

**FINANCIAL ENVIRONMENT OF THE UNIVERSITY**

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## FINANCIAL ENVIRONMENT OF THE UNIVERSITY

### I. CHAPTER 2 – FINANCIAL ENVIRONMENT OF THE UNIVERSITY

The purpose of this chapter of *The Guide* is to provide an overview of the environment in which the financial systems, policies, procedures, and practices of the University of Colorado Boulder operate.

### II. FISCAL PHILOSOPHY AND FINANCIAL GOALS

CU-Boulder’s Vision Statement as expressed in its [Flagship 2030](#) strategic plan states, *The University of Colorado at Boulder will become a leading model of the “new flagship university” of the 21st century—by redefining learning and discovery in a global context and setting new standards in education, research, scholarship, and creative work that will benefit Colorado and the world.* Since service delivery, rather than profit making, is the objective of an educational institution, fiscal responsibility in a university setting emphasizes accountability and stewardship. Although a university is not supposed to make a profit, it is expected to have adequate fiscal resources to sustain its operations. Thus, the university’s fiscal goals are twofold:

1. To safeguard and manage its financial assets by accounting for the funds it receives and ensuring that these dollars are effectively employed to support the campus teaching, research, and service functions
2. To comply with state, federal, and sponsor reporting requirements.

### III. STEWARDSHIP OBLIGATION OF THE UNIVERSITY

Each of the University’s individual campuses has a stewardship obligation to:

- Properly and accurately process all receipts and disbursement of funds
- Account for all financial resources received and used
- Ensure that all financial transactions conform to legal requirements and administrative policies, and are recorded in accordance with generally accepted accounting principles for colleges and universities
- Provide financial reports that present to all university clients, constituents, and the public a complete picture of the university’s funds and their uses.

### IV. THE FINANCIAL SYSTEM OF THE UNIVERSITY

As a State of Colorado public institution, the University of Colorado maintains and operates a comprehensive financial management system in order to meet its stewardship responsibilities to the entities that provide its funding. The management of the university’s finances involves two major systems: the Finance System and the Human Resource Management System.

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The Finance System contains the General Ledger which is the accounting system used by the university. It is the official system of record for all financial transactions, reports, and audits. Procurement functions for all five campuses of the university system are consolidated in one office, the Procurement Service Center (PSC), located at 1800 Grant Street, Suite 500, Denver.

The Human Resource Management System is used to manage positions, recruit and administer the workforce, do time collection, and process payroll. Similar to the procurement model, payroll and benefits functions are consolidated across the entire university system. The Payroll and Benefits Services (PBS) office is located at 1800 Grant Street, Suite 400 Denver.

The University's Finance and HRM Systems provide financial information to all levels of administration for use in planning, budgeting, management, analysis, decision support and other administrative purposes.

*All University business transactions and operations must be conducted using these systems and their associated processes.*

### **A. University Business vs. Private Business**

The university's Finance System must be used to account for **all** University of Colorado business and **only** University of Colorado business.

University business must be kept separate from private business because:

- Using the Finance System to account for private business activity erroneously reports the private business revenue and expenses as those of the university.
- Spending private funds from a FOPPS-Account combination enables a private enterprise to receive advantages that they might not otherwise enjoy, such as discounts allowed to the university or the tax-exempt status afforded to the university.
- Depositing university funds into an off-campus account could be interpreted as an act of embezzlement.

All revenues and receipts from university business must be deposited into a FOPPS-Account combination. Funds must never be:

- Deposited into an outside bank account
- Held for petty cash
- Spent directly for goods and services.

**Note:** There are two exceptions to the policy that requires depositing all revenues and receipts to a university FOPPS-Account combination:

1. Agency Funds (other than those generated by student groups) may be deposited in an off-campus account

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2. Gifts that need to be deposited with the CU Foundation.

With the exception of certain Agency Fund transactions, private business activity must never be accounted for in FOPPS-Account combinations. Receipts from private activities must be deposited in an off-campus account.

In most situations it is very clear whether an individual is engaged in university business or private business. However, students, faculty, and staff may be involved with some activities in which the distinction is not so clear-cut. The two situations that cause confusion most frequently are:

1. When private contributions are solicited for a gift (e.g., retirement, maternity, etc.) Such solicitations should direct individuals to make checks payable to the person in charge of the event and not to the University of Colorado. Any checks made out to the university must be returned to the maker. These checks may not be deposited into a FOPPS-Account combination.
2. When an employee is serving as the treasurer for an organization and collects dues or other payments on behalf of the organization, these checks should be deposited into an off-campus account in the name of the respective organization.

**Note:** When a similar situation involves a student group, the group can accept checks made out to the University of Colorado provided the group has opened an agency account through the Student Organizations Finance Office.

Similar to the university's Finance System, it is illegal to use the university's Procurement Service Center authority to make private purchases.

## V. PERTINENT REGULATIONS

Financial management policy and practices at CU-Boulder are guided by campus and university policies and procedures, State of Colorado law, federal regulations, and professional accounting standards.

### A. *Campus*

Authority for both program activity and fiscal control rests with program managers.

1. Every campus program has an associated FOPPS-Account combination in the Finance System.
2. Both the program and the FOPPS-Account combination are clearly assigned to a campus administrative unit.

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3. The administrator of each campus unit assumes responsibility for the sound management of every program and FOPPS-Account combination assigned to that unit.

Within the scope of day-to-day operations, Boulder campus administrative and business processes are largely guided by regulations and procedures issued by the office of Accounting and Business Support (ABS): <https://www.colorado.edu/abs/>. Operational practices for accounting and budgeting are articulated throughout *The Guide*, and updates are noted in the ABS monthly newsletter and posted on the ABS website.

### **B. University System**

Administrative Policy Statements (APS), developed in the offices of the university's President and Vice Presidents, provide system-wide guidance, procedures, and requirements for university operations. These policies address academic/research, fiscal, human resources, property/facilities, information technology, and general matters, and are based on external and internal mandates, laws, and regulations. Of particular importance with respect to financial management is the *Fiscal Roles and Responsibilities* policy. This policy establishes the roles and responsibilities for key levels of management involved in university operations so that the fiscal impact of university operations is planned, controlled, and accurately accounted for in the university's financial records. This policy applies to all funds received by the university from any source, or spent by the university for any purpose. This and all System Administrative Policy Statements are online <http://www.cu.edu/ope>.

The Office of University Controller (OUC) issues an Accounting Handbook to provide instruction on how to comply with specific aspects of the APSs. It is followed by all of the campuses. In addition, and in accordance with provisions of Colorado State Senate Bill 10-003, the university has adopted its own Fiscal Procedures and is no longer subject to the State Fiscal Rules as issued by the State Controller. The Accounting Handbook and Fiscal Procedures are online: <https://content.cu.edu/controller/policiesandprocedures/>

The Procurement Service Center (PSC) with System Administration publishes procedures and guidelines for purchasing, travel, and accounts payable for use by all campuses. The PSC website is <https://content.cu.edu/psc/>.

Functions associated with human resource management, payroll and benefits are administered at the System level by Employee Services. The ES website is <http://www.cu.edu/employee-services>.

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### C. State Controller

The Colorado Office of State Controller (OSC) manages the financial affairs of the State by providing financial information, issuing fiscal policies, ensuring timely recording of the budget, and providing accounting consulting services to state agencies. The state controller also publishes the *Fiscal Procedures Manual* that addresses issues associated with the opening and closing of a fiscal year. Additional topics covered in this manual include capital construction, state-required reports, and accounts receivable. The OSC also publishes *Higher Education Accounting Standards* to address uniform financial reporting among Colorado's institutions of higher education. Each of these documents can be viewed on the State Controller's website: <https://www.colorado.gov/osc>.

### D. Federal Government and Other Sponsors

The university conducts sponsored projects supported by funds from federal government grants and contracts, and other sponsoring agencies. Therefore, financial policies and practices must reflect pertinent government regulations such as those contained in or issued by:

1. Office of Management and Budget Circular A-21, [\*Cost Principles for Educational Institutions\*](#).
2. Office of Management and Budget Circular A-110, [\*Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals and Other Non-Profit Organizations\*](#).
3. [\*Cost Accounting Standards Board \(CASB\)\*](#).
  - *Cost Accounting Standard 501* addresses consistency in estimating, accumulating and reporting costs.
  - *Cost Accounting Standard 502* states that there must be consistency in allocating costs incurred for the same purpose.

Note: The above is not an all-inclusive list and was incorporated into Title 2 of the Code of Federal Regulations, to become effective December 26, 2014.

### E. Professional Standards

At the highest level, financial management practices at the University of Colorado at Boulder adhere to Generally Accepted Accounting Principles (GAAP). In addition, finance operations are guided by the interpretation and application of rules and regulations issued by the:

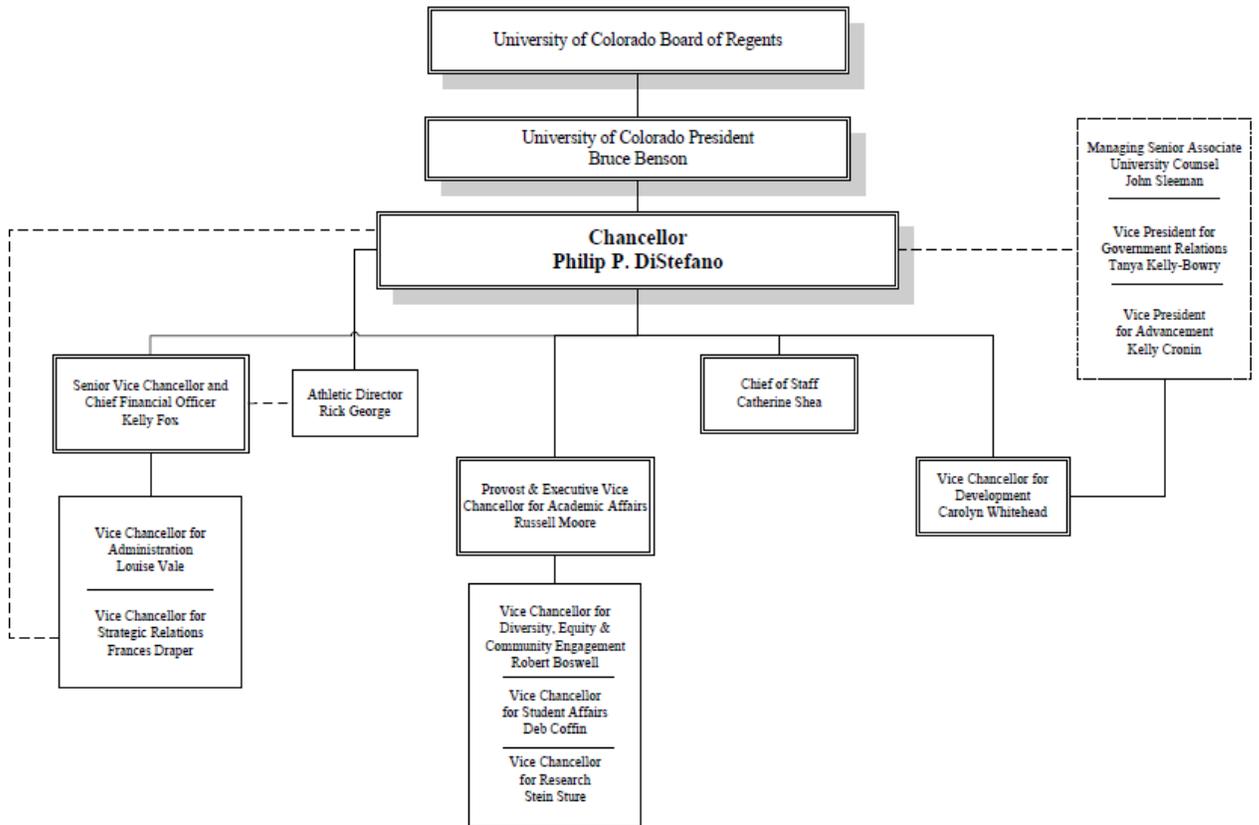
1. Government Accounting Standards Board ([\*GASB\*](#))
2. American Institute of Certified Public Accountants (AICPA) <http://www.aicpa.org/index.htm>
3. National Association of College and University Business Officers (NACUBO) <http://www.nacubo.org/>.

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**VI. BOULDER CAMPUS OPERATING ENVIRONMENT**

The Boulder campus is a highly decentralized organization. As seen in the following organization chart, under the direction of the Chancellor, the campus is divided into two major divisions: the Provost & Executive Vice Chancellor for Academic Affairs and the Senior Vice Chancellor & Chief Financial Officer. Reporting to the Provost are the Vice Chancellor for Student Affairs and the Vice Chancellor for Research & Dean of the Graduate School. Reporting to the Chief Financial Officer is the Vice Chancellor for Administration. The leadership of these entities works together to implement the strategic plan and execute the tactical operations necessary to carry out the mission of CU-Boulder.

**University of Colorado Boulder Office of the Chancellor**



For the most up-to-date organizational chart, [click here](#).

The campus organizational structure is further divided into smaller units. For example the Institutes, Colleges, and Schools, (along with their associated departments), and the Academic Support Units are found within the Provost and Executive Vice Chancellor for Academic Affairs area. The units associated with the Vice Chancellor for Administration, the department of Institutional Research,

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and the Budget and Finance operations are housed within the purview of the Senior Vice Chancellor and Chief Financial Officer.

- The organization chart for the Provost and for the Senior Vice Chancellor can be found online: <http://chancellor.colorado.edu/chancellors-administrative-organization>.

### **Some Closing Thoughts about the Financial Environment and UCB**

All operating departments on the Boulder campus are charged with utilizing the fiscal resources allocated to them to achieve their stated objectives. Thus, the responsibility for implementing fiscal controls resides at the departmental level. The financial transactions associated with each department's programs and activities are accumulated by the university's Finance System, and the resulting fiscal impact is summarized in the campus' financial reports