

# Appalachian State University

Accounting Manual  
&  
Spending Guidelines

Version Date 4-7-21

## Table of Contents

Introduction to the Accounting Manual	5
Guidelines for all Fund Sources	5
Administrative and Management Controls	5
Appearance and Reasonableness Tests	5
Chart of Accounts	6
Exceptions and Interpretations	7
Fund Manager Responsibilities	7
Payments to or on behalf of Employees	7
Adverse Weather Events and Other Emergency Conditions	7
Business Expense Reimbursements to Employees	8
Business use of a Personal Vehicle	8
Expediting Fee for H1B-Visa Forms (Form -907)	9
Long Distance Telephone Calls	9
Internet Connections	9
Membership Dues	10
Moving Expenses	10
Passports and Visas	13
Payment of Awards to Employees for the Employee Suggestion System	13
Personal Mobile Computing Devices	13
Personal Mobile Communication Devices	14
Personal Protective Equipment	14
Personal Use of an Employer Provided Vehicle or Courtesy Car	14
Purchases of Applications, eBooks, and Other Electronic Media	15
Travel Reimbursements and Expenditures	17
Use of State funds for Recognition of Employees	17
Payments to Non-Employee Vendors and Individuals	17
IRS Backup Withholding	17
Payments to Students	20
Payments to Individuals and Vendors for Goods and Services	25
Payments to Foreign Individuals	25
Payments to Foreign Vendors	30
Prepayments	31
Promotional Items	32
Additional Standards and Guidance	33

Business Meals and Entertainment	33
Conferences, Seminars, Workshops, Training Sessions, Retreats and Other University Events	35
Informal Meetings with Guests of the University (OSBM 5.9.1)	36
Internal Conferences	36
Management Retreats	37
Training Sessions	37
Intercampus Invoicing and Billing	38
Journal Entry Guidelines	38
Requirements for an Accountable Plan	41
Receipt Standards for Documenting University Expenses	43
Taxation of Gifts Prizes and Awards	45
Unallowable Purchases from the General Fund	50
Vendor Maintenance	51
Wire Transfers	52
<b>Specific Guidance for State Funds</b>	<b>53</b>
General Operating Funds	53
State Appropriated Carryforward Funds	53
State Capital Improvement Funds	53
<b>Specific Guidance for Institutional Trust Funds</b>	<b>54</b>
Institutional Trust Funds	54
Overhead Receipts Trust Funds	55
Auxiliary and Related Trust Funds	55
Receipts from Vending Facilities Trust Funds	56
Contracts and Grants Trust Funds	57
Remaining Available Balances from “Fixed Price” Contracts Trust Funds	57
Gift and Endowment Income and Endowed Professorship Trust Funds	57
Endowment Principal Funds	58
Student Activity Fee Trust Funds	58
Patent Royalty Trust Funds	58
Orientation Fees Trust Funds	58
Educational and Technology Student Fees	59
Debt Service Fee Trust Funds	60
Receipts from the Operation and Maintenance of Forests or Farms	60
Millennial Campus Trust Funds	60

Bond and Note Proceeds	60
Capital Assets and Elimination Funds	60
Specific Guidance for Special Funds	<b>60</b>
Athletics Trust Funds	60
Fiduciary or Agency Funds	60
Specific Guidance for Discretionary Funds	<b>61</b>
<b>Appendix 1 - Receipt Standards</b>	<b>62</b>

## **Introduction to the Accounting Manual**

The purpose of this manual is to provide the University with comprehensive guidance related to accounting operations and fiscal responsibility. The University is a very complex organization. As such no set of guidelines or standards can be written that addresses every possible accounting scenario, expenditure decision, or fiscal question that may arise. If a scenario arises that is not addressed by this manual, the University through the Finance and Administration group in Business Affairs will review all Federal, State, and UNC System regulations and policies to provide guidance. Departments are encouraged to review guidance from Finance and Administration well in advance of making decisions so that unprecedented situations can be reviewed thoroughly thereby reducing risks to the University.

This manual does not contain guidance for University travel and expense reimbursement. A separate Travel and Expense Reimbursement manual has been developed to assist campus.

Additional guidance and procedures can also be found on the Controller's Office website at [controller.appstate.edu](http://controller.appstate.edu).

### **Guidelines for all Fund Sources**

The University has a wide variety of sources of funds, each of which has its own spending characteristics. No set of guidelines can be written that addresses every possible expenditure decision which may arise. There are some basic rules, regulations, and precedents which are presented here, however, which can help to guide an employee in making wise spending decisions. These guidelines are provided to ensure that faculty/staff can carry out the University's mission effectively, while ensuring that fiscally wise, politically sound, and legal spending practices are followed.

#### **Administrative and Management Controls**

Administrative and management controls are established to ensure that the transactions recorded are recorded accurately and that the purchasing requirements of the University, State and federal regulations are met including not doing business with suspended or debarred vendors.

#### **Appearance and Reasonableness Tests**

For all potential expenditures from all sources of funds, the "appearance test" should be used, i.e., how would this purchase look to external constituents if placed on the front page of a newspaper. Another test that is useful is to ask the question, "Is this expenditure necessary for a faculty/staff member to do his/her job or for the University to carry on its normal business?" The utilization of these tests should help to guide faculty/staff members in their decision-making. At all times, faculty/staff are encouraged to avoid the appearance of poor management of funds as well as the reality of poor management of funds.

## Chart of Accounts

The University utilizes fund-based accounting to manage financial resources. This method of accounting allows the University to track and monitor how funds are utilized within the organization. The focus is on accountability rather than profitability. The goal is to ensure resources are used in a manner consistent with a fund's purpose or authority.

The financial source of record for the University is Banner Finance. The hierarchy of funds in Banner Finance take the form of the acronym FOAPAL (Fund, Organization, Account, Program, Activity, and Location). Funds are created to classify resources based on their purpose and/or restrictions. In general University funds are either restricted or unrestricted. Restricted funds are limited to uses as defined by a third party. Third party restrictions may be placed on a fund by a government, donor, grantor, or other entity external to the University. Unrestricted funds are available for broader uses that support the University's mission.

All funds are grouped under an Organization. Organizations represent the unit or department responsible for the funds. In addition to Organizations, funds are grouped into a purpose or a Program. Programs are higher level groupings that represent the functional classification of an activity. The following are high level program codes the University is currently recording transactions under:

- Instruction
- Research
- Public Service
- Academic Support
- Student Services
- Institutional Support
- Operations and Maintenance of Plant
- Student Financial Aid
- Auxiliary Enterprises
- Independent Operations

Program codes are not needed to code a financial transaction but are built into the financial system for each fund at the time the fund is created. Because of the need to report financial activity by function, a fund may not be classified into more than one function.

Program codes may impact the way funds can be spent. For example, expenditures for scholarships may only be made from accounts with the Student Financial Aid (230) program code. If an individual had a discretionary fund and wished to use it to fund a scholarship, a separate fund would need to be created to expend from for the scholarship or the funds could be transferred to an already existing scholarship project.

Expenditure account codes are codes that must be used when processing financial transactions

to identify various classes of expenditures, for example, salaries, travel, supplies, equipment, etc. The actual codes will provide even more detailed breakdowns of the groupings. This coding scheme gives the University the ability to create reports that include, or are broken down by, the various classes of expenditures.

#### **Exceptions and Interpretations**

Every attempt has been made to make these guidelines comprehensive. There may be cases, however, which would fall outside the guidelines and yet be legal expenditures and in the best interests of the University or funds not described. If a fund is not described or there is a case in which an individual believes an exception should be considered as to the spending guidelines, a request should be made to the appropriate office in the Finance and Administration unit (Controllers Office, Budget Office, Materials Management) for resolution of the question. The appropriate office will work with the requesting department to provide clarifying information, and for exceptions and interpretations, to determine the latitude available on the request, the University business purpose of the request, and options which may be available.

#### **Fund Manager Responsibilities**

The fund manager (individual responsible for the specific funds) has the responsibility to ensure that proper documentation procedures are followed for funds that he/she controls and that only authorized expenditures are charged to a fund. Further, the fund manager is responsible for ensuring that any funds which he/she may control are reviewed and reconciled at least monthly and any transactions which are incorrect or do not belong on a fund are corrected by working with the Budget Office and the Controller's Office. Finally, a fund manager is responsible for ensuring that a positive cash balance is maintained on trust funds unless specifically exempted from this requirement by the Vice Chancellor for Business Affairs.

#### **Payments to or on behalf of Employees**

Regardless of funding source, payments to employees are limited to authorized reimbursements, authorized awards, or authorized salaries. Payments to employees for compensation for work must follow guidelines published by the Office of Human Resources, the UNC System Office, and must be initiated through the payroll system.

#### Adverse Weather Events and Other Emergency Conditions

In the event of emergency weather conditions, certain departments have personnel critical to the University health/safety/welfare Reasons and the care and handling of animals. Examples of personnel who might fit this criterion are key individuals from Facilities Operations, Dining Services, Housing Services, Transportation, Campus Police, Computing, and certain other support or research services. Under emergency circumstances, units which have such critical functions may make prudent and reasonable lodging and/or meal arrangements for critical employees who must be at the University and pay for the arrangements from their

normal operating budgets, regardless of source of funding.

For example, Facilities Operations makes arrangements at a local motel within walking distance of the campus or with University Housing when local weather forecasts indicate a high probability that roads will be impassable and hazardous to traverse. Requests for payment for these expenses should be clearly documented including the nature of the emergency, names of personnel covered, date(s) and time(s) of the event, and any other relevant information which might serve to document the expenditures.

#### Business Expense Reimbursements to Employees

Personal reimbursements for items such as supplies, travel, or meals to an employee must be approved by an individual at a higher level of authority in the University's organization. Personal reimbursements for items and supplies should be for emergencies only, not for the daily operational needs of the department and limited in scope and amount. These purchases should normally be made with prior planning and through the purchase card, small purchase, or requisition process. Any such approved reimbursement must be documented appropriately for the expenditure. For example, the purchase of supplies would require following purchasing guidelines.

Business expense reimbursement requests are subject to the University's Accountable Plan and must be submitted to your department for approval within 60 days after the date the expenses are incurred. Requests submitted late may be processed, if approved, through Payroll in accordance with Federal tax regulations. It is important to document the date that you submit your expense reports to your department.

#### Business use of a Personal Vehicle

Daily mileage parking, tolls, or similar vehicle related expenses may be reimbursed for employees who use their personal vehicles for State business. These reimbursements are made when employees are not in overnight travel status.

Business miles will be reimbursed using the same rates as outlined in the State Budget Manual.

- Business miles may be reimbursed up to the standard IRS rate of \$0.56 per mile.

There are 2 approved methods to claim reimbursements paid by Appalachian State University.

1. A Direct Payment form may be submitted that describes the business purpose of the trip, the destination, miles driven, and the applicable rate to be reimbursed with a map attached (Google Maps, MapQuest, etc.)
2. A Direct Payment form may be submitted with a Business Mileage and Expense log attached.

Reimbursement requests for the business mileage and expenses are considered business expenses under the University's Accountable Plan and must be submitted to your department

for approval within 60 days after the date the mileage and expenses are incurred. Requests submitted late may be processed, if approved, through Payroll in accordance with Federal tax regulations. It is important to document the date that you submit your expense reports to your department.

Employees should check with their respective Business Offices to determine if their department requires other authorizations or procedures in addition to what is required by the University Controller's Office.

**Expediting Fee for H1B-Visa Forms (Form -907)**

Normal processing of an H-1B petition is currently taking between 4-7 months, while paying a premium processing (expediting) fee will ensure a response within 2 weeks.

Payments for expediting fees for H1B-Visa Forms may track the salary funding source so long as the payment is made for a business reason for the convenience of the University and not the employee, except that contracts and grant funds may not be used to pay the fee. The expediting fee is considered a business expense, specifically, a recruiting expense. Some examples of how the funding sources would track are as follows:

<b><u>Salary Source</u></b>	<b><u>Possible Funding Sources for Expediting</u></b>
State funds	State funds or discretionary funds
Contracts/Grants	Overhead funds, discretionary funds
Gift funds	Gift funds, discretionary funds

**Long Distance Telephone Calls**

Long distance telephone calls are allowable from University funds only for University business except in the event of an emergency or certain situation allowable during travel status.

Should emergency circumstances arise which necessitate a University employee to make a personal long distance or cellular phone call not covered in the above, the employee should immediately notify his or her supervisor and reimburse the University.

**Internet Connections**

Home internet connections are considered the equivalent of home telephones, i.e., personal expenses which are not reimbursable. In rare cases, a specific connection may be paid for by the University if it is required by the University and is for the convenience of the University.

Wireless internet connection charges, as with home internet connections, are considered personal expenses. The University provides wireless internet throughout much of the campus at no charge.

### Membership Dues

Membership dues may not be paid for individual employees or for the benefit of an individual employee. Membership dues paid from State funds must be for the benefit of the University and not the individual. If the University is to benefit from an individual's membership in an organization, that benefit should derive not because of the individual, but because of the individual's position with the University, regardless of who is in the position. Although a membership may be in the name of an individual, his/her membership terminates at the same time he/she terminates employment with the University or moves to another department.

### Moving Expenses

Reasonable expenses for transporting the household goods of an employee and members of his or her household may be reimbursable from all funds available pursuant to Appalachian State University Policy 605.35 and OSBM State Budget Manual 6.6. The entire amount of the moving and relocation expense reimbursements are considered additional taxable compensation and are processed through Payroll. Relocation allowance is permissible only using discretionary funds and it is also processed through Payroll as taxable compensation.

### Conditions and Limitations

An employee's moving expenses may be reimbursed by the University only when:

- A change of residence or relocation is deemed to be in the best interest of the University and is for the advantage and convenience of the hiring department.
- All payments for relocation made to an employee must be specifically included in the employee's written offer of employment or faculty contract.
- The hiring department must have approval of the appropriately authorized official and the payment provided must be within established limits for the employee's classification. A schedule of limitations and delegated approval authorities will be maintained by the Office of Human Resources and may be updated at any time upon approval of the Chancellor. The current schedule can be found on the Office of Human Resources website – Employee Relocation Compensation Schedule.
- The employee's move to the new residence must be 50 miles or more from their existing residence.
- The new duty station for existing state employees is 50 miles or more from either the employees existing (or prior) duty station or residence, whichever is closer to the new duty station.
- The new employee's domiciliary move must occur within 90 days of the effective date of employment with the University. The Chancellor may authorize limited exceptions to this requirement.

Allowable Expenses for Moving and Relocation Reimbursement

Maximum reimbursement for various categories of costs is enumerated in this section. Any additional costs must be borne fully by the employee.

Moving of household and personal goods - Reimbursement for movement of household and personal goods includes items such as furniture, clothing, and personal effects. Any items that require special handling and/or packing, such as an animal, a boat, airplane, motor vehicles, antiques, satellite dish, campers, woodworking equipment, workshop items, heavy machine equipment, and building materials are not considered as household or personal goods. Reimbursement includes, and is limited to, the cost of actual packing, transporting, and unpacking of a maximum of 15,000 pounds. If the move is on a weight basis (50 miles or more), the maximum cost to be reimbursed can be no more than the lowest available regulated tariff rates. If additional storage is required for any such items, it is the responsibility of the employee and is not reimbursable.

Total transportation charge on any shipment shall be no more than the charge that would apply on the same shipment under the next greater unit of weight at a rate applicable to such next greater unit of weight.

When a shipment exceeds 15,000 pounds, reimbursement shall be based upon the tariff rate of 15,000 pounds, provided reimbursement does not exceed actual poundage costs.

Except as otherwise provided specifically herein, reimbursement may be made only for basic services performed by the carrier. No reimbursement may be made for expedited service, space reservation, or other special or non-routine services by the carrier.

Excess weight authorization - When due to extraordinary circumstances the total weight exceeds the maximum weight allowable, (15,000 pounds) a request for reimbursement for this excess, which sets forth in detail the nature of such extraordinary circumstances, may be granted by the Chancellor or her designee(s).

Insurance - Reimbursement of transit insurance costs, in addition to those included in the carrier's required base coverage of 60 cents per pound per article. Additional coverage is the responsibility of the employee and is not reimbursable.

Appliance Connections - The reasonable costs of disconnection of appliances, as defined in this section, at the old residence and reconnection or reinstallation of the same appliances at the new residence, by the carrier or by a service company may be allowed up to a maximum of \$500. This would include items typically found in performing household operations such as electrical, water, gas hook-up, household appliances, and connection of a single telephone. This would not include items considered unnecessary to household operations such as television antennas, cablevision connection, satellite dish, nor any type of power tools or other equipment associated with home workshops, hobbies, or other activities. Also, utility deposits or the running of utility lines are not reimbursable expenses by the employing agency.

Mobile homes - In lieu of an allowance for loading, unloading and insurance coverage, charges not to exceed a total of \$500 are allowable for the following costs associated with the movement of mobile homes utilized as the employee's residence:

- Blocking and unblocking.
- Anchoring and skirting.
- Movement of air conditioners and utility buildings.
- Wheel rental.

Claims for reimbursement for such services, whether performed by the carrier or a service company, must be supported by itemized receipts.

Employee Travel and Subsistence - Reimbursement for travel expenses incurred in moving the employee and his or her family from the old residence to the new residence is authorized as follows:

- For locating new residence - Transportation, mileage calculated at the statutory rate for a maximum of three round trips by automobile with each trip not to exceed two days (2 days, 1 night) with the total house hunting trips not to exceed 6 days (6 days, 3 nights). The Chancellor or her designees may approve an exception to the two days limit on each trip if the extended trip is more cost efficient for the University and the total house hunting trips do not exceed 6 days, 3 nights. Subsistence for meal costs as shown in the State Budget Manual travel section for each member of the family per trip. If overnight lodging is necessary, subsistence for the following day is allowable. Lodging is limited to one double room.
- For day of moving - Mileage calculated at the statutory rate for a one-way automobile trip (a maximum of two cars). Subsistence for meal costs as shown in the State Budget Manual travel section for each member of the family. Employees have two days to complete the move. If overnight lodging is necessary, subsistence for the following day is allowable. Lodging is limited to one double room. The department head or his/her designee can approve any additional time needed.
- New duty station - Subsistence at the new duty station is not to exceed five days a week (Monday-Friday or a consecutive five-day period, if working a nontraditional schedule). Mileage is limited to one-round trip per week from the employee's current residence to the new duty station, subject to state travel laws and regulations, from the time he or she begins work until he or she moves into the new residence, not to exceed a total of 40 consecutive work days.

#### Procedures for Moving and Reimbursement

- Pre-Authorization - Prior to incurring any expenses, the employee will submit a [Moving and Relocation Expense Authorization](#) request to delegated approval authorities in the [Employee Relocation Compensation Schedule](#) and Human Resources Services for approval.
  - Moving by commercial movers: The request shall include bids from three

movers and an estimate of other allowable expenses. These regulations require competitive bids that do not exceed the tariff rates and charges as published and filed with the North Carolina Utilities Commission. Bidders must have all required State and federal licenses and insurance. Bids included in the requests should include:

- Shipment weight
- Number of Cartons
- Charges for loading and unloading
- Cost of transit insurance coverage
- Transportation and loading shall be governed by the rules and regulations as contained in tariffs on file with the North Carolina Utilities Commission. The department head or designee should accept the low bid unless judged not to be the State's advantage and interest.
- Any exceptions to Procedure for Moving must be documented in a Memo and must be approved by the Chancellor or her designees.
- Moving by other methods: the actual cash expenditure made by an eligible employee in moving his household goods by another method such as non-licensed mover, rental trailer or truck is permissible, provided such reimbursement does not exceed that which would have been made if a regulated common carrier had been used. It is the responsibility of the delegated approval authorities to determine if this method is cost effective before approval is granted. At least one bid from a commercial mover is required to aid the department head or designee for decision making unless an exception is approved by the delegated approval authorities.
- Procedure for Reimbursement - Upon the completion of the move, the employee or department may complete and submit a Taxable Reimbursements and Benefits Reporting Form (DocuSign) for reimbursement. The following documents should be attached to the Reporting Form:
  - A bill of lading from the carrier which shows the actual rates and charges for transporting, loading and insurance, itemized by miles, loading charges with numbers and sizes of cartons, insurance coverage, and appliance disconnections and connections, if applicable.
  - Fully approved Moving and Relocation Authorization
  - Moving and Relocation Expense Log
  - Itemized Receipts

Once submitted, the Reporting Form will be automatically routed to the departmental fund approvers, the Human Resources Office, Special Funds Accounting and Tax Compliance for approval.

A copy of the fully approved Taxable Reimbursements and Benefits Reporting Form with an expected payment date will be routed to the requestor.

- Payment for Moving and Relocation Allowance

- Fund Source - Payment of a Relocation Allowance is permissible only when using discretionary funds.
- Procedure for Payment - Complete *Taxable Reimbursements and Benefits Reporting Form* (DocuSign) and attach a copy of the employee's written offer of employment or faculty contract.

Once submitted, the Reporting Form will be automatically routed to the departmental fund approvers, the Human Resources Office, Special Funds Accounting and Tax Compliance for approval.

A copy of the fully approved Taxable Reimbursements and Benefits Reporting Form with an expected payment date will be routed to the requestor.

#### Passports and Visas

Reimbursements for costs incurred in obtaining or renewing a passport may be made to an employee who, in the regular course of his/her duties, is required to travel overseas in the furtherance of official University business. Passport expenses are chargeable to the same fund that supports the employee's trip. The University also interprets this to mean that similar related fees or expenses such as required visas may also be reimbursed.

#### Payment of Awards to Employees for the Employee Suggestion System

State funds may be used for payments of awards under the Employee Suggestion System as established by the Office of State Human Resources. The amount of the award is subject to Social Security tax and federal and state income tax but is not subject to retirement withholdings.

#### Personal Mobile Computing Devices

A personal mobile device, including iPads and tablets, is treated in the same way as a laptop computer and may be purchased from University funds to be used for University business purposes only. Like other items purchased by the University, however, it remains University property and must be returned if an employee leaves the University.

#### Personal Mobile Communication Devices

A personal mobile communication device is defined as a "smart phone", cellular phones, or their devices that allow one person to communicate directly with another. The University does not provide reimbursements or allowances for personally owned devices.

Employees whose job duties require them to utilize a personal mobile communication device may be issued a University owned device from an approved State contract vendor.

University owned devices are subject to an annual review and inventory. This inventory will document the employee's name, position, division and department, a summary description of the type of device issued, the initial cost of the device, monthly and annual billing rates, and a business justification for the continued use of the device.

Under-utilized or high cost devices identified during the annual review will be terminated or replaced with a more cost-effective alternative.

**Excess personal use of a University owned device is prohibited.**

**Personal Protective Equipment**

The University may provide, at no cost to employees, certain personal protective equipment as required by their job duties in accordance with the NC Department of Labor regulations. Purchases of this type are administered by the University's policies and standards on Personal Protective Equipment established by the University's Environmental Health, Safety, and Emergency Management department (EHS&EM).

**Personal Use of an Employer Provided Vehicle or Courtesy Car**

The value of the personal use of the courtesy car/Employer Provided Vehicle is considered taxable non-cash compensation. It is included in the paycheck when the business and personal use reports are submitted. Amounts will be included in gross income when the annual employee W-2 is computed. Applicable Social Security, Medicare, federal, and state income taxes will be withheld from the employee's pay.

Determination of the taxable compensation is based on the Fair Market Value of the vehicle in the year it is first put into service and the personal mileage percentage in a given period of time. Documentation of the mileage driven is required to substantiate business use and differentiate personal miles.

For the purposes of these procedures the following definitions apply:

- A Courtesy Car is a vehicle sponsored by a car dealership and assigned to selected positions to use.
- An Employer Provided Vehicle is a vehicle owned by the University and assigned to a selected position to use.

**Reporting Procedures:**

1. Courtesy Car/Employer Provided Vehicle Record shall be submitted to the Controller's Office when the vehicle is acquired and when the vehicle is returned or reassigned.
2. Courtesy Car/Employer Provided Vehicle Mileage Log shall be used to record:
  - The total mileage driven including the beginning and ending mileage of the vehicle's odometer reading for each reporting period.
  - The mileage of each business trip including date of the trip, from and to where, business purpose, and starting and ending mileage driven.

Personal mileage driven will be calculated by subtracting the total business mileage from total mileage driven for the reporting period.

3. Courtesy Car/Employer Provided Vehicle Business and Personal Use Report shall be submitted to the Controller's Office along with the supporting Courtesy Car/Employer Provided Vehicle mileage log on a semiannual schedule.
  - Reporting Period December 2<sup>nd</sup> to June 5<sup>th</sup> is due by June 12<sup>th</sup>
  - Reporting Period June 6<sup>th</sup> to December 1<sup>st</sup> is due by December 8<sup>th</sup>

Note:

1. If the above required reports are not submitted to the Controller's Office for a reporting period, the entire half year lease value will be taxed on the next payroll. Adjustments will not be made if reported at a later date. Exceptions can only be made with the University Controller's approval and with no violation of IRS regulations.
2. If an assigned driver is leaving the University, all reports must be submitted before the 20th of the last pay period of the departing employee.

Purchases of Applications, eBooks, and Other Electronic Media

For the purposes of this section Mobile Communication Devices (MCDs) include cellular (cell or mobile) telephones (including cell phones with two-way "push-to-talk" communication capability), smartphone devices (e.g., iPhone, Samsung Galaxy Tab), tablets (e.g., iPad, Samsung Galaxy Tab), e-book readers, PDAs, pagers, wireless cards, and any other device that enables mobile electronic communication and has associated service plan costs.

All apps and related usage on University-owned MCDs must comply with the University's policies related to use of computing and electronic resources.

All app and e-book purchases shall have proper approval prior to the purchase and the reimbursements must follow the University Accountable Plan rules.

Purchases Using Departmental Account (e.g., app store account, Amazon account):

1. Employees are encouraged to purchase any mobile "apps" or e-books for use on a University owned MCD using the departmental purchasing card ("p-card") and the associated departmental account that was setup using the departmental email address (e.g., controller@appstate.edu).
2. App purchases paid with personal funds can be reimbursed if the departmental account was used (Note: It is the employee's responsibility to safeguard your personal financial information). The following documents must be submitted to the controller's Office:
  - The completed Request for Direct Payment form with all approvals
  - A letter stating the business purposes related to the employee's job at the University and that the app is used on a University owned MCD
  - The proof of the payment

Purchases Using Personal Account:

1. Reimbursement requests for mobile app or e-book purchases using a personal account, including an account that was setup using the University email address, are generally discouraged, since the ownership of a purchased app or e-book remains with the user and is tied to his/her account. However, reimbursement for the purchase of a business-use mobile app or e-book will be considered if all of the following conditions are met:
  - The app or e-book is used for business purposes related to the employee's job at the University;
  - The app or e-book is used on a University owned MCD; and
  - The amount of the reimbursement request is \$10 or greater per person.

These reimbursements are considered taxable income to the employee and will be processed through Payroll. The following documents must be submitted to the controller's Office:

- The completed Request for Direct Payment form with all approvals
  - A letter stating the business purposes related to the employee's job at the University and that the app or e-book is used on a University owned MCD
  - The proof of the payment
2. If a personal account was set up using the University email address, employees can use the departmental purchasing card ("p-card") for purchases less than \$10. These purchases will be considered de minimis fringe benefit to the employees and it is not taxable.
  3. P-card cannot be used for any app purchases using a personal account that was setup using the non-university email address.

Other considerations - Note that Apple's licensing agreement indicates that licensure/ownership of an app is granted at the time of purchase, to the email account associated with the related iTunes account. For that reason, for app purchases made with the user's personal Apple ID, the associated license for that app will remain with the user.

**Excess personal use of a University owned device is prohibited.**

**Travel Reimbursements and Expenditures**

A complete set of the University's travel reimbursement procedures as well as the State Budget Travel Policy and Requirements may be found on the Controller's Office website.

**Use of State funds for Recognition of Employees**

The use of State funds for purchases related to the recognition of individuals is permissible if they adhere to the policies established by the Office of State Human Resources (OSHR) for meritorious service awards, as authorized in G.S. 126-4(8) (refer to the "Service Awards" section of OSHR's website for further information). In addition, State funds may be expended,

not to exceed \$50, for the purchase of a plaque or for the printing and framing of a certificate. The expenditure of State funds for these purposes is subject to the availability of funds.

### **Payments to Non-Employee Vendors and Individuals**

#### IRS Backup Withholding

IRS 3406(a) requires payers under certain circumstances to withhold 24% for vendor payments as backup withholding taxes on payments of interest, rents, royalties, commissions, non-employee compensation, and certain other payments. Payments subject to backup withholding are defined in IRS sections 6041, 6041(a), 6042(a), 6044, 6045, 6049(a), 6050A, and 6050N.

Requirements - Backup Withholding is required under three circumstances:

1. Backup withholding is required when the agency requests a Taxpayer Identification Number (TIN) from a vendor and one is not provided. The agency must backup withholding on any payments made to this vendor. Once backup withholding begins, the agency must continue to withhold until the vendor provides his or her TIN.
2. The IRS sends the agency a first B Notice (CP2100) and the vendor does not respond within 30 days to the agency's request for certification of the TIN. The agency must begin to backup withhold on any payment made to this vendor. Backup withholding continues until the vendor provides a TIN certified on IRS Form W-9.
3. The IRS sends the agency a second B Notice within a three year period. The agency must begin backup withholding immediately. Backup withholding continues until the IRS notifies the agency to stop withholding. This notification may be an IRS Letter 147C or SSA Form 7028.

IRS CP2100 Notices - Each year the IRS issues CP2100 Notices for prior year information returns that contain missing, incorrect and/or currently not issued taxpayer identification numbers. For instance, the 1992 CP2100 Notice was issued in October, 1993 and the 972CG Notice of Proposed Assessment which was based on these mismatches was issued in December 1994. Upon receipt of this CP2100, IRS procedure requires each agency/recipient to compare their records with the information furnished by the IRS.

There are two separate procedures that must be followed depending on whether the CP2100 listing agrees or disagrees with your records.

#### Procedures to Follow Once the University Receives a CP2100 From the IRS

For account information that does not agree with your records, check to see if you gave the correct information on your return, if you changed the information after you filed, or if the IRS changed the information when processing the return. In these instances, you do not have to respond to the IRS, but you do need to do the following:

1. If you did not put the correct information on the return, correct your records and include that information on any future information returns that you file. Do not send a "B" Notice to the payee.
2. If your information changed after you filed your return include that information on any future information returns you file. Do not send a "B" Notice to the payee.
3. If the IRS changed your information, note in your records and take no further action.

For account information that agrees with your records, you must determine whether this is the "first" or "second" time within three calendar years the IRS has notified you that the TIN is incorrect. You must have procedures in place at your agency/university that allow you to determine whether this is the first or second notification since the procedure that you are required to follow is different for each notification.

#### First Notice Procedures

1. Send the first "B" Notice, a copy of Form W-9, and an optional reply envelope to the vendor within 15 business days from the date of the CP2100 notice or the date you received it (whichever is later). Date the "B" Notice no later than 30 business days from the date of the CP2100 notice or the date you received it. The outer envelope must be clearly marked "IMPORTANT TAX INFORMATION ENCLOSED" or "IMPORTANT TAX RETURN DOCUMENT ENCLOSED".
2. Allow the payee 30 calendar days to provide you with a newly signed Form W-9. Keep this W-9 for your records. Please note, once the IRS has informed you that the TIN of a vendor does not match, a telephone call is not sufficient documentation that you have followed procedures.
3. Update your record with the corrected information received from the vendor and include it on any future information returns you file.
4. Begin backup withholding on payments made to vendors who do not respond within 30 business days from the date of the CP2100.

#### Second Notice Procedures

1. Send the second "B" Notice and an optional reply envelope to the vendor within 15 business days from the date of the CP2100 or the date you received it (whichever is later). Date the "B" notice no later than 30 business days from the date of the CP2100 notice or the date you received it. The outer envelope must be clearly marked "IMPORTANT TAX INFORMATION ENCLOSED" or "IMPORTANT TAX RETURN DOCUMENT ENCLOSED". Do not send a Form W-9.
2. The vendor must contact the Social Security Administration (SSA) to have a social security number validated or the Internal Revenue Service (IRS) to validate an employer identification number (EIN).
3. Allow 30 business days from the date of your request to receive either SSA Form 7028, Notice to Third Party of Social Security Assignment from the SSA or a copy of IRS Letter 147C from the vendor.
4. Begin backup withholding on payments made to payees if you don't receive SSA Form

7028 or IRS Letter 147C within 30 business days. You must continue to backup withhold until you receive either validation.

**Depositing and Reporting Backup Withholding** - It is the University's responsibility to deposit and report backup withholding. Once funds are withheld, the University must deposit the money using the same rules as those used for employment taxes. See the general instructions for information on when the taxes must be deposited (IRS Circular E or IRS Forms 941 or 945). It will vary from quarterly to semi-weekly depending on the size of the deposit to be made.

Most deposit situations will require that a deposit be made by the fifteenth day of the following month in which backup withholding occurred. Withheld taxes are deposited in a federal reserve bank using a Form 8109 Federal Tax Deposit Coupon. IRS Form 945 Annual Return or Withheld Federal Income Tax must be used to report backup withholding. This return is due by January 31 of the following calendar year.

**Miscellaneous Backup Withholding Information** - The Backup Withholding rules apply to taxable grants or agricultural payments reported on Form 1099-G; it does not apply to any other Form 1099-G type payment. Backup withholding rules apply even if the amount is less than \$600 per year.

Once begun, the University must continue to withhold until the payee provides a TIN. The University will not refund withheld before the TIN was provided. The University will report these amounts on Form 1099-MISC; the payee will get credit for the withholding just as employees get credit for the wages withheld from their paychecks.

If the University is required to withhold but fails to do so, the University is liable for the amount should have been withheld.

Obtaining a Form W-9 allows the University to stop withholding (at least until the second B Notice), but it does not relieve the University of liability for missing withholding.

#### **Payments to Students**

These procedures clarify the types of payments that may be made to both undergraduate and graduate students. Such payments include scholarships, fellowships, prizes and awards, student refunds, compensation for services, and reimbursements. Processing payments made to students requires an additional level of review so that the University can remain compliant with all related Federal and State laws in addition to University policies.

#### **Definitions**

**Qualified Scholarship/ Fellowship** - Account credits or payments to students in a degree program that cover qualified tuition and related educational expenses (limited to tuition and required fees including books, supplies or equipment) and do not exceed stated tuition and

fees amounts. Qualified scholarships and fellowships are not taxable income to the student, however they are reported on IRS form 1098-T.

Non-Qualified Scholarship/ Fellowship - account credits or payments to students for expenses that are not qualified tuition and fees. (For example, amounts used to pay for optional fees, room, board, travel, and personal expenses) All non-qualified scholarship or fellowship payments are potentially subject to income tax withholding and reporting on IRS form 1098-T or IRS form 1042-S for nonresident foreign nationals.

Student Prizes and Awards - payments received as a result of entering a drawing, participation in an event, are received as the result of entering a contest, or payments in recognition of charitable, scientific, educational, artistic, literary, civic achievement. Prizes and awards are always taxable and may be monetary in nature or in the form of a tangible item. If IRS thresholds are met the University will report the prize or award to the IRS and the student on IRS form 1099-MISC. Prizes and awards received by nonresident foreign nationals may be subject to reporting on IRS form 1042-S and may be subject to tax withholdings.

Trainee Fellowship - payments in this category assist an individual in the pursuit of study or research. No past, present, or future services are expected to be provided by the individual in return for the support. The funds received may be considered taxable income to the recipient but are not reported as taxable income by the University on IRS forms W2 or 1099-MISC. However, the payment may be subject to reporting on IRS form 1098-T or 1042-S for nonresident foreign nationals. Payments to nonresident foreign nationals may also be subject to tax withholding. Trainee fellowships may be taxable to the individual to the extent there are no offsetting qualified educational expenses.

Student Refunds - refers to processing payments to students resulting from a credit balance on the student's account. This term is also applied to payments to students for Title IV proceeds (SEOG, Pell Grants, Federal Direct loans, and Perkins loans) in excess of the amount of tuition and fees, room and board, and other allowable charges.

Compensation for Services - payments in this category are made to students for teaching, research, or other activities performed for the University. The primary deciding factor for properly classifying these payments is that the services provided are for the benefit of the University and may or may not be related to the student's course of study. Payments for services are always taxable income and may be subject to federal, state and FICA withholding or may be reported on form 1099-MISC as income earned for independent personal services depending on the nature of the relationship between the student and the University.

Student Employee - a part-time University employee who is enrolled as a student, currently registered in classes and whose primary purpose for being at the University is to earn a degree or certification. (IRS Rev Notice 2004-12)

Student Reimbursements - when a student incurs a cost for an approved activity that primarily benefits the University, they may be able to receive a reimbursement of the expense. Student reimbursements for expenses incurred on behalf of the University may be excluded from taxable income provided the proper policies are followed.

Nonresident Foreign Nationals and Resident Aliens - Students who are not a U.S. citizen are considered nonresident foreign nationals unless they meet either the "green card test" or substantial presence test" for the calendar year (Jan 1 – Dec 31) as defined by the Internal Revenue Service. If a student meets the "green card test" (meaning they were a lawful permanent resident of the United States according to the immigration laws, and this status has not been revoked or administratively or judicially determined to have been abandoned) or meets the "substantial presence test" they are considered to be a resident alien and are taxed in the same manner as a U.S. citizen.

#### Scholarships and Fellowship Grants

Nontaxable Scholarships and Fellowship Grants, Degree Candidates- a payment to a student is considered a scholarship or fellowship if the primary purpose of the course of study or research is to further the education and training of the recipient and payments do not represent compensation for services. There cannot be any obligation to provide services in exchange for the grant other than that the student remains enrolled in a degree program and maintains qualifying requirements of the award. A "qualified scholarship" is the amount of a scholarship or fellowship grant that is used for tuition, fees, books, supplies, and equipment required for courses. These items must be required of all students in a course of instruction for the applicable portion of the scholarship or fellowship grant to be considered tax free.

All qualified scholarships and fellowship grants will be reported by the University to the IRS and to the student on IRS form 1098-T.

All qualified scholarships and fellowship grants will be awarded and processed through the University's Office of Student Financial Aid.

Taxable Scholarships and Fellowship Grants, Degree Candidates- Scholarships and fellowships received to offset non-qualified educational expenses are taxable to the student. For students who are nonresident foreign nationals there is no withholding or reporting on form 1099-MISC, however amounts may be reported on form 1098-T.

Taxable scholarship and fellowship payments may include, but are not limited to, payments for room (housing), board (meals), medical expenses, thesis support, travel, non-required fees, books, supplies, or equipment, and other personal expenses. Additionally, funding provided for a student to attend a conference, engage in a job search or interview or to conduct research is considered a taxable scholarship or fellowship grant (unless such expenses primarily benefit the University)

The University's Office of Student Financial Aid must be consulted before any non-qualified

scholarship or fellowship award is offered or made to a student. Departments that have established continuous award programs with the support of Financial Aid will not need to consult with Financial Aid for each disbursement to a student provided no significant changes to the program have been made.

Taxable scholarship and fellowship payments to students who are nonresident foreign nationals for tax purposes may be subject to reporting and withholding. Before such taxable scholarships or fellowship payments are made to students, Departments must contact the University's Controller's Office.

Any scholarships or fellowship grants received by non-degree candidates are considered taxable even if the amount given covers qualified educational expenses. The University is not required to withhold income tax nor is it required to report the payment to either the student or IRS unless the payment is made to a nonresident foreign national. In the case of nonresident foreign nationals, the payment may be subject to withholding and reporting on form 1042-S.

#### Student Reimbursements and Refunds

Student reimbursements for expenses incurred while acting as an "agent" for or on behalf of the University are not included in income and are not subject to reporting provided the reimbursement meets the requirements of all University and State policies.

#### Examples:

- Student travels to an approved conference to represent Appalachian as requested by the University.
- Student is approved to travel to represent Appalachian in a scholastic competition.
- Student is approved to travel to a conference to present a paper on behalf of a department.
- Student travels to perform research, which happens to be related to their course of study, and the University would perform research on the topic regardless of the student performing research for their course of study. The University is the primary beneficiary of the research and travel.

Students' accounts are used to assess institutional charges and to apply payments against those charges. Disbursement of credit balances on a student's account are generally not considered taxable income. When a credit is placed on an account it may be taxable to the student and may create a credit account balance that is later refunded. Any withholding or reporting requirements will be based on the award not the disbursement of the balance through the refund process. For example, the total award of a scholarship or fellowship less any required tuition and fees is considered taxable income to the student, but not reportable by the University regardless of whether or not a refund was generated.

Student refunds for excess Title IV (Financial Aid) funds are not taxable income. Title IV

funds cannot be used to pay past balances on a student's account.

#### Prizes and Awards provided to Students

For U.S. Citizens and nonresident foreign nationals, the total of all prizes, awards, and other income reportable on form 1099-MISC made to students during the year that exceed \$600.00 must be reported by the University to the student and the IRS. It is the responsibility of the student to report the amount of all prizes and awards on their personal tax returns regardless of amount.

Prize and award payments made to students who are nonresident foreign nationals are subject to 30% withholding and reporting to the IRS and student on form 1042-S.

If the prize or award is only available to students the payment is considered a scholarship and must be included on the student's Financial Aid award record and may affect the student's Financial Aid package. Students should consult with their Financial Aid counselor to determine the effect of accepting the prize or award.

#### Compensation for Services

An amount paid to a student is considered compensation for services and not a scholarship or fellowship if:

- the amount represents compensation for past, present, or future employment services
- the payment is for an activity that is directed by or supervised by the University, or
- the purpose of the payment is to enable the student to pursue studies or research that benefits the University.

These types of payments are considered wages for employment for tax purposes. All employment relationships established with students are to be managed through the appropriate office. (Student Employment, Graduate School, Human Resource Services)

Student employees may or may not be subject to FICA payroll tax withholding.

Depending on the facts and circumstances related to the services provided and the relationship between the individual and the University, payments for independent personal services may be reported on form 1099-MISC.

#### Procedures

Reporting the payments made to or on behalf of students for cost of attendance items are accomplished through a student's account and the Financial Aid Office. Requests are facilitated using a form developed by the Controller's Office and will be reviewed by the Tax Compliance Office in conjunction with the Financial Aid Office before the benefits are added to students' accounts for 1098-T and financial aid reporting.

#### Campus Department Responsibilities

Payments to students are identified at the departmental level. Departments are also responsible to obtain necessary information from the faculty, staff and students involved and determine if the student payment form is required. If the form is required, complete the form, attach it to the pay packet and submit it to the Tax Compliance Office.

If the P-Card is used and the Form is required, please send the Form, a COPY of P-Card transaction and a COPY of the supporting documents for cardholder monthly reconciliation to the Tax Compliance Office before the P-Card reconciliation deadline for that month.

If the payments are made from a grant fund, additional review and approval from Special Funds Accounting is required.

When the tax review is completed, Tax Compliance will send the entire packet back to the department to file with the PCard Reconciliation. Departments must include a copy of the 1098-T and Financial Aid Reporting Form approved by Tax Compliance in the P-Card reconciliation submitted to the P-Card Office.

#### When to Complete the Student Payment Form

The Form needs to be completed each time when you make a payment to or on behalf of the students for the cost of attendance items outside of the scholarship portal. If you need assistance to determine if the payment is for cost of attendance items, please contact Tax Compliance at (828)-262-8977 or harrismk@appstate.edu.

#### Failure to Report

Departments who fail to properly report payments for cost of attendance items made to or on behalf of students cause the University to be out of compliance with State and Federal laws and could subject the University to fines and penalties. Departments that are non-compliant will be responsible for the potential penalties and other liabilities. If cost of attendance items are purchased on the p-card without authorization or proper reporting the card may be revoked.

#### Payments to Individuals and Vendors for Goods and Services

All goods must be received and services must be completed before payment is made for expenditures including but not limited to those made by University purchase order, direct payment, contracts for personal/ professional services, guest speaker, and entertainment contracts. Once goods have been received or services have been provided, payments to vendors for University obligations generally should be made within 30 days of an invoice date. The University will take advantage of all available discounts and will monitor due dates to avoid premature payments.

### **Payments to Foreign Individuals**

The Tax and Immigration laws governing payments to foreign individuals are very complex. The following procedures are established to ensure the University's compliance with the applicable laws. This procedure must be followed regardless of what payment method will be used to pay.

Note: This procedure does not apply to:

- candidates for vacant positions, and
- Reimbursements to employees for business meals with foreign individuals.

Payment Types - Payments to or on behalf of foreign Individuals includes but not limited to:

- Services
- Honorariums
- Scholarships/fellowships/travel grants
- Prizes and awards
- Travel reimbursements/payments such as airfare, lodging, ground transportation
- Meal Stipends
- Other non-wage payments

Foreign individuals are:

- Foreign national visitors,
- Foreign national students,
- Foreign national guest speakers/lecturers/presenters,
- Foreign national performers, and
- Foreign national independent service providers.

Additional Guidance for Honorariums

#### **Honorariums**

These standards provide guidance related to honorariums provided by Appalachian State University to ensure compliance with all applicable federal and State laws, and University policies. These standards are to be adhered to by all divisions, departments, faculty, and staff.

#### **Definitions**

- Honorariums - An Honorarium is a common form of payment for services to a Non-Resident Alien (NRA). Generally, these payments are related to academic services and associated expenses provided by visiting scholars, teachers, lecturers, and researchers. These types of payments may be subject to certain restrictions depending on the type of VISA the individual has received.
- Usual Academic Activity - Examples of usual academic activity generally include:

lecturing, speaking, researching, advising, and collaborating. Appalachian State University is the beneficiary of the services provided.

- Associated Expenses - Travel and other expenses related to the business purpose of the visit.
- Non-Resident Alien - An individual who is not considered a U.S. Citizen or is not a resident alien is considered a non-resident alien (NRA)
- Resident Alien - An individual who is not a U.S. Citizen, but meets the IRS "Green Card" test or the "Substantial Presence Test".

#### Honorarium Standards

An honorarium payment can only be made to a NRA in accordance with Federal Immigration laws, Internal Revenue Service (IRS) laws, other applicable State and federal laws and regulations, and University policies.

Honorarium payments cannot be made to U.S. Citizens or Resident Aliens. Departments should evaluate whether these types of payments need to be made through payroll, purchasing, accounts payable as compensation, by contract either as an independent personal or professional service, guest speaker or another approved method.

The origination of an Honorarium is the responsibility of each department arranging for the provision of services by the NRA. The department must receive approval from the Controller's Office prior to the arrival of the individual in the United States to ensure the proper procedures are followed and all required information is collected.

#### Limitations for Honorarium for common VISA types:

- B-1/B-2 and VWT/VWB: May be paid an honorarium for usual academic activity. The length of time the individual performs the activity cannot exceed 9 days, and the individual cannot perform similar activities at more than 5 institutions within a 6-month time period (9/5/6 rule). Travel expenses may be paid on behalf of the individual or be reimbursed, provided all University travel policies are followed and the purpose of the travel was to provide services to the University.
- J-1 Sponsored by ASU: May be paid an honorarium for services and is not subject to the 9/5/6 rule.
- J-1 Sponsored by a Non-ASU Sponsor: May be paid an honorarium for services and is not subject to the 9/5/6 rule provided the Department requesting services receives permission from the sponsoring entity in writing and that the J-1 program they entered the U.S. in permits the services to be performed.

The total amount of an Honorarium may not exceed \$5,000.00. The total amount authorized in advance shall include the payment for services and all expenses including travel and related business expenses. Amounts more than this limit must be approved in writing in advance by the appropriate Vice Chancellor. Requests for exceptions must include a rationale for the

business need for the exception. The approval of this request shall be forwarded to the Controller's Office with all other documentation for payment.

Any conflict of interest, actual or perceived, with related parties must be disclosed in advance to the appropriate dean or department head. Please see Conflict of Interest and Commitment Policy 604.6.

Payments for honorariums are generally subject to Federal and State tax withholding. The portion of the honorarium that represents travel expenses may be excluded from tax withholding if University travel policies are followed.

Prior to the individual's arrival on campus, the appropriate immigration related information and other documentation must be collected by the hosting department in consultation with the Office of International Education and Development and the Controller's Office. Each payment will be reviewed for the appropriate taxation, reporting, and application of any available treaty benefits before funds are disbursed to the individual. For a list of the documentation needed, please visit <http://controller.appstate.edu>.

The University reserves the right to request additional documentation to comply with Federal and State laws and regulations.

#### Conflict of Interest

Any conflict of interest, actual or perceived, with related parties must be disclosed in advance to the appropriate dean or department head. Please see Conflict of Interest and Commitment Policy 604.6.

#### Procedures

Prior to the individual's arrival on campus, the appropriate immigration related information and other documentation must be collected by the hosting department in consultation with the Office of International Education and Development and the Controller's Office. Each payment will be reviewed for the appropriate taxation, reporting, and application of any available treaty benefits before funds are disbursed to the individual.

The University reserves the right to request additional documentation to comply with Federal and State laws and regulations.

*Restrictions* – an honorarium CANNOT be paid for:

- Individuals bearing responsibility for grading or taking class attendance (follow HR employment processes),
- Forum, workshop, seminar, lecture series or multiple course lectures that qualify as personal and professional services (see instructions for Independent Personal/Professional Services),

- Any current employee of ASU or other state agencies (pay as One-Time Pay for ASU employee or Dual Employment (CP-30) if employee of another state agency),
- A foreign national on F-1, H-1B, TN and O visas
- Travel reimbursements for B-2/VWT visas (Exceptions must be approved in advance by the University Controller),
- A foreign national who does not meet the 9/6/5 Rule.
- 9/5/6 Rule is defined as: the activity does not last longer than 9 days at any single institution and the visitor cannot accept honorariums or expense reimbursements from more than 5 institutions in the previous 6-month period).

#### Payment Procedures

Please follow Procedures for Payments to and on behalf of Foreign Individuals.

#### Taxation

Payments for honorariums are generally subject to Federal and State tax withholding. The portion of the honorarium that represents travel expenses may be excluded from tax withholding if University travel policies are followed.

The honoraria payments to foreign nationals are subject to 30% federal tax withholding and 34% if the payment is greater than \$1,500 (4% NC income tax withholding), unless exempted by a tax treaty.

#### Documentation

The Payment to/on behalf of Foreign Individuals (.pdf) must be collected and submitted to the Controller's Office prior to the time of service.

#### Other Documentations Potentially Required for Payment:

- Copy of the passport biographic page, and passport expiration page (if not on biographic page)
- Copy of the visa
- Online Foreign National Information Form via FNIS (e-mail Controller's Office at zhouya@appstate.edu for guest access)
- IRS Form W-8BEN (.pdf)
- If J-1 visa, authorization from sponsor institution's International Office, such authorization for J-1 students must specify that the work was to be done under Academic Training
- Request for Direct Payment
- Vendor Electronic Payment Authorization Form (See Controller's Office Forms and Procedures)
- Wire Transfer Request, if applicable (See Controller's Office Forms and Procedures)
- Most recent form I-94
- IRS Form 8233, for claiming treaty benefits (Controller's Office will fill out the form upon request, recipient's signature is required)

- Copy of social security card or ITIN, if claiming treaty benefits (No treaty benefit is allowed without a valid SSN or ITIN)

Procedures:

1. Requesting department must send the Payment to/on Behalf of Foreign Individuals form with Section 1 and 2 completed to the Controller's Office at BB Dougherty Admin Building for tax compliance review, before making any payment to/on behalf of the foreign individual(s). For guest speakers and service providers, please submit this form before the payment commitment is made.
2. The Controller's Office reviews the form, completes Section 3 and returns the Request to the requesting department. The allowableness of the payment in accordance with immigration laws, tax rates and documents required are communicated via Section 3 of the Payment to/on Behalf of Foreign Individuals form. If needed, the Controller's Office will contact OIED and/or General Counsel for additional review.

Note: A copy of the Payment to/on behalf of Foreign Individuals must be attached to the payment request regardless of the method of payment used.

3. Upon the receipt of the Payment to/on Behalf of Foreign Individuals form from the Controller's Office, Departments make the arrangements with the foreign individuals, collect and prepare the required documents checked in sections 3 of the form.
4. This completed form, along with any supporting documents checked in Section 3 of the form, must be included with Direct Payment Requests, Travel Reimbursements, Yo-Mart requisitions, and cardholder's monthly statements to the P-Card Office for payments to/on behalf of foreign individuals. If P-card is used, a separate copy of this form and the relevant P-Card transaction supporting documents must be submitted to the Controller's Office.
5. This form must be attached with the Vendor Setup Packet as well.
6. The Controller's Office audits and processes the payments accordingly.
7. If the payment is subject to tax withholding and the withholding is not/cannot be withheld from the payment, the department's fund and the account will be charged for the applicable taxes (gross up) for the payee.

Please contact the University Office of International Education and Development for any immigration related questions.

**Payments to Foreign Vendors**

Payment Types - Payments to or on behalf of foreign Nationals including but not limited to:

- Services
- Goods
- Honorariums
- Scholarships
- Prizes and awards
- Travel reimbursements/payments
- Other non-wage payments

The following forms and documents must be submitted to the Controller's Office before a foreign entity arrives in the U.S. to provide services. The Tax and Immigration laws governing payments to foreign individuals or vendors are very complex. Not consulting with the Controller's Office or the Office of International Education and Development can create significant delays in payment (or no payment) and may jeopardize a visitor's immigration status.

#### Documentation

All foreign vendors who will be receiving a U.S. sourced payment must provide the following forms and documentation before they arrive and/or before payments are made and/or services begin.

- Foreign Visitor Information Form via FNIS (please contact Controller's Office at [zhouya@appstate.edu](mailto:zhouya@appstate.edu) for guest access)
- Copy of Passport
- Copy of Visa
- Copy of I-94 record
- Copy of Social Security Card or ITIN (if claiming treaty benefits)
- Copy of I-20 (for F1, F2, M1, and M2 visas)
- Copy of IAP66/ DS2019 (for J1 visas)
- IRS Form W8-BEN form
- IRS Form 8233, if claiming treaty benefits (Controller's Office will fill out the form upon request, recipient's signature is required)

#### Payments for services performed outside the United States.

The following forms will need to be submitted before services are rendered and a check or wire transfer can be processed.

- Certification of Work Performed Outside the U.S.
- W-8BEN for individuals
- Substitute W-BEN-E for entities
- Standard Contract for Independent Personal Services (Now in YoMart Total Contract Manager)
- Independent Contractor vs. Employee checklist for individuals and flow-through

entities

If the Controller's Office has a W8 on file for a vendor a new form does not need to be obtained unless the IRS W8 forms, individual citizenship, business organization, or residency status of a vendor changes. The Controller's Office reserves the right to request an updated form W8 at any time to maintain accurate records.

These forms are used to establish foreign status for IRS audit purposes. Other forms in the W8 series may be applicable. If you have a situation where it is unclear as to which form is to be completed by the vendor, please call the Controller's Office at 828-262-6426.

**Prepayments**

Early payments should not be made because they result in added costs to the State and the University through the loss of interest on deposited funds. Pre-payments are acceptable in certain cases where the business reason is documented and justified as being required to ensure future services are received or to obtain significant price reductions. Avoiding year-end reversion is not an acceptable business reason for a prepayment.

Pre-Payment authorizations should be obtained when a vendor does not accept a Purchase Order from the University or a justifiable business reason requiring prepayment can be documented. By requesting a pre-payment, the requesting department acknowledges and assumes all risks of loss or non-performance by the vendor or contractor. The prepayment authorization must be included with the documents submitted for payment processing. Review and approval will be made based on procedures established by the Finance and Administration division of Business Affairs.

Prepayments may be made in the following circumstances without prior approval:

Prepayments

Early payments should not be made because they result in added costs to the State and the University through the loss of interest on deposited funds. Pre-payments are acceptable in certain cases where the business reason is documented and justified as being required to ensure future services are received or to obtain significant price reductions. Avoiding year-end reversion is not an acceptable business reason for a prepayment.

Pre-Payment authorizations should be obtained when a vendor does not accept a Purchase Order from the University or a justifiable business reason requiring prepayment can be documented. By requesting a pre-payment, the requesting department acknowledges and assumes all risks of loss or non-performance by the vendor or contractor. The prepayment authorization must be included with the documents submitted for payment processing. Review and approval will be made based on procedures established by the Finance and Administration division of Business Affairs.

Prepayments may be made in the following circumstances without approval:

payment due date in the current fiscal year, can be paid from current year funds.

- o A subscription/membership that begins in the next fiscal year and has a due date in the next fiscal year will not be paid from current year funds unless a significant savings to the State in excess of the current Short Term Investment Fund (STIF) interest rate can be documented.
- Pre-payments associated with capital improvement projects managed by the Physical Plant or the University's Department of Planning, Design, and Construction can be paid in advance. The project manager is responsible for monitoring the completion of services that have been paid in advance.
- Purchases made utilizing the University's purchasing card shall be made in accordance with policies established for the p-card program.
- Pre-payments required by an authorized contract or by authorized modification of the University's standard purchasing terms and conditions.

Scholarships - Scholarships may be paid from State funds only if they are part of a legislatively approved and separately budgeted scholarship program.

#### **Promotional Items**

A promotional item is an item purchased for advertising purposes to be given to an employee or non-employee. Normally, the item would have the name of a department or program printed on it with a message or telephone number.

Promotional items paid from State funds should be of minimal value and should be charged to the advertising account code. In the cases of office supplies which may have the name of a department printed on them at nominal cost, these items would be coded to the supplies account code. Examples of appropriate purchases of promotional items from State funds are as follows:

Health/safety related - example, purchase of small refrigerator type magnets or pencils with the University's emergency telephone number on them, it being in the best interests of the University and the State to ensure that the emergency number is readily available.

Mission and program related - example, purchases of pencils with North Carolina State's name and admissions number on the pencils by the University's Admission's department.

Office supplies with the name of a department or workshop printed on the materials so long as the cost of the printing is not excessive

Internal conferences – Low cost conference items that are intended to promote employee recognition, improve morale or appreciation, communicate agency contact information when compared to more expensive pay and salary adjustments, are permissible as long as they are infrequent, prudent, and reasonable in their scope.

Examples of inappropriate purchases of promotional items from State funds would be the purchase of t-shirts, coffee cups, coolers, non-disposable lunch bags, or other items which would

primarily be used for personal purposes and/or would have more than a nominal value. Articles of clothing generally fall in this category unless they are part of a required uniform (would not then be considered a promotional item).

## **Additional Standards and Guidance**

### **Business Meals and Entertainment**

#### **Business Meals**

Business meals are meals with a clearly substantiated business purpose and are directly associated with the active conduct of University business. A business discussion is the primary purpose of the meal and normally includes at least one individual that is not presently associated with the University. They are one-time occurrences and are not held on a recurring or routine basis. Examples include a business meal with a prospective employee, prospective student, prospective donor, or with other parties who are not affiliated with the University where the University expects some type of business or economic benefit.

To keep costs reasonable, the number of attendees and cost of the meals should be considered. Generally, the party should include the guest(s), and no more than 5 Appalachian State representatives. Approval from the Chancellor, a member of the Chancellor's Cabinet, or their designees should be obtained when the group is larger than the limits outlined above and total costs per person in attendance including gratuities is expected to exceed \$23 for breakfast, \$30 for lunch, and \$50 for dinner.<sup>1</sup> Tips should be limited to 20%. See Funding Limitations below for additional guidance.

When an employee is traveling for a business purpose that includes entertainment or a business meal, the related meal is not eligible to be considered part of the employee's daily meal allowance. If the employee incurred expenses in accordance with this standard, the employee may be reimbursed for those expenses that are properly documented as to purpose, persons in attendance, evidence of itemized bill, and approval for payment by the department head and appropriate business office.

The purchase or reimbursement of alcoholic beverages should be limited. Business meals where alcohol is planned to be served or consumed must be approved by the Chancellor, a member of the Chancellor's Cabinet, or their designees regardless of dollar amount or number of attendees.

#### **Funding Limitations**

The following fund sources with limitations can be used for business meals:

State General Funds (OSBM 5.9.2) – When given prior written approval by the Chancellor or their designee(s) for a specific event, University employees may be reimbursed from State funds for actual costs of meals for themselves and individuals who are not state employees who are

---

<sup>1</sup> Rates are based on averages from local area restaurants menu items plus 2 standard deviations. Adding 2 standard deviations is intended to set a reasonable standard for events occurring in high cost areas outside of the local area.

their guests, when accompanying them while conducting official State business subject to the guidelines in paragraph 2 above. Cost of meals and other expenses for family members of the above referenced University employees are not reimbursable. State General Funds cannot be used for alcohol.

Institutional Trust Funds – Subject to dollar amounts listed above unless approval is obtained by the Chancellor, a member of the Chancellor's Cabinet, or their designees. Cannot be used for alcohol.

Intercollegiate Athletics Funds – Subject to dollar amounts listed above unless approval is obtained from the Athletic Director or their designee. May be subject to limitations from the NCAA. Alcohol may be purchased provided there is approval from the Athletic Director or their designee, and the expense is paid from or reimbursed from an unrestricted foundation fund.

University discretionary funds or unrestricted Funds Reimbursed by the Foundation – Subject to donor restrictions, if applicable, and the same limitations above and may be used for alcohol with approval from the Chancellor, a member of the Chancellor's Cabinet, or their designees.

Business meals not defined in this section may be allowable if a clear business purpose can be documented and the meal is approved by the Controller's Office and the Chancellor, a member of the Chancellor's Cabinet, or their designees in advance.

#### Documentation Requirements

All requests for reimbursement must include a complete itemized receipt (subject to receipt standards), the Business Meals and Entertainment form, and evidence of approval if outside the standard guidance.

#### Business Meals and Day-to-Day Activities (OSBM 5.1.14)

University employees may not purchase or be reimbursed for meals in conjunction with a conference, assembly, convocation, or meeting, or event by whatever name called, of employees within a department, or between the employees of two or more departments, other UNC institutions, or State agencies to discuss issues relating to the employee's normal day-to-day business activities.

#### Occasional Meals and Entertainment for Employees (IRS Publication 15-B)

The University may provide occasional meals if the cost is of so little value that accounting for it would be unreasonable or administratively impractical. Meals and entertainment cannot be provided on a regular basis. The exclusion applies, for example, to the following items:

- Coffee, doughnuts, pastries, snacks, and drinks provided at monthly, semester, or annual staff meetings.
- Occasional events for employees and their guests like holiday parties or picnics.

Expenses related to these types of events or similar cannot be provided by or reimbursed by the General Fund or Institutional Trust funds. They can only be paid from unrestricted discretionary funds and should be approved in advance by the appropriate Vice Chancellor or their designee.

Other Meals provided by the University to Employees (IRS Publication 15-B)

Meals can be given to employees when they are provided on campus and are for the benefit or convenience of the University. For the benefit or convenience of the University means the meals are furnished to employees for a substantial business reason other than to provide the employee with additional pay. A written statement that the meals are for the benefit or convenience of the University is not sufficient. Additional documentation must be provided. Meals under this standard cannot be provided or reimbursed by the General Fund.

Examples:

Food Service Employees – Meals can be provided to Food Service employees during or immediately before or after the employee's shift. For example, if the employee's shift covers the breakfast and lunch periods you can provide 2 meals.

Short meal periods – Meals can be provided if the nature of the department's business (not merely a preference) restricts an employee to a short meal period (30 minutes) and the employee cannot be expected to eat elsewhere is such a short time and that the short meal period does not allow the employee to leave earlier in the day.

**Conferences, Seminars, Workshops, Training Sessions, Retreats and Other University Events**

*External Conference Definition (OSBM 5.8.1)* – External conferences are those that involve the attendance of persons other than the employees the University. Payment for meals is allowable if included in the registration fee, but such fee must not consist exclusively of meals or it will not be allowable unless meeting overnight travel criteria. The registration fee is typically made for defraying the cost of speakers, building (room) use, handout materials, breaks and lunches at conferences and conventions. The University may require itemization and/or documentation of expenses. Conferences sponsored or co-sponsored by a State department are authorized when they meet the limitations and requirements listed below.

*Exception Regarding Conference Meals (OSBM 5.8.2)* – Pursuant to G.S. 138-6(a)(3), the University cannot use funds to pay for conference meals for employees at which a conference fee was not charged, unless the following conditions are met:

Federal grants, other grants, state, or institutional trust funds (as defined in G.S. 116-36.1) may be used for meals if allowed by the fund authority for a conference. If this is the case, then meals may be provided to employees even if a registration fee was not charged. The employee may not request reimbursement for the meal.

*Requirements and Limitations for External Conferences (OSBM 5.8.3)*

- The conference is planned in detail in advance, with a formal agenda or curriculum.
- There is a written invitation to participants, setting forth the calendar of events, the social activities, if any, and the detailed schedule of costs.
- Assemblies should be held in State facilities; however, non-state facilities can be rented, and the cost charged to a State agency without allocation to participants' daily subsistence allowances.
- The sponsoring department may charge registration fees to participants for costs of

external conferences.

Registration fees may not include costs of entertainment, alcoholic beverages, setups, flowers and/or promotional (gift) items. Registration fees collected and not used to defray expenses of the conference may not be used for other programs and must revert to the general or highway fund as applicable (G.S. 138-6(a)(4)).

Sponsoring departments may provide refreshments provided there are twenty or more participants and the costs do not exceed five dollars (\$5.00) per participant per day.

When assemblies are to be held under the sponsorship of the University in which the funding for all participants is budgeted, lump-sum payments to a conference center or an organization may be made upon written authorization from the department head or his or her designee. The authorization must provide the following:

- The number of persons expected to attend;
- The purpose and duration of the conference;
- The specific meals to be served at the conference (law prohibits lunches being provided to state employees unless registration fees are charged to all attendees);
- The approximate daily subsistence cost per person;
- The name of the conference center, hotel, caterer, or other organization providing the service.

It is the responsibility of the departments to ensure that reimbursement for meals included in the lump-sum payment is not also included in reimbursement payments made to state employees who are conference participants.

#### Informal Meetings with Guests of the University (OSBM 5.9.1)

An informal meeting is a meeting consisting of the Chancellor or their designee and non-state employees during which official State business is discussed for most of the meeting. Informal meetings are one-time occurrences and are not held on a regular or routine basis.

#### *Requirements and Limitations for Informal Meetings (OSBM 5.9.2)*

The Chancellor or their designees, when given prior written approval for a specific event, may be reimbursed from State funds for actual costs of meals for themselves and individuals who are not state employees who are their guests, when accompanying them in the course of conducting official State business. Cost of meals and other expenses for family members of University Officials cannot be reimbursed from State funds but may be reimbursed from discretionary funds provided there is a bona fide business purpose for the family member to attend the event.

#### Internal Conferences

*Internal Conference Definition (OSBM 5.8.4)* – Internal conferences are those that involve the attendance of employees within the University only.

**A routine staff meeting is not an internal conference.**

*Requirements and Limitations for Internal Conferences (OSBM 5.8.5)*

- All fund sources:
  - The conference is planned in detail in advance, with a formal agenda or curriculum and list of attendees.
  - Should be held in state facilities when available.
  - A department cannot use University funds to support or underwrite a meeting, assembly, conference, seminar, or similar function by whatever name that promotes any cause or purpose other than the mission and objective of the department.
  - Low cost conference items that are intended to promote employee recognition, improve morale or appreciation, communicate agency contact information when compared to more expensive pay and salary adjustments, are permissible as long as they are infrequent, prudent, and reasonable in their scope.
  - Costs for meals provided should be reasonable and subject to the spending limitations for Business Meals unless spending exceptions are approved by the Chancellor, Chancellor's Cabinet member, or their designee (For State funds no payment for meals is allowable unless overnight travel criteria are met.)
  - Expenses related to a reception for employees and guests in conjunction with a management retreat may be paid from discretionary or Foundation funds (subject to restrictions) due to the occasional nature of management retreats.
- State funds (General fund) requirements:
  - There is a written invitation to participants, setting forth the calendar of events and the detailed schedule of costs.
  - No excess travel subsistence may be granted for internal departmental meetings, conferences, seminars, etc., and such meetings must be held in state facilities when available. No registration fee may be charged.
  - Sponsoring departments may provide refreshments when there are 10 or more participants and costs do not exceed five dollars (\$5.00) per participant per day.
  - No payment for meals is allowable unless overnight travel criteria are met.

Management Retreats

*Management Retreat Definition (OSBM 5.8.8)* – A management retreat is a meeting or series of meetings consisting of a department or division head and his or her top assistants and coworkers. Retreats are sometimes held at a site other than the usual workplace and are held no greater than once a year.

*Requirements and Limitations for Management Retreats (OSBM 5.8.9)*

The Chancellor or their designees may authorize an annual management retreat. Expenditures are permissible in a manner as if it were an internal conference.

Training Sessions

*Training Session Definition (OSBM 5.8.6)* – Employee training involves courses that further develop an employee's knowledge, skill, and ability to perform the duties of his/her present job, such as courses on computer usage or management skills development. These courses generally have a set fee, are of relatively short duration, and are not part of a curriculum the employee is participating in leading to an educational degree.

*Requirements and Limitations for Training Sessions (OSBM 5.8.7)*

- Fees for training courses that provide training in specific areas are charged in the accounting system to "Employee Training" under "Other Services."
- Departments sponsoring training sessions may provide refreshments provided there are twenty or more participants and costs do not exceed five dollars (\$5.00) per participant per day.
- Departments may reimburse employees for training books and materials related to training sessions, provided those books are required to participate in the training sessions. These books are considered property of the department and not the personal property of the employee.

**Intercampus Invoicing and Billing**

The Intra-campus (Auxiliary) Billing System is provided for departments on campus which provide services or supplies for other University departments. It allows a department to sell its goods or services on a 30-day credit basis, invoice at the end of each month, and receive payment without having to handle any cash.

Departments which regularly sell some type of goods or services to other departments can utilize a billing feed to automatically charge other departments. Auxiliary Billing is processed monthly by Data Control in the General Accounting area of the Controller's Office.

For other departments not using the Auxiliary Billing process can submit invoices to departments being charged using an invoicing format approved by the department head. As soon as possible after the end of each month, the selling department prepares invoices for charges made to other departments during the preceding month. The selling department should send the invoice to the buying department for review and approval. The buying department should review the invoice for accuracy and approve. Next the buying department sends a copy of the invoice to their Business Officer who will prepare a request for journal entry to pay the invoice. Journal entries are submitted by following the Journal Entry Guidelines discussed in the prior section.

When journal entries are processed for intercampus invoices, transactions are debited to the expenditure account codes and credited to the revenue account codes indicated on the journal entry and the invoice. Selling departments should develop a system to track and reconcile when invoices have been processed or paid.

Billing errors should be settled between the buyer and the seller. Any necessary adjustments to accounting records should be requested by the buying department with agreement from the selling department documented.

The selling and buying department should maintain the appropriate documentation in their respective area for all intercampus invoicing and billing transactions in accordance with the University's documentation retention schedule.

## Journal Entry Guidelines

This section of the manual outlines the guidelines to be used when preparing and submitting journal entries for entry into the Banner Finance system. It also includes rules governing the use of certain account codes.

### *Pre-numbered forms*

Pre-numbered manual journal entry forms are used by the Controller's Office and Budget Office to record reclassifications, reimbursements, corrections, allocations, transfers and other adjustments not provided for otherwise in the BANNER FINANCE System. An inventory of pre-numbered voucher forms is maintained by the General Accounting unit of the Controller's Office.

### *Request for Journal Entry Workbook*

All other departments, divisions, and units may request a journal entry using a "Request for Journal Entry" workbook that can be downloaded from the Controller's Office website. Entries received in this process are uploaded to the Banner Finance system using the WFUPLOAD process. The procedures for requesting a journal entry using this method are outlined in Appendix 1.

### *Account Codes*

University Account codes are established in accordance with guidance from the North Carolina Office of the State Controller (OSC). Each account established in the Banner Finance system is mapped to an approved North Carolina Accounting System (NCAS) account. OSC groups NCAS accounts into the correct caption line for State agency and university GAAP financial reporting. OSC account rollups are reviewed any time a new Banner account is created. Banner Revenue and Expenditure can be found on the Controller's Office website.

### Types of Entries

#### *Revenue Entries*

Revenue entries should only be processed to correct errors in fund and account posting. Exceptions are allowed in certain revenue sharing agreements between departments or for internal service transactions (ISR discussed below)

#### *Expense Entries*

Expense entries may be processed to correct errors in posting to either a fund or an account. Expense entries may also be processed to transfer the funding source related to an existing expense. An expense transfer should take place between two or more different funds and should be posted to the same accounts. They should not create a credit balance in an expense account.

#### *Salary Reclassifications*

Salary and benefit reclassifications or redistributions (**6xxxxx accounts**) should be processed through the Payroll system and **should not be corrected by a journal entry**. The salary redistribution process is recorded using the BANNER Human Resource System by appropriate payroll personnel. In rare circumstances when a journal voucher is needed to reclassify salary

accounts, prior approval should be obtained from the University Controller.

#### *Intra-fund Transfers*

For ordinary transfers among University funds and accounts where the only objective is to move cash from one fund to another (no exchange of goods or services provided), transfer accounts **884440** and **808440** should be used. These accounts must balance at year end and have to be in conjunction with one another. **808440** has a normal credit balance like a revenue and **884440** has a normal debit balance like an expense. For NRL&P only transfer accounts **808490** and **884490** should be used.

All other transfer accounts in the 8XXXXXX range are used exclusively by the Controller's Office and Budget Office.

Transfers to and from State Appropriated Funds (General Fund) require approval from the Budget Office and require a budget revision. Transfers are not generally processed to and from State Appropriated funds unless a transfer is between the General Fund and Institutional Trust Funds. Transactions within the General Fund are processed with budget revisions. Please contact the Budget Office for additional information.

#### *Budget Entries*

Journal Entries cannot be processed using Budget Pool accounts (i.e. 720000 etc.) Budget adjustments within the same fund must be processed using the online budget transfer process. Please consult the Budget office for budget revisions that are between two different funds.

#### *Documentation*

Pre-numbered entries - For audit purposes, adequate documentation should be attached to each pre-numbered journal entry. Documentation should provide adequate support, computations, files, documents, and/or other supporting materials to attest to the validity of the journal entry begin processed.

The pre-numbered journal entries used by the Controller's Office and Budget Office should normally post using rule code **JE16** as the TYPE. It is important that the "LINE DESCRIPTION" (limited to 29 characters) on the Journal voucher provides a clear explanation of the purpose of the entry for both the credit and debit side of the entry. The "ENTRY DESCRIPTION" located at the bottom of the pre-numbered form must also be completed and should include a more detailed description of the overall entry not just the line items. The person initiating the entry must sign and date and forward the entry to an approver and may not approve his or her own entry. The approver must ensure that the appropriate fund and account is recorded for the transaction, that the entry is within the standards provided herein, and that the journal entry is supported by adequate documentation and necessary and then sign and date as approved. The entry must have supporting documentation attached for audit purposes. The person posting the Journal Voucher to Banner Finance must review the posted document for posting accuracy, mark the entry as "POSTED" and initial and date as the person actually posting the entry document.

WFUPLOAD

Entries and Requests for Journal Entries – The documentation requirements for these types of entries is the same as the pre-numbered entries discussed above. The difference is that supporting documents may be stored electronically on the University’s network drive in a folder for the fiscal year in which they were posted. If documentation is not stored electronically, a printed copy of all supporting documentation should be attached to the printed output files created during the upload process. Generally, the WFUPLOAD process uses the rule code FUP, however other rule codes may be used if appropriate.

*Internal Service Revenue*

Rule Code **ISR** should be used when recording any ASU internal revenue (inter-departmental sales of goods or services) in order to facilitate the elimination of internal sales transactions for year-end financial reporting purposes as prescribed by GASB 34/35. Some departments on campus utilize an automated feed process to place charges on funds and accounts. These entries are posted using unique document codes and rule codes for each specific type of feed.

*Bank Clearing Entries*

Any journal entry that is between Bank 01 (state funds) and Bank 05 (trust funds) must have an offsetting clearing entry in funds 109005 and 226005 for each line of the entry that crosses between the two banks to balance cash in the bank fund. In addition, any entry that is debiting or crediting a state fund with a either a revenue or expense account or a general ledger (Balance Sheet) and subsidiary ledger (Income Statement) account must use the 109005 clearing fund. See the example below:

Expense transfer example: Debit 109310-729900, Credit 337010-729900 for a \$100.00 expense transfer

Fund	Account	Amount	DR/CR	Description
109310	729900	100.00	D	Expense Transfer
109005	785210	100.00	C	Expense Transfer
226005	785210	100.00	D	Expense Transfer
337010	729900	100.00	C	Expense Transfer

Clearing entries are posted to funds 109005 and 226005. These funds must maintain offsetting balances that equal zero. 785210 is used to clear expense related transactions and 509970 is used to clear revenue related transactions.

**Requirements for an Accountable Plan**

The University's accountable plan includes the following requirements:

1. Expenses incurred must have a business connection. Deductible expenses must have been paid or incurred while performing duties for or on behalf of the University.
2. Any individual seeking reimbursement under the accountable plan must adequately account for and provide documentation of all expenses paid within

the timeframes listed below.

3. Any excess reimbursement or advance received must be returned to the University within 30 days from the end of the travel period or cancellation date.
4. Travel reimbursements must be in accordance with University travel policies and shall be submitted for approval no later than 30 days after the last day of the travel for which reimbursement being requested. Reimbursements submitted for approval after 30 days will require a written explanation to document the circumstances that caused the documents to be submitted late. Reimbursements submitted for approval after 60 days will be considered a non-accountable plan disbursement.
5. Reimbursements for business expenses shall be submitted no later than 60 days after the expenses are incurred.
6. If any reimbursement request is submitted outside of the timeframes listed above, it will not be paid without a written approval of the appropriate Vice Chancellor which must be submitted with the reimbursement request.
7. Any reimbursements that fall outside of the time frames above, if approved, shall be considered taxable income.
8. Advances or reimbursements that meet all the requirements for an accountable plan as stated in section above, the payments shall not be treated as taxable income for the individual receiving the advance or reimbursement.

#### Non-accountable Plan Disbursements

1. Amounts authorized to be disbursed that do not meet the above requirements for an accountable plan shall be paid as if under a nonaccountable plan. These amounts shall be considered taxable income and will be reported on an employee's IRS Form W-2 at the end of the year.
2. All applicable withholdings will apply to these amounts.
3. The failure of an employee to return excess funds from an advance will also be considered an outstanding obligation due to the State and subject to the State Employee Debt Collection Act (SEDCA) whereby repayment of debt is a condition of employment.

#### Reimbursement of Nondeductible Expenses

1. Individuals may be reimbursed under the University's accountable plan for expenses related to University business.
2. Some of these amounts will be deductible business expenses while others may be non-deductible expenses.
3. This determination is based on current Internal Revenue Code and Regulations.

#### Payments to Nonresident Aliens

1. The accountable plan rules apply to nonresident aliens. Payments made to or on behalf of nonresident aliens for travel and lodging expenses are excludable from gross income and are not reportable to the IRS.

2. Accountable plan rules only apply when the travel or other expense is for a business purpose and is deductible.
3. If accountable plan rules are not met, payments will be treated as made under a non-accountable plan and will be subject to tax withholding and reporting required for payments to nonresident aliens.
4. University employees should always consult with the Office of International Education and Development (OIED) and the Controller's Office before any nonresident alien is invited to campus.

#### **Receipt Standards for Documenting University Expense**

These standards establish uniform guidance for campus as it relates to the minimum requirements for receipts to document financial transactions. They are based on State policies as set forth in the North Carolina Office of State Budget Management (OSBM) in the State Budget Manual and principles of internal controls in accordance with UNC Business Process Standards as monitored by the Assessment of Internal Controls over Financial Reporting (AICFR). Every attempt has been made to provide guidance on the types of receipts employees may receive while conducting State business. However, some travel and business-related expenses may be so unique in nature that specific guidance has not been provided by the State or University. In instances where there is no clear guidance the University Controller's Office will review all applicable laws and regulations and consult with Business Affairs for a final determination of the acceptability of a receipt to document the reimbursement of an expense.

These guidelines are applicable to all individuals requesting travel and business expense reimbursements from funds University funds as defined by G.S. 138-6(a).

Individuals submitting receipts with reimbursement requests and University employees approving reimbursements should monitor requests for duplicate submissions. For example, departments and approvers must ensure that an expense has not been paid on a University purchasing card and submitted for reimbursement to an employee/ individual.

#### *Exceptions*

Any exception to the guidance presented herein must be approved in advance by the Finance and Administration Division of Business Affairs and the Vice Chancellor or their designee who is responsible for the funds that are proposed to be used provided the exception is not in conflict with the State Budget Manual or other Federal or State regulations/ requirements. Adequate documentation must be provided to provide justification for any exception.

#### *Receipt Standards*

Requests submitted without a receipt or alternative documentation will cause a reimbursement request or payment to be delayed or reduced. Additional detailed requirements can be found in the chart at the end of this section.

General Standards - In general, receipts used to document travel and business expenses should at minimum include the following:

- The name of the vendor/ seller
- The location or address of the vendor/ seller
- The date of the transaction
- Itemized list of goods or services purchased
- Total cost
- The payment method used (Cash, Check, or Credit Card)
- Receipts from international vendors must be converted to English. The exchange rate used should be the rate effective the date of the transaction.

Business Meals, employees should submit:

- The itemized receipt with the information noted in 1-5 above and
- The customer copy of the payment receipt that notes the payment method used and the amount left for gratuity. (Gratuity cannot exceed 20%)
- Individuals must also complete an Event Expense form, which meets IRS documentation standards noting the business purpose and/or the nature of the business discussion, event date, event location/ vendor(s), costs, and the participants affiliation with the University.

Receipts for Registration must include:

- The name of the conference or event
- The date(s) of the conference or event
- The location of the conference or event
- The name of the individual registered to attend
- The total cost of registration
- The payment method used (Cash, Check, or Credit Card)
- Receipts for international conferences and events must be converted to English. The exchange rate used should be the rate effective the date of the transaction.

Receipts and Documentation for Airfare must include:

- The name of the Air Carrier
- The flight number
- The dates of travel
- The destination(s) or legs of trip
- Name of the traveler
- Fare/ class of ticket (Total Cost)
- Total cost of travel
- The balance is zero or is marked as "paid"

Receipts for Lodging must include:

- The name of the lodging establishment
- The location of the lodging
- The date(s) of stay

- Itemized list of services and associated taxes
- Total cost of the stay
- Type of payment method used (Cash, Check, or Credit Card)
- The balance due is zero or marked as "paid"

*Missing or Incomplete Receipts:*

\*The following Standards do not apply to the University Purchasing Card Program

In the event a receipt is lost or does not contain the information required by the receipt standards, a Missing or Incomplete Receipt Affidavit can be submitted in lieu of the actual receipt. If the receipt is considered incomplete, the original receipt should also be submitted with the affidavit. Before completing the affidavit, the individual requesting reimbursement should make every attempt to obtain a copy of the receipt that complies with the standards. A separate affidavit must be completed for each receipt. Original ink signatures of the requestor are required on this form. Signatures cannot be delegated to an administrator. The signature must be that of the requestor seeking reimbursement.

Affidavit approval and additional documentation requirements are outlined as follows:

Missing Receipt Affidavit Approvals and Documentation:

- Expenses less than or equal to \$75
  - Affidavit is signed by the Supervisor
- Expenses greater than \$75 and less than or equal to \$500
  - Affidavit is signed by the Supervisor and the Department Head/Dean/Director
  - Additional documentation to support the transaction as determined by the Controller's Office will need to be submitted, which includes but is not limited to bank or credit card statements, police reports, memos or notes from a vendor.
- Expenses greater than \$500
  - Affidavit is signed by the Supervisor, Department Head/Dean/Director, and the appropriate Vice Chancellor or Chancellor's Cabinet member.
  - Additional documentation to support the transaction as determined by the Controller's Office will need to be submitted, which includes but is not limited to bank or credit card statements, police reports, memos or notes from a vendor.

### **Taxation of Gifts Prizes and Awards**

One of the ways in which the University seeks to reward employee service and achievement is through State sponsored recognition programs. Gifts, prizes, and awards are given to employees under certain circumstances in recognition of their efforts. This policy provides guidance on the taxability of these forms of recognition. When gifts, prizes or awards are given to University employees and are deemed to be taxable, they shall be reported to Payroll and included on the employee's Form W-2 or may be reported on form 1099-MISC or 1042-S for non-resident aliens depending on the individual circumstances.

There are also occasions when the University may provide a gift, award, or prize to a non-employee. These gifts, prizes or awards will be processed in accordance with the criteria outlined further below.

These standards apply to all faculty, staff, students, campus divisions, departments, and units.

#### Definitions related to the Taxation of Gifts Prizes and Awards

- Cash or Cash Equivalent – means any form of payment including, but not limited to, cash, checks, gift cards, or gift certificates.
- De Minimis Fringe Benefits means a product or service that would be unreasonable or administratively impractical to account for due to its small amount.
- Disguised Pay – means an award made at the time of annual salary adjustments, as a substitute for a bonus program, or where the presentation of awards discriminates in favor of highly compensated employees.
- University – means Appalachian State University.

#### General Provisions Regarding Gifts, Prizes and Awards

The University should provide gifts, prizes, and awards to employees and non-employees on an infrequent basis. Gifts of cash and cash equivalents (Gift Cards/ Certificates) should not be given to permanent University employees as they would be considered an unauthorized bonus given to a State employee. Cash and cash equivalent gifts and awards given to employees must be provided only as a part of a University or State approved program. All other gifts, prizes and awards must be authorized in advance or administered through University or State approved programs.

The purchase of gifts, prizes, and awards shall only be permitted from discretionary fund sources or other unrestricted funds as allowed by the University's spending guidelines.

#### Taxability of gifts, prizes, and awards

Any gift, prize, or award is taxable income to an employee recipient unless an exclusion applies. Gifts, prizes, and awards made in the form of cash or cash equivalents are always taxable regardless of dollar amount.

#### Employee Gifts, Prizes, and Awards

Length of service awards of tangible personal property may qualify as a non-taxable benefit if the following criteria are met:

- a) the employee has at least five years of service with the University.
- b) the employee has not received a length of service award within the last four years.
- c) the award amount is less than \$400 per employee per year.
- d) the awards are presented as part of a meaningful presentation; and
- e) the awards are made under conditions and circumstances that do not create a significant likelihood of disguised pay.

Traditional retirement gifts of tangible personal property with a value of \$400 or less are excluded from taxation if they meet the length of service award criteria mentioned in 4.3.1 above.

Should an employee receive a length of service award that exceeds \$400, the excess amount shall be reported to Payroll and included as taxable wages on the employee's Form W-2.

Safety achievement awards that recognize an employee's accomplishments for maintaining or promoting defined safety standards may qualify for exclusion from taxation provided all the following criteria are met:

- a) the awards are limited annually to less than 10% of total eligible employees.
- b) the awards are not presented to managers, administrators, clerical employees, or professional employees.
- c) the award amounts are less than \$400 per employee per year.
- d) the awards are presented as part of a meaningful presentation; and
- f) the awards are made under conditions and circumstances that do not create a significant likelihood of disguised pay.

A promotional item of tangible personal property may be given to an employee. Examples include but are not limited to Appalachian State logo items (pens, hats, t-shirts, pennants, mugs). The total value of any tangible personal property shall not exceed \$25. Amounts received in excess of \$25 given to the same employee during the calendar year are reportable to Tax Compliance and may be reported through payroll unless an exclusion applies.

The University may reward an employee's noteworthy, work-related accomplishments by presenting an item of tangible personal property without tax consequences provided the value of the item does not exceed \$25.

Incentives given in the form of tangible personal property made to employees to encourage participation in an event or as an incentive to complete a survey or questionnaire may be excluded from income provided the cost or value of the item does not exceed \$25. Amounts received in excess of \$25 given to the same employee during the calendar year are reportable to Tax Compliance and may be reported through payroll unless an exclusion applies.

Prizes and awards given through a drawing, contest, or other event must be included in income and are taxable through payroll regardless of amount. Prizes and awards in the form of tangible personal property or services are included in income at fair market value.

Sympathy flowers may be presented in the event of hospitalization or death of an employee or a member of the employee's immediate family. The cost of sympathy flowers shall not exceed \$200 per administrative unit (i.e. Department, Deans Office, etc.) Purchases for other occasions or events are not permitted. In lieu of flowers, memorial contributions may be made in a deceased name to any Appalachian State University fund. Any exception to these provisions must be approved in advance by the appropriate Vice Chancellor or their designee.

#### Non-Employee Gifts, Prizes and Awards

Tangible personal property given to recipients such as donors, visiting dignitaries, visiting scholars, volunteers, community members, students, and others with a significant relationship with the University may include the following: gifts presented as a token of appreciation for, or in recognition of service to the University, gifts presented for meritorious academic achievement, incentive gifts, prizes, or awards for completion of a survey, or for participation in a University sponsored event, and gifts offered as an expression of sympathy.

Any program, event, or activity that includes Cash or Cash Equivalent gifts, prizes or awards given to a non-employee or student must be reviewed in advance by the University Controller's Office for tax compliance.

Non-employee prizes, and awards are generally considered taxable income. Prizes and awards combined with other payments made to non-employees that equal or exceed \$600 per year are reportable to the Internal Revenue Service on form 1099-MISC.

Prizes and awards given in a drawing, contest, or other event are taxable regardless of amount and shall be included in income at fair market value. If the cumulative total given to an individual equals or exceeds \$600, the value of the award must be reported on IRS Form 1099-MISC.

A promotional item of tangible personal property, including, but not limited to, Appalachian State logo items (pens, hats, t-shirts, pennants, or mugs) may be given to a non-employee. The total amount received by any one individual should not exceed \$75.

Incentives may be given to non-employees, but such incentives shall always be taxable income. This category includes door prizes and other gifts to encourage participation in a University sponsored event, or other occasions of recognition. If the cumulative total given to an individual equals or exceeds \$600, the value of the award must be reported on IRS Form 1099-MISC.

Gifts of tangible property given to volunteers for participation in a University sponsored event must be reasonable and comply with all Federal Department of Labor regulations. Gifts of tangible property that meet these requirements are nontaxable as long as the tangible property is not a substitute for compensation or tied to productivity. Cash or cash equivalent gifts to

volunteers are always taxable and reportable.

Gifts given to a donor in exchange for their charitable contribution is not taxable. If a donor receives a benefit because of making a contribution, the donor may deduct the amount of the contribution that exceeds the value of the benefit received. When an acknowledgment is sent to the donor for the contribution, the value of goods and services provided must be stated. In most cases, an acknowledgement will not be sent to the donor for goods and services provided for stewardship purposes related to the donor's cumulative giving.

Sympathy flowers may be presented in the event of hospitalization or death of a non-employee or a member of a non-employee's immediate family if there is a business purpose that benefits the University. The cost of the sympathy flowers shall not exceed \$200. Purchases for other occasions or events are not permitted.

All gifts, prizes and awards (cash, cash equivalents, and tangible items) given to an individual who is not a U.S. Citizen (non-resident alien) regardless of dollar amount may be subject to special tax withholding and reporting requirements. The University Controller's Office must approve any such gift, prize, or award to a non-resident alien in advance.

#### Raffles

North Carolina law (NC General Statute §14-309.15) provides the following guidance related to raffles:

- "Raffle" means a game in which the prize is won by random drawing of the name or number of one or more persons purchasing chances.
- A raffle conducted pursuant to NC General Statute §14-309.15 is not "gambling."
- A non-profit organization may hold only four raffles per calendar year.
- The maximum cash prize (or fair market value for goods) that may be offered in any one raffle is \$125,000.
- The total cash prize (or fair market value for goods) offered in one calendar year may not exceed \$250,000.
- Raffles shall not be conducted in conjunction with bingo.
- No less than ninety percent (90%) of the net proceeds of a raffle shall be used by the nonprofit organization for charitable, educational, civic, or other nonprofit purposes.
- "Net proceeds of a raffle" means the receipts less the cost of prizes awarded.
- None of the net proceeds of the raffle may be used to pay any person to conduct the raffle, or to rent a building where the tickets are received or sold, or the drawing is conducted.
- Real property may be offered as a prize in a raffle.
- The maximum appraised value of real property that may be offered for any one raffle is five hundred thousand dollars (\$500,000).
- The total appraised value of all real estate prizes offered by any nonprofit organization may not exceed five hundred thousand dollars (\$500,000) in any calendar year.

- At UNC Charlotte, a raffle held by any University unit or department counts against the four-affle limit for the University. Prior to conducting a raffle, a university unit must consult with the Associate Vice Chancellor for Finance to ensure that the raffle is within the four-affle per year limit and otherwise meets the criteria set forth above.
- Student organizations and associated entities are not considered a university unit or department for purposes of this section.

Raffle winnings are taxable, subject to federal and state taxes, and reportable on IRS Form W-2G. Amounts greater than \$5,000 are subject to withholding at the time winnings are disbursed. The unit conducting the raffle must collect the winner's name, address, and taxpayer identification number to ensure proper reporting.

**Unallowable Purchases from the General Fund**

There are some purchases that are specifically not allowable from general and appropriated funds. Listed below is information about unallowable purchases:

1. The purchase of alcoholic beverages and "setups" is prohibited from State funds.
2. The purchase of items for personal use is prohibited.
3. The purchase of food, coffee, tea, drinks, candy, snacks, break refreshments, etc. for consumption by employees or guests is prohibited from State operating funds under all circumstances other than those provided for under University and State travel regulations. The travel regulations provide specific guidance as to allowable reimbursable expenses for meals when in travel status. State budget regulations do provide for the purchase of refreshments for coffee breaks not to exceed \$5/person for meetings/conferences which are planned in detail in advance, with a formal agenda or curriculum, where there is a formal written invitation to participants setting forth the calendar of events and the detailed schedule of costs, and there are twenty (20) or more participants per day. Purchases of food, flowers, and plants are permissible when purchased for use in research, education, or for consumption by research animals rather than for decorative or personal use.
4. The purchase of medications (pain relievers, aspirin, etc.) and/or medical supplies for staff/employees other than as may be required by federal or State regulations or for emergency first aid is not allowable.
5. The purchase of microwave ovens, coffee pots, refrigerators, or related items for personal office use is not allowable. This prohibition does not extend to equipment or supplies utilized for educational or research purposes or for equipment purchased for all employees' use in the outfitting of a building.
6. The purchase of plants or flowers (live or artificial) for decorative use in an office is prohibited except purchases by the Facilities Division as part of campus maintenance.
7. The purchase or framing of pictures, art, diplomas, etc. for use in a personal office for decorative purposes is not allowed. Exceptions include the purchase/framing of motivational or informational wall hangings which are functional rather than decorative in nature and are intended for departmental use rather than for one

individual's office.

8. The purchase of party items or other decorative items to decorate an office for a holiday or party or general decorative use including the purchase of balloons and other like items is not allowable.
9. The purchase of picnic tables for a department other than by the Facilities Division as part of the campus maintenance function is not allowable.
10. The purchase of picnic items (paper plates, cups, napkins, forks, spoons, etc.) for office/employee use is not allowable.
11. The rental of portable water dispensers and the purchase of bottled water from State funds is not normally (see exceptions below) allowable and is considered a personal expense. If the quality of the water in a campus building is in question, the department should call the appropriate facilities or environmental safety office to have the water tested. The Facilities Division may be contacted to determine if additional water fountains are needed in a campus building. A portable water dispenser can be rented, or bottled water purchased from State appropriated or overhead funds only if there is a health/safety reason for the purchase. Examples would be if a temporary condition existed where water quality in a facility was below State standards or when University personnel (for example, Facilities' personnel or farm personnel) are working under weather or other conditions where water is not available otherwise.
12. The purchase of gifts or flowers for an employee or non-employee is considered a personal expense and is not allowable.
13. The purchase of get-well cards, sympathy cards, birthday cards, Christmas cards, or other holiday cards is considered a personal expense and is not allowable.
14. The purchase of personal clothing items or t-shirts which are not part of required uniforms, safety related, or program related (for example, use in textile research) is not allowable.
15. The purchase of carbon offsets or similar are not allowed to be purchased from the General Fund. (OSBM email dated 10-10-2019 A. Brito)

#### **Vendor Maintenance**

These standards apply to all payees who are paid through Banner Finance Accounts Payable. Including, but not limited to, Individuals (including prospective employees receiving reimbursements)/ Sole Proprietors, Corporations, Partnerships, LLCs, and other legal entities as specified by the IRS. By obtaining a Vendor Information Form, W9, or W8, the University is better able to validate payee identities and monitor our compliance with Federal and State regulations including tax laws.

All U.S. based entities who establish a business relationship with Appalachian State University must have a completed and signed (electronic signatures through DocuSign are acceptable) Vendor Information Form and W9, or an approved substitute W9, on file with Accounts Payable.

All payees identified as foreign nationals must complete the Vendor Information Form and an appropriate form W8. For more information on paying foreign individuals and entities at the end of this manual.

The Vendor Information Form and W9 must be received by the Controller's Office prior to any payment for goods and/or services. Continued failure to accurately complete this form could subject certain payments to 24% withholding in addition to penalties from the IRS.

The only exceptions where these forms are not required are for certain payees receiving refunds, University employees, and students receiving expense reimbursements.

The Controller's Office may ask campus departments for assistance in obtaining forms when necessary. Campus departments often have the most accurate contact information and have in many cases have previously established a working relationship with the vendor prior to the time payments are due.

Depending upon the nature of the payment, the aggregate amount of the payments for a calendar year, and the tax status of the vendor, the University may issue a form 1099 at the end of the calendar year in which the payment or payments were made. Additionally, the IRS requires the University to transmit annually an electronic file that details all taxable vendor payments made during that calendar year, which exceed \$600.00 in the aggregate.

The university is required to notify a person about the mandatory or voluntary nature of Social Security Number disclosure under applicable federal law. The Vendor Information Form includes the disclosure statement for the purpose of requests made under this policy. If the IRS Form W9 is used, a separate Disclosure Statement must be completed.

#### Basis for Standards

These standards support the University's compliance with IRS regulations concerning the issuance and accuracy of annual tax statements to vendors in addition to ensuring that:

1. IRS reporting requirements are being met. Certain types of payments made to vendors must be reported to the IRS. Having a signed Vendor Information Form and W9 or W8 on file allows the University to report the correct combination of Tax Identification Number (TIN) and name, thus avoiding IRS penalties.
2. Evidence of validity is documented. Having a signed Vendor Information Form on file is considered evidence that the payee is a valid individual or business. This helps the University to make appropriate payments to legitimate entities.

#### Primary Laws and Regulations

These standards address the IRC and related regulations of the IRS governing the taxation and reporting responsibilities of U.S. based entities. On an annual basis, the University must issue 1099 tax statements to all eligible vendors regarding payments from the University. The

University must also transmit a file to the IRS with accurate data pertaining to those vendors, including Name, Address, Tax Identification Number and Gross Income.

In addition to the IRC, the State of North Carolina has tax laws that require withholding for certain types of payments. Additionally, State law requires the University to collect certain types of information about our vendors and payees.

#### **Wire Transfers**

Other payment methods should be considered before a wire transfer request is initiated. Due to the complexity and risks associated with wire transfers, departments that plan to request a disbursement as a wire must contact representatives in the Controller's Office well in advance.

When preparing for a wire request, ensure that all vendor information and supporting documentation has been received by the payee and reviewed by the University employees that have been working with the payee. This information includes, but is not limited to:

- a. Vendor Information Forms (if Banner ID has not been assigned)
- b. IRS Forms W9, W8, or W8 BEN-E (if not on file or expired)
- c. Other forms related to paying a foreign national.
- d. Wire transfer instructions
- e. Invoices
- f. PDF copy of University Purchase order (if applicable)
- g. PDF copy of Travel Authorizations or Reimbursement Requests (if applicable)
- h. PDF images of receipts (if applicable)

Procedures for completing a wire transfer can be found on the Controller's Office website under Forms and Procedures.

#### **Specific Guidance for State Funds**

##### **General Operating Funds**

This group of funds consists of State appropriated funds and receipt supported funds held in the State general fund. These funds provide for the normal activities necessary to operate the University. The nature of the purchases will depend upon the mission of the unit and the types of supplies, equipment, etc. necessary to accomplish that mission. To a certain degree, the appropriateness of expenditures will depend on that mission. For example, a purchase of a street-sweeper might be appropriate from the Facilities Division budget, but inappropriate from the English department's instruction budget. The following provides information on selected expenditure items as to their allowability or prohibition for expenditures from State operating funds. For more of the State fund expenditure rules click here for the [State Budget Manual Topic Reference Index List](#).

##### **State Appropriated Carryforward Funds**

State appropriated carryforward funds are State operating funds which have not been

expended as of June 30 of a fiscal year and have been approved to “carry forward” as budget in the next fiscal year. Expenditures of these funds follow the same guidelines as normal State appropriated operating funds except that, with the approval of the Dean or Vice Chancellor, and inclusion in the budget flexibility plan, funds may be transferred to capital improvement codes and used for renovation and/or new construction projects. Once transferred to a capital improvement code, the carryforward funds cannot be transferred back to an operating code.

#### State Capital Improvement Funds

These funds follow State guidelines as authorized and executed in accordance with G.S. 143C-8-8 and G.S. 143C-8-9.

### **Specific Guidance for Institutional Trust Funds**

#### **Institutional Trust Funds**

N.C. G.S. §116-36.1 appropriated cash balances and all future receipts identified as Institutional Trust funds to the University of North Carolina and its constituent institutions. The UNC Board of Governors are responsible for the custody and management of institutional trust funds. The board may delegate authority, through the president, to the respective chancellors of the institutions to enable the institution to function in an effective manner. Under UNC System Policy funds are to be spent in accordance with the purpose that they were authorized for.

Institutional Trust funds are defined as:

- (1) Monies, or the proceeds of other forms of property, received by an institution as gifts or devises that are neither presumed nor designated to be gifts or devises to the endowment fund of the institution.
- (2) Moneys received by an institution pursuant to grants from, or contracts with, the United States government or any agency or instrumentality thereof.
- (3) Moneys received by an institution pursuant to grants from, or contracts with, any State agencies, any political subdivisions of the State, any other States or nations or political subdivisions thereof, or any private entities whereby the institution undertakes, subject to terms and conditions specified by the entity providing the moneys, to conduct research, training or public service programs, or to provide financial aid to students;
- (4) Moneys collected by an institution to support extracurricular activities of students of the institution.
- (5) Moneys received from or for the operation by an institution of activities established for the benefit of scholarship funds or student activity programs.
- (6) Moneys received from or for the operation by an institution of any of its self-supporting auxiliary enterprises, including institutional student auxiliary enterprise funds for the operation of housing, food, health, and laundry services.
- (7) Moneys received by an institution in respect to fees and other payments for services rendered by medical, dental or other health care professionals under an

- organized practice plan approved by the institution or under a contractual agreement between the institution and a hospital or other health care provider;
- (8) The net proceeds from the disposition effected pursuant to Chapter 146, Article 7, of any interest in real property owned by or under the supervision and control of an institution if the interest in real property had first been acquired by gift or devise or through expenditure of monies defined in this subsection (g) as "trust funds," except the net proceeds from the disposition of an interest in real property first acquired by the institution through expenditure of monies received as a grant from a State agency;
  - (9) Moneys received from the operation and maintenance of institutional forests and forest farmlands, provided, that such moneys shall be used, when used, by the institution for support of forest-related research, teaching, and public service programs.
  - (10) Moneys received from an activity authorized by G.S. 66-58(b)(8)m., n., and o.;
  - (11) Moneys deposited to the State Education Assistance Authority Fund pursuant to G.S. 116-209.3.
  - (12) Any other moneys collected by an institution as student fees previously approved by the Board of Governors.

#### **Overhead Receipts Trust Funds**

Expenditures from overhead receipts funds must follow the same guidelines as those for State appropriated operating funds except that the funds may be transferred to the capital improvement budgets for use in renovations or new construction.

#### **Auxiliary and Related Trust Funds**

Auxiliary and similar operations include the University Bookstore, Student Union, University Dining, Parking & Transportation, Housing & Residence Life, Student Health Services, Mountaineer Printing, Warehouse and Central Stores, and New River Light & Power. Expenditures from auxiliary funds must follow the same guidelines used for State funds except when used for certain program related activities as noted in the individual auxiliary sections below.

In all cases, State funds expenditure guidelines must be followed when using the funds for staffing an office (for example, Bookstore office personnel) or carrying on activities which are similar to State funded activities. No extra benefits, compensation, food, or any other item which could not be paid from State funds may be provided to University employees. The purchase of alcoholic beverages from auxiliary funds is prohibited except as noted below for University Dining.

University Bookstore - Must use State appropriated funds guidelines for administrative operations. May purchase items falling outside the State funds guidelines for seasonal retail display items (fall, winter, spring, and summer) used to enhance or promote product, and for promotional giveaways (may be food related) used exclusively for the intended customer base

(students, faculty, and staff). (Also, see vending receipts section below for additional information regarding expenditures.)

Student Union - Must use State appropriated funds guidelines for administrative related operations for University employees. May purchase items falling outside the State funds guidelines for activities/programs for students sponsored by the Student Center(s) or for decorating the Student Center facilities.

University Dining - Must use State funds guidelines for administrative operations. May purchase items falling outside the State funds guidelines for program activities relating to University dining services or for decorating the Dining Center facilities. May also purchase alcoholic beverages in the event they are part of a recipe used in the Dining Services catering operation. (See vending receipts section below for additional information regarding expenditures.)

Parking and Transportation - Must use State appropriated funds guidelines except for expenditures made to support public health and safety.

Housing and Residence Life - Must use State appropriated funds guidelines for administrative related operations for University employees. May purchase items falling outside the State funds guidelines for student activities/programs related to the housing program. (See vending receipts section below for additional information regarding expenditures.)

Mountaineer Printing - Must use State appropriated guidelines except as required to provide for printing operations.

Warehouse and Central Stores - Must use State appropriated guidelines.

Convocation Center Trust Funds - Must use State appropriated guidelines except for expenditures to support University sponsored events.

Student Trip Funds - Registration fees are charged to students via Student Accounts. Costs of activities are distributed over all students on the trip. No additional individual benefits can be given to any individual student unless the scholarship award process is followed.

Other Sales and Service Trust Funds - Sales and Service trust funds follow the same guidelines as those for State appropriated funds except that funds may be used to purchase meals and/or refreshments for conferences or workshops when a fee charged to participants and deposited into the trust fund. Furthermore, expenditures from a sales and services trust fund must be to support the activities for which the self-supporting project was created as documented in the fund authority. All costs of providing services including salaries must be charged to the fund.

New River Light and Power - Must use State appropriated guidelines for administrative operations for University employees. May purchase items falling outside the State fund guidelines when the expenditures are related to the operation of a public utility in accordance with regulations established by the NC Utilities Commission. The net proceeds of the sale of power is available for transfer to the University Endowment Income fund.

#### **Receipts from Vending Facilities Trust Funds**

The term "vending facilities" includes both of the following: (1) any mechanical or electronic device dispensing items or something of value or entertainment or services for a fee, regardless of the method of activation, and regardless of the means of payment, whether by coin, currency, tokens, or other means; and (2) a snack bar, cafeteria, restaurant, café, concession stand, vending stand, cart services, or other facilities at which food, drinks, novelties, newspapers, periodicals, confections, souvenirs, tobacco products or related items are regularly sold.

UNC Board of Governors Policy 600.5.1 restricts the use of vending receipts. The following uses of net proceeds from the operations of vending facilities are authorized:

- a. Scholarships and other direct student financial aid programs.
- b. Debt service on self-liquidating facilities.
- c. Any of the following student activities if specifically authorized by the Chancellor:
  - Social and recreational activities for students residing in self-supporting University housing. However, expenditures for these purposes shall not exceed the amount of total net proceeds derived from vending facilities located in such housing facilities.
  - Special orientation programs for targeted groups of students (e.g., peer mentor programs).
  - Operating expenses of scholarships and other student awards and honors programs.
- d. Specified use of net proceeds as a condition of certain gifts, grants, or bequests. (For example, a condition of a gift of a vending facility to the University might be that proceeds are to support some specific segment of the University.)
- e. Retention to provide for working capital, replacement of facilities and equipment, and other purposes to support the continuing, orderly operation of the self-supporting service operation.
- f. Transfers to other self-supporting student service operations and authorized capital improvement projects, upon the written recommendation of the chancellor and subject to the written, advance approval of the president.

#### **Contracts and Grants Trust Funds**

Contracts and grants generally follow the State appropriated funds guidelines due to the federal requirements to be consistent with the State's rules and regulations over expenditures. In addition, the University must adhere to the federal uniform guidance requirements, sponsor specific terms, and conditions noted in the awards documents.

Exceptions, if any, to the State funds guidelines must be discussed with/approved by the Contracts and Grants Office.

**Remaining Available Balances from “Fixed Price” Contracts Trust Funds**

Expenditures of remaining balances available after all costs related to the contract have been paid for a “fixed price” contract must follow the guidelines for State appropriated funds

**Gift and Endowment Income and Endowed Professorship Trust Funds**

Expenditures from gift and endowment income funds must be made prudently with the intent of the donor in mind and follow the restrictions set by the donor. The primary purpose of an expenditure must be for the benefit of the University and, therefore, not for the direct benefit of an employee. Expenditures for alcoholic beverages should be strictly limited and must have the approval of the appropriate Director, Dean, or Vice Chancellor.

Endowed Professorship Trust funds cannot be used for any purpose other than the support of the endowed professorship. Expenditures can include salary supplements for the holder, travel and research expenses associated with the holder’s professional responsibilities, payments for teaching and research assistants for the distinguished professor, special equipment, books, or materials needed to support the teaching and research of the endowed chair. Departments can also use funds on advertising and search related expenses to fill a vacant chair. It is a violation of State law to spend income from the Distinguished Professorship Endowment Fund for purposes unrelated to a particular professorship.

**Endowment Principal Funds**

Endowment principal funds are funds provided to the University, normally in the form of a trust or gift, for investment to generate income. The income may be unrestricted or restricted for a particular purpose.

Expenditures are not allowable against these endowment principal funds. All endowment related expenditures must be made from endowment income funds (see above).

**Student Activity Fee Trust Funds**

Student activity fees may be expended for student activities including the purchase of items which may not be paid from State funds so long as a prescribed student budget allocation process is followed in the allocation of funds.

The funds may not be used to fund activities for University staff or offices which could not be purchased from State funds. No extra benefits, compensation, food, gifts, or any other items which could not be paid from State funds may be provided to University employees except where food is incidentally served to employees attending a student function. Expenditures for alcoholic beverages are prohibited.

**Patent Royalty Trust Funds**

Patent royalty funds are royalties derived from licensing of a patent. These funds must be used for support of research. They are flexible in nature and may be used like an unrestricted gift, including payment for items which could not normally be paid from State funds, so long as the funding is for the benefit of the University and not for the personal benefit of an individual.

**Orientation Fees Trust Funds**

Orientation fees are fees paid by students or parents to fund the new students' orientation program. The fees may be used for payment of normal orientation expenses including food and refreshments for incoming students, orientation training (includes training retreats), and other expenses as necessary to provide a full orientation experience for students and parents. Expenditures for alcoholic beverages are prohibited. The funds may not be used for refreshments for University staff meetings or other business which is outside the confines of the retreat, orientation training programs, or orientation program.

**Educational and Technology Student Fees**

The Educational and Technology Fee (ETF) was instituted to replace course specific fees that previously funded general campus technology, classroom, laboratory, and other student educational related expenses that could not be provided by State budget allocations. The intent of the fee is to support needs directly associated with providing campus technology, classroom and laboratory instruction or for expenses for other student educational experiences.

These funds should follow all State funds spending guidelines and must be used for the purposes as outlined by the following examples:

- Purchase of computers, projectors, and other equipment/ supplies for classrooms and labs or other instructional purposes
- Purchase or licensing access for software or cloud-based technology applications
- Departmental copying expenses (paper, toner, rental etc.) associated with producing instructional material
- Payments for guest speakers making presentations for a course
- Travel expenses associated with course field trips
- Cost of building modifications associated with enhancing classroom or lab space
- Expenses to support student research, including presentations at conferences, that are not classified as financial aid
- Travel expenses of faculty and staff chaperoning student field trips
- Permanent and temporary staffing of instructional and computer labs.

The following lists specific examples of expenditures that are not allowed from E&T allocations:

- Purchase of furniture, non-computing equipment, or supplies for faculty and staff offices or common areas
- Purchase of equipment (excluding maintenance services) and supplies used solely to

- conduct faculty research
- Purchases of licensing access to datasets used exclusively for faculty research purposes
- Travel expenses for faculty and staff to attend professional conferences not associated with a student focused field trip
- Postage
- Cost of general building modifications that do not improve classroom or lab space
- Any payment to or on behalf of students that is for cost of attendance

Specific questions regarding the use of E&T allocations should be directed to the Office of Academic Affairs.

#### **Debt Service Fee Trust Funds**

Debt service fees that are charged to students during the tuition and fee billing process are approved by the UNC Board of Governors and are used to service debt on facilities for which the fee was approved for. Excess balances in the debt service funds may be spend on facilities that are related to the purpose the fund was established for.

#### **Receipts from the Operation and Maintenance of Forests or Farms**

Receipts from the operation and maintenance of forests and forest farmlands must be used for support of forest-related research, teaching, and public service programs. Expenditures should follow the guidelines for State appropriated funds.

#### **Millennial Campus Trust Funds**

All moneys received through development of a Millennial Campus of a constituent institution of The University of North Carolina as defined by G.S. 116-198.33(4b), from whatever source, including the net proceeds from the lease or rental of real property on a Millennial Campus, shall be placed in a special, continuing, and non-reverting trust fund having the sole and exclusive use for further development of that Millennial Campus, including its operational development.

#### **Bond and Note Proceeds**

Proceeds from the issuance of debt can only be expended as allowed by the bond or note indenture.

#### **Capital Assets and Elimination Funds**

Funds are used to record capital assets in accordance with the Office of the State Controller, UNC General Administration, and GASB requirements. Elimination funds are utilized in the accrual period for financial reporting.

## **Specific Guidance for Special Funds**

### **Athletics Trust Funds**

Must use State appropriated funds guidelines except in instances required to support intercollegiate athletics programs as defined by the NCAA. May also make certain business meals and entertainment expenditures to support student recruitment, donor relations, and other bona fide business purposes in accordance with federal, State, and University policies and documentation standards. Alcohol may be purchased provided there is prior approval, and the expense is paid or reimbursed from an unrestricted foundation fund.

### **Fiduciary or Agency Funds**

This category includes funds held by the University as fiscal agent for student, faculty, and staff organizations where it has been deemed in the best interests of the University to provide an accounting service. These funds do not belong to the University and the University does not determine what they can be spent for except as follows:

- The University requires a formal approval process to ensure, to the extent possible, that funds in these projects are not misused.
- The funds should not be spent for any purpose which would be detrimental to the image of the University.

The University does not require the custodian of an agency fund to utilize University travel regulations for non-employees and/or adhere to purchasing regulations. However, adequate documentation is required for all expenditures to ensure that an authorized person is initiating an expenditure request and that it is for a legitimate purpose of the fund.

## **Specific Guidance for Discretionary Funds**

Discretionary funds are those funds that are not required to be used for a specified purpose and can be used to meet a broad range of University needs. The flexibility that is associated with discretionary funds is important to the University. At the same time, expenditures must be consistent with a number of general guidelines as set out below.

- Use of discretionary funds must be for a valid business purpose and in the best interest of the University. These expenditures (whether for meals, travel, lodging, entertainment, official functions, gifts and awards, or memberships) must follow all University policies that apply to that type of expenditure and must be accompanied by appropriate documentation including receipt(s), purpose, date, location, names of persons involved, and fund approval.
- The very flexibility associated with discretionary funds means that determining the propriety of some expenditures will require judgment. In these cases, the prudent person test applies. The individual making the decision about the expenditure must be comfortable with the prospect that the specific expenditure would come under the

scrutiny of individuals outside the University.

- Expenditures that confer a personal benefit upon the individual authorizing the expenditures are not allowable. Expenditures for items such as a retirement gift or an employee award that are authorized by one individual to be received by another are allowable.
- Use of discretionary funds for donations or contributions to non-profit organizations is prohibited. Exceptions may be made for specific business purposes that benefit the University can be demonstrated and the receipt of the donation by the organization does not threaten the tax-exempt status of the University or its foundations. Exceptions are approved by the President of the ASU Foundation.
- Discretionary funds generally come from fundraising and allocations from the respective Vice Chancellor.

## Appendix 1 - Additional Receipt Criteria

1. General Requirements
  - a. The name of the vendor or seller
  - b. The location or address of the vendor or seller
  - c. The date of the transaction
  - d. Itemized list of goods or services provided
  - e. Total cost
  - f. The payment method (cash, check, credit card, etc.)
2. Airfare
  - a. The name of the airline/ carrier
  - b. The flight number
  - c. The dates of travel
  - d. The destination(s)/ legs of the trip
  - e. Name of the traveller
  - f. Fare/ class of ticket
  - g. Total cost of the fare
  - h. The balance is zero or marked "paid"
3. Business Entertainment
  - a. The name of the vendor or seller
  - b. The location or address of the vendor or seller
  - c. The date of the transaction
  - d. Itemized list of goods or services provided
  - e. Total cost
  - f. The payment method (cash, check, credit card, etc.)
4. Business Meals
  - a. The name of the vendor or seller
  - b. The location or address of the vendor or seller
  - c. The date of the transaction
  - d. Itemized list of goods or services provided
  - e. Total cost
  - f. The payment method (cash, check, credit card, etc.)
  - g. Customer copy documenting tender type and amount of gratuity (cannot exceed 20%)
5. Fees and Tolls
  - a. The date of the transaction
  - b. Total cost
  - c. The payment method used (cash, check, credit card, etc.)
6. Lodging
  - a. The name of the lodging establishment
  - b. The location of the lodging
  - c. The date(s) of the stay
  - d. Itemized list of services and associated taxes
  - e. Type of payment method (cash, check, credit card, etc.)
  - f. The balance due is zero or marked as "paid"
7. Parking
  - a. The name of vendor or seller
  - b. The location of the parking
  - c. The date of the transaction
  - d. Total cost
  - e. The payment method used (cash, check, credit card, etc.)
8. Public Transportation

- a. The name of the transportation provider
  - b. The dates of the transaction
  - c. Total cost
  - d. The payment method used (cash, check, credit card, etc.)
9. Registration
- a. The name of the conference or event
  - b. The dates of the conference or event
  - c. The location of the conference or event
  - d. The name(s) of the individual(s) registered for the conference or event
  - e. The total cost of the registration
  - f. The payment method used (cash, check, credit card, etc.)
10. Rental Vehicles
- a. The name of the rental service
  - b. The location
  - c. The dates of service
  - d. Total cost
  - e. The payment method used (cash, check, credit card, etc.)
11. Vehicle Fuel
- a. The name of the vendor or seller
  - b. The date of the transaction
  - c. Location of the purchase
  - d. Total gallons of fuel purchased
  - e. Total cost
  - f. The payment method used (cash, check, credit card, etc.)
12. Taxis and Shuttles
- a. The name of the vendor or seller
  - b. The date of the transaction
  - c. Total cost
  - d. The payment method used (cash, check, credit card, etc.)

**\*\*Note - Any receipt from an international vendor or seller must be translated into English and the exchange rate used for conversion to USD should be the rate effective on the date of the transaction.**