HAGERSTOWN
COMMUNITY
COLLEGE

Cost Center Manager Handbook

Finance Office

COST CENTER MANAGER HANDBOOK

INTRODUCTION

The College utilizes cost centers to group expenses for the budget of an operational department of the college, or a specific college activity. Within a specific department, there may be multiple cost centers for a department that handles multiple types of services. Using more than one cost allows the department to track and monitor significant or unusual costs by service, activity, or grouping type as well as for the whole department. For example, the human resources department may have one cost center for the operational expenses of the office and an additional cost center to track and monitor expenses related to recruitment. Within the cost centers, different general ledger accounts (object codes) are used to differentiate types of expenditures.

Cost center numbers are determined using guidance from The National Center for Higher Education Management Systems, which identifies functions and where those functions are nationally accounted for in financial reports. The major functions within the college are instruction (10), research (20), public service (30), academic support (40), student support (50), instructional support (60), plant operations and maintenance (70), and scholarships and fellowships (80). There are also several fund groupings within the college: current unrestricted (10), current restricted (20), agencies (30s), foundation (40), plant (50s), and auxiliary (60s and 70) funds.

RESPONSIBILITIES

Cost center managers are fiscally responsible for the transactions charged to their applicable cost center, as well as monitoring the status of their overall budget. Area vice presidents/deans oversee their budgets and those of their department managers. When acting as a cost center manager, each vice president/dean is subject to the same responsibilities as cost center managers.

Cost center managers are responsible for properly coding revenue and expenses on accounting documents, as detailed in the chart of accounts, and they must abide by all State and College procurement policies and procedures. Cost center managers are required to run and review the monthly financial reports that detail their expenses and revenues to verify the accuracy of the data contained in the reports. Discrepancies or other recording errors are to be brought promptly to the attention of the Finance office to assist in proper accounting of revenues and expenses by functional area.

Throughout the year managers are responsible for the operations of their departments using the fiscal budget allocations within their cost centers. They are required to follow the written policies and procedures of the college and exercise fiscal responsibility when spending college or grant funds. All expenditures should be necessary and reasonable. Requests for payment or reimbursement should include full documentation and be coded to the appropriate expense category within the manager's budget. Cost Center managers are aware that funds are not to be spent simply because they are available or may be lost at the end of a budget year.

If a cost center manager will be away from campus, signature authority may be delegated to another individual within the area with prior notification to the Finance office. Delegation of signature authority does not relieve the cost center manager of the ultimate responsibility for the cost center management. If over expenditures of a cost center are made during this period, the cost center manager will be held accountable.

Cost center managers are able to transfer budget funds between expenditure types within their cost center, with some exceptions (ex. Salaries, memberships, software, and capital equipment) to cover projected shortages. If cost center managers feel that funds in their budget are not sufficient to carry out the operations of their cost center, they must request additional funds from their vice president/dean who may have funds are available in another of their cost centers. Cost center managers may also submit a mid-year budget revision request to apply for an additional allocation of budget funds to their area.

When cost center managers are requested to implement new projects for which they will need additional funds, they must obtain a budget transfer into the appropriate budget line item before the expenditure is made. If this transfer does not occur, the cost center managers will be expected to cover the funds out of their existing budget.

Under no circumstances may a cost center manager overspend their overall budget without prior approval from the VP of Administration and Finance.

All new cost center managers are required to contact the finance office within one month of their appointment to receive individualized training on purchasing policies and procedures as well as budget management, and/or attend the HR sponsored training on budgets and purchasing.

BUDGET INFORMATION

VIEWING YOUR BUDGET

Cost Center Managers may view their budgets via <u>WebAdvisor</u>.

To access the Employee based functions of WebAdvisor, you must select the Employees Menu under the Staff Financial Information Menu and select Budget Selection

Budget Selection - provides the ability to select your cost center, fiscal year, and begin and end dates for reports. To view results for a specific cost center, enter the cost center number in the first window.

Budget Summary - Provides a Cost Center Budget Summary by line item, with the option to drill down into further transaction detail by clicking on hyperlinks (blue numbers).

Fiscal Year   2015

GL Account		U/P	GL Description	Budgeted	Requisitioned	Encumbered	Actual	Funds Available
20	4242		Federal Grants	99,187.00-	0.00	0.00	12,965.26-	86,221.74-
20	5051		Non Exempt	36,323.00	0.00	0.00	11,096.98	25,226.02
20	5060		Overtime	474.00	0.00	0.00	0.00	474.00
20	5070		Hourly Wages	8,360.00	0.00	0.00	2,096.71	6,263.29
20	5081		Student Aides	840.00	0.00	0.00	0.00	840.00
20	5100		Fringe Benefit Pool	23,102.00	0.00	0.00	0.00	23,102.00
20	5110		Retirement	0.00	0.00	0.00	828.60	828.60-
20	5120		Social Security	0.00	0.00	0.00	785.47	785.47-
20	5130		Medicare	0.00	0.00	0.00	183.75	183.75-
20	5150		Employee Benefit Plan	0.00	0.00	0.00	2,212.16	2,212.16-
20	5160		Workers Compensation	0.00	0.00	0.00	17.70	17.70-
20	6050		Accreditation	600.00	0.00	0.00	0.00	600.00
20	6060		Consultants	1,875.00	0.00	0.00	0.00	1,875.00
20	6080		Printing/Advertising	165.00	0.00	0.00	0.00	165.00
20	6090		Transportation	600.00	0.00	0.00	351.60	248.40
20	6095		Hospitality	600.00	0.00	0.00	0.00	600.00
20	6110		Office Supplies	184.00	0.00	0.00	96.01	87.99
20	6120		Instructional Sup.-Consumable	1,358.00	0.00	108.50	630.09	619.41
20	6140		Testing Supplies	299.00	0.00	0.00	299.25	0.25-
20	6160		Reference Material/Subscription	0.00	0.00	0.00	14.81	14.81-
20	6190		Other Supplies	800.00	0.00	0.00	0.00	800.00
20	6300		Professional Development Pool	2,888.00	0.00	0.00	0.00	2,888.00
20	6320		Registration Fees	0.00	0.00	0.00	232.74	232.74-
20	6540		Student Child Care	10,400.00	0.00	0.00	1,101.84	9,298.16
20	6988		Indirect Cost Reimbursement	9,919.00	0.00	0.00	1,296.41	8,622.59
20	6990		Miscellaneous	400.00	0.00	0.00	1,940.92	1,540.92-
			Cost.center Total	0.00	0.00	108.50	10,219.78	10,328.28-
			Fund Total	0.00	0.00	108.50	10,219.78	10,328.28-
			Grand Total	0.00	0.00	108.50	10,219.78	10,328.28-

Reference No.	Date	Source	Description	Amount
V0283187	09/16/14	PJ Purchase Journal	Pearson Clinical Assessment	299.25

WebAdvisor will display details of all transactions that have been charged to the GL Account Code you selected by clicking on the hyperlink for Actuals. The text/numbers that are underlined in blue on the summary indicate that there is additional detail or information available such as what vendors have been paid, the amount of the payment, and when payment was sent.

How do I get access to view my budget? Supervisors request access to WebAdvisor for their employees needing budget information by sending an email to the Director of Finance. Once a request has been submitted, access to budget information is typically granted within one week.

BUDGET/GENERAL LEDGER NUMBERS

What are budget/general ledger numbers used for? Budget/general ledger numbers are used to code expenditures to applicable funding lines including specific cost center and expense categories. The string of applicable coding numbers allows the campus to keep track of how money is spent and classify expenditures according to standard accounting rules.

Does it matter which budget/general ledger number I use on a purchase requisition or time card? Yes! If you use the wrong number, the expenditure will be coded incorrectly and the wrong budget will be charged.   Correcting account number errors is time consuming for the finance office, so it is of extreme importance that you use the correct budget/general ledger code on all forms that require a budget or expenditure number.

How do I get the right budget number for what I am trying to do? If you are uncertain of the correct budget number/code, please work with your division/department contact to obtain the correct budget/general ledger number.

What do the different parts of the budget number mean? The Chart of Accounts (COA) is the "key" to the Colleague Finance system. The Chart of Accounts numbers define the accounting distribution used on all transactions processed in the Colleague Finance module. Each string of applicable expenditure or budget numbers consists of four (4) elements that are defined as follows:

Fund	Function	Cost Center	Object Code
XX	XX	XXXX	XXXX

Elements of a general ledger account combination are as follows:

Fund	The funding source (fund, sub-fund, grant, project); *i.e. General Fund*
Function	Identifies specific purpose; e.g. Instruction or Student Services
Cost Center	Specific identification number for department budgets
Object Code	Type of expenditure; e.g. office supplies

Example: 10-60-6150-6110

Structure	Elements	Description
Fund	10	Unrestricted General Fund
Function	60	Institutional Support
Department	6150	Finance
Object/Account	6110	Office Supplies

What do the different object codes mean? A list of the various College object codes and their descriptions can be found on the Finance intranet page.

What if my division/department does not have a budget/general ledger number? Can I use an existing, but wrong budget/general ledger number? No. Please have your division/department contact the Finance Office to request a new GL account. You will also need to transfer budget funds into this new account once it is set up. See "Budget Changes" for additional details.

What if there is no money in the account with the correct budget/general ledger number? Can I choose a different budget/general ledger number that has available funds? No. You will need to transfer budget funds into the correct budget number before any expenditure can be made. See "Budget Changes."

BUDGET CHANGES

What are budget changes used for? Budget change requests are used to transfer budget funds between accounts.

Are there any restrictions on transferring budget amounts? Yes. Budget Changes requested by cost center managers must remain within the same fund and cost center. The President, Vice-Presidents, and Deans may move funds between cost centers that report to them. As mentioned earlier, funds may not be spent just because they are available.

How do I submit a budget change? An e-mail requesting an adjustment to your budget amounts should be sent to the finance department specifying where you are requesting to move the funds from and where they are to be moved. Please provide an explanation for the request as justification for the change.

TRANSFER OF EXPENDITURES (TOE)

What is a TOE used for? TOEs are used to transfer expenditures between accounts. They are generally used when an error has been made and charges were made to a wrong budget/general ledger number. They are also used for chargeback purposes, i.e. copy, postage, and vehicle charges that are incurred in one unit and need to be charged to another unit.

How do I submit an expenditure transfer? An e-mail should be sent to the Finance office requesting a TOE with an explanation justifying the request.

Are there any supporting documents required? Yes. A budget summary from WebAdvisor that shows where the original expenditure was changed is required for each expenditure transfer request.

ENCUMBRANCE ADJUSTMENTS/REMOVAL

What is an encumbrance and how are they created? An encumbrance is an obligation of available funds for a specific purpose. Encumbrances are created by entering into an agreement with a vendor for services (e.g. by creating a purchase order).

Why should I care if an encumbrance is incorrectly applied to an account under my purview? If an encumbrance is improperly applied to an account for which you are responsible it could limit your ability to spend or transfer funds, as it represents an obligation of funds for a specific purpose thereby eliminating the availability of those funds for other purposes. It is imperative that supervisors and cost center managers monitor their budgets constantly to ensure the accuracy of their available funds including expenditures to-date, as well as encumbrances throughout the fiscal year.

How do I get a non-salary/benefit encumbrance adjusted or removed? In order to have a non-salary/benefit encumbrance adjusted or removed, the cost center manager must work with Purchasing and Finance departments to ensure that all items have been ordered, received, and that no additional purchases will be made on the purchase order in question. The Finance office will close out the purchase order (it will have a status of "Paid" or "Reconciled") and this will unencumber the funds making them available for use.

INITIATING A PURCHASE

Purchase Requisition or Check Request?

When do I use a purchase requisition and when do I use a check request? In most instances a purchase requisition is required for all purchases. Using a purchase requisition allows Business Services to research the best price among multiple potential vendors, and the process will encumber the funds. A check request may appropriate when an item, due to time constraints, MUST be purchased from a local vendor. In addition check requests may be used for employee mileage and per diem reimbursements for pre-approved travel.

PURCHASE ORDERS

Creation of purchase orders allows the encumbrance of obligated funds and tracking of expenses from the time the order is placed. The Purchase order process also allows Business Services to search for the best pricing possible. With the exception of some resalable items for the bookstore, dues, subscriptions, travel, refreshments not provided by Food for Thought (who has the first right of refusal on campus), and lodging all requests for purchases must be submitted to the Purchasing Office on the standard college requisition form, which is available on the HCC website. The encumbered amount is then adjusted automatically upon receipt of the invoice.

In order to make a purchase or request services, a *Requisition for Purchasing Materials or Services (P.O.)* form must be completed. To access the Purchase Requisition form, log in to the HCC website using your username and password, select the Faculty & Staff tab, and then select Internal Forms.

Cost center managers may sign requisitions for under $1,000. Requisitions for purchases greater than $1,000 must be signed by the respective Dean, Vice-President, or President.

Once the request is entered into the Colleague system, a Purchase Order number is assigned, and a PO is printed if requested. At that time the expense will show as an encumbrance in the applicable budget.

Once the purchased goods are received or services are performed, a copy of the final invoice including *the **purchase order number*** should be submitted to the Finance Office. Approved invoices should be forwarded within 24 hours of receiving the invoice. Invoices should be marked "OK to pay" and include approver signature indicating review and approval of the payment amount and terms before forwarding.

Failure to adhere to this deadline may result in the College losing early payment discounts. Please refer to the Purchasing Procedures guidelines provided by the Business and Procurement Services Department for more information.

ACCOUNTS PAYABLE

The Accounts Payable department has a responsibility to make timely and accurate payments to vendors and reimbursements to employees. These payments can be requested through the submission of the following documents:

a)   Check Request

b)   Invoice associated with a Purchase Order

c)   Professional Development Expense Reimbursement Form

d)   Tuition Reimbursement Form

e)   Travel Expense Reimbursement Form

 f)   Signed receipt and form for petty cash (under $25) expenditures

Accounts Payable checks are normally processed on Thursday morning each week. Requests for payment must be received in the Accounts Payable area by Wednesday at 12:00 p.m.

Emergency manual check requests may be issued in extreme circumstances. These checks must be properly authorized and approved by either the Director of Finance or the Vice President of Administration and Finance.

CHECK REQUESTS

A Check Request is an Accounts Payable form used by the College to initiate payment to a vendor or employee by check. The Check Request is available on the HCC Intranet. All vendors must complete a W-9 form before payment will be processed. Employees being reimbursed for business expenses need not complete a W-9.

The completed form must include the following information:

•   The vendor's federal identification number (if applicable)

•   Vendor ID

•   Vendor name, address, phone, and fax numbers

•   Budget account number(s)

•   Payment amount to each respective account number

- Name of the organization

- Requestor's name

- Appropriate approval signatures based on budget level of authority

- Invoice number (if applicable) corresponding to the attached original invoice/receipt

Cost Center managers may sign check requests for less than $1,000. Requests over $1,000 must be approved and signed by the mangers' Dean, Vice-President, or President. However, reimbursements to one's self must always have the supervisor's signature.

The completed check request should be sent to Accounts Payable for processing. If applicable, it must include an invoice or other relevant documentation to support the disbursement that is being processed for payment. The Accounts Payable Associate reviews each check request for completion, accuracy of the budget account number, proper approval signatures, and appropriateness of the expense. The request is then forwarded to the Director or Assistant Director of Finance, who approves the request and returns it to the Accounts Payable Associate for processing.

Employees may come to the Finance office with a completed petty cash form and receipt for items under $25 for reimbursement.

TRAVEL

PROFESSIONAL DEVELOPMENT

Employees are strongly encouraged, and, in some cases, required to take steps to increase their knowledge, skills and overall effectiveness in the work place by participating in approved employee development programs. In return, the College is committed to making appropriate resources and funding available to employees who request to attend an off-campus job-related training and/or educational seminar, workshop, or course in addition to on-campus group professional development programs. Institutional professional memberships provide faculty, staff, and trustees numerous professional opportunities.

Procedures for requesting professional development funds have been established. Funds are requested and approved through a written request form, which is available to all employees on the Human Resources site of the College's Intranet. Where possible and appropriate, funding decisions are based on

benefits to units, rather than single individuals. Funds are not to be used for entertainment purposes, including recreational or sabbatical travel. As a general rule, funds are not to be used to purchase food, with the exception of all day and multi-day conferences or workshops where meals are not included in the activity. These funds are not to be used as stipends for Research & Development work, to cover release time, or to pay for substitutes for any employee engaged in off-campus professional development.

All Professional Development Travel must be pre-approved. Employees must submit a Professional Development Request to their immediate supervisor. The Professional Development Request must be approved by the immediate supervisor, the next level supervisor, and the appropriate Dean/Vice President or the President. Once the appropriate signatures are obtained, the form is submitted to appropriate Professional Development office. Exempt employees and all IT professional development should be submitted to the Vice President of Administration and Finance. Faculty should submit their requests to the Vice President of Academic Affairs. Non-exempt employee requests should be routed to the Human Resources office and employees reporting to the President should send their requests to the President's office. Once the form is approved it will be assigned a PDAC number and this number must be included on all subsequent requests for reimbursements.

Based upon plans and goals, with priority given to those activities that directly support the College's core processes, annual plans, and strategic initiatives, funding will be pooled for distribution for professional development activities. With a stronger emphasis directed toward on-campus training, the College anticipates providing professional development opportunities to more faculty and staff at a lower cost per employee.

The College has implemented restrictions on employee over-night travel. Only in the most important cases will executive officers approve faculty and / or staff overnight travel. The College requires that unit retreats be held on campus in the Elliott Center. This covers students and faculty, as well as administrative and staff groups.

A Professional Development Expense Voucher should be utilized by HCC employees to request reimbursement for appropriate business travel expenses (mileage, tolls, parking, meals, hotels, etc.). An **original** receipt must substantiate all expenses incurred and reported on the expense form. This **original** receipt must be submitted or the expense will not be reimbursed. Please refer to the current FY Plan and Budget for additional travel guidelines.

OTHER TRAVEL

HCC maintains a limited number of vehicles for use by employees for College related activities. Use of College vehicles for personal use is prohibited. College employees may choose to use their personal vehicles for College business which requires them to adhere to the guidelines outlined in the Vehicle Use Policy. The College will reimburse employees for mileage in excess of their base mileage when their personal vehicle is used on official College business that is properly authorized, reasonable, and appropriately documented. Base mileage is defined as the round trip mileage between an employee's home and office. For example, if an employee lives 10 miles from the College, the base mileage is 20 miles and reimbursement would be for all business mileage that was in excess of 20 miles for that day. If an employee is traveling on business for more than one day, the business mileage is calculated in excess of their total base miles for each of those days. Using the same employee in the above example, the employee travels to a training site for a four day conference, base mileage for the trip would be 80 miles (4 x 20) and only business mileage in excess of 80 miles for that four day trip is reimbursable.

Reimbursement is calculated by multiplying the reimbursable miles by the College's current reimbursement rate per mile. The College will evaluate the rate periodically for fairness and adjust if necessary. The College will also reimburse employees for all reasonable and necessary parking and toll charges incurred while on official College business.

A chargeback system has been created for the use of College fleet vehicles. This includes the newly acquired College buses as well as cars and vans. Use of College cars and vans will be charged to the appropriate department based on mileage and the current applicable rate per mile. Buses will be charged to the departments based on an hourly rate (hourly rate, social security and Medicare) to cover the cost of driver, plus a rate per mile. This chargeback system will enable more accurate cost-benefit studies of departments.

Employees can be reimbursed for meal expenses when traveling off-site for College business. Please reference the current year Plan and Budget for the applicable per diem rates. Receipts are not required when utilizing per diem. Per diems must be pro-rated if a meal has been provided as part of a conference including complimentary hotel breakfast. If exceptional circumstances necessitate a high-cost meal, reimbursement may be approved at a higher rate.

PAYMENTS to EMPLOYEES or CONTRACTORS

EMPLOYEES

If the individual fits the definition of an employee, payments including wages and reimbursements are paid through the payroll process. If an individual is to be paid for providing instruction (i.e. adjunct payments); then payment must be done through the payroll process.

CONSULTANT OR INDEPENDENT CONTRACTOR

If an individual is currently not on payroll (or has not been paid through payroll during the calendar year), Human Resources may deem the individual to be a consultant or independent contractor (see definition below). In such cases it is appropriate to pay the individual through accounts payable instead of payroll, and the same procedure for payment follows as stated in the section on reimbursements. When submitting a request for payment to a consultant or independent contractor, you must also include a completed and signed W-9 form. Payments to consultants or independent contractors cannot be made without a W-9 form on file.

What is an independent contractor?   An independent contractor is an individual who contracts with the College to provide services on a project or on an as-needed basis. The IRS provides guidance to help make the determination between an employee and an independent contractor. The nature of the relationship between the College and the individual guides the determination. The general principle relates to the right to control. As the employer, we must ask: Who has the right to control both what work will be done and how it will be done? If the answer is the College, then this is an employee relationship. An example is a computer programmer is hired for a short-term project with specific deadlines or work schedules, with work performed at the College with College equipment. This relationship would be that of an employer and employee. If the same programmer independently designs projects for College as well as other clients, uses her/his own equipment from home, and maintains her/his own project schedule, then the relationship would be that of an independent contractor.

Employers are subject to stiff fines if the IRS determines that the employment relationship has been misclassified. As the lines between employee and independent contractor are not always clear, care must be taken in the classification and payment. The Human Resources will ultimately make the determination as to the status of the individual being compensated.