the acquiring bank and paid by the acquiring bank to the issuing banks.
3. Assessments/Access--non-negotiable fees established by the credit card associations which are collected from the merchant by the acquiring bank and paid by the acquiring bank to the credit card associations.
4. Processor's fee--negotiable cost established by contract which is collected by the acquiring bank on their own behalf. Processor fees are negotiated and contracted through the Request for Proposal (RFP) process and Comptroller's Office.

Cardholder Information-Personally identifiable data associated with the cardholder including account number, expiration date, card validation number (e.g. CVV2, CVC2), transaction information or any other information that may be used to personally identify a bank card account or holder.

Campus Merchant Agreement-An agreement between Student and Departmental Account Services and the campus University merchant that outlines the responsibilities, rules, regulations and contractual provisions and obligations regarding the handling of bank/credit cards. The agreement must be signed by the head of the unit that is providing the option of accepting bank/credit cards to sell goods and services to their customers.

Centralized Payment Process-Controlled system of Internet sites, software applications, and communication protocols that interact together for the purpose of capturing and transferring cardholder information to the acquiring bank via the Internet and securely storing the information in a single repository, commonly known as a "gateway".

Chargeback - A reduction of the merchant's cash receipts initiated by the acquiring bank in response to a transaction that has been rejected by the acquiring bank, issuing bank or disputed by the cardholder.

E-Commerce-Website based business transaction utilizing electronic payments such as bank/credit cards.

Student and Departmental Account Services -A team of Comptroller Office personnel who provide services, information, merchant account set up, and act as a liaison between the Acquiring Bank and the Merchant Units.

Issuing Bank – Financial institution that grants credit to a cardholder by issuing a credit card to the cardholder.

Merchant Unit / Merchant Department-A University department or an affiliate of the University that has received the appropriate prior authorization to accept cards as a form of payment for services performed or for merchandise sold by the department or affiliate. A merchant is assigned a

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specific merchant account(s) with the acquiring bank. Merchants fall into one of the following three categories:

1. Retail merchant--conduct the entire card transaction in a face-to-face environment with the card physically present for the transaction.
2. Phone/mail merchant--generate cardholder information forms either through telephone communication with the cardholder, through the mail, or by standalone facsimile machine not connected to any computer network.
3. Internet merchant (E-Commerce)--conduct all of their card transactions through the Internet within the centralized payment process.

Merchant Account - A unique account established with the acquiring bank that is used to track equipment, transactions, fees, compliance activities, and designated points of contact and all related information of the merchant.

Merchant Responsible Person (MRP) - A unit's designated individual within that merchant unit who will have primary authority and responsibility for Payment Card Industry Data Security Standards (PCI-DSS) documentation for bank card transaction processing.

Operating Guidelines - Rules and procedures published by the acquiring bank that specify the operational parameters that each merchant must adhere to when accepting a card as a form of payment.

PCI-DSS -- Payment Card Industry Data Security Standards - A specific set of technical requirements and business practices published collaboratively by Visa U.S.A. and MasterCard International addressing cardholder information security that each merchant must comply with and demonstrate compliance on a periodic basis. (e.g., Visa U.S.A. Cardholder Information Security Program (CISP), MasterCard International's Site Data Protection Program (SDP), American Express's Data Security Standards (DSS) and Discover's Information Security and Compliance (DISC) Program).

Qualified Security Assessor (QSA) -The Payment Card Industry (PCI) QSA designation is conferred by the PCI Security Standards Council to individuals that meet specific information security education requirements. The primary goal of QSA is to complete PCI compliance assessments, auditing and consulting for merchants to ensure and validate the merchant is meeting PCI standards.

Settlement - Process by which a merchant presents a single or group of financial transactions to the acquiring bank for the purpose of converting the credit information collected from a cardholder into cash receipts.

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POLICY

CMP 310-02: Accepting Credit Cards as a Form of Payment

1. Per Arizona Board of Regents 3-102, the responsibility for the collection of monies in connection with University activities is delegated to the Associate Vice President for Financial Services / Comptroller, who, in turn, delegates this responsibility to the Student Department and Account Services (SDAS) office. SDAS should be contacted regarding any deviations from policies and procedures stated herein.
2. Only the Comptroller's Office has the delegated authority to execute agreements on behalf of the University in connection with banking-type services and regulate the use of bank/credit card services.
3. Services for processing bank/credit cards, depositing cash receipts and any specialized programs or services (e.g. shopping carts, electronic check payment, third party applications) that process directly or have the ability to authorize bank/credit card transactions for payment of University sales and services must have written permission from the Comptroller's Office. Merchants may use only service providers, approved by Contracts, Purchasing, and Risk Management, and the Comptroller's Office, that meet payment card and acquiring bank certifications, regulations and requirements.
4. Merchants are required to use a Point-to-Point Encryption Technologies (P2PE) device established through the PCI DSS Security Council. All in use devices must be listed on the Comptroller's Office list of approved devices. With the Comptroller's Office and Cash Management Office approval through consultation with the NAU Chief Information Officer, other PCI DSS validated P2PE solutions may be adopted to support unique merchant payment processing requirements. Alternatives to the preferred solution may bring more risk to NAU, and therefore will be highly scrutinized.
5. Merchants must agree and adhere to all federal, bank/credit card regulations, payment card industry (PCI) data security standards, and University policies and standards, including without limitation the Information Security Policy and the standards and procedures established under it, in the acceptance, processing, and storing of bank/credit card transactions as outlined in the "Merchant Bank/credit Cards Acceptance Agreement" and the PCI standards located online at <https://www.pcisecuritystandards.org/>
6. Merchants may not accept bank/credit cards or authorize or complete settlement for transactions of other University department/units or affiliates without written authorization from the Comptroller's Office.
7. Bank/credit cards may be accepted by a merchant for University gifts and donations. The merchant must contact the NAU Foundation for the specific processes to report the donations and/or gifts.

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8. A merchant that plans to receive revenue from external sales or services and provide taxable goods to customers outside the University should contact the Comptroller's Office to discuss sales tax requirements. Merchants should also refer to and be familiar with Policy CMP 108 and Policy CMP 120.
9. Merchants that accept bank/credit cards and/or electronic payments for gifts, goods or services must designate a full time University employee who will have primary authority and responsibility for department/unit compliance of ecommerce and bank/credit card transaction processing. This individual will be referred to in the remainder of this policy statement as the Merchant Responsible Person. All Merchant Responsible Persons will be responsible for the department/unit complying with all security measures established by the payment card industry, the NAU Information Security Office, the "Merchant Bank/Credit Cards Acceptance Agreement" and this policy.
10. Merchant's must review and sign the "Merchant Bank/Credit Cards Acceptance Agreement" upon their request for merchant status. With their signature, the department/ unit's head and Merchant Responsible Person acknowledge that they understand and agree with the terms and responsibilities outlined in the agreement. This agreement must be renewed annually.
11. No University employee, contractor or agent who obtains access to bank/credit card or other personal payment information in the course of conducting University business may sell, purchase, provide, or exchange said information in any form including but not limited to imprinted sales slips, carbon copies of imprinted sales slips, mailing lists, tapes or other media obtained by reason of a card transaction to any third party other than to University's acquiring bank, depository bank, Visa, MasterCard or other bank/credit card company or pursuant to a government request. All requests to provide information to any party outside of the merchant must be coordinated with the Comptroller's Office, ITS and Institutional Research and Analysis.
12. Merchant must use a University authorized service provider to process all e-commerce transactions or web based transmissions of transactions. If a department believes that it has a significant business case or processing requirement that cannot be achieved using an authorized service provider and wishes to utilize an alternative, it must initiate a written request to the Comptroller's Office for approval of use. The Comptroller's Office will review the request with Contracting, Purchasing, and Risk Management and notify the department of approval or rejection of service provider use. If approved, the department and service provider are responsible to meet all PCI-DSS requirements and documentation.
13. If the merchant chooses not to utilize the provided ecommerce gateway and an alternative ecommerce gateway or software is necessary, the gateway and service provider must be included on either the Visa Global Registry of Service Providers, or PCI Security Standards Council List of Validated Payment Applications. In addition, the alternative service provider must also be approved by the acquiring bank, the Comptroller's Office and Contracting, Purchasing, and Risk Management. The third party service provider must also comply with all University policies.

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14. All service providers that share cardholder data or that could affect the security of the cardholder data must sign an agreement that outlines the security responsibilities of the service provider and the University. The service provider must agree to provide information requested from the University or its PCI Qualified Security Assessors to verify security due diligence and PCI-DSS compliance.
15. All ecommerce websites that redirect or link to an authorizing gateway must perform quarterly external vulnerability scans through a PCI approved scanning vendor (ASV) and annual internal scans through University provided applications. External scans must be performed after significant network or website changes. All vulnerabilities ratings of four or more must be resolved within 30 days and rescanned until passing results are achieved.
16. Upon request of the Comptroller's Office, the merchant will complete annual PCI-DSS Self-Assessment Questionnaire and supporting documentation including network security scans deemed necessary by ITS, Comptroller's Office, or payment card industry. The merchant will be responsible for the costs of such service. The service will include assistance to the merchant in understanding and completing the Self-Assessment Questionnaire.
17. A Merchant's ability to offer bank/credit card payment is conditioned on compliance with the PCI-DSS. The merchant is responsible for complying and maintaining PCI-DSS standards. If the merchant fails compliance, the merchant is responsible for correcting deficiencies to bring the merchant into compliance as directed by the Comptroller's Office. Failure to comply with PCI-DSS standards will result in withdrawal of the merchant's ability to accept bank/credit cards.

COMPLIANCE AND RESPONSIBILITIES

The Comptroller's Office is responsible for:

- a. Reviewing and initiating requests from University departments and affiliates to establish a merchant account and accept bank/credit cards as a form of payment for services performed or for merchandise sold by such units and affiliates.
- b. Providing information and assistance to University departments and affiliates that are analyzing the responsibilities and costs of accepting bank/credit cards as a form of payment.
- c. Selecting and ordering terminals and other equipment and coordinating all compliance activities for the merchant.
- d. Coordinating all merchant compliance activities that are required or directed by University policies, payment card industry, Information Technology Services, and acquiring bank standards.

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All merchants are responsible for:

- a) Following security measures established by the payment card industry, ITS and Comptroller Office policies.
- b) Performing all periodic compliance activities requested by ITS in coordination with the Comptroller's Office in a timely manner.
- c) Recording all card transactional activity on the general ledger within three business days of settlement.
- d) Reviewing monthly merchant statements for accuracy. Inaccurate charges must be reported to the Comptroller's Office within 60 days of statement date.
- e) Notifying the Comptroller's Office immediately when accounts are no longer needed and should be deactivated.
- f) Responding to chargeback notifications and bank Card Company inquiries within chargeback notification letter deadlines.
- g) Insuring that no cardholder information is stored electronically in any database, application, fax machine or system.
- h) Following the responsibilities and guidelines in the exhibits included within this policy.

SECURITY BREACH RESPONSE

1. All suspected and/or confirmed security compromises must be reported immediately to ITS and the Comptroller's Office.
2. If a security breach is confirmed by ITS and the Comptroller's Office, the Comptroller's Office will be responsible for alerting the merchant acquiring bank, the payment card associations and other merchant regulatory entities deemed necessary of the confirmed security breach. The ITS Office will be responsible for providing the security breach information to all government agencies required by statute.

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RELATED INFORMATION

Comptroller's Office Policies

- Policy 301-01
- Policy 310-01
- Policy 108

ITS Policies

<https://nau.edu/its/policies/>

Bank Card Merchant Security Requirements:

[Visa U.S.A. Cardholder Information Security Program \(CISP\)](#)

[MasterCard International Site Data Protection \(SDP\) Program](#)

[American Express Data Security Standards \(DSS\)](#)

[Discover Information Security and Compliance \(DISC\) Program](#)

[Payment Card Industry \(PCI-DSS\) Standards](#)

[Payment Application Best Practices](#) (PABP)

[Arizona Revised Statute \(A.R.S.\) 44-7501](#) – Notification of Breach of Security System

Approved Service Providers:

[PCI Security Standards Council Validated Payment Applications](#)

[Visa Global Registry of Service Providers](#)

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	Responsible office: Comptroller
Subject: Accepting Credit Cards as a Form of Payment	Origination date: 04/01/2017
	Effective date: 07/01/2017
	Revision date: 04/26/2019

All merchants are responsible for:

- a) Following security measures established by the payment card industry, ITS and Comptroller Office policies.
- b) Performing all periodic compliance activities requested by ITS in coordination with the Comptroller's Office in a timely manner.
- c) Recording all card transactional activity on the general ledger within three business days of settlement.
- d) Reviewing monthly merchant statements for accuracy. Inaccurate charges must be reported to the Comptroller's Office within 60 days of statement date.
- e) Notifying the Comptroller's Office immediately when accounts are no longer needed and should be deactivated.
- f) Responding to chargeback notifications and bank Card Company inquiries within chargeback notification letter deadlines.
- g) Insuring that no cardholder information is stored electronically in any database, application, fax machine or system.
- h) Following the responsibilities and guidelines in the exhibits included within this policy.

SECURITY BREACH RESPONSE

1. All suspected and/or confirmed security compromises must be reported immediately to ITS and the Comptroller's Office.
2. If a security breach is confirmed by ITS and the Comptroller's Office, the Comptroller's Office will be responsible for alerting the merchant acquiring bank, the payment card associations and other merchant regulatory entities deemed necessary of the confirmed security breach. The ITS Office will be responsible for providing the security breach information to all government agencies required by statute.

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RELATED INFORMATION

Comptroller's Office Policies

- ✓ Policy 301-01
- ✓ Policy 310-01
- ✓ Policy 108

ITS Policies

<https://nau.edu/its/policies/>

Bank Card Merchant Security Requirements:

[Visa U.S.A. Cardholder Information Security Program \(CISP\)](#)

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	Section: 400 Disbursements
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	Responsible office: Comptroller
	Origination date: 01/01/2000
Subject: Disbursement Methods	Effective date: 01/01/2000
	Revision date: 02/01/2016

PURPOSE

To provide an overview of the methods of activating university disbursements for payroll, purchasing, travel, and scholarship fund transactions

SOURCE

University Policy

APPLICABILITY

All university Departments

POLICY

This policy consists of an overview of disbursement methods, along with references to other sections in the Comptroller's Policy Manual and to manuals containing policies and procedures for the specific disbursement methods. University funds are disbursed through one of the following four methods: payroll disbursements; purchasing transactions, including off-campus purchases and inter-departmental purchases; travel disbursements; and scholarship fund awards.

CMP 401-01: Disbursement Methods

Payroll

For all employees of the University the [ePAR](#) process is used. This includes faculty, staff, student workers and Federal Work Study students.

Purchasing Transactions

All vendors must complete a Northern Arizona University substitute W-9 and vendor authorization form, found on the Purchasing website at <https://in.nau.edu/contracting-purchasing-services/forms/>

The University will not process a payment to a vendor until that vendor has completed and submitted a Northern Arizona University substitute W-9 and the information contained in the W-9 has been successfully TIN matched with the IRS.

Several types of purchase order transactions are used in the procurement of goods and services. The nature of the transaction determines the procurement method and form to be used. See the [Purchasing](#)

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[Services Policies and Procedures Manual PUR 300](#), Orders and Requisitions, for procurement methods. For information on the University Purchasing Card see the [Purchasing Card web page](#). Regardless of the purchase method used, orders should be shipped directly to a University designated receiving area or location and not a home address.

Travel

For detailed information on in-state or out-of-state travel, see the [travel policies and procedures web page](#).

CMP 401-01: Disbursement Methods

Scholarship Fund Awards

A gift to the university that is restricted for scholarship purposes is deposited to the [NAU Foundation Office](#), not to Departments. For additional information on Scholarship Awards, please contact the [Office of Scholarships and Financial Aid](#) or the NAU Foundation Office.

CROSS-REFERENCE

For purchasing transactions information, see the [Purchasing Services Policies and Procedures Manual](#). Or contact the Purchasing Services Office at 523-4557.

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Subject: NAU Service Center Policy	Origination date: 01/01/2000
	Effective date: 01/01/2000
	Revision date: 04/07/2017

POLICY STATEMENT

A Service Center is an organizational unit of the university that has been established to provide products and services (collectively referred to as “services”) to other units, including sponsored programs administered by the university. Many of these sponsored programs are federally-sponsored; as a result, the university must comply with federal costing principles for Services Centers. Services also may be provided on an incidental basis to individual and/or external users (faculty/staff, students; non-NAU or public users). Service Centers must be able to demonstrate that their policies and procedures comply with state and federal regulations, and university policy. This policy applies to Service Centers whose primary customers are University Departments generating greater than fifty percent (50%) of the department’s revenues.

PURPOSE

To provide consistent operational guidelines for NAU Service Centers to promote compliance with applicable NAU, Board of Regents, State, and Federal regulations (Office of Management and Budget (OMB) Uniform Guidance: 2 CFR Part 200 Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards. Non-compliance could harm the university’s reputation and reflect negatively on future award proposals. Government-imposed fines or other negative outcomes could also occur.

APPLICABILITY

All university Service Centers are responsible for developing Service Center billing rates in accordance with this policy and government regulations.

EXECUTIVE SUMMARY

In general, the following principles are to be followed for Service Centers when setting rates:

- Rates should recover no more than the cost of the product or service.
- Must be established for each individual service, unless the usage basis for a group of related services is exactly the same.
- Costs that may be included in the rate calculation are the operating costs of the service activity, equipment depreciation expense, (for university-owned equipment purchased with **non-federal funds**), inventory-related costs (cost of goods sold), and facility depreciation where applicable. If applicable, the over- or under-recovery of the previous year's costs should also be incorporated into the rate calculation.
- Rates take into account all users, regardless of Rates whether or not a free or discounted rate will be given to some users.
- The resulting rate (total costs divided by total users) is the maximum rate that may be charged to internal users for the particular service.

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- Different rates may be charged to different users, **but the rate given to federal users should be the lowest rate given to any external user.**
- External non-federal users may be charged more than the fully-costed rate, but external non-federal users should be a minimal component of the user population. If not, unrelated business income tax (UBIT) may be owed by the University. NAU sponsored projects are considered internal users.
- Rates should be reviewed and adjusted at least biannually. Rate calculations should be submitted to the Assistant Comptroller for Cost Accounting for review.
- Federal costing principles allow Service Centers to maintain adjusted fund balances of up to **60 days** of operating expenses at year end.
- Rates must break even over time, not necessarily each year.
- Variance between billed costs and actual costs should normally be treated as adjustments to future billing rates.

This policy is intended to provide as much information as possible to assist Service Center managers with rate calculations and related accounting procedures. However, since it is not possible for a policy to address every potential situation or nuance, Service Center managers are encouraged to contact the Comptroller's Office, Assistant Comptroller for Cost Accounting for guidance and assistance with rate calculations. For more information on Best Practices, see [NAU Service Center Best Practices](#).

POLICY

CMP 401-02: NAU Service Center Policy

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I. DEFINITIONS

Acquisition Cost: Cost of acquiring materials and supplies and capital assets, including taxes, freight, and installation costs to place the materials and/or assets into intended use ([CMP-130](#) for definition of capitalized expenditures). The acquisition cost of equipment and buildings excludes the cost of land. For donated capital assets, the acquisition cost is its fair market value at the time of the donation (plus any acquisition-related expenses such as freight and installation).

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Auxiliary Enterprise: A separately organized University unit or activity specifically established to sell services/products on a continuing basis. An auxiliary enterprise generally supports the instruction, research and public service activities of the University. Auxiliary enterprises charge fees directly related to, although not necessarily equal to, the cost of the services/products. Internal Service Centers are one form of auxiliary enterprise.

Billing Rate: An amount established to charge for specific services/products, calculated by dividing the aggregate total of estimated fiscal year operating costs, depreciation expense, and permissible prior year over/under recovery (carry-forward) by the estimated billing unit.

Billing Unit: The basis on which services/products are offered (e.g., hours, unit price, etc).

Break-even Period: A reasonable time-period over which cumulative revenue for a service/product equals cumulative expenses, exclusive of net revenues received from public (non NAU) customers.

Carry-forward: The cumulative difference between the revenue generated by a service/product and the cost of providing the service/product. The over/under recovery of costs – resulting from billing rates that vary from actual costs, generally on a fiscal year basis – is carried forward to subsequent year rate computations.

Costs: Actual expenditures incurred for salaries & wages, employee- related expenses, operations, travel, capital usage (if applicable), and internal Service Center overhead. Rates for services or products sold to individuals affiliated with the university will additionally include the internal Overhead Fee Assessment (University Budget Office), intended to be recovered through the billing process; likewise, rates for services or products sold to external clients will also include the institution's federally approved F&A rate for "other" projects, intended to be recovered through the billing process.

Cost Centers: Units of activity or areas of responsibility into which a Service Center is divided for accountability purposes, and to which costs are allocated or directly assigned (e.g., the University Lock Shop and the Electrical Shop are cost centers within Facility Services).

Current Depreciable Value: Acquisition cost of a capital asset less accumulated depreciation. Depreciation funds must be transferred to an equipment replacement account.

Current Operating Costs: Represents allowable salaries & wages, employee related expenses (ERE), operations, travel, capital usage (if applicable), and internal Service Center overhead. Rates for services or products sold to individuals affiliated with the University will additionally include the internal Overhead Fee Assessment (University Budget Office), intended to be recovered through the billing process; likewise, rates for services or products sold to external clients will also include the institution's federally approved F&A rate for "other" projects intended to be recovered through the billing process. Current operating costs may include unallowable costs if billed to external users (e.g., advertising costs to attract external users).

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Depreciable Life: The estimated time period or units of activity (for example, miles driven for vehicles) over which equipment will provide useful service; used to determine annual depreciation.

Depreciation: The process of allocating the cost of a capital asset over the depreciable life.

External Sales Transaction: A transaction or process whereby the public is charged for products/services provided by University departments or Service Centers.

F&A Rate: The Facilities & Administrative Rate (previously called "Indirect Cost Rate") is negotiated with the Federal government and charged to sponsored projects. Facilities and Administrative costs are costs that are incurred for the common or joint objectives of the University and therefore cannot be readily and specifically identified with a specific sponsored project, function, or activity. Such costs include building and equipment depreciation, building operation and maintenance, general administration and general expense, departmental administration, sponsored projects administration, library, and student services administration expenses.

Imputed Revenue: The process of determining Service Center revenue without regard to billing rate discounts and/or surcharges (e.g., the normal billing rate of a Service center is \$10 per hour. A discount of fifty percent (50%) is provided to a customer who uses ten hours of service. The actual revenue realized is \$50 whereas the imputed revenue is \$100). Departments must track any imputed revenue.

Interdepartmental Billing: An interdepartmental billing (IDB) is used to procure goods and services from a university service department. ([CMP-407](#))

Internal Service Center Journal (IST): A University financial system document whereby a University Department/Project ID is charged for services/products provided by a university Service Center. ISTs are used to complete the transaction for an interdepartmental billing.

Internal Service Center Indirect Costs: Costs that can be readily and specifically identified with a particular Service Center but not with a particular service/product provided. The Service Center must have a reasonable method for allocating these costs to each service/product (for example, based on effort, total costs, FTEs). These costs are excluded from the Universities F&A rate.

Net Revenue: Receipts realized in excess of operating costs and scheduled capital usage recovery resulting from services/products provided to any public (non NAU) customers.

Overhead Fee Assessment: Service Centers selling services or products to individuals affiliated with the university are subject to this internal overhead assessment ([CMP-206](#)) in accordance with University Budget Office policy.

Private Enterprise: External business enterprises.

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Public (or Public Customers): All individuals, groups or organizations that acquire products/services from University departments or Service Centers via external sales transactions from a state, local, and/or sponsored fund.

Recharge Center: A form of Service Center whose activities are generally incidental to total departmental activity and no formal cost studies are performed (e.g., photocopying done on a department copier and recharged to the user).

Service Center: A University unit or activity whose primary customers are University departments generating greater than fifty percent (50%) of the unit's revenues. Interdepartmental billings are the predominant revenue source for a Service Center. Billing rates for Service Centers are designed to fully recover current operating costs.

Specialized Service Facility: A service activity that provides unique services to a select group(s) rather than the general university (e.g., animal care facility, wind tunnel, electron microscopy) and has an annual operating budget of \$1,000,000 or more. Billing rates for Specialized Service Facilities should include Service Center costs (see above) plus institutional overhead costs such as depreciation, operations and maintenance costs (e.g., utilities, custodial), and general university administrative costs (e.g., Purchasing, Payroll).

Subsidized Billing: A billing using a rate less than the full calculated rate based on the rate study computations. Subsidized billing occurs when a Service Center is not entirely self-supporting (e.g., receives partial support through State appropriations). An intended loss cannot be carried forward when determining subsequent year's rates (see Carry-forward above). Subsidized funds must be tracked on an annual basis.

Unallowable Costs: Costs that must be excluded from Service Center or Specialized Service Facility billing rates. See Office of Management and Budget (OMB) Uniform Guidance 2 CFR 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards Subpart E sections 200.420 - 200.475 a list of allowable and unallowable expenditures, and for a discussion of Specialized Service Facility billing rates.

University Departments: Budgetary/organizational units of the University. The financial activities of these units are maintained in the University financial system.. University departments acquire products/services from other University departments or Service Centers via ISTs.

Unrelated Business: Any activity that meets all of the conditions specified below is considered unrelated business: NOTE: Income or revenue from unrelated business is subject to taxation under Internal Revenue Code Sections 511-513. Unrelated Business Income Tax (UBIT)

The activity qualifies as a trade or business. A trade or a business is any activity that is carried on for the production of income from the sale of services/products. Also, there must be a "profit motive".

The activity is regularly carried on. Regularly occurring or seasonal activities normally qualify as

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“regularly carried on,” whereas intermittent, casual, or sporadic activities do not.

The activity is not “substantially related” to the University’s tax exempt purpose. Activities that contribute importantly to the accomplishment of the University's tax exempt purposes (other than by providing funds) qualify as related.

NOTE: Public service by itself does not qualify as part of the University's tax exempt purpose.

The activity is not covered by specific Internal Revenue Code exceptions. For example, an activity conducted primarily for the convenience of the University community is excepted under the Internal Revenue Code

UBIT: Unrelated Business Income Tax.

II. RESPONSIBILITIES

- A. The Associate Vice President for Financial Services/Comptroller (AVP).** The Comptroller or delegate is responsible for developing service center policies and for monitoring unit compliance.
- B. The Assistant Comptroller for Cost Accounting, under the Comptroller’s Office** determines the permissibility of specific products/services, addressing state reporting requirements, establishing plant fund reserves, and maintenance of a fixed asset system. Is also responsible for reviewing the Sponsored Project versus External Sales Guidelines Questionnaire to determine whether a product/service meets the criteria to be managed as a Service Center activity, or if not, as a Sponsored Project. Additionally responsible for providing guidance to Service Centers on rate setting, conducting periodic analysis of Service Center size, sales distribution, and cash balances, and providing information needed for indirect cost analysis.
- C. Department Head, Dean, Provost.** Administrative officials are responsible for management and operation of service activities under their organizational jurisdiction, including approving the establishment of Service Center department IDs, and covering any deficits or disallowances created by the Service Centers under their direction.
- D. Service Center Business Manager.** The Business managers (or those holding similar positions) are responsible for accounting for the operations of the Service Center and reporting on the activities and balances generated by Service Center activities. Service Center managers are responsible for calculating rates for their units based on historical income and expense data and projected usage, with assistance from the College Business Manager, University Budget Office and Comptroller's Office. Responsibilities include:
 - 1. Preparation of an annual budget
 - 2. Preparation of year-end fact sheet

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3. Calculation of user fees or markups at the operating ledger level and justification for interim rate adjustments, if any
4. Maintenance of fixed assets records of equipment used in service activities
5. Review and reconciliation of monthly financial statements
6. Physical count of merchandise for resale and any adjusting entries required
7. Timely (monthly) billings with adequate documentation
8. Maintenance of records.

III. ESTABLISHING A SERVICE CENTER

A. Criteria for Establishing a Service Center/Specialized Service facility:

A proposal to establish a new service center should be directed to the Assistant Comptroller for Cost Accounting at least three months before the proposed start date. If departments need additional assistance in producing the required documentation and rates, then additional lead time will be needed. The following documents should be completed and submitted with the proposal:

1. A completed New Department ID Application containing the following information:
 - i. The Service Center award, project and tasks names as they will appear on the expenditure, revenue or operating statements;
 - ii. A description of the product(s) or service(s) to be provided, and the potential users (internal and external);
 - iii. An explanation as to how the service center rate(s) will be determined, including:
2. A detailed annual expense budget, by expenditure type (including FTE with salary data) for the proposed Service Center;
3. A description of the activity base, its appropriateness, and the projected level of activity for the first year of operation;
4. The rate calculation(s) using the proposed budget amount(s) and the projected level(s) of activity for the first year of operation;
 - i. A state or local account, which has been committed to cover year-end deficits if they occur;
 - ii. The name(s), title(s), and phone number(s) of the individual(s) delegated

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responsibility by the department chairman, or administrative equivalent, for the service center's financial affairs;

- iii. A list of all of the capital assets already purchased that will be used in the service center. The list should contain a description, PO number and property tag identification. This list is for capital assets already purchased which will now be used in the new Service Center. If a PO is in process for assets to be used in the center, the PO should be listed as well.
- iv. The signatures of the department chairman and dean, or their administrative equivalents, indicate the department's acceptance of financial and operational responsibility for the Service Center.

5. Appropriate documentation that the proposed activity is permissible (see below, IV)

6. A completed Sponsored Project versus External Sales Guidelines Questionnaire.

B. Documentation for Establishing a Service Center/Specialized Service facility:

New Department IDs will not be established until signed proposals are received, reviewed, and approved by the Assistant Comptroller, under the Comptroller's unless documentation or circumstances indicate otherwise, a new Service Center will be considered a regular "Service Center" (not a "Specialized Service Facility") and will be subject to applicable billing rate guidelines. [NOTE: If circumstances change, a Service Center may request reclassification.]

IV. INAPPROPRIATE SERVICE CENTER ACTIVITIES

A. Competition with Private Enterprise; Unrelated Business:

Although Service Centers have broad discretion with respect to the types of products/services to be provided, there are exceptions. The Comptroller's Office will provide assistance in determining the permissibility of specific products/services. In general, Service Centers should not provide products/services that meet any of the following conditions:

1. The sale of the products/services would violate Arizona Board of Regents Policy 1-105, regarding competition with private enterprise.

NOTE: Where appropriate, or when in doubt, Service Centers should have outside party customers sign a statement that the particular products/services are not available from commercial sources. These statements must be maintained in a permanent file available for public inspection.

2. The sale of the products/services would qualify as "unrelated business."

B. An internal marketplace analysis should demonstrate that there is sufficient university demand for the proposed services/products to ensure long term economic operations, and one of the following:

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1. The proposed services/products are not currently provided by existing Service Centers, or
2. If similar services/products are currently available from an existing Service Center(s), then the proposed Service Center must be able to demonstrate it can provide the services/products to customers more efficiently or economically.

V. COST ACCOUNTING GUIDELINES

A. General

1. **Accounting practices:** A Service Center must consistently follow sound cost accounting practices/standards, including rate setting methodology and billing/charge-out practices. Cost accounting practices must not be changed merely for budgetary or administrative convenience.
2. **Cost centers:** A cost center should only be used to account for similar products/services, including rate setting methodology and billing/charge-out practices. Cost accounting practices cannot be changed merely for budgetary or administrative convenience.
3. **Customer billings:** Service Centers can only charge internal university customers for products/services actually provided to them (for example, an internal university customer cannot be charged a fee for a purchase that will only benefit future customers). These charges must be based on cost justified billing rates. Other billing rates or charging strategies (for example, “what the market can bear” cannot be used. (For Non-university customer rate see V.7.iii below)

B. Development of Billing Rates

1. **Biennial cycle:** Billing rates should be reviewed and adjusted at least biennially.
2. **Financial data:** PeopleSoft Financials is the official financial database for the University and must be the basis for all financial related information used in developing billing rates.
3. **Basis year:** Financial and statistical data used in developing billing rates should be based on a one year period. This period normally should be the University's fiscal year (July 1 to June 30).
4. **Break-even operation:** Internal billing rates should be designed to only the aggregate cost of a product/service over a defined break-even period. The Assistant Comptroller for Cost Accounting will provide assistance in determining appropriate break-even methodology. The following rules apply:

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- i. Surpluses/deficits on a product/service cannot be shifted to other products/services.
 - ii. Break-even period: The break-even period for most products/services normally should be one year. However, a longer break-even period may be established when necessary. For example, because of high "start-up costs," the cumulative cost of a new product/service may exceed cumulative revenue during the first few years of availability. Where the break-even period is longer than one year, revenue for a product/service does not have to equal the cost of providing the product/service during any one fiscal year, provided the applicable billing rates are reviewed periodically for consistency with the "break-even plan" and adjusted accordingly. In this respect, carry-forward adjustments to future year rates may be necessary to achieve break-even.
5. **Transfers:** Service Centers should not transfer revenues, expenditures or fund balances (for example, cash) between cost centers since such transfers can distort billing rate calculations or alter the break-even plan. For example, the over/under recovery of costs – resulting from billing rates that vary from actual costs, generally on a fiscal year basis – may not be transferred to general fund accounts since these costs are carried forward to subsequent year rate computations. Exceptions are:
 - i. Capital depreciation and institutional overhead recoveries made through the billing rate which must be transferred to capital replacement and institutional overhead recovery accounts respectively in accordance with pre-approved schedules.
 - ii. Net Revenues or surplus realized in excess of operating costs and scheduled capital usage recovery resulting from services/products provided to any public (non NAU) customers. In such cases the net revenue may be transferred to a separate account provided the Service Center can demonstrate the net revenue resulted from services/products provided to non NAU customers.
6. **Factors affecting allowability of costs:** The Comptroller's Office, Assistant Comptroller for Cost Accounting will provide assistance in determining the allowability of costs. Billing rate calculations can only include those costs that satisfy all of the following conditions:
 - i. Are reasonable: A reasonable cost reflects the action a prudent person would make under the circumstances in light of their stewardship responsibility to the University community, State of Arizona, Federal Government and the public. Major considerations involved in the determination of the reasonableness of a cost include:

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1. Whether the cost is generally recognized as necessary.
2. The restraints or requirements imposed by such factors as arms-length bargaining and Federal/state laws and regulations.
3. The extent to which the actions are consistent with established University and/or Board of Regents policy.
- ii. Are consistently applied according to Generally Accepted Accounting Principles (GAAP).
- iii. Are properly allocable to products/services in accordance with relative benefits received or other equitable relationship. Costs allocable to a particular product/service cannot be shifted to other products/services. A cost is allocable to a product/service if it is necessary to the provision of the products/services and meets either of the following conditions:
 1. The cost solely benefits the product/service.
 2. The cost benefits the product/service and other products/services or activities in proportions that can be reasonably approximated based on benefits derived, a traceable cause and effect relationship, or logic and reason where neither benefit nor cause and effect relationship is determinable.
- iv. Are historically based (with appropriate adjustment for applicable credits).
NOTE: In the case of current operating costs, projected costs may be considered in lieu of historical costs to the extent they are based on objective evidence (for example, approved changes to next year's operating budget) and not on speculation.
- v. Are not specifically unallowable: Generally, all operating costs that satisfy the previous conditions are allowable. According to Uniform Guidance 2 CFR 200.420 - 200.475, however, there are costs that are specifically designated as unallowable. Examples of unallowable costs include:
 1. Bad debts.
 2. Contingency provisions or reserves to cover events which cannot be foretold with certainty as to time, intensity or assurance of their happening.
 3. Entertainment costs (for example, amusement or social activities).

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<p>4. Fines and penalties resulting from violations of (or non-compliance with) Federal, state, or local laws and regulations.</p> <p>5. Interest payments to internal University sources.</p> <p>7. Separate billing rates. In most situations, separate billing rates must be developed for services/products that meet any of the following criteria:</p> <p>i. Distinctive products/services: Separate billing rates must be developed for distinctive types of products/services when both of the conditions below are met. The Assistant Comptroller for Cost Accounting will provide assistance in determining the need for separate product/service billing rates.</p> <p>1. The sales volume of the product/service is significant.</p> <p>2. The cost of providing the product/service is substantially different from other products/services.</p> <p>ii. Services/products purchased with federal funds from Service Centers that receive federal support: When services/products are paid with federal funds and the Service Center receives direct or indirect federal support, the federal support must be netted from the billing rate (for example, salaries and wages, operations, and/or travel paid directly from federal sources, or capital depreciation included in the billing rate for equipment/facilities acquired with federal funds).</p> <p>iii. Services/products sold to Public (non-NAU) customers. Public customer rates are fully-developed billing rates which should recover all costs, including Facilities and Administrative (F&A) costs, capital depreciation, unallowable costs, and expenditures incurred by State/General Operating Funds. Public customer rates will minimize the potential for competition (or unfair competition) with private enterprise and therefore may also include a reasonable surcharge resulting in net revenue being realized. Such net revenue, however, may be subject to Unrelated Business Income Tax (UBIT).</p> <p>iv. Any other time a discount or surcharge is extended.</p> <p>C. Capital Depreciation. Billing rates cannot include the acquisition cost of capital expenditures. Instead, subject to limitations specified above, billing rates may include “capital depreciation” related to the use of Service Center equipment provided the asset(s) exist and are usable, used, and needed. Capital usage factors are computed based on depreciation methods for equipment. Capital usage factors for the lease/rental of equipment are determined based on the actual lease/rental amount. The following rules apply: See <u>(CMP-130)</u></p> <p>1. The computation of depreciation must be based on the acquisition cost of the capital</p>	
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assets involved. [Note: Consistent with section V.B.7.ii, billing rates for federal customers must exclude any portion of capital asset costs borne or donated by the Federal Government, as well as any portion of the cost prohibited from recovery by law or agreement.]

- i. The computation of depreciation for buildings & improvements will be based on a 40-year life for buildings and a 25 year life for building improvements. The amount of depreciation is limited to the portion of building space (i.e., net assignable square feet) assigned to the Service Center.
 - ii. The computation of depreciation for equipment will be based on the straight-line depreciation (contact Property Administration or the Comptroller's Office for useful life information). No depreciation may be computed or charged on equipment that has outlived its useful life. See ([CMP-130](#))
2. **Capital asset records & physical counts.** Capital depreciation must be based on adequate property records: complete physical counts must be completed at least every two years to ensure that the assets exist and are usable, used, and needed. Capital assets are tracked in the Property Administration database and coded specifically to the service center Department ID. See Section V, Paragraph C for the equipment replacement accounts that need to be established for all capital costs being recovered by Service Centers.

D. Internal Service Center Indirect Costs. Internal Service Center indirect costs should be included in billing rate calculations for each service/product in a logical manner beneficial of the relationship to the service/product.

VI. ADMINISTRATIVE GUIDELINES.

A. Budgeting and Accounting Requirements. Service Center activities should be budgeted and accounted for apart from non-service center activities (for example, teaching or research). Service Centers that operate within academic, research, academic support, or institutional support departments. Such Service Centers often use operating resources funded by non-service center accounts (e.g., State/General Operating Funds or F&A recovery) to provide services/products to customers.

- a. **Current University financial system** is the official financial database for the University and must be the basis of all financial information used for billing rate computations. Non-University financial system financial record keeping systems must be reconciled to the University financial system on a regular basis.
- b. The **separate service center account(s)** should contain only those operating resources directly related to the provision of products/services to customers. **Funds in these accounts cannot be expended for non-service center activities (for example, teaching**

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or research, or cost share for Sponsored Projects).

- c. Annual budgeting of all service center revenues and expenditures should be recorded in appropriate accounts. That is, the accounts should be used in such a manner that will result in a **matching of revenues with expenditures**.
 - d. Separate accounts can be established for **individual cost centers** where practical.
- B. Extended Record Keeping Requirements:** Service centers must establish and maintain record keeping procedures and systems to capture all financial or statistical data that: is necessary for good internal control and Service Center management; is necessary for development and maintenance of good/service billing rates; and is not available in necessary detail or format from central databases (for example, University financial system). The Comptroller's Office will provide assistance in determining the types of extended record keeping that are needed. Examples of extended records that must be maintained include:
- a. **Financial records** that track revenues (actual and imputed), expenditures, and surplus/deficit fund balances to specific products/services within each cost center.
 - b. **Statistical records** necessary for allocating costs or accumulating units of service available and used (for example, vehicle miles, central processing units or animal care days).
 - c. **Effort reporting records** that correlate/identify employee work-time (in hours or percentage of time) to products/services within a cost center.
 - d. **Background information** that defines cost pools and terminology, describes allocation basis, and documents the basis for choosing particular allocation methods.
 - e. **Inventory systems** to account for raw materials, work in process, finished goods, and resale merchandise.
 - f. **Depreciation schedules** showing annual depreciation for each piece of equipment.
- C. Equipment Records:** Service Center equipment must be identified separately from non-service center equipment in the University's Property Administration System. The service center Department ID must be assigned to the Service Center equipment in the Property Control System to distinguish it.
- D. Stock Inventories.** Physical inventories of raw materials, work in process, finished goods, and re-sale merchandise should be taken at fiscal yearend (at minimum). Inventories must be valued using an inventory method established by the Comptroller's Office.
- E. Billing Rate Schedule:** A schedule of current billing rates should be maintained and available on

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request. Advance notice of changes in billing rates should be provided to customers where feasible. The billing rates ~~for~~ should be posted on the service center's website or on the website of a higher level organizational unit of the service center.

- F. Customer Billings:** Billings will be processed using established procedures. That is, interdepartmental billing procedures (for example, ISTs) are used to bill University Department customers and invoicing/billing procedures are used to bill Public Customers. The Assistant Comptroller for Cost Accounting Office will provide assistance in determining appropriate billing procedures.
- G. Capital Reserve Accounts:** Separate University financial system Department ID must be established in the University financial system to account for a Service Center's capital related transactions. Additions to these accounts will be accomplished by transferring cash from appropriate service center revenue accounts. Transfers to the equipment reserve account should be based on the amount of revenue that pertains to the equipment depreciation factor in billing rates and/or surplus revenues from surcharges to Public Customers. The Comptroller's Office will provide assistance in establishing capital reserve accounts or cash transfers.
- H. Facilities and Administrative Costs** recovered according to section V. B.7. iii will be transferred to a Differential Income Designated fund accounts on a periodic basis, but no less frequently than once a year. Service Centers selling services or products to external clients must include the institution's federally approved F&A rate for "other" projects in their rate calculations.
- I. Overhead Fee Assessment:** Service centers selling services or products to individuals affiliated with the University are subject to the overhead fee assessment in accordance with University Budget Office Policy ([CMP206](#)). This fee will be calculated on all F&A recovered funds within the Differential Income Dept. ID. A specific Revenue Code has been established to identify these revenues when deposited.
- J. Fund Balances:** The Comptroller's Office prepares a fiscal yearend report on Service Center fund balances in order to identify units with excess fund balances. The Comptroller's report will be distributed to the Vice Presidents and Deans who have responsibility for the Service Centers.
- K. Federal costing principles** allow Service Centers to maintain Adjusted Fund Balances of up to 60 days of operating expenses at year end.

CROSS-REFERENCE

For further information about Capitalization and Depreciation, see [CMP-130](#), Capitalization and Depreciation.

For further information about Overhead Fee Assessment, see [CMP-206](#), Overhead Fee Assessment.

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For further information about Interdepartmental Billings, see [CMP-407](#), Interdepartmental Billings.

For further information about ABOR Policy, Competition with Private Enterprise, see [Policy 1-105](#), Competition with Private Enterprise.

For further information about Cost Principles for Educational Institutions, see Uniform Guidance 2 CFR 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards Subpart E sections 200.420 - 200.475 Principles for determining Costs Applicable to Grants.

For further information on NAU Service Center Best Practices, see [NAU Service Center Best Practices](#)

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PURPOSE

To provide a listing of prohibited disbursement transactions

SOURCE

University policy

POLICY

CMP 401-03: Prohibited Transactions

Certain disbursement transactions are prohibited. The listing below specifies prohibited transactions, although it is not necessarily fully inclusive. References to specific Comptroller Policy Manual sections or policies are provided where applicable. Assistance to interpret specific situations is available from the [Comptroller Office Staff](#). Please note that this policy applies to STUDENT ACTIVITIES as well as all other University activities. All funds that come into the university are considered public funds. This policy not only applies to state funds, but also to local and grant funds.

Prohibited Transactions and Policy References:

Business Meals, Food, and Related Expenses ([CMP 420 02](#))

Use of sponsored project funds unless specifically authorized by the grant or contract.

Use of state funds.

Alcoholic Beverages

Use of university funds to pay for alcoholic beverages, regardless of expenditure purpose.

Bottled Water.

Use of university funds unless the Manager of Facilities Services determines in writing that:

1. no drinking fountain is reasonably close;
2. the cost of installing a drinking fountain is prohibitive.

A copy of the Manager of Facilities Service's assessment must be attached to all procurement documents

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for bottled water purchased.

Amazon Prime Memberships, Amazon Business Accounts, and Amazon Mechanical Turk

Amazon Mechanical Turk can be used in very limited research activities.

Direct Vendor Billings

Payment of a vendor invoice of more than \$5,000 billed directly to NAU when a purchase order should have been issued.

Charitable Contributions or Donations

Fines and Penalties ([CMP 109](#))

Payments of fines and penalties are prohibited unless specifically authorized by the appropriate provost/vice president and forwarded directly to the comptroller for proper coding determination. Under no condition can parking, traffic, and library fines be paid with university funds.

Flowers

All types, unless the items are needed in conjunction with an official university event. Authorized purchases for flowers must be paid from local funds.

Graduation Caps and Gowns

Use of state or local (including sponsored project, grant or contract) funds for the purchase or rental of graduation caps and gowns, except for individuals participating in university ceremonies at the specific request of the university, such as platform invitees, honorary degree recipients, sign language interpreters, or other invited special guests who are not employed by the university. Administrators and faculty who are required to participate in ceremonies as part of their university duties may not have regalia rented or purchased with state or local (including sponsored project, grant, or contract) funds.

Internet Reimbursements

Payments for Internet service charges incurred at a non-university residence or office space will be considered prohibited transactions on **all** university accounts, regardless of an account's funding source.

Legal Fees

All types except those that have been reviewed and authorized by the [President's Office](#).

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Personal Clothing

Clothing that is not considered a uniform necessary to perform official University business. (Examples of business necessary clothing are NAU Police and other safety uniforms, facility service personnel, athletic uniforms, health professionals, and shirts for identification of NAU event staff.)

Use of Personal Rewards Cards

Whenever practicable, the P-Card should be used to make purchases and payments for University business. Travel and lodging arrangements shall at all times be made to produce the most reasonably economical travel cost to the University. Travelers and others making travel arrangements are not to favor certain airlines or hotel chains based upon potential frequent flyer or frequent lodger awards programs.

Loans and Advances to NAU Employees, Students, and Organizations

All types except loans awarded to students by the Student Financial Aid Office.

Gifts and Gift Certificates and Awards

Gifts of any type - including gift certificates - for occasions such as condolences, congratulations, birthdays, boss's day, secretary's day, tokens of appreciation, graduation gifts, etc.

Items that are NOT considered gifts include:

- Items which promote greater participation by students in campus activities that are sponsored by Student Life and paid from non-state, non-sponsored funds.
- Items which promote greater participation by employees, faculty or students in University sponsored events (campus activities, seminars, training etc.), and paid from non-state, non-sponsored funds.
- Items that are used for compensation to participants in research projects.
- Items that are small awards or prizes for campus competitions and are paid from non-state, non-sponsored funds.

The value of a single item may not exceed \$25 and only one item may be given to an individual for each occurrence or participation.

P-Cards may be used to purchase gift cards when they meet this criterion and that in the [P-Card Policy Manual](#).

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Items that are purchased for the above purposes must be closely controlled. If gift cards, etc. are purchased, a log of those items must be maintained with the following information:

- Date purchased
- Gift card number / gift certificate number, etc. if applicable
- Value of the card / certificate
- Date given away
- Name of the person to whom the card is given
- Name of the administrator / faculty who releases the card
- Signature of the recipient

For **students** only - A gift/award given to a student that has a valid business purpose, reasonable cost, a specific name and/or reason for the award engraved or typed on the item, the University logo, and the item does not have a value to anyone other than the recipient, is not considered a gift. If they are a higher dollar items, no engraving, not given as part of an event (such as commencement), then the item should be paid for with Foundation funds as this is considered a gift.

Funds from state, grants/contracts, mandatory student fees or course fees can never be used to purchase gifts or awards.

Personal Expenses

Per the [State of Arizona Accounting Manual policy 05-15: Code of Conduct for Employees Engaged in Accounting, Financial and Budgeting Activities](#), transactions must avoid the appearance of personal gain. Some examples include but are not limited to expenditures for TSA pre-checks, airline seat upgrades, passports and related expenses, meetings at movie theaters, supplies for breakrooms, personal phone calls, and personal use of copy machines or printers. University funds shall not be used to purchase certain products for predominantly personal or cosmetic use, such as: nasal tissues, facial tissues, cosmetic wipes, cotton swabs, facial & beauty soaps and cleansers, toothpaste, etc.

Holiday celebrations

Expenditures for holiday receptions, departmental decorations (must be in common space, not individual offices), etc., are permitted only if charged to a gift or other discretionary local department and approved by the appropriate provost/vice president.

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Kitchen Appliances

For a complete listing of kitchen appliances that may not be purchased, please review [CMP 401-09](#).

Software (needs approval)

All software purchases must be approved, **prior to purchase**, by Information Technology Services and NAU's Accessibility Team. If you are looking to purchase software that is not part of the university's Software Support policy, please review Information Technologies Services "University Software Purchasing Guidelines" on their [Software support page](#) under "Purchasing Software" before making any purchases. You will also need to complete the [Accessibility Approvals/Exceptions](#) form.

Nonresident Alien Work Permits

Use of state or local departments for payments of work permits that nonresident aliens must obtain in order to hold a job in the U.S., unless stated in an offer letter of employment or similar contractual obligation.

Parking Fees/Decals for NAU Employees and Students

All types, except those purchased for NAU vehicles. Visitor parking fees are, however, permitted for an employee who, on occasion, needs to visit another location in the state in order to conduct NAU business.

Parking, Traffic, and Library Fines ([CMP 109](#))

Use of state or local departments for payment.

Note: Library fines include charges for lost books (replacement fees).

Petty Cash Funds ([CMP 403-01](#))

1. The purchase cost of a particular item must not exceed \$25.00.
2. The purchase cannot be for any of the following purchases:
 - A) Compensation to individuals for services.
 - B) Capital items.
 - C) Food or entertainment.
 - D) Travel

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Phone Cards

Purchase of prepaid phone cards. Exceptions can be made in certain circumstances - e.g. researcher who is out-of-state who must call in field results every day and alternate method phone costs are prohibitive.

Purchases From NAU Individuals ([PUR 102](#))

Purchases that are not competitively bid and do not have the proper approval.

State Operating Departments - Funded Purchases ([CMP 111](#))

Summer Sessions - Funded Purchases ([CMP 201](#))

Expense not directly related to Summer Session instruction. All expenses incurred on Summer Session accounts must be directly related to summer Session instruction.

Dues for memberships in community service organizations

For example, Kiwanis, Rotary, etc.

Transfers ([CMP 303](#))

Transfer of funds to an off-campus bank account or to an organization financially related to NAU, such as the NAU Foundation.

Vendor Invoice Payments Older than Two Fiscal Years

Payment to external vendors where the invoice is more than two fiscal years old, unless approved by the Comptroller.

Child Care

Reimbursements to employees for child care while traveling on University business. Applies to new employees for costs incurred as part of moving expenses, including pre-moving house hunting trips (see CMP 420-03: Moving Expenses for allowable moving expenses)

Sponsorships

The Fair Market Value (FMV) of any goods and/or services that the university receives as part of a sponsorship may be charged to a local account. Please contact the event organizer to obtain the amount of FMV and be sure to ask for documentation to be uploaded to OnBase (FMV & NAUF documents, as

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applicable) to support the transaction. The balance of the sponsorship must be paid from Foundation funds. It is acceptable to charge the entire amount to the Foundation.

Textbooks / e-Books

In some cases, single copies of textbooks can be purchased for departmental reference and become property of Northern Arizona University. Textbooks for classroom coursework for use towards a degree etc. are prohibited.

CROSS-REFERENCE

For more information on purchases, see the Purchasing Services Policies and Procedures Manual [PUR 102](#), Conflict of Interest.

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	Origination date: 01/01/2000
Subject: NAU Foundation Transactions	Effective date: 01/01/2000
	Revision date: 02/05/2016

PURPOSE

To provide information regarding NAU Foundation disbursement transactions

SOURCE

University and NAU Foundation policy

POLICY

CMP 401-04: NAU Foundation Transactions

Prohibited Transactions

Many NAU departments have various accounts with the NAU Foundation from which they make disbursements. The following disbursements cannot be made from an NAU Foundation account:

1. The Foundation cannot pay directly to any NAU employee: awards, wages/salaries, or supplemental compensation for services performed for the benefit of, and under the direction and control of the University. These must be paid through the University's payroll system, with appropriate withholdings and reporting done by the University. The Foundation will reimburse the appropriate University Local account for these charges upon request.
2. The Foundation cannot pay wages, salaries or internships to any NAU student. These must be paid through the University payroll system. The Foundation will reimburse the appropriate University Local account for these charges upon request.
3. Payments cannot be made to independent contractors who are nonresident aliens. Independent contractor payments can be made to U.S. citizens.
4. Due to legal restrictions, the NAU Foundation cannot lend funds to NAU or any NAU department. Lease-purchase financing may be available for equipment purchases.
5. Check requests submitted for payment of contractual services or services rendered by non-university employees must have a contract or signed personal letter from the individual describing the services performed, the amount charged, and a completed [W-9](#).

Check Request Procedures

For instructions on requesting a check from the NAU Foundation Office call (928) 523-2017, or visit the [Foundation Website](#). For information on deposits of Foundation funds to NAU accounts see [CMP 303: Gift Deposits](#)

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	Origination date: 01/01/2000
Subject: Help With PeopleSoft Financials Documents	Effective date: 01/01/2000
	Revision date: 12/12/2014

PURPOSE

To provide assistance with the input and processing of documents into the PeopleSoft Financial System

SOURCE

Northern Arizona Financial Accounting Services


PROCEDURE

CMP 401-05: Help With PeopleSoft Financials Documents

For PeopleSoft Financial processing assistance, please refer to the following resources:

1. [PeopleSoft Financials Web Site](#). This website contains an overview of PeopleSoft Financial related business processes and step by step instructions on processing PeopleSoft Financial documents.
2. **PeopleSoft Financials Help Desk** - if you cannot find the answers you're looking for on the [PeopleSoft Financials Web Sites](#) you can phone or e-mail the PeopleSoft Financials Help Desk at: (928) 523-4357 or ASK-FAS@nau.edu.
3. **ITS Solution Center** - for desktop computing problems or problems with printing from PeopleSoft Financials contact the ITS Solution Center:
 - a. Solution Center Statewide - (888) 520-7215
 - b. Solution Center - (928) 523-1511
 - c. E-Mail - ASK-ITS@nau.edu

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Subject: Tax Identification (Social Security) Numbers	Origination date: 01/01/2000
	Effective date: 01/01/2000
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PURPOSE

To provide policy on requiring Tax Identification (Social Security Number) before disbursing NAU funds. The University is required under the Privacy Act of 1974 to disclose the authority, nature and purpose when requesting a social security number.

AUTHORITY


Internal Revenue Code, Title 26, Sections 6011 and 6051.

POLICY

CMP 401-06: Tax Identification (Social Security) Numbers

The University is required to obtain the tax identification number (Social Security Numbers) for reporting of payments to all individuals, including subject pay, independent contractors, lecturers, speakers and employee reimbursements to the Federal and State Governments and for verification of the payee's identity. **This includes all student athletes receiving room and board payments.** Failure to provide this information may subject the payment to 28% federal income tax backup withholding.

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	Origination date: 01/01/2000
Subject: NAU Component Unit Affiliates	Effective date: 01/01/2000
	Revision date: 02/05/2016

PURPOSE

To provide guidance for NAU Affiliated Entity and Component Units.

SOURCE

Arizona Board of Regents Guidelines “Governing the Relationship between Component Unit Affiliates and Universities under the Jurisdiction of the Arizona Board of Regents.”

BACKGROUND

Government Accounting Standards Board Statement No. 39 (GASB 39) as amended by Government Accounting Standards Board Statement No. 61 (GASB 61) require that certain nongovernmental entities affiliated with the universities be treated as “component units” for financial reporting purposes. These may include alumni associations, development foundations and other organizations that raise and hold significant economic resources for the direct benefit of the universities (“Component Unit Affiliates”). Per Guidelines established by the Arizona Board of Regents, the University has adopted a policy regarding the recognition by the University of such Entities or organizations. While recognizing that not all Component Unit Affiliates will necessarily engage in all of the activities governed by the following principles, such policy shall at a minimum include provisions that are consistent with these principles.

POLICY

CMP 401-07: NAU Component Unit Affiliates

NAU Recognition of Affiliated Entity


Separate Legal Entity

A Component Unit Affiliate is not the agent of the university and shall not represent or imply that it operates under an agency, partnership, or joint venture relationship with the university. A Component Unit Affiliate must take appropriate steps in dealing with third parties to ensure that such parties understand that the organization is a separate legal entity from the university. Such steps shall include, but not necessarily be limited to, separate business cards, letterhead, appropriate identification of the organization when answering the telephone, telephone directory listings, and signs on offices and buildings.

In order to be recognized by the university as a Component Unit Affiliate, the organization must:

- Be legally separate from the Arizona Board of Regents and the university;

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- Be exempt from federal and state income taxation unless otherwise agreed;
- Have governing documents that provide that, upon dissolution, all of the organization's assets shall be distributed to the university or to another tax exempt organization having purposes substantially similar to those of the dissolved organization;
- Hold economic resources, and conduct activities, entirely or almost entirely for the direct benefit of the university;
- Formally agree to abide by the university's current and future policies regarding Component Unit Affiliates; and
- Unless otherwise agreed by NAU, the affiliated entity must be organized and maintained as an Arizona nonprofit corporation.

Tax Exempt Status

Unless otherwise agreed upon by NAU, the affiliated entity must apply for, receive, and maintain both federal and state income tax-exempt status.

Periodic Review


The university may periodically review the status of each recognized Component Unit Affiliate to ensure that the organization is operating in accordance with the university's policy regarding Component Unit Affiliates.

Budgets and annual audit

A Component Unit Affiliate must follow sound fiscal and business practices, and in this connection must:

- Be audited annually by an independent CPA firm approved by the university. NAU is required to include certain financially related organizations in its annual audited financial report. In order for NAU to assure timely issuance of its financial report, the completed, audited financial statements from each related organization must be delivered to the NAU Comptroller's Office by late August or early September of each year and by a date that is set each year by the NAU Comptroller's Office. Accordingly, the affiliated entity is required to deliver its completed, audited financial statements to the NAU Comptroller's Office on or before the date specified by that office for the respective year.
- Operate in accordance with an annual budget appropriate for its scope of operations;
- Ensure that all compensation paid to officers and directors is approved by its board of directors or

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other governing body.

NAU Employees Opening Accounts at the NAU Foundation or other Affiliated Organization, Depositing Funds to the Accounts, and Making Disbursements from the Accounts

If such accounts are opened by NAU employees on behalf of NAU or an NAU department, and NAU employees wish to make disbursements from such accounts with an affiliated entity, the affiliated entity needs to establish written procedures for the opening of any such accounts and the making of disbursements from the accounts. The procedures need to be consistent with the procedures established by the NAU Foundation and approved by the NAU Comptroller's Office and Budget Office. Such procedures are available from the NAU Foundation or NAU Comptroller's Office.

NAU and the affiliated entity will follow the policy and procedures in [CMP 303](#), "Gift Deposits," when an NAU employee wishes to deposit funds to an account at the NAU Foundation. NAU and the affiliated entity will follow [CMP 401-04](#) "NAU Foundation Transactions" for any expenditure or reimbursement requests.

Gift Restrictions

In either its university policy or in its affiliation agreements, the university shall require Component Unit Affiliates to comply with provisions regarding approval of restrictive terms and conditions attached to gifts. NAU and the affiliated entity will follow the policy and procedures in [CMP 303](#), "Gift Deposits," when an NAU employee wishes to deposit funds to an account at the NAU Foundation.

Indemnification

A Component Unit Affiliate must agree to indemnify the university from any damages or liabilities that the university may incur as the result of the organization's actions or omissions.


Payments to University employees

The affiliated entity may not make any payments to or for the benefit of an NAU employee unless approved in advance by NAU or in accordance with NAUF Guidelines for Disbursements. The affiliated entity may reimburse an NAU employee for expenses incurred in activities on behalf of the affiliated entity. The procedures for such NAU approval, for such reimbursement, and for any other matters relating to payments by the affiliated entity to an NAU employee are provided in NAUF Guidelines for Disbursements.

Sound business practices

All transactions between a Component Unit Affiliate and the university shall meet the normal tests for ordinary business transactions, including proper documentation and approvals.

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Transactions between the Affiliated Entity and Its Directors, Officers, and Employees

All transactions between the affiliated entity and its directors, officers and employees must be approved by the affiliated entity's board of directors or other governing body.

Affiliated Entity Scholarships

No affiliated entity scholarship or fellowship award may be made to any relative of a person participating in the selection process.

Courses and Seminars

No Component Unit Affiliate shall offer any course or seminar in which the name of the university is used without first obtaining the university's permission.

Insurance and Liability

A Component Unit Affiliate must maintain general liability insurance, property casualty insurance, commercial/business automobile liability insurance, and directors' and officers' liability insurance in no less than an amount deemed reasonable by the organization's board of directors or other governing board, unless the university agrees that such insurance is not needed.

Conflict of Interest

A Component Unit Affiliate must have in place conflicts of interest policies covering relationships both between the organization and its directors, officers and employees and also between such directors, officers and employees and persons doing business with the organization.

Bonding of Officers and Staff of Component Unit Affiliates


Officers and staff members of a Component Unit Affiliate must be bonded in amounts determined to be appropriate by the Component Unit Affiliate's governing body.

Reporting Requirements to University

A Component Unit Affiliate must provide the university with the following items:

- Annually a copy of the organization's Form 990, except any portion that may be exempt from disclosure under federal statute or Internal Revenue Service regulations (public availability of the Form 990 on the internet shall be deemed to satisfy this requirement);
- Annually a copy of the audited financial statements and such other documents as the university may require from time to time and on a time table as determined by the university; and

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- Copies of any amendments to the organization's articles of incorporation or bylaws.

Rights, benefits and services to Component Unit Affiliates

An organization that is recognized by the university as a Component Unit Affiliate may be eligible to receive:

- Use of university space, equipment, and administrative/financial services and staff in the performance of the organization's functions;
- The right to use the university's name or logo; and
- Such other rights, services or benefits that the university may authorize. All such arrangements shall be documented by written agreement between the university and the Component Unit Affiliate.

Other Affiliation Arrangements

Nothing in this policy restricts the authority of a university to enter into affiliation arrangements with outside organizations that are not considered "component units" under GASB 39, on such terms as the university deems appropriate.

Diversity

Each university shall strongly encourage diversity both to represent the broader community constituents as well as diverse subject matter expertise as may be appropriate to the management of the entity.

Lobbying and Political Activities

The affiliated entity may not engage in lobbying or any other political activity, except to the extent agreed by NAU. In any event, all lobbying and political activity must be in compliance with applicable law.

NAU Recognized of Affiliated Entities (January 2010)

Northern Arizona University Foundation
Contact: Cheryl Heitz (928) 523-3711

Northern Arizona Capital Facilities Finance Corporation
Contact: Wendy Swartz (928) 523-6081

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	Responsible office: Comptroller
	Origination date: 01/01/2000
Subject: Prepayments	Effective date: 01/01/2000
	Revision date: 02/06/2017

PURPOSE

To provide guidance for prepayment of purchase orders and contracts

SOURCE

Contracting and Purchasing Services

POLICY

CMP 401-08: Prepayments

Please refer to [Purchasing Policy 600-04-01](#)

Prepayment of purchase orders and contracts should not occur unless it is standard industry practice or unusual/extenuating circumstances exist. Prepayment may be acceptable, however for:

1. Purchases under \$5,000 made via one of the university's small dollar purchasing methods.
2. Subscriptions, where usual industry practices require payment in advance, but not to exceed three years.
3. Memberships in professional associations, where such memberships have demonstrated value to the university.
4. Equipment maintenance services, where such services are preformed within the budget period, except that if the service begins in July, payment may be made late in the prior fiscal year.
5. Software maintenance and upgrade services, where such services are performed within the budget period, except that if the service begins in July, payment may be made late in the prior fiscal year.
6. Registrations fees required in connection with attendance at conventions, conferences, and official meetings.
7. Purchases other than the above for \$5,000 or more for unusual or extenuating circumstances, as approved by both the director of Contracting and Purchasing Services and the associate vice president for finance.

Performance bonds or other guarantees may be required if prepayment is approved.

If the vendor fails to provide the services or goods after any prepayment, the paying department will incur the loss.

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	Section: 400 Disbursements
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	Responsible office: Comptroller
	Origination date: 03/07/2016
Subject: Purchase of Certain Kitchen Appliances with University Funds	Effective date: 03/07/2016
	Revision date: 9/24/2018

PURPOSE

To provide a listing of kitchen appliance that may be purchased with University Funds.

SOURCE

University policy, State of Arizona Accounting Manual

POLICY

CMP 401-09: Purchase of Kitchen Appliances

The types of appliances departments may purchase with public money have the characteristics of heating or cooling foods, being highly generalized in the types of foods they handle, and not requiring specialized supplies to operate. Moreover, these appliances deal with prepared or partially prepared foods and do not transform wholly unprepared ingredient from an inedible to edible state. Such appliances include:

- Refrigerators
- Freezers
- Microwave ovens

Departments may **not** purchase the following types of kitchen appliances with University money:

- Toaster ovens
- Toasters
- Coffee makers
- Tea and iced tea makers
- Beverage carbonators
- Water coolers
- Sandwich presses
- Blenders, juicers, etc.
- Water filters
- Ice making machines

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Subject: Purchase of Certain Kitchen Appliances with University Funds	Effective date: 03/07/2016
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Kitchen appliances purchased with public money **must** be situated and installed in common areas such as break rooms, conference rooms, or training rooms where they are available for use by all employees in a department.


Kitchen appliances must **not** be for the sole use of an individual and may **not** be situated and installed in an area where access is limited to a sole individual or limited number of individuals and not available for use by all employees in a department.

When contemplating the purchase of kitchen appliances, building management should be consulted so that only those appliances that are considered to be energy efficient are acquired and/or installed, and that power sources are sufficient and safe to operate the contemplated appliances.

The purchase of kitchen appliances must be authorized by a director, dean, or vice president. This approval must be in writing and contain a description and justification (need, capacity, number of employees with access, location, energy considerations, etc.) for the acquisition.

This policy does **not** authorize agencies to purchase food, beverages, utensils, silverware, or kitchen supplies.

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	Responsible office: Comptroller
	Origination date: 01/01/2019
Subject: Compensation of Research Subjects	Effective date: 1/1/2019
	Revision date: 01/30/2020

PURPOSE

To provide a procedures for the compensation of subjects for participation in research.

SOURCE

University policy, State of Arizona Accounting Manual, Federal regulations

POLICY

CMP 401-09: Compensation of Subjects

Federal regulations require that the Institutional Review Board (IRB) review and approve the methods used to recruit participants, including compensation, to ensure that they do not include coercion or undue influence. However, the regulations do not set specific limits on payment or research subjects or offer definitive information to guide the IRB in their review.

It is not necessary to compensate subjects who participate in research. However, paying research subjects in exchange for their participation is a common and, in general, acceptable practice. Payment for participation should be just and fair.

IRS and University Reporting requirements:

The University has legal and fiduciary responsibilities to properly account for all payments made to individuals, be they employees, students, vendors, or research subjects. Responsibility for financial management of human subject research rests with the departmental accounting office (as account custodian) with oversight by the Principal Investigator and Faculty Advisor, as applicable. Individuals in these roles should clearly understand the financial authority and institutional obligations as outlined by the NAU Comptroller Office.

NAU has specific requirements for research payment administration. Researchers need to be mindful of the payment method, tracking requirements and consider any risks compensating participants may introduce as a result. Researchers must ensure participants in research are informed that:

- Internal Revenue Service (IRS) considers payments for participation in research studies to be taxable income to the recipient; and

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	Revision date: 01/30/2020

- Personally identifiable information such as a participant name or SSN may need to be given to the NAU Comptroller Office. If the cumulative amount of payment exceeds \$600 in one calendar year, a 1099 will be issued to the participant subject to IRS reporting requirements.

Here is suggested informed consent language to include, as applicable:

Please be aware, compensation for participation in research may be considered taxable income. The University requires tracking for compensation that is paid to you; this may include your name and contact information and social security number for reporting purposes. This information is stored confidentially and separate from research data.

Cash Payments

Cash payment to participants is allowable if through IRB review and approval, it has been determined the participants remain **anonymous**. Cash may be requested via a check request to the Comptroller's Office. Internal controls must be in place such as including a "confirmation of receipt" page that is dated by the participant. It is recommended to retain this documentation as it is possible that the Office of Sponsored Projects may request it later if the project is funded.

Check Payments

Check payments require the participant to be set up as a vendor in the PeopleSoft Financials system. They will need to complete a [W-9](#) prior to receiving payment. A participant payment disbursement [form](#) is commonly used for check payments as backup for a requisition.

Payment by Gift Card

Gift cards also require internal controls:

Items that are used for compensation to participants in research projects.

The value of a single item may not exceed \$25 and only one item may be given to an individual for each occurrence or participation. P-Cards may be used to purchase gift cards when they meet this criterion and that in the [P-Card Policy Manual](#). Items that are purchased for the compensation of subjects must be closely controlled. If gift cards, etc. are purchased, a log of those items must be maintained with the following information:

- Date purchased
- Gift card number / gift certificate number, etc. if applicable
- Value of the card / certificate
- Date given away
- Name of the person to whom the card is given
- Name of the administrator / faculty who releases the card
- Signature of the recipient


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If these would be greater than \$25, complete a justification for exception to policy through the Comptroller's [online form](#). If any one participant receives more than \$600 in gift cards the following information must be sent to the Comptroller's office:

- Participants name
- Participants social security number
- Participants address

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	Origination date: 01/01/2000
Subject: Usage of College Overhead Accounts	Effective date: 05/01/1990
	Revision date: 02/05/2016

PURPOSE

To provide policy on the allowable uses of "College Overhead Accounts"

SOURCE

University Policy; Vice President for Research and Office of Sponsored Projects.

POLICY

CMP 402-01: Usage of College Overhead Accounts

Sources of Revenues:

The 30% rebate on recovered overhead.

The 5% (up to \$5,000) residual funds on fixed price contracts.

These accounts are not to be used for other miscellaneous revenues.

Expenditures:

Expenditures from College Overhead Accounts should be mainly Sponsored Projects related, including:

Expenditures to promote new funding for Sponsored Projects.

Cost overruns on Sponsored Projects accounts.

Disallowed costs on Sponsored Projects.

Matching Funds required for Sponsored Projects.

Another allowable use of these funds is for faculty development.

ADDITIONAL INFORMATION

For additional information, please contact the Office of Sponsored Projects.

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	Responsible office: Comptroller
	Origination date: 01/01/2000
Subject: Residual Funds	Effective date: 10/23/1979
	Revision date: 02/05/2016

PURPOSE

To define policy and procedure for residual funds, and to encourage accurate estimation and management in negotiating fixed price agreements

SOURCE

University policy; Vice President for Research and Office of Sponsored Projects.

POLICY

CMP 402-02: Residual Funds

Residual funds on fixed price contracts in the amount of 5% of the total award, up to a maximum of \$5,000, can be retained by the department. Residual funds in excess of \$5,000 are to be transferred to the [Office of the Vice President for Research](#). Only the Vice President for Research can authorize the generating department's retention and/or use of the excess funds over the 5% (or \$5,000). The request to retain and to use the excess funds must be made in writing and approved by the Vice President for Research.

Residual funds in excess of the 5% or \$5,000 will be used by the Office of the Vice President for Research to benefit faculty research and scholarship across campus.

ADDITIONAL INFORMATION

For additional information, please contact the Office of Sponsored Projects.

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	Origination date: 01/01/2000
Subject: Petty Cash Funds	Effective date: 07/01/2019
	Revision date: 07/01/2019

PURPOSE

To provide university departments with the necessary guidelines to:

1. Establish departmental petty cash funds
2. Permit efficient use of these funds
3. Safeguard the funds and related documents
4. Maintain satisfactory accounting controls

SOURCE

University policy

BACKGROUND

Certain low-cost purchases must sometimes occur outside of the normal Purchasing function. Example situations include needs which occur outside of regular office hours, when personal pickup is required or when delivery delays could cause hardship to the department. Petty cash funds can be used by University departments to reimburse individuals for monies spent on these purchases. Petty cash funds can be established for limited or extended periods, but should not be established for only occasional purchases

The petty cash system is operated on an imprest basis and is the only permanent petty cash system authorized at the University. Under this imprest system, a fixed sum is authorized for the petty cash fund and maintained by the fund custodian, the individual responsible for the petty cash fund. A voucher or receipt replaces the cash paid out when payments are made from the fund. The total of cash available and accumulated vouchers must equal the original fund amount.

POLICY

CMP 403-01: Petty Cash Funds

Petty cash funds are subject to the following restrictions:

1. The purchase cost of a particular item must not exceed \$25.00.
2. The purchase cannot be for any of the following purchases:
 - A) Compensation to individuals for services.
 - B) Capital items.

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C) Food or entertainment.

D) Travel

E) Inter-departmental purchases, such as NAU Bookstore, since inter-departmental requisitions are used to pay for goods or services from a campus service department.

Petty cash funds are established on a fiscal year basis (July 1st to June 30th). June 30th of each fiscal year has been established as the year end due date for all outstanding petty cash custodian reimbursements. Each petty cash fund must be fully reimbursed prior to the beginning of each fiscal year.

PROCEDURES

Establishing a Petty Cash Fund

The amount of a petty cash fund should be limited to a level that permits efficient use of the cash fund, normally \$25 to \$100. Excessive petty cash fund balances lead to unnecessary risks of loss. Each request to establish a petty cash fund requires the submission of [An "NAU Request To Establish A Petty Cash Fund" form](#). All Petty Cash Fund applications require the approval of the Comptroller's Office. After the Comptroller's Office has reviewed the application for completeness/appropriateness and has authorized the new Petty Cash Fund, the approved request is sent to Student and Departmental Account Services (SDAS).

FAS will request that the department provide the denominations of currency and coins required. The fund custodian will be notified in 7 to 10 working days when the petty cash fund is ready for pick-up from SDAS. Upon pickup, the fund custodian will sign the Petty Cash Fund Form acknowledging the receipt of the Petty Cash Fund. At that point, the custodian has sole responsibility for the security of the Petty Cash Fund as described in this policy.

SDAS will return the Petty Cash Fund form to the Comptroller's Office as evidence that the Petty Cash Fund was transferred to the department. The Comptroller's Office will then record the transfer under the Speedchart provided by the department (must be local fund Speedchart) using balance sheet account 101200 – Cash On Hand. Logs documenting quarterly cash counts verified by two employees should be maintained for all departments and provided to the Comptroller's Office. Custodians will be required to confirm the Petty Cash Fund balance at year-end and report any discrepancies from the recorded balance.

For security purposes, a department may ask NAUPD for an escort to ensure the safety of the employee as well as the security of the funds.

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Purchasing Card

The Purchasing Card is the preferred method of making off-campus small-dollar purchases for those departments authorized to use it. Some on-campus service providers also accept the Purchasing Card. For more information on the Purchasing Card, see the Purchasing Card Web Page.

SECURITY OF THE PETTY CASH FUND

The fund custodian must secure all petty cash in a secure lockable cash box placed in a locking desk or cabinet. If a safe is available, the cash box should be placed in the safe at closing time. Keys and lock combinations should be restricted to the fund custodian. Related documents and receipts should be stored in a secure place separate from the petty cash.

If the petty cash fund is lost or stolen, the fund custodian is responsible for filing a report with [NAU Police](#).

Property and Liability Insurance Services reviews all reports of lost or stolen cash to determine whether an insurance claim can be filed. If the theft/loss does not qualify for insurance recovery, the amount of the theft/loss will be charged to the fund custodian directly, or employee's departmental account as decided on a case by case basis.

In the case of a theft or loss, a new petty cash fund may be established after the following conditions are met:

- 1) The Comptroller is satisfied that the fund custodian has implemented the necessary procedures to prevent further thefts.
- 2) A memo is sent to the Comptroller's Office, requesting reissue, and signed by the appropriate Associate/Assistant Vice President for the department. The memo should signify that the Associate/Assistant Vice President is aware of the loss and provide instructions on which department and account number to charge for the reissue.

Disbursements

Petty cash funds must never be used for making personal loans or cashing checks. The custodian should disburse cash from the petty cash fund only when each of the following conditions is met:

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1) Expenditure must be an original invoice showing paid. Invoice must show date, vendor name, items purchased and cost of goods. Each invoice must be securely attached to a completed "[Petty Cash Expenditure Summary](#)" form.

2) The purchase results from an expediency requirement or cost efficiency where acquisition cannot be done through the Purchasing process.

Note: Cash register receipts must indicate the actual items purchased and must not include a combination of University and personal purchases.

Reimbursements

Departments should replenish their petty cash fund when the balance has been sufficiently depleted, or when \$200 has been expended. When petty cash replenishment is necessary, the Fund Custodian must follow these steps:

- 1) Complete a [Petty Cash Expenditure Summary](#) with original supporting documentation.
- 2) Obtain signature of authorized Department Head.
- 3) Forward original documentation to Financial Accounting Services, Box 4080.

Financial Accounting Services will review the reimbursement requests and supporting documentation for appropriateness. If approved, the department will be asked to provide the denominations of currency and coins required. The fund custodian will be notified in 7 to 10 working days when the petty cash reimbursement is ready for pick-up from SDAS. Upon pickup, the fund custodian will sign the Petty Cash Expenditure Summary form acknowledging the receipt of the petty cash reimbursement.

ADDITIONAL INFORMATION

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Certain cash funds are established to provide change for University functions, such as ticket sales. These change funds do not relate to the purchasing function. See NAU Comptroller's Procedures for Change Funds ([403-02](#)).

If a custodian manages more than one petty cash fund, transactions relating to each fund must be kept separate. The necessity of a petty cash fund, size and uses are reviewed by the Comptroller's Office. Recommended changes are communicated to the Department Head and Fund Custodian.

Additional cash advances cannot be issued to the custodian in lieu of processing requests for reimbursements to the current cash fund. Cash count audits may occur at any time and on an unannounced basis, and will be conducted at least once a year.

At the end of the fiscal year, petty cash balances must be provided to the Comptroller's Office and any reported shortages will be charged to the departments expense under the speedchart associated with the petty cash fund. Any overages should be deposited through the normal deposit transmittal process before the year-end deadline for deposits.

Termination of Fund Responsibility

If a custodian terminates employment at the University, the account representative must notify the Comptroller's Office immediately. All receipts and cash are to be returned to the Comptroller's Office for close out of the petty cash fund prior to preparation of the custodian's terminating payroll action request and before issuance of the custodian's final pay check. A new custodian can be appointed by the Department Head through processing of a new application.

Termination or Reduction of Petty Cash Fund - Exhibit E

When a department decides to terminate or reduce their Petty Cash Fund, the cash must be deposited back into the Comptroller's cash account. Please contact the Comptroller's Office for the proper accounting. The department completes a Deposit Transmittal Form in duplicate, submitting the original to Student and Departmental Account Services with the appropriate amount of cash and forwards the duplicate to the Comptroller's Office.

CROSS-REFERENCE

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Change Funds CMP [403-02](#).

For a list of prohibited petty cash transactions, see CMP [401 03](#), Prohibited Transactions.

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	Responsible office: Comptroller
	Origination date: 01/01/2000
Subject: Change Funds	Effective date: 07/01/2019
	Revision date: 07/01/2019

PURPOSE

To provide university departments with the necessary guidelines to:

1. Establish departmental Change Funds
2. Permit efficient use of these funds
3. Safeguard the funds and related documents
4. Maintain satisfactory accounting controls
5. Make change for the receipt of cash upon the payment of fees, services or ticket sales

SOURCE

University policy

BACKGROUND

The change system is operated on an imprest basis and is the only permanent change system authorized at the University. Under this imprest system, a fixed sum is authorized for the Change Fund and maintained by the fund custodian, the individual responsible for the Change Fund.

POLICY

CMP 403-02: Change Funds

A Change Fund may be established for various University functions which involve making change for transactions involving the receipt of cash upon the payment of fees, services, tickets, etc.

Change Funds are NOT to be used for any purchasing function including the following:

- A. Compensation to individuals for services.
- B. Capital items.
- C. Food or entertainment.
- D. Travel
- E. Inter-departmental purchases, such as NAU Bookstore, since inter-departmental requisitions are used to pay for goods or services from a campus service department.
- F. **Change Funds must never be used for the making of personal loans or cashing of checks.**

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Subject: Change Funds	Effective date: 07/01/2019
	Revision date: 07/01/2019

PROCEDURES

Establishing a Change Fund

The amount of a Change Fund should be limited to a level that permits efficient use of the cash fund, normally \$25 to \$100. Excessive Change Fund balances lead to unnecessary risks of loss. Each request to establish a Change Fund requires the submission of: [An "NAU Request To Establish A Petty Cash Fund or Change" form.](#) All Change Fund applications require the approval of the Comptroller's Office. After the Comptroller's Office has reviewed the application for completeness/appropriateness and has authorized the new Change Fund, the approved request is sent to Student and Departmental Account Services (SDAS).

The fund custodian will be notified in 7 to 10 working days when the Change Fund is ready for pick-up from SDAS. At the time of the request, please identify the denominations of currency and coins needed, see exhibit A2. Upon pickup, the fund custodian will sign the Change Fund form acknowledging the receipt of the Change Fund. At that point, the custodian has sole responsibility for the security of the Change Fund as described in this policy.

SDAS will return the Change Fund form to the Comptroller's Office as evidence that the Change Fund was transferred to the department. The Comptroller's Office will then record the transfer under the Speedchart provided by the department (must be local fund Speedchart) using balance sheet account 101200 – Cash On Hand. Logs documenting quarterly cash counts verified by two employees will be maintained for all departments and provided to the Comptroller's Office. Custodians will be required to confirm the Change Fund balance at year-end and report any discrepancies from the recorded balance.

For security purposes, a department may ask NAUPD for an escort to ensure the safety of the employee as well as the security of the funds.

SECURITY OF THE CHANGE FUND

The fund custodian must secure all change and related documents in a secure lockable cash box placed in a locking desk or cabinet. If a safe is available, the cash box should be placed in the safe at closing time. Keys and lock combinations should be restricted to the fund custodian.

If the Change Fund is lost or stolen, the fund custodian is responsible for filing a report with [NAU Police](#).

Property and Liability Insurance Services reviews all reports of lost or stolen cash to determine whether an insurance claim can be filed. If the theft/loss does not qualify for insurance recovery, the amount of the theft/loss will be charged to the fund custodian directly, or employee's departmental account as decided on a case by case basis.

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In the case of a theft or loss, a new Change Fund may be established after the following conditions are met:

- 1) The Comptroller is satisfied that the fund custodian has implemented the necessary procedures to prevent further thefts.
- 2) A memo is sent to the Comptroller's Office, requesting reissue, and signed by the appropriate Associate/Assistant Vice President for the department. The memo should signify that the Associate/Assistant Vice President is aware of the loss and provide instructions on which department and account number to charge for the reissue.

Redistribution of Funds

When redistribution (changing of large bills or coins into smaller denomination or vice versa) is necessary, a redistribution change slip is placed in the cash box in lieu of the funds.

ADDITIONAL INFORMATION

Certain cash funds are established to provide for low-cost purchases. These Change Funds do not relate to the purchasing function. See NAU Comptroller's Procedures for Petty Cash Funds [403-01 Petty Cash Funds](#)

If a custodian manages more than one Change Fund, transactions relating to each fund must be kept separate. The necessity of a Change Fund, size and uses are reviewed by the Comptroller's Office. Recommended changes are communicated to the Department Head and Fund Custodian.

Additional cash advances cannot be issued to the custodian in lieu of redistribution to the current cash fund. Cash count audits may occur at any time and on an unannounced basis, and will be conducted at least once a year.

At the end of the fiscal year, change fund balances must be provided to the Comptroller's Office and any reported shortages will be charged to the departments expense under the speedchart associated with the change fund. Any overages should be deposited through the normal deposit transmittal process before the year-end deadline for deposits.

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Termination of Fund Responsibility

When a department decides to terminate or reduce their Change Fund, the cash must be deposited back into the cash account. Please contact the Comptroller's Office for the proper accounting. The department completes a Deposit Transmittal Form in duplicate, submitting the original to Student and Departmental Account Services with the appropriate amount of cash and forwards the duplicate to the Comptroller's Office.

CROSS-REFERENCE

Petty Cash Funds CMP [403-01](#).

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	Responsible office: Comptroller
	Origination date: 01/01/2000
Subject: Lease Purchase of Capital Equipment	Effective date: 03/10/2004
	Revision date: 05/14/2018

PURPOSE

Procedure for lease of capital equipment

SOURCE

University policy

POLICY

CMP 405-01: Lease Purchase of Capital Equipment

All lease, or lease purchase agreements for capital equipment must be reviewed by the Comptroller's office prior to execution and signed by an authorized University official in accordance with the University's Contract Signature Authority policy. Users should upload all associated documents into the requisition using OnBase functionality. Regardless of the lease period involved, a formal University purchase order will be issued.

Prior to accepting lease or lease purchase agreements as submitted by the requisitioning department, Contracting, Purchasing and Risk Management and/or the Comptroller's Office will determine the respective financial implications of leasing versus purchasing the capital equipment by considering the following factors:

- Title: who retains title of the goods/equipment?
- Liability: who is responsible if equipment is stolen or damaged?
- Insurance: does the vendor carry sufficient insurance on his/her employees when rendering services and/or is the equipment adequately insured?
- Maintenance: are all maintenance costs included in the original cost of the lease, or is the University responsible for maintaining the equipment at its own expense?
- Payback period: if the University were to make an outright purchase, what is the payback period, and what credits are accumulated in the event that a Lease Purchase Agreement is executed?
- Fund availability: does the requisitioning department have sufficient budget funds or, in the event of grant or contract funds, is the available funding suitable for this type of expenditure?

In addition, the Comptroller's Office will review all lease transactions to determine if potential operating or closed-end leases **do not** qualify as a capital lease. The University uses the criteria of GASB 87 to make

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this determination. After Comptroller review and approval, closed-end leases will then follow the normal approval process.

The Comptroller's office will also review proposed lease purchase or capital leases to determine the overall appropriateness of the transaction with particular emphasis on the interest rate charged and the effect of creating additional institutional debt. Following this initial financial review, such transactions must also be approved by the Vice President/Chief Financial Officer before final approval can be granted.

Lease or lease purchase agreements will not be approved unless they include a flexible cancellation provision that allows the University to discontinue agreements if necessary appropriation funding from state, federal or other legal sources is reduced or terminated. This is especially important for Sponsored Projects and for University service centers that "recharge" costs to federal funds.

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	Responsible office: Comptroller
Subject: Interdepartmental Billings (IST's)	Origination date: 01/01/2000
	Effective date: 01/01/2000
	Revision date: 02/05/2016

PURPOSE

To process internal department journals (IST's)

SOURCE

University policy

DISCUSSION

An interdepartmental service center transmittal (IST) is used to procure goods and services from a university service department. Service Centers may request that only their department be required to approve journals for service center charges on journals with a journal source of IST. Service center charges are presumed to be pre-approved by departments/projects requesting the service, and thus do not require approval when the charges are recorded. Service Centers are defined through Comptroller Policy CMP [401-02](#), NAU Service Center Policy; however, departments don't necessarily have to meet the policy requirements to request the ability to process journals using the IST journal source. To request Service Center IST journal approval, department managers must submit a service request in the [Employee Service Center](#), under General Finance > Financial Administration and Technical Support, with the following information:

- Department ID:
- Department Name:
- Description of services provided:
- How are services authorized (i.e., e-mail, request form – attach request form, etc.)
- Does CMP Policy 401-02 apply to the Department (Yes or No)

A list of commonly used Non-Service Center Departments is listed below:

Chemistry Development	Contracting & Purchasing
Surplus Property	Human Resources Services
HR Advertising	Utility Clearing
Mountain Campus Transit	Parking & Shuttle Services
CC Wellness	Student learning Centers
Health Center Operations	Union Operations
Multi-Purpose Recreation Facility	CRS Fitness Programs

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Aquatic Center Services
Student Activities-Local
High Country Conference Center
Catering Services

Outdoor Recreation
Health Learning Center Operations
DuBois Conference Center Operations
Central Ticketing

A list of commonly used Service Center Departments is listed below:

Bilby Pollen Lab
Research Support Services
Research greenhouse
Electron Microscope Laboratory
Enggen Lab Facility
Forestry Vehicle Operations
CO Plateau Stable Isotope Lab
Motor Pool
Transportation Services Body Shop
Fueling Operations
Copy Shop
Computer Sales & Services
Server Administration
Office Automation

Electron Microprobe
Holocene Envrnmtl Change Lab
Animal Care Service Center
Histology Core
Machine Shop
Stable Isotope Laboratory
Planning & Construction
Over-the-Road Bus Service
Motor Pool Leasing Services
Printing Services
Information Technology Services
SPSS/SAS Software Sales
Netbackup
Network & Telecommunications

Service Department Billings

All service department charges should be billed to the requesting department within 30 days after the service has been completed, except at fiscal year-end. At fiscal year end, the charges need to be billed by the cutoff date noted in [CMP-105](#), Fiscal Year-end Closing. Billings that have not been processed into PeopleSoft Financials within 30 days after the service has been completed may be reversed at the discretion of the comptroller, if the late billings cause a financial hardship for the requesting department, upon written request by the end user for review by the comptroller.

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	Origination date: 01/01/2000
Subject: Faculty and Staff Reimbursements – Accountable Plan Rules	Effective date: 01/01/2000
	Revision date: 01./30/2020

PURPOSE

To permit reimbursements to faculty and staff for authorized expenditures under the IRS Accountable Plan rules.

SOURCE

University policy

[IRS Publication 463 Travel, Entertainment, Gift and Car Expenses](#)

GAO Technical Bulletin 11-08 “Untimely Filed Employee Travel Claims

POLICY

CMP 420-01: Faculty and Staff Reimbursements – Accountable Plan Rules

Background and Basic Policy

For NAU to reimburse faculty and staff for authorized business expenses incurred on behalf of NAU, the reimbursement must meet the requirements outlined in the IRS Accountable Plan rules.

NAU’s reimbursement policy incorporates all of the required IRS Accountable Plan rules, as follows:

1. Faculty and staff must have paid or incurred expenses while performing services as an employee of NAU.
2. Faculty and staff are required to properly account to NAU for the expenses within a reasonable period of time.
 - a. Requests for reimbursement of travel related expenses should be within 5 days of return but no longer than 30 days after return.
 - b. Requests for reimbursement of non-travel related expenses must be requested within 60 days of when the expenses were paid or incurred.
3. Any excess travel advance must be returned to NAU within 30 days of trip return date. If funds are not received within 60 days of return date, the university may pursue the funds through payroll deduction.

When these three rules for Accountable Plans are met, reimbursements are not included in the taxable compensation of the faculty or staff. However, if the above requirements are not met, the amount that is paid to the employee is treated as paid under a [Non accountable Plan](#) and is taxable as compensation, subject to income and payroll taxes, as applicable.

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Documentation of Expenses and Original Receipts

Proper documentation is required for reimbursements. Elements of proper documentation include records to establish the following:

1. Amount of expense
2. Time and place
3. Public purpose

Where receipts are required for faculty/staff reimbursement of university expenses that serve a legitimate business need for NAU, the original itemized receipts must be provided. If only an emailed itemized receipt is available, it may stand as the original. All orders must be shipped directly to a University designated receiving area or location (not a home address).

Applicability

All faculty and staff must adhere to this policy and follow the Accountable Plan rules. These requirements also apply to non-employees (e.g., independent contractors) on University business. If the non-employee does not properly account to the University for their reimbursed expenses, the reimbursement will be reported as compensation to the non-employee.

Post-Payment Adjustment

Subsequent to the initial reimbursement to claimed expenses, an audit or other review may identify an error that resulted in an over- or underpayment to the employee. In these cases, a repayment to the university by the employee, or an additional payment to the employee by the university, may be made.

Travel Expenses

Policy detailing allowable travel expenses can be found in current travel policy on the [Comptroller's website](#).

Conference registration fees are exempt from the 60 day rule.

Business Meals and Food

Faculty and staff may be reimbursed for business meals and other food expenses as outlined in [CMP 420-02](#), Food and Refreshment Policy).

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Moving Expenses

New faculty and staff may be reimbursed for moving expenses for moving their household goods and personal effects and for traveling to their new home as outlined in [CMP 420-03](#), Moving Expenses.

Other Expenses

Faculty and staff may procure **goods** for \$1,000 or less directly from a vendor and request reimbursement if adequate documentation, as described above, of the purchase is provided. In order for the expense to be reimbursable, all orders must be shipped directly to a University designated receiving area or location (not a home address).

Purchases prohibited in [CMP 401-03](#), Prohibited Transactions, or identified in [PUR 205](#), Special Procurement, cannot be processed as an employee's reimbursement.

Payments that constitute compensation for services rendered should not be paid for by faculty or staff directly. Compensation includes, but may not be limited to, payments for services performed by employees or independent contractors/consultants, payments for student support, and payment of expenses incurred by an employee or independent contractor/consultant. Additional information can be found on the [Accounts Payable](#) web page.

Purchasing Card

The Purchasing Card is the preferred method of making off-campus small-dollar purchases. For more information visit the [Purchasing Card](#) web site.

Justification for Exception to Policy Procedure

Requests for a justification for exception to policy will be considered.

The employee seeking reimbursement will fill out the [Justification for Exception to Policy Request Form](#) which can be found on the Comptrollers Forms page.

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	Origination date: 01/01/2000
Subject: Food and Refreshments	Effective date: 01/01/2000
	Revision date: 02/23/2016

PURPOSE

Guidelines for payment of food and refreshments.

SOURCE

University policy

APPLICABILITY

This policy covers all expenditures made for business meals, food and related expenses.

POLICY

CMP 420-02: Food and Refreshments

Food and refreshments are a common part of campus life and off-campus business of the university. Some of our activities are enhanced by the inclusion of food, refreshments, or entertainment. However, we must exercise discretion in the use of public funds to pay for these items. The purpose of this policy is to articulate a few broad guidelines to avoid abuse or the appearance of abuse of public funds to pay for food and refreshments.

The jurisdictional vice president or provost must approve the use of local funds for functions that include the provision of food. Blanket approvals may be granted in writing by vice presidents or the provost for certain categories of functions such as recurring conferences.

It is recognized that many gray areas will exist in determining whether the use of public funds to pay for food and refreshments is appropriate. We request each of you to use good judgment in making that determination. The appearance of impropriety is as serious as an actual abuse and we must avoid both. When in doubt, the safest policy is to err on the conservative side and pay for food and refreshments with something other than public funds (public funds include funds in both state and local accounts). Each of the jurisdictional vice presidents and the provost is the approval authority in determining the appropriateness of paying for food and refreshments with public funds. The vice presidents and provost may delegate this authority to the level of associate/assistant vice president/provost, executive director/director, or deans provided that adequate controls are in place to protect against abuse. This policy does not constitute a delegation; each vice president or the provost will accomplish appropriate delegations by separate memorandum. It is the responsibility of each of us to insure that public funds are managed responsibly.

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Payment Methods

The PeopleSoft Financial documents to secure approval or payment include Department Purchasing (DPT) or Purchase Oversight (PUR). Once entered into PeopleSoft Financials, an e-mail should be sent to Accounts Payable nau-accountspayable@nau.edu accompanied by scan of the invoice/receipts, and a [Business Food-Meal Purchase Authorization](#) and or approved memorandum. These forms also will be used to approve expenditures for NAU sponsored conference registrations that include food.

Funding Sources

There are generally four funding sources available to pay for food and refreshments: state appropriated budgets, local fund budgets, NAU Foundation accounts (if established), and personal funds. A general principle of these guidelines is that state appropriated funds may be used if the food items are directly related to the teaching, research and public service mission of the university; for example, food for use in a classroom demonstration. State appropriated funds may also be used to pay for meals when they are included with registration or conference fees; of course, when meals are included in registration or conference fees, the attendee is not entitled to reimbursement for the same meals. Another principle is that personal funds should be used for celebrations, ceremonies, receptions, meetings, or meals that include **only** university employees. Functions that include university guests, prospective faculty or staff may be paid for by local or foundation funds if your organizational unit has access to funds, which may appropriately be used for these purposes. Workshops or training sessions may include food or refreshments, which may be paid for by local funds if such funds are available to you. See matrix below of appropriate funding sources by function:

Function*	Attendees	Revenue Source			
		State	Local	Foundation	Personal
Party/Reception	Dept./College Faculty and Staff Only			X	X
Meetings	Faculty and Staff			X	X
Meals	Dept./College Faculty and Staff Only			X	X
Reception/Social	Dept./College Faculty and Staff, Students, Plus University Guests**, Prospective Faculty or Staff		X	X	X
Meals	Dept./College Faculty and Staff, Students, Plus University Guests**, Prospective Faculty		X	X	X

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	or Staff				
Workshop/Training Session	Dept./College Faculty and Staff Only		X	X	X
Meetings	Dept./College Faculty and Staff Plus Non-Employed Students and University Guests**		X	X	X
Luncheon/Banquets, etc.	Included in conference registration fees***	X	X	X	X
Food	Classroom demonstration, laboratory instruction and research, and for research animals	X	X	X	X

*Does not include president's functions.

**University guests include consultants, outside lecturers, short-term visiting faculty, community leaders, school district representatives, Native American tribal representatives and the like.

***Requires approval of person designated to approve travel.

Alcohol, whether part of a meal or separate, may not be paid for with university funds from any source under any circumstances.

CROSS-REFERENCE

For more information on allowed expenditures, see [CMP 401-03](#), Prohibited Transactions.

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	Origination date: 01/01/2000
Subject: Relocation Expenses	Effective date: 03/25/2000
	Revision date: 01/30/2020

PURPOSE

To provide guidance for reimbursement to a new employee for allowable relocation expenses consistent with good business practices and IRS rules.

SOURCE

Internal Revenue Service
University policy

POLICY

CMP 420-03: Moving Expenses

NAU may, at the discretion of the president, provost, or vice president, in exceptional cases, reimburse reasonable and eligible moving expenses for full-time faculty and staff (e.g., moving household goods and personal effects and traveling to their new home). Moving expense reimbursement is restricted to new faculty and staff who meet the Internal Revenue Service qualifying tests. The moving expense reimbursement will be processed through payroll and will have taxes withheld at the employee's normal withholding rate and will be included on the employee's W-2.

The president, provost and each vice president will determine eligibility for moving expense reimbursement and the maximum amount of reimbursement. The maximum moving expense reimbursement must be stated in the new employee's offer of employment letter. The reimbursement amount is limited to five percent (5%) of annual salary, unless the president, provost, or vice president authorizes an amount above that.

Relocation expense is defined as all or part of the reasonable expenses, incurred by a person newly employed by NAU, in moving such employee's household furniture, effects and immediate family to the employee's new place of employment.

Allowable Expenses

Examples of expenses allowable for reimbursement may include, but are not limited to:

- 1. Reimbursable expenses (subject to tax withholding)**
 - a. Rental truck
 - b. Charges for packing, crating, mailing and/or shipping household goods
 - c. Commercial moving company ([Purchasing Services Moving](#))
 - d. Optional insurance on items such as furniture, clothing and utensils
 - e. In-transit storage for up to 30 consecutive days
 - f. Shipment of car(s), if not used in the move

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- g.** Travel and lodging costs for one trip (employee and family) from the old residence to the new residence, which may include:
 - Actual gas cost, based upon receipts or IRS current moving rate.
 - Lodging in transit, follow current [meal and incidental expense rates](#) for the cities involved
 - Airfare (coach only)
 - Parking fees and tolls while in transit
 - h.** Travel and lodging costs incurred during additional trips from the old residence to the new residence
 - i.** Temporary housing (not to exceed 30 days).
 - j.** House hunting expenses (one trip, not to exceed five days) may include:
 - Actual gas cost, based upon receipts or IRS current rate.
 - Lodging, follow current [meals and incidental expense rates](#) for the city involved.
 - Airfare (coach only)
 - Rental car (economy)
 - Parking fees and tolls

2. Reimbursable expenses (subject to tax withholding, prohibited on state accounts)

Meals while in transit will be reimbursed based upon actual itemized receipts. Meal reimbursements will be limited to what is reasonable and appropriate to the travel circumstances, not to exceed current [meals and incidental expense rates](#).

Unallowable Expenses

Examples of expenses unallowable for reimbursement include, but are not limited to:

- a.** Meals and travel costs incurred by laborers
- b.** Expenses incurred by persons not considered to be dependents for tax purposes
- c.** Costs related to immigration
- d.** Utility and telephone installation charges
- e.** Storage (excluding 30 days in transit)
- f.** Loss of security deposits
- g.** Home improvements to help sell a home
- h.** Security deposits
- i.** Real estate expenses
- j.** Postage costs for realty and mortgage documents
- k.** Personal telephone calls, tips, movies or other entertainment
- l.** Extraordinary items requiring special handling (e.g. boats, ATVs etc.)
- m.** Maid service
- n.** Expenses paid from grant funds without prior authorization from the sponsor and the Office of Sponsored Projects

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Documentation Required

- 1) Original itemized receipts are required regardless of method of payment.
- 2) Copy of Employee Offer letter stating amount allotted for moving expenses.
- 3) Original completed and signed [Employee Moving Expense](#) Reimbursement Authorization form.

All expenses reimbursed to a new employee cannot exceed the pre-determined allotted amount stated officially in the new employee offer letter. You must be an employee on payroll with an approved e-PAR before submitting the moving allowance form.

Northern Arizona University employees receiving a moving allowance may be required to reimburse the university for all, or part, of the reimbursement if the employee resigns prior to a period of employment less than 24 months.

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	Origination date: 01/01/2000
Subject: Business Meals	Effective date: 07/22/2004
	Revision date: 04/19/2022

PURPOSE

Guidelines for business meals.

SOURCE

University policy

APPLICABILITY

This policy covers all expenditures made for business meals.

POLICY

CMP 420-04: Business Meals

Expenditures for business meals, food, and related expenses must be paid from the following sources:

1. unrestricted gift departments,
2. conference, seminar, and workshop departments,
3. other local departments when the business meals, food, and related expenses/expenditures are consistent with the purpose of the departments.

Business meals include only non-alcoholic beverages. Guidelines for reasonable cost per person, including tax and tip, are:

- Breakfast \$25
- Lunch \$30
- Dinner \$60

Business meals in excess of guidelines are subject to review and may result in processing delays or limited reimbursement.

Alcoholic beverages may not be paid for with university funds from any source under any circumstances.

Since business meals, food and related expenditures are often not appropriate on grants and contracts, confer with your grants and contract services administrator before making any commitment of funds for this purpose. Business meals, food, and related expenses cannot be charged to grants or contract departments, unless specifically authorized by the grant or contract.

State funds cannot be used to pay for business meals, food, or related expenses, regardless of the purpose.

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Subject: Business Meals	Effective date: 07/22/2004
	Revision date: 04/19/2022

Standard business practice dictates, and the university's internal and external auditors require, certain specified documentation for business meals, food, and related expenditures. For this reason, the Food Purchase form must be completed for every food expenditure, regardless of the dollar amount. It is important that the public purpose being served is adequately documented on the form since public funds are being used. A list of attendees also must be documented on the form. If, however, a large group is present at the event and an attendee list is not available, it is acceptable to state the approximate number in attendance and, if known, mention the related NAU departments or affiliation if non-NAU related.

PROCEDURE

Submit [Business Food-Meal Purchase Authorization](#), signed by the Dean, Director, or Chair of the department with the following information:

- List of individuals in attendance
- Detailed business purpose of the meal, restaurant name and address if not supplied
- Certify that no alcoholic beverages were included in total
- Original **itemized** receipt and copy of the credit card charge slip.

NOTE: FOOD PURCHASES SHALL NOT BE CHARGED ON STATE ACCOUNTS

Food purchases are not allowed for the following:

- Staff meetings
- Alcohol of any type
- Faculty/Staff functions (see [CMP 420-02](#), Food and Refreshment Policy)

TIPS – The industry standard for tips related to a meal served in a restaurant in the U.S. is between fifteen percent (15%) to twenty percent (20%) of the pre-tax bill.

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	Responsible office: Comptroller
	Origination date: 01/01/2000
Subject: Business Meals	Effective date: 07/22/2004
	Revision date: 04/19/2022

APPROVALS

The Business Meals and Related Expenses Form requires the following approval(s):

Expenditure	Approval Required
Meals and nonalcoholic beverages less than allowable rate per person	Authorized department signature and appropriate dean or director signature.
Meals and nonalcoholic beverages in excess of allowable rate per person	Authorized department signature, appropriate dean or director signature, and appropriate provost or vice president signature.

CROSS-REFERENCE

For more information on allowable food expenditures, see [CMP 401-03](#), Prohibited Transactions and the NAU Food and Refreshment Policy [CMP 420-02](#).

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 NORTHERN ARIZONA UNIVERSITY	POLICY: CMP 420-05
	Section: 400 Disbursements
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	Responsible office: Comptroller
	Origination date: 01/01/2000
Subject: Direct Deposits for Employee and Student Payments	Effective date: 03/10/2008
	Revision date: 02/09/2016

PURPOSE

Define direct deposit usage for employee and student payments.

SOURCE

University policy

APPLICABILITY

This policy covers all employee and student (payee) payments made from PeopleSoft Financials.

POLICY

CMP 420-05: Direct Deposits for Employee and Student Payments

Employees and students who receive paychecks and/or [student refunds via direct deposit](#) through PeopleSoft will automatically receive payments through the PeopleSoft Financials System via direct deposit (EFT payment document). Direct deposit information must be setup through the payroll system via Payroll's Direct Deposit Form or online through LOUIE Self Service. Direct deposit reimbursements can only be made to one bank account. The bank account used will be the primary or "balance" account setup in LOUIE. In addition, bank account information cannot be setup separately in PeopleSoft Financials, so employees and students must be enrolled for direct deposit in LOUIE to receive direct deposit payments in PeopleSoft Financials.

If a direct deposit reimbursement is rejected by the bank due to incorrect banking information or a closed account, payee will instead receive check reimbursements until such time as new or corrected bank account information is entered in LOUIE.

PROCEDURE

Incorrect or Closed Bank Accounts:

The Comptroller's Office will be notified by the bank of any EFT direct deposit rejects. Depending on the type of payment (travel or expense reimbursement), either the Travel Coordinator or Accounts Payable department will notify the PeopleSoft Financials processor, the payee, and Payroll department via e-mail that the direct deposit payment rejected and the reason thereof. The Comptroller's Office will cancel the payee's EFT payment and request that a check be issued.

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Subject: Direct Deposits for Employee and Student Payments	Effective date: 03/10/2008
	Revision date: 02/09/2016

EFT E-Mail Notification and Timing:

As part of the PeopleSoft Financials nightly batch process, employees and students will be notified via e-mail that an EFT payment request has been generated in their name. To allow for the verification of the EFT file to the bank, payments will be made with an effective date of two business days in the future. An example of the timing for an EFT payment, a travel payment request submitted on a Tuesday will generate an EFT payment request and e-mail notification on Tuesday night. The EFT file will be processed by the bank on Wednesday and the payment will post to the payee's bank account on Thursday. Payees will not receive a paper remittance advice detailing their direct deposit payment. However, if a payee has questions regarding the details of their payment, they can contact the appropriate PeopleSoft Financials processor in their department with the EFT reference information provided in their e-mail notification.

CROSS-REFERENCE

[CMP 420-01](#): Faculty and Staff Reimbursements

[CMP 401-03](#): Prohibited Transactions

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 NORTHERN ARIZONA UNIVERSITY	POLICY: CMP 421-01
	Section: 400 Disbursements
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	Responsible office: Comptroller
	Origination date: 01/01/2000
Subject: Independent Contractors	Effective date: 01/01/2000
	Revision date: 02/09/2016

PURPOSE

To permit payment for professional services rendered to the university by individuals, consultants, corporations, and other business entities not associated with NAU.

SOURCE

University policy

APPLICABILITY

Arizona Revised Statutes §§ 38-501 to -511
Arizona Board of Regents Policy Manual - 3-803
University policy

POLICY

CMP 421-01: Independent Contractors

The policy regarding Independent Contractors can be found in the Purchasing Services policy and procedure manual under [Contracting and Purchasing Services Policy 303-04](#).

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	Section: 400 Disbursements
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	Responsible office: Comptroller
	Origination date: 01/01/2000
Subject: Interviewee and Non-Employee Reimbursements	Effective date: 01/01/2000
	Revision date: 08/27/2019

PURPOSE

To permit payment of interviewee and/or non-employee expenses

SOURCE

University policy

Arizona Revised Statutes:

Neither the state, nor any county, city, town, municipality, nor other subdivision of the state shall ever give or loan its credit in the aid of, or make any donation or grant, by subsidy or otherwise, to any individual, association, or corporation, or become a subscriber to, or a shareholder in, any company or corporation, or become a joint owner with any person, company, or corporation, except as to such ownerships as may accrue to the state by operation or provision of law or as authorized by law solely for investment of the monies in the various funds of the state.

POLICY

CMP 421-02: Interviewee and Non-Employee Reimbursements

An interviewee/candidate is an applicant who is interviewing for an authorized position at NAU. A non-employee may be a guest/vendor of the university for whom expenses are being paid by the university. Reasonable and properly supported interviewee/non-employee expenses can be paid by the university.

The university will only reimburse expenses that are university business related. The most reasonable and economical accommodations are to be selected. Any additional expenses that are incurred for an interviewee's/non-employee's personal benefit are not reimbursable.

To provide equity among payees and to control costs, departments are strongly encouraged to use existing travel policy, including its restrictions and reimbursement rates, whenever practicable.

Absent written agreement to the contrary, University travel policy, its restrictions and reimbursement rates are to be used in reimbursing non-employees for travel costs incurred by them when conducting university business.

All reimbursements related to travel shall be for a valid public purpose and limited to available budget of the reimbursing department. The benefit to the public must demonstrably outweigh the cost associated with travel reimbursements.

Travel costs paid to non-employees must always be paid on a reimbursement basis. University funds

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Subject: Interviewee and Non-Employee Reimbursements	Effective date: 01/01/2000
	Revision date: 08/27/2019

are not to be advanced to non-employees for travel. Only the actual costs, in the case of meals, lodging and common carrier fares, may be reimbursed.

Travel costs must always be supported by appropriate documentation. Credit card slips or statements, by themselves, are not appropriate documentation. Meals and lodging require original detailed receipts.

If the interviewee/non-employee is charging costs to a personal credit card, he or she will be reimbursed 30 days after the invoice/receipt date. Reimbursement for expenses incurred before a trip for which a receipt is available (ex: airline ticket, etc.) may be made (Net 30 terms apply). Reimbursement of expenses incurred during the trip (ex: hotel, mileage, food etc.) will be made after the trip is complete. Procedures for direct payment of hotels/motels are presented below. Payments in excess of the standard amounts listed must be authorized in advance by the area's provost or vice president.

Prepaid Airline Tickets

Interviewees/non-employees may make their own airline reservations, pay for their tickets, and then request reimbursement from the university. This may be done before or after the trip.

Departments may also pay for airline tickets for an interviewee on a PCard. If the interviewee cancels the trip, it is the department's responsibility to make sure that the prepaid ticket is canceled and the money refunded.

Direct Payment of Hotel/Motel

Arrangements may be made to pay a local hotel directly. Payment may be made through Accounts Payable or on an NAU Purchasing Card. The department is required to keep the hotel invoice on file and available for review for five years.

Reimbursement Payments

Reimbursement checks will be mailed to the interviewee's/non-employee's home address after the interviewee/non-employee has visited the campus.

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	Revision date: 08/27/2019

PROCESS

Documentation: Original receipts are required to reimburse these expenses. No formal form is required. Departments may choose to use the [Non-Employee Travel Reimbursement Form](#). The payments will be processed via a single payment voucher through Accounts Payable.

Accounting: Interviewee/non-employee expenses are to be recorded to PS Financials Account 759210 "INTERVIEW EXPENSES-DOCUMENTED" for supported expenses. Supported interviewee/non-employee expenses are not taxable to the interviewee/non-employee. The IRS does not require that travel reimbursements paid to independent contractors or other non-employees be reported on Form 1099 if the expenses are substantiated and paid in accordance with University policy.

If for whatever reason an interviewee/non-employee is reimbursed for unsupported travel expenses, such expenses should be recorded to PS Financials Account 750150 "INTERVIEW EXP--1099 REPORTABLE". Unsupported interviewee/non-employee expenses are taxable to the interviewee/non-employee.

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 NORTHERN ARIZONA UNIVERSITY	POLICY: CMP 421-03
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	Responsible office: Comptroller
	Origination date: 01/01/2000
Subject: Tax Reporting IRS Form 1099	Effective date: 01/01/2000
	Revision date: 02/09/2016

PURPOSE

To code disbursements for professional fees, independent contractor services, royalties, copyright payments, and other payments requiring tax reporting.

SOURCE

Internal Revenue Service
University policy

APPLICABILITY

All payments for services, rentals, royalty, and copyright payments made to payees other than corporations, governmental agencies, colleges, and universities, excluding employee expense reimbursements and payments to nonresident aliens. Exceptions to the corporation exemption are: medical corporations and attorneys.

POLICY

CMP 421-03: Tax Reporting IRS Form 1099

NAU provides Form 1099 to all applicable vendors for services as listed in the table below. Since tax reporting is required for professional fees, etc. for individuals or organizations other than corporations, government agencies, and colleges/universities, it is important that departments obtain accurate social security/taxpayer ID numbers, names and addresses for applicable payments/orders to new vendors.

Type of Service and Code for Payments Requiring IRS Form 1099

Type of Service	Where Reported
All rentals	1099 box 1
All royalty fee/copyright payments	1099 box 2
Awards/Prizes (not for service performed)	1099 box 3
Medical Services	1099 box 6
Maintenance and Repair Services	1099 box 7
Printing and copy services	1099 box 7

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Subject: Tax Reporting IRS Form 1099	Effective date: 01/01/2000
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Audio/Video services	1099 box 7
Advertising services	1099 box 7
Professional, Independent Contractor, Outside services, Speakers, Honorariums	1099 box 7
Cooperative Teacher Certificates/Waivers	1099 box 7
Land improvements, building improvements/remodeling, new construction costs, planning/design/management costs, and building fixtures	1099 box 7

CROSS-REFERENCES

For information on employee expense reimbursements, see [CMP 420-01](#), "Faculty and Staff Reimbursements".

For information on tax reporting for nonresident aliens, see [CMP 425-01](#), "Payments to Non-Resident Aliens"

For information on tax reporting for independent contractors, see CMP [421-01](#), "Independent Contractors"

ASSISTANCE

For additional assistance with 1099 tax reporting, accounting concerns and coding, please contact Tammy Laird in the [Comptroller's Office](#).

COMPTROLLER POLICY MANUAL

 NORTHERN ARIZONA UNIVERSITY	POLICY: CMP 425-01
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	Responsible office: Comptroller
	Origination date: 01/01/2000
Subject: Nonresident Alien Independent Contractors and Other Foreign Entities	Effective date: 01/01/2000
	Revision date: 02/09/2016

PURPOSE

To describe the policy for independent contractor payments made to nonresident alien individuals or foreign business entities. Applies to all payments for services, rentals, royalty, and copyright made to foreign individuals and foreign business entities.

SOURCE

Internal Revenue Service
University policy

BACKGROUND

Internal Revenue Service

The Internal Revenue Service (IRS) requires that all independent contractor payments made to nonresident alien individuals or foreign business entities be made in accordance with IRS regulations. These regulations require that, when services are provided inside the U.S., taxes be withheld from payments made to nonresident aliens (NRAs) or foreign business entities unless the income is exempt under a provision of a tax treaty between the foreign contractor's country and the U.S. Foreign individuals must be eligible to claim a tax treaty exemption by having a social security number (SSN) or individual taxpayer identification number (ITIN) and must have submitted for certification a completed IRS Form 8233. Foreign business entities must have an employer identification number (EIN) and must have submitted for certification a completed IRS Form W-8ECI, W-8BEN, W-8EXP, or W-8IMY.

Unless the payments made to the NRA are exempt due to tax treaty or are effectively connected with the conduct of a trade or business in the U.S. (payments to foreign business entities only) or are made to a foreign entity with U.S. tax-exempt status, and the appropriate IRS forms have been filed, all payments made to the NRA or foreign business entity will be subject to U.S. federal income tax withholding of 30 percent.

Tax regulations also require that taxable payments made to NRAs or foreign business entities be reported annually on IRS Form 1042-S, Foreign Person's U.S. Source Income Subject to Withholding. A copy of the form is sent to the foreign individual or entity at the time it is filed with the IRS. The IRS requires that Form 1042-S be filed by March 15 following the calendar year in which payments were made.

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Subject: Nonresident Alien Independent Contractors and Other Foreign Entities	Effective date: 01/01/2000
	Revision date: 02/09/2016

POLICY

CMP 425-01: Nonresident Alien Independent Contractors and Other Foreign Entities

PROCEDURE:

In order to process Honorariums and other payments to Non-Resident Aliens,

IRS regulations require NAU to collect the following information:

ITIN-Ind. Taxpayer Identification Number, OR

Social Security Number

Also,

Photocopy of VISA and Passport

Foreign National Information filled out on the Glacier system

Honorarium Agreement

Certificate of Foreign Status

Completed 8233 and Certification for Withholding Exemption Form

A Packet of these forms can be obtained in Purchasing Service. Contact Purchasing Services to get the process started at 928-523-4557.

PROCEDURES

See [CMP 421-01](#), “Guest Lecturers, Consultants, and Other Independent Contractors,” for a description of the general procedures followed in paying independent contractors. Listed below are procedures related to paying nonresident independent contractors.

Foreign Vendor Setup

All foreign independent contractors receiving payment(s) in a calendar year must have an [IRS Form W-8](#) on file with the university before payment will be made.

Here is a reference to [ASU's Foreign Tax Guide](#) for your convenience.

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	Section: 400 Disbursements
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	Responsible office: Comptroller
	Origination date: 01/01/2000
Subject: Foreign Wire Payments	Effective date: 01/01/2012
	Revision date: 02/10/2016

PURPOSE

To describe policies and procedures for sending foreign wire payments.

SOURCE

University policy

APPLICABILITY

All university departments

POLICY

CMP 425-02: Foreign Wire Payments

Foreign wire transfers can be processed if other forms of payment are not accepted by the vendor (e.g., check or [purchasing card](#)). Foreign wire payments must be processed through the Accounts Payable department according to the procedures outlined in the procedure section below. Prior to purchasing goods/services from a foreign vendor through Accounts Payable, the vendor must submit the necessary Nonresident Alien forms and be registered in the PeopleSoft Financial System according to NAU policy [CMP 425-01: Nonresident Alien Independent Contractors and Other Foreign Entities](#).

PROCEDURE

If the purchase of goods or services from a foreign vendor cannot be made on a purchasing card (see the [Purchasing Card web page](#)), the goods and/or services can be purchased through a Requisition document (PUR) or Departmental Purchase Order document (DPT) in accordance with NAU Purchasing Policy. To request that the purchase order be paid by a foreign wire transfer departments need to do the following:

1. On the PUR or DPT document (see purchasing guidelines on which document to use), departments must pay close attention to the account number they are using on their PUR or DPT document. If services provided by the vendor are performed outside of the United States, a 1099 reportable account number should not be used.
2. If the payment is to be made in a foreign currency, departments will need to estimate the USD amount on their DPT or PUR document based on foreign currency conversion websites such as [Oanda.com](#).

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Subject: Foreign Wire Payments	Effective date: 01/01/2012
	Revision date: 02/10/2016

3. If the [Foreign Currency Wire Transfer Request form](#) isn't on file with the Purchasing Department, it must be completed and sent to Purchasing at least 3 days prior to requesting that the vendor invoice be processed by Accounts Payable. This form must be complete and legible or it will be returned to the department/vendor (please fill form electronically if possible).
4. Vendor invoices forwarded to Accounts Payable must include a note to pay by foreign wire transfer.
5. If Accounts Payable does not know to process the invoice for payment by foreign wire transfer the payment will go out as a check.
6. The invoice processed through Accounts Payable will include a wire processing fee of \$15. This \$15 fee needs to be included in the DPT or PUR as a separate line item. If it is not included in the original document, Accounts Payable will return the document to the department to be included.

CROSS-REFERENCES

For purchasing transactions information, see the Purchasing Services Policies and Procedures Manual. Or contact the Purchasing Services Office at 523-4557. [CMP 401-01: Disbursement Methods](#)
[CMP 425-01: Nonresident Alien Independent Contractors and Other Foreign Entities](#)

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	Responsible office: Comptroller
	Origination date: 01/01/2000
Subject: Expenditure Account Numbers	Effective date: 01/01/2000
	Revision date: 02/09/2016

PURPOSE

To present a listing of expense account numbers.

SOURCE

PeopleSoft Financial accounting system

CMP 430-01: Expense Account Numbers

The PeopleSoft Financial chart of accounts requires expense account codes as listed in [Enterprise Reporting](#), under Financial Management, General Accounting, PS Financials Code Descriptions.

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 NORTHERN ARIZONA UNIVERSITY	POLICY: CMP 430-25
	Section: 400 Disbursements
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	Responsible office: Comptroller
	Origination date: 01/01/2000
Subject: Physical Count of Capital Equipment	Effective date: 01/01/2000
	Revision date: 02/10/2016

PURPOSE

To list and define the policy and procedure for physical count of capital equipment.

SOURCE

[NAU Property Control Policy](#)

POLICY

CMP 430-25: Physical Count of Capital Equipment

Acquisition and initial valuation

The University's fixed assets are initially recorded at cost. "Cost" includes all normal and necessary expenses incurred to make the asset ready for its intended use. These ancillary costs include, but are not limited to: freight charges, sales/use taxes, installation, assembly and testing charges.

Accounting for University property

The Property Control department shall be responsible for accounting for all University assets and ensuring that all departments within the University comply with the accounting requirements.

Identification of University capital assets

Capital equipment items must be tagged or otherwise identified as University property. The assigned identification tag number must be recorded on the fixed asset listings. The fixed asset system records the asset, cost, funding source, date of acquisition/disposal, and location of the asset and identification number, for all capital equipment.

Items are tagged (capital assets) if they meet the following criteria:

Individual items that have a value of \$5,000 or more including sales/use tax, freight and installation costs are considered part of the value of the equipment.

See [Property Control's web site](#) for additional information

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 NORTHERN ARIZONA UNIVERSITY	POLICY: CMP 430-25
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	Responsible office: Comptroller
	Origination date: 01/01/2000
Subject: Physical Count of Capital Equipment	Effective date: 01/01/2000
	Revision date: 02/10/2016

PROCEDURE

A physical count consists of the sighting, tagging, describing, recording, reporting the property concerned, and reconciling the property so recorded and reported with the fixed asset system. A physical count must be supervised and spot checked by the Property Control Department every year of the asset's life in each department's possession. Appropriate changes are entered on both the individual department's equipment listings and the fixed asset system. The equipment listings must be updated when changes take place (location, value, etc.) or when new assets are acquired.

Acquiring and Tagging new equipment:

When a department acquires equipment on a Purchase Order, correct account numbers are essential for determining capital vs. non-capital equipment (to select the appropriate codes, view the PeopleSoft account numbers in Enterprise Reporting).

To have newly purchased equipment tagged go to [Property Control's website](#) and fill out the tagging services form then e-mail it to NAU-PropAdmin@nau.edu.

Questions please contact Property Administration at 523-6206.

NOTE: WE CANNOT TAG ANY ASSET PURCHASED ON A PO THAT DOES NOT SHOW "RECEIVED" IN PEOPLESFT FINANCIALS. YOUR DEPARTMENT MUST COMPLETE THE "RECEIVE ORDER" ON-LINE BEFORE WE CAN TAG YOUR NEW ASSETS. PLEASE ALLOW TWO DAYS FOR THE RECEIVED ITEM TO BE PROCESSED.

When Property Is Donated to NAU (Gift-in-Kind):

The department acquiring the gift:

Acquires all documentation transferring title of the equipment to the university. Obtains any required signatures accepting the equipment on behalf of the university (Vice President, Provost). Submits a copy of the donation form to Property Administration. Contact the Northern Arizona University Foundation at 523-2012 for the gift in kind form.

Property Control records the gift in the fixed asset system using the gift report information/value tags & inventories the item(s) using standard procedures

Individuals must immediately notify Property Control of equipment transfers from another institution or agency to NAU. Unless otherwise stated, title of equipment vests with the university at the time of the transfer. Property Control will then tag the equipment and add it to the property control system.

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	Responsible office: Comptroller
	Origination date: 01/01/2000
Subject: Physical Count of Capital Equipment	Effective date: 01/01/2000
	Revision date: 02/10/2016

Physical Count Procedures:

Departments are responsible for completing an annual physical count of all assets in their custody. Property Control shall notify the responsible person in the department of the date the physical count shall start and an approximate time for completion.

Instructions will be provided to the department to download the reports from Enterprise Reporting.

The department will then physically account for each piece of equipment by: checking the list, verifying the information, correcting and update missing information. The department will also record equipment which is not tagged but should be and/or note bar code tags that need to be replaced (illegible). Notes should be made regarding locations for any equipment on loan or moved to another location.

Upon receipt of the completed physical count, Property Control will then:

- update all assets found to show a current count date
- create a "missing list" of all items not found during the physical count
- supply the department with the "missing list" with a request to find those missing items (for equipment that cannot be located, a Property Control Authorization (PCA) form must be completed by the department with the appropriate approvals to remove the items from the fixed asset listing)
- update all missing assets in the fixed asset system to show a current count date
- Complete a physical spot check of 15% of the department's assets within 6 months of the completion of the physical count by the department.

For additional assistance and information, please contact [NAU Property Control](#).

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 NORTHERN ARIZONA UNIVERSITY	POLICY: CMP 430-26
	Section: 400 Disbursements
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	Responsible office: Comptroller
	Origination date: 01/01/2000
Subject: Voluntary Fund Transfers	Effective date: 01/01/2000
	Revision date: 04/21/2020

PURPOSE

To list and define the use of voluntary transfer-out expense account codes and voluntary transfer-in revenue account codes.

SOURCE

University Policy

POLICY

CMP 430-26: Voluntary Fund Transfers

Voluntary fund transfers may be made between PeopleSoft Financial Departments to fund expense activity in the receiving department. Transfers are not allowed for state departments (1100, 1200, and 1500 fund codes) and agency funds (Fund Codes beginning with a "7" or Speedchart suffix of F7*). As a general rule, voluntary fund transfers should be used to provide funding support for expense activity outside the funding Department's purpose and that is more appropriate for another Department expense activity type (see [CMP 202](#): Establishment of Departments). Some examples include:

College's administrative unit (Academic Support) providing funding support to Student Life (Student Services) for a cultural event,

Central administrative unit (Institutional Support) funding a College's faculty development initiative (Academic Support).

College's administrative unit (Academic Support) funding a cost share department for grant cost share commitments.

A transfer-out to a Department must be offset by a transfer-in from another Department for the same dollar amount.

PROCEDURE

Transfers between PS Departments are processed through a Inter Departmental Transfer (IDT). Valid journals are routed to the department being charged for approval. The journal is then routed to Financial Accounting Services for final approval if less than \$5,000. Transfers greater than \$5,000 are routed to the Budget Office prior to being routed to Financial Accounting Services for final approval.

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Subject: Voluntary Fund Transfers	Effective date: 01/01/2000
	Revision date: 04/21/2020

CODES

Transfer-Out Expense Account Code		
Account Code Name	Account	Definition
Voluntary Transfer-In	810500	To transfer in revenue (credit)
Voluntary Transfer-out	830500	To charge transfer-out expense (debit)

CROSS-REFERENCE

For information on expense to expense transfers, see [CMP 430-29: Expense Transfers - Non Payroll](#)

For information on revenue to revenue transfers, see [CMP 308-30, Revenue Transfers](#)

For instructions and a form for transferring Payroll Expenses, visit the [Interdepartmental Payroll Expense Transfer](#) or see [CMP 430-28](#).

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 NORTHERN ARIZONA UNIVERSITY	POLICY: CMP 430-28
	Section: 400 Disbursements
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	Responsible office: Comptroller
	Origination date: 01/01/2000
Subject: Payroll Expense Transfers	Effective date: 01/01/2000
	Revision date: 04/21/2020

PURPOSE

To define the procedure for transferring payroll expenses in the PeopleSoft Financial system.

SOURCE

University Policy

BACKGROUND

Departments are responsible for ensuring that their employees are setup properly within the payroll system. This includes regular monitoring of payroll expenses and initiating employment transactions such as hiring, job or pay changes, and end of employment actions in a timely and accurate manner through the [ePAR](#) (electronic personnel action request) process. In situations where employment transactions are entered inaccurately or are not completed in a timely manner, departments may need to initiate a payroll expense transfer. These transfers should be rare. Repeated use is an indication that employment transactions are not being managed properly through the ePAR process.

The procedure below is to be used only to transfer salary/wage and ERE expenditures between PeopleSoft Departments and or Projects when a retroactive correction is necessary. Expenses that have already been posted to PeopleSoft Financials are to be corrected through this process. Any changes to future employment transactions should be initiated using the ePAR process as soon as they are known and can be future effective dated through the end of the fiscal year.

PROCEDURE

Once a department becomes aware of a payroll error (e.g., through regular payroll expense monitoring), the following actions should be taken:

- 1) Initiate the necessary employment transaction through the [ePAR process](#).
- 2) Research and determine the corrections that need to be made to the department's payroll expenses using available payroll reports and internal employee records.
- 3) Initiate the payroll expense transfer through an Interdepartmental Payroll Transfer (IPT) journal in PeopleSoft Financials. See IPT journal procedures at [Creating Payroll Expense Transfer IPT Journals](#).

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	Section: 400 Disbursements
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	Origination date: 01/01/2000
Subject: Expense Transfers	Effective date: 01/01/2000
	Revision date: 04/21/2020

PURPOSE

To define the policy and procedures for transferring non-payroll expenses in the PeopleSoft Financial System. See [CMP 430-28: Payroll Expense](#) Transfers for payroll expense transfer policy.

SOURCE

University Policy

BACKGROUND

Departments are responsible for ensuring that expenses charged to their PeopleSoft Financial (PS Financials) Department/Projects are appropriate and relate to the purpose for which the Department-Project was established (see [CMP 203: Unit Manager Responsibilities](#)). In certain situations, expenses may be legitimately charged to a central Department with the knowledge that they should be charged to a different Department/Project account. Some examples would be for shared expenses and purchasing card transactions tied to a central purchasing card Department account. There are also times when a Department/Project is charged an expense in error. In both situations, the expense must be transferred to the appropriate Department/Project.

POLICY

CMP 430-29: Expense Transfers

Expenses charged to Departments/Projects must relate to the purpose for which the Department was established. Expense activity that does not relate to the Department/Projects purpose must be transferred to an appropriate Department/Project. Expense transfers should be made within 30 days of the original charge and within cutoff dates for year-end close.

Expense transfers must NOT be made to cover for a budget deficit or a negative fund balance in a Department/Project, or to build local fund balances when the expenses are unrelated to the Department/Project to which the expenses are being transferred. In addition, expenses CANNOT be transferred to grant accounts simply because they have unexpended funds. Departments should contact the [Budget Office](#) with questions regarding budget or fund balance deficits and [Office of Sponsored Projects](#) for questions regarding transfers to Grant accounts.

Department/Projects that wish to fund activity in another Department/Project may do so by voluntary fund transfer according to [CMP 430-26: Voluntary Fund Transfers](#). An example would be a College providing funding support to Student Services for a cultural event, or funding a cost sharing department for cost sharing commitments.

Note: voluntary fund transfers cannot be made to or from state or agency Departments.

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PROCEDURE

Expense Transfers are recorded in PS Financials on a Departmental Journal (IDT - Internal Departmental Transfer or IST - Internal Service Center Transfer).

Interdepartmental Department Journals (IDT journals):

Departments are able to process their own journals for legitimate expense transfers between Departments or within the same Department to correct/adjust expense account coding. If transferring between departments, the original expense account should be used to maintain the nature of the expense (do not use 739XX accounts). When submitted for approval, valid IDT journals will route to the Department being charged for approval. In addition, certain expense transfers against grant projects will be routed to the Office for Sponsored Projects for approval.

Service Center Journals (IST journals):

Service center charges are presumed to be pre-approved by Departments/Projects requesting the service, and thus do not require approval when the charges are recorded. Service Centers are defined through Comptroller Policy [CMP 401-02:NAU Service Center Policy](#), however, departments do not necessarily have to meet the policy requirements to request the ability to process journals using the IST journal source. To request Service Center IST journal approval department managers must submit an e-mail to Ask-FAS@nau.edu with the following information:

Department ID:

Department Name:

Description of services provided:

How are services authorized (e.g., e-mail, request form - attach request form):

Does CMP Policy 401-02 apply to Department (Yes or No):

Supporting Documentation:

Supporting documentation must be attached to the IDT when a journal cannot stand on its own in terms of justification and/or to assist an Approver's evaluation of the appropriateness of the transaction.

Journals **requiring** supporting documentation attachments:

- P-card or other expense transfers to an outside department (e.g., Biology to Engineering)
- P-card transfers between accounts within the same department or project (e.g., travel transfers to appropriate travel accounts)
- P-card transfers between departments where p-card charges are being allocated from a central p-card department.
- All expense transfers should include a detailed public purpose (including why moving the expense), and a screenshot of the existing expense.

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- Any IDT requiring Office of Sponsored Projects (OSP) approval.

Journal transactions **generally not needing** supporting documentation:

- Service center IST journals referencing service request information
-

Documentation to justify an expense transfer against grant projects where the IDT is routed through the PeopleSoft workflow for OSP approval must be submitted through the PeopleSoft attachments functionality. Such transactions must meet the OSP Transfer Guidelines.

See instructions and overview documentation for Departmental Journals at:

<https://nau.edu/comptroller/wp-content/uploads/sites/66/Departmental-Journal-Overview.pdf>

See instructions for using the “Attachments” button at: https://nau.edu/its/learn/psfinancials_Attachments/

CROSS-REFERENCE

For information on voluntary fund transfers, see [CMP 430-26: Voluntary Fund Transfers](#).

For instructions and a form for transferring Payroll Expenses, see [CMP 430-28](#).

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	Revision date: 03/20/2017

PURPOSE

The purpose of this policy is to set minimum standards for internal control activities for University transactions.

SOURCE

University policy, Arizona Board of Regents policy for Internal Control Responsibilities, [Chapter 6, Section 6-711](#), Arizona Board of Regents [Guidelines for the Implementation of ABOR 6-711 "Internal Controls Responsibilities"](#) [COSO](#) (Committee of Sponsoring Organizations of the Treadway Commission).

BACKGROUND

Internal control is a process, effected by an entity's board of directors, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives relating to operations, reporting and compliance.

Internal control is a process. It is a means to an end, not an end in itself. The goal is reliable financial reporting, effective and efficient operations, and compliance with laws and regulations. Internal control is affected by people. It is not merely policy manuals and forms, but people's actions at every level of the organization.

Internal control activities are those specific policies and procedures that help ensure management directives are properly implemented. They include a wide range of activities that occur throughout the university, by supervisory and front-line personnel. This is not an all-inclusive list, but the following are some examples of common preventative control activities that will be further discussed:

- Segregation of Duties
- Approval
- Management Review
- Reconciliations
- Asset Security

When preventative controls fail, detective controls can be used to identify potential errors and problems. Best use of these controls is to gauge how effective your preventative controls are and strengthen them if possible:

- Reviewing financial statements for irregularities
- Reviewing procurement card statements for appropriateness, allowability and/or proper allocation
- Employing monitoring procedures, such as exception reports, analytical reviews and metrics monitoring.

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POLICY

CMP 603: Internal Controls

SEGREGATION OF DUTIES EXPLANATION

Segregation of duties is critical to effective internal control; it reduces the risk of both erroneous and inappropriate actions. Segregation of duties is a deterrent to fraud because it prevents collusion with another person to perpetrate a fraudulent act. Adequate segregation of duties reduces the likelihood that errors, intentional or unintentional, will remain undetected by providing for separate processing by different individuals at various stages of a transaction and for independent reviews of the work performed.

Specific examples of segregation of duties are as follows. This list is not all inclusive.

- The person who requisitions the purchase of goods or services is not the person who approves the purchase.
- The person who approves the purchase of goods or services is not able to obtain custody of the check that pays for the transaction.
- The person who maintains and reconciles the accounting records is not able to obtain custody of the check that pays for the transaction.
- The person who opens the mail and prepares a listing of checks received is not the person who makes the deposit.
- The person who opens the mail and prepares a listing of checks received is not the person who maintains the accounts receivable records.

SEGREGATION OF DUTIES POLICY

It is required that the approval function, the accounting/reconciling function, and the asset custody function be separated among employees.

When these functions cannot be separated, generally due to small department size, the Compliance, Controls and Business Services Office must be contacted for consultation and development of compensating control activities.

At least two people must be involved in a transaction stream.

- Initiate the transaction
- Approve the transaction
- Record the transaction
- Reconcile balances
- Handle assets
- Review reports

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APPROVAL EXPLANATION

Approval of a transaction means that the approver has reviewed the supporting documentation and is satisfied that the transaction is appropriate, accurate and complies with applicable laws, regulations, policies, and procedures.

Approval may be written and evidenced via a signature on a document which indicates that the transaction has been reviewed and approved. Approval may also be electronic as evidenced by a click to approve a transaction in a system. Regardless of the mode, approval must be done by someone who has approval authority. Approval authority can be inherent in a person's role within the organization if they are responsible for the unit's activities. It may also be that they have been granted approval authority in a transactional system.

APPROVAL POLICY

Approvers must review supporting documentation, question unusual items, and make sure that necessary information is present to justify the transaction before they approve the transaction.

Signing blank forms is not allowed. Use of a signature stamp is not allowed.

Under no circumstance may an approver tell someone that they could sign the approver's name on behalf of the approver. Similarly, under no circumstance may an approver with electronic approval authority share his/her password with another person.

To ensure proper segregation of duties, the person initiating a transaction must not be the person who approves the transaction.

System privileges must be modified or deleted, as appropriate, immediately upon the transfer or termination of employees in order to protect the integrity of the internal control system. Examples of actions to take upon transfer or termination of an employee are return of keys to buildings/offices, return procurement card, notification to the Comptroller's Office of change in signature authority, deletion of computer access privileges.

MANAGEMENT REVIEW EXPLANATION

Reviewing reports, statements, reconciliations, and other information by management is an important control activity; management must review such information for consistency and reasonableness. Reviews provide a basis for detecting problems.

Management is defined as a Dean, Director, Chair, Provost, or other appropriate NAU employee who has responsibility for a unit's activities.

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MANAGEMENT REVIEW POLICY

Management will compare information about current performance to budgets, forecasts, prior periods or other benchmarks to measure the extent to which goals and objectives are being achieved and to identify unexpected results or unusual conditions which require follow-up. Management's review of reports, statements, reconciliations, and other information must be documented as well as the resolution of items noted for follow-up. The simplest evidence of this review is signed initials and date of review

RECONCILIATION EXPLANATION

Broadly defined, a reconciliation is a comparison of different sets of data to one another, identifying and investigating differences, and taking corrective action, when necessary, to resolve differences.

Reconciling monthly financial reports (e.g., Transaction Detail/Summary Reports) to file copies of supporting documentation or departmental accounting records is an example of reconciling one set of data to another. This control activity helps to ensure the accuracy and completeness of transactions that have been charged to a department's accounts. To ensure proper segregation of duties, the person who approves transactions or handles cash receipts must not be the person who performs the reconciliation.

A critical element of the reconciliation process is to resolve differences not just to note differences and do nothing about it.

RECONCILIATION POLICY

To ensure proper segregation of duties, the person who approves transactions or handles cash receipts must not be the person who performs the reconciliation.

Differences must be identified, investigated, and explained - corrective action must be taken. If expenditure is incorrectly charged to a department's account, then the approver must request a correcting journal entry; the reconciler must ascertain that the correcting journal entry was posted. Reconciliations must be documented and approved by management.

ASSET SECURITY EXPLANATION

Liquid assets, assets with alternative uses, vital documents, critical systems, and confidential information must be safeguarded against unauthorized acquisition, use, or disposition. Typically, access controls are the best way to safeguard these assets. Examples of access controls are as follows: locked door, key pad system, card key system, locked filing cabinet, terminal lock, computer password, automatic callback for remote access, smart card, data encryption, etc.

An annual inventory where assets are verified against a list provided by Property Administration ensures that all assets that expected to be on hand are still accounted for.

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ASSET SECURITY POLICY

Departments will maintain reasonable access controls, consistent with the type of asset.

Departments will comply with the [Physical Count](#) of Fixed Assets policy and procedure that is in place. Annually, the items must be physically counted by a person who is independent of the purchase, authorization and asset custody functions, and the counts must be compared to balances per the records provided by Property Administration. Missing items must be investigated, resolved, and analyzed for possible control deficiencies; records will be adjusted to physical counts if missing items are not located.

OBJECTIVES AND COMPONENTS OF INTERNAL CONTROL

There are three categories of objectives, which allow organizations to focus on differing aspects of internal control:

- Operations – Refers to the effectiveness and efficiency of the organizations operations, including operations and financial performance goals and safeguarding assets against loss.
- Reporting – Relates to internal and external financial and non-financial reporting and may incorporate reliability, timeliness, transparency, and additional terms as set forth by regulators, recognized standard setters, or the entity's policies.
- Compliance – Relates to adherence to laws and procedures to which the entity is subject.

Internal control consists of five interrelated components:

- Control Environment: Demonstrate a commitment to integrity and ethical values, implement oversight responsibility, establish structure, reporting lines, authority, and responsibility, demonstrate commitment to development and competence, enforcing accountability.
- Risk Assessment: Specific objectives with sufficient clarity and assessments of risk, identifies and analyzes risk, assess risks for potential fraud, identify and analyze significant change.
- Control Activities: Select and develop control activities to diminish risk, select and develop general controls over technology, deploy control activities through policies and procedure.
- Information and Communication: Generate and use relevant information, communicate internally, communicate externally.
- Monitoring: Selects, develops and conducts ongoing and/or separate evaluations, evaluate and communicate deficiencies in a timely manner.

ASSISTANCE

The department of [Financial Controls, Analysis and Reporting](#) is available to assist departments with the interpretation of this policy as well as validation that reasonable controls are in place. Further, this department can be of assistance when considering non-traditional internal controls as well as with the development of compensating controls.