

FINANCIAL AND BUSINESS HANDBOOK



COLLEGES AND UNIVERSITIES

AND

HIGHER EDUCATION ENTITIES

STATE OF OKLAHOMA

May 2003

**OKLAHOMA STATE REGENTS
FOR HIGHER EDUCATION**

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FOREWORD

The purpose of this handbook is to serve as a guide for all persons who have an interest in the business and financial tasks that are required in the operation of higher education entities in the state of Oklahoma. This handbook is the result of the combined efforts of the business officers in the State System of Higher Education, the staff of the Oklahoma State Regents for Higher Education, and others who have an interest in the business and financial operations of public higher education entities in the state of Oklahoma.

This manual is to serve only as a guide. It should be used in conjunction with the official policies of the Oklahoma State Regents for Higher Education, the official policies of governing boards of regents for the various institutions, state policies and regulations, and state laws. In the event of any conflict with the procedures in this manual and those of the above mentioned, the above mentioned will have precedence.

Please note that some policies and statutory references are included in their entirety; whereas others are presented in summary form. Also, please note that amendments and revisions to policies and statutory citations contained in this document may occur after this edition has been printed. Up-to-date versions of polices are available on the various website addresses noted in this document. Persons relying on this document are encouraged to confirm the current status of specific statutory citations and regulatory pronouncements.

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1. INTRODUCTION

This handbook contains the procedures of the Oklahoma State Regents for Higher Education regarding budgeting and finance in The Oklahoma State System of Higher Education. It contains general information and definitions, which should be helpful to the user in gaining a better understanding of the accounting and budgetary procedures used in higher education. It is also designed to provide useful information regarding state laws relevant to the administration of fiscal affairs of colleges and universities in The State System. This information is not intended to provide legal advice. The applicability and interpretation of state laws should be determined in consultation with institutional legal advisors.

Please note that some policies and statutory references are included in their entirety; whereas others are presented in summary form. Also, please note that amendments and revisions to policies and statutory citations contained in this document may occur after this edition has been printed. Up-to-date versions of polices are available on the various website addresses noted in this document. Persons relying on this document are encouraged to confirm the current status of specific statutory citations and regulatory pronouncements.

Additional inquiries can be made to:

Oklahoma State Regents for Higher Education
Fiscal Office
655 Research Parkway, Suite 200
Oklahoma City, Oklahoma 73104
Phone 405.225.9100
<http://www.okhighered.org>

2. ETHICS POLICIES AND RULES

Officials and employees of institutions must be knowledgeable and are subject to the institution's internal ethics policies. In addition, business officers should be knowledgeable of the following ethics policies and rules.

2.1 Code of Ethics - National Association of College and University Business Officers

Institutions of higher education are entrusted by society with great resources and commensurately great responsibilities for creation, dissemination, and preservation of knowledge. College and University Business Officers (NACUBO) play a key role in assuring that high standards of ethical practice attend to the custody and use of these resources. The business officer's personal and professional conduct reflects on his or her institution, the collective profession, and the higher education enterprise at large. To guide business officers in setting and practicing high standards of ethical conduct, the National Association of College and University Business Officers (NACUBO) has devised the following Code of Ethics. NACUBO embraces the values expressed in this Code and advocates their observance by its members.

The business officer's conduct should be characterized by integrity and dignity, and he or she should expect and encourage such conduct by others. The business officer should adopt and be faithful to personal values that:

- accord respect to self and others;
- preserve honesty in actions and utterances;
- give fair and just treatment to all;
- accept intellectual and moral responsibility;
- aspire to achieve quality;
- refuse conflict, or the appearance of conflict, between personal and institutional interests; and
- engender forthright expression of one's own views and tolerance for the views of others.

The business officer should act with competence and should strive to advance competence, both in self and in others. The business officer should understand and support his or her institution's objectives and policies, should be capable of interpreting them within and beyond the institution, and should contribute constructively to their ongoing evaluation and reformulation.

The business officer should communicate to institutional colleagues the content of this Code of Ethics and should strive to ensure that the standards of professional conduct contained therein are met.

In discharging his or her duties in accordance with this Code of Ethics, the business officer should enjoy the following rights:

- the right to work in a professional and supportive environment;
- the right to have a clear, written statement of the conditions of his or her employment, procedures for professional review, and a job description outlining duties and responsibilities;
- within the scope of his or her authority and policy, the right to exercise judgment and perform duties without disruption or harassment; and
- the right of freedom of conscience and the right to refuse to engage in actions that violate the ethical principles contained in this Code and/or provisions of law.

2.2 Oklahoma Ethics Commission Rules

Officers and employees of institutions within the State System of Higher Education are subject to the Rules of the Oklahoma Ethics Commission as established in accordance with Article XXIX of the Oklahoma Constitution, and as such must be knowledgeable of such rules. Business officers in addition to other certain state officers and employees are required to file annually a Personal Financial Disclosure, Form F-1R or F-2R. These forms along with additional information and instructions are part of the Ethics Manual published the Ethics Commission. The Ethics manual can be obtained from the Oklahoma Ethics Commission office, and is available on-line at their website, <http://www.ethics.state.ok.us/home.html>.

Annual Personal Financial Disclosures are due April 30th and penalties may be assessed by the Ethics Commission for violation of the rules, including the filing requirement.

3. MANAGEMENT AND GOVERNANCE

In general, the management of an institution is the responsibility of the chief executive officer, typically referred to as a president, and his or her delegates. Prior to 1941, Oklahoma's governors played a direct role in appointing college presidents. Currently, institutional governing boards are responsible for hiring college presidents.

In Oklahoma, the Governor, with the advice and consent of the Senate, appoints the members of the various institutional governing boards, with one exception. The Oklahoma State Superintendent for Public Instruction, an elected official serves, by Statute, as an ex officio member of the Board of Regents of Oklahoma Colleges. It should also be noted that the President of the State Board of Agriculture, who is appointed by the Governor, serves as an ex officio member of the Board of Regents for Agriculture and Mechanical Colleges.

Each state has a different system of higher education governance. In Oklahoma, public higher education institutions are governed by the Oklahoma State Regents for Higher Education and the various governing boards for individual institutions or groups of institutions. The State Regents was established in the Oklahoma Constitution as the coordinating board of control of colleges and universities and the local governing boards are generally referred to as governing boards. Each of the institutional governing boards has responsibilities defined in Article XIII-A of the Constitution and/or in Title 70 of the Oklahoma Statutes.

3.1 The Coordinating Board of Control

The State Regents constitutes the coordinating board of control for all public higher education institutions in Oklahoma. It has the following specific powers:

1. prescribe standards of higher education applicable to each institution;
2. determine the functions and courses of study in each of the institutions to conform to the standards prescribed;
3. grant degrees and other forms of academic recognition for completion of the prescribed courses in all such institutions;
4. recommend to the State Legislature the budget allocations to each institution, and;
5. recommend to the legislature proposed fees for all of such institutions, and any such fees shall be effective only within the limits prescribed by the Legislature after taking due cognizance of expressed legislative intent (Oklahoma Constitution, Article XIII-A);
6. allocate funds to each institution according to its needs and functions from appropriations made by the Legislature;

7. coordinate private, denominational and other institutions of higher learning with the State System under regulations set forth by the State Regents.

Other powers and duties of the State Regents may be found in Title 70 O.S. 2001, Section 3206.

The functions of the institutions and constituent agencies are defined by the State Regents and may be found in the *Policy Manual* of the Oklahoma State Regents for Higher Education.

3.2 The Governing Boards

Three institutional governing boards were established by the Oklahoma Constitution and are referred to as “constitutional boards”. They are the Board of Regents of Oklahoma Colleges, the Board of Regents of the University of Oklahoma, and the Board of Regents for Agricultural and Mechanical Colleges. Currently, the three constitutional boards govern the following institutions:

Board of Regents of Oklahoma Colleges:

East Central University
Northeastern State University
Northwestern Oklahoma State University
Southeastern Oklahoma State University
Southwestern Oklahoma State University
University of Central Oklahoma

Board of Regents of the University of Oklahoma:

University of Oklahoma and its constituent agencies
Cameron University
Rogers State University

Board of Regents for Agriculture and Mechanical Schools and Colleges:

Oklahoma State University and its constituent agencies
Langston University
Oklahoma Panhandle State University
Connors State College
Northeastern Oklahoma A&M College

Other governing boards in the state were established by legislative action and are commonly referred to as “statutory boards”. Currently, statutory boards govern the following institutions:

University of Science and Arts of Oklahoma
Carl Albert State College

Eastern Oklahoma State College
Murray State College
Northern Oklahoma College
Oklahoma City Community College
Redlands Community College
Rose State College
Seminole State College
Tulsa Community College
Western Oklahoma State College

Other higher education entities and programs were established by legislative action and are governed by Boards of Trustees. Currently, statutory boards of trustees govern the following:

Ardmore Higher Education Program
McCurtain County Higher Education Program
Quartz Mountain Arts & Conference Center and Nature Park

The Oklahoma Constitution and/or the Oklahoma Statutes define the powers and duties of the various governing boards. These powers and duties generally follow the general responsibilities listed below as outlined in *College and University Business Administration* (CUBA) published by the National Association of College and University Business Officers:

1. determination of the institution's mission, if it is not set by the charter;
2. selection, appointment, supervision, and, when necessary, removal of the president and in some institutions, selection, appointment, supervision, and, when necessary, removal of the treasurer;
3. appointment and promotion of faculty and administrative officers, on the recommendation of the president;
4. approval of long-range plans;
5. approval of major policies;
6. approval of the operating and capital budgets;
7. assistance in raising private funds (a significant role in independent institutions);
8. overseeing the investment of endowment funds;
9. selection of the external auditor;

10. approval of certain legal transactions, including construction contracts, bond issues, and purchase and sale of real estate; and
11. assistance in representing the institution to the public.

In Oklahoma, the governing board has final authority on institutional matters unless otherwise delegated by the constitution or statutes.

As an example of how the Oklahoma Statutes define the powers and duties of the various governing boards, Title 70 O.S. 2001, Section 3510, as presented below defines such powers and duties for the Board of Regents of Oklahoma Colleges:

The Board of Regents of Oklahoma Colleges shall have the supervision, management and control of the University of Central Oklahoma, East Central University, Northeastern State University, Northwestern State University, Southeastern Oklahoma State University and Southwestern Oklahoma State University; and it shall have the following additional powers and duties:

- (a) *Adopt such rules and regulations as it deems necessary to govern each of the institutions under its jurisdiction;*
- (b) *Employ and fix the compensation and duties of such personnel as it deems necessary, including architects, attorneys, engineers and other professional and technical persons for its operation and for the operation of the institutions under its jurisdiction. Any of such personnel having custody of public funds or other public property may be required to furnish corporate surety bonds in such amounts as may be deemed necessary by the Board, payable to the State of Oklahoma and conditioned upon a faithful accounting of all such funds and property;*
- (c) *Enter into contracts, purchase supplies, materials and equipment, and incur such other expenses as may be necessary to make any of its powers effective;*
- (d) *Authorize officials at the several institutions under its jurisdiction to act in its behalf in the making of contracts, or in carrying out the powers conferred upon it;*
- (e) *Receive and make disposition of monies, grants and property from federal agencies, and administer the same in accordance with federal requirements;*
- (f) *Accept gifts of real and personal property, money and other things, and use or dispose of the same in accordance with the directions of the donors or grantors thereof;*

- (g) *Direct the disposition of all monies appropriated by the Legislature or by the Congress or derived from the sale of bonds or received from any other source by the institutions under its jurisdiction;*
- (h) *Acquire and take title to real and personal property in its name, on behalf of any of the institutions under its jurisdiction, and convey, exchange or dispose of, or otherwise manage or control, such property in the interest of such institutions, including the granting of leases, permits, easements and licenses over or upon any such real property. The Board shall have the power to institute any legal action in the name of the Board before any court having jurisdiction of such actions. The Board shall have custody of abstracts of title and instruments affecting the ownership of or title to real property acquired for or belonging to such institutions;*
- (i) *Have supervision and charge of the construction of all buildings at institutions under its jurisdiction;*
- (j) *Determine the need for and cause to be constructed dormitories and other buildings, on a self-liquidating basis, at any institution under its jurisdiction;*
- (k) *Establish and maintain plans for tenure and retirement of employees of the Board and of the institutions under its jurisdiction, and for payment of deferred compensation of such employees; and provide hospital and medical benefits, accident, health and life insurance, and annuity contracts, for such employees and their dependents. The Board may pay for all or a part of the cost thereof for employees, with funds available for the operation of the institution. Amounts payable by an employee for such insurance or annuity contracts may, with the consent of the employee, be deducted from his salary;*
- (l) *Maintain an inventory of all property belonging to each of the institutions under its jurisdiction;*
- (m) *Audit all accounts against the funds allocated to the institutions under its jurisdiction;*
- (n) *Provide penalties and forfeitures by way of damages and otherwise for the violation of rules and regulations of the Board, which may be sued for and collected in the name of the Board before any court having jurisdiction of such actions; and*
- (o) *Do all things necessary or convenient to carry out the powers expressly granted to it by Article XIII-B of the Constitution and the Statutes of Oklahoma, or to make institutions under its jurisdiction effective for the purposes for which they are maintained or operated.*

4. THE ANNUAL BUDGET

4.1 General

Guidelines for the fiscal affairs of The Oklahoma State System of Higher Education are promulgated through the Oklahoma Constitution, Oklahoma Statutes, State Regents policies and regulations, governing board policies, regulations, and administrative procedures and applicable Office of State Finance policies and procedures. A thorough understanding of the laws, policies, regulations, and procedures involved in the determination, implementation, and administration of the fiscal affairs of The Oklahoma State System of Higher Education is fundamental to the coordinated effort necessary to provide the best possible higher education system for the state of Oklahoma.

The Oklahoma State Regents for Higher Education are charged with the responsibility of determining the functions of higher education institutions within The State System in Article XIII-A of the Oklahoma Constitution. It further provides that appropriations made by the legislature for institutions in The State System shall be made to the State Regents, which shall allocate to each institution according to its needs and functions.

The legislature makes annual appropriations to the State Regents for the educational and general operating budgets of higher education institutions. The appropriations are made in consolidated form without reference to any particular institution. Title 62 O.S. 2001, Section 41.14 and Title 70 O. S. 2001, Section 3902 provide that the State Regents shall allocate to constituent institutions from the lump sum legislative appropriations and from the institutional revenues available for educational and general purposes, defined by law as revolving fund revenue, for educational and general needs and functions, and these funds may be expended according to statute. The statutes further provides that all educational and general revenues must be deposited, allocated, budgeted, allotted, and expended through Treasury funds and that the State Regents and the Office of State Finance shall mutually agree upon all forms and account classifications.

Article XIII-A, Section 3 of the Oklahoma Constitution provides for the allocation of funds by the State Regents to each institution according to its needs and functions. This provision is further identified by Title 70 O.S. 2001, Section 3206(f), (i), (j), and (m), which provides for allocations according to needs, acceptance of federal funds and grants, gifts, devises, bequests, and other monies and property from foundations, corporations, and individuals and the disbursement of them according to the requirements thereof. The cited references also provide that the State Regents shall "...exercise all powers necessary or convenient to accomplish the purposes and objectives of Article XIII-A of the Constitution of Oklahoma."

The purpose of the Division of Fiscal Affairs within the State Regents' office is 1) to provide support for the State Regents to accomplish their constitutional responsibilities and 2) to provide those administrative services to all other areas of the office operation relating to business affairs required to support the activities of the various operations of the State System.

Title 70 O.S. 2001, Section 3903 and Title 62 O.S. 2001, Section 41.14 make the publications of the National Association of College and University Business Officers and the manual of the National Committee on Standard Reports for Institutions of Higher Education legal guidelines for budgeting and accounting purposes. The latest edition of *College and University Business Administration (CUBA)* and the *Financial Accounting and Reporting Manual for Higher Education (FARM)* serve as the basic guides to Oklahoma higher education budgeting. The principles of budgeting and accounting are fully explained in these publications and can be referred to for a general understanding of budgeting and accounting in higher education.

4.2 Budget Submission

Each higher education institution is required to submit an annual budget to the State Regents by the middle of June of each year on Form SR-A3. This form is provided annually by the State Regents' office and is designed to reflect the estimated amounts for all budget functions to be received and expended during the fiscal year for all budget functions. The budget thus shows a unified educational and general budget for the institution for the fiscal year. Prior to final approval by the State Regents, each institution shall have submitted its budget request and received approval from the appropriate institutional governing board.

4.3 Budget Categories

The annual budget encompasses three broad areas: 1) Educational and General Budget-Part I; 2) Educational and General Budget-Part II; and 3) Auxiliary Budget.

4.3.1 E & G - Part I

The Educational and General Budget - Part I is the primary budget of the institution. It reflects the various sources and uses of funds planned to support the primary mission of the institution. A general guide to classification of items is that all educational and general programs properly belong in the regular educational and general budget unless specific provision is made for special classification. This guide anticipates that revenues generated from all educational and general programs will be considered as revolving fund income to support the educational and general budget unless specific provision is made for special classification.

4.3.2 E & G - Part II

The Educational & General Budget - Part II reflects educational and general activities budgeted as sponsored research and other sponsored programs. In The State System, provision has been made for special classification of sponsored research and other sponsored programs meeting selected criteria established by the State Regents (*State Regent's Policy and Procedure Manual, Part II - Chapter 4*). These programs give rise to income to pay direct costs of the programs. This income is not considered in projecting revolving fund income estimates for E & G - Part I. Programs given this special classification do, however, absorb administrative overhead and other indirect resources from the primary budget (E & G - Part I) functions. Cash reimbursement for such expenses should be made to the institution's E & G -

Part I revolving fund in the same manner as for auxiliary enterprise indirect expenses as explained below. Overhead reimbursements to the regular educational and general budget are properly included in revolving fund income estimates for E & G - Part I.

To be classified as sponsored research or other sponsored programs, activities must be educational and general in nature, unique to the institution in comparison with regular activities at similar institutions in The State System, not a regular activity assigned by the State Regents, of a contract or grant agreement nature, and fully self-supporting. All programs supported by sponsors are not necessarily classified as sponsored research or other sponsored programs (i.e. endowed chairs, which are sponsored by private donation and matching public funds, with distribution of interest earnings only by policy). Support for programs that are normally anticipated as a regular function of the institution is regular revolving fund revenue and the programs would be classified in the appropriate E & G - Part I budget function.

Items classified as sponsored research or other sponsored programs must be fully self-supporting. This is in keeping with the principle that any activity to be underwritten by general resources of the state constitutes an assigned program and properly belongs in the regular educational and general budget. Funds for expenditures for sponsored research and other sponsored programs must come from external sources and not from regular educational and general budget funds to be reimbursed by the contracting or granting agency. This is in keeping with the principle that regular educational and general budget funds support only assigned programs of the institution. Activities budgeted through sponsored research and other sponsored programs must be in addition--either in type or in extent and quantity--to those that would prevail in the institution without the contract or grant agreement.

Fund number 430 is used for sponsored research and other sponsored program allocations. Since all sponsored research and other sponsored program projects allocations and allotments for an institution are entered in the same budget office fund, the institution maintains internal fiscal control over the expenditures on each project to determine financial data with respect to individual projects.

The State Regents allocate and allot E & G - Part I and E & G - Part II funds in the same manner.

4.3.3 Auxiliary Budget

An auxiliary enterprise is generally defined as a self-supporting activity that provides services to students, faculty and/or staff. Auxiliary units charge fees for their services. The fees relate to, but are not necessarily equal to, the cost of the service (CUBA, 1992). The Auxiliary Budget is included in the annual budget to the State Regents so that funds to operate such activities (auxiliary enterprises) may be allocated and allotted in lump sum for expenditure through the 700 Fund, which is an agency special account (explained below).

In general, the various governing boards may establish and operate auxiliary enterprises. These enterprises include dormitories, student housing, cooperative group housing, adult education facilities, kitchens, dining halls, auditoriums, student union buildings, field houses,

stadiums, public utility plants, and systems for the supplying of water, gas, heat, or power to the governed institution, and other self-supporting projects and other revenue producing buildings deemed necessary by the governing board for the comfort, convenience, and welfare of their students and suitable for the purposes for which the institutions were established. (Title 70 O.S. 2001, Sections 3305, 3412, 3510, 3606, 3706, 3806, and 4001.)

The educational and general funds of the institution may not be used to subsidize auxiliary enterprises. While law does not explicitly prohibit it, the auxiliary enterprises should not be called upon to provide support for the educational and general activities of the institution. To do so would in effect charge persons utilizing the auxiliary enterprises to provide an educational subsidy for persons who did not utilize them. (Title 70 O.S. 2001, Section 3901)

The major area of difficulty in determining the delineation between educational and general activities and auxiliary enterprises lies not in allocating revenues or direct expense, but in properly allocating indirect expenses. As generally conceived, indirect expenses are those that are incurred for the benefit of more than one function or unit of an institution and may be related to the institution as a whole. Indirect expenses that may benefit both the educational and general activities and the auxiliary enterprise activities include those for institutional support, academic support, student services, general expense, and the operation and maintenance of physical plant. In order to determine accurately the use of funds in accordance with the criteria outlined above, allocation of indirect expense must be properly made. While it is possible that auxiliary enterprises may bear indirect expenses that ultimately benefit of the educational activities, the usual flow is in the opposite direction. Thus, as the indirect expenses paid by the educational and general sector of the institution that are allocable to the auxiliary enterprise sector are determined, cash reimbursement should be made to the revolving fund of the educational and general sector.

In the event the allocable charge can be determined in advance of the payment for the indirect expense, it would be appropriate for each sector to pay directly for its proportionate expense. The advantage of the latter procedure under current budgetary and accounting procedures is that the total cash flow of revenue and expenditures of the institution as a whole would more accurately reflect the volume of physical flow of goods and services for the institution.

4.4 Determination of Budget Needs

4.4.1 Guidelines and Approach

The Oklahoma Constitution, Article XIII-A, Section 2, specifies with respect to the Oklahoma State Regents for Higher Education that "...it shall recommend to the State Legislature the budget allocations to each institution..." In order to fulfill this Constitutional requirement, the State Regents engage in extensive and continuing research and evaluation involving budgetary needs in The State System as a basis for the recommendation made to the Legislature.

Budget needs are based on functions and programs, enrollments, and number of faculty needed. To determine these basic factors and to develop budget needs based upon them, the State Regents maintain continuing programs of basic research and evaluation. In addition, the

State Regents conduct specific research in conjunction with development of each State System budget presented to the legislature. Included in this research are such projects as faculty salary studies, enrollment projections, student-faculty ratios, and revolving fund income estimates. As a result, a set of guiding principles is developed. These principles, which may be modified from one budget period to the next, provide broad guidelines to the specific development of needs for the budget year.

4.4.2 Budget Survey

One of the sources of information the State Regents use in determining budget needs is each institution's detailed estimate of needs, which is provided to the State Regents in the fall of each year. This is done by completion of a needs survey on a form provided by the State Regents.

The State Regents prepare and distribute to each institution materials to guide them in the preparation of its estimate of needs document. Included in the materials are the statement of guiding principles, and forms on which to present basic data.

Each agency completes the forms for return to the State Regents. Data included on the forms are determined independently by each institution from its own resources with reference to the guiding principles governing the budget year. Data developed in this manner provide the State Regents with an independent source of information, as further aid to their research in budget needs development.

4.4.3 Finalizing the Budget Proposal

The State Regents review and analyze, in detail, the budget needs proposals submitted by each institution. The data are analyzed for general applicability in accomplishing functions of The State System. Specific items of information are identified and considered with similar items derived from the results of the State Regents' research in making final budgetary decisions.

In September, the State Regents' staff completes the review and research of various factors bearing specifically on the budget year being developed. The completion of this work provides data which, when combined with data resulting from the institutions' budget needs proposals, becomes the basis from which projections are made into the budget year and needs for that year are determined. Thus, enrollment projections are made for each institution; proposed student-faculty ratios are determined; competitive salary averages are projected; required outlay for other budgetary functions such as organized research, physical plant maintenance and operation, etc. are projected; and, estimates of revolving fund income for all institutions are made.

4.4.4 State Regents' Adoption and Publication of the Budget Needs

Culmination of the procedures and activities above provide the comprehensive budget needs of The Oklahoma State System of Higher Education for the budget year. At the September meeting, the State Regents formally consider and adopt the budget. The approved budget needs

are compiled in the *Budget Needs Document*. As directed, by October 1 of each year, the budget needs are presented to the Director of State Finance and to the Chairman and Vice Chairman of the Joint Legislative Committee on Budget and Program Oversight. (Title 62 O.S. 2001, Section 41.29). The budget needs are presented to the legislature for consideration when it convenes on the first Monday in February of each year.

4.5 Recommendation of Budget Needs to the Legislature

4.5.1 Procedures

The State Regents' responsibility for presenting recommendations to the legislature continues beyond the distribution of the *Budget Needs Document* to each legislator. The State Regents, acting through the Chancellor and his designated staff members, actively pursue the budget needs recommendation through the legislative process until the appropriation to the State Regents is passed by the legislature and signed by the Governor.

Beginning with the initial distribution of the budget needs document to each legislator; the Chancellor actively seeks opportunities to follow up the distribution with additional explanations, information, and elaborations. Normally, the Education Committees and the Appropriations and Budget Committees of the House of Representatives and the Senate invite the Chancellor to appear at one or more budget hearings to aid in their understanding and evaluation of the needs of The Oklahoma State System of Higher Education. Individual legislators are also provided explanations of the budget needs as they seek information from the State Regents' office.

4.6 Legislative Action on Recommendation of Budget Needs

4.6.1 Appropriation of Funds

Normally, on or before the end of each legislative session, one or more appropriation bills are passed by the legislature and are then advanced to the Governor for his/her signature. The legislature will have considered the recommendations of the State Regents and made its final determination as to the amount of monies available for higher education. Once signed by the Governor, a bill becomes law and the appropriation of funds is made for The Oklahoma State System of Higher Education.

4.7 State Regents' Action on Budget Needs

4.7.1 Allocation of Funds

In keeping with the provisions of Article XIII-A, Section 3 of the Oklahoma Constitution and Title 70 O.S. 2001, Section 3903(a), the Oklahoma State Regents for Higher Education make allocations of both state-appropriated funds and revolving funds for the support of the educational and general budget. As noted elsewhere herein, revolving funds include other sources of revenue such as tuition and fees. An allocation is also made for 700 Funds (agency special accounts), which are explained in further detail later. The allocations are made in lump

sum, according to each institution's needs and functions, and are based on its approved institutional budget. Allocations are made by formal resolutions of the State Regents.

Notification of the amounts of state-appropriated and other revolving funds allocated within The State System is made to each institution and to the Office of State Finance in the form of formal written resolutions. The resolutions specify the amounts allocated to each Institution/entity, the source of the funds, and the legal authority for the allocation. With the allocation notification is included information setting the date by which the agencies submit the budget forms for allotment purposes showing the proposed budget by function/activity, department, position, and object.

4.7.2 Allotment of Funds

Form SR-A3 was developed to assist the State Regents in procedurally implementing the legal requirements with respect to allotments (Title 62 O.S. 2001, Section 41.9 and Title 70 O.S. 2001, Section 3903). This form constitutes the institution's budget as a basis for allotments. It contains all of the elements specified in the citations above.

There are three specific budget areas contained in the SR-A3. These are the 1) Educational and General Budget - Part I--Primary Budget (E&G -Part I), 2) Educational and General Budget Part II--Sponsored Budget (E&G - Part II), and 3) Auxiliary Budget--700 Fund/Agency Special Account. The form is divided into Schedules A, B, C, E and F for E&G - Part I; Schedules A, B, and C for E&G - Part II; and, Schedule G for the 700 Fund/Agency Special Account. Schedule A presents a summary of educational and general expenditures by function (activity). Schedule B presents a summary of educational and general expenditures by object. Schedule C presents a report of educational and general income by source, expenditures, and unobligated reserve.

In accordance with the statutory provisions cited above, the institution's budget, as a basis for allotment, is submitted to the State Regents preceding the beginning of the fiscal year. The State Regents analyze the proposed expenditures for conformity to the institution's functions, programs, and the timing of availability of funds. The accepted budgets are formally approved at the State Regents' June meeting and serve as the basis for allotment. Title 62 O.S. 2001, Section 41.14(f), provides that "The Regents shall file approved requests of constituent institutions with the Division of Central Accounting and Reporting and such approved requests shall be entered on the records of the State in the same manner as is provided in this act for other agencies of the state." Institutions are responsible for entering their approved budget into the State budget system. The budget is entered as presented on Schedule F of the SR-A3. The State Regents staff review, approve and transmit the budget to the Office of State Finance. Copies of the approved budgets (referred to as the budget work program) are filed with the Office of State Finance prior to July 1, which then records the allotment by budget function/activity for the budget year. The work program must be accompanied by organizational charts for the institutions, a statement of mission and program objectives. (Title 62 O.S. 2001, Section 41.7c)

The educational and general budget is similar to the operating budgets for all state agencies in that it is limited to one fiscal year. Therefore, any portion of the budget not used during a fiscal year lapses at the close of that fiscal year, June 30. Consequently, with the exceptions specified below, all obligations incurred during a fiscal year are entered as encumbrances against available unencumbered allotment balances prior to the close of business June 30. The only exceptions to use of unencumbered balances subsequent to June 30 are payments of certain "nonencumbrance" items representing obligations incurred prior to July 1 but not of the type for which encumbrance documents are issued. These items include payments for personal services performed prior to July 1, reimbursable travel performed prior to July 1, and similar type expenditures.

4.8 Change of Needs and Budget Revisions during the Year

4.8.1 Procedures

Exercise of competent planning in the original budget and careful adherence to the planned activities keeps the need for budget revisions during the fiscal year to a minimum. It is recognized, however, that circumstances may justify budget function revisions that require allotment changes without changes to the total budget allocation. An institution faced with the need for this type of budget revision must file a letter of request for the budget revision with the State Regents. The explanatory request serves as a transmittal letter for the revised budget Form SR-A5. This form can be obtained by contacting the State Regents' office. Only those schedules affected by the revision should be filed. In all cases, Schedules A and F will be filed. If changes in objects of expenditure are to be made, Schedule B is also filed. If changes in revenues are known, Schedule C is also filed. Upon approval by the State Regents, institutions are responsible for entering their revised budget into the State budget system, a copy of the revised Schedule F is filed with the Office of State Finance and becomes the basis for subsequent allotment activation. The approved revised budget becomes the new guide to the institution in its program of expenditures.

4.8.2 Supplemental Allocations and Allotments (Revised Budget)

As a general rule, the budget approved at the beginning of the fiscal year encompasses the designated workload of the institution for that fiscal year. In exceptional cases, institutions find it necessary to request supplemental allocations from revolving funds to modify that workload.

Collections of revenues by an institution in excess of the amounts anticipated and allocated by the State Regents would normally remain in the revolving fund for allocation and allotment, as needed in future fiscal years. If, however, sufficient need exists in the current year for supplemental allocations of revolving funds, and if sufficient revenues are available either from prior years' surplus or from current year's income, the institution may request a supplemental allocation.

This request, in the form of an appropriate explanatory letter from the president of the institution, is submitted to the State Regents for consideration. The supplemental requests are reviewed and approved by Regents' staff and ratified by the State Regents at the next

scheduled meeting. (State Regents' *Policy Manual, Part II - Chapter 4, Delegation of Authority*). As explained below, the funds are budgeted and allotted in order to be encumbered and expended.

Following or in conjunction with the supplemental allocation, the institution must file a revised educational and general budget as a basis for allotment. The revised budget is filed with the State Regents on Form SR-A5 Schedules A, B, C, and F as explained above. Upon approval of the revised budget, the institution must enter the revised budget into the State budget system and the State Regents will file a copy of the approved revised budget with the Office of State Finance where the revised Schedule F becomes the basis for subsequent allotment activation. The approved revised budget becomes the new guide to the institution in its program of expenditures.

4.9 Revenue Shortfalls and Reductions in Allocations

Title 70 O.S. 2001, Section 3903(g) states that "...Upon receipt of notice from the Director of State Finance of a necessary reduction in the consolidated, or lump-sum appropriation, to meet a failure in revenue, the State Regents shall immediately take action to control the approval of subsequent allotment requests sufficient to make the aggregate reduction in allotments of all constituent institutions under their control equal the amount of reduction ordered against the lump-sum appropriation made by the Legislature. Such reductions against the lump-sum appropriation shall not exceed the percentage reduction ordered against other agencies of the state, in accordance with Section 23 of Article X of the Oklahoma Constitution."

When notice of a revenue shortfall is received from the Office of State Finance, the State Regents staff will calculate the effect of such shortfall and give notice to institutions of the change in allocations resulting from the shortfall. Institutions must file a revised educational and general budget, reflecting the reduction, as a basis for allotment. The revised budget is filed with the State Regents on Form SR-A5 Schedules A, B, C, and F as explained above. Upon approval of the revised budget, the institution must enter the revised budget into the State budget system and the State Regents will file a copy of the approved revised budget with the Office of State Finance where the revised Schedule F becomes the basis for subsequent allotment activation. The approved revised budget becomes the new guide to the institution in its program of expenditures.

5. FUNDS, ACCOUNTS, AND CODING

5.1 General

The State Treasurer is the official depository for all monies of every kind received by any state officer, board, commission, or an employee of either of such state officers, boards, or commissions by reason of the existence of the state agency. All money in the State Treasury is classified into one of two broad categories. These two categories are 1) treasury funds and 2) agency special accounts. Cash received by institutions in The State System are identified according to the purpose for which they were received. Such identification provides the basis for classification as either treasury funds or agency special accounts. Educational and general money is required by state law to be deposited into treasury funds. Certain cash items, trust accounts, and agency accounts are also maintained in treasury funds. Cash from other sources is deposited with the State Treasurer in one or more agency special accounts.

Upon request by an institution, the Special Agency Account Board, acting in conjunction with the Oklahoma State Regents for Higher Education, approves and establishes special agency accounts. The Special Agency Account Board consists of the Director of State Finance, the State Treasurer and the Director of the Legislative Services Bureau (Title 62 O.S. 2001, Sections 7.1 through 7.5 and 74; also Title 70, O.S. 2001, Section 3902).

5.2 Overview of Funds

5.2.1 Revolving Funds

There are two revolving funds for each institution (Title 70 O.S. 2001, Section 3901). First, the Educational and General Operations Revolving Fund consists of appropriations made by the legislature and income received from student fees, sales and services of educational departments and all other income available to the institution for educational and general purposes as defined by NACUBO. Second, the Capital Improvements Revolving Fund consists of any appropriations or other allocations made for such purposes. Revolving funds may be used for any educational and general purpose when allocated and allotted as provided by the State Budget Law of 1947 (Title 62 O.S. 2001, Section 41.14). Generally, all revolving funds are identified as 200 funds.

The State Regents' *Policy Manual, Part II - Chapter 4, "Policy Relating to Revolving Funds"* should be reviewed as it sets forth additional rules and procedures for the State Regents and institutions in the administration of the Revolving Fund Law, including the requirement for maintaining a reasonable reserve in the revolving fund at year end.

5.2.2 School Land Funds (Section 13 and New College Funds)

These funds arise from provisions of the Enabling Act and statutory enactment for the setting aside of certain lands for the support of educational institutions. There are two Treasury Funds, which are 1) the Section 13 Fund identified as 600 funds and 2) the New College Fund

identified as 650 funds. Only certain colleges and universities are eligible to receive these funds. Monies from these funds may be expended for educational purposes as allocated and allotted by the Oklahoma State Regents for Higher Education. In making such allocations and allotments, the State Regents consider the State Budget Law enacted in 1947 which provides, in addition to existing laws, that the institutions eligible for participation in the Section 13 Fund and the New College Fund may expend monies in such funds from time to time as needs arise for the construction and purchase of buildings, for the purchase of equipment, and for other capital additions or improvements (Title 70 O.S. 2001, Section 3904). See additional information on Section 13 Funds and Section 13 Offset Funds at section 7.5.1 and 7.5.2 of this handbook.

5.2.3 Cash Funds

Money deposited in a cash fund is designated for a specific purpose. There are two major types of these funds. One type is the proceeds from special legislative appropriations (e.g., appropriation of proceeds from the sale of state building bonds). The other type is non-appropriated cash collected for a specific purpose (e.g., auxiliary enterprises payroll fund). These funds are identified as 400 funds.

5.2.4 Sinking Fund

Money deposited in the State Treasury for the retirement of bonded indebtedness is identified as a sinking fund. Revenue for this purpose is derived primarily from the operation of self-liquidating properties and the collection of specific fees authorized for bond retirement. These funds are identified as 800 funds, utilizing fund numbers 801-899. (Fund 800 is reserved for claim consolidation discussed later in this section.)

5.2.5 Trust and Agency Fund

Money received by an institution to which the institution does not acquire title creates a trust relationship between the institution and the owner of the money. The institution may also act for the owner of the money so collected with respect to its disbursement. In this case, the institution acts as an agent for the owner. Among the trust and agency funds created in the operation of colleges and universities is that with respect to payroll deductions made for its employees for such things as personal savings, bond purchases and insurance premiums. Such withholdings are placed in a treasury fund. These funds are identified as 900 funds.

5.2.6 Agency Relationship Fund

This fund is specifically designated for the deposit of money to support sponsored research and other sponsored programs of the institution. The primary source of cash for this fund is the federal government, through its various agencies and subdivisions. These funds are identified as 700 funds.

5.2.7 Claim Consolidation Fund

The claim consolidation fund is identified as an 800 fund. This fund is used on a limited basis by larger entities and is used to consolidate multiple invoices/claims for a single vendor to streamline the payment process.

5.3 Accounts

5.3.1 Agency Clearing Account

Each institution in The State System has an agency clearing account. Each institution deposits daily into the agency clearing account, agency special account, or state treasury fund all monies collected that day. At least once each month, each institution shall transfer monies deposited in the agency clearing account to the various funds or accounts, subdivisions of the state, or functions as may be provided by statute and no money shall ever be disbursed from the agency clearing account for any other purpose, except in refund of erroneous or excessive collections and credits (Title 62 O.S. 2001, Section 7.1 E).

The transfer of monies from the institutional clearing account to the respective funds can most efficiently be processed through the *Automated Check Entering System (ACES)* of the Office of State Finance.

5.3.2 Agency Special Accounts

Cash received and expended for other than educational and general purposes and not specified above as a treasury fund item may be deposited and accounted for in agency special accounts in lieu of being placed in treasury funds (Title 62 O.S. 2001, Section 7.2). Disbursements from agency special accounts are made through the allocation and allotment process. Information concerning receipts, disbursements, and balances of all agency special accounts is maintained in the records of the State Treasurer and Office of State Finance (Title 62 O.S. 2001, Section 7.3). The figure seven (7) appearing as the first digit of the three-digit fund code identifies agency special accounts.

5.4 Coding

Title 62 O.S. 2001, Section 7.5 authorizes and directs the Office of State Finance to classify funds, and to prescribe the manner of issuance of checks or warrants against each class of funds to accomplish the purpose for which each fund was created. All transactions processed through Office of State Finance will be identified by fund, agency and account number code (FAAC). The Office of State Finance provides guidance to budgetary and accounting procedures (*Office of State Finance Procedures Manual* and *Division of Central Accounting and Reporting Periodic Letters-DCARS*). It is recommended that these guides be consulted.

5.4.1 Account Classification

The account classification for the Oklahoma State Regents for Higher Education shall conform as nearly as possible to the classification of accounts recommended by the National Committee on Standard Reports for Institutions of Higher Education (Title 62 O.S. 2001, Section 41.14).

5.4.2 Allocations and Allotments

Allocations identified by fund are made to institutions for the fiscal year. Subsequent allotments are made by specific identification of the budget activity from which expenditures are made. Allotments classifications are identified on Schedule F of the SR-A3. The allotment accounts consists of the agency/institution number (first three digits), the fund number (second three digits) and the activity account code (the final six digits). The first two digits of the activity accounts code (AA) refer to the appropriation number (00 for all Continuing Funds). For institutions this will always be 00. The second two digits (BB) refer to the fiscal year for which the monies were budgeted. The final two digits (CC) refer to the activity number. The allotment activity accounts codes for the fiscal year 2002-03 were as follows:

	AABBCC	
<u>E&G Part I</u>		
Instruction	00 03 11	} Starting FY 2004 all E&G Part I activities will be combined into one reporting activity 01 for OSF reporting purposes. The allotment code will be 00 04 01.
Research	00 03 12	
Public Service	00 03 13	
Academic Support	00 03 14	
Student Services	00 03 15	
Institutional Support	00 03 16	
Oper & Plant Maint	00 03 17	
Scholarships	00 03 18	
<u>Total E& G Part II</u>	00 03 21	

5.4.3 Fund Codes

A coding system is used by the Office of State Finance to identify the various funds. Refer to the Office of State Finance publications cited above for additional information regarding fund codes. This coding system uses a three-digit series. The first digit identifies the type of fund. The second and third digits identify the fiscal year or other identifier. The 100 series classification identifies general revenue funds. The 200 series classification identifies revolving funds, with 290 identifying general revolving funds and 295 identifying capital revolving funds.

All cash funds are identified by the figure four (4) as the first position of the three-digit fund code. These funds are divided into to groups: 1) non-appropriated cash funds for a specific purpose and 2) appropriated cash funds from state building bonds. All cash funds for an individual institution are then serially numbered in the second position of the fund code with the following exceptions. The digit four (4) in the second position is reserved for state building bond funds and payroll trust funds. For state building bond funds, the third position

of the fund code is used to indicate the fiscal year. The code 430 is reserved for sponsored research and other sponsored programs and code 450 is reserved for the master lease fund.

Section 13 and New College Funds are identified by the figure six (6) as the first position of the three-digit fund code. These funds are divided into two groups: 1) Section 13 Funds and 2) New College Funds. Section 13 Funds are identified by the figure zero (0) in the second position of the fund code. New College Funds are identified by the figure five (5) in the second position of the fund code. There is not a fiscal year designation on these funds since they are non-fiscal funds (monies not limited to an annual budget or fiscal year).

The 700 series classification identifies agency special account funds. This category includes cash received and expended for other than educational and general purposes.

All sinking funds are identified by the figure eight (8) as the first position of the three-digit fund code. Individual sinking funds are serially numbered in the second position of the fund code.

The 900 series classification identifies trust and agency funds. This category includes monies received by an institution to which it does not acquire title, which creates a trust relationship between the institution and the owner of the monies.

Following are the fund codes used by higher education:

100	Constitutional Reserve Fund
1XF	General Revenue Funds
2XX	Revolving Funds (290 - General Revolving Fund; 295 - Capital Revolving Fund)
4XX	Special Cash Funds (430 - Sponsored Research and Other Sponsored Programs; 450 - Master Lease Fund)
6XX	Land Grant Funds (600 - Section 13 Funds; 650 - New College Funds)
7XX	Agency Special Account Funds
800	Claim Consolidation Fund
8XX	Sinking Funds
9XX	Trust and Agency Funds

*Note: F= Fiscal Year
X= Assigned*

In the records and reports of the Office of State Finance, fund codes and account codes are identified with each institution by use of a three-digit agency code number which precedes the fund code on financial documents, records, reports, etc. Each institution is assigned an agency code number by the Office of State Finance following its creation.

5.4.4 Prime Accounting Code

A multi-digit account code is used by the Office of State Finance to identify funds and accounts within state agencies. The code consists of twenty (20) numerical digits separated into six (6) identifying units. An example of such a code is AAA-B-CC-DDD-EEFFGG-HHHHH. This prime accounting code appears on various financial documents, records, reports, etc. and serves as the identifier for proper classification of funds. The identifying units are:

1. AAA, the specific fund
2. B, the function of government (This will automatically be a “2” for the Education Function – not required for transaction processing)
3. CC, the Cabinet (This will automatically be “04” for Department of Education – not required for transaction processing)
4. DDD, the specific institution’s or entity’s agency number
5. EEFFGG, the specific activity account (as discussed in 5.4.2 above)
6. HHHHH, the specific sub-activity

5.4.5 Object Codes

Expenditures are coded according to a six (6) digit object code. The first digit of the object code identifies a particular type of sub-category of expenditure. The second, third and fourth digits identify the major category of expenditure. The fifth and sixth digits are optional and can be used for agency specific use. Refer to the Office of State Finance publications cited above for specific categories of expenditures.

5.4.6 Income Codes

All monies collected by higher education institutions and constituent agencies are deposited in either State Treasury fund accounts, agency clearing accounts, or agency special accounts in accordance with state law. When money is deposited directly into State Treasury fund accounts or when it is transferred from an agency clearing account to a fund in the State Treasury, the deposit shows the source of the money deposited. Each of the above major series of codes is further subdivided into specific income sources. The Office of State Finance procedures manual includes a detailed listing of revenue titles and code numbers for identification of specific revenues. Refer to the Office of State Finance publications cited above for specific income source codes.

6. INVESTMENT OF INSTITUTIONAL FUNDS

6.1 General

The State Regents for Higher Education have responsibility for developing uniform guidelines and criteria for all institutions in the higher education system as set forth in Title 70 O.S. 2001, Section 3906, "It is the intent of the Legislature that the Oklahoma State Regents for Higher Education establish uniform standard guidelines and criteria for all institutions of The Oklahoma State System of Higher Education for all special accounts, special agency accounts, or any other funds and for expenditures from such funds and accounts."

In the absence of specific statutory directives concerning investment of monies by institutions of higher education, the State Regents' *Policy Manual, Part II, Chapter 4*, addresses the investment of Agency Special Funds and federal funds.

6.2 Allowable Monies for Investment

Allowable monies for investment shall include all monies residing in the Agency Special Fund and Agency Relationship accounts that are not required by law to be invested by the State Treasurer.

6.3 Allowable Investment Instruments

Allowable investment instruments shall include those permitted for the investment of state monies, as enumerated in Title 62 O.S. 2001, Section 89.2(A):

1. Obligations of the United States Government, its agencies and instrumentalities;
2. Collateralized or insured certificates of deposit and other evidences of deposit at banks, savings banks, savings and loan associations and credit unions located in this state;
3. Negotiable certificates of deposit issued by a nationally or state-chartered bank, a savings bank, a savings and loan association or a state-licensed branch of a foreign bank;
4. Prime banker's acceptances which are eligible for purchase by the Federal Reserve System and which do not exceed 270 days' maturity;
5. Prime commercial paper, which shall not have a maturity that exceeds 180 days nor represent more than ten percent of the outstanding paper of an issuing corporation;
6. Investment grade obligations of state and local governments;

7. Repurchase agreements that have underlying collateral consisting of those items and those restrictions specified in paragraphs 1 through 6 above; and
8. Money market funds regulated by the Securities and Exchange Commission and which investments consist of those items and those restrictions specified in paragraphs 1 through 7 of this subsection.

6.4 Written Policy Required

Investments of allowable monies shall be made in accordance with written policies approved by the governing board of each institution or agency. The written investment policy shall address liquidity, diversification, safety of principal, yield, maturity and quality and capability of investment management, with primary emphasis on safety and liquidity. Provision shall be made for institutional officials authorized to make investments, for reporting and documentation of investments, and for selection of financial institutions.

To the extent practicable, the institutions' investment policies shall include provision for utilization of a system of competitive bidding in the investment of state funds. Such system shall be designed to maximize yield within each class of investment instrument, consistent with the safety of the funds invested. Institutions and agencies may invest allowable monies through the Office of the State Treasurer or, provided a higher return on the investment can be earned, with other financial institutions.

Interest income from investments made by the State Treasurer shall accrue to the Agency Special Fund or fund from which the investment was made, in accordance with the provisions of Title 70 O.S. 2001, Section 3906. Each institution and agency shall develop an interest-income distribution plan to ensure that investment income shall be deposited to the source generating the principal invested.

7. CAPITAL FUNDS

7.1 General

In developing the capital budget needs for recommendation to the legislature, the Oklahoma State Regents for Higher Education conducts extensive research of existing and projected needs for capital expenditures on each campus in The State System.

Each institution in The State System develops a long-range Campus Master Plan. This plan projects space needs in terms of assignable square feet of building space, which are reduced to specific construction projects. The projects, interpreted in terms of cost factors and institutional priorities, provide the basis for State Regents' approval of capital improvement outlay at institutional campuses.

7.2 Campus Master Plan

7.2.1 Procedure

Each institution shall maintain a Campus Master Plan that includes proposed or prospective capital projects. The planning period should be a minimum of five (5) years. The information to be included in the Campus Master Plan is determined by the Long Range Capital Planning Commission (LRCPC) in conjunction with the State Regents. The purpose of the LRCPC is to advise and assist the legislature in providing for capital facilities in the state (Title 62 O.S. 2001, Sections 900 and 901). The LRCPC is responsible for compiling the *Annual State Capital Plan*, a five-year plan for submission to the legislature by December 1 of each year. The State Regents annually set the date that institutions must submit their Campus Master Plan for inclusion in The State System plan. The plan is compiled and presented to the LRCPC by October 1 each year. The local governing board of each institution must approve the institution's Campus Master Plan prior to submitting it to the State Regents.

Information to be provided in the Campus Master Plan includes but is not limited to:

<u>Self -Funded Projects</u>	<u>Projects Requesting State Funding</u>
Agency Number	Type of Building Construction
Agency Name	Justification of Project
Project Number ^a	Agency Benefit
Project Name	Legal Obligations or Mandates
Project Location	Supplemental Request
Area Served – County(s)	Source of Previous Funding

House District	Technological Advancement
Senate District	Effect of Delaying Project
Sub-State Planning District	Cost Estimate Information
Congressional District	Square Footage Information
Useful Life	Fiscal Impact
Priority	Criteria Rating Scale
Sources and Uses of Funds	
Description of Source of Funds	
Contact Person	
Contact Phone Number	
Additional Comments	

- (a) The project number has seven digits with the first three being the agency number and the next four identifiers of the project. Project numbers are not to be reused when a project is completed and removed from the Campus Master Plan, unless the fiscal year is identified in the number scheme which would provide a uniqueness to projects with the a number that could also be identified in a historical comparison.

The Campus Master Plan information is submitted through electronic, web-based interfacing with the budgetary system of the Office of State Finance. Contact the State Regents Fiscal Office for training and access to the system.

7.3 Capital Outlay Costs

Capital outlay expenditures for buildings and other structures should include payment for legal, architectural, and engineering fees, cost of surveys, permits, test drillings, and performance bonds; and to contractors, or if no contractor is employed, payments by the institution for the purchase of materials and labor. Also, insurance paid by the institution and interest cost during construction, if any, should be included.

Identifiable direct expenses of the institution during construction, such as salaries and wages of physical plant staff involved in construction projects, and costs of utilities furnished for construction projects should also be included as capital outlay costs.

The cost of major improvements to existing buildings should be capitalized when it adds substantially to the value or significantly prolongs the useful life of the buildings.

7.4 Improvements Other Than Building

Improvements other than buildings, classified as capital outlay, include infrastructure improvements such as streets, roads, sidewalks, bridges, viaducts, tunnels and conduit systems outside buildings; central air conditioning, lighting, water and sewer systems; trees, planting, and landscaping; as well as retaining walls when not a part of buildings. Costs of surfacing, fencing, lighting, and similar improvements to athletic fields, other recreational areas, and

parking lots should be included in this classification as land improvements. The value of the land should be carried in an account for land.

Expenditures for items identified as equipment in currently used budgetary and accounting forms may either be capital outlay or current expense. The classification depends upon certain characteristics of the item acquired. A general guide for classifying equipment and other items as capital outlay, or as a tangible asset, is that it includes all movable property that is permanent in nature such as laboratory equipment, machinery, furniture, furnishings, tools, library books and periodicals, initial stock of tableware, foundation livestock, vehicles, and other such items, that may be used repeatedly without material impairment of its physical condition.

Title 74, O.S. 2001, Section 110.1, as revised in 2002, requires all boards, commissions, institutions, or agencies of the state to maintain current inventories of tangible assets. The Department of Central Services shall establish the tangible asset reporting threshold for each entity or institution. By statute, this threshold is not to exceed the federal capitalization rate specified in the Office of Management and Budget Circular A-21 or future federal circulars or regulations as amended. As promulgated in the Department of Central Service Administrative Rules, Title 580, Chapter 70, unless the Director of Central Services specifies otherwise, the threshold for tangible asset inventory reports will be five hundred dollars (\$500). A request must be made to the Director of Central Services to establish a threshold other than the five hundred dollars (\$500). Refer to the statute and Administrative Rules noted for additional requirements for managing and reporting tangible assets.

Each institution should have an institutional procedure for maintaining an inventory on a regular basis. For more specific capitalization requirements, see the *Financial Accounting and Reporting Manual for Higher Education*, published by NACUBO.

7.5 Types of Capital Funds

7.5.1 Land Grant Funds

Section 13 Funds: Article XI, Section 5 of the Oklahoma Constitution preserved one-third of section thirteen in every county of the state for use and benefit of the University of Oklahoma and the University Preparatory School (now Northern Oklahoma College); one-third for the Agricultural and Mechanical College (now Oklahoma State University) and the Colored Agricultural and Normal University (now Langston University); and one-third for the normal schools (now referred to as regional universities). The Constitution provided that the said lands or proceeds of the sale thereof, or any indemnity lands granted in lieu of section thirteen, shall be preserved as a trust, which shall not be diminished but may be added to as well as the income thereof, interest, rentals, or otherwise, only shall be used exclusively for the benefit of said educational institutions.

New College Funds: The Enabling Act permitting Oklahoma Territory and Indian Territory to adopt a constitution and become the state of Oklahoma provided for state school lands with the income, interest, rentals, and proceeds of sale of the lands to be available to specified

colleges and universities (Enabling Act, Section 12). The above provisions and others dealing with the constitutionally designated lands are recognized by statute in Title 64 O.S. 2001, Sections 351 through 355.

Title 70 O.S. 2001, Section 3904 further delineates Section 13 and New College Funds as to their composition, disposition, distribution, and purpose of disbursement. Paragraph (b) of the statute provides, cumulative to existing laws, that institutions receiving Section 13 and New College Funds may expend them from time to time as the need arises for the construction and purchases of buildings, for the purchase of equipment, and for other capital additions.

In accordance with the citations above, the State Regents follow the policy of allocating and allotting Section 13 and New College Funds primarily for capital outlay projects. Request for allocation and allotment of these funds are to contain adequate information to identify the specific project and to classify it as capital outlay.

7.5.2 Section 13 Offset Funds

In the interest of effective capital planning and state system equity, the State Regents established the Section 13 Offset Program in 1991 to distribute state appropriated revenue to the two-year colleges that did not receive Section 13 and New College Funds. Because the Section 13 Funds are distributed in equal portions, regardless of size, the Section Offset Program was expanded in Fiscal Year 1998 to include the regional universities (with the exception of Langston University, which is a beneficiary of the Section 13 and New College trust fund monies). Under the program guidelines each regional university and two-year college receives a minimum of five hundred thousand dollars (\$500,000) or one hundred and forty dollars(\$140) per full-time equivalent student, whichever is greater.

7.5.3 Utilization of Educational and General Funds Limited

Under certain circumstances and with approval of its governing board, an institution has the ability to utilize Educational and General Funds for capital projects. To do this, State Regents must approve such transfer of funds to the Capital Revolving Fund (Fund 295). Title 70 O.S. 2001, Section 3210 (g).

7.5.4 State-Appropriated Funds (State Building Bonds)

Article XIII-A, Section 2 of the Oklahoma Constitution provides that the Oklahoma State Regents for Higher Education shall recommend to the State legislature the budget allocation to each institution. The State Regents also make recommendations to the legislature for capital budget allocations. Because of the relatively long service of capital assets, public finance practice is generally to provide capital outlay funds from long-term borrowing to be repaid over the useful life of the assets. This procedure results in collecting funds to retire the indebtedness during the same period the public receives benefit from use of the capital assets.

Article X, Section 23 of the Oklahoma Constitution provides that "The state shall never create or authorize the creation of any debt or obligation, or fund or pay any deficit, against the state,

or any department, institution or agency thereof, regardless of its form or the source of money from which it is to be paid, except as provided in this amendment and in Sections Twenty-four (24) and Twenty-five (25) of Article Ten (X) of the Constitution of the state of Oklahoma." This constitutional provision requires an amendment to the Oklahoma Constitution in order for the state to borrow money for capital outlay.

Constitutional amendments authorizing the legislature to create an indebtedness of the state are vitalized by legislative action and specifying the purposes for which the funds may be expended. Such vitalizing acts are cited in Title 62 O.S. 2001, Sections 56 and 57 and subdivisions thereof. Under terms of the vitalizing legislation, proceeds from the sale of bonds are deposited in the State Treasury of the state of Oklahoma in a designated building bond fund. Appropriations of such funds by the legislature to the State Regents and allocations by the State Regents to institutions in The State System are made in accordance with constitutional provisions.

State building bond funds are allocated and allotted by the State Regents upon request of the institution. Upon determination by the institution that the project for which the funds are requested has been appropriately authorized and approved by the State Regents under the Campus Master Plan, the institution files a letter requesting allocation and allotment of the building bond funds when the project is ready for letting a construction contract. In accordance with the availability of state bond funds and established system-wide priorities, the State Regents adopt a formal resolution that both allocates and allots the state bond funds. The funds then become available for the institution's encumbrance and expenditure for the designated project. Allotments for such projects are made to accounts identifiable with the project numbers assigned in the Campus Master Plan.

Building bond funds are placed in funds that are numbered by the Office of State Finance. Usually the fund numbers are in the 400 series. A given project may be funded from more than one fund, but the allotment will normally be made to only one account number. The State Regents' resolution making the allocation and allotment of building bond funds will specify the fund number and the account number assigned.

Building bond funds allocations and allotments are non-fiscal and are based on non-fiscal funds. They do not lapse at the close of the fiscal year. As projects are completed, any unused allocation and allotment of building bond funds will not automatically lapse. The institution initiates a cancellation request by letter to the State Regents upon completion of the project. The request should specify the project completed the fund, the amount and date of the allocation and allotment made, and the amount of the unused allocation and allotment. If the institution has remaining approved projects for which it desires to use the unused funds, it may request that the funds be reallocated and allotted for the remaining approved projects.

7.5.5 Self-Liquidating Bond Funds (Revenue Bonds)

Title 70 O.S. 2001, Sections 4001-4017 in Article X provides specific authorization for the governing boards of each of the higher education institution to set aside portions of their

respective campuses, or other lands owned or leased by said boards, for the construction of dormitories, dining halls, student union buildings, power plants, athletic facilities, and other revenue-producing facilities necessary for the comfort, convenience, and welfare of their students. Article X also provides for acquisition through construction, purchases, or condemnation of such building and facilities.

In anticipation of revenue bond issuance, Article X also requires that governing boards receive legislative approval, expressed by concurrent resolution, prior to commencing any action in anticipation of revenue bond issuance; limits the revenues, which may be pledged to revenue bonds by prohibiting the pledging or use of any revolving funds; states that no bonds issued pursuant to this legal base shall ever become an obligation or debt of the state of Oklahoma; authorizes governing boards to list certain binding agreements and covenants in the bond resolution; specifies that proceeds from the sale of revenue bonds shall be deposited in the State Treasury to the credit of the governing board, kept in a separate fund, and used solely for the purpose for which the bonds are authorized; authorizes the governing boards to make all necessary contracts and execute all instruments to provide for the project; authorizes the State Treasurer to issue warrants upon receipt of claims bearing the approval of the officials designated by the governing board for such purpose; indicates that all income and revenues derived from the operation of the building shall be deposited as collected in a fund in the State Treasury and shall be applied to the payment of principle and interest on the bonds and that the funds shall be transmitted to the paying agent for the bonds not less than fifteen (15) days prior to the payment date; provides that the Attorney General of Oklahoma shall examine and certify the bonds as legal obligations; states that the bonds shall be incontestable in any court unless suit is brought within thirty (30) days from the date of the approval; places on the Oklahoma State Regents for Higher Education the duty to examine the statement of essential facts concerning a proposed bond issue; and, states that the State Regents must determine that the facts are substantially accurate and that the projected revenue will satisfy the financial obligation to be incurred under the proposed bond issue. The Oklahoma State Regents for Higher Education must certify this to the Attorney General before the proposed bond issue can be approved by the Attorney General.

Title 62 O.S. 2001, Sections 695.1 through 695.11A provides guidance concerning the Oklahoma Bond Oversight and Reform Act. These statutes created the Bond Oversight Commission of which there are two branches: the Executive and Legislative Commissions. The Bond Oversight Commission shall make determinations as to whether the purposes for which an obligation proposed by a state governmental entity are for the furtherance and accomplishment of authorized and proper public functions or purposes of the state; and review proposed issuance of debt for compliance with any applicable provisions of federal, state, or other laws. Approval of a debt issuance by the Bond Oversight Commission must be gained prior to the issuance of the bonds and the state governmental entities shall coordinate the approval process through the Office of the State Bond Advisor.

Legal provisions cited above give guidance to the types of revenue-producing capital projects to be funded from the proceeds of such bond issues; stipulate that the bonds are to be liquidated from revenues of the facilities, or other non-appropriated sources; and prescribe the steps for authorization of bond issuance. Legal provisions also prescribe that funds be placed

in the State Treasury and authorize the State Treasurer to issue warrants upon receipt of claims bearing the approval of the officials designated by the governing board for such purpose. This procedure invokes the provisions of Title 62 O.S. 2001, Sections 41.13 and 41.14, which establish requirements resulting in procedures followed in allocating and allotting revenue bond funds.

Statutory purposes for which the proceeds of the sale of self-liquidating bonds may be expended are broad. Therefore, the governing board authorizing the issue determines the purposes for which such funds may be expended. The governing board may exercise the authority granted under the provisions of Title 70 O.S. 2001, Section 4004 to covenant as to the use and disposition of the proceeds of the sale of such bonds. Consequently, the governing board's resolution authorizing the bond issue specifies the purposes for which such funds may be expended.

The long-range capital improvements program (i.e., Campus Master Plan) initiated by the Oklahoma State Regents for Higher Education, as referred to in the State Building Bonds section above, does not specifically recognize long-range capital planning for self-liquidating or revenue-producing buildings or facilities. There is, however, a joint concern between the institution and the State Regents for land utilization, architectural design, availability of construction resources, scheduling of campus activity, as well as other common factors in the needs determination for capital facilities for both educational, general, self-liquidating projects, and other revenue-producing buildings. This joint concern makes it appropriate that each institution develop a long-range Campus Master Plan, which includes all capital projects.

Following the governing board's determination of need for self-liquidating projects or other revenue-producing buildings or facilities to be constructed from proceeds or revenue bonds, the governing board prepares a *Statement of Essential Facts* for the use and information of prospective bond purchasers. The governing board submits the statement to the Oklahoma State Regents for Higher Education for their examination and certification under the provision of Title 70 O.S. 2001, Section 4014.

Governing boards should consider whether to employ the services, through the Requests for Proposals (RFP) process, of a qualified financial advisor, bond counsel, and underwriter to assess the financial feasibility of the project; assist in structuring the debt; assist in the preparation of all necessary documents, including the *Statement of Essential Facts*; coordinate the bond issuance process; determine what type of sale to have (competitive or negotiated); and market the debt instruments to the public market.

Governing boards must solicit the services of a trustee bank and paying agent, using an RFP, for the bond issue. The rules of the Office of the State Bond Advisor must be followed during this process and close contact with that office is essential during the process of soliciting and selecting these service providers.

Following the governing board's sale of the self-liquidating bonds, but before the delivery of the bonds, the governing board may borrow money in anticipation of the issuance of bonds by

issuance of an interim note or notes. Proceeds of such notes will be processed in the same manner as prescribed for bond proceeds.

Upon a written request by the institution to the Office of State Finance, a fund number is assigned for the proceeds of the self-liquidating bond issue and notification is sent to the institution with a copy to the State Regents. After cash proceeds of the bond issue have been deposited by the institution in the designated Treasury Fund, the institution initiates an allotment request to the State Regents by completing a form SRA-12 *Request for Allocation and Allotment*. This form is provided by the State Regents' office and is used to request allotment of all funds other than 701 funds. The institution determines the account number to be used in their records. If other funding sources will be used in addition to the self-liquidating bond issue, each source must have a separate account number. Each account number representing each funding source will utilize the same sub-activity number assigned by the State Regents for the referenced project. A description of the project and its total funding should be placed on the allotment request.

In approving all allotment requests, the State Regents satisfy the requirements of Title 70 O.S. 2001, Section 3903 with respect to current financial requirements of the institution accounting classification and realization of revenues. In approving allotment requests concerning self-liquidating-bond funds, State Regents consider the governing board's request, adequate accounting classification, and realization of revenues.

The State Regents' office transmits the approved allotment to the Office of State Finance for entry into the accounting records and returns a copy of the approved allotment request to the institution, at which point the funds are available for encumbrance.

7.5.6 Federal Funds

Title 62 O.S. 2001, Section 41.8 provides that, "Federal funds received by any agency of the state shall be deposited in the State Treasury and disbursed upon warrants issued by the State Treasurer and shall be subject to the other fiscal controls imposed by this Act, except where federal laws and/or regulations of the federal agency which makes such funds available to the State requires federal funds to be granted, deposited, allocated or expended through channels other than those required by the provisions of this Act."

Federal funds granted to institutions of The State System for capital improvement projects are granted for specific capital projects. Most such grants are for purposes of matching state or other funds in the financing of capital projects. Federal funds are allotted by the State Regents for the purpose for which the grants were made and institutions may expend the funds only for the purposes for which allotments were made.

The statutory provisions cited above and the provisions of federal grant agreements determine the procedures followed in the allocation and allotment of the funds.

Under the usual terms of federal capital improvement grants, institutions receive cash from the federal granting agency upon drawdown requests by the institution following completion of

specified stages of the project. Upon receipt of the federal funds, the institution follows the normal procedures for deposit of such funds. The cash is deposited in the appropriate fund in the State Treasury and becomes available for expenditure in accordance with the purpose for the allocation and allotment.

7.5.7 Donated Funds

Each governing board in The State System is authorized to "accept gifts of real and personal property, money and other things, and use or dispose of the same in accordance with the directions of the donors or grantors thereof." Title 62 O.S. 2001, Section 7.1 requires each state agency to deposit daily in the State Treasury all monies of every kind received by a state agency by reason of its existence.

Donated funds for capital improvements may be received subject to restrictions of the donor. Such funds may be for educational and general projects or for auxiliary enterprise projects. Such funds may be donated to be used as matching funds or as the sole source of financing for the capital project. Institutions receiving donated funds subject to restrictions receive allotments in accordance with the restrictions and may expend the funds only for the purposes for which allotments are made.

Donated funds for capital projects are designated as special cash funds by the Office of State Finance. An institution depositing such funds in the State Treasury obtains a fund number from the Office of State Finance. In accordance with current practice, they assign such funds a number in the 400 series. This account number, unique for each capital project, is assigned by the State Regents at the time the allotment is approved. Allotment requests for donated capital funds are initiated by the institution completing and submitting Form SRA-12 to the State Regents.

The State Regents compare requests for allotment of funds donated for educational and general capital projects with the approved funding of projects in the institution's approved Campus Master Plan. The approved request is transmitted to the Office of State Finance for entry into the appropriate records. A copy of the approved allotment is sent to the institution, with a copy to the State Regents, and the allotment is then available to the institution for encumbrance. The procedure for allotment of funds donated for auxiliary enterprises is the same.

7.6 Capital Fund Budgeting

Capital funds are allocated and allotted by the State Regents upon request by the institution. Both the allocation and allotment are accomplished by completing Form SRA-12, which is submitted to the State Regents' Office and entered by the institution in the Office of State Finance budgetary system. All projects should have the institutional governing board's approval for the specific capital project for which the allocation and allotment is requested and should be included on the Campus Master Plan. If the project request meets the State Regents' criteria for purpose, specificity, and the availability of unobligated cash at least equal to the requested amount, the State Regents approve the request, process it, and forward it to the Office of State Finance.

Capital projects have specific state account and sub-activity codes assigned. The Office of State Finance will assign state account numbers for all state capital bond projects. Other capital funds will be set up in the following format - AABBCC; where AA = appropriation code; BB = the fiscal year designation; and CC = "91" - designating the activity number for all higher education capital fund projects. The State Regents will assign the five-digit sub-activity number.

Capital fund allotments are non-fiscal, but will lapse thirty (30) months after the institution initiated the allotment as specified on form SRA-12 when approved. Contact the State Regents office for instructions on training and access to the Office of State Finance system.

8. STATE REGENTS' MASTER LEASE PURCHASE PROGRAM

8.1 Overview

The purpose of The State System Master Lease Purchase Program is to offer a method of financing the acquisition of major personal property that will provide cost efficiencies in both financing and administrative costs. As authorized in Title 70 O.S. 2001, Section 3206.6, institutions must enter into lease agreements for values from a minimum of fifty thousand dollars (\$50,000) up to values of ten million dollars (\$10 million). The lease terms will vary by the useful life of the equipment purchased, yet may have a useful life of no more than twenty (20) years.

Pursuant to a Master Lease Purchase Agreement, the Oklahoma State Regents (the "Lessee"), on behalf of The State System of Higher Education, will enter into an agreement with a financial institution (the "Lessor"), or another similar entity, such as the Oklahoma Development Finance Authority, to provide funding for individual purchases of personal property. Individual institutional lease-purchase agreements will be entered into under the Master Lease Agreement as needed for equipment purchases. The types of purchases authorized under this program may include, but will not be limited to (1) computer equipment, (2) agricultural equipment, (3) telephone equipment, (4) copiers, (5) research and medical equipment, and (6) maintenance equipment.

The State Regents' fiscal and legal staff in conjunction with the Oklahoma Development Finance Authority (ODFA) will administer the Master Lease Purchase Program. The Office of the Vice Chancellor for Budget and Finance will coordinate arrangements for the execution of the Master Lease Agreement and the Lease-Purchase Agreements with advisement from the General Counsel in accordance with State Regent's *Policy Manual – Part II, Chapter 4*. The State Regents' policy on the Master Lease Purchase Program should be reviewed for additional requirements.

8.2 Process for Participation

The Master Lease Purchase Program is processed three (3) times per year on projects not less than fifty thousand dollars (\$50,000) and no more than ten million dollars (\$10,000,000) with a maximum repayment term of twenty (20) years. The staff of the State Regents for Higher Education coordinates the process.

8.2.1 Approval Process

Projects to be funded by the State Regent's Master Lease Purchase Program must first be approved by the institution's governing board. The institution then submits to the State Regents for Higher Education the project and the estimated cost by completing the "Master Lease Purchase Detailed Listing" form. This form will be distributed by the State Regent's

staff prior to the scheduled date for submission to the State Regents. All projects submitted will be listed on the agenda of the next scheduled State Regents' board meeting for approval.

All projects approved by the State Regents' will be submitted by the State Regents' staff to the Bond Oversight Committee for approval at the Committee's next scheduled meeting. Institutions will be required to complete a BO-5 Lease Purchase Request For Approval form, which can be found on the Oklahoma State Bond Advisor's website.

8.2.2 Selection of Vendor and Cost of Project

After projects are approved as described above, the institution must bid the project(s) and selects vendor in accordance with the institution's purchasing policies.

8.2.3 Appraisal and Sale of Bonds

Institutions will submit to the State Regents for Higher Education the selected vendor and actual cost of the project. The ODFA will complete the appraisal and sale of bonds to fund all projects as approved, at which time, funds will be made available to the institutions to fund their project.

8.2.4 Lease Purchase – Repayment

Institutions will make monthly payments to the State Regents for Higher Education based on a repayment schedule developed by the underwriters and invoiced by the State Regents' office. The State Regents' staff will issue a check to the bank trustee on a monthly basis.

8.2.5 Allowable Reimbursement From Proceeds

On occasion it may be necessary for an institution to expend other available funds on a project scheduled for the Master Lease Purchase Program prior to the availability of the bond funds from the Master Lease Program. In such cases, the institution must submit a resolution to its Governing Board and receive approval for a reimbursement from the bond proceeds to the institution.

9. REVENUES

9.1 General

9.1.1 Educational and General Revenues

The primary sources of revenues to support the educational and general functions of state institutions include state appropriated funds, tuition and fees, and grants and contracts. Additional sources of revenue include locally appropriated income, federally appropriated income, and sales and services of educational departments. In Oklahoma, state appropriated funds generally provide fifty-five percent (55%) to seventy percent (70%) of the revenue to support the primary function (E & G Part I) of each institution. The balance of revenue comes primarily from tuition and fees. Grants and contracts from various federal and state agencies are the primary sources of revenue that support the research or sponsored programs function (E & G Part II) of each institution.

9.1.2 Auxiliary Revenues

Each institution engages in a variety of auxiliary operations that provide revenue in support of those activities. The most prevalent operations include food services, housing, bookstores, student unions, and vending. Certain student fees can also be a source of revenue to support auxiliary operations. For a thorough explanation of auxiliary enterprises refer to CUBA.

9.2 Student Tuition and Mandatory Fees

9.2.1 Constitutional and Statutory Provisions

Article XIII-A of the Constitution of the State of Oklahoma provides for the establishment of The Oklahoma State System of Higher Education and for the Oklahoma State Regents for Higher Education as a “coordinating board of control” for all state institutions in The State System. Among those specific powers enumerated in the Constitution which are vested in the States Regents is the following:

“It [State Regents] shall have the power to recommend to the Legislature proposed fees for all of such institutions and any such fees shall be effective only within the limits prescribed by the Legislature.”

Title 70 O.S. 2001, Sections 3218.2 through 3218.14, 3219.1, 3219.3, and 3220, as amended, further recognize the authority of the Oklahoma State Regents for Higher Education to prescribe and coordinate student fees and tuition at institutions in The Oklahoma State System of Higher Education.

9.2.2 Responsibility to Establish Tuition and Mandatory Fees

Tuition is defined as the payment required of an individual for enrollment to receive instruction at any institution in The Oklahoma State System of Higher Education. Mandatory Fees, other than tuition, are defined as the amounts that are charged to all students as a condition of enrollment (State Regents Policy Manual, II-4). Prior to FY 2004, the upper limit amount that could be charged for tuition and mandatory fees was specifically set by the legislature and subject to legislative change every year. Effective with the passage of House Bill 1748 during the 2003 Legislative session, responsibility for the establishment of tuition and mandatory fees is four levels.

1. Presidents of institutions analyze the need for resources to ensure the quality and availability of higher education offerings, balanced by students' needs and ability to pay and propose tuition and mandatory fees to governing board;
2. Governing boards review presidents' proposals and make a recommendation to the State Regents;
3. the State Regents review governing boards' recommendations and approve tuition and mandatory fees and report to the Legislature their actions; and
4. the Legislature reviews State Regents' actions within prescribed statutory limits.

9.2.3 Limitations Prescribed by the Legislature

Title 70 O.S. 2001, Sections 3218.2, 3218.8, and 3218.9 as amended, set forth the limitations for establishing undergraduate and graduate tuition and fees, including resident tuition, nonresident tuition, and mandatory fees.

At the comprehensive universities the combined average of the resident tuition and mandatory fees, as determined by the State Regents, shall remain less than the combined average of the resident tuition and fees at the state-supported institutions of higher education that are members of the Big Twelve Conference. The combined average of the nonresident tuition and mandatory fees, as determined by the State Regents, shall remain less than one hundred five percent (105%) of the combined average of the nonresident tuition and fees at the state-supported institutions of higher education that are members of the Big Twelve Conference.

At the regional universities and two-year colleges the combined average of the resident tuition and mandatory fees, as determined by the State Regents, shall remain less than the combined average of the resident tuition and mandatory fees at like-type state-supported institutions of higher education in states determined by the State Regents that include, but are not limited to, those adjacent to Oklahoma. The combined average of the nonresident tuition and mandatory fees, as determined by the State Regents, shall remain less than one hundred five percent (105%) of the combined average of the nonresident tuition and fees at like-type state-supported institutions of higher education in states determined by the State Regents that include, but are not limited to, those adjacent to Oklahoma.

For graduate and professional courses and programs the resident and nonresident tuition and mandatory fees shall remain less than the combined average of such tuition and fees for like-type graduate and professional courses and programs of comparable quality and standing at state-supported institutions of higher education as determined by the State Regents. Professional programs include, but are not limited to, law medicine, veterinary medicine, optometry, pharmacy and dentistry.

The State Regents will annually, at a minimum, monitor and publish tuition and mandatory fees at peer institutions. Published in a timely fashion, the information will show the level of mandatory tuition and fees at each institution in Oklahoma and the maximum possible increase for the next academic year.

Tuition and mandatory fees cannot be charged or waived without the authorization of the State Regents. Each institution must publish a schedule annually of all tuition and fees charged. The State Regents also publishes annually the *Tuition and Fee Rate Book*, which lists tuition rates by institution as well as other information relative to tuition and fees.

9.3 Academic Services Fees

Academic Services Fees are defined as those fees, other than tuition and mandatory fees, that may be assessed students for academic services, such as library materials and services, classroom and laboratory materials, special instruction, testing or technology services. The academic services fees shall not exceed the actual costs of the academic services provided by the institution (Title 70 O.S. 2001, Section 3218.10, as amended). Institutions must ensure that the revenues are spent for the approved purpose of the fee. Likewise, to the extent possible, traditional E&G support for the above and similar purposes should not be diminished as a result of student fee revenue.

Requests for academic services fees are submitted to the State Regents annually, as directed by State Regents' *Policy Manual*, for approval prior to the effective date of the fee request.

9.4 Communication Between State Regents and Students

State Regents will assist in preparation and dissemination of guidelines for students and student groups to inform themselves about the process and issues and to provide input both at the campus level and to the State Regents.

State Regents will hold a public hearing on proposed changes in tuition and fees at least twenty (20) days prior to the date the change becomes effective, and will maintain and publish a record of student testimony.

9.5 Approval of Tuition and Fees

The procedures for approval of fees are:

1. Obtain a request for new fees or changes in fees authorization form from the State Regents office.
2. Submit the completed request form to the State Regents. Requests will be considered one time each year and must be received in the State Regents' office by November 1 preceding the beginning of the fiscal year, July 1, in which the change is to be effective.
3. The State Regents will hold a public hearing on proposed changes in fees and tuition at least twenty (20) days prior to the effective date of the increase.
4. Public notice will be given of any increase in fees and tuition at least thirty (30) days prior to the date the increase becomes effective.

Note: Governing board policies apply when determining if submission of tuition requests for governing board approval is required before submission to the State Regents.

9.5.1 Guidelines to Institutions and Governing Boards

Each institution's request for tuition and mandatory fees should be accompanied by documentation on the following items:

1. Communication of tuition request to student government organizations, other student groups and students at large;
2. Efforts to increase need-based financial aid proportionately to tuition;
3. Analysis of the expected effect of tuition increases on enrollment; and
4. Dedication to cost-effectiveness in operation.

9.5.2 Assessment and Waiver of Fees

Mandatory fees are assessed in addition to tuition as a condition of enrollment. These fees follow all requirements for collection and refund applicable to tuition and fees, as indicated in the State Regents' *Policy Manual*.

Institutions may establish procedures for the waiving of (or not assessing) certain student fees on courses where it is deemed students will not benefit from the usage of the fee. Examples may be courses taught off campus via distance education or courses provided under the State Regent's contract credit course fee policy (*Policy Manual, Part II-Chapter 4*).

9.5.3 Student Activity Fees

The Oklahoma State Regents for Higher Education have adopted the following policy with respect to the use of revenues derived from student activity fees.

One hundred percent (100%) of all revenue derived from student activity fees shall be deposited in the institution's official depository fund and apportioned for use in supporting student activities related to the general educational program of the institution, such as athletics, infirmary, student newspaper, yearbook, student senate and recreational and social centers.

It should also be noted that monies derived from student activity fees are public funds and should be treated accordingly. Further, it is the opinion of the Attorney General that money derived from student activity fees are public funds and can only be expended in accordance with the general law concerning public money.

Revenue derived from student activity fees shall be deposited in the institution's 290 revolving fund or the 700 agency special fund account. Student service facilities fees may be deposited into the 295 fund. Institutions should establish procedures for budgeting and administering student activity funds to ensure their usage is in compliance with State Regents' policy and statutory requirements.

Student activity fee revenues and expenditures should be accounted for in the Unrestricted Current Fund in accordance with the *Financial Account and Reporting Manual for Higher Education* published by the National Association of College and University Business Officers.

9.5.4 Contract Tuition

Institutions are allowed to negotiate a separate special fee, up to the full cost of the program, to deliver credit courses to business, industry and governmental entities. If an institution negotiates a special fee, it does not have to charge additional fees to the participating students. This tuition is paid by the contracting entity, not by students.

9.5.5 Depositing Tuition and Special Fee Revenues

Tuition and special fee revenues must be deposited into an institution's revolving fund. Student activity fees and service facilities fees may be deposited into an agency special account, or the 290 or 295 revolving fund as appropriate.

Deposits into an institution's revolving fund may be made either electronically or by writing a check from the agency clearing account to the treasury fund. The Office of State Finance *Procedures Manual* identifies five-digit revenue codes, which should be used to identify the source of revenue. The institution may add two additional digits at the end of each code to further define the revenue code. For example, the resident tuition revenue code is 61101. To track lower division tuition an institution could use the revenue code 6110101 to indicate lower division tuition.

9.5.6 Assessing Tuition

Tuition has traditionally been assessed per credit hour by lower, upper, and graduate division courses. The designation of lower, upper and graduate division courses must match the course

numbers in the institution's catalog. The "1000", "2000", and "less than 1000" level courses will be charged as lower division courses. The "3000" and "4000" level courses will be charged as upper division courses. The "5000" level and above will be classified as graduate division courses. Beginning with the 2004 fiscal year, institutions may assess the same tuition for lower and upper division courses.

Students who audit classes are charged the same tuition and fees as credit classes with the exception of senior citizens whose tuition and fees are waived if they are a resident of the state of Oklahoma and are sixty-five (65) years of age or older. They may be admitted without charge to classes on a space available basis.

9.5.7 Collecting Tuition and Fees

All payments for tuition and fees are due before the first day of classes. Institutions must establish a deadline and publish a schedule detailing when tuition and fees are due. An additional late fee may be charged if payment is made after the due date. This information must also be detailed in the fee schedule publication.

9.5.8 Refunds of Tuition and Fees

The refund policy for tuition and fees collected from students at institutions shall be as follows (State Regents' *Policy Manual, Part II, Chapter 4*):

Withdrawals and Changes of Enrollment. Changes in schedules and complete withdrawals from the institution during the defined add/drop period will result in full charges for courses added and full credit for courses dropped. No refunds will be made after the add/drop period for that session.

Return of Title IV Funds for Students Who Cease Attendance. Title 20 U.S.C. §1091(b), as amended by Section 485 of the Higher Education Amendments of 1998, Public Law 105-244, enacted October 7, 1998, requires that, if a recipient of Title IV grant or loan funds withdraws from an institution after beginning attendance, the amount of Title IV, HEA program assistance earned by the student must be determined. If the amount of assistance disbursed to the student is greater than the amount the student earned, unearned funds must be returned. If the amount of assistance disbursed to the student is less than the amount the student earned, the student is eligible to receive a late disbursement in the amount of the earned aid that the student had not received. Each institution shall develop and publish policies and procedures that are in compliance with the above referenced law. Reference: [Federal Register: November 1, 1999 (Vol. 64, Number 210)] and 34 CFR, Parts 668, 682, and 685.

Tuition and Fees Applicable Only for Current Semester. Tuition and fees are applicable only for the current semester. If a student withdraws and is entitled to a refund, the amount of the refund cannot be carried forward as a credit to a subsequent session.

Refunds for Classes Offered on a Non-Standard Schedule. Institutions may refund tuition and fees paid by a student who must withdraw from a course offered on a schedule that differs from

the standard 16-week term or 15-week trimester. Each institution may develop refund procedures for courses offered on a non-standard schedule.

Refund of Tuition and Fees for Students with Hardship Circumstances. Institutions may refund tuition and fees paid by a student who must withdraw from the institution due to hardship or extraordinary circumstances. Each institution may develop institutional policy to address the definition of hardship or extraordinary circumstances and refund procedures.

Refund of Tuition and Fees for Students Called to Active Military Service Duty. If a student is called to active military service during a term in which the student has not completed an amount of work sufficient to receive a grade, the institution may refund the tuition and fees paid by the student for the current term or the institution may waive the amount of tuition and fees paid from the amount owed for tuition and fees for a future term following the student's tour of duty.

9.5.9 Waiving Tuition

Resident and nonresident tuition and fees may be neither assessed nor waived unless authorized by general policy or by specific authorization of the State Regents.

9.5.9.1 Resident Tuition Waiver Scholarships

State statutes authorize the State Regents to establish a program that allows institutions to award scholarships, called tuition waivers, to residents of the state of Oklahoma. The institution calculates its maximum award by multiplying its Educational and General Budget – Part I, as approved by the State Regents as of July 1 for the current year, by three and one-half (3.5) percent. An institution is not required to award the full three and one-half (3.5) percent. Scholarships for which the institution has full discretion are those to include in the three and one-half (3.5) percent figure. Some categories of tuition waivers have duration and amount limits (see the State Regents' *Policy Manual* for more information). Some tuition waivers are neither prescribed by state statute and policy nor included in the three and one-half (3.5) percent limit. These are not included because the institution does not have the final decision to whom they are awarded. Following are examples of each category.

Tuition waivers included in the three and one-half (3.5) percent limit:

- Need based awards
- Employee Scholarships
- Employee Dependent Scholarships

Tuition waivers not included in the three and one-half (3.5) percent:

- Senior citizens (age 65 and over)
- POW dependents
- MIA dependents
- Dependents of peace officers killed in the line of duty
- Dependents of fire fighters killed in the line of duty

- Exchange students on a reciprocal basis
- Academic Scholars Program
- Graduate assistants
- National Guard members
- Regional University Baccalaureate Scholarships
- Students in Custody of the Department of Human Services

The institution's financial aid office reports the dollar amount of tuition waivers on the SRA-6 financial report to the State Regents and submits a detailed annual report as well. The annual report requires that all scholarships and tuition waivers be reported by category.

9.5.9.2 Non-Resident Tuition Waiver Scholarships

Any institution in The State System may award a scholarship that includes a waiver of nonresident tuition as defined in Title 70 O.S. 2001, Section 3226. Institutions shall report to the State Regents on an annual basis the number of students and the amount of nonresident tuition waivers granted.

10. EXPENDITURES

10.1 Establishment, Operation and Control of Petty Cash Funds

10.1.1 General

Title 70 O.S. 2001, Section 3903(b) provides that the Oklahoma State Regents for Higher Education, with the approval of the Director of State Finance, may allot money to any institution or agency within The Oklahoma State System of Higher Education to establish and operate a petty cash fund. In accordance with this statute no single expenditure shall exceed five hundred dollars (\$500) in amount, and invoices may not be split in order to meet this limitation. Except for payments to sports officials, research participants, refunds to students, competition judges, and temporary farm crews employed at Oklahoma Agricultural Experiment Stations, expenditures from the petty cash fund for personal services, travel reimbursement, or professional services are prohibited. Further, the exemptions for payments to sports officials and refunds to students are limited to only those institutions which have previously been authorized to participate in both the "Alternate Claims Processing" by the Director of State Finance and "Remote Warrant Printing" by the State Treasurer. The amount of the petty cash fund shall depend upon the volume of transactions projected by the institution or agency and the timeliness of projected reimbursements from the Office of State Finance. Every effort shall be made to minimize the amounts maintained in order to maximize the funds available for investment by the State Treasurer.

Each institution or agency has the responsibility to prepare appropriate operating procedures to ensure proper administration of the petty cash fund.

10.1.2 The petty cash fund may be utilized in the following forms:

1. The petty cash fund except as provided below will be maintained in an account either in the State Treasury in a designated agency special "P" account or in a local bank (Title 62 O.S. 2001, Section 7.2 D). Payments from this account will be made upon checks prepared by the institution and cleared through the State Treasury or the local bank.
2. A portion of the petty cash fund may be allocated as cash to departmental or operating areas for use in making immediate cash payments if properly secured in the department or operating area and in the control of one person, known as the custodian.
3. A portion of the petty cash fund may be allocated to departmental or operating areas in larger amounts if justified by proximity and operating requirements. Such funds shall be deposited into a local bank (Title 62 O.S. 2001, Section 7.2 D) in an account assigned to a custodian who will have the responsibility for proper maintenance of the account.

The total of the three preceding forms of petty cash may not exceed the total amount of the petty cash fund approved.

The following guidelines shall be used in establishing, using, replenishing, and controlling the petty cash fund.

10.1.3 Establishment or Increase of Petty Cash Fund

1. Requests for establishment or increase of a petty cash fund shall be approved by the Oklahoma State Regents for Higher Education and the Director of State Finance.
2. Requests to establish a petty cash fund or to increase its amount requires the submission of a letter from the institutional president to the Chancellor of the State Regents for Higher Education, requesting the dollar amount and the need for the fund or increase.
3. All requests shall be approved by the institution's president and the chief financial officer.
4. Only one petty cash fund may be established at each institution or agency.
5. A petty cash fund may be established from multiple sources, but must be controlled as a single fund.

10.1.4 Guidelines for Use of Petty Cash Funds

1. Petty cash funds may be used to pay small expenditures not to exceed five hundred dollars (\$500). Expenditures shall not be made for personal services except for payments to sports officials, research participants, refunds to students, competition judges, and temporary farm crews employed at Oklahoma Agricultural Experiment Stations. Further, expenditures shall not be made for travel reimbursements, professional services, or postage except for small amounts of postage due.

Personal services are defined to include all elements of compensation (salary, retirement, insurance, etc.) paid to an employee of the institution and all payments for personal services paid to non-employees of the institution.

Travel reimbursements are defined to include all items of travel costs that would ordinarily be paid on a travel claim form.

Professional services are defined to include those services within the scope of the practice of architecture, engineering, law, accounting, medicine, or other such services licensed by the state.

Postage is defined to include metered postage and postage stamps except for postage due.

2. A petty cash fund shall not be used to cash personal checks or to make loans or advances to employees or other individuals.
3. A petty cash fund may be internally allocated to provide small cash funds to meet departmental or operational needs.
4. Expenditures shall be documented by a copy of a properly authorized invoice, which shall be kept on file in the accounting department.

10.1.5 Guidelines for Replenishment of Petty Cash Funds

1. A petty cash fund shall operate on an imprest basis and be replenished for disbursements made no less often than biweekly.
2. Replenishment shall be made on forms provided by the Office of State Finance and shall include the following:
 - a. Fund, agency, and account number(s) to be charged and summary of object of expenditure codes to be charged to each account;
 - b. Date of each voucher or receipt for cash expended;
 - c. Name of payee to whom payment was made;
 - d. Three-digit object-of-expenditure code number of purchase made;
 - e. Petty cash check number and receipt number;
 - f. Amount of each expenditure made from fund; and
 - g. Notarized signature by custodian of the fund and approval by agency's designated approving officer.
3. Replenishment warrants shall be deposited within one working day of their receipt.

10.1.6 Guidelines for Control of Petty Cash Funds

1. The petty cash fund shall be controlled as a single fund and reconciled on a monthly basis.
2. Petty cash fund procedural functions shall be performed by separate employees to meet internal control safeguards.
3. Audit procedures shall be performed to verify cash balances and proper use of the fund.
4. All unused petty cash checks shall be controlled to safeguard against unauthorized use.
5. Procedures and records shall be maintained sufficient to permit audit by internal, external and state auditors.

10.2 Uniform Purchasing Policy Model

It is recognized that the purchasing function is a responsibility of the individual governing boards and that each governing board is responsible for the development of policy related to the acquisition of goods and services for its institution(s). Title 74 O.S. 2001, Section 85.3a, exempts the institutions, centers and other constituent agencies of The Oklahoma State System of Higher Education from compliance with the provisions of the Oklahoma Central Purchasing Act. The State Regents have identified a Uniform Purchasing Policy identifying provisions that should be included in an institution's purchasing policy to ensure uniformity and consistency throughout The State System. The following eight areas should be included/addressed in an institution's purchasing policy:

1. Establish the authority for making purchases;
2. Require processes that are based on competitive bids;
3. Delineate the level of costs at which bids are required to be taken either by an informal or a formal bid process;
4. Require adequate documentation to substantiate proper policy compliance;
5. Delineate items or categories which are unauthorized or restricted;
6. Provide for use of contracts when an institution's needs can adequately and economically be served;
7. Permit purchases from sole source only after reasonable efforts have been made to identify all possible sources; and
8. Encourage continued professional development, membership in professional organizations, and participation in information networks for staff with responsibilities for purchasing.

The Uniform Purchasing Policy Model can be found in the State Regents *Policy Manual Part II, Chapter 4*.

10.3 Public Construction and Improvement Projects

The Public Competitive Bidding Act of 1974 defines a "Public Construction Contract" as any contract exceeding twenty-five thousand dollars (\$25,000) in amount, awarded by any public agency for the purpose of making any public improvements or constructing any public building, or making repairs to or performing maintenance on the same. Any competitive bid taken for the purpose of constructing any public building or making public improvements, with a cost of twenty-five thousand dollars (\$25,000) or more, has to follow strict statutory procedural requirements, including public advertising and specific bonding requirements. The requirements for public construction and improvement projects are established in Title 61 O.S. 2001, Sections 101-138.

Additional guidelines for public construction contracts are defined in the Public Building Construction and Planning Act, Title 61 O.S. 2001, Sections 202-211 and the Public Consultants Act, Title 61 O.S. 2001, Sections 60-65. Specific exemptions apply to The Oklahoma State System of Higher Education, including Title 61 O.S. 2001, Section 204(B)(3) and Section 207.2(B)(8). These sections were both amended effective November 1, 2002, which made the exemption more restrictive to certain universities.

10.4 Purchasing Procedures, Encumbrances and Claim Processing

Each institution should develop purchasing procedures to insure purchasing policies are adhered to. These procedures may vary slightly from institution to institution, but many common characteristics will be found among all institutions. Institutions are responsible for adhering to policies and specific requirements published by the Office of State finance (see the OSF Procedures Manual), the institution's governing board, as well as the State Regents' policy manuals.

Title 62 O.S. 2001, Section 41.5 provides that the Director of State Finance ("Director"), through the Division of Central Accounting and Reporting, shall settle all claims payable by the State. The Director shall prescribe all forms, systems and procedures for the several departments, institutions, and agencies of the state to administer the State Accounting system.

Section 23, Article X of the Oklahoma State Constitution and state statutes require that all state agencies operate an encumbrance system and prohibit any state agency or official from incurring any obligation in excess of the unencumbered cash balance on hand in their accounts.

Title 62 O.S. 2001, Section 41.16D provides that "The Director of State Finance shall never authorize payment of claims for the purchase of goods, wares and merchandise, or claims for contractual services, for any agency of the state unless it is supported by (1) contracts or purchase orders of the State Board of Public Affairs, or (2) institutional purchase orders or contracts, or (3) departmental purchase orders or contracts, or (4) authorizations for purchases granted by the Director of State Finance as provided by subsection C of this section. Any invoice or claim dated prior to the date of any of the above-mentioned encumbrance documents shall be rejected by the Director of State Finance. Any encumbrance document that is outstanding on the records in the Office of State Finance for a period of one (1) year shall be canceled, encumbrances for capital outlay excepted."

Higher education institutions have the ability to (and all have been approved to) utilize the alternative claim settlement process (discussed later in this section), whereby the encumbrance process is maintained at the institutional level. The Office of State Finance will audit the alternative claim process annually, which includes the encumbrance process. All purchases are encumbered at the time the purchase order (PO) is issued and remain encumbered against the budgeted funds until payment of the invoice has been made or cancellation of the obligation.

Purchase orders should be issued for all purchases in excess of relatively small amounts. Each institution should set the minimum amount for issuance in its purchasing policy. Blanket PO's

may be issued by each institution for relatively large amounts for a specific vendor, account, and object code which will accommodate several small purchase amounts. This will ensure funds are encumbered against budgeted funds and the institution does not over-obligate budgeted funds.

Requests should be generated by the individual requesting the goods or services and approved by the authorized individual responsible for the funds that will pay for the purchase prior to the PO being issued. Purchase orders are a form of a contract between the institution and a vendor. An individual with sufficient knowledge and authority to adequately commit the institution to a contract should authorize the issuance of a PO.

After the PO is generated, a copy of should be provided to the vendor as authorization for a purchase to be made by the institution and a copy provided to the requesting department. Vendors should be instructed to include the PO number on all shipping and invoice documents.

10.5 Alternate System for Settlement of Higher Education Claims

Title 62 O.S. 2001, Section 41.21 allows approved institutions to electronically transmit miscellaneous claim data to the Office of State Finance using electronic data transmission procedures. Policies and procedures for this process have been published by the Office of State Finance in the *Alternate System for Settlement of Claims, see the OSF Procedures Manual*. Participation in this system allows an institution to maintain an in-house encumbrance system and discontinue physical submission of hard copy claims. Claim documentation remains on file at the participating institution and must be available to the Office of State Finance for periodic quality control reviews.

Office of State Finance policies and procedures also require that annually, at minimum, the participating institution's internal auditor or audit function will test for compliance of the encumbrance and pre-audit system. Any discrepancies or findings must be reported to the State Regents, Office of State Finance and, if requested, the State Auditor and Inspector.

11. RECORDS RETENTION

11.1 General

Record retention procedures should be developed by each institution to ensure compliance with the *Consolidated General Records Disposition Schedule* and the *Consolidated General Records Disposition Schedule for State Universities and Colleges* as approved by the Oklahoma Archives and Records Commission. The authorized dispositions listed therein prescribe the minimum retention requirements and supersede all previously approved retention periods established for the records listed. The staff for the Oklahoma Archives and Records Commission is provided by the Oklahoma Department of Libraries (“ODL”), Archives and Records Management Division. The ODL website provides information regarding rules and processes for records management is <http://www.odl.state.ok.us/oar/recordsmgt/index.htm>.

In cases where statutory provisions, court decisions, Code of Federal Regulations (CFR), Oklahoma Rules and Regulations adopted in accordance with the Administrative Procedures Act (Title 75 O.S. 2001, Sections 250 et seq.), or other state and federal regulations specify retention periods longer than those listed in these schedules or specify that records must be retained in hard copy or any other format, the applicable statutes, court decisions, CFR, or other state and federal rules and regulations shall govern the disposition of the records.

The records listed in these schedules are subject to the Oklahoma Open Records Act (Title 51 O.S. 2001, Sections 24A.1 et seq.) and the Buckley Amendment (20 U.S.C. 1232g).

11.2 Institutional Responsibilities

Institutions within The State System of Higher Education vary tremendously in size and complexity, and the annual accumulation of each record series varies from institution to institution. For this reason it is difficult to determine which formats are the most practical or cost effective for the record series listed in these schedules. Therefore, each institution is charged with the responsibility to maintain and store each record series in the most practical and cost effective format (such as original records, microfilm or machine-readable records, and/or optical disk records) for its specific circumstances and with assuring that it will meet all disposition requirements outlined in these schedules.

Due to the size and complexity of the various institutions, these schedules cannot possibly address each record generated by the various departments within each institution. As a result, whether listed therein or not, each institution must identify and retain records that they determine to be of a critical nature and ensure that they are retained in the most practical and cost effective format for its specific circumstances.

Once all retention requirements outlined in these schedules have been met, institutions are encouraged to request approval (see Disposition of Records below) to dispose of said records. However, each institution must determine whether their specific circumstances warrant the retention of records in excess of required retention periods. Once approval to dispose of

records is received, institutions are responsible for the destruction of any such records. Institutions may also destroy convenience or duplicate copies of the records listed therein when superseded or no longer required for administrative purposes.

11.3 Record Management Coordinator

Each institution should appoint a general record management coordinator. Said coordinator shall guide the development, implementation, and maintenance of institutional record management procedures. All general questions pertaining to the disposition of records should be addressed to the records management coordinator.

11.4 Disposition of Records

No records listed in these schedules may be destroyed until a Notice of Intent to Destroy Records has been submitted to and approved by the institution's record management coordinator and the state records administrator, or his/her designee (see Archives and Records Commission Rule 60:10-3-2(b)).

12. CAMPUS SAFETY & RISK MANAGEMENT

12.1 Environmental Health and Safety

Universities have a legal and moral obligation to provide a safe and healthy environment for the people who occupy and use the facilities on the campuses. The community, which includes students, faculty, staff, and visitors, should be the first consideration of any campus health and safety program.

The university environmental health and safety is dictated by federal and state safety regulations and is integral to and interacts with other institutional functions such as risk management, facilities management, human resources, and academics. Therefore, it is critical that the university takes total responsibility for and makes a firm commitment to the environmental health and safety program. The delegation of this program depends largely upon the size of the university, but the president of the institution is ultimately responsible for its actions. Presidents usually designate authority and responsibility through appropriate directors, deans, and managers. The administrative head of each department bears the primary responsibility for safety, accident prevention, health protection, and compliance with regulation for the persons within their jurisdiction.

The environmental health and safety department acts as a watchdog, developing the delivery of safety programs, and exercising emergency control in cases of imminent danger. The most effective philosophy dictates a teamwork approach to the coordination of activities and compliance with safety regulations.

Extensive resources for information regarding environmental health and safety are available through the Internet and through state and federal regulatory agencies.

Recommended for review for general information on environmental health and safety is the *College and University Business Administration (CUBA) Book*, which is published by the National Association of College and University Business Officers. This publication includes a chapter on environmental health and safety covering the following categories:

- Bio-Safety and Environmental Health
- Chemical Safety and Hazardous Materials
- General Safety
- Industrial Hygiene
- Occupational Medicine
- Radiation Safety Programs at Academic Institutions
- References and Resources

12.2 Regents Training Center

In recognition of the impact that compliance with federal, state, and local occupational safety and environmental regulations have made on all higher education campuses, the Oklahoma State Regents for Higher Education in 1994 endorsed and funded an auxiliary program known as the Regents' Training Center (RTC). This program is governed by an advisory board composed of representatives of the member institutions and is located at the State Regents' office located at 655 Research Parkway in Oklahoma City. The RTC website (<http://www.okhighered.org/training-center/>) offers information on resources available.

This program is an active network of member institution employees responsible for safety, security, compliance, loss prevention, risk management, emergency management, and environmental issues. Periodically the RTC provides training to these representatives, in addition to maintaining a resource library for the compliance training of front-line employees on the Regents' campuses.

Examples of the training provided to the campus representatives include the Basic Occupational Safety School, the Environmental Compliance & Hazardous Materials School, and the Higher Education Emergency Management School. These training seminars are held at various campuses in the central Oklahoma area in an attempt to facilitate attendance from all the schools.

The Regents' Training Center publishes a quarterly campus safety newsletter, which can be published to all employees on each of the campuses. By providing an established network of campuses, the Oklahoma State Regents for Higher Education have recognized that, while each campus has individual needs, compliance issues in federal, state, and local regulations are common throughout the state. It is the mission of the RTC to provide prompt, accurate and thorough assistance to member institutions.

12.3 State of Oklahoma Comprehensive Risk Management Program

The assets of public colleges and universities reporting to the State Regents for Higher Education are protected by the Oklahoma Comprehensive Risk Management Program. The Risk Management Division of the Department of Central Services administers the program. All inquiries regarding insurance coverage provided by the state can be made to:

Director of State Risk Management
Department of Central Services
P.O. Box 53364
Oklahoma City, Oklahoma 73152
Phone: 405.521.4999

12.3.1 Insurance Coverage Available

Oklahoma statutes establish a responsibility for protecting the assets of the state by providing a central risk pool. Some protection is provided through self-funded retention while other protection is afforded through the purchase of insurance policies. The insurance coverage

available through Risk Management is described briefly in the following sections. Details on each policy may be obtained by contacting the office listed above.

12.3.2 Auto Liability

Liability coverage for vehicles owned or leased by a state institution for official state business is provided. Coverage for personal vehicles used for official state business is also provided. Premiums are charged to the individual agency on an annual basis for the policy year July 1 through June 30.

There is a one million dollar (\$1,000,000) aggregate limit per incident with a limit of one hundred and seventy-five thousand dollars (\$175,000) per person for personal injury and twenty-five thousand dollars (\$25,000) for property damage. Beyond these limits, the state and its employees maintain sovereign immunity. A deductible is payable by the individual agency insured for each occurrence.

12.3.3 Tort Liability

Tort liability or general liability coverage is provided by the state for authorized persons performing within the scope of official state business. Premiums are charged to the individual agency on an annual basis for the policy year July 1 through June 30. The premium is based on employee headcount for each agency.

There is one million dollar (\$1,000,000) aggregate limit per incident with a limit of one hundred and seventy-five thousand dollars (\$175,000) per person for personal injury and twenty-five thousand dollars (\$25,000) for property damage. Beyond these limits, the state and its employees maintain sovereign immunity. A deductible is payable by the individual agency insured for each occurrence.

12.3.4 Out-of-State General Liability

Outside the boundaries of the state of Oklahoma, the protection afforded the state by the Governmental Tort Claims Act may not apply. Risk Management purchases additional coverage for authorized persons performing within the scope of official state business outside the boundaries of Oklahoma. No additional premium is charged for this coverage. Limits are five million dollars (\$5,000,000) per occurrence with a deductible payable by the individual agency insured for each occurrence.

12.3.5 Directors, Officers, and Employees Errors and Omissions Coverage

Insurance covering all employees for employee action civil suits or suits filed in federal court is provided through Risk Management. Again, coverage is provided for employees performing within the scope of official state business. The premium is based on total employee headcount for each agency.

There is an aggregate state limit of thirty-five million dollars (\$35,000,000) per year with a five million dollar (\$5,000,000) limit per occurrence. Deductibles range from fifty thousand dollars (\$50,000) to one thousand dollars (\$1,000) per occurrence, depending upon the insured person's job responsibility and/or the entity covered.

Premiums are charged to the individual agency on an annual basis for the policy year July 1 through June 30 and are based on total employee headcount for each agency.

12.3.6 Property Coverage

Risk Management provides replacement value property coverage for all buildings owned by the state of Oklahoma, including contents. Premiums are charged annually based on agency size and dollar value insured. Each institution can choose a deductible level for their institution that directly affects the premium charged for property coverage. Deductibles offered can vary from year to year. Additional coverage is available for business interruption at an additional premium.

12.3.7 Employee Dishonesty Bonds

Risk Management also provides a fidelity policy covering employee dishonesty with coverage of fifty thousand dollars (\$50,000) per employee and volunteer of the agency. No separate premium is charged for this coverage but there is a one thousand dollar (\$1,000) deductible for each occurrence.

12.3.8 Aircraft Coverage

For agencies with aircraft, Risk Management provides liability and/or hull coverage. Premiums are based on the type and value of the aircraft covered.

12.4 Additional Insurance Coverage

The diversity of colleges and universities often creates situations where additional insurance coverage beyond that provided by Risk Management may be necessary. Accident coverage for participants in sports camps, student athletic coverage for participants in sports, coverage for interns, coverage for overseas travel and repatriation, physical damage for automobiles, special events coverage, accident coverage for child development centers, special insurance requirements for federal grants or coverage on leased property are all examples of insurance that could be needed. If additional coverage is necessary, Risk Management is available to provide information and help with the acquisition of additional coverage.

Each institution is responsible for appointing a Risk Coordinator for the purpose of providing a central contact for each campus with Risk Management. When a loss occurs within the Risk Management program, each institution is responsible for working with Risk Management and the State Attorney General's office to provide all necessary claims investigation and documentation. All forms and instructions necessary for claims administration are available from Risk Management. For all insurance coverage purchased outside the Risk Management

program, each institution is responsible for claims coordination through the appropriate insurance carrier.

Risk Management provides other Risk Management services including roof inspections, annual policyholder meetings, risk prevention and control services, administrative claims reports, and on-site training sessions. More information can be obtained by contacting the Department of Central Services at the address or phone number listed above.

13. AUDIT REQUIREMENTS

13.1 Required by Oklahoma Statutes

The following outline is intended to provide guidance on key areas of the Oklahoma statutes, other publications, and resources concerning audit requirements. This is not intended to be a comprehensive reference source and the reader is encouraged to review original publications of the most current publication of these documents.

Title 70 O.S. 2001, Section 3909 provides that:

Each governing board shall annually obtain the services of an independent accounting firm or individual holding a permit to practice public accounting in this state to perform a complete financial audit for the preceding fiscal year of each institution for which the board is responsible... The audits shall be filed in accordance with the requirements set forth for financial statement audits in Section 212A of Title 74 of the Oklahoma Statutes.

Each board of regents shall appoint a standing Audit Committee of the board consisting of not fewer than three (3) board members. The Audit Committee shall be responsible for establishing the qualifications of any accounting firm or individual seeking to be hired to perform an audit for the board and shall recommend to the board the firms or individual whom the board shall invite to submit competitive bids. The full board shall select the auditor from among the competitive bidders. The Audit Committee shall not recommend any firm or individual unwilling to meet the following specifications. The specifications shall be among the terms and conditions of any contract awarded.

- 1. All revolving fund accounts, special accounts, special agency accounts, auxiliary enterprise accounts, and technical area school district accounts, if any, shall be included within the scope of the audit;*
- 2. Where operations of constituent agencies or technical school districts are relevant to the complete financial audit of the institution, records of those enterprises shall be included within the scope of the audit;*
- 3. To the extent required by subsection (d) of Section 4306 of this title, records of college- or university-related foundations shall be included within the scope of the audit;*
- 4. At the conclusion of the audit, the auditor shall meet with the president of the institution and the Audit Committee to review the audit report to be issued, the management letter or other comments or suggestions to be issued, and any other findings; and*

5. *Findings of material weaknesses, qualification of the auditor's report other than those deriving from inadequate plant records, and of defalcations, or a report of lack of such findings, shall be communicated in writing to the board, the State Auditor and Inspector, the Legislative Services Bureau, and the Oklahoma State Regents for Higher Education with, or in advance of, the filing of the audit report required by Section 452.10, Title 74 of the Oklahoma Statutes; and such written communications shall include any responses or other comments which the president or the Audit Committee wishes to have included.*

The State Auditor and Inspector whenever he or she deems it appropriate, or upon receiving a written request to do so by the Governor, Attorney General, President Pro Tempore of the Senate, the Speaker of the House of Representatives, the governing board of an institution of higher education, the Oklahoma State Regents for Higher Education or the president of an institution of higher education, shall conduct a special audit of any institution of higher education within The Oklahoma State System of Higher Education. The special audit shall include, but not necessarily be limited to, a compliance audit as defined in subsection C of Section 213 of Title 74 of the Oklahoma Statutes. The State Auditor and Inspector shall have the power to take custody of any records necessary to the performance of the audit but shall minimize actual physical removal of or denial of access to such records. At the conclusion of the audit, the State Auditor and Inspector shall meet with the president of the institution and the Audit Committee of the board which governs the component audited to review the audit report to be issued. The report, when issued, shall include any responses to the audit which the president or the Audit Committee wishes to have included and shall be presented to the full board, the Legislative Service Bureau, and the Oklahoma State Regents for Higher Education with or in advance of the filing required by Section 452.10 of Title 74 of the Oklahoma Statutes. The cost of such audit shall be borne by the audited entity and may be defrayed in whole or in part by any federal funds available for that purpose.

Each board of regents shall require the employment of a sufficient number of internal auditors to meet the board's fiduciary responsibilities. Internal audits shall be conducted in accordance with the provisions of Sections 228 and 229 of Title 74 of the Oklahoma Statutes. The internal auditors shall submit a report directly and simultaneously to the audit committee of the board and the president of the institution; all members of the board of regents governing the institution, however, shall receive all internal audit reports and the board of regents shall, at least annually, review and prescribe the plan of work to be performed by the internal auditors. Any person who alters or destroys records needed for the performance of an audit or causes or directs a subordinate to do such acts shall be guilty of a felony punishable by imprisonment in the custody of the Department of Corrections for a period of not more than five (5) years or by a fine of not more than Twenty Thousand Dollars (\$20,000.00), or by both such fine and imprisonment. Such person shall also be subject to immediate removal from office or employment.

Title 70 O.S. 2001, Section 3910 provides guidance on limitation on contracts for accounting services.

A board of regents shall not contract for or otherwise obtain the services of an independent accounting firm or individual to perform financial audits for an institution for more than five (5) consecutive years. If an independent accounting firm has conducted financial audits of an institution of higher education for five (5) consecutive years, the board shall not obtain the auditing service of said firm or individual for said institution for at least two (2) years.

Title 74 O.S. 2001, Section 212A provides guidance on audit of government entities:

All government entities, as defined by the Governmental Accounting Standards Board, shall have an audit prepared in accordance with generally accepted auditing standards and Government Auditing Standards. The auditor that prepared the audit shall file copies with the State Auditor and Inspector. The expense of the audit shall be paid by the government entity. For fiscal years ending after December 31, 1995, all governmental entities receiving public funds that are included in the reporting entity of the state of Oklahoma shall file a copy of the audit required by this paragraph with the Office of State Finance no later than four (4) months after the end of the fiscal year of the government entity. For purposes of this paragraph, the reporting entity of the state of Oklahoma includes all government entities included in the State of Oklahoma Comprehensive Annual Financial Report. The government entities included in the state of Oklahoma reporting entity shall be determined by the Office of State Finance using criteria set by the Governmental Accounting Standards Board.

All registrants, as defined in the Oklahoma Accountancy Act, before entering into audit contracts required under this section, shall satisfy the Oklahoma Accountancy Board and the State Auditor and Inspector that such registrant meets Government Auditing Standards and has a current permit to practice issued by the Oklahoma Accountancy Board.

Schedules of federal financial assistance will be in a form consistent with the guidance in Audits of State and Local Governmental Units, which is prepared by The American Institute of Certified Public Accountants and recognized by Government Auditing Standards issued by the Comptroller Federal of the United States.

All governmental entities shall report grant funds received, administered or used by the entity and all grant funds under the direct or indirect control of the governmental entity or any of its employees in their employment capacity. A copy of the report shall be filed with the State Auditor and Inspector and the Director of the Office of State Finance within four (4) months after the end of the fiscal year of the governmental entity. The report shall follow standards established by the State Auditor and Inspector. The State Auditor and Inspector may audit any funds reported. The cost of the audit shall be paid by the governmental entity unless the grant provides for the cost of audits from grant funds.

Title 74 O.S. 2001, Section 213 provides guidance on examination of public institutions, quality control reviews, and special audits:

It shall be the duty of the State Auditor and Inspector to examine and report upon the books and financial accounts of the several public, educational, charitable, penal and reformatory institutions belonging to the state; to prescribe and enforce correct methods of keeping financial accounts of the state institutions and instruct the proper officers thereof in the performance of their duties concerning the same; and to examine the books and accounts of all public institutions under the control of the state at least once each year. Any officer of such public, educational, charitable, penal and reformatory institutions who shall refuse or willfully neglect to comply with such direction of the State Auditor and Inspector within a reasonable time shall be guilty of a misdemeanor.

Each governing board in The Oklahoma State System of Higher Education shall require a quality control review of the internal audit function required pursuant to subsection D of Section 3909, Title 70 of the Oklahoma Statutes for each institution under its governance at least once every three (3) years. This review shall be in done in accordance with the Quality Assurance review Manual for Internal Auditing developed by the Institute of Internal Auditors or any successor organization thereto. A copy of the report on the quality control review shall be filed with the State Auditor and Inspector.

The State Auditor and Inspector shall perform a special audit on any institution of higher education within The Oklahoma State System of Higher Education whenever the State Auditor and Inspector deems it appropriate or upon receiving a written request to do so by any of the following: the Governor, the Attorney General, the President Pro Tempore of the Senate, the Speaker of the House of Representatives, the governing board of the institution of higher education, or the president of the institution of higher education. The special audit shall include, but not necessarily be limited to, a compliance audit. The special audit shall be conducted according to the American Institute of Certified Public Accountants' "Statements on Auditing Standards". Such audits shall be designed to review items for management's compliance with statutes, rules, policies and internal control procedures or other items applicable to each entity. The costs of any such audit shall be borne by the audited entity and may be defrayed, in whole or in part, by any federal funds available for that purpose.

Title 74 O.S. 2001, Section 213.2 provides guidance on the Performance Audit Division:

There is hereby created in the Office of the State Auditor and Inspector a Performance Audit Division, subject to the discretion of the State Auditor and Inspector. An assistant State Auditor and Inspector may be appointed to direct the operations of the division, subject to the supervision and control of the State Auditor and Inspector at all times.

The State Auditor and Inspector, deputies, and agents of the Performance Audit Division may examine all books and accounts of all public officers, institutions and other governmental entities specified in Sections 211 through 227.9 of this title to instruct the proper officers thereof in the performance of their duties and to prescribe and enforce cost-effective methods of operating such governmental entities, provided however, the State Auditor and Inspector shall perform the examinations authorized in this subsection upon receiving a written request to do so by the Governor, the chief executive officer of a governmental entity or pursuant to a concurrent resolution of the legislature. The entire cost of any examinations requested by the Governor, the chief executive officer of a governmental entity or pursuant to a concurrent resolution of the Legislature shall be borne by the audited entity.

Each fiscal year beginning July 1, 1992 and thereafter, the costs of the examinations authorized pursuant to subsection B of this section shall be paid for by the audited entity in an amount not to exceed the lesser of the actual cost of such audit or the amount of proposed financial savings which would be generated if the audited entity fully complied with the direction of the Performance Audit Division as provided by this section.

Title 74 O.S. 2001, Sections 228 and 229 provide guidance on internal audits:

The administrative head and the governing body of any state agency, board, department or commission having internal audit functions shall have direct supervisory responsibility over all internal audit functions conducted by the agency, board, department, or commission. Such supervisory responsibility shall include, but is not limited to, the duty of assuring that all internal audits are conducted in accordance with the Standards for the Professional Practice of Internal Auditing developed by the Institute of Internal Auditors or any successor organization thereto.

In addition to other requirements regarding audits prescribed by law, all state agencies, departments, boards and commissions that conduct internal audits shall submit internal audit reports, including initial and final reports, to the State Auditor and Inspector. Each audit shall be identified clearly as either an initial internal audit report or as a final internal audit report.

Title 74 O.S. 2001, Section 452.10 provides guidance on copies of financial audits, compliance audits and program reviews to be provided to certain state agencies:

Each state agency shall furnish copies of financial audits, compliance audits, and program reviews on its entity to the Office of State Finance, the State Auditor and Inspector, and the Legislative Service Bureau.

Each state agency shall furnish copies of all audits performed on its entity to the Legislature as required by the Legislative Review of State Audits Act.

Copies of audits furnished to the State Auditor and Inspector shall be furnished in accordance with the provisions of Section 212A of this title.

13.2 Guidance on Selecting an Auditor

Guidance on selecting and engaging an auditor can be found in publications offered by NACUBO. A model Request for Proposals (RFP) example for obtaining external audit services may be obtained from:

Director of Internal Auditing
Board of Regents for the Oklahoma Agricultural
and Mechanical Colleges
2800 North Lincoln Boulevard
Oklahoma City, Oklahoma 73105-4224
405.521.2411

13.3 Reporting Model

The Office of State Finance, on behalf of the State of Oklahoma, implemented the Government Accounting Standard Board (GASB) Statement 34, *Basic Financial Statements - and Management's Discussion and Analysis - for the State and Local Governments* for the fiscal year ended June 30, 2001. GASB Statement 35 amended GASB 34 to include colleges and universities. The "New Reporting Model" is effective for fiscal years ending June 30, 2001 and after. Additionally, the Council of Business Officers for The State System of Higher Education adopted a natural classification of expenses to provide consistency in the reporting format for all higher education entities (see Appendix).

13.4 Reporting For Foundations

The Governmental Accounting Standards Board (GASB), amending previously issued Statement no. 14, issued GASB Statement 39 in May 2002. The new standard addresses public institutions with fund-raising foundations or other affiliated organizations and the inclusion of such foundations and organizations as component units in the institutions' financial statements. GASB 39, "Determining Whether Certain Organizations Are Component Units," broadens the definition of component units to require blended or discrete display of virtually all material affiliated organizations of public colleges and universities.

Currently, under GASB 14, "The Financial Reporting Entity," institutions can exercise professional judgment to determine whether the nature and significance of an affiliated organization warrants inclusion in the institution's financial statements. GASB 39 takes away that flexibility. Component units must either be blended with the institution's financial data or shown in a separate column on the face of the statement.

Under GASB 39, a legally separate tax-exempt fund raising organization should be reported as a component unit if it meets the following criteria: 1) The fund-raising organization must

receive or hold funds almost entirely for the benefit of a specific government or its units; 2) The governmental entity must have access to a majority of the funds or resources that are held by the fundraising organization; 3) Funds received by the fund-raising organization must be a significant resource for the government or its units.

Under the new guidance, universities will be required to “discreetly” disclose the financial information of the organizations/foundations that meet all three criteria. For example, the university would first report the finances of a university, then in a separate column report the finances of the foundation.

GASB 39 will be effective for the periods beginning after June 15, 2003, however, early implementation by the Office of State Finance for the state of Oklahoma, may require that the institutions of higher education to also implement early. Institutions should review the complete GASB 39 statement for determination of the proper reporting of foundations.

14. REPORTS

Title 70 O.S. 2001, Section 4307 provides that institutions of higher learning in The Oklahoma State System of Higher Education and other colleges and universities in the state shall make enrollment and other educational information reports to the Oklahoma State Regents for Higher Education on forms and at such times as may be prescribed by said regents. Title 70 O.S. 2001, Section 3206 makes provision for the State Regents to prepare and publish biennially a report to the Governor, the legislature, and institutions, setting forth the progress, needs, and recommendations of state educational institutions and of the State Regents; conduct studies, surveys, and research projects to gather information about the needs of state educational institutions; and to make such additional reports and recommendations as it deems necessary.

In order to accomplish the requirements of Article XIII-A of the Oklahoma Constitution with respect to determination of financial needs of the members of The Oklahoma State System of Higher Education and the statutory provisions cited above, the State Regents need timely, specialized, and reliable data concerning selected financial and statistical circumstances in The State System. For some of this data, the primary source is each institution. While some data must be obtained on an ad hoc basis, the State Regents obtain as much data as is feasible on a regular year-end basis in one report document.

Year-end fiscal reports include data on current operating funds, capital funds, bonded indebtedness, federal student financial aid programs, and fee waiver scholarships. Data is obtained to identify funds as state-appropriated, federal, or other non-state-appropriated funds. Funds are further identified as educational and general, auxiliary enterprise, or student aid. The reports include surplus funds available at the beginning of the fiscal year, receipts, disbursements, and surplus funds available at the end of the fiscal year.

The following table outlines the various fiscal reports that are required throughout the fiscal year. The required forms along with instructions for preparation will be distributed by the State Regents' staff when applicable.

FISCAL INFORMATION REQUESTS / REPORTS				
Requests	Frequency	Authority	Collection Format	Report Format
FTE Employee Quarterly Report	Quarterly	Specifically required by O.S. 74-3602	Institutions send hard copy to Chancellor, Governor, Speaker and Pro-Tempore.	Consolidated report prepared by Regents' staff for comparative review and for special requests.
Supplemental Retirement / Review of System-Wide Actuarial Assumptions	Annual	Specifically required by O.S. 70-17-116.7	Regents' staff prepare from annual financial statement audits of each institution.	Consolidated report distributed to Governor and Legislature at noted - hard copy.
Budget Needs Survey	Annual	Specifically required by O.S. 62-41.29	Institutions complete electronic survey form.	Consolidated information prepared by Regents' staff and published annually - hard copy.
Institutional Annual Independent Audit Report	Annual	Specifically required by O.S. 70-3909. Also, O.S. 74-212A	Institution submits a hard copy to the Regents, the State Auditor and Inspector, the Legislative Services Board and to the Office of State Finance.	Hardcopy of audit report with auditor's opinion kept on file.
Period Financial or Compliance Audits and Program Reviews and official response	Annual Financial for Regents and periodic as requested or needed	Specifically required by O.S. 74-452.10 and 452.14	Audit report and program reviews are sent to the State Auditor and Inspector, the Legislative Services Bureau, Office of State Finance, the House of Representatives and Senate.	Hardcopy of audit report with auditor's opinion distributed as required and kept on file.
Endowment Expenditures / Qualitative Data	Annual	O.S. 70-951, 3952, and 3954 in general. Specifically in 70-3952F	Institutions complete electronic survey form.	Consolidated information prepared by Regents' staff and available for requests.

Student Tuition Request	Annual	O.S. 74-3117 O.S. 70-3218.2	Institutions complete electronic survey form.	Consolidated report prepared by Regents' staff for Regents' agenda item. Reported in Tuition and Fee Rates publication - hard copy.
Student Fee Requests	Annual	O.S. 70-3218.2	Institutions complete electronic survey form.	Consolidated by Regents' staff for Tuition and Fee Rates publication - hard copy.
Student Cost Report	Annual	O.S. 70-3218.2B and 70-3219.1	Institutions complete electronic survey form.	Consolidated by Regents' staff and reported on State Regents' web site and in various State Regents' publications.
Tuition Waiver Report	Annual	O.S. 70-3218.12, 70-2281,70-3218.7,70-3226 and 70-3230	Institutions complete electronic survey form.	Consolidated and comparative information prepared by Regents' staff and published hard copy, Resident & Nonresident Tuition Waivers Report.
Campus Master Plan Capital List	Annual	Required by O.S. 62-900	Institutions enter into Automated Capital Budgeting System.	System reports available and hardcopy report "Summary of Institutional Listings of Capital Projects" prepared by Regents' staff and published.
SR-A3 Annual Budgets	Annual	Article XIII- A Sec 2, O.S. 70-3206, 70-3203, and Okla. Budget Law of 1947, 62.41.14	Institutions complete electronic survey form.	Consolidated E & G Budget Report prepared by Regents' staff and published hard copy. Comprehensive, detailed budgets showing use of resources with various breakouts by fund, object codes, etc.
SR-A6 Income and Expenditure Report	Annual	Article XIII A, O.S. 70-3206	Institutions complete electronic survey form.	Consolidated information prepared by Regents' staff and published annually - hard copy.

Asbestos Abatement Report	Annual	Department of Labor requirement as part of their annual appropriations bill. FY 02 - SB 1049	Institutions complete survey Form – Electronic or hard copy.	Consolidated report prepared by Regents' staff and sent to DOL.
Faculty and Selected Administrative Salaries	Annual	Consistent with State Regents' reporting responsibilities	Institutions complete electronic survey form.	Consolidated and summarized by Regents' staff for Faculty Salary Report with comparative and national ranking information - Hard copy.
Peer Data Survey - Constituent Agencies Only	Annual	Consistent with State Regents' reporting responsibilities	Institutions complete or provide information via telephone / electronic survey.	Included in the Budget Needs Report.
National Guard Tuition Waiver Report	Annual	Consistent with State Regents' reporting responsibilities	Institutions complete electronic survey form.	Consolidated report prepared by Regents' staff and sent to Regents as an agenda item.

15. DEFINITION OF TERMS

In this section are presented definitions of selected terms relating to financial budgeting and accounting in higher education institutions. The definitions are based on nationally accepted higher education budgeting and accounting standards but are generally more comprehensive and definitive than similar definitions found elsewhere so as to reflect laws and regulations that are peculiar to Oklahoma institutions.

Activity (budgetary)--Used in Oklahoma to refer to a function classification as defined below.

Agency Funds--Funds received and held by an institution as custodian or fiscal agent for others, such as funds of student organizations, individual students, or faculty members.

Agency Relationship Funds--Funds received and held by an institution under a contract or grant agreement to be used for a specific purpose such as the Federal Work-Study Program, contract research projects, and contract service projects.

Allocation--An amount received from or made available by the State Regents to institutions and other constituent agencies in The State System for special programs and purposes. Allocations may not be encumbered nor expended until allotted according to state law.

Allotment--An authorization to incur obligations and to make expenditures during a stated period of time for a specified purpose and not to exceed the amount provided in the authorization.

Annuity and Life Income Funds--Assets received by an institution subject to a collateral agreement with respect to payments from the fund to annuitants and beneficiaries.

Appropriation--An amount received from, or made available by, governmental bodies.

Auxiliary Enterprise Expense--Gross expenses of auxiliary enterprises including appropriate indirect expenses that are allocable to the enterprise and including the payment of interest on funds borrowed for current or plant purposes.

Auxiliary Enterprise Income--Gross income that is produced by auxiliary enterprises including income from student fees and charges that are elected by the student to be paid for the purpose of supporting the auxiliary enterprises and from which the student realizes direct personal benefit from having paid the fees and charges.

Auxiliary Enterprises--Enterprises which are operated by the institution (generally on a self-supporting basis) primarily for the purpose of providing services to students, faculty, and staff that are not provided by the educational and general operations of the institution. Also included in this category are similar enterprises that are operated by separate associations or corporations as an integral part of the institution. In determining the degree to which an enterprise is self-supporting, consideration must be given to all direct expenses incurred by the

enterprise as well as appropriate physical plant expenses, general and administrative expenses, and other indirect expenses that are allocable to the enterprise. Excluded, as elements of support of the enterprise are resources of the institution that are for the purpose of supporting educational and general operations and student aid programs as well as resources received by way of gifts and grants.

Books and Periodicals--Books, periodicals, pamphlets, and the like of a permanent nature that equip a library. Included as a part of the costs of books and periodicals should be any cost incurred in binding these items in order to put them in a more permanent state. The costs of books and periodicals that replace existing equipment should be considered current expenditures, whereas, the costs of original equipment or additions to original equipment should be considered capital outlay.

Buildings--Buildings, as capital outlay, include all structures and the permanently affixed furniture, machinery, appurtenances, and appliances, such as: laboratory tables, lockers, bookcases, and dressers; boilers, furnaces, fixtures, and machinery for heating, lighting, plumbing, air conditioning, and other power plant equipment; elevators and auxiliary elevator equipment; vaults and conduits constructed as part of the buildings; signal and clock systems; utility systems; and compressed air systems.

Capital Outlay--Expenditures for physical property such as equipment, land, buildings, additions to buildings, and nonstructural improvements to be used by the institution for educational, research, and general purposes and for auxiliary enterprises that are required in order to furnish necessary services to students and faculty. If physical property is purchased for investment purposes or primarily for resale, the expenditure should not be considered a capital expenditure. For example, if the college bookstore engages in the buying and selling of such items as typewriters, the purchase of those typewriters would not be considered capital expenditures. The Office of State Finance has defined capital outlay in the following manner: "Land and structures includes all expenditures for land, or interest in, or alteration to land in the nature of capital outlay and those for construction of all buildings, fences, etc., including the cost of additions or betterments to existing structures." In further explanation of items classified as capital outlay, the State Budget Office continued with an explanation of the category of buildings, as follows: "Buildings (Capital Improvements, Including Purchases and Erecting, and Fixed Equipment). This item shall include all expenditures for new buildings, including additions and betterments to existing buildings and all sums expended for the purchase of buildings. The installation of electric wiring and the erection of power transmission, and telephone and telegraph lines should be included in this object code classification."

Contract Research and Services--Activities performed in accordance with the conditions of contracts with governmental agencies or other organizations or persons to conduct specific research projects or to render other specialized services for which payment will be made on a cost or fixed-price basis, as distinguished from a gift or grant paid to the institution which may bear little or no relation to cost.

Contract Research and Services Expense--Current expense incurred for the purpose of carrying out the terms of contracts with governmental agencies or other organizations or persons to conduct specific research projects or to render other specialized services for which payment is made on a cost or fixed-price basis.

Current--When used in connection with funds, the operating funds as distinguished from other funds, when used in connection with budgets, the present fiscal period as contrasted with past or future periods.

Current Expense--All expenses that are incurred for the current operations of the institution.

Current Funds--Funds that are expendable for current operations of the institution.

Current General Fund--Unrestricted operating fund that is available for any current purpose as distinguished from current "restricted" funds.

Current Income--All receipts or accruals which are expendable for the current operations of the institution without restriction by an outside agency or person and all restricted current funds which are expended during the fiscal period for operating purposes. Current income does not include receipts to be added to loan funds, endowment and other nonexpendable funds, annuity funds, agency funds, and plant funds.

Current Restricted Funds--Those operating funds that are restricted by an outside agency or person as to use, as distinguished from current "general" funds, which are available for any current purpose.

Direct Costs--Those that can be identified specifically with a particular cost objective such as a research agreement. Exclusive benefit to the cost objective rather than the nature of the goods or services involved is the determining factor in distinguishing direct from indirect costs. Typical transactions chargeable to a particular research agreement as direct costs are the compensation of employees for the time or effort devoted to the performance of work under the research agreement, including related staff benefit and pension plan costs; the costs of materials consumed or expended in the performance of such work; and other items of expense incurred solely for the research agreement.

Educational and General Budget--A statement of estimated current income and expenditures for the educational and general operations of the institution for a specified period.

Educational and General Primary Budget--The educational and general current operating budget for primary programs of the institution. Income to support the educational and general primary budget is derived from state-appropriated funds, revolving fund, and any other income available for support of the regular educational programs.

Educational and General Sponsored Budget--The educational and general current operating budget for sponsored research and other sponsored programs which are self-supporting unique educational projects and programs which are not assigned to the institution as regular

continuing programs. Income to support the educational and general sponsored budget is derived from any source from which the institution may legally accept funds for such activities.

Educational and General Expense--Expenditures that are made in support of the educational and general operations of the institution.

Educational and General Income--Income that is expendable for the educational and general operations of the institution. Current restricted funds that are spent for educational and general operations are considered educational and general income in the period in which they are spent.

Educational and General Operations--The educational, research, and extension and public service activities of the institution as well as the necessary supporting activities of general administration, student services, public relations and other general educationally related institutional activities, libraries, and educationally related physical plant maintenance and operation.

Encumbrances--Formal obligations of budgeted funds. Obligations to specific vendors are in the form of purchase orders and purchase contracts. Obligations without regard to specific vendors are in the form of authority orders.

Endowment Funds--Funds, the principal of which must be maintained inviolate to conform to restrictions placed thereon by the donor or other outside agency. Generally, only the income may be used, but it is recognized that the donor or other outside agency may, by the terms of the instrument of gift, provide for release from the inviolability of endowment funds by permitting all or part to be expended at some future date.

Endowment Income--Income that is earned on the investment of endowment funds, funds functioning as endowment, and other nonexpendable funds.

Equipment--Laboratory equipment, machinery, furniture, furnishings, tools, library books and periodicals, initial stock of tableware, foundation livestock, vehicles, and other such items that (1) are expected to have a substantial useful life, (2) may be used repeatedly without material impairment of their physical condition, (3) are complete and independent entities which do not lose their identity or become component parts of other articles when put into use, and (4) are significant in terms of unit price, quantity, or nature. Equipment as a capital item properly includes all movable property that is of a permanent nature. However, outlays for normal replacement of regularly used laboratory equipment, machinery, furniture, furnishings, tools, foundation livestock, vehicles, and other such items, are considered to be operating expense. While specific identification cannot be detailed in advance, each expenditure should be measured against the principles cited for its proper classification.

Expense--The cost of purchased goods delivered or services rendered, whether actually paid or unpaid, for the operation and maintenance of an institution. Benefits derived from the incurring of such expenses are presumed to dissipate primarily over the course of the current

fiscal period as opposed to capital expenditures from which more permanent benefits are derived.

Extension and Public Service--Activities designed primarily to serve the general public such as correspondence courses, adult study courses, public lectures, institutes, workshops, museums, radio and television stations if not operated as organized activities or auxiliary enterprises, and statewide service agencies attached to the institution.

Federally Appropriated Income--Income derived directly from federal appropriations for educational and general operations. This category does not include contracts and grants from federal agencies for special research or other projects.

Fellowships--Financial assistance awarded primarily on the basis of academic achievement and vocational and professional objectives. Fellowships generally are awarded to postgraduate students. Recipients are not required to render service to the institution as a consideration of their awards, nor are they required to repay them.

Fixed Equipment--Equipment which is permanently attached to buildings or grounds such as auditorium seats, drinking fountains, elevators and associated operating equipment, light fixtures, water heaters, laboratory tables connected to service lines, telephones, and the like.

Functional Classification--Classification of expenditures according to type of budgetary activity. Educational and general budgets are classified into the functions of instruction and departmental research, organized activities related to instruction, organized research, extension and public service, libraries, student services, operation and maintenance of physical plant, general administration, staff benefits, general institutional expenses, sponsored research, and other sponsored programs.

Fund--A unit existing in contemplation of accounting entries reflecting activities of the unit, in terms of assets and claims against the assets of the unit, which is organized for specified accomplishment. In Oklahoma public finance terminology, the term "fund" is also applied to identification of money deposited with the State Treasurer and segregated according to the source of the money.

Funds Functioning as Endowment--Funds classified as endowment funds by the governing board of the institution at its own discretion.

Gifts, Grants, and Reimbursements--All gifts and grants received from private sources and grants and overhead cost reimbursements received from the federal government and from other sources for contract research and services. Restricted gifts and grants that are expendable for current operating purposes are considered as income in a given year only to the extent they are spent in that year.

Indirect Costs--Costs which, because they are incurred for common or joint objectives, are not readily subject to treatment as direct costs of research agreements or other final cost objectives. At educational institutions such costs normally are classified under the following functional

categories: general administration and general expenses; research administration expenses; physical plant operation and maintenance expenses; library expenses; and departmental administration expenses.

Instruction and Departmental Research--Activities of the instructional departments, colleges, and schools of the institution including research activities that are not separately budgeted or financed. This term is normally used as a functional category of expenditures in which case it would include such expenditures as the salaries of the academic dean or deans, faculty members, and secretaries and technicians who are involved in academic activities; office expenses; laboratory expenses and equipment; and other expenses incurred in connection with the instructional activities of the institution.

Interdepartmental Transactions--The engaging of two or more operational units of the institution in transactions involving sales and services or transfers of property from one unit to another.

Land--Capital outlay for land should include the purchase price. In addition, outlays for the following items should be treated as capital outlay: commissions and fees to attorneys, brokers, agents, appraisers, and others; costs of search, examination, registration, and title guarantee or insurance; conveyance and recording fees; taxes assumed at the date of purchase; costs of grading, building demolition, or other conditioning of the land for use when such expenses are not in connection with the construction or improvement of buildings; and other similar special items of expense.

Libraries--All separately organized libraries, both general and departmental, which are operated under the direction and control of a librarian and maintain accession records.

Loan Funds--Funds to be loaned to students, faculty, or staff. Where both principal and interest on the funds are loanable, they are placed in the loan funds group; if only the income from a fund is loanable, the principal is included in the endowment funds group, while the cumulative income constitutes the loan fund.

Movable Equipment--Equipment that is transportable from one location to another without appreciable damage to or change of the location from which it is removed or the location where it is installed. A piece of equipment that is simply bolted or screwed to the floor such as a heavy lathe or a desk, and that can be moved as a unit once these bolts are removed, is movable equipment. The term "movable" refers to permanency of the installation and whether or not the equipment is built-in, not to size or weight.

Nonexpendable Funds--Funds the principal of which may not be expended, such as endowment funds and funds which at the time of reporting are functioning as endowment.

Nonprofessional Salaries and Wages--All salaries and wages paid that are not classified as "teaching salaries" or "other professional salaries and services." Included should be the salaries and wages of secretarial and clerical personnel, janitors, student help, maintenance personnel, and the like.

Non-State-Appropriated Income--See Revolving Fund definition.

Object Classification--The classifying of expenditures according to the type of item or service that is received in return for the expenditures; i.e., supplies and materials, equipment, library books and periodicals, and the like.

Operating Expense--Operating expense identifies all expenditures not properly classified as capital outlay. These expenditures result in acquisition of goods and/or services which are expected to be consumed in the regular operation of the institution within a relatively short time--usually one year. The object for which an expenditure is made does not necessarily dictate the classification of the expenditures as capital or operating. Payment for labor, if the labor were expended in the construction of a building foundation, would be classified as capital, whereas if the labor were expended in teaching a class, it would be classified as operating.

Other Professional Salaries and Wages--All salaries paid for professional services other than teaching services. Included in this category would be salaries paid for administrative services, separately budgeted research services, and other such services.

Other Sponsored Programs--Activities, other than research, performed in accordance with the conditions of agreements with governmental agencies or other outside organizations or persons to conduct programs of specified scope.

Payroll Trust Fund--A fund established for the purpose of clearing payrolls through the State Budget Office. Through the use of this fund, state agencies are able to coordinate their records with those of the Office of State Finance on payroll deductions for federal and state income tax withholdings.

Physical Plant Funds--Funds designated for the acquisition of physical property that will become a "capital outlay" when expended.

Restricted Plant Funds--Plant funds which are restricted by an outside agency or person as to use, as distinguished from "general plant funds" which are available for any capital purpose.

Revolving Fund--This consists of any appropriations made by the Legislature for such purpose and shall include income received from student fees, sales and services of educational departments and all other income available to the institution or agency for educational and general purposes.

Sales and Services of Educational Departments--Incidental income of educational departments such as proceeds from the sale of department publications, products, or services. Excluded from this category of income would be income from organized activities related to educational departments.

Scholarships--Financial assistance on the basis of scholastic achievement and financial need. Recipients of scholarships are not required to render service to the institution as a consideration of their awards, nor are they required to repay them.

Section 13 and New College Funds--Funds derived from lands and proceeds from returns on investment of funds derived from the sale of lands designated for the benefit of higher education.

Sponsored Research--Research activities performed in accordance with the conditions of agreements with governmental agencies or other outside organizations or persons to conduct research of specified scope.

Staff Benefits--Expenditures for the welfare of the faculty and staff such as institutional payment of group insurance premiums, retirement allowances, institutional payment of social security taxes, and workmen's compensation insurance premiums.

State-Appropriated Income--Income derived from Legislative appropriations for educational and general operations.

Student Activities--Planned activities of an extracurricular nature that are conducted in order to provide (1) opportunities for students to obtain out-of-class educational experiences, (2) recreational opportunities for students, or (3) entertainment for students.

Student Aid--Scholarships, fellowships, prizes, grants-in-aid to athletes, and other forms of student assistance including remission of fees or the exemption from payment of such fees but excluding student loans, student employment, and service scholarships where service is required of students receiving the scholarships. Aid of the type defined here is considered as student aid even though it might be received by a staff member who enrolls in classes in the institution.

Teaching Salaries--All salaries paid for resident teaching services including payments for sabbatical leaves and extra compensation for overload teaching assignments.

Travel Expense--Expenditures for the transportation of institutional employees as well as subsistence allowances made to those employees for the period of time that they are involved in travel as provided by state travel law.

Utilities--Electricity, gas, water, and sewage furnished by public utilities.

16. REFERENCE MATERIALS

AICPA (American Institute for Certified Public Accountants)

Publications and Technical Documents

<http://www.aicpa.org>

General Accounting Standards Board

GASB Statements

<http://www.gasb.org>

Institute of Internal Auditors

Standards for the Professional Practice of Internal Auditing

<http://www.theiia.org/iaa/>

National Association of College and University Business Officers

College and University Business Administration (CUBA)

Financial Accounting and Reporting Manual (FARM)

<http://www.nacubo.org>

O M B (Office of Management and Budget – *Federal*)

A-21 Guide

A-133 Guide

State of Oklahoma

Bond Oversight Commission Guidebook

Enabling Act

Oklahoma Constitution

Oklahoma Statutes

Oklahoma Administrative Code and the Oklahoma Register

http://www.sos.state.ok.us/oar/oar_welcome.htm

Office of State Finance

Procedures Manual

Division of Central Accounting and Reporting

(DCARS) Periodic Letters

<http://www.osf.state.ok.us/comp-pm.html>

Oklahoma State Regents for Higher Education

Procedures Manual

<http://www.okhighered.org/stsystem.html> Oklahoma State Treasurer's

Procedures Manual

United States Governmental Accounting Office

Government Auditing Standards

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	FICA and Retirement Contributions	13XX
	Benefit Payments	14XX
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