

November 5, 2014

MEMORANDUM

TO: State Board of Regents
FROM: David L. Buhler
SUBJECT: Revision of Policy R561, Accounting and Financial Controls

Issue

Regent policy R561, *Accounting and Financial Controls*, has recently been reviewed by the Office of the Commissioner and USHE institutional representatives; this review is a part of the continuing review of all Regental policies. A result of this review is the recommendation to update the outdated campus capitalization limits and references to Governmental Accounting Standards Board (GASB) Statements.

Background

The key provisions addressed in R561's rewrite include:

- 1) Sections 2.5. and 3.1.2.1. - removing references to specific GASB number statements that may change in content over time
- 2) Section 3.1.1. - increasing the capitalization limits for buildings, building improvements, infrastructure, and land improvements for the UU, USU, WSU, UVU, and SLCC to \$250,000 and for SUU, Snow, and DSU to \$100,000

Commissioner's Recommendation

The Commissioner recommends that the Regents review the proposed revisions and if in agreement with the changes, approve the revisions to policy R561, *Accounting and Financial Controls*, effective immediately.

David L. Buhler
Commissioner of Higher Education

DLB/GLS/BLS/MWM
Attachment

R561-1. Purpose: To provide for standardized accounting records and procedures in the Utah System of Higher Education.

R561-2. References

- 2.1. Utah Code [§53B-6-102](#) (Standardized Systems Prescribed by the Board)
- 2.2. Utah Code [§53B-7-101](#) (Financial Affairs)
- 2.3. Policy and Procedures [R120](#), Bylaws of the State Board of Regents
- 2.4. Report "Internal Controls—Integrated Framework" of the Committee of Sponsoring Organizations of the Treadway Commission
- 2.5. ~~Statement No. 34 of the~~ Governmental Accounting Standards Board [\(GASB\) Statements](#)
- ~~2.6. —Statement No. 35 of the Governmental Accounting Standards Board~~
- 2.76. State of Utah Accounting Policies and Procedures Manual (FIACCT)
- 2.87. National Association of College and University Business Officers (NACUBO) Advisory Report 2000-8 "Footnote Requirement When Public Higher Education Institutions Report Natural Classifications on Their Statement of Revenues, Expenses, and Changes in Net Assets"

R561-3. Policy

3.1. Annual Financial Reports of Member Institutions to be Issued in Accordance with Generally Accepted Accounting Principles for Colleges and Universities: Each member institution shall issue an annual financial report for each fiscal year, in accordance with generally accepted accounting principles for colleges and universities and such annual reports shall be filed with the Office of the Commissioner for the use of the Board and its staff upon publication.

3.1.1. Fixed Asset Accounting Conventions: To preserve financial statement comparability in reporting fixed assets, institutions will calculate depreciation using the straight line method and adopt the following guidelines related to capitalization, useful lives, and residual values. An institution may deviate from these guidelines upon showing contravening federal or state regulations, likely adverse audit determinations, or other exceptional circumstances.

3.1.1.1. Equipment: Capitalization limits for equipment are as follows: \$5,000 for [all USHE institutions](#). ~~University of Utah, Utah State University, Weber State University, Utah Valley State College and Salt Lake Community College; \$3,000 for Southern Utah University and Dixie State College; \$1,000 for Snow College and College of Eastern Utah.~~ The determination of useful lives for equipment shall be as reflected in the State of Utah

¹ Adopted March 23, 1971, amended April 27, 1971, September 25, 1973, September 2, 1999, April 20, 2001, May 31, 2002 and January 18, 2008.

Standard Useful Life Table (FIACCT 09-09.01). Residual values will be determined by each institution on a case by case basis.

3.1.1.2. Land: All land shall be capitalized and not depreciated.

3.1.1.3. Buildings: Capitalization limits for buildings are as follows: ~~\$50,000~~ \$250,000 for the University of Utah, Utah State University, Weber State University, Utah Valley ~~State College~~ University and Salt Lake Community College; ~~\$20,000~~ \$100,000 for Southern Utah University, Snow College, and Dixie State ~~College~~ University and ~~College of Eastern Utah~~. Buildings are determined to have a 40-year useful life at the time initial construction is completed. Residual values will be determined by each institution on a case by case basis.

3.1.1.4. Building Improvements: Capitalization limits for building improvements are as follows: ~~\$50,000~~ \$250,000 for the University of Utah, Utah State University, Weber State University, Utah Valley ~~State College~~ University and Salt Lake Community College; ~~\$20,000~~ \$100,000 for Southern Utah University, Snow College, and Dixie State ~~College~~ University and ~~College of Eastern Utah~~. When an improvement extends the useful life of a building, the building and the improvement shall be determined to have a remaining useful life equal to the length of time which the improvement extends the building's useful life. When an improvement does not extend the useful life of a building, the useful life of the improvement shall be determined to be the remaining useful life of the building. Residual values will be determined by each institution on a case by case basis.

3.1.1.5. Infrastructure: Capitalization limits for infrastructure items are as follows: ~~\$50,000~~ \$250,000 for the University of Utah, Utah State University, Weber State University, Utah Valley ~~State College~~ University and Salt Lake Community College; ~~\$20,000~~ \$100,000 for Southern Utah University, Snow College, and Dixie State ~~College~~ University and ~~College of Eastern Utah~~. The determination of useful lives for infrastructure items shall be as reflected in the State of Utah Standard Useful Life Table (FIACCT 09-09.01). Residual values will be determined by each institution on a case by case basis.

3.1.1.6. Land Improvements: Capitalization limits for land improvements are as follows: ~~\$50,000~~ \$250,000 for the University of Utah, Utah State University, Weber State University, Utah Valley ~~State College~~ University and Salt Lake Community College; ~~\$20,000~~ \$100,000 for Southern Utah University, Snow College, and Dixie State ~~College~~ University and ~~College of Eastern Utah~~. The determination of useful lives for land improvements shall be as reflected in the State of Utah Standard Useful Life Table (FIACCT 09-09.01). Residual values will be determined by each institution on a case by case basis.

3.1.1.7. Library Books: All library books shall be capitalized. The useful life of all books shall be determined to be 20 years. Residual values will be determined by each institution on a case by case basis.

3.1.1.8. Works of Art: Capitalization limits for Works of Art are as follows: \$5,000 for the University of Utah, Utah State University, Weber State University, Utah Valley ~~State College~~ University and Salt Lake Community College; \$2,000 for Southern Utah University, Snow College, and Dixie State ~~College~~ University and ~~College of Eastern Utah~~. Pieces classified as inexhaustible works of art shall not be depreciated. Useful lives

for other works of art shall be determined by each institution on a case by case basis. Residual values for other works of art will be determined by each institution on a case by case basis.

3.1.2. Reporting Expenditures in the Financial Statements: To preserve financial statement comparability, institutions will report expenditures as follows:

3.1.2.1. Use natural classifications on the Statement of Revenues, Expenditures and Changes in Net ~~Assets Position~~ (as illustrated in GASB ~~statements 35 presentation of Basic Financial Statements for Public Institution Engaged Only in Business Type Activities~~), and

3.1.2.2. Present both natural and functional classifications in a footnote to the financial statements consistent with the format specified in the NACUBO Advisory Report 2000-8.

3.2. Certification of Financial and Other Documents: Financial and other documents requiring official certification by officers of the Board shall be subject to the following procedures:

3.2.1. Board authorization or approval for certification of such documents shall first be obtained, ordinarily at a regular Board meeting.

3.2.2. The necessary documents shall then be certified in writing (a) as to the above approval and (b) as to their accuracy and consistency with the Board authorization, by the President of the institution concerned, or by the Office of the Commissioner of Higher Education, or both.

3.2.3. The documents thus certified and submitted may then be taken directly to the officer or officers of the Board concerned for any required signatures.

3.2.4. The Commissioner of Higher Education and the Associate Commissioner for Planning, Finance and Facilities are hereby authorized to sign for either the Secretary or the Treasurer of the Board in the event of the unavailability of either the Secretary or the Treasurer.

3.2.5. ~~The Associate Commissioner for Finance and Facilities is hereby appointed~~ A Treasurer of the Board ~~is appointed pursuant to, under~~ Section 3.2.34. of R120, Bylaws of the State Board of Regents, and shall serve in such capacity subject to the recommendation of the Commissioner of Higher Education to, and action by, the Board.

3.3. Accounting and Operating Controls: The Board authorizes each President and institutional Board of Trustees to establish and maintain a system of internal accounting and operating controls for their institution. This system of internal controls shall incorporate the principles and objectives specified by the Committee of Sponsoring Organizations of the Treadway Commission report "Internal Control—Integrated Framework." In addition, the Board recommends the following:

3.3.1. That institutional Boards of Trustees authorize the President and Chief Financial Officer, or Chief Financial Officer and Controller, to establish imprest bank accounts for such purposes as they deem necessary for efficient operation of their institution and authorize appropriate signatures for same.

3.3.2. That institutional Boards of Trustees authorize all bank accounts and approve all signatures except as provided in recommendation 3.3.1.

3.3.3. That the Controller or Treasurer at each institution maintain an up-to-date record of all bank accounts and authorized signatures.

3.3.4. That from time to time there should be a review of cash on hand and cash receipts and internal examiners shall undertake an examination of cash disbursements, accounts payable, and purchasing.

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3.2.5. A Treasurer of the Board is appointed pursuant to Section 3.2.4. of R120, Bylaws of the State Board of Regents, and shall serve in such capacity subject to the recommendation of the Commissioner of Higher Education to, and action by, the Board.

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