

Buffalo State College Foundation

Cash Disbursements Policy

Effective Date

April 8, 2020

Purpose

To ensure that payments to vendors for good and services, including reimbursements to employees for supplies, travel, and miscellaneous expenses are directly related to or associated with the mission of Buffalo State College (“College”) and consistent with the purpose of the gift or other funding source expectations. Expenses must be reasonable and necessary, properly authorized, and supported by appropriate documentation.

Applicability

These policies apply to the following funds and types of payments:

1. The Foundation Board may, from time to time, amend these policies and procedures in order to remain consistent with current best methods and business practices.
2. All Foundation funds, including funds held in trust, i.e. campus agency accounts, and campus-related entities for which the accounting services are provided by Financial Management.
3. Payment methods include, checks, wire transfers, ACHs, on-line payments, and the like.

General Disbursement Controls

1. Authorization

Department

The Account Administrator is responsible for approving the Payment Request for the purchase of goods and services; the individual ordering the goods and services, ideally, should be someone other than the Account Administrator who has signatory authorization.

Financial Management

Requests for payment must be approved by an authorized individual only and should never be the same individual inputting the request for payment into the Accounts Payable application in the accounting system.

2. Segregation of Duties

Accounts Payable personnel responsible for preparing, reviewing, and/or ensuring cash availability at the time of processing should not be responsible for setting up vendors in the Accounts Payable module. If staffing is such that it is not practical, or possible, to separate the functions, another individual should monitor the vendor list for propriety.

3. Safeguarding Check Stock

Check stock should always be stored in a secure location. Access to the check stock should only be to individuals that are not responsible for processing checks. Check stock replenishment and usage should be controlled through inventory or log sheet.

Allowable Purchases and Reimbursements

1. Purposes consistent with the guidelines contained in the gift document.
2. Student financial aid, including scholarships and fellowships; assistance to students engaged in special projects and programs.
3. Travel as outlined in the Travel Policy.
4. Planning retreats and other programs involving students, faculty, and staff.
5. Publications.
6. Equipment.
7. Supplies and materials.

8. Faculty and staff development, including academic support.
9. Capital construction projects.
10. Research and special projects.
11. General expenses, such as meals, lodging, or other hosting costs related to the interview process with prospective employees.
12. Individual or department membership dues and subscriptions, if they are directly related to the position of job duties of faculty and staff.
13. Awards made in recognition of superior performance by employees, or students, through college programs when funds have been designated for that specific purpose. Such awards must be made by a clearly defined selection process.
14. Hospitality and hosting expenses incurred in the process of cultivating donors and/or prospects. This includes expenses in programs for the recognition of donors/prospects, hosting meals, special events, and travel.
15. Moving expenses that exceed the amount allowed from state funds; this must be in writing and offered as part of the position offer by the appropriate vice president and dean.
16. Meals and refreshments as outlined in the Meals and Refreshments Policy.
17. Individual membership dues, licenses and certifications related to an employee's duties and responsibilities of the position.
18. Financial support to college-related entity, department, or organization.
19. Honoraria, speaker, and consulting fees.

Non-Allowable Purchases and Reimbursements

1. Expenses that do not meet the test of legal, ethical, or public perception of appropriateness.
2. Expenses without appropriate documentation or available account funds.
3. Expenses of a purely personal nature.
4. Consult the Meals and Refreshments Policy allowability.
5. Personal gifts to non-employees, except in those instances where the gift is a part of the donor prospect cultivation process or where a gift is a cultural expectation.

6. Decorations for an unofficial event, i.e., an office-based party for birthdays, retirement, holidays or anniversaries. This includes holiday decorations for general office space as well as for personal office spaces.
7. Gifts to faculty, staff, and/or students, i.e. this includes birthdays, anniversaries, weddings, retirement and other special occasions of a personal nature.
8. Charitable contributions to any individual, organization, or institution unrelated to the College.
9. Membership dues, licenses, or certifications that are not directly related to the improvement of an employee's ability to perform the duties and responsibilities of the position.
10. Purchases of alcoholic beverages to be stored for future use.
11. Fines for parking or traffic infractions, or for any other illegal actions.
12. Loans or advances, unless specifically allowed under the provisions of a Memorandum of Understanding and/or explicitly allowed by a donor for such purposes.
13. Direct payment of salaries or wages to faculty are not allowable unless it relates to a specific authorized agreement between the Foundation and recipients for services outside normal work requirements. Such payment to employees normally will be processed through the College Payroll Office.
14. Direct re-payment of student loans to lending source.
15. All federal and state government research contracts and supplemental grant applications must be processed through the Office of Sponsored Programs and Grants Management.
16. Expenditures of a personal or spousal nature. The IRS guidelines of "reasonable and necessary business expenses" are utilized in all cases for determination of appropriate disbursements.
17. All payments to vendors must be made through Accounts Payable and Travel Office. Payments must not be made from cash collections received in a department. Cash collections received in a department must be deposited with the designated business office. See Cash Receipts Policy for further information.
18. Purchase and/or maintenance of equipment located at home or other off-site location without express approval of the Chair, Dean, or Vice President.
19. Political contributions, including the purchase of tickets to attend a fundraiser.

20. Expenditures that may be considered extravagant and therefore might be misconstrued as a misuse of charitable funds, i.e. expenses to travel across the country for an Excel training class when the same class could be attended locally.
21. Questionable items, i.e. expenditures without appropriate documentation or explanation and which might be misconstrued as a misuse of charitable funds if paid.
22. The Foundation is prohibited from making loans or advances, with or without interest, that would be used for the private inurement of any individual. Loans through the Foundation are made only to students and only under bona fide loan programs.

Processing Payments

Accounts Payable and Travel Services

The following must be in place before processing payment:

1. Goods have been delivered or services performed.
2. Goods or services are allowable.
3. Adequate cash balance to cover the disbursement.
4. Prepayment requests generally are not allowed; requests should be reviewed by the Director of Financial Management for final determination.
5. Appropriate supporting documentation is accompanying the Payment Request. See the Supporting Documentation section in this Policy before proceeding.
6. If the Account Administrator is the payee, countersignature is present. Countersignature must be from the individual's supervisor or other appropriate individual at a level higher than the account administrator.

Supporting Documentation

The following is a guide of appropriate supporting documentation:

<u>Type of Payment</u>	<u>Supporting Documentation</u>
Goods from vendors	Invoice; purchase order, other procuring of goods supporting documentation (see Procurement Policy)
Services from vendors	Invoice; purchase order, other procuring of goods supporting documentation (see Procurement Policy); agreements (see contract requirement section)
Award payments to students	Documentation from department indicating award granted, i.e. award letter, departmental minutes indicating award, etc.
Payroll	Not processed through cash disbursements; See Payroll Policy.
Reimbursement to employees for Travel	See Travel Policy.
Reimbursement to employees for Cell Phone	See Cell Phone Policy.
Reimbursement to employees	See Accountable Plan section.
Purchases made through Procurement Card	See Procurement Card Policy.
Reimbursement to the College	See Reimbursement to College section.

Time Frame for Processing Checks

Please allow for 5-7 business days for processing payments after the Accounts Payable and Travel Services receives the Payment Request. If the Payment Request is completed improperly, or no supporting documentation or explanation is attached, the Payment Request will be sent back to the originating office. This could result in a delay beyond the normal time frame for processing. Checks are sent directly to the vendor unless special circumstances dictate alternate delivery. Please contact Accounts Payable and Travel Services if special circumstances apply.

Reimbursements to College Accounts

In many cases, expenditures are first paid from campus accounts and then reimbursed by the Foundation. Since original invoices and receipts have already been submitted for these expenses for them to be paid from the campus accounts, the same documentation requirements as direct payments from Foundation accounts would not apply. There are various forms of these types of reimbursements:

1. Scholarships disbursed by Student Accounts to students' accounts.
2. General Department Operating Expenses: if expenses are being reimbursed from accounts specifically set up for this purpose, all supporting documentation, including a financial report of expenses, are required to be submitted with the Payment Request.
3. Salaries and Benefits: a payroll register showing specific employee names, earnings, and benefits for the period(s) being reimbursed must be submitted with the Payment Request. Also, if the employee is being reimbursed for work across multiple projects, it is the responsibility of the department to maintain effort reports that substantiate the work performed across the different projects. These effort reports may be asked for to substantiate that the reimbursement request is accurate and to ensure that there is no duplication of reimbursements occurring.
4. Other Expenses: copies of original documentation submitted for payment through campus account and some proof that payment was made through state account (this might be a financial report showing the expenses recorded or a copy of a campus credit card statement showing the charges incurred on a campus charge account.)

Reimbursements to Employees

Expenses incurred personally by employees, or using a Foundation issued credit card, are covered by this section. It is the responsibility of the individual incurring the expense to ensure that there are funds available in the appropriate account(s) to cover the reimbursement before the expenditure occurs. Failure to do so may result in insufficient funds available to reimburse the individual. These policies do not apply to non-employees.

Accountable Plan Rules

For reimbursements, the Foundation follows the Internal revenue Service (IRS) "Accountable Plan," which sets forth rules, defines legitimate expense reimbursements and requires submission of original documentation. A qualified accountable plan requires all expenditures to include:

1. Bona Fide Business Purpose

The IRS may view a disbursement as providing a personal benefit if there is any doubt concerning its business purpose. Even though in some cases the business purpose may be implied, it must be specifically documented so that a third party would have no question as to its benefit to the institution. Paying or reimbursing for "lavish or extravagant" expenses is unacceptable. The Foundation will determine at its sole discretion whether to pay, reimburse, or reduce payment requests for expenses that are considered "lavish or extravagant."

NOTE: The maximum allowable reimbursement for meals are \$25 for breakfast and lunch and \$75 for dinner.

2. Proper Substantiation

The Foundation will not reimburse for expenses if original receipts are not provided.

Exceptions to receipt requirement are as follows:

- a. Business use of personal car at the standard mileage rate.
- b. Expenditures under \$10 (per item).
- c. Travel Per Diem: See Travel Policy.
- d. Partial reimbursement from College sources: if an employee is reimbursed for a portion of his/her expenses from College sources, a copy of the receipt and the State reimbursement form will be accepted.

- e. Credit cards: credit card statements do not provide adequate supporting documentation. Original receipts for credit card purchases are obtainable from the vendor and should always accompany the Payment Request.

A reconstruction of records is allowable if originals have been lost through circumstances beyond the person's control, such as fire, flood, etc. There may be some cases in which the Foundation will reimburse a person for bona fide business expenses when receipts have been lost, but the reimbursement will generally be included as taxable compensation.

NOTE: The IRS requires that payments to individuals which do not qualify as part of an "Accountable Plan" be included in the person's income, either on a W-2 form or on a form 1099.

3. Account for on a Timely Basis

The Foundation will not reimburse expenditures if they are not submitted within IRS specified deadlines.

- a. Must be within a reasonable period.
- b. Must require persons to return within a reasonable period the amounts reimbursed that exceeded substantiated business expenses (advances).
- c. Safe Harbor Rules:
 - o An advance made within thirty days of when an expense is paid or incurred;
 - o An expense substantiated to the payer within 60 days after it is paid or incurred;
 - o Or an amount returned to the payer within 120 days after an expense is paid or incurred will be treated as having occurred within a reasonable period.
- d. If the individual does not return excess amounts within reasonable time, the amount, which is taxable, is reported as compensation to the person.

NOTE: While they are mentioned in the same IRS regulation, the 30-60-120-day timeframes are three distinct parts. The 30- and 120-day requirements apply to advances and returns of excess amounts. The 60-day requirement is the general rule for expenses that are not advances.

Annual Tax Filing

The Foundation is required to file Form 1099 Misc. for individuals to whom the Foundation has paid at least \$600 in rents, services (including parts and materials), prizes and awards, legal, and other income payments, during a calendar year.

Backup Withholding

A payee has either a federal identification number or a social security (sole proprietor or employee reimbursement) number. Please indicate the appropriate number. The Foundation is required by the Internal Revenue Service to withhold 31 percent of all reportable payments made to recipients for whom we must file a return that had either a missing or an incorrect taxpayer identification number (TIN).

Personnel and Independent Contractors

Hiring Personnel to Perform Services

Before any arrangement is made with an individual for performing services, Accounts Payable and Travel Services should be contacted to determine whether the employee should be treated as an employee or an independent contractor. There are significant differences in policies and cost between an employee and an independent contractor, not to mention the fact that there can be extreme delay and confusion to the individual being paid for services. If the individual is to be paid as an independent contractor a Payment Request and an invoice for services should be completed. If an individual is to be treated as an employee, the individual will be considered an employee of the Foundation. Accounts Payable and Travel services will contact you to discuss the process of hiring an individual before the any work can begin.

Independent Contractors

The complex IRS rules, regulations and procedures sometimes make it difficult to make the distinction between employee status and independent contractor status and are often subjective in nature. Because of potential tax liability issues, it is very important that, if you have any questions, you should contact Accounts Payable and Travel Services before making a commitment. If it is determined that an independent contractor relationship will exist with an individual service provider, then an independent contractor agreement must be executed before the work begins. The contractor may provide the agreement, or the Contract for Service Form can be used to construct an applicable contract for the specific circumstances of the work to be performed. A completed form W-9 will also need to be provided with the agreement before payments will be made.