A CONCEPTUAL FRAMEWORK FOR FINANCIAL REPORTING IN

PUBLIC HIGHER EDUCATION IN WASHINGTON, D.C.

by

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INTRODUCTION

In the face of declining enrollment and inflated operational costs, most colleges and universities today are experiencing serious financial operating difficulties. The administrators and trustees bear the burden of directing wisely the use of their institutions' limited and often dwindling resources. These problems are compounded by the complexities of accounting procedures that are common to most institutions of higher education. The procedures make it difficult for trustees, administrators, and others to comprehend the institutions' overall financial status and to make the necessary critical decisions concerning allocation and control of scarce resources in the colleges. There is a widespread feeling that much greater emphasis should be placed on the colleges' management responsibilities for fiscal planning, budgeting, control, and evaluation.

Higher education is rapidly becoming one of the largest businesses in America (Fisher, 1969). The management of physical plants, current operations, current and restricted funds, and endowment investments represent a multi-billion dollar enterprise. In the future, trustees of higher educational institutions must assume more responsibility for sound financial management, prudent investment of funds, and adequate planning of scarce resources in order to protect the assets of future generations of students.

In the District of Columbia, the local government's control over accounting and financial reporting for public higher education has served to compound these complexities. Because of the inflexibility and inaccuracies of the city's financial management systems, the situation is especially critical.

In 1976, the accounting firm of Arthur Andersen strongly criticized the financial control procedures of the District of Columbia government in a report submitted at the request of the Senate Committee on the District of Columbia government. The report questioned accuracy and reliability of data provided to the public. These criticisms resulted in the establishment of a Temporary Commission on Financial Oversight of the District of Columbia, chaired by Senator Thomas F. Eagleton (D-Mo.).

According to Arthur Andersen (1976), the District's financial statements are not presented in accordance with generally accepted accounting principles as those that are prescribed by the National Committee on Governmental Accounting in its publication, Governmental Accounting, Auditing, and Financial Reporting, and by the American Institute of Certified Public Accountants (AICPA) in Audits of States and Local Governmental Units. The financial reporting problems of the District of Columbia--particularly as they apply to public higher education within the District--are becoming common in many U.S. institutions of public higher education.

PURPOSE OF THE STUDY

The purpose of this study was to develop a conceptual framework for improved financial reporting by institutions of public higher education in the District of Columbia and to develop an accounting manual to be used by those institutions. This manual was to be consistent with the accounting and reporting principles asserted in Audits of Colleges and Universities, a guide issued by the American Institute of Certified Public Accountants and in College and University Business Administration issued by the National Association of College and University Business Officers (NACUBO).

CRITERIA FOR THE MANUAL

It was decided that to be useful to the University of the District of Columbia, an accounting manual should meet the following criteria:

It had to:

1. Be compatible with the accounting coding structure used by the District of Columbia Budget and Accounting Office;
2. Comply basically with the AICPA's Audits of Colleges and Universities;
3. Meet legal requirements as specified in the District of Columbia Law 1-36;
4. Satisfy requirements as specified in the Review Guide for Comptroller General's Principles and Standards;

5. Communicate information that is consistent with the University of the District of Columbia's program, budget, and organizational structure;

6. Incorporate the program structure developed by the Western Interstate Commission for Higher Education (WICHE) with changes suggested by the Joint Accounting Group; and

7. Have the flexibility to be modified and to accommodate growth.

SIGNIFICANCE OF THE STUDY

Public Law 91-405, dated September 22, 1970, established the Commission on the Organization of the Government of the District of Columbia (the Nelsen Commission). The law defined the objectives of the Commission as follows:

> ... to promote economy, efficiency and improved service in the transaction of the public business in departments, bureaus, agencies, boards, commissions, offices, independent establishments, and instrumentalities of the District of Columbia.

In its report released nearly two years later on March 22, 1972, the Commission expressed the view that management improvement should be a matter of primary concern for those responsible for the affairs of the District. The report stated:

> The strains are already showing in some of the most basic areas of government. When top city officials are called to explain apparent major deficiencies in the City's accounts, when personnel policies are confused, when purchasing equipment, maintenance and custodial care are draining resources, when computer installations are idle for excessive periods of time, and when the Mayor-Commission and Council have ambiguous and uncertain budget control over a function as important as education, time for improvement has arrived.

At the time of the Commission's report, public higher education in the District of Columbia consisted of three separate institutions: Federal City College (FCC), District of Columbia Teachers College (DCTC), and Washington Technical Institute (WTI). Public Law 89-791, dated November 1, 1968, established a Board of Higher Education to govern both FCC and DCTC and a Board of Vocational Education for WTI.

Because of irregular practices evidenced in the three institutions' annual budget submittals, the Commission on the Organization of the Government of the District of Columbia found it virtually impossible to make comparisons among those three institutions or between them and other educational institutions. Thus, the Commission advised:

> ... that institutions serving the same general constituency operate under a common set of policies and procedures. Such uniformity is needed to avoid disruptive competition for staff and students; to permit meaningful comparisons of institutions; to provide a sound basis for overall planning, assignment of programs and allocation of resources.

The Commission observed that annual surveys involving financial data of institutions of higher education conducted by the U.S. Office of Education followed the format established by the American Council on Education. It was therefore recommended that this practice be followed in the District of Columbia. The Commission pointed out that normal revenue other than appropriations and federal grants should be reflected in the annual budget and accounting statements of the institutions in order to show net costs of operation.

The need for application of generally accepted accounting principles in institutions of higher education, both private and public, is commonly recognized. This is important not only to satisfy the institutions' fiduciary requirements but also to ensure that the use of resources is reported in a uniform and easily understood manner.

Public colleges and universities are faced with the burden of fiscal accountability to two additional entities: 1) legislators, who must be responsive to public demand and who are currently perceiving this demand as one of general business control, and 2) public administrators in the executive branch of government, who are generally conservative in orientation and who often have strong beliefs in centralization and line-item control of programmatic service delivery.

The American Institute of Certified Public Accountants, in Audits of Colleges and Universities, and the National Association of Colleges and University Business Officers, in College and University Business Administration, have emphasized consistency in the application of accepted accounting principles. Both groups recognize the value of certain proven financial management practices in industry, the need to meet certain governmental fiscal concepts and practices, and the characteristics particular to the university environment.

The University of the District of Columbia was chartered (D.C. Law 1-36) and opened in 1976, during a period of adversity and criticism of fiscal practices throughout the government of the District of Columbia. It combined FCC, WTI, and DCTC--which differed in philosophy, orientation, and fiscal practices--into a single institution of public higher education. The U.S. Congress, which provides appropriations for the District's operation including the new University, mandated in 1976 that the local government revise its financial management process to achieve an acceptable level of fiscal efficiency.

It was decided that development and implementation of an improved financial system within the new university could help to meet the requirement for consolidation of the existing institutions and provide a logical interaction with the District's overall efforts to improve fiscal accountability. The experience of the University of the District Columbia in implementing the proposed new system could also be of value to other institutions in similar reorganizations or to those engaged in financial system evaluation or revision.

LIMITATIONS OF THE STUDY

The study had two major limitations:

1. The study was limited to public higher education in Washington, D.C.

2. Where there was a conflict between generally accepted accounting principles and legal requirements, the legal requirements prevailed.

ORGANIZATION OF THE STUDY

Chapter 1 provides a general introduction to the study; establishes criteria for the proposed manual resulting from the study; discusses the importance, limitations, and design of the study; and defines the terms used in the study. Chapter 2 details the importance and use of a financial and accounting system that provides for fiduciary responsibility and managerial control. In the first section of Chapter 2, the historical development of financial reporting in higher education is traced. The second section identifies several major concerns of fiscal accountability facing educational managers. The third section focuses on current trends in higher education to meet the needs of management in developing and/or improving fiscal systems to provide better information for decision making and for fiduciary control. The fourth section delineate the past and present state of fiscal affairs in the District of Columbia. This analysis established the ground work for conceptualization and development of the proposed University of the District of Columbia Accounting Manual. The final section of Chapter 2 reviews accounting systems in other selected higher educational institutions.

Chapter 3 outlines the methodology employed in the study. This chapter contains somewhat more than the conventional approach to research methods. Four populations were identified: professionals, technical, policy makers, and the general public and other interest groups. These populations were presented with questionnaires designed to elicit reactions to the proposed Accounting Manual for the University of the District of Columbia.

Chapter 4 presents the findings of the analysis. The first section delineates the fiscal impact of Public Law 93-471 as amended by D.C. Law 1-36 on the financial and reporting requirements of the University of the District of Columbia. The second section discusses the University's reporting requirements. The third section deals with the purpose of the Accounting Manual. The final section of the chapter 4 describes the findings of the juries that evaluated the Manual against pertinent documentation.

Chapter 5 summarizes what was learned from the study and provides recommendations for implementing the study and for other similar efforts.

DEFINITIONS OF TERMS

Accountability. A condition that surrounds individual or institutional satisfaction of the obligations that accompany the acceptance of responsibility and authority.

Activity. The exertion of energy toward program goals.

Administrative Directive. Administrative issuance or directive of the University administration.

Administering. Day-to-day decision making, scheduling, supervising, and coordinating of work in fulfillment of the planned, programmed, and budgeted activities.

Appropriation. An authorization granted by a legislative body to make expenditures and to incur obligations for specific purposes. Related terms are Allotment, Allocation, Apportionment.

Audit. To examine with intent to verify.

Authority. Legal power.

Balance Sheet. A financial statement which discloses the financial condition of an enterprise at a specified date (e.g., end of month, end of year, etc.).

Board of Higher Education. Governing board of Federal City College and the District of Columbia Teachers College prior to May 1976.

Board of Trustees. Governing body of the University of the District of Columbia.

Budget. A plan of operation expressed primarily in financial terms. A detailed work plan expressed partly in financial terms for the conduct of planned and programmed activities to be performed during a stated period, normally during the prescribed fiscal year.

Budgeting. Reducing longer range plan, priorities, and policies to detailed plans of operations for a specific period.

Controlling. Determining that activities are performed as planned, programmed, and budgeted, and that each work plan is executed with due attention to policy, law, and established rules.

Council. Council of the District of Columbia--the legislative branch of the District of Columbia government.

Development. The search for solutions to operating problems.

Evaluating. Measuring and judging the extent to which activities--duly planned, programmed, budgeted, and executed--are achieving intended purposes, goals, and objectives and satisfying intended norms and standards.

Financing. Deciding on resource requirements and undertaking to obtain the needed resources.

Function. A major intended consequence which the enterprise seeks to cause within its (educational) system or setting, pursuant to its mission.

Goals. The ends for which work is performed or services are rendered. Goals are characterized as long in range, general in content, broad in scope, and closely related to ultimate ends.

Line-Item Budgeting. Budgeting that directs attention primarily to the specific acquisitions of goods or services that are (to be authorized) defined and identified in accordance with specific classifications.

Management. That portion of an enterprise's capability which is both expected and required to select, provide, maintain, and improve or enhance arrangements for effective delivery of appropriate public services.

Mayor. Chief executive officer of the District of Columbia.

OBMS. Office of Budget and Management Systems. Executive agency of the District of Columbia government charged with managing the District's budget, accounting, management, and revenue programs.

Object and Object Classification. Reference is to the "objects of expenditures," i.e., to the services or goods purchased with the money spent.

Objectives. The intermediate ends for which work is performed or services are rendered.

Planning. Establishing or clarifying the purposes, goals, and objectives that the enterprise shall pursue during the relatively near future.

Program. Consists of one or more related activities directed at attaining one or more related objectives.

Program Structure. A logical outline or framework for the orderly grouping of activities into programs.

Responsibility. An assignment, a charge, a burden, an obligation.

System. A sets of objects or entities among which a set of relationships is identified.

UDC, University of D.C.. University of the District of Columbia.

Vocational Board. Governing Board for the Washington Technical Institute prior to May 1976.

Chapter 2

REVIEW OF THE LITERATURE

Chapter 2 examines the importance and the utility of a financial and accounting system that provides for fiduciary responsibility and managerial control. An understanding of the need for such a system was obtained by reviewing related literature in five major categories: the historical development of financial reporting in higher education; the major concerns facing educational managers; already existing efforts to improve fiscal systems related to higher education; the past and present state of fiscal affairs in the District of Columbia, which established the ground work for conceptualization and development of the proposed University of the District of Columbia Accounting Manual; and a selected sampling of existing financial reporting and accounting manuals.

HISTORICAL DEVELOPMENT OF FINANCIAL REPORTING IN HIGHER EDUCATION

The efforts for improved business administration of colleges and universities in the United States is an outgrowth of several developments: 1) the movement toward efficiency, beginning around 1890, which affected all aspects of organizational activity; 2) the increased interest and activities of business in higher education; 3) the growth of the accounting profession; and 4) the survey movement, which evolved into the "self-survey" and the modern introspective "management by objectives" methods (NACUBO 1974).

In the early 1890s, concerned businessmen began taking a serious look at the administration of colleges and universities in the United States. As institutions were growing, so was the problem of financial management. With the recent upsurge in the accounting profession, certified public accountants became even more active in establishing the use of generally accepted accounting principles in higher education.

The historical development of financial management and reporting was traced by the National Association of College and University Business Officers (NACUBO) in <u>College and University Business Administration</u> (1974). In this publication, the Association paid tribute to John D. Rockefeller, Sr. and to Andrew Carnegie for their interest and philanthropy.

The interest (dating back to 1890) of John D. Rockefeller, Sr., in the administration of the University of Chicago resulted in the employment of Trevor Arnett as one of the first business managers for a college or university. Arnett published what was considered the first generally accepted treatise in the field, <u>College and University Finance</u> (1922).

Rockefeller also provided a grant toward the compilation and publication of <u>College and University Business Administration</u> (Volume I, 1952, and Volume II, 1955). Rockefeller also created the General Education Board. This Board provided funds to support the Morey Committee, which published reports from 1930 to 1935.

In the early 1900s, the General Education Board established the Carnegie Foundation for the Advancement of Teaching and selected Dr. Henry S. Pritchett, president of the Massachusetts Institute of

Technology, as president of the foundation. According to NACUBO (1974), Dr. Pritchett developed a definition of a college or university and later initiated one of the first efficiency studies of such an institution:

> Dr. Pritchett provided his auditor, Harvey S. Chase, C.P.A., of Boston, with a number of financial reports of colleges and universities in an effort to develop a standard form for reporting the financial facts of these institutions; pamphlets resulting from this study were published in 1910 by the Carnegie Foundation as Standard Forms for Financial Reports of Colleges, Universities and Technical Schools. This foundation thus sponsored the first endeavor toward standard reports, as well as the first survey.

The Carnegie Foundation's involvement in the development of college and university financial management and administration is evidenced by the support and funding it provided to such organizations as the Educational Finance Inquiry Commission of the American Council on Education in 1921. The Commission's work resulted in 1972 in a thirteen-volume publication.

The Carnegie Foundation, an avid supporter of the Morey Committee, and the Rockefeller Foundation both furnished funds to the National Committee on the Preparation of a Manual on College and University Business Administration.

In tracing the development of college and university financial administration, NACUBO (1974) revealed that the U.S. Office of Education was a leader in the survey movement from which numerous cost studies were developed.

MAJOR CONCERNS

It has been recognized that good financial administration requires good management. Good financial administration has to be carefully designed in order to complement good management. Dr. Charles B. Lord, in his article "A Strategy for Program Planning," (1976) identified three major concerns of the educational manager: 1) relevancy of objectives and actions; 2) the adequacy of the chosen course of action; and 3) the appropriateness of a particular managerial technique in executing the chosen course of action.

According to Lord, in making and implementing management decisions a number of questions always need to be considered:

1. Were the decision and related support properly planned and handled?
2. Was proper fiscal accountability practiced?
3. Was there appropriate input from all parties concerned in the planning and decision-making process?
4. Were the physical needs of involved personnel provided for?
5. Were administrative details of the project handled in a smooth and efficient manner?

In an address before the Eastern Association of College and University Business Officers in March 1973, Thomas E. Tellefson said:

> The need to manage more effectively is today not only a matter of good business practice, but for many institutions may very well be a matter of survival. During the past few years, it has been difficult to pick up a paper or magazine without finding an article dealing with the financial crisis in education. That the crisis is real is not in question. That the investment of additional resources will eliminate the crisis does not seem to be in question. That additional investment, if made, will be widely used is also being questioned.
>
> Those who are being asked to provide the resources are beginning to seek additional and more uniform information regarding how available resources are being utilized. We also see the evaluation of more central planning and resource

> allocation ages. To me, these developments forebade the evaluation of a stronger voice in decision-making processes for those who provide the resources being sought.

Ernest Boyer, chancellor of the State University of New York, clearly described the dilemma of higher education in its current operational environment when he spoke before the Third National Assembly of the American Association of University Administrators in 1974. He said:

> We cannot talk intelligently about management for the future without at least taking note of the fact that we have had a remarkable unprecedented 25 years of expansion followed then by a shattering and abrupt rethinking of the role and position of higher education in our society.

Boyer continued his support of the demand for better management today:

> ... management is merely the process by which we seek to meet our obligations and achieve our goals with a minimum of waste in human and material resources.
>
> Management ... means the exercise of more rational judgment based upon more reliable data. Management (to me) is administration by perspective rather than by panic. (Boyer, 1974)

Public support for public higher education ultimately might decline. Because administrators are not held accountable and because they are not required to present financial statements that are understandable to the public, the public tends to think that too many tax dollars have been wasted due to mismanagement. As public awareness increases, financial records must reflect judicious expenditures if legislation providing for public funding for higher education is to be enacted.

Public funding necessitates comprehensive evaluation of university operations, especially federally supported programs, to determine the effectiveness of these programs and to retain the public's trust. Public support also requires proof of accountability by those in which the trust is vested. As a direct result of increased federal support for higher education and the attendant increased in federal influence on higher education, educational administrators have found that previous methods and practices of evaluation and accountability are insufficient to meet today's rigorous demands.

John T. King, in remarks before the 1974 annual meeting of the National Association of College and University Business Officers, noted several distinct problems related to evaluation and accountability in college and university operations. First, he cited the tendency of institutions to select and use only those efficiency or effectiveness indicators that are the easiest to measure. He noted that this creates serious questions of reliability, validity, and credibility of assumptions and conclusions. King, therefore, considered an effective instrument for measuring performance to be greatly needed.

Second, King warned of the current intensified movement to compare institutions through use of standardized models, without consideration of the diversity in educational institutions. He commented:

> Any system of evaluation and accountability which makes institutions more the same, rather than encourage institutions to develop their diverse strengths, has the danger of leveling all institutions rather than permitting each to rise to excellence in its own particular way.

Third, King expressed concern over the tendency of federal program sponsors to view accountability in terms of the effect of a single institution on the student and to ignore the fact that the student is a part of a total educational system that extends from Head Start programs through post-doctoral study.

King stated:

> Certainly if properly used and executed, the move toward evaluation and accountability in higher education can be a positive influence for students, faculty, staff, administrators, and the American people. At the same time, such a move could create an educational system in America that is represented by the lowest rather than the highest standards of achievement and comparison; and therefore, it behooves us to promote the development of alternative in evaluation and accountability. We need to combine the efforts of accountants, operational researchers, and quantitative researchers, with the efforts of educational philosophers and curriculum experts to develop a wide variety of schemes for the evaluation of institutions and for having these institutions be accountable to the American public. (King, 1974)

According to William Massey (1975), higher education in the future must be concerned with efficiency as well as with effectiveness. He contended that institutions of higher education should be accountable not only to state and federal funding sources, but also to students who pay tuition, to donors, and even to those who administer the institutions. According to Massey education has become too large a user of society's resources to expect treatment different from other publicly supported agencies, especially in a time of diminishing enrollments and increasing competition from other societal programs. Like King, Massey found that the problem associated with accountability in higher education is to find a way to be reasonably efficient without sacrificing overall effectiveness in the educational process, especially in the non-quantitative dimensions of educational operations--dimensions that are essential to the mission of higher education.

FINANCIAL MANAGEMENT AND IMPROVED REPORTING

Expressed public interest in improved financial management, efficiency, and accountability in both public and private institutions of higher education has escalated. Because of the seeming similarities in recent years between the way institutions of higher education are managed and the way private industries operate, taxpayers have had a tendency to demand of higher education institutions the same fiscal accountability that industries demand of themselves. However, an analysis by the National Association of College and University Business Officers (1974) has shown how the administration and management of institutions of higher education are of necessity different from the administration and management of other institutions:

> The administration of colleges and universities and the management of their resources are functions which, although they call for all the skills and qualities of judgment common to management in other fields, nevertheless are fundamentally and necessarily different in essential forms and motivations.
>
> The difference stems from the nature of the college or university as an institution of importance to society and to which there is an inherent public commitment. The difference is subtle and therefore frequently overlooked. Any college or university, whether it is "public" or "private" or whether its support comes from any imaginable combination of appropriations, capital grants, gifts, tuition, investments, or endowments, is a unique management entity. It is unique in that the "user" of its product, the student, is not expected to pay all of its cost and that resources are expected to be expended as fully as possible, judiciously, to achieve educational goals. The difference is something more than that the college or university is "non-profit" and thus is not asked to earn profits for owners or shareholders. Society's commitment to higher education is a mandate to the institution to use its resources for purposes of great social importance. The task of college and university management is to insure the wise and most effective use of resources for such purposes.

Others have also reported on the problems of financial and fiscal responsibility and the effect this has on public support and, as a result, on the commitment to improved financial management and reporting in higher education.

> College administrators are desperately trying to meet the demands for higher education with available resources and hope these systems (planning and management) will give them additional insight and practical assistance. Public officials frequently critical of the spiraling cost of higher education (which are rising much faster than gross national product) would like some assurance that colleges and universities are being well-managed--that they meet the test of stewardship of other publicly funded agencies. (Farmer, 1971)

Daniel Robinson and Lynn Fluckiger (1968) noted in their article on computer assisted planning for colleges and universities:

> As a result of the growth and change that have marked the development of higher education in the United States since World War II, the operation of colleges and universities has become extremely complicated. Its complexity has reduced the effectiveness of current planning by institutions already hampered by scarce resources.

Collier (1974) charged that the financial information used in the conduct of higher education planning and management today is vastly different from that used in the recent past:

> Today there is widespread interest in costs and program information and there are requirements for more detailed information about almost every aspect of the institution's operations--past, present and future. There has been a widespread introduction of centralized planning in higher education. The planner, as intermediary in this process, is asked to collect raw financial data from institutions, to aggregate it, to rearrange it, to combine it with non-financial data, and to apply it to the problem of concern to the decision maker. Although it is not possible always to know ahead of time the specific problems that will face decision makers, the data that planners must use in addressing these problems remain essentially unchanged. As a result, planners at all levels now are asking for financial data that can be related to non-financial data, financial data that can be related as closely as possible to the questions decision

> makers will be asking (which generally are structured around the objectives and outputs of education), and financial data that can be understood and used by persons unfamiliar with the details of any particular institution's operations. Institutions are being asked to provide all of these data in such a way that they can be compared to similar data at similar types of higher education institutions (that is, "compatible" data).

The notion of timeliness is also important. Wartgow (1974) reported:

> College and university administrators need a technique that can provide the comprehensive information--at the time it is needed--that will help them to choose between alternatives when faced with difficult decisions.

The publication in 1974 of Technical Report 53 by the National Center for Higher Education Management Systems (NCHEMS), Higher Education Finance Manual (HEFM), provided higher education administrators with a third major document to aid in financial management, efficiency, and fiduciary responsibility. The two previously existing references were: 1) Audits of Colleges and Universities, published in 1973 by Accountants and known as the "Audit Guide," and 2) College and University Business Administration, published in 1974 by National Association of College and University Business Officers. This publication had replaced the previously existing College and University Business Administration published in 1968 by the American Council on Education.

According to NCHEMS at the Western Interstate Commission for Higher Education, the three sets of documents had different purposes. NCHEMS (1974) reported:

1. Audit of Colleges and Universities. The stated purpose of the Audit Guide is " ... for the guidance of members of the institute (auditors) in examining and reporting on the financial statements of

colleges and universities ..." The Audit Guide sets forth the accounting definitions, report formats, and audit procedures considered essential by the accounting profession in order to provide for the full and adequate disclosure of an institution's financial status and of the results of its operations. The focus of the Audit Guide is on the responsibilities of the auditor in conducting audits of higher education institutions.

2. College and University Business Administration. Designed to guide the business officer in the business management of an institution, it covers all aspects of the business officer's job from investment management to personnel administration to legal problems. Principles of accounting and general practices of financial reporting constitute one section of Administrative Services.

3. HEFM Manual. The purpose of the HEFM document is to facilitate the communication of financial data for purposes of planning and management. It is not limited to a single constituency, but is intended to serve all parties that must use higher education financial data. The primary difference between HEFM and the other two documents is its focus on the needs of the users of institutional financial information. Accounting terms and report formats are defined and described for persons unfamiliar with higher education accounting data.

According to Lawrence (1974), information should be made available to:

> ... the public, to our consumers, and to funders. We must find ways to explain the benefits of higher education in terms they understand, for when what we tell them differs significantly from what they observe, we strain our relationship with them.

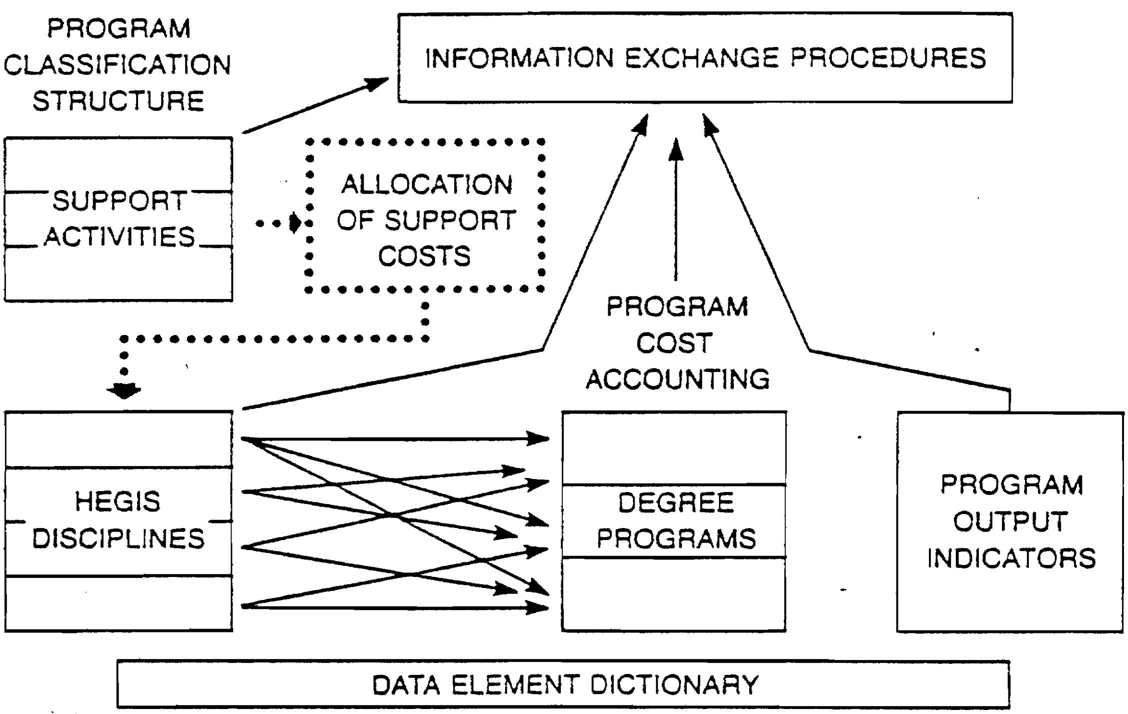
According to NCHEMS, planning and management tools fall into two general categories: 1) those that are used to gather historical data and 2) those that use the historical data as a point of departure to project future costs and to plan future operations. The tools as identified by NCHEMS (1972) are shown in Figure 1.

For example, NCHEMS (1972) points out, the Program Classification Structure (PCS) provides standard definitions of cost centers for the primary and support activities of an institution. NCHEMS considers it a filing structure for categorizing various kinds of data. Because institutional data can be translated into PCS from corresponding disciplines, NCHEMS considers PCS a useful tool for reporting by the U.S. Office of Education through its Higher Education General Information Survey (HEGIS).

> If an institution determines the cost of instruction in each discipline, degree program costs may be obtained by allowing the dollars to flow from the discipline cost centers to the various degree program cost centers in proportion to the flow of credit hours from disciplines to degree programs. For example, the history discipline costs would flow proportionately to each degree program as students from the various degree programs take credits in the history discipline. If support costs were previously allocated to the disciplines, then these costs would also flow to the degree program cost centers along with the direct instructional costs and would be calculated as part of the total cost of each degree program.
>
> The Resource Requirements Prediction Model (RRPM) provides a computational tool for accomplishing the distribution of discipline costs to degree programs cost centers through the mechanism of credit hour flow. Although RRPM serves primarily as a projection and planning tool, it may be run with historical data inputs and thus be used as a tool for the development of historical degree program costs.

PMS TOOLS

TO GATHER HISTORICAL INFORMATION



NCHEMS at WICHE 1972

FIGURE 1

> The additional areas of concern are program outcome indicators and information exchange procedures. If cost-benefit analysis is to be applied to an institution, good program outcome indicators are necessary. Furthermore, costing and output studies must be performed under precisely the same set of procedures at each institution if information exchange is to have any validity.

FINANCIAL REPORTING BY THE DISTRICT OF COLUMBIA

The District of Columbia is a unique governmental entity that carries out the functions ordinarily performed in other jurisdictions by city, county, state, and federal agencies:

> In 1790, the Congress enacted a law establishing a permanent seat of government on the river Potomac, at some place between the mouths of the Eastern Branch and Connogochegue and granted the President the authority to appoint three Commissioners to carry out the developmental efforts necessary to accommodate the Federal Government. (Anonymous)

By 1791, President George Washington had established the boundaries of the District by proclamation. From 1820 to 1870, the Mayor and City Council were elected by popular vote. In 1874, a congressional investigation revealed that the District was $22 million in debt for capital improvements. Consequently, home rule was eliminated and governance reverted in 1878 to three presidentially appointed commissioners. The three-member Board of Commissioners shared chief executive responsibilities for the city until 1967. From 1967 through 1974, governance was under the form of a presidentially appointed Mayor and City Council. In 1973, the U.S. Congress enacted Public Law 93-198 that established home rule for the District of Columbia. The Home Rule Charter provided for an elected Mayor and City Council. During the period of almost a hundred years when it was without home rule, the District Government functioned like a federal agency. The budget was reviewed by what is now the Office of Management and Budget and approved by the Congress and the President.

The newly elected Mayor and City Council took office in January 1975. The enactment of home rule saw the role of the Office of Management and Budget diminish; the role of the government of the District of Columbia as an independent legal entity began to change and grow.

It has been found that the federal government's financial involvement in the District of Columbia has contributed significantly to many of the city's financial management problems:

> Although Congress has emphasized its desire to promote economy, efficiency and improved services for the District Government, it would appear that prolonged Federal involvement has also served to impede development of the financial management function. The accounting system and financial management of the District today appear to be holdovers from the period prior to Home Rule (January 1975) where financial practices observed Federal Government regulations. (Arthur Andersen, 1976).

Congressional investigations and management studies have been frequent over the past one hundred years. The recent studies conducted by the Nelsen Commission, the U.S. General Accounting Office, and Arthur Andersen and Company were very critical of financial management practices of the District government.

The certified public accounting firm of Arthur Andersen and Company was engaged by the Senate Committee of the District of Columbia Government. The report, entitled Report on the Accounting and Management Practices of the District of Columbia Government, was transmitted to the

Honorable Thomas F. Eagleton, (D-Mo.), Chairman of the Senate Committee on the District of Columbia Government, on June 19, 1976. The transmittal letter noted that:

> The financial information published by the District is not reliable. The District's annual report contains inaccurate and misleading numbers. Internal reporting, which is essential if the District's operations are to be managed on a sound financial basis, is not reliable, timely or consistent among agencies. This lack of reliable information results from weaknesses in financial controls which have evolved over a long period of time.
>
> An audit of the District is not practical at this time. Because of the general absence of financial controls, an audit would be very expensive now. However, adequate financial controls and new and improved systems could be installed so that an audit would be feasible for fiscal 1978. To meet this schedule, it is imperative that sufficient and continuous effort be applied in the coming months to improve the District's financial management practices.

The report itself discussed the financial reporting problems of the University of the District of Columbia:

> Under the recently passed D.C. Law 1-36, the District of Columbia Public Postsecondary Education Reorganization Act Amendments, there is no discussion of the disposition of tuition and other miscellaneous fees (i.e., whether these fees should be retained for operating use by the University or be remitted to the District). The current budget procedures require the institutions to operate under a direct budget allotment without consideration of revenues generated.
>
> This procedure has caused a budgeting problem with regard to areas such as the supply of student textbooks and student store materials sold in the bookstores. In this instance, store inventories are budgeted in the supplies budget category and are strictly limited by appropriations, whereas the effectiveness of the bookstore operations would be substantially enhanced if sales revenues could determine inventory levels. In addition, little incentive is placed on the institutions to properly control and collect Federal and District receivables, since the monies are directly deposited to the District Treasury and do not affect the institutions'

appropriations. Finally, there is no indication of planning for the merger of the institutions in order to identify excess personnel, equipment, facilities, etc.

The current method of reporting does not charge the University's Board of Trustees with full responsibility for governing the University's operations. Currently, financial reports cannot be readily prepared under generally accepted accounting principles for colleges and universities. Although D.C. Law 1-36 does not require financial statements prepared in accordance with generally accepted accounting principles, "financial statements" are required. As a result, without the inclusion of revenues no one is provided a clear understanding of University's operations.

The report contained the following summary conclusions about the District's financial and accounting problems:

The District has numerous characteristics of a city with serious financial and accounting problems:

- The District has poor budgeting, accounting and reporting procedures that tend to obscure the true financial situation.

- All the retirement systems of District employees are underfunded and not properly reported in its financial statements.

- There is a pattern of current operating disbursements and debt services exceeding operating receipts in four out of the last five fiscal years; $83 million in 1975; $16 million in 1973, $3 million in 1972 and $36 million in 1971. In 1974, receipts did exceed disbursements by $22 million.

- During the last five years, long-term borrowings of $677 million have been used to finance capital expenditures of $656 million. At present, repayment of approximately $63.4 million of long-term debt due on July 1, 1975, has been deferred.

- The total valuation of taxable property has not been increasing at a rate to provide sufficient additional revenues; taxable property increased from $119 billion in 1971 to $138 billion in 1974, but then decreased to $130 billion in 1975.

> Any one of the problems described in this report would be cause for alarm on the part of top management of any organization. In most cases, these serious problems are well known to District personnel, but they remain unresolved. It is important to understand that many of the problems noted in this section are of long duration. The accounting and reporting problems cited are indicative of those which the District must address and resolve before an independent public accounting firm can examine its financial statements and render an opinion thereon.

Since the release of the Andersen report and the creation of the Temporary Commission on Financial Oversight of the District of Columbia, that Commission has reported considerable progress. The Honorable Senator Thomas F. Eagleton, Chairman of the Commission, stated in his letter, Message to Readers of This Booklet (1978):

> Public Law 94-399 established this Commission to oversee improvement of financial management in the government of the District of Columbia. The first step in the program to achieve that objective has been completed. American Management Systems, Incorporated, under contract to the Commission, has delivered a report that presents the conceptual design for a new comprehensive financial management for the District.
>
> This booklet consisting of material excerpted from that report has been prepared to acquaint employees of the D.C. Government and members of the public with the recommended concept. The booklet presents a summary description of the concept and illustrates how the system would be applied in a hypothetical local government agency.
>
> The General Accounting Office is currently reviewing the full report on the concept as required by Public Law 94-399. That review could lead to some refinements in the system's concept. However, the basic direction and thrust of the Commission believes it is timely to offer this booklet as a starting point for helping persons concerned with D.C. financial affairs begin gaining an insight into likely future developments.
>
> Readers of this booklet should understand that a system concept represents simply a general idea or understanding of what the final system will be. Much works lies ahead, and before the system becomes reality, a great deal of understanding and cooperation will be required of D.C. employees, the public, and this Commission and its contractors.

> But with understanding, cooperation and hard work from those who will be involved, members of this Commission are confident that the system will help the District manage its activities more effectively, and indeed, become a model for the cities of the nation. (Eagleton, 1978)

An examination of the existing District Accounting Manual in light of the criteria established at the outset of this study for any accounting manual that was to be useful to the University of the District of Columbia showed that the existing manual for the District of Columbia did not meet the criteria. As noted in Chapter 1, the criteria were the following. The Manual had to:

1. Be compatible with the accounting coding structure used by the District of Columbia Budget and Accounting Office;
2. Comply basically with the AICPA's Audits of Colleges and Universities;
3. Meet legal requirements as specified in the District of Columbia Law 1-36;
4. Satisfy requirements as specified in the Review Guide for Comptroller General's Principles and Standards;
5. Communicate information that is consistent with the University of the District of Columbia's program, budget, and organizational structure;
6. Incorporate the program structure developed by Western Interstate Commission for Higher Education with changes suggested by the Joint Accounting Group: and

7. Have the flexibility to be modified and to accommodate growth.

The Nelsen Commission (1972) had noted that the District government's accounting manual had not been significantly updated or revised since 1968. The Commission found that:

> The current computerized system is not included. The currently used accounting classifications are not included. The instructions issued annually relative to the coding of documents were not issued, in the most recent instance, until the seventh month of the fiscal year. While the manual makes provision for a section entitled "Reports," this section had not been issued. Chapter 14 of the manual, "Accounting for real property," had not been issued."

The Commission concluded:

> In view of the fact that (a) much of the current manual material is obsolete, and (b) new approaches to certain accounting problems are being recommended in this report, it is believed to be an opportune time to consider the issuance of a new manual rather than attempting to revise existing manuals.

At the time of this writing in early 1978, the 1968 District Accounting Manual was still in use. While it may be argued that the manual met the first criterion, it certainly did not meet criteria two through seven.

Compliance with AICPA's Audits of Colleges and Universities. The existing manual failed to make provisions for the following types of funds: current funds, loan funds, endowment and similar funds, annuity and life income funds, plant funds, and agency funds. These groupings are required in order to enable comparison with other educational institutions in both internal and external reporting.

In addition, the current manual did not provide for the three basic financial statements: balance sheets; statements of changes in fund balances; and statements of current funds, revenues, expenditures, and other changes.

The accounting firm of Arthur Andersen (1976) concluded in its report:

> The District's 1975 Annual Report contains twelve (12) financial statements and summaries. However, several basic financial statements (i.e., statement of revenue and expenses, changes in fund balances and changes in financial position) required to present fairly the District's financial position and results of operations, are not included.

Finally, the District's existing accounting manual did not provide for accrual accounting as recommended by the AICPA. Instead, the District's system maintained accounts on the cash basis of accounting. The AICPA guide states:

> Encumbrances representing outstanding purchase orders and other commitments for materials or services not received as of the reporting date should not be reported as expenditures nor be included in liabilities in the balance sheet. Designation or allocation of fund balances or disclosure in the notes to the financial statements should be made where such commitments are material in amount.

Fulfillment of legal requirements as specified in District of Columbia Law 1-36. District of Columbia Law 1-36, Section 206, assigns to the board of trustees the following duties:

> ... Establish in one or more financial institutions in the District of Columbia, the District of Columbia Postsecondary Education Fund into which will be deposited all gifts and contributions, in whatever form, funds in receipt of services rendered, other than tuition, and all monies not included in the annual operating and capital and educational improvement funds appropriated by Congress. Money, so deposited, shall be made available for investment and shall be distributed in such amounts and in such manner as the Trustees may determine. The Trustees are authorized to administer such funds in whatever manner the Trustees deem wise and prudent provided that such administration is lawful and does not impose any fiscal burden on the District of Columbia.

In 1978, contrary to the above requirement, tuition was collected and deposited in the District Treasury as miscellaneous revenue to be credited to the District government. This method of reporting gives no consideration to the University's appropriations. Similarly, money for purchase of books for sale in turn to students was budgeted under the equipment line item. Collections from the sale of books were deposited by the University in the District Treasury as miscellaneous revenue--also credited to the District government.

Fulfillment of requirements as specified in the Review Guide for Comptroller General's Principles and Standards. In response to the Nelsen Commission's recommendation, the District government submitted a statement of principles and standards in 1970 in an effort to obtain approval of the General Accounting Office (GAO). A revised statement was informally submitted to the GAO for review and was returned with suggested changes in September 1971. The formal approval of the principles and standards was granted by the Comptroller General in February 1972. However, a GAO survey in 1976 indicated that most of the recommended changes in the statement of principles and standards had not been implemented. As of 1968, the District Accounting Manual had not met GAO's principles and standards as outlined in its Review Guide.

Communicating information that is consistent with the University of the District of Columbia's program, budget and organizational structure.

Incorporating the program structure developed by Western Interstate Commission for Higher Education with changes suggested by the Joint Accounting Group.

Flexibility to be modified and to accommodate growth.

The Commission reported that the District government's central accounts were not classified or structured to comply with the structure of the District's Program-Planning Budget (PPB). The Commission's staff made an unsuccessful attempt to develop cross-walks to relate the fiscal years 1972 and 1973 PPB structures to the current accounting classification.

ALTERNATIVE MODELS

Several other systems of financial reporting were examined for their possible relevance to a financial reporting system for the University of the District of Columbia. These were: The University of Arizona financial information system, the financial reporting system of the state of Tennessee's public colleges and universities, and a system proposed by the Systems Research Group at the University of Toronto, entitled Comprehensive Analytical Methods for Planning in University Systems (CAMPUS).

The University of Arizona Financial Information System

The University of Arizona is one of three state universities in Arizona. State appropriations total more than $72 million divided among three major programs. The major programs are the main campus, the university hospital, and the medical college. The enrollment for fall 1975 was approximately 30,000 students.

The conceptual objectives of the financial information system used by the University of Arizona were found to be as follows:

1. To provide a centralized system for financial information that will allow improved integration of component sub-systems, yet allow input and output "tailored" to meet the needs of decentralized users;

2. To maintain an integrated system that ensures data integrity and provides for controlled growth to meet expanding needs;

3. To provide full accrual basis capability within a fund accounting context;

4. To shift the focus of data-input from centralized areas (Business Affairs) to decentralized using-areas (departments, hospitals, etc.); and

5. To continue to develop enhancements within the above guidelines that will improve the usefulness and accuracy of financial information provided to all users.

Overview of the system. Analysis showed the University of Arizona system to be only a skeleton of what a totally integrated financial information system should be. It provided for a general ledger and associated posting and reporting aspects; a purchasing and encumbering component for purchased goods; and an accounts payable component for accrual of expenses and disbursement of cash to parties outside the University. The system, however, did not provide for means of disaggregating integrated payroll/personnel/position control, interdepartmental transfers, accounts receivable, indirect cost preparation, inventory control, fixed assets (property control), and tuition receipts.

Based on the information available, it appeared that the University of Arizona financial information system could not satisfy criteria 1 through 6. Since it was not a comprehensive framework for financial reporting, it did have the flexibility to be modified and to accommodate growth--and thus did meet criterion 7.

Be compatible with the accounting coding structure used by the District of Columbia Budget and Accounting Office. This system used a thirteen (13) digit account classification code. The District government was using a twenty two (22) digit account classification code.

Compliance basically with AICPA's Audits of Colleges and Universities. In several important ways, the University of Arizona system met this criterion. The system provided for a full accrual basis for accounting. It provided for the three basic statements recommended by the AICPA: balance sheets; statements of changes in fund balances; and statements of current operating funds, revenues, expenditures, and other changes. These financial statements were prepared automatically each month for each fund.

In other ways, however, the University of Arizona did not meet this criterion:

1. Property control was not integrated with space analysis.
2. Property control was not integrated with accounting for assets.
3. Separate capital items from inventory did not exist; a fully integrated general ledger will provide a better means for regarding classified as expenses.

4. Needs inventory of securities held for endowments and cash managements was not integrated with the accounting system.

5. General comment. Those components fully developed were in compliance with AICPA recommendation.

Fulfillment of legal requirements as specified in District of Columbia Law 1-36. The account code structure did not have the flexibility to account properly for educational improvement and for capital and postsecondary education funds simultaneously, as is required by District of Columbia Law 1-36.

Fulfillment of requirements as specified in the Review Guide for Comptroller General's Principles and Standards. Those components of the system that were fully developed appeared to have satisfied requirements specified in the Review Guide. However, the University of Arizona system did not satisfactorily account for costs, assets, and the investments of the U.S. Government.

Communication of information that is consistent with the University of the District of Columbia program, budget, and organizational structure. Monthly budget reports were non-existing. The capability for issuing monthly budgets was scheduled to be developed in the future.

Incorporation of the program structure developed by Western Interstate Commission for Higher Education with changes suggested by Joint Accounting Group. With actual performance data provided along program categories, mechanisms for budgeting by programs can be added to the system.

The Tennessee Budget and Accounting Manual

The Tennessee budget accounting manual established a framework for accounting practices, budgeting, and reporting procedures for Tennessee public higher education institutions. It set out principles and procedures of accounting and financial reporting; the balance sheet; statements of changes in fund balances; statements of accounting and reporting procedures for fund groups, auxiliary enterprises, organized educational activities, and service departments.

The manual was developed in response to a need for comparable financial data among Tennessee public higher education institutions. State agencies, universities, colleges, and governing boards participated in formulation and development of its policies, procedures, and guidelines. It conformed to the principles, procedures, and guidelines found in College and University Business Administration (1968) published by the American Council on Education.

The manual presupposed the existence of a system of accounting adequate to record, classify, and summarize all financial transactions and to report on operations and fund transactions and on assets, liabilities, and balances by fund groups. In preparing the manual, the Tennessee Higher Education Commission established the following procedures for recording specific items:

1. College work study funds are to be reported within student aid funds as a function and not allocated to individual departments as object expenditures.
2. Staff benefits are to be reported as a function and not as an object expenditure.

3. Validation of inventories for library books and the method of costing of library books will be left to the institution.

An evaluation of the Tennessee Budget and Accounting Manual in light of the pre-established criteria was made. This evaluation relied heavily on information in Financial Reporting for Tennessee Public Colleges and Universities (1976), published by the Tennessee Higher Education Commission.

Compatibility with the accounting coding structure used by the District of Columbia Budget and Accounting Office. The manual did not specify the number of characters used for the account classification code. It appeared as though the chart of accounts recommended by the American Council on Education in its publication, College and University Business Administration (1968), was manually implemented.

Compliance with the AICPA's Audits of Colleges and Universities. Because the Tennessee manual conformed to the 1968 edition of College and University Business Administration--which predates the AICPA guide--it does not meet this criterion in a number of respects:

a) Investment performance. Disclosure of the total performance of the investment portfolio is discussed.

b) Investments, exclusive of physical plants. The current market or fair value is an alternative to cost in reporting the carrying value of investments.

c) Depreciation. Unlike College and University Business Administration or the Tennessee Manual, the AICPA Guide permit the reporting of depreciation expense in the plant fund section of the statement of changes in fund balances

d) Endowment income stabilization reserve. Endowment income stabilization reserves are at variance with generally accepted accounting principles, and the manner in which any established reserve may be eliminated as set forth in the AICPA Guide.

e) Endowment fund investment gains. The AICPA Guide clarifies and expands upon the position taken in the manual relative to accounting for gains and losses of investments of endowment and similar funds and discusses statement presentation when management uses the "total return" investment concept.

f) Debt service on educational plant. Unlike the AICPA Guide, which treats mandatory debt service provisions on educational facilities like similar provisions on other facilities--that is, as expenditures--the manual treats such debt services as transfers.

g) Loan fund matching grant. Mandatory transfers from current funds to loan funds to match gifts or grants were treated separately from non-mandatory transfers in the manual.

h) Non-mandatory transfers of unrestricted current funds. The guide distinguishes between mandatory provisions exemplified by the two preceding items and non-mandatory transfers and requires that any statement of current funds, revenues, expenditures, and other changes include all current funds transfers.

i) Provision for encumbrances. Accounting for encumbrances should be in accordance with the accrual basis of accounting so that expenditures include only amounts associated with goods and services received and so that liabilities include only the unpaid amounts associated with such expenditures.

j. Student aid. Expenditures for all forms of tuition and fee remissions also should be included in student aid. However, remissions of tuition and fees granted as a result of either faculty or staff should be recorded and allocated as staff benefit expenses rather than as student aid. Where services are required in exchange for scholarship or other aid, as in the Federal college work-study program, the charges should be classified as expenses of the department or organizational unit to which the service is rendered. Loans to students are not student aid expenditures, but constitute a conversion of cash to receivables in the loan funds group.

Fulfillment of legal requirements as specified in the District of Columbia Law 1-36. Account code structure did not have enough flexibility to account for educational improvement, capitol, and postsecondary education funds, simultaneously.

Fulfillment of requirement as specified in the Review Guide for Comptroller General's Principles and Standards. The manual's primary focus was fiduciary responsibility. To that extent, Sections 2-8 of the General Accounting Office Review Guide were satisfied. However, Section 1 (Relationship of Accounting Systems to Other Financial Management

Functions); Section 9 (Accounting for Cost); and Section 10 (Other Internal Control) were not satisfied by the manual.

Communication of information that is consistent with the University of the District of Columbia's program, budget, and organizational structure.

Incorporation of the program structure developed by Western Interstate Commission for Higher Education with changes suggested by the Joint Accounting Group.

Flexibility to be modified and to accommodate growth.

A common chart of accounts for all institutions has not been prepared as a part of this manual; this allows each institution or governing board to go into differing amounts of details.

A common financial report can be accomplished for basic financial data as sufficient definitions are given for compiling the requested information. Essential for comparability are: funds to be budgeted and reported, the same functional classification within each college or university, and well defined objects of expenditures.

The development of the accounting system should be governed by the form and character that financial statements need to take in in order to promote effective administration and provide information needed by other authoritative agencies. However, certain principles of classification and presentation of accounting data as well as a standard terminology for institutions of higher education have come to be accepted in Tennessee public colleges; universities should maintain their accounts and present their reports accordingly.

Comprehensive Analytical Methods for Planning in University Systems (CAMPUS)

The Comprehensive Analytical Methods for Planning in University System (CAMPUS) was developed in the mid-1960s by Dr. R. W. Judy and Jack B. Levine of Systems Research Group at the University of Toronto for the Commission on the Financing of Higher Education.

CAMPUS is composed of three sub-systems: 1) the Program, Planning, and Budgeting Sub-System (PPBS), 2) the CAMPUS simulation models, and 3) the Integrated Information System (IIS).

It is considered to have five major advantages (Systems Research Group, 1970).

1. Planning Rather Than Responding. The ability to experiment with "alternative futures" allows the planner to devise plans that are less sensitive to adverse turns of the wheel of fate. Its simulation model can serve as a laboratory in which the college or university administration can test alternative policies before decisions are made. The experimental results of such testing can provide objective estimates of the resource implications of competing proposals. This information can be a healthy check on unsupported departmental proposals and can bring about much more careful planning at all levels. Better knowledge of the cost consequences of alternatives would improve decisions and reduce the number of unfortunate surprises in educational planning.

2. More Comprehensive Justification of Budgets. The use of computerized simulation models makes possible accurate and substantiated statements about financial requirements. Heightened credibility combined with the demonstrable use of improved management tools will improve an institution's ability to justify what it considers sound

expenditure of public funds. The results of a simulation can be presented either in traditional budgetary formats or by juxtaposing program levels and associated costs. A particular advantage of the model is its ability to compute the incremental costs of altering each activity level. This facilitates efficient allocation of an institution's resources and public funds. An important advantage which appears as a by-product in the college budget-making process is the extent to which CAMPUS can reorient top-level budgetary negotiations from concentration upon aggregate dollar magnitudes toward underlying decisions of more fundamental importance.

3. Quicker, Cheaper, Less Tedious Planning. Laboriously produced "master plans" are often obsolete before their ink is dry. Simulation models permit continuous planning in response to changed circumstances and opportunity. The use of such models obviates the investment of scarce managerial time and talent in slow, manual computations. Because of a paucity of information, an impending decision of any consequence in the college or university is likely to initiate a search for new data. Each time this occurs, it places an excessive burden on deans and division chairmen as they strive to supply requested information. Because these data are often supplied under tight time limits, the quality may be dubious. Typically, the results of one survey are unavilable or inappropriate to the next. Such a procedure is wasteful and cannot provide uniformly good information. Because it systematically brings together and analyzes information relative to a broad class of problems, the simulation model can reduce the burden of tedious and repetitious paper work.

4. Aiding New Institutions in the Early Expansion Stages. Colleges and universities in the early growth stage stand to profit greatly from the use of simulation models. The range of decision variables is so broad and the importance of early decision so great that the planners deserve all the assistance they can get. The design and use of simulation model in the formative stages of university planning may avoid costly errors and increase the return from new educational investment.

5. Aiding Government Departments. The task of planning for the financial requirements of the total college or university system can be greatly facilitated by the objective analysis available from simulation models.

The CAMPUS system was found to be a forecasting and budgeting system that relies heavily on PPBS techniques.

Unlike Fred Balderston and George Weathersby (1971), who concluded that PPBS' time has not yet arrived in higher education, Loyd Andrew (1973) felt that PPBS has a definite role to play in improving the management of higher education. However, he believed that the emphasis on the development of PPBS should be shifted from economic or systems analysis to the definition of programs or mission and the organizational change required to "make programs happen." He cautioned that care should be used in making these changes, since higher education's performance appears to be outstanding in relationship to other programs. He stated:

> There is some kind of magic in the present system. Before we change the system, we better understand enough of the magic to preserve it. (Andrew, 1973)

The author agrees with Andrew and feels very strongly that "magic" of which Andrew speaks consists of adequate internal control, generally accepted accounting principles and standards, and fiduciary responsibility. It is a magic that should be preserved. It is a lesson kept in mind in the process of designing the Accounting Manual for the University of the District of Columbia.

The Community and Junior College Systems

The author also reviewed the community and junior college systems in general. The pattern of financial support of two-year colleges varies, both among the different states and among the colleges within certain states. Operating funds are derived primarily from three sources: state aid, local taxes, and tuition. Some states utilize formulas for the allocation of funds. For example, the average daily attendance of students, the tax effort of the local district, the number of instructional units, the established minimum foundation program, and the indebtedness of the junior college district are some of the factors used in determining state support, according to Thornton (1972).

Public higher education, as a rule, is not related to the above process. Support is not based upon average daily attendance or those formulas used for public school systems--kindergarten through twelfth grade. Support for public higher education is generally supplied through the appropriations process. Because of these major financial structural differences, the community and junior college systems were not considered to be viable models for an accounting system for District of Columbia higher education.

Chapter 3

RESEARCH METHODOLOGY

The purpose of this study was to develop a conceptual framework for improved financial reporting in public higher education in the District of Columbia. The framework was implemented through the development of an Accounting Manual for use in public institutions of higher education in the District of Columbia. The framework was designed to be consistent with the accounting and reporting principles in the American Institute of Certified Public Accountants' "Audit Guide," Audits of Colleges and Universities. The principles set forth in the Audit Guide are consistent with those enunciated by the National Association of College and University Business Officers in College and University Business Administration.

The design of a management tool is as essential as an accounting system that provides for fiduciary responsibility, and managerial control affects decision making. In developing this study, it was imperative to examine: 1) the historical development of concern about financial reporting by institutions of higher education and 2) existing designs and concepts about accounting systems for institutions of higher education.

The results of this review process led to an analysis of laws, regulations, and procedures that an accounting system and an accounting manual must satisfy in the District of Columbia. It was determined that the Review Guide for Comptroller General's Principles and Standards, published by the General Accounting Office, (1974) was the primary summary document addressing these concerns.

It was also necessary to review literature on financial management and reporting by the District of Columbia government. This involved reviewing studies previously issued by the General Accounting Office, a public accounting firm, and congressional investigations. This review also included a more specific analysis of the organization of the University of the District of Columbia (UDC) and the way it interacts with other governmental agencies, such as the Office of Budget and Management of the District of Columbia, the City Council, the U.S. Congress, etc.

Criteria were established that any accounting system used by institutions of higher education in the District of Columbia would have to meet. In light of these criteria, a model Accounting Manual was prepared. Four "jury groups" designated A through D were formed to make judgments regarding the practicality and usefulness of the Manual. Members of group A, composed of accounting professionals, were asked to determine whether the proposed Accounting Manual satisfied the criteria and whether it met generally accepted accounting principles and standards. The Review Guide provided the basis for that evaluation. Additionally, jury groups B, C, and D (composed respectively of technical experts, policy makers, and members of the general public) were requested to: 1) read the manual and 2) evalute in brief form the usefulness of the manual. From this process, conclusions were drawn and recommendations were made. These will be reported in Chapter 5, after a discussion of the findings of the study in Chapter 4.

POPULATION GROUPS AFFECTED

Four major populations had to be considered in the design of the Accounting Manual. The first population consisted of professionals concerned about the responsiveness and effectiveness of any accounting system used by UDC in relationship to legal requirements, generally accepted accounting principles, standards, and organizational feasibility. The second population was those University employees who maintain the official records and prepare accounting reports. The third category consisted of individuals responsible for establishing and executing policies that govern the University. Fourth, the general public who either supported and/or benefited from the University were also asked to evaluate the proposed manual.

A jury group was selected to represent each of the four populations in an evaluation of the prospective effectiveness of the proposed manual.

The Professional Group (jury group A) was composed of three certified public accountants: Mr. Bert Edwards, Arthur Andersen and Company; Dr. Caspa L. Harris, Jr., Vice President for Fiscal Affairs and Treasurer, Howard University; and Dr. Herbert Ladley, Chairperson, Accounting Department, University of the District of Columbia, Mount Vernon Campus. Together these jury members had more than seventy years of experience in public accounting, higher education, or closely related areas; at the time, each was involved in accounting or financial management either as a practioner and/or as a scholar. Mr. Edwards was selected to be on the jury group because he is continuously involved in the design and/or audit of the District of Columbia and of federal agency programs. Drs. Harris and Ladley were selected because of their knowledge of accounting, their familiarity with higher education, and their relatively minimal involvement in day-to-day accounting practices in the District of Columbia. Each of the members was selected primarily because of experience with the organization, needs, and objectives of the University of the District of Columbia and because of knowledge of managerial accounting. The group's task was to review the Manual for compliance with generally accepted accounting principles and standards as specified by the AICPA Guide and in NACUBO's College and University Business Administration.

The Technical Group (jury group B) was composed of University employees whose institutional responsibility involved preparation of financial reports, financial analyses, systems design, fund control, accounts payable, and other fiduciary activities. Because of their positions at the University of the District of Columbia, they were qualified to judge the feasibility of operationalizing the system. The four members of this group held the positions of: comptroller, fund control supervisor, accounting technician, and accounts payable clerk.

The Policy Group (jury group C) was composed of persons involved either directly or indirectly with the formulation and/or execution of policy decisions at the University of the District of Columbia.

> That process involves--involvement in the college or university--students, teachers, administrators, trustees, and increasingly, individuals and agencies outside the institution in establishing policies, rules and regulations, and in collaborating to carry out those guides to action. (Corson, 1975).

Jury group C was composed of: one member of the University of the District of Columbia Board of Trustee's Finance Committee, one member of the University of the District of Columbia President's Executive Staff, one member of the Municipal Auditor's staff, and one member of the University of the District of Columbia Internal Audit staff.

General Public and Special Interest Groups. Grants and contracts from agencies of the federal government, from foundations, and from corporations are primary sources of external funds for the support of instruction, research, and public services. However, the acceptance of such funds adds a new dimension to college or university administration. The dynamics of the power struggles between governing boards, system-wide coordinating bodies, campus administrators, faculties, students, politicians, and citizen groups have been explored in the recent literature (McConnell, 1971; Metsger, 1970). Because each of these individuals would be affected by implementation of the proposed new accounting system, this population, too, was represented by a jury group. Jury group D was composed of one staff member of the Department of Health, Education, and Welfare; the President of the Strong Foundation; and a faculty member of the University of the District of Columbia.

INSTRUMENT USED TO EVALUATE THE PROPOSED MANUAL

The Review Guide was published in 1974 by the U.S. General Accounting Office for use by its financial management staff to systematically consider and review statements by federal agencies of their accounting principles and standards. It consists of a series of questions in ten sections; it covers the broad aspects of an accounting system, as they are identified by the Comptroller General.

The sections are as follows:

Section	Title
1	Relationship of Accounting Systems to Other Financial Management Functions
2	Fund Control
3	Account Structure
4	Accounting for Assets
5	Accounting for Liabilities
6	Accounting for the Investment of the U.S. Government
7	Accounting for Revenue
8	Accounting for Costs
9	Financial Reporting
10	Other Internal Control

A questionnaire (see Apendix A) based on the Review Guide was administered to group A. The questionnaire given to group A--whose task was to determine whether the proposed Manual met prescribed principles and standards--contained 99 questions for evaluating the proposed Accounting Manual. The same questionnaire was later administered to groups B, C, and D, whose members were required to respond only to specific parts of the questionnaire.

DATA COLLECTION AND TREATMENT

The Accounting Manual and questionnaire were distributed sequentially: first, to group A and second, to groups B, C, and D simultaneously.

The procedures for obtaining the evaluation by group A was the following:

1. In addition to the Accounting Manual and the questionnaire, each member of the group was given the body of literature needed to determine whether the proposed accounting manual actually met the requirements established by the instrument. For example, the first question was: Are accounting classifications consistent with the planning, programming, and budgeting classifications? It was important that group A members have a copy of WICHE PCS Guide and documentation stating that the guide had been generally accepted for program, planning, and budgeting. A full list of documents provided the jury is listed in Appendix B in the form of a reading review guide.

2. After each member had completed his review of the Manual and filled out the questionnaire, this author met with the particular group members to solicit additional comments--particularly on those questions to which a juror gave negative responses and those to which the juror responded "not applicable" because of a lack of expertise or because of ambiguity in the question.

3. These comments and responses to the questionnaire were analyzed to determine which sections of the Manual fell short of meeting the requirements or were unclear. When there was disagreement among

jurors, the jurors were advised of the differences and the individual juror's reasons were requested. Wherever possible, an attempt was made to obtain a consensus. If negative consensus was obtained, the Manual was revised in light of the criticisms.

4. Where there continued to be disagreement among jury members, further analysis of appropriate literature was undertaken by the author and relevant revisions made. The disputed section was resubmitted for further evaluation. If consensus still could not be obtained on negative comments, the author weighed the evidence offered by the jury, consulted the literature, and made a judgment toward either revising the Manual or leaving it as originally written. The disagreements as well as their treatments are documented in chapter 4.

The procedure for obtaining the evaluations of groups B, C, and D was different from that of obtaining group A's evaluation.

1. The Accounting Manual and instrument were distributed simultaneously to groups B, C, and D after resolution of disputes among group A members over generally accepted accounting principles and standards.

2. Members of each of these three groups were requested to complete question numbers 1 through 7 of Section I.

3. Members of these three groups were also requested to respond to any other questions they considered relevant to his/her role.

4. Because it was hoped that the Accounting Manual ultimately would be useful not only to accounting professionals but also to a wide range of others whose work and decisions are affected by accounting practices, members of the groups were asked to respond also to the question, "What additional information should the manual provide?"

5. After the author's evaluation of the responses to these questionnaires, taped interviews were conducted with respondents from whom additional information was needed.

Chapter 4

FINDINGS

The findings of this study are reported in five sections. The first section consists of an analysis of the fiscal impact of Public Law 93-471 as amended by D.C. Law 1-36 on the financial and reporting requirements of the University of the District of Columbia. The second section reports on the constraints within which the University's financial systems must operate: the budget process, appropriations, the existing District government accounting system, the needs the proposed accounting system must meet, and the interface between that proposed system and the District of Columbia government's accounting manual. The third section describes the purpose and the unique fiscal characteristics that determined the scope and format of the proposed Accounting Manual of the University of the District of Columbia. (Appendix D). The Accounting Manual underwent several revisions prior to its completion; only after the third revision was the Manual submitted to the four jury groups for evaluation. Their comments are summarized and discussed in the fourth section of this chapter. The final section of the chapter is a summary of the findings.

FISCAL IMPACT SUMMARY OF PUBLIC LAW 93-471 AS AMENDED BY D.C. LAW 1-36

The University of the District of Columbia came into existence in 1976 as the result of Public Law 93-471 (The District of Columbia

Postsecondary Education Reorganization Act) as amended and implemented by District of Columbia Law 1-36 (The District of Columbia Postsecondary Education Reorganization Act Amendments). The purpose of D.C. Law 1-36 was:

> ... to authorize a public land grant university through the reorganization of the existing local institutions of public postsecondary education in the District of Columbia, and that the land grant funds shall be utilized by the University in accordance with the provisions of the Act of July 2, 1982 (7 U.S.C. 301-305, 307, 308) (known as the First Morrill Act). Additionally it is the clear and specific intent of the Council of the District of Columbia that the University provide a range of programs, studies and degrees designed to reach the widest possible number of citizens and residents of the District of Columbia, including career and technological education, liberal arts, sciences, teacher education; and associate, graduate, post graduate and professional degrees and studies. Central to this is a governing board with the authority to provide a policy framework and such administration as are necessary to carry out such policies under the law. The function of the board is to build a University to serve the residents of the District of Columbia consisting of but not limited to, strong programs of liberal arts studies and vocational-technical education in accordance with the provisions of this Act.

The Board of Trustees of the University of the District of Columbia was established under Public Law 93-471 as amended by D.C. Law 1-36 as a body corporate charged with the responsibility of governing the University of the District of Columbia; as such, the Board possesses all the powers necessary or convenient to accomplish the objectives and perform the duties related thereto. Among its many responsibilities, it has the authority and powers:

> ... to adapt, prescribe, amend, repeal, and enforce such by-laws, rules and regulations as it may deem necessary for the governance and administration of the University.

The same legislation that created the University of the District of Columbia as an independent agency of the government of the District of

Columbia also gave the University's Board of Trustees the necessary authority to ensure the University's financial operations. The Board of Trustees is empowered to:

1) transfer from one item of appropriation to another or to a new program an amount not to exceed $50,000;

2) establish and collect tuition from students;

3) establish the District of Columbia Postsecondary Education Fund into which all monies not included in the annual operating, capital, and educational improvement funds appropriated by Congress, other than tuition, will be deposited; and

5) render an annual report.

The University must consider two basic approaches to its fiscal accounting procedures.

First, as an agency of the District of Columbia government, independent of the Mayor's administrative control, the University is responsible to the District for budgetary input to the federal government and for financial reporting on how the appropriated funds are disbursed. As such, receipts to the University from congressional appropriations to the District of Columbia, from federal educational improvement funds (federal grants and contracts), and from tuition paid by students attending the University must be deposited as municipal funds and disbursements made in the same manner as all other District funds.

Second, the Board of Trustees, through the University, has authority through the enabling legislation to deposit funds other than congressionally appropriated funds, federal educational improvement funds, and tuition in commerical financial institutions within the District of Columbia. Thus the Board of Trustees and the University have both the authority and the responsibility to establish an accounting system, independent of the District's accounting system, to account for the receipt, management, and disbursement of these nonappropriated funds.

The status of these funds is reported to the District government as required in the University's annual budget submissions and in the annual report of the Board of Trustees.

CONSTRAINTS WITHIN WHICH AN ACCOUNTING SYSTEM FOR UDC MUST OPERATE

The University of the District of Columbia and the institutions from which it was constituted--District of Columbia Teachers College, Federal City College, and Washington Technical Institute--have been and are still presently confronted with a serious dilemma: How to effectively demonstrate accountability consistent with the University's enabling legislation and mandate and how to respond to the expressed needs of the citizens of the District of Columbia in an atmosphere of administrative inflexibility and congressional mistrust. This problem is made even more complex by limited resources.

The University of the District of Columbia has an opportunity to address the existing situation and to ensure a maximum degree of administrative and financial accountability through its status as an independent agency since it, in effect, is the "new boy on the block." Yet it must do this within several very specific constraints.

The Budget Process

The District of Columbia is required to submit to the President of the United States each year a budget in which proposed expenditures are balanced by estimated revenues, federal payments, federal and private grants, and long-term borrowing.

The Board of Trustees is administratively not formally responsible to the Mayor. However, the Board of Trustees is fiscally directly responsible to the Mayor and the City Council. The Mayor and City Council must pass judgment on the Board's financial requests for funds in view of the total financial needs and revenue sources of the District. Because of a perennial shortage of resources, the Mayor and City Council usually have felt the need to reduce the Board's budget request.

The Mayor submits his fiscal proposals to the President of the United States through the Office of Management and Budget, where they are examined and incorporated into the President's annual budget recommendations. The President's budget recommendations for the District are forwarded to the Congress through the House of Representatives Appropriations Subcommittee on the District of Columbia. The congressional phase of the appropriations process follows the pattern of all appropriation bills: Hearings are held by the relevant subcommittee (in this case, the Subcommittee on the District of Columbia of the House Appropriations Committee). The bill is reported to the floor, voted upon, and forwarded to the Senate, where the process is repeated. A conference committee resolves any disputes between the House and Senate bills. The bill is approved by both houses and forwarded to the President for his signature.

At any point in the budgetary process, changes to the Board of Trustee's original budget request can be made. The University of the District of Columbia is the only public institution of higher education in the United States that is involved in such a protracted bureaucratic budgetary process (Figure 2). A typical state institution of public higher education is involved in a four-step budget process (Figure 3).

Appropriations

When a public law is passed by Congress and signed by the President establishing appropriations for the District of Columbia government, the U.S. Treasury establishes controls over the spending of District funds in accordance with the appropriations. The Treasury Department transmits "appropriations warrants" to the District as a basis for obligation and disbursement authority. The warrants are in the full amount of each appropriation.

The Mayor and the City Council establish the funding level for the total University and allocate this amount to the Board of Trustees of the University. The Board of Trustees in turn allocates specific funding levels to specific components and programs of the University.

District of Columbia appropriations for the University are financed primarily from revenues of the general fund. Receipts for the operation of the District general fund are derived from: 1) local taxes and miscellaneous charges, 2) federal appropriations, 3) federal and private grants, and 4) loan authority.

University of the District of Columbia
External Budget Process

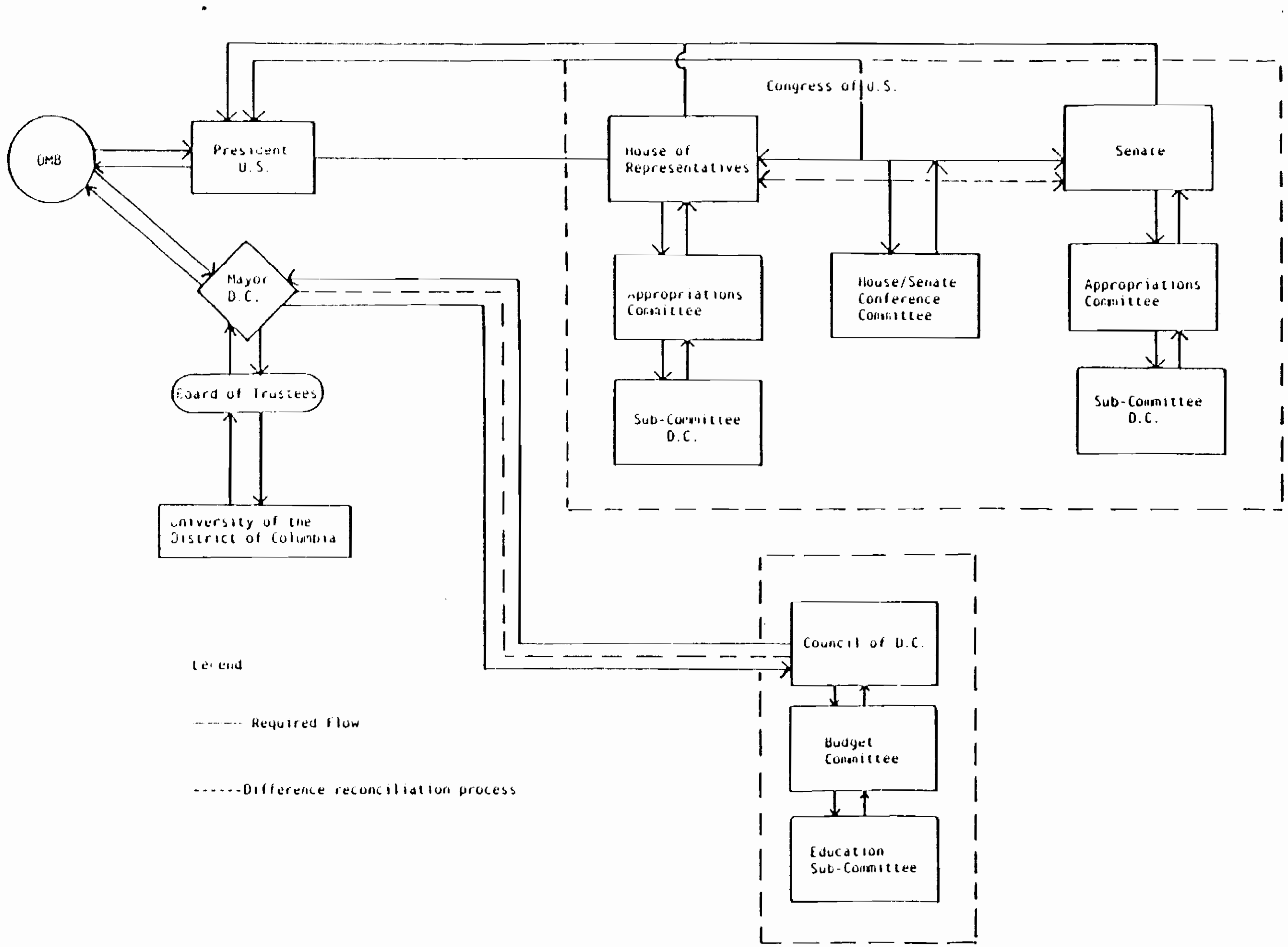


FIGURE 2

Typical State University External Budget Approval Process

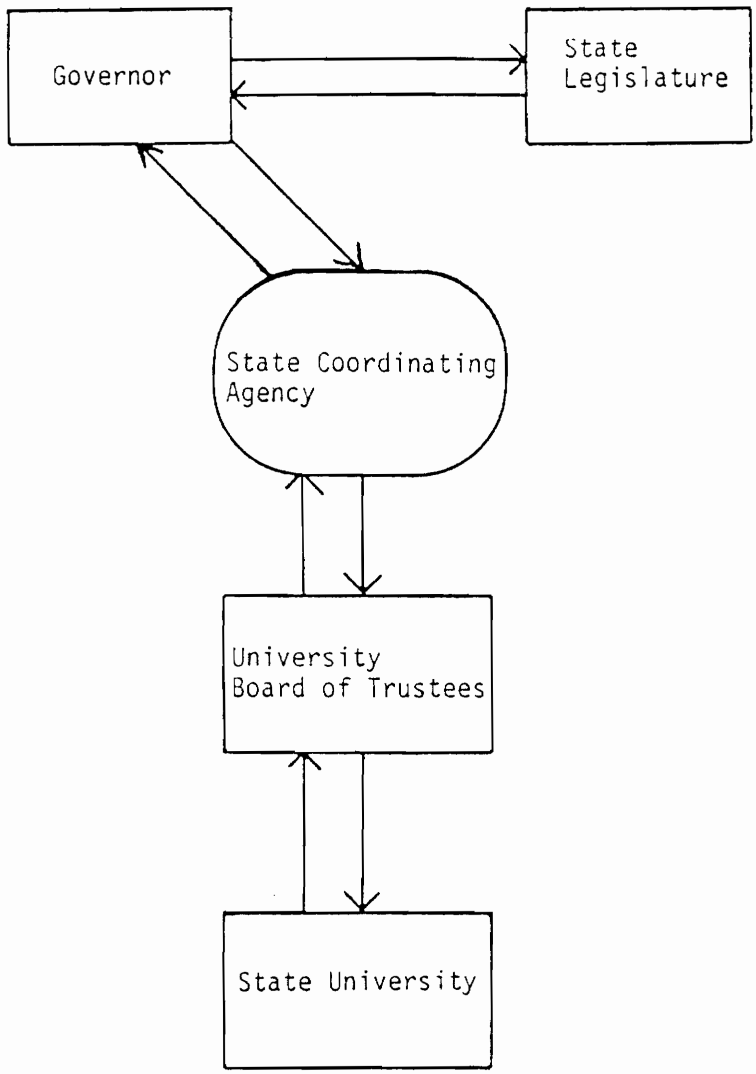


FIGURE 3

The Present District Government Accounting System

The District government's financial management system is composed of three sub-systems:

1) the centralized accounting system built around appropriation and general ledger accounts;

2) a centralized payroll system; and

3) a centralized revenue accounting system.

Agencies prepare an annual financial plan at the beginning of each year that is incorporated into the central accounting system.

Obligations are coded by agency using a 22-digit account classification code and posted in the central accounting system against each agency account. This coding scheme is very rigid and provides little, if any, flexibility for agencies to produce management reports for internal use.

Proposed Accounting System for University of the District of Columbia

Faced with the requirement to interface with both the District governmental accounting system and a system that is readily compatible with those used in other institutions of higher education, the accounting system to be used by the University has to incorporate those features of both that will meet the needs of the University as well as meet the requirements of external agencies. In addition, the proposed University of the District of Columbia accounting system would have to meet specific provisions of the enabling legislation and of other rules related to handling federal funds.

District of Columbia appropriations, federal educational assistance funds, and tuition must be handled as municipal funds. Expenditures of these funds cannot be made unless authorized by an appropriation or specific legislation by the Congress of the United States. These funds, which are District receipts, must be deposited in the District of Columbia Treasury and can be disbursed only by the authorized certifying officer of the District of Columbia. Title 47-309 of the District of Columbia Code designates the District of Columbia Accounting Officer as the certifying officer for District funds. In addition to acting as banker, the D.C. Treasury exercises certain monetary controls.

Public Law 93-471 as amended by D.C. Law 1-36 authorizes the Board of Trustees of the University to establish a revolving fund in a private financial institution in the District of Columbia into which gifts and contributions to the University may be channeled. This includes, in whatever form, funds in receipt of services rendered and all monies that are not included in the annual operating, capital, and educational improvement funds appropriated by Congress.

Those University funds in private depositories are amenable to accounting methods, principles, and standards prescribed by the American Institute of Certified Public Accountants and the National Association of College and University Business Officers. The only requirement is that total expenses be reported in the District of Columbia budget submission.

It was determined that a "crossover network structure" would be needed to present comprehensive summaries of total receipts and expenditures where data from both systems are required. Consolidated accounting data would be required in the Board of Trustees annual report, cost analysis studies, and the University's budget presentation.

A crossover network may be described as a conceptual framework which allows ready redistribution of cost to meet specific reporting requirements.

An account crossover network was needed to:

1) allow external system integration;

2) establish account balance in various output formats from common input data (i.e., AICPA, NCHEMS, Indirect Cost, General Ledger, Cost Accounting, etc.);

3) minimize data input;

4) lessen transposition errors:

5) expedite report preparation and reconciliation;

6) facilitate concurrent and interrelating account balances; and

7) integrate cost or expenditure data maintained in varying depositories.

An example of a crossover network utilized in the proposed accounting system for the University of the District of Columbia is the network converting cost/expedient data from general ledger accounts to AICPA fund groups as shown in Figure 4.

PURPOSE, FORMAT, AND SCOPE OF THE PROPOSED ACCOUNTING MANUAL

The Accounting Manual developed in this study was determined by: 1) GAO guidelines as stated in the Review Guide, 2) the unique funding and governance of the District of Columbia and University of the District of Columbia, and 3) the desire to develop a system that met AICPA, NACUBO, and NCHEMS recommendations.

The purpose of the proposed University of the District of Columbia Accounting Manual is to communicate accounting principles, standards, and procedures; chart of accounts; and a statement of financial reports. The manual is designed to provide a uniform interpretation of financial policy by all personnel engaged in the formulation and preparation of financial reports within the University of the District of Columbia.

The author made extensive use of the 1968 District of Columbia Accounting Manual, the AICPA Autids of Colleges and Universities, and NACUBO's College and University Business Administration. However, a number of unique characteristics of the University of the District of Columbia accounting structure required some deviation from normal application of the principles enunciated by these publications. For example, the indirect cost or overhead recoveries from grants and contracts are classified as restricted funds in the Accounting Manual. Normal practice in university accounting is to treat these funds as unrestricted. This treatment is required to allow UDC to retain use of the funds beyond the fiscal year of recovery. If the funds were categorized as unrestricted, they would be returned to the District of Columbia Treasury as unused after the end of the budget year just like all other designated appropriated funds for the fiscal year.

Another practice peculiar to the accounting system of the University of the District of Columbia is the practice of charging the complete personnel compensation and benefit cost of employees whose cost is shared by more than one source of funding to a single source and reimbursing the charged source from another source. This practice facilitates capture of pertinent cost, while still meeting specific procedural features of the District of Columbia personnel system.

The practice of encumbrance accounting in the District is another peculiarity that the University's system must address. Budgetary control in the District is on the basis of obligations; normal university financial reporting, however, is on an expenditure basis; that is, obligations are not reported unless they are truly accounts payable or are accrued expenses. On the other hand, obligation accounting in the District excludes certain actual liabilities that the University can identify and must include in its financial report. Such liabilities include accrued annual leave and accrued payroll and many other employment-related costs.

ANALYSIS OF JURY COMMENTS

As noted earlier, four jury groups (A, B, C, D) were used to evaluate the proposed Manual.

Jury Group A

Jury group A, representing the professional population and composed of three certified public accountants, was selected to ensure that the Accounting Manual was in compliance with generally accepted accounting principles and standards.

Jury group A members made two main types of criticisms:

1. The Accounting Manual contained violation of generally accepted accounting principles and standards.

ASSET/FUND TYPE CROSSOVER

		1	2	3	4	5	6	7	8	9
101	Cash in Bank (s)	X	X	X	X	X	X	X	X	X
120	Returned Checks	X		X						X
121	Cash on Hand	X	X	X	X	X	X	X	X	X
122	Petty Cash	X								
123	Change Fund	X		X						
124	Cash for Replacement of Fixed Assets							X		
130	Accounts Receivable	X	X	X					X	X
140	Notes Receivable							X		
145	Prepaid Expenses	X		X					X	X
150	Deposits (Refundable to Institution)	X		X						
161	Investments - Corporate Securities				X	X	X	X		
162	Investments - Government Securities	X	X	X	X	X	X	X	X	X
163	Investments - Savings Accounts	X	X	X	X	X	X	X	X	X
170	Merchandise Inventory			X						
180	Due from Other Funds	X		X						X
191	Land								X	
192	Buildings								X	
193	Other Structures and Improvements								X	
194	Furniture and Fixtures								X	
195	Machinery and Equipment								X	
196	Books								X	
197	Films								X	
198	Construction in Progress								X	

Current Fund - Unrestricted 1
Current Fund - Restricted 2
Auxiliary Fund 3
Scholarship Funds 4
Endowment and Similar Funds 5
Loan Funds 6
Annuity and Life Income Funds 7
Plant Fund 8
Agency Funds 9

NCHEMS at WICHE 1974

FIGURE 4

2. The Accounting Manual did not provide for adequate disclosure.

In addition, several specific criticisms and comments were made: that indirect costs were not provided for; that the organization of the Accounting Manual made it difficult for readers to apply the principles without further explanation; that "roll-up" organizational reporting was not called for; that "obligation reporting to comply with Congressional budget was not clearly differentiated from GAAP reporting; that the terms apportionment and appropriation are not clearly defined in the Manual; that while fund balances should be disclosed, source by type of revenue is not necessary and probably not possible (rather fund balances should show: how much from capital grant was received from the federal government particularly if matching is involved, the cumulative results of operations or net income or loss, and private grants); that the Manual did not call for a comparison of actual expenditures versus budget, even though this provides valuable information; that while the Manual called for an external audit, it did not specify an internal audit function.

Other comments were:

> Several places the manual calls for recording liabilities not withstanding no funding legally available to pay. The manual goes beyond control and says where there is a liability it must be reported;
>
> I checked n/a because my concern is that the liability is recorded in the period the liquidation can occur in the normal course of conducting business. For example, in construction contracts you may record a retention that may not be payable for five or six years until the project was accepted. N/A should be the appropriate answer.

Comments and recommendations received from jury group A were reviewed for possible conflict. There were no conflicts. (Appendix C shows statements by members of jury group A.) After review and extensive revision, the Manual was then presented to jury groups B, C, and D simultaneously.

Jury Groups B, C, and D

Jury group B was composed of representatives of University employees who must maintain the official records and prepare the accounting reports for the University of the District of Columbia; jury group C consisted of representatives of those who have the responsibility for establishing and executing policies that govern the University; and jury group D consisted of representatives of the general public who either support and/or benefit from the University.

Members of these groups were requested to complete Section I (Relationship of Accounting Systems to Other Financial Management Functions) of the instrument. This section consisted of seven questions. Members of these groups responded favorably to each of the seven questions in section I.

An additional question was added to the insturment for jury groups B, C, and D: "What additional information should the manual provide?"

The responses to this question included the following:

> The manual appears to provide the accounting controls necessary to safeguard the assets of the University. It does not, however, contain a display of the types of reports that will be generated by the system. I feel that the addition of samples of these reports would increase the value of the manual.

Visuals should be added to the manual.

The manual contains very limited information to the role that the "internal audit unit" should play.

The answers to Section 1, questions 1 through 7, are based on my understanding that these questions ask whether standards given in 204 (a), (d), and (e) in the manual are consistent with standards elsewhere. Only when actual forms and systems implementation are spelled out will it then be possible to measure whether the application of the standards attains the desired goals.

Page 3, sections (b) and (c) of the manual described two accounts. As presently written, funds received from federal and other sponsored research and training grants and contracts would, by default, be deposited in the D.C. Postsecondary Education Fund. I believe prudent management calls for these funds to be included in the same account as "The Annual Operating, Capital and Educational Improvement, Funds, appropriated by Congress." This is also required by the District Government Federal Grant Accounting Procedures Manual (OBMS, September 1977).

SUMMARY OF FINDINGS

In its review of the Accounting Manual, jury group A found two technical errors. In addition, members of this group were highly critical of the Manual's usability and readability and of its organization.

All members of jury groups B, C, and D--who were asked to review the Manual <u>after</u> revisions were made in response to group A's comments--answered "yes" to the seven questions in the instrument. When asked the question, "What additional information should the manual provide," the most frequent response was directed at the need for visuals. One member of jury group D was concerned with implementation procedures.

Chapter 5

SUMMARY, CONCLUSIONS, AND RECOMMENDATIONS

SUMMARY

The purpose of this study was to develop a conceptual framework for improved financial reporting in public higher education. The framework was operationalized through the development of an Accounting Manual for use in public institutions of higher education in the District of Columbia. The Manual was designed to be consistent with the accounting and reporting principles asserted by the American Institute of Certified Public Accountants in Audit of Colleges and Universities and by the National Association of College and University Business Officers in College and University Administration.

Public institutions of higher education are hampered by inadequate information generated by accounting systems designed to support other agencies of governmental units. The critical questions to educational decision makers are often ignored until budget hearings are held. Corson (1975) acknowledged that those who have decision-making responsibility require information with which to answer such questions as:

1. What educational programs should be added, continued, or eliminated?
2. For how large a student body should these programs be offered?

3. When should tuition charges and fees be raised and by how much?

4. What kind of research should be supported?

5. What public services should be rendered and at what price?

He concluded:

> The accounting systems utilized by most colleges and universities do not provide the information required for such decisions. Generally, those systems are concerned primarily with recording of receipt of funds by sources and their expenditure by purpose. For many public institutions, systems of accounting are prescribed by state authority--are designed to provide for the uniform recording of receipts and expenditures by all agencies (e.g., the prisons, hospitals, and executive departments) to facilitate control by the governor and his staff. Such accounting systems do not provide trustees and presidents with the cost data needed for effective management of the institution.

After reviewing the laws, regulations, and procedures that an accounting system and an accounting manual must satisfy in the District of Columbia, it was determined that an accounting manual for the University of the District of Columbia should meet seven specific criteria.

It had to:

1. Be compatible with the accounting coding structure used by the District of Columbia Budget and Accounting Office;

2. Comply basically with the AICPA's <u>Audits of Colleges and Universities</u>;

3. Meet legal requirements as specified in District of Columbia Law 1-36;

4. Satisfy requirements as specified in the _Review Guide for Comptroller General's Principles and Standards_;

5. Communicate information that is consistent with the University of the District of Columbia's program, budget, and organizational structure;

6. Incorporate the program structure developed by Western Interstate Commission for Higher Education with changes suggested by the Joint Accounting Group: and

7. Have the flexibility to be modified and to accommodate growth.

Selected accounting systems, designs, and concepts being used in public higher education were reviewed to determine the latest state-of-the-art. In light of this review and the guiding criteria, an Accounting Manual for the University of the District of Columbia was designed.

Four jury groups were asked to evaluate the proposed Manual:

1. A jury group composed of three certified public accountants was selected to represent the professional population to determine whether the Manual was in compliance with generally accepted accounting principles and standards.

This jury group (A) evaluated the Manual, utilizing an instrument consisting of 99 questions extracted from the General Accounting Office _Review Guide for Comptroller General's Principles and Standards_. Suggestions and recommendations of the jury were considered and incorporated in the Manual. The revised Manual was then presented to three other jury groups (B, C, and D) for evaluation.

2. Jury group B was composed of representatives of University employees who must maintain the official records and prepare the accounting reports for the University of the District of Columbia.

3. Jury group C was composed of representatives who have the responsibility for establishing and executing policies that govern the University.

4. Jury group D was composed of representatives of the general public who either support and/or benefit from the University.

This study showed that it was possible to develop an Accounting Manual that met the seven criteria established in Chapter 1. However, it should be noted that the use of several juries was extremely important. The draft of the Manual had erred in several particulars:

1. The readability and thus the usability of the manual was not as high as desired.

2. There were certain technical errors.

The evaluation of the jury comments indicated that the proposed Manual had several additional benefits in addition to those determined by the criteria.

1. The principles, standards, and procedures described in the Manual meet the statutory requirements of the Board of Trustees to prudently direct the use of the University's limited financial resources.

2. The Manual provides a simplified mechanism for operational and managerial control of the University.

3. The system prescribed by the Manual allows for complete compatibility with all known external accounting and management systems with whom the University must interact.

Because the revised Manual satisfied the four groups, it is anticipated that the University of the District of Columbia's Board of Trustees will accept and implement it upon approval by the U.S. Comptroller General.

Members of group A--the professional accountants--were as conscious of the need to make the Manual widely usable and understandable as were members of groups B, C, and D. Improving the readability and the usability of the Manual required extensive revisions. The comments also revealed the need for illustrations. Prior to full implementation of the Manual, additional revisions and illustrations are imperative.

The process of designing and reviewing the Manual revealed that most manuals now in use in public institutions of higher education are not in compliance with the AICPA Audit Guide published in 1974. A member of jury group A commented:

> I think that you should specify that the depreciation expense as reported by the University of the District of Columbia is included as Plant Funds and it is not run through the Current Fund. I might also, for the sake of clarity, point out that most colleges and universities in America do not depreciate anything and as a result have probably overstated their Plant in terms of fair value because many have buildings that are carried at original cost. Many of these buildings will probably not be replaced. If they are replaced the concept would be totally different. The University of the District of Columbia has taken the position with respect to library books and equipment that those would be assigned lives and depreciated.
>
> The University of the District of Columbia, in my view and in the view of Arthur Andersen and Company, has adopted the appropriate accounting. This accounting is permitted by

> NACUBO and AICPA but is not generally practiced in colleges and universities in the United States. Someone coming in from another university would probably be surprised to see that policy. It is an excellent policy, in our view, that the University adopted. And one, I hope, other colleges and universities will adopt in the future rather than continuing to build up these costs forever.

CONCLUSIONS

Eight major conclusions can be drawn from the process of reviewing existing manuals, designing a manual to meet the specific needs of the University of the District of Columbia, and evaluating that Manual.

1. <u>The Accounting Manual developed by this study will--if implemented--improve financial management and reporting for higher education in the District of Columbia</u>.

In spite of the planned improvements in the District of Columbia's accounting and financial management systems, the need for a separate and unique accounting system for the University will continue. For the current and forseeable future, the District government will retain a significant degree of control and interplay in budgetary and financial management of funds provided under congressional appropriations to the District of Columbia educational improvement funds and thus to the University. These funds are obtained through grants and contracts from various federal agencies and tuition from students of the University. Although the planned improvements in the District's accounting system will go far toward addressing many of the dissatisfactions that the University has with the current accounting system in the District of Columbia, such improvements are not likely to be operational before the early 1980s. The University needs to have its own accounting system in order to fully exercise its vested authority to independently manage and control its non-appropriated funds. At the same time, the University must maintain a capability to produce timely and accurate information on its total financial condition and status.

2. The proposed University of the District of Columbia Accounting Manual is basically consistent with the accounting and reporting principles specified by the American Institute of Certified Public Accountants and by the National Association of College and University Business Officers. Full compliance with these principles is not possible due to legal requirements of the District of Columbia and of the federal government. For example, the two above-mentioned authoritative sources recommend treating college bookstores as auxiliary enterprises that operate on a self-supporting basis. However, District of Columbia law requires that the cost of books for resale be budgeted under an equipment line item. Cash generated from the sale of books goes into the District of Columbia Treasury as miscellaneous income to the District government. This practice in effect overstates the University's cost per student.

The common practice among colleges and universities (and the authoritative sources cited above) is to classify tuition as current fund revenue. In the District of Columbia, however, tuition receipts also revert to the District government as miscellaneous income and are returned to the University as appropriations through the budget process. This practice understates the current fund classification "tuition" and overstates the "appropriation" classification.

3. The Accounting Manual generally meets the seven established criteria. It:

a) is compatible with the accounting coding structure used by the District of Columbia Budget and Accounting Office;

b) complies basically with the AICPA's Audits of Colleges and Universities;

c) meets legal requirements as specified in District of Columbia Law 1-36;

d) satisfies requirements as specified in the Review Guide for Comptroller General's Principles and Standards;

e) communicates information that is consistent with the University of the District of Columbia's program, budget, and organizational structure;

f) incorporates the program structure developed by Western Interstate Commission for Higher Education with changes suggested by the Joint Accounting Group; and

g) has the flexibility to be modified and to accommodate growth.

4. The conceptual framework as illustrated in the Manual provides the means of applying generally accepted accounting principles to reasonably satisfy the University's fiduciary control responsibility. The reports that will be generated through the implementation of the conceptual framework should be uniform and easily understood.

5. The conceptual framework underlying the Accounting Manual addresses many of the issues and criticisms raised by the Nelsen Commission in 1972 and Arthur Andersen and Company in 1976.

6. <u>The framework developed in this study could be a useful model that addresses many of those issues of accountability and fiscal responsibility that plague financial administrators in public higher education today</u>. The financial problems faced by the University of the District of Columbia are even more complex than those found by other institutions of higher education largely because of the federal presence in the city and the influence of the federal government on the District's financial management.

Although it appears that the conceptual framework is fundamentally sound and addresses most of the shortcomings of accounting systems present in institutions of public higher education today, its true effectiveness can only be established after the system has been fully implemented and evaluated over a prolonged period of time.
However, it is probable that the University of the District of Columbia Accounting Manual could serve as a model for other institutions of public higher edcuation with some changes in those aspects of the Manual designed to meet legal requirements specific to the local situation of the University of the District of Columbia.

Now, more than ever before, educational decision makers need to stress strong financial controls and management accountability. They must be in a position to produce reports in the line-item format in order to satisfy those legislators who control the purse string. Furthermore, they must produce financial reports on a program basis that will help educational decision makers answer the critical questions as reported by Corson (1975).

1. What educational programs should be added, continued, or eliminated?

2. For how large a student body should these programs be offered?

3. When should tuition charges and fees be raised and by how much?

4. What kind of research should be supported?

5. What public service should be rendered and at what price?

7. Writing a good manual requires a full knowledge of legal requirements and generally accepted accounting principles and standards, but these cannot be obtained simply from the literature. A better manual could have been written with less effort if the experts used in the evaluation phase had been consulted earlier.

8. It is particularly important that a manual be well illustrated to show formats of reports, flows of accounting data, and organizational structure.

RECOMMENDATIONS

Implementation of the University of the District of Columbia Accounting Manual

It is recommended that the following specific steps be taken regarding the proposed Accounting Manual:

1. The Manual should be submitted to the following for approval:

   (a) Board of Trustees

(b) Mayor

(c) Comptroller General of the United States

2. The Manual should be adopted by the University of the District of Columbia Board of Trustees after minor revisions to further improve readability.

3. The University of the District of Columbia should begin using the Manual.

4. The University should develop procedures that are in accordance with the Manual.

5. The Manual should be reviewed and updated annually.

The University of the District of Columbia Accounting Manual as a Model for Other Insitutions

Several recommendations for similar efforts emerged from the process of designing an Accounting Manual for the University of the District of Columbia.

1. Other colleges and universities could use the proposed Manual as an example of full compliance with the principles and standards set out by the AICPA.

2. In future designs of such manuals, jury groups should be used to evaluate the product at earlier stages than was done in this study.

3. Jury groups representing accounting professionals as well as those who actually operationalize the accounting procedures, those who make and implement university policy, and those with special interest in the university should be used to evaluate any effort to design an accounting manual.

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APPENDIX A

INSTRUMENT

SECTION 1

RELATIONSHIP OF ACCOUNTING SYSTEMS TO OTHER FINANCIAL MANAGEMENT FUNCTIONS

	Yes	No	N/A
1. Are accounting classifications consistent with the planning, programming and budgeting classifications? (Ref. 204-d)	___	___	___
2. Are the accounting classifications synchronized with the university's organizational structure? (Ref. 204-d)	___	___	___
3. Does the statement clearly identify the system or systems to which it applies? (Ref. 204-a)	___	___	___
4. Are transactions recorded in the university accounts only at the level at which originally recorded? (Ref. 204-e)	___	___	___
5. Does the system provide for interlocking accounting relationships and technical supervision between offices to assure the validity of consolidated reports? (Ref. 204-e)	___	___	___
6. Is each successively higher level of reporting a consolidation of reporting levels below it? (Ref. 204-e)	___	___	___

	Yes	No	N/A
7. Are the bases of accounting and reporting (in terms of obligation, current, and capital expenditures or costs) consistent with the basis the agency plans for its budgeting system:			
a. For budgets presented to the Congress? (Ref. 204-a)	___	___	___
b. For operating budgets used internally to control budget execution? (Ref. 204-a)	___	___	___

COMMENTS

1. Explain all negative answers.

SECTION 2

FUND CONTROL

	Yes	No	N/A
1. Have regulations been issued to govern the administrative control of funds? (Ref. 104)	___	___	___
2. Have the regulations been incorporated in, or attached as an appendix to the principles and standards statement? (Ref. 103 a-c)	___	___	___
3. Do the regulations or the principles and standards statement provide for controls which will restrict obligations or expenditures (disbursements) from exceeding:			
a. Amounts appropriated? (Ref. 205-b)	___	___	___
b. Balances in the fund? (Ref. 205-b)	___	___	___
c. Amounts apportioned?	___	___	___
d. Divisions (allotments) or subdivisions of apportionment? (Ref. 205 b-3)	___	___	___
4. Do the regulations provide that responsibility will be fixed for the creation of any obligation, the incurrence of any expenditure, or the making of any disbursement in excess of an apportionment, reapportionment, or other subdivision? (Ref. 205 b-4)	___	___	___

	Yes	No	N/A
5. Are divisions and subdivisions of apportionments made only at the highest practical level?			
a. Are they consistent with assignments of responsibility and limited in number to those essential for effective control? (Ref. 205 b-4)	___	___	___
b. Are they within the amount apportioned? (Ref. 205 b-4)	___	___	___
6. Has the university determined the level at which obligations will be controlled? (Ref. 205 b-4)	___	___	___
7. Are apportionments, divisions, and subdivisions of apportionments recorded in the accounts and subsidiary records? (Ref. 205 b-4)	___	___	___
8. Are obligations identified with the applicable appropriation or fund at the time they are incurred? (Ref. 205 b-2)	___	___	___
9. Are obligations recorded in the accounts in the month incurred? (Ref. 205 b-2)	___	___	___
10. Are obligations liquidated in the month the goods or services are received or constructive receipt occurs? (Ref. 205 b-2)	___	___	___

COMMENTS

1. Explain all negative answers.

SECTION 3

ACCOUNT STRUCTURE

	Yes	No	N/A
1. Are entities for which separate groups of accounts are to be established clearly defined? (Ref. 302-d)	___	___	___
2. Does the definition take into consideration the university's legal authorities, assigned responsibilities? (Ref. 302-a)	___	___	___
3. Are general ledger accounts maintained to account for assets, liabilities, investments of the United States Government, investments of others, revenues, and costs? (Ref. 302 d-13)	___	___	___
4. Are inter-university and interfund transactions separately identified in:			
The accounts or records? (Ref. 302 d-13 & 208-8)	___	___	___
5. Are transactions identified by appropriation or fund? (Ref. 302 d-e)	___	___	___
6. Does the system provide for the recording of accrual data:			
a. As incurred? (Ref. 203-4)	___	___	___
b. At month-end through the use of an inventory of transactions? (Ref. 203-4)	___	___	___

COMMENTS

1. Explain all negative answers.

SECTION 4

ACCOUNTING FOR ASSETS

	Yes	No	N/A
General			
1. Are assets:			
a. Recorded in the accounting records in the month acquired? (Ref. 204)	___	___	___
b. Written off or written down only with proper authorization? (Ref. 204)	___	___	___
c. Disposed of or allowed to leave the possession of the university only with proper authorization? (Ref. 204)	___	___	___
Cash			
2. Are records of receipts made immediately when received? (Ref. 206 b-1)	___	___	___
3. Are receipts promptly deposited? (Ref. 206 b-1-a)	___	___	___
4. Are disbursements recorded promptly? (Ref. 206 b-1-b)	___	___	___
5. Does the statement indicate which basis will be used for recording disbursements--paid or approved vouchers? (Ref. 206-d)	___	___	___

	Yes	No	N/A
6. Are records maintained so that transactions consummated during the accounting period will be included? (Ref. 206-c)	___	___	___
7. Are separate accounts for major categories of cash used? (Ref. 206-d)	___	___	___
8. Are separate cash accounts maintained for each appropriation or fund? (Ref. 313)	___	___	___
<u>Receivables</u>			
9. Are amounts receivable recorded promptly upon completion of the acts which entitle the university to collect amounts owing to it? (Ref. 207-b)	___	___	___
10. Do amounts recorded as receivables consist of amounts owed to the university? (Ref. 207-b)	___	___	___
11. Are separate accounts for major categories or receivables maintained? (Ref. 207-b)	___	___	___
12. Do accounts or records identify intrauniversity receivables? (Ref. 315)	___	___	___
13. Are separate receivable accounts maintained for each appropriation and fund? (Ref. 304 & 305)	___	___	___
14. Are estimates of uncollectible accounts made and recorded in the accounts and disclosed separately in financial reports? (Ref. 207-b)	___	___	___

	Yes	No	N/A
Property Accounting			
15. Are separate accounts used for significant classifications of property? (Ref. 208 b-1)	___	___	___
16. Do property accounts or records include grantee-acquired property for which the university has reversionary rights? (Ref. 208 b-7)	___	___	___
17. Do property records identify physical quantities and locations of property? (Ref. 208 b-2)	___	___	___
18. Is cost the primary basis for accounting for property? (Ref. 208 b-3)	___	___	___
19. Does acquisition cost include:			
a. The basic cost of property, net of discounts? (Ref. 208 b-4)	___	___	___
b. Transportation and installation costs whether paid initially by the vendor or directly by the university? (Ref. 208 b-4)	___	___	___
20. Where incurred costs are not measured or known, are alternative bases such as appraised values used? (Ref. 208 b-4)	___	___	___
21. Have clear criteria for capitalizing fixed assets been established? (Ref. 208 b-5, 6, 7, 8)	___	___	___

	Yes	No	N/A
22. Does the statement indicate whether handling and storage costs will be considered as:			
a. A cost of the materials or supplies? (Ref. 208 b-10)	___	___	___
b. An operating cost? (Ref. 208 b-10)	___	___	___
23. Are interagency transfer of property accounted for by the receiving agency:			
If on a reimbursable basis, at the transfer price as determined by agreement or application of appropriate statutory requirements or central agency regulations, but at not less than its estimated useful value? (Ref. 208 b-7)	___	___	___
24. Is the cost of property acquired as a result of trade-in recorded as the lesser of (1) the cash paid on payable, plus the amount allowed by the seller on the traded in property, or (2) what the purchase price would have been had there been no trade-in? (Ref. 208 b-9)	___	___	___
25. Is property acquired by donation, devise, forfeiture or confiscation recorded at the estimated amount representing what the university would be willing to pay for it giving due consideration to usefulness, condition, and estimated market value? (Ref. 208 b-10-a)	___	___	___
26. Does the cost of property acquired under lease-purchase contracts, which in substance represent installment purchasing, include the purchase price under the contract and related costs incurred by the university? (Ref. 208 b-6)	___	___	___

	Yes	No	N/A
27. Is property acquired under lease-purchase contracts capitalized either upon acceptance of the property from the contractor or when the option to purchase is exercised? (Ref. 208 b-6)	___	___	___
28. Do construction costs include all significant costs element regardless of how they are financed? (Ref. 208 b-5)	___	___	___
29. Does the system of controls over constructed property assure that:			
a. Total costs incurred during construction will be accumulated in the accounts and properly classified for reporting purposes? (Ref. 208 b-5)	___	___	___
b. Upon completion of the project, total costs are properly classfied for reporting purposes? (Ref. 208 b-5)	___	___	___
30. Are costs incurred in making additions, alterations, betterments, rehabilitations or replacements capitalized where the changes significantly extend the useful life of the property or its capacity to render service? (Ref. 208 b-10-e)	___	___	___
31. Are repair and maintenance costs incurred to keep property in satisfactory operating condition accounted for as current operating costs? (Ref. 208 b-10-f)	___	___	___
32. Is the method used to charge material and supplies issued from inventories to using activities indicated? (Ref. 208 b-10-d)	___	___	___

	Yes	No	N/A
33. Are records maintained to control property not owned by the university but held in its custody? (Ref. 208 b-10-h)	___	___	___
34. Are physical inventories of fixed assets taken? How often? (Ref. 208 b-10-a)	___	___	___
35. Are physical inventories of expendable materials and supplies taken? (Ref. 208 b-10-i)	___	___	___
36. Are quantities determined by physical inventory reconciled to the accounting records? (Ref. 208 b-10-e)	___	___	___
37. Are accounting records brought into agreement with the results of physical inventories? (Ref. 208 b-10-e)	___	___	___
38. Are differences investigated to determine the cause and to identify improvements in procedures necessary to prevent future losses or errors? (Ref. 208 b-10-e)	___	___	___
39. Is the cost or other basis for accounting of property retired from service and disposed of removed from the accounts along with an accumulated depreciation? (Ref. 208 b-10-g)	___	___	___
40. Is property retired from service, but not disposed of, classified separately? (Ref. 208 b-10-g)	___	___	___

	Yes	No	N/A
41. Are removal costs and amounts realized from disposal considered in determining the loss or gained on disposed property? (Ref. 208 b-10-g)	___	___	___
42. Will amounts to be written off be reduced by estimates salvage value? (Ref. 208 b-10-g)	___	___	___

COMMENTS

1. Explain all negative answers.

SECTION 5

ACCOUNTING FOR LIABILITIES

		Yes	No	N/A
1.	Are liabilities recorded in the accounts in the month in which incurred? (Ref. 210 b-1)	___	___	___
2.	Are funded liabilities identified separately from unfunded liabilities in the accounts? (Ref. 210 b-6)	___	___	___
3.	Are liabilities removed from the accounts in the month in which liquidated? (Ref. 210 b-1)	___	___	___
4.	Is unfunded annual leave liability recorded or adjusted in the accounts:			
	a. At least annually? (Ref. 210 b-12)	___	___	___
	b. More frequently than annually? (Ref. 210 b-12)	___	___	___
5.	Do recorded liabilities represent only amounts owed under contractual or other arrangements governing the transactions? (Ref. 210 b-2)	___	___	___
6.	Are liabilities accounted for and reported irrespective of whether funds are available or authorized for their payment? (Ref. 210 b-3)	___	___	___
7.	Are separate accounts maintained for major categories of liabilities? (Ref. 210 b-4)	___	___	___

	Yes	No	N/A
8. Are records of contingent liablities maintained as part of the accounting system and material amounts of such liablities explained in a footnote to the balance sheet? (Ref. 210 b-7)	___	___	___
9. Are amounts received as advance prior to delivery of materials or services accounted for as liablities? (Ref. 210 b-11)	___	___	___

COMMENTS

1. Explain all negative answers.

SECTION 6

ACCOUNTING FOR THE INVESTMENT OF THE U.S. GOVERNMENT

	Yes	No	N/A
1. Are accounts or records maintained to disclose the current status of appropriations received and fund balances in terms of:			
a. Apportionments? (Ref. 211 b-1)	___	___	___
b. Divisions (allotments) and subdivisions? (Ref. 211 b-1)	___	___	___
c. Revenues? (Ref. 211 b-1)	___	___	___
d. Reimbursements? (Ref. 211 b-1)	___	___	___
e. Obligations? (Ref. 211 b-1)	___	___	___
f. Disbursements? (Ref. 211 b-1)	___	___	___
g. Accured expenditures? (Ref. 211 b-1)	___	___	___
h. Collections? (Ref. 211 b-1)	___	___	___
2. Are appropriate investment accounts maintained to disclose:			
a. Amounts obtained from the U.S. Treasury by borrowing until repaid or otherwise liquidated? (Ref. 211 b-4)	___	___	___

	Yes	No	N/A
b. Property and services received from other federal agencies without reimbursement? (Ref. 211 b-1)	___	___	___
c. Donations of cash, property or services from sources other than another federal agency? (Ref. 211 b-1	___	___	___
d. Transfers of property to other federal agencies without reimbursements? (Ref. 211 b-3)	___	___	___
e. Receipts returned to U.S. Treasury? (Ref. 211 b-4)	___	___	___
3. For revenue producing activities:			
a. Are accumulated net income or loss from operations separately accounted for and disclosed in financial reports? (Ref. 211 b-1)	___	___	___
b. Does the determination of net income take into consideration all costs of operations and revenues during the reporting period with the exception of adjustments applicable to prior years? (Ref. 211 b-1)	___	___	___
c. Are extraordinary items segregated from the results of ordinary operations of financial reports? (Ref. 211 b-1)	___	___	___
d. Are direct charges to accumulated net income restricted to distribution of income to the U.S. Treasury and prior period adjustments? (Ref. 211 b-4)	___	___	___

COMMENTS

1. Explain all negative answers.

SECTION 7

ACCOUNTING FOR REVENUES

		Yes	No	N/A
1.	Are revenues recorded in the month earned or when determined to be owed to the Government where no performance is required? (Ref. 212 b-1)	___	___	___
2.	Are the key events or circumstances used as a basis for recording revenues earned identified? (Ref. 212 b-2)	___	___	___
3.	Do these identified events or circumstances establish the point when the revenues become realizable with reasonably practicable certainty? (Ref. 212 b-2)	___	___	___
4.	Are revenues classified by type? (Ref. 212 b-4)	___	___	___
5.	Are amounts billed and collected promptly when due? (Ref. 212 b-3)	___	___	___
6.	Are financial reports on revenue producing operations prepared comparing revenues earned with the cost of providing the service or product for each type of revenue? (Ref. 212 b-2)	___	___	___

COMMENTS

1. Explain all negative answers.

SECTION 8

ACCOUNTING FOR COSTS

		Yes	No	N/A
1.	Do the functions to be accounted for include activities through which goods and services are provided to:			
	a. Non-Federal users? (Ref. 214 c-6)	___	___	___
	b. Federal users? (Ref. 214 c-6)	___	___	___
2.	Is recovery of total cost required:			
	a. From non-federal users? (Ref. 214 c-13)	___	___	___
	b. From federal users? (Ref. 214 c-13)	___	___	___
3.	Are all significant elements of cost accounted for? (Ref. 214 c-10)	___	___	___
4.	Is cost data accumulated by:			
	a. Major organization segments? (Ref. 214 c-4)	___	___	___
	b. Budget activities? (Ref. 214 c-4)	___	___	___
	c. Program structure? (Ref. 214 c-4)	___	___	___
	d. Detailed projects or activities (where needed)? (Ref. 214 c-4)	___	___	___

	Yes	No	N/A
5. Are cost-finding techniques used to obtain cost data by program structure when maintenance of detailed program cost classifications are not justified? (Ref. 214 c-5)	___	___	___
6. Does the statement contain an explanation of why cost-finding techniques will be used? (Ref. 214 c-9)	___	___	___
7. Are costs classified according to the types of costs incurred (such as labor, materials, contractual services)? (Ref. 214 c-10)	___	___	___
8. Leave Costs			
a. Are the costs of employees' annual leave earned but not taken recorded at least at the close of each fiscal year? (Ref. 214 c-11)	___	___	___
b. Are the costs recorded more frequently than annually? (Ref. 214 c-11)	___	___	___
c. Are such costs included when:			
(1) Determining the total cost of operations? (Ref. 214 c-13)	___	___	___
(2) Comparing revenues earned with costs of operations? (Ref. 214 c-13)	___	___	___
(3) Determining reimbursement rates? (Ref. 214 c-13)	___	___	___
(4) Making cost comparisons? (Ref. 214 c-13)	___	___	___

	Yes	No	N/A
d. Are the amounts recorded based on information obtained from the performing agency? (Ref. 214 c-13)	___	___	___
e. Are such costs separately identified in university financial reports? (Ref. 214 c-13)	___	___	___

COMMENTS

1. Explain all negative answers.

SECTION 9

FINANCIAL REPORTING

	Yes	No	N/A
1. Do reports produced by the system provide information:			
a. To aid in future planning? (Ref. 215-a)	___	___	___
b. To evaluate performance in relation to plans? (Ref. 215-a)	___	___	___
c. To exercise financial control over resources? (Ref. 215-a)	___	___	___
d. To promote efficiency and economy in operations? (Ref. 215-a)	___	___	___
2. Are the following financial reports prepared:			
a. Statements of assets and liabilities? (Ref. 215-b)	___	___	___
b. Statements showing cost and revenue information by:			
(1) Major organizational segments? (Ref. 215-b & 308)	___	___	___
(2) Budget activities? (Ref. 215-b & 308)	___	___	___
(3) Program structure? (Ref. 215-b & 308)	___	___	___
(4) Detailed projects or activities (if needed)? (Ref. 311 & 215-b)	___	___	___

	Yes	No	N/A
3. Are financial reports compared to the amount budgeted for planned operations to the amount incurred for actual operations? (Ref. 215-b)	___	___	___
4. Are financial statements:			
a. Based on official records maintained in the accounting system? (Ref. 215-c)	___	___	___
b. Derived from accounts that are maintained in all material respects on a consistent basis from period to period? (Ref. 215-c)	___	___	___
c. Produced on a timely basis? (Ref. 215-c)	___	___	___
d. Accurate, reliable and truthful? (Ref. 215-c)	___	___	___
Do financial statements:			
a. Include and clearly display all essential financial facts and the period covered by the report? (Ref. 215-c)	___	___	___
b. Identify any significant excluded costs? (Ref. 215-c)	___	___	___
c. Avoid unnecessary detail? (Ref. 215-c)	___	___	___
d. Use consistent and non-technical terminology? (Ref. 215-c)	___	___	___
e. Present data that is helpful and essential to the users of the report? (Ref. 215-c)	___	___	___

COMMENTS

1. Explain all negative answers.

SECTION 10

OTHER INTERNAL CONTROLS

		Yes	No	N/A
1.	Are all accounting policies, principles, and standards systematically communicated throughout the organization? (Ref. 104-d)	___	___	___
2.	Are assigned duties and functions appropriately segregated as to authorization, performance, keeping of records, custody of resources, and review? (Ref. 104-d)	___	___	___
3.	Is the accounting system subject to an effective internal audit program? (Ref. 104-e)	___	___	___
4.	Are all transactions recorded in such a manner that they can be readily traced from the originating document to summary records and to the financial reports? (Ref. 104-d)	___	___	___
5.	Are such originating documents adequately supported and available for audit? (Ref. 104-e)	___	___	___

COMMENTS

1. Explain all negative answers.

APPENDIX B

READING GUIDE

PROGRAM CLASSIFICATION STRUCTURE

UNIVERSITY OF THE DISTRICT OF COLUMBIA
CENTRAL ADMINISTRATION ORGANIZATION

PROGRAM CLASSIFICATION STRUCTURE:

Second Edition

Review Edition
Technical Report 101

DOUGLAS J. COLLIER

AUGUST 1976

This document is part of a program supported by the
National Institute of Education

National Center for Higher Education Management Systems
P.O. Drawer P Boulder, Colorado 80302

An Affirmative Action/Equal Opportunity Employer

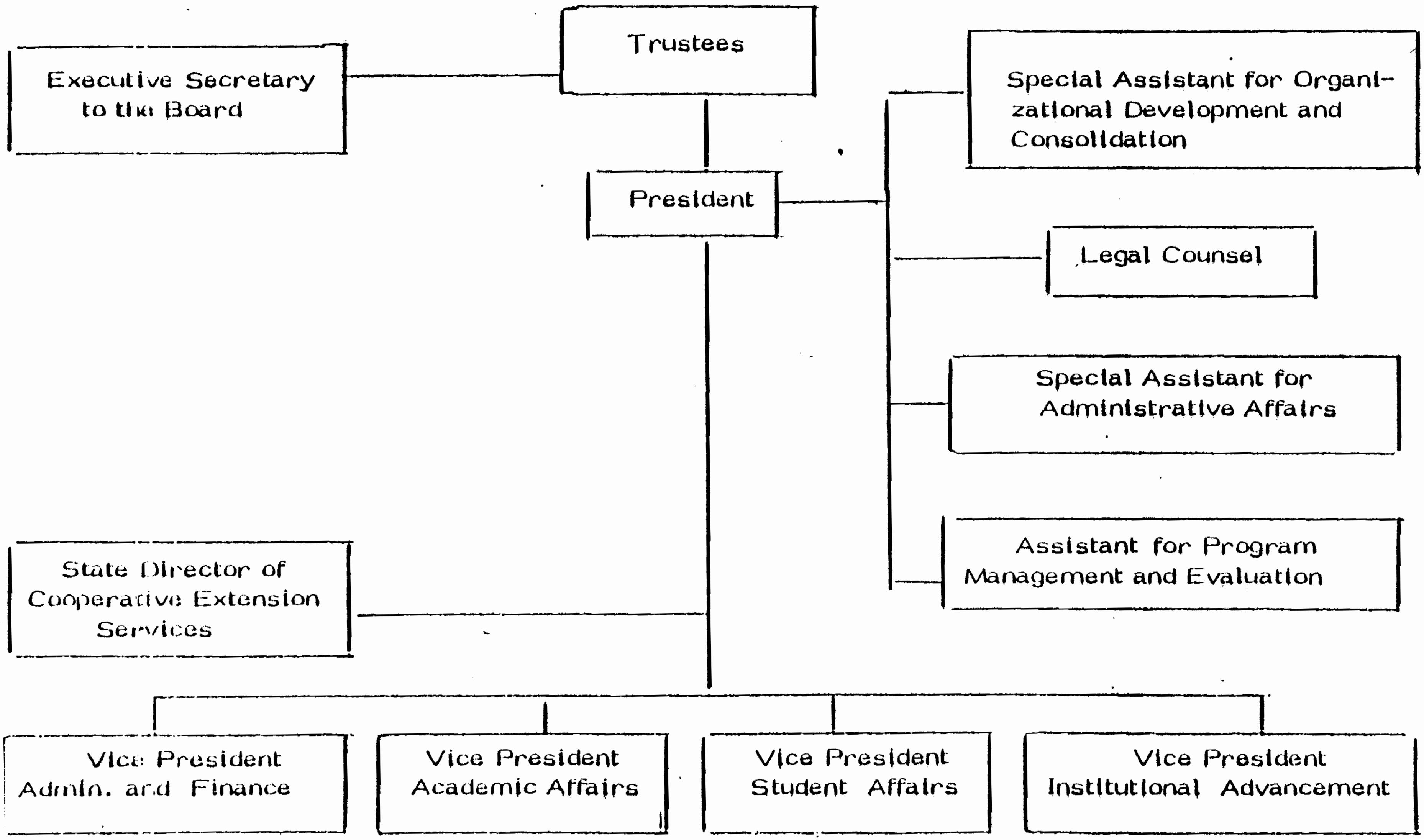
REVISED PROGRAM CLASSIFICATION STRUCTURE

POSTSECONDARY EDUCATION ORGANIZATIONAL ENTITY

- **1.0 INSTRUCTION**
  - 1.1 General Academic Instruction (Degree-related)
  - 1.2 Professional Career Instruction (Degree-related)
  - 1.3 Vocational/Technical Instruction (Degree-related)
  - 1.4 Requisite Preparatory/Remedial Instruction
  - 1.5 General Studies (Nondegree)
  - 1.6 Occupation-related Instruction (Nondegree)
  - 1.7 Social Roles/Interaction Instruction (Nondegree)
  - 1.8 Home and Family Life Instruction (Nondegree)
  - 1.9 Personal Interest and Leisure Instruction (Nondegree)
- **2.0 RESEARCH**
  - 2.1 Institutes and Research Centers
  - 2.2 Individual or Project Research
- **3.0 PUBLIC SERVICE**
  - 3.1 Direct Patient Care
  - 3.2 Health Care Supportive Services
  - 3.3 Community Services
  - 3.4 Cooperative Extension Services
  - 3.5 Public Broadcasting Services
- **4.0 ACADEMIC SUPPORT**
  - 4.1 Library Services
  - 4.2 Museums and Galleries
  - 4.3 Educational Media Services
  - 4.4 Academic Computing Support
  - 4.5 Ancillary Support
  - 4.6 Academic Administration
  - 4.7 Course and Curriculum Development
  - 4.8 Academic Personnel Development
- **5.0 STUDENT SERVICE**
  - 5.1 Student Service Administration
  - 5.2 Social and Cultural Development
  - 5.3 Counseling and Career Guidance
  - 5.4 Student Health/Medical Services
  - 5.5 Student Auxiliary Services
  - 5.6 Intercollegiate Athletics
- **6.0 INSTITUTIONAL SUPPORT**
  - 6.1 Executive Management
  - 6.2 Financial Management and Operations
  - 6.3 General Administration and Logistical Service
  - 6.4 Administrative Computing Support
  - 6.5 Physical Plant Operations
  - 6.6 Faculty and Staff Auxiliary Services
  - 6.7 Public Relations/Development
  - 6.8 Student Records
- **7.0 INDEPENDENT OPERATIONS**
  - 7.1 Independent Operations/Institutional
  - 7.2 Independent Operations/External Agencies
- **8.0 STUDENT ACCESS**
  - 8.1 Student Recruitment and Admissions
  - 8.2 Financial Aid Administration
  - 8.3 Scholarships
  - 8.4 Fellowships

UNIVERSITY OF THE DISTRICT OF COLUMBIA

CENTRAL ADMINISTRATIVE ORGANIZATION



APPENDIX C

CORRESPONDENCE WITH JURY GROUP A

Letter to jury group A with draft of Accounting Manual; Instrument consisting of 99 questions; and revised NCHEMS at WICHE Program Classification Structure

Letter to jury group A with Accounting Manual; Instrument consisting of 8 questions; and the University of the District of Columbia Organization Chart

Letter of acknowledgement from Dr. Caspa L. Harris, Jr.

Letter of acknowledgement from Mr. Bert T. Edwards

Letter of acknowledgement from Dr. Herbert V. Ladley

12120 Old Colony Drive
Upper Marlboro, Maryland
April 3, 1978

Dear (Jury Member)

I am a doctoral candidate in the College of Education, Division of Administrative and Educational Services at Virginia Polytechnic Institute and State University. Currently, I am conducting a research project "A Conceptual Framework for Financial Reporting in Public Higher Education in Washington, D.C."

The purpose of this study is to develop a conceptual framework for improved financial reporting in public higher education in the District of Columbia and to develop an accounting manual to be used by institutions of public higher education in the District of Columbia. This manual is to be consistent with generally accepted accounting principles asserted in Audits of Colleges and Universities, a guide issued by the American Institute of Certified Public Accountants and College and University Business Administration, issued by the National Association of College and University Business Officers.

Enclosed is a draft of the University of the District of Columbia Accounting Manual; an instrument consisting of 99 questions; and the revised NCHEMS at WICHE Program Classification Structure.

Please read the manual and use the material supplied to answer the 99 questions; and the revised NCHEMS at WICHE Program Classification Structure.

Space is provided at the end of each section for an explanation of all negative or n/a responses.

I will contact you at your office to set up an oral interview at your convenience. If you have no objections, I will tape the interview.

Thank you so much for agreeing to assist me in this effort. I am looking forward to sending you a copy of the completed dissertation.

Sincerely,

Larry Wilson

Enclosure

12120 Old Colony Drive
Upper Marlboro, Maryland
April 21, 1978

Dear (Jury Members)

I am a doctoral candidate in the College of Education, Division of Administrative and Educational Services at Virginia Polytechnic Institute and State University. Currently, I am conducting a research project "A Conceptual Framework for Financial Reporting in Public Higher Education in Washington, D.C."

The purpose of this study is to develop a conceptual framework for improved financial reporting in public higher education in the District of Columbia and to develop an accounting manual to be used by institutions of public higher education in the District of Columbia. This manual is to be consistent with generally accepted accounting principles asserted in Audits of Colleges and Universities, a guide issued by the American Institute of Certified Public Accountants and College and University Business Administration, issued by the National Association of College and University Business Officers.

Enclosed is a draft of the University of the District of Columbia Accounting Manual; an instrument consisting of 8 questions and the University of the District of Columbia Organization Chart.

Please read the manual and answer the 8 questions.

Space is provided at the end of each section for an explanation of all negative or n/a responses.

Thank you so much for agreeing to assist me in this effort.

Sincerely,

Larry Wilson

Enclosure

CASPA L. HARRIS, JR.
CERTIFIED PUBLIC ACCOUNTANT
11630 SOUR WOOD LANE
RESTON, VIRGINIA 22091
860-9034

April 27, 1978

Mr. Larry Wilson, Jr.
12120 Old Colony Drive
Upper Marlboro, Maryland 20870

Dear Larry:

This acknowledges receipt of your revised manual and my concurrence in the changes that you have made thereto.

It is my feeling that the manual and the dissertation, upon which the manual is based, are indeed a worthwhile effort and should add significant knowledge to the area of effective financial management in higher education.

Sincerely,

Caspa L. Harris, Jr.

ARTHUR ANDERSEN & CO.

1666 K STREET, N. W.
WASHINGTON, D. C. 20006
WRITER'S DIRECT DIAL NUMBER
(202) 862-3162

May 4, 1978

Mr. Larry Wilson
Vice President - Finance and
  Administration
University of the District of Columbia
4200 Connecticut Avenue, N.W.
Washington, D.C.   20008

Dear Larry:

I was pleased to read the revised Accounting Manual for the University of the District of Columbia which you recently provided. This revision appropriately reflects the comments which I discussed with you at length in our meeting earlier this spring. I now believe that an individual not familiar in depth with either accounting principles for universities or accounting procedures followed by the District of Columbia could follow the procedures set forth in the revised Accounting Manual.

I understand that this Accounting Manual has been submitted by you in partial fulfillment of the requirements for a Ph.D. at V.P.I. I am completely satisfied as one of the reviewers that you have implemented the comments which we discussed.

I would be most happy to discuss with your professors any comments which they may have in regard to the review which I made of both the original and the revised manuscripts.

Very truly yours,

Bert T. Edwards

dga

UNIVERSITY OF THE DISTRICT OF COLUMBIA
COLLEGE OF BUSINESS AND PUBLIC MANAGEMENT
1331 H Street, N.W. • Washington, D.C. 20005

Department of Accounting
(202) 727-2230

May 24, 1978

Mr. Larry Wilson
12120 Old Colony Drive
Upper Marlboro, Md.

Dear Larry:

The changes you have made in your proposed University of the District of Columbia Accounting Manual have accommodated all the suggestions I made as a result of my review of your first draft. I presume the recommendations of the other reviewers have also been incorporated so that we all are now satisfied with the changes.

An accounting manual for the University is a necessity at this time, and you are to be congratulated for completing this project.

Sincerely yours,

H.V. Hadley

H.V. Hadley, DBA, CPA
Professor and Chairman

APPENDIX D

UNIVERSITY OF THE DISTRICT OF COLUMBIA

ACCOUNTING PRINCIPLES AND STANDARDS

BOARD OF TRUSTEES

UNIVERSITY OF THE DISTRICT OF COLUMBIA

APRIL 1978

DRAFT*

*This report is second draft, preliminary in form, and has not been approved by the Board of Trustees, University of the District of Columbia.

INTRODUCTION

The University of the District of Columbia was created by the merger of three institutions of higher education, the District of Columbia Teachers College, Federal City College and Washington Technical Institute. Public Law 93-471 originally passed on October 26, 1974, authorized creation of the University as the public land grant institution for the District of Columbia. The Public Law was amended by act of the Council of the District of Columbia in January, 1976. The Board of Trustees took office in May, 1977, and the University officially opened on August 1, 1977.

The Board of Trustees was established by enabling legislation as a "body corporate." The University was designated by the same law as an independent agency of the Government of the District of Columbia. Greater responsibility and independence is delegated to the University in the management of its resources. The University is subject to the administrative direction of the Mayor only where stipulated in the enabling legislation.

The enabling legislation directs the Mayor and Council to establish budgetary ceilings for each component of the University and stipulates that the Board of Trustees shall render to the Mayor and City Council an annual report that will, among other things, report the source, amount and expenditures of all funds for public postsecondary education in the District of Columbia. The University is, however, subject to provisions of the D.C. Code in the management of its resources as are all other agencies of the District (dependent and independent).

For over a hundred years, the District Government operated as a Federal agency. In the last decade, however, it has assumed a greater posture as an independent municipal government with an elected Mayor as its chief executive and an elected Council as its legislative body.

The District of Columbia Government simultaneously carries out the functions of a city, county, state and federal agency. The District's financial management structure and systems are becoming more municipally oriented. Whereas the change has been significant and evolutionary, the District's financial management system, today, is a hybrid with some features retained from its federal agency days, while other features are more tailored to facilitate its new role as a municipal government.

Notwithstanding the planned improvements in the D.C. Accounting System and Financial Management Systems, there is and will continue to exist a need for a separate and unique accounting system for the University. Currently and in the forseeable future, the District Government will retain a significant degree of control and interplay in budgetary and financial management of funds provided the University under congressional appropriations to the District of Columbia educational improvement funds. These funds are supplied through grants and contracts from various Federal agencies, and tuition collections from students of the University.

Although the planned improvements in the D.C. Accounting System will go far in alleviating many of the problems that the University has with the current D.C. Accounting System, such improvements will not be operational for at least two or three years. Therefore, the current and extended need for effective accounting practices utilizing an accounting independently manage and control its non-appropriated funds will not be met.

It is crucial that the University maintain the capability to produce timely and accurate disclosures of its total financial conditions and status.

The principles, standards and procedures described in this Manual are directed primarily toward meeting the statutory requirements of the Board of Trustees so that they may prudently direct the use of the University's limited financial resources. The Manual also provides a simplified mechanism for operational and managerial control in the operations of the University. The systems described here will allow for complete compatibility with all known external accounting and management systems that may be used by the University. In conclusion, this accounting system will allow exercise of generally accepted accounting principles and standards, both in system operations and in the reports generated.

DEFINITIONS OF TERMS

<u>Accountability</u>. A condition that surrounds individual or institutional satisfaction of the obligations that accompany the acceptance of responsibility and authority.

<u>Activity</u>. The exertion of energy toward program goals.

<u>Administrative Directive</u>. Administrative issuance or directive of the University administration.

Administering. Day-to-day decision making, scheduling, supervising, and coordinating of work in fulfillment of the planned, programmed, and budgeted activities.

Appropriation. An authorization granted by a legislative body to make expenditures and to incur obligations for specific purposes. Related terms are Allotment, Allocation, Apportionment.

Audit. To examine with intent to verify.

Authority. Legal power.

Balance Sheet. A financial statement which discloses the financial condition of an enterprise at a specified date (e.g., end of month, end of year, etc.).

Board of Higher Education. Governing board of Federal City College and the District of Columbia Teachers College prior to May 1976.

Board of Trustees. Governing body of the University of the District of Columbia.

Budget. A plan of operation expressed primarily in financial terms. A detailed work plan expressed partly in financial terms for the conduct of planned and programmed activities to be performed during a stated period, normally during the prescribed fiscal year.

Budgeting. Reducing longer range plan, priorities, and policies to detailed plans of operations for a specific period.

Controlling. Determining that activities are performed as planned, programmed, and budgeted, and that each work plan is executed with due attention to policy, law, and established rules.

Council. Council of the District of Columbia--the legislative branch of the District of Columbia government.

Development. The search for solutions to operating problems.

Evaluating. Measuring and judging the extent to which activities--duly planned, programmed, budgeted, and executed--are achieving intended purposes, goals, and objectives and satisfying intended norms and standards.

Financing. Deciding on resource requirements and undertaking to obtain the needed resources.

Function. A major intended consequence which the enterprise seeks to cause within its (educational) system or setting, pursuant to its mission.

Goals. The ends for which work is performed or services are rendered. Goals are characterized as long in range, general in content, broad in scope, and closely related to ultimate ends.

Line-Item Budgeting. Budgeting that directs attention primarily to the specific acquisitions of goods or services that are (to be authorized) defined and identified in accordance with specific classifications.

Management. That portion of an enterprise's capability which is both expected and required to select, provide, maintain, and improve or enhance arrangements for effective delivery of appropriate public services.

Mayor. Chief executive officer of the District of Columbia.

OBMS. Office of Budget and Management Systems. Executive agency of the District of Columbia government charged with managing the District's budget, accounting, management, and revenue programs.

Object and Object Classification. Reference is to the "objects of expenditures," i.e., to the services or goods purchased with the money spent.

Objectives. The intermediate ends for which work is performed or services are rendered.

Planning. Establishing or clarifying the purposes, goals, and objectives that the enterprise shall pursue during the relatively near future.

Program. Consists of one or more related activities directed at attaining one or more related objectives.

Program Structure. A logical outline or framework for the orderly grouping of activities into programs.

Responsibility. An assignment, a charge, a burden, an obligation.

System. A sets of objects or entities among which a set of relationships is identified.

<u>UDC, University of D.C.</u>. University of the District of Columbia.

<u>Vocational Board</u>. Governing Board for the Washington Technical Institute prior to May 1976.

UNIVERSITY OF THE DISTRICT OF COLUMBIA

ACCOUNTING MANUAL

TITLE 1

GENERAL

CONTENTS

101 PURPOSE AND PLAN OF THE UNIVERSITY OF THE DISTRICT OF COLUMBIA ACCOUNTING MANUAL

The primary purpose of the University of the District of Columbia (UDC) Accounting Manual is to define the accounting principles, standards and procedures, chart of accounts, and internal control processes that will be applied within the University of the District of Columbia.

Format

This Manual is in loose-leaf form to facilitate revisions, additions and deletions. The major divisions of the manual are titles which are sub-divided into chapters. Pages of a chapter are numbered separately and consecutively. Pages are numbered to indicate chapter and page.

Principles and Standards

Title 1 describes the applicability of the manual and fiscal characteristics of the University of the District of Columbia. Title 2 defines the accounting principles and standards to be followed in the development and maintenance of the University of the District of Columbia's accounting system.

Distribution

This Manual will be provided to all managers directly involved in the application of the prescribed accounting principles and standards.

102 APPLICABILITY OF ACCOUNTING PRINCIPLES STANDARDS, REQUIREMENTS AND PROCEDURES

General

The accounting principles, standards, requirements and procedures outlined in this Manual are applicable to (1) all accounting performed by organizational elements under the administrative directive of the President of the University and/or otherwise assigned to the Board of Trustees of the University and (2) accounting affecting complete and accurate input into the University's accounting system performed by external elements not under the President's or Board of Trustees' administrative directive but serviced by the University's accounting system. For example, the University uses the D.C. Payroll System.

The University of the District of Columbia is not required to follow the Mayor of the District of Columbia's prescribed principles, standards, requirements and procedures in its internal accounting operational. Every feasible effort will be made to insure compatibility with the D.C. Accounting System in the design and implementation of the University's accounting system to allow an orderly interface with the D.C. accounting system where required by law.

103 FISCAL CHARACTER

Basic Approaches

The University must therefore consider two basic approaches to its fiscal accounting procedures.

First, as an agency of the District Government, although independent of the Mayor's administrative control, the University is responsible to the Mayor for budgeting input to the Federal Government and for financial reporting regarding the manner in which the appropriated funds are disbursed. As such, receipts to the University from D.C. appropriations, Federal educational improvement funds (Federal grants and contracts), and tuition paid by students attending the University are deposited into Municipal Funds. District receipts are deposited in the U.S. Treasury and disbursements made therefrom.

Second, the Board of Trustees has been granted authority to deposit funds other than those congressionally appropriated, federal educational improvement funds, and tuition in commercial financial institutions within the District of Columbia. The Board of Trustees and the University therefore have both the authority and the responsibility to establish an accounting system, independent of the District Municipal Fund to account for the receipt, management and disbrusement of these funds. The status of these funds will be reported to the District Government as required in the annual budget submittals and the annual report of the Board of Trustees.

D. C. Accounting Fund Types Applicable to the University

The Municipal Funds (applicable for D.C. appropriations, Federal educational improvement funds and tuition collections).

The following types of funds applicable to the University of D.C. are used by the District of Columbia Government in accounting for its financial operations:

1. The General Fund to account for all appropriated, federal educational improvement funds and tuition, financial transactions not properly accounted for in another fund.

2. Revolving Funds to finance a continuing cycle of operations with receipts derived from such operations available in their entirety for use by the Fund. There are two types of revolving funds:

   a. Public Enterprise Funds which derive their receipts primarily from outside sources.

   b. Intragovernmental Revolving Funds which derive their receipts primarily from other appropriations or funds.

3. Deposit Funds to control receipts held for refund or payment to another fund for a specific purpose.

The source and character of the types of D.C. funds are shown briefly as follows:

The General Fund. The General Fund has been established by the Appropriations Act under the appropriating language of the General Fund which usually states:

> "...hereinafter known as the general fund, such fund being composed of revenues of the District of Columbia other than those applied by law to special funds,..."

The principal revenues of the General Fund are derived from taxes on real and personal property; sales and gross receipts taxes on alcoholic beverages, cigarettes, insurance, motor vehicles and public utilities; individual, corporation and unincorporated business income taxes; inheritance and estate taxes; fines and forfeitures; income from investments and the Federal payment.

The General Fund, as the name implies, is used to finance general government operations, e.g., public safety, education, parks and recreation, health and welfare, street lighting, sanitation, and public building construction, etc.

The Trust Funds. The Trust Fund consists of a large group of individual appropriation accounts established from time-to-time as required by law to account for funds in the nature of trusts received by the District. The major types include grants from the Federal Government.

Deposit Funds. Deposit Funds are individual (combined receipt and expenditure) accounts to control receipts (1) held in suspense and later refunded or paid into some other fund or (2) paid out at the direction of the depositor. Such funds are not available for paying salaries, grants, or for other operating expenses. Examples are accounts to control amounts withheld from salaries such as amounts for Federal and District taxes, retirement, life insurance, health benefits, savings bonds and fines.

The Budget

The District is required to submit each year a budget in which proposed expenditures are balanced by estimated revenues, Federal payment, Federal and private grants and long-term borrowing.

Revenue estimates are made first. D.C. Executive Agency budget requests are then considered. These requests are processed through the D.C. Office of Budget and Management Systems (OBMS) and hearings are held by OBMS and by the Mayor's Office and finally by the City Council. After Council review and application of the D.C. Budget approval process, the Mayor submits the proposed budget for the District to the President of the United States, through his Executive Office, Office of Management and Budget. After review, the President submits the budget to the Congress of the United States, where hearings are conducted on the revenue proposals and the proposed budget.

Appropriations

When a Public Law is passed by Congress establishing appropriations for the District of Columbia Government, the U.S. Treasury establishes controls over the spending of D.C. Funds in accordance with the appropriations and transmits Appropriation Warrants to the District as a basis for obligation and disbursement authority. The warrants are in total for each appropriation.

Appropriations for the District are financed from revenues of the General Highway, Water, Sanitary Sewage Works and Metroplitan Area Sanitary Sewage Work Funds.

Local Taxes and Miscellaneous Charges

All local taxes, with the exception of the tax rate on real and personal property must be enacted by Congress. The Act of Congress of June 29, 1922, as amended by Reorganization Plan No. 3 of 1967, requires the District of Columbia Council to determine and fix annually such tax rate on real and personal property which will, when added to other taxes and revenues of the District, provide sufficient funds to finance appropriations made by Congress.

The Council of D.C. is empowered under Public Law 93-198, the Home Rule Act of 1974 to enact other local taxes subject only to the Congressional oversight control which prescribes a 30 day review period by the Congress prior to final enactment.

Relationship of University of D.C. to D.C. Government in Budget Process

The Board of Trustees of the University of the District of Columbia prepares and submits to the Mayor an annual budget for each fiscal year which includes a proposed financial operating plan, a capital and an educational improvement plan for the fiscal year and the succeeding four fiscal years for the University. The Mayor and the Council shall, after review and consideration of the budget submitted by the Trustees, establish the maximum amount of funds for each of the major components of the University. The total University budget is allocated to the Trustees.

104 FUNCTIONS AND RESPONSIBILITIES

The functions and responsibilities directly related to financial management within the University of the District of Columbia are set forth below:

Budget

The Board of Trustees is required to develop and present to the Mayor and Council an annual financial operating plan for each fiscal year, and a capital and educational plan for the budget year and the succeeding four fiscal years. The Mayor and Council, after review and consideration of the budget (plans) submitted by the Trustees, establishes the maximum amount of funds for each of the major components of the University to be funded with D.C. appropriations. The University Budget detail--that is, line item apportionment, is established within the budgetary ceilings approved by the Mayor and Council. The Board of

Trustees detail is then included in the Mayor's executive budget estimation to the President via Office of Management and Budget. The Mayor includes the University budget request in his executive Budget submittal through the federal executive budget chambers to the Appropriations Committees of the Congress.

After final appropriation of the D.C. Budget by the Congress of the United States and approval by the President of the United States, the D.C. Government (Mayor) allocates the total University Budget to the Trustees. The Board of Trustees then delegates the responsibility for execution of the Budget to the President who controls expenditures of budget allocations by major programs or components and major objects of expenditures.

During the fiscal year, the Trustees may transfer any appropriation balance available for one item of appropriation to another item of appropriation or to a new program in an amount not to exceed $50,000. Requests for reprogramming of funds in excess of $50,000 requires Board approval and must be submitted through the previously described Budget channels for Congressional Appropriations Committee approval. Acquisition of funds made available from other sources must follow the prescribed procedures of the sponsoring or source agency.

The Board of Trustees delegates the responsibility for formulation and execution of the University Budget to the President of the University. The President of the University shall, with the exception of budget items relating directly to the Board of Trustees operations, submit budget requests annually to the Board's Finance Committee. The President prepares and presents justification for his estimates of budgeting needs for operation of the University as well as recommends priorities and alternatives for University operations in line with the Mayor and Council prescribed budgetary limitations. Budget estimates for the Board of Trustees operations will be normally developed by the Treasurer of the Board unless otherwise delegated.

Upon the approval of the University allocations from the Mayor, the President of the University develops finite financial plans for execution of the University budget with the exception of that portion related to operations of the Board of Trustees. The Financial Plan for the Board of Trustees is developed by the Treasurer of the Board unless otherwise delegated.

The President of the University may be delegated authority to approve, without prior Board of Trustee action, reprogramming of fund balances from one item of appropriation to another item of appropriation or to a new program in an amount prescribed by the Board. All requests for reprogramming action in excess of that amount will be referred to the Finance Committee of the Board of Trustees for approval prior to obligation of any funds related thereto.

The Assistant to the President for Program Management and Policy Evaluation is responsible for assisting and advising the President of the University and heads of major components of the University, in the development and implementation of improved budgetary policies. The Assistant formulates budgetary practices and procedures to be utilized by the University. The Assistant administers central internal budgetary coordination and control for the University.

The Budget Officer, accountable to the Assistant, analyzes budget requests and recommends specific budget actions that will adequately meet program and performance requirements. The budget office prepares the budget for the University as approved by the President of the University and Board of Trustees. The staff assists and participates in the presentation of budget estimates and justifications before the Board of Trustees, the Mayor, the City Council and the Appropriations Committee of the Congress.

The Assistant to the President for Program Management and Policy Evaluation provides overall coordination and liaison for the President of the University with the Board of Trustees. D.C. Governmental agencies, the Council of D.C., and other Federal and private sponsoring agencies on matters relating to the budget, revenue, and program analysis from the standpoint of budgetary implications.

Heads of major components of the University are responsible for development, presentation and execution of program related budgetary estimates, request and allocations relative to their specific areas of responsibility.

Accounting Systems

In addition to the D.C. Accounting system, the University considered accounting principles, standards and procedures applicable specifically to higher education insititutions nationwide as described in the National Association of College and University Business Officers (NACUBO) College and University Business Administration and the American Institute of Certified Public Accountants (AICPA) Audits of Colleges and Universities, and other professional accounting guidelines.

Faced with the requirement to interface with both the D.C. Governmental accounting system and a system that is readily compatible to those used in other higher education institutions, the accounting systems to be used in the University will incorporate those features of both systems which will meet the needs of the University. This will allow interface with the two external systems in relation to required input and produce outputs that will allow input into the external systems.

This dichotomy in accounting concepts has added significance when the provisions of the enabling legislation and other legislation or rules which relate to handling federal funds are considered.

D.C. appropriations, Federal educational assistance funds and tuition and collections from bookstore sales must be handled as Municipal Funds. As such, expenditures of these funds cannot be made unless authorized by an appropriation or specific legislation by the Congress of the United States. Furthermore, these funds, which are District receipts, must currently be deposited in the U.S. Treasury and disbursement made therefrom as authorized by a duly authorized certifying officer.

In addition to acting as banker, currently the U.S. Treasurer, soon the D.C. Treasurer, exercises certain monetary controls. Title 47-309 of the D.C. Code designates the D.C. Accounting Officer as the certifying officer for District funds.

Upon full implementation of the District Government charter, the D.C. Treasurer will assume those duties and responsibilities currently prescribed for the U.S. Treasury. Application of the D.C. accounting principles and standards are therefore indicated.

A crossover structure network will be required to present comprehensive summaries of total receipts and expenditures where data from both systems are required. Consolidated accounting data will be required in the Board of Trustees' Annual Report.

Audit

Post audit means an independent audit after the completion of a transaction or group of transactions. The Board of Trustees recognizes the requirement for post audits as an integral part of its financial management responsibility. The post audits will provide a mechanism for demonstration of fiscal responsibility and accountability to the various University publics.

As an independent District agency, the University is subject to audits by the Office of Municipal Audits of the D.C. Government, U.S. General Accounting Office, federal and private granting agency, D.C. Auditor etc. The Board of Trustees require an annual audit of the University accounts by an independent Certified Public Accountant.

105 PROJECTED CHANGES IN D.C. ACCOUNTING SYSTEM

Public Law 94-399 establishes the Commission on Financial Oversight of the District of Columbia to oversee improvement of financial management in the government of the District of Columbia.

The basic approach to financial management systems in D.C. will be a unified financial management system with district-wide and agency-specific components which will allow for (1) reporting financial results in accordance with the Generally Accepted Accounting Principles (GAAP) and (2) providing improved reports in management's financial performance. This will aid managers and elected officials in making improvements in the quality and productivity of District operations. The system would allow these objectives to be met through development of a uniform (District-wide) system for the functions of accounting, budgeting, payroll, personnel and purchasing, in such a manner that will eliminate the need for district agencies to maintain independent systems that duplicate functions of the District-wide systems.

D.C. Central Accounting

D.C. Central Accounting will be utilized in the management of all District funds. Unless provided for in revisions of the D.C. Central accounting system, the University will utilize reports from the Central accounting system as input into the University accounting system for D.C. appropriated funds, educational improvement funds and tuition and bookstore collections. Every effort will be made to prevent duplication in manpower utilization and recordkeeping.

University Internal Accounting System

As an independent agency, the Board of Trustees has the responsibility to account for all resources provided for its operations and for operation of the University. To provide the necessary financial management of the University's resources, an internal accounting system has been designed to accommodate all facets of the University's fiscal operations.

The internal accounting system, shall:

1. Maintain a centralized general ledger of accounts and controls reflecting the assets, liabilities and financial operation of the University. The internal accounting system will establish and maintain allotment accounts for control of funds available for expenditures. Where feasible, input data from the D.C. Central accounting office and from servicing commerical financial institutions will be utilized.

2. Compile and prepare accounting information and reports for the purpose of reflecting the financial status and condition of the University.

The need for certain agencies to maintain separate systems for specific functions is clear. However, the interface with these independent systems will be built into the unified system from the beginning.

The key system characteristics of the proposed D.C. financial management include:

1. A control budget structured as line items (expenditure objects) with organization units.

2. A planning budget breaking out expenditures by activities and programs.

3. A separate revenue budget assigning responsibility for every District revenue source, including grants, to a specific individual and organization unit.

4. A flexible account code structure with a separate code for each attribute or classification, such as expenditure object, fund, activity and organization unit.

5. Control of appropriated funds by netting grants and reimbursement revenues against gross expenditures.

6. A single central computer using data base management software and on-line terminal network.

7. Automated pre-audit control of all spending against available budget authority.

8. Feedback reports to permit rapid post-audit of agency actions and to alert central management of agency failure to comply with established policy.

9. A single audit trail containing every debit and credit for all financial transactions within the District.

10. Integrated grants management sub-systems for each class of grants.

11. Delegated purchasing authority with centralized accounting for all purchases and centralized post-audit of purchase actions.

12. Separate inventory control and fixed assets systems.

13. An integrated payroll/personnel system operated centrally with agencies primarily responsible for data input and error correction.

14. Automated retirement, leave, and labor distribution capabilities.

15. A separate, institutionalized training program using a complete set of procedures manuals as the basic training documents.

The Commission projected an implementation time frame of Fiscal Year 1982 or 1983.

106 MANAGEMENT OF LAND GRANT FUNDS IN THE UNIVERSITY OF THE DISTRICT OF COLUMBIA

Authority

Section 102 of Public Law 93-471 (October 26, 1974) established the University of the District of Columbia as a land-grant University in accordance with the provisions of the Act of July 2, 1862 (7 U.S.C., 301-305, 307, 308) succeeding such designation previously assigned to the Federal City College and the Washington Technical Institute which were authorized status under PL 89-791 of 1966, PL 90-354 of 1968 and the D.C. Revenue Act of 1970. This legislation provides a fund to the District of Columbia for the establishment and maintenance of one or more colleges in line with intent of the legislation. The principle of the fund shall be invested at a fair and reasonable rate of return and shall constitute a perpetual fund. The income from such investments shall be applied without diminution to the endowment support and maintenance of the designated college (or University).

Legislated Components

Under the authority of the basic "land grant" legislation cited above and subsequent acts which appropriated additional support to land grant institutions, the University is currently entitled to and has been awarded funds under the following programs:

1. <u>First Morrill Act of 1862</u> An Endowment of $7,248,125. These funds are invested, yielding an annual income which is available for University programs. The expenditure is restricted only in that no capital expenditures can be made from such funds.

2. <u>Hatch Act Funds of 1887</u> These funds support establishment of Agricultural Experiment Stations.

3. <u>Second Morrill Act of 1907</u> (Nelson Amendment) Provides an additional annual appropriation for support of land-grant colleges and universities.

4. <u>Smith-Lever Act of 1914</u> Establishes and supports the Cooperative Extension Services.

5. <u>Bankhead-Jones Act of 1935</u> Provides funds to support faculty salaries in selected institutional programs.

6. <u>Water Resources Act of 1964</u> Supports the University's Water Resources Research Program.

UNIVERSITY OF THE DISTRICT OF COLUMBIA

ACCOUNTING MANUAL

TITLE II

ACCOUNTING PRINCIPLES AND STANDARDS

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TITLE II

ACCOUNTING PRINCIPLES AND STANDARDS

201 OBJECTIVES

The objectives of the University of the District of Columbia accounting are the same as those set forth in the Budget and Accounting Procedures Act of 1950 for the D.C. Government, as amended by Public Law 84-863.

These objectives are as follows:

1. Full disclosure of the financial results of the University of the District of Columbia's programs and activities.

2. Production of adequate financial information needed for management purposes.

3. Effective control and proper accountability for all funds and other assets for which the University is responsible, including the maintenance of adequate monetary property accounting records.

4. Reliable accounting results to serve as the basis for preparation and support of budget requests; for controlling the execution of the budgets and for providing financial information required by the D.C. Government; for Federal Sponsoring Agencies, other public and private sponsors; and for educational research and statistical activities, and all other University publics.

5. Suitable integration of the University's accounting system and with reporting operations of the U.S. Treasury Department, the D.C.

Central Accounting Office, commercial supporting institutions, other ADP cost related reporting systems as well as other specified reporting requirements.

The University will meet the objectives of college and university accounting established by the American Institute of Certified Public Accountants to the extent that they are consistent with the objectives set forth in the Budget and Accounting Procedures Act of 1950 and the accounting principles and standards prescribed by the Comptroller General of the United States.

202 STATUTORY REQUIREMENTS

The University of the District of Columbia is established by Public Law 93-471 as amended by D.C. Law 1-36. The University is subject to the provisions of Federal laws and regulations prescribed for all other agencies of the Federal Government relating to accounting and to the administration of funds and appropriations. In keeping with Section 112 of the Budget and Accounting Procedures Act of 1950, the University's accounting system will conform in material respects, to the principles, standards, and related requirements for accounting as prescribed by the Comptroller General of the United States.

The Board of Trustees of the University of the District of Columbia is established as a body corporate charged with the responsibility of governing the University of the District of Columbia as an independent agency and as such, possesses all the powers necessary or convenient to accomplish the objectives and perform the duties related thereto.

As such, it possesses among other things the authority and powers

> ... to adopt, prescribe, amend, repeal, and enforce such by-laws, rules, and regulations, as it may deem necessary for the governance and administration of the University.

As related to financial support and operations in the University, the Board of Trustees is granted authority to:

1. Transfer, during any fiscal year, any appropriation balance available for one item of appropriation to another item of appropriation or to a new program in an amount not to exceed $50,000.

2. Enter into negotiations and binding contracts pursuant to Counsel of D.C. regulations to include reimbursements for services for other U.S. and D.C. and other private or public agencies.

3. Fix and collect tuition from students.

4. Fix and collect fees from students attending the University, receipts from which, shall be deposited in a revolving fund in one or more financial institutions in the District of Columbia, and shall be available for such purposes as the Trustees shall approve without fiscal year limitations.

5. Assume all employees, property (real and personal) and unexpended balances of appropriations, allocations and all other funds and assets and liabilities of the Board of Higher Education and the Vocational Board.

6. Establish in one or more financial institutions in the District of Columbia, the District of Columbia Postsecondary Education Fund into which will be deposited all gifts and contributions, in whatever form, funds in receipt of services rendered, other than tuition, and all

monies not included in the annual operating, capital and educational improvement funds appropriated by Congress. Money, so deposited, shall be made available for investment and shall be distributed in such amounts and in such manner as the Trustees may determine. The Trustees are authorized to administer such funds in whatever manner the Trustees deem wise and prudent provided that such administration is lawful and does not impose any fiscal burden on the District of Columbia.

7. Render an annual report to the general public, Mayor, Council and the Congress on December 31 of each year on the operation of programs and expenditures of all funds. Such annual report shall include but not be limited to the source, amount, distribution and expenditure of all funds, whatever the source.

203 GENERAL ACCOUNTING PRINCIPLES

Service, rather than profits, is the objective of an educational institution; thus, the primary obligation of accounting and reporting is one of accounting for resources received and used rather than for the determination of net income. The general accounting principles to be applied in the University accounting systems are as follows:

1. Fund Accounting. Fund accounting is the procedure by which resources for various purposes are classified for accounting and reporting purposes in accordance with activities or objectives as specified by donors, in accordance with regulations, restrictions, or limitations imposed by sources outside the institution, or in accordance with directions issued by the governing board. The fund groups that will be utilized in the University's accounting system will be those described in the AICPA Audit Guide as follows:

- Current funds -- (Restricted and Unrestricted)
- Loan funds
- Endowment and similar funds
- Plant funds -- (Expended and Unexpended)
- Agency funds

2. Basic Financial Statements. Financial reporting for the University will require three basic statements, namely (a) Balance sheet, (b) statement of changes in fund balances, and (c) statement of current funds revenues, expenditures and other changes.

3. Externally Restricted vs. Internally Designated Funds. A clear distinction between the balances of funds which are externally restricted and those which are internally designated within each fund group should be maintained in the accounts and disclosed in the financial reports.

4. Accrual Accounting. The accounts should be maintained and reports prepared on an accrual basis. Revenues should be reported when earned and expenditures when materials or services are received. Expenses incurred at the balance sheet date should be accrued and expenses applicable to future periods should be deferred. Accruals will be booked annually.

5. Gifts, Bequests and Grants. Gifts, bequests, grants, and other receipts restricted as to use by outside grantors or agencies are recorded as additions directly in the fund group appropriate to the restricted nature of the receipt. Gifts, bequests and grants are also recorded as restricted.

6. Investments Exclusive of Physical Plant. Investments purchased usually will be reported in the financial statements at cost and investments received as gifts at the fair market or appraised value at the date of gift, unless there has been an impairment of value not considered to be temporary.

7. Depreciation of Physical Plant. Depreciation expenses related to depreciable assets comprising the physical plant is reported in the Plant Fund. It is not reported as an expense in Current Funds.

8. Interfund Borrowings. Interfund borrowings of a temporary nature will be reported as assets of the fund group making the advances as well as liabilities of the fund group receiving the advances.

9. Funds Held in Trust by Others. Funds held in trust by others are resources neither in the possession nor under the control of the University, but held and administered by outside fiscal agents, with the University deriving income from such funds.

10. Unrestricted, Restricted and Designated Funds. There are a number of peculiarities in the University of the District of Columbia's accounting structure which require some deviation from the normal application of the unrestricted, restricted and designated fund grouping. This special application is required to achieve flexibility in use of certain funds in a manner similar to other colleges and universities while adhering to certain peculiarities of the D.C. Accounting Systems. For example, the indirect cost or overhead recoveries from grants and contracts are classified as restricted funds in the University's accounting system. The normal practice in university accounting practices is to treat these funds as unrestricted. This treatment is required to

allow the University to retain use of the fund beyond the fiscal year of recovery. If categorized as unrestricted, the funds would be returned to the D.C. Treasury as unused after the end of the budget year; the same as all other fiscal year designated appropriated funds.

Another practice peculiar to the UDC accounting system is that of charging the complete personnel compensation and benefit cost of employees, whose cost is shared by more than one source of funding, to a single source and reimbursing the charged grant from the other source. This practice is utilized to facilitate capture of pertinent cost while meeting specific procedural features of the D.C. Personnel System.

Encumbrance accounting as a practice in the District is another peculiarity that the University accounting system must address. Budgetary control in the District is on an obligation basis and the University financial reporting is on an expenditure basis. Obligations are not reported unless they are truly accounts payable or are accrued expenses.

On the other hand, obligation accounting in the District excludes certain actual liabilities that the University can identify and must include in its financial report. These include accrued annual leave and accrued payroll, and many of the other employment related costs. Although these are outside of the District's obligation accounting system, they are, however, within the scope of the NACUBO Guidelines, the AICPA Audit Guide and FASP pronouncements.

11. Reimbursements

a) Reimbursement from one appropriated account to another account will be coded utilizing a specified limitation code. Such reimbursement will increase the appropriation of the servicing or receiving account through a "Transfer in" financial plan adjustment to the receiving agency appropriation. (There is a concurrent and counter balancing reduction in the appropriated account of the serviced agency.) This offset is reflected in a corresponding reduction in the financial plan.

b) Reimbursements to appropriated accounts from Federal grant accounts or from trust accounts will be coded utilizing limitation code 87. Block grants will not be included in this limitation; separate accounting procedures are in effect for block grants. This transaction has the initial effect of inflating the appropriation to the University, through the use of the concept of anticipated reimbursement entry to the financial plan. However, such inflation is offset from the grantor agencies. This is accomplished through a transfer of funds from the grant account to the appropriate account to cover cost already obligated from the appropriate account to cover grant related expenditures.

c) Reimbursements to appropriated accounts for which cash is deposited directly into the appropriated accounts will be coded at limitation 84. Reimbursements that are first deposited into a Federal grant or trust account will not be included under this limitation. Examples of reimbursements to be coded at limitation 84 are reimbursements for University courses taught on multiple bases.
This type of transaction will result in an overall increase to the University's appropriation.

204 STANDARDS

The standards to be followed by the University of the District of Columbia in the development and maintenance of its accounting system are as follows:

1. Management and Congressional Needs. The University's accounting system shall be designed to meet all internal needs for cost and other financial data for planning, programming, budgeting, control and reporting of University operations. The accounting system will provide not only the basis for control over funds, property and other assets, but shall provide an accurate and reliable basis for developing and reporting costs of performance in accordance with (a) major organizational segments, (b) budget activities, and (c) the program structure of the planning, programming, budget system adopted by the Board of Trustees and/or President of the University. It will provide for the requirements of other agencies of D.C. Government and the executive branch of the Federal Government, particularly those of the Office of Management and Budget in assisting in their discharge of budgetary and other management responsibilities. It will also produce the financial information needed to keep the Board of Trustees of the University of the District of Columbia, and the D.C. Government and Federal Government fully informed of the financial status and operations of the University and provide such other financial data as are required by law or by these agencies.

2. Usefulness of Financial Data. The financial data produced by the system must meet the test of usefulness to the officials requiring it in the proper discharge of their management responsibilities. This

includes offices and heads of major components of the University, the President of the University, the Board of Trustees of the University, the Mayor, the Council, the President of the United States, other federal executive agencies, the Congress, and the public. Data to be helpful must be promptly presented, clearly reported and its significance readily understandable.

3. Responsibility Accounting. The structure of the University's accounting system shall be designed so that major assignments of responsibility or areas of activity can be readily reported. Such reports shall be prepared as frequently and accurately, and with such timeliness and meaningful data as is required to enable officials responsible for assignments to forecast trends, control cost and evaluate performance.

4. Consistency of Planning, Programming, Budgeting and Accounting Classifications. To the extent possible, planning, programming, budgeting and accounting classifications shall be consistent with each other and shall be synchronized with the University's and District's organization structure. Such consistency is necessary in order that data produced by the accounting system will be of maximum use in support of internal operating budgets and budgets that are presented to the Congress.

5. Technical Requirements. The University's accounting system shall provide complete and reliable records of its resources and operations. Such reports shall embrace all funds, property, and other assets, as well as liabilities and obligations, receipts and revenues, expenditures and costs.

The accounting records shall be maintained primarily in monetary terms. Records on quantitative data will be maintained as necessary or appropriate for producing useful data, including unit cost data, for planning, control and other management purposes.

The accounting system will provide for appropriate fund identification of the financial resources and transactions of each entity. Moreover, the entities for which separate groups of accounts are established will be clearly defined.

Financial transactions shall be adequately supported in University files with pertinent documents available for audit. All transactions shall be so recorded that they can be readily traced from the original documents to summary records and then to the financial reports issued.

Interagency and interfund transactions shall be separately identified so that they may be properly treated in preparing consolidated financial reports.

Accounts shall be kept in such detail as is necessary to meet all management needs, including the furnishing of information needed by agencies of the District of Columbia and Federal Government in the federal executive branch and by the Congress.

Transactions should not be recorded more than once, even in summary form at the higher organizational levels. For example, departments will "roll-up" to Deans - Deans will "roll-up" to Vice President of Academic Affairs. The basic structure of accounts to be maintained are for assets, liabilities, revenues, costs and investment by the District Government and others.

The control of assets will include procedures to assure that assets (1) are used properly and for authorized purposes only, (2) do not leave the custody of the University except under proper authorization, (3) are taken care of and preserved and (4) no assets are written off, written down, or disposed of without proper authorization.

6. Truthfulness and Honesty. The highest standards of truthfulness and honesty shall be applied in accounting for the receipt, disbursement, and application of University funds. Accordingly, financial transactions shall not be recorded in a manner that will produce materially inaccurate, or false or misleading information.

205 FUND CONTROL

General

The purpose of fund control is to provide management control over the use of fund authorizations to assure that (1) funds are used only for authorized purposes, (2) they are economically and efficiently used, and (3) obligations and expenditures do not exceed the amounts authorized.

Principles and Standards

The accounting principles and standards applicable to fund control are as follows:

1. The accounting system of the University of the District of Columbia shall incorporate appropriate techniques in assisting management in achieving fund control.

2. In accounting for obligations, the accounting system accumulates data on the financial obligations for which the University is responsible. In this regard, procedures will provide for the following:

a) Identifying obligations with applicable appropriation or fund at the time they are incurred.

b) Recording and reporting obligations promptly and accurately.

c) Recording and reporting of obligations in compliance with section 1311 of the Supplemental Appropriation Act 1955, (31 U.S.C. 200).

d) When data on proposed expenditures are recorded in accounting records in advance of their becoming valid obligations, appropriate corrections shall be made to conform such data to the amounts representing valid obligations as defined by law before the data is used to prepare official reports on obligations incurred.

3. Accounting procedures shall be established to provide recognition of apportionments of appropriations made pursuant to law for the subdivision of fund authorizations made to facilitate their management and compliance with applicable limitations.

4. Subdivisions of fund authorizations for budgetary control purposes shall be at the highest practical level, consistent with assignments of responsibility and shall be limited in number to those essential for effective and efficient administration.

206 CASH

General

Cash resources consist of amounts in imprest funds, undeposited collections, cash in transit, and fund balances in commercial financial institutions.

Principles and Standards

The principles and standards to be followed by the University in accounting for cash are as follows:

1. The accounting system shall provide for complete and accurate accounting for all cash receipts, disbursements, and fund balances.

a) All receipts shall be deposited promptly at least daily and appropriate records of all cash received shall be made immediately after receipt.

b) Disbursements shall be recorded promptly in the accounting records.

c) Records for cash transactions shall be closed as of the end of the periods for which reports are to be prepared so that all transactions completed during the periods of the reports, and only such transactions, will be included.

d) Separate accounts for major categories of cash resources, with further subdivisions to disclose that important restrictions are available for use, shall be maintained to facilitate proper disclosure in financial reports.

2. The accounting system will provide for compliance with all applicable requirements imposed externally for the handling of cash resources.

3. Appropriate procedures shall be developed to minimize the possibility of errors and misuse or other irregularity involving cash resources and to provide for the disclosure of any errors or losses that may occur. These procedures should provide for dividing duties among officials and employees assigned responsibilities for handling and keeping records of cash transactions, and to provide routine checks on performance.

4. Internal audit will review the effectiveness of controls in accounting for cash.

207 RECEIVABLES

General

Under the accrual basis for accounting, receivables representing amounts due from others are accounted for as assets from the time the acts giving rise to such claims are completed until they are collected, converted into other resources, or determined to be uncollectible.

Principles and Standards

The following principles and standards shall be observed in accounting for receivables:

1. Receivables shall be recorded accurately and promptly on completion of the acts which entitle the University to collect amounts owed.

2. Amounts to be recorded as receivables will be the actual amounts due.

3. Separate accounts will be established for major categories of receivables to facilitate full disclosure of the nature of the University's resources in financial reports.

4. The accounting records shall be maintained so that all transactions affecting the receivables during each period for which reports are to be prepared, and only such transactions are included.

5. Regular estimates shall be made of the portion of the accounts receivable that may be uncollectible. Such estimates shall be accounted for and disclosed separately in the financial reports.

6. Loans shall be accounted for as receivable only after the funds have been disbursed. Any loans authorized but for which no funds have been disbursed shall be disclosed in explanatory notes to financial reports.

208 PROPERTY

General

The importance of property accounting stems primarily from the fact that large amounts of public funds are invested in such resources. This investment creates the management need to be able to account for the resources and to procure, use, and manage them properly, efficiently and effectively. Accurate and reliable data for such purposes can be obtained only from a properly designed and operated system of accounts and related procedures.

The University's system shall provide a proper accounting for property for which the University has management responsibility. Included will be the establishment of adequate monetary property records, inventory control procedures, and policies and procedures for accountability of property under the University's cognizance.

Principles and Standards

In accounting for property the following principles and standards apply:

1. Classifications. Significant classifications of property shall be established for accounting and reporting purposes to clearly disclose the nature of the property.

2. Procedural Requirements. Property accounting in the University will include appropriate procedures for:

a) Recording in accounts all transactions affecting its investment in property, including the acquisition, use, application, consumption, disposal or retirement of the property.

b) The keeping of appropriate records of physical quantities of University-owned property and its location, which provide maximum assistance in procuring and utilizing property, and the identifying of excess property and its use, transfer, or disposal.

c) Independent checks on the accuracy of the accounting records through periodic physical count, weight or other measurement.

3. Capitalization of Assets. Fixed assets owned or acquired by the University shall be capitalized in accordance with capitalization criteria established as part of the University's accounting policies. To be classified as a fixed asset, a specific piece of property must

possess three attributes: (a) a tangible nature, complete in itself, which does not lose its identity or become a component part of another article when put into use; (b) a durable nature with an expected service life of over one year; and (3) The $100 value attribute. This attribute is important because the University has many assets which are tangible and long-lived but whose value is so small that the time and expense of maintaining detailed records are excessive. Failure to meet this criterion by individual items would not preclude capitalization where the aggregate cost of such items is substantial. Library books is one example of such items. Any improvement or addition to buildings or other real property shall be capitalized. Maintenance and repairs shall be charged to operating expense.

4. Basis of Capitalization. Assets acquired through purchase or construction shall be capitalized at cost, except that where cost cannot be determined, either estimated cost or appraised value may be used. Cost will include transportation, installation and other costs of putting the property in the form and place to be used or managed, but shall be less any and all trade or cash discounts.

5. Constructed Property. For assets acquired by construction, adequate records shall be maintained to insure that all elements of applicable costs are recorded and transferred to the proper fixed property accounts when the work is finished. Elements of applicable costs include those for:

a) Engineering, architectural, and other outside services for designs, plans, specifications, and surveys.

b) Acquisition of land, buildings, and other facilities.

c) Labor, materials, supplies, and other direct charges.

d) An appropriate share of the equipment and facilities used in construction work.

e) Applicable indirect costs.

f) Fixed and severable collaterial equipment and the installation thereof to complete the facility for its intended use.

g) Inspection, supervision, and administration of construction contracts and construction work.

h) Legal fees and damage claims.

i) Fair value of contributed or donated land, facilities, utilities, labor, materials, supplies, services, and equipment.

6. Real property acquired under lease-purchase contracts

a) Cost of site, including air rights, and expenses incidental to site acquisition.

b) Arcihtect and engineer fees.

c) Taxes payable during construction.

d) Administrative and other costs relating to the projects.

The total purchase price shall be capitalized upon acceptance of the property from the contractor.

7. Interagency transfers of property. Property transferred to the University on a reimbursable basis shall be accounted for at the transfer price as determined by agreement or application of statutory requirements or central agency regulations.

Property transferred to the University on a non-reimbursable basis shall be accounted for on the basis of its estimated useful value.

Transportation, installation and related costs incurred by the University shall be included in the accounting basis for transferred property.

Original cost information on transferred property needed for report purposes shall be recorded in the accounting system.

8. Property Acquired by Other Means. Property acquired by donation, devise, forfeiture, or confiscation shall be carried in the accounts at an amount representing what the District would have been willing to pay fôr it, giving consideration to the usefulness of the property to the University, condition and the estimated market value.

9. Other considerations regarding the acquisition of property

a) Trade-ins. Where trade-ins are involved the cost of property shall be the amount of the cash paid or payable plus the unamortized book value of the asset traded in.

It should be recognized that the seller may allow an amount different from unamotrized book value, but the latter should be used. The vendor defines the allowable trade-in period, normally six months after receipt.

b) Purchase discounts. In determining the cost of purchased property, discounts shall be deducted from the prices billed.

c) Handling and storage costs. The determination of whether handling and storage costs are to be considered as an operating cost or part of the cost of materials and supplies before use will be made after considering the possible benefits to be gained in the form of improved management control over such operations and the administrative costs.

d) Usage. Materials and supplies issued for use shall be charged to using activities on the basis of cost determined by the simplest method that produces reasonable and useful measures of costs. The University will use the following methods: 1) specific identification of cost items issued; 2) cost determined on first-in, first-out basis. 3) computed average cost; and 4) standard cost adjusted periodically to reflect changes in actual costs.

e) Accounting for changes in fixed assets. Fixed assets owned by the University may be changed by additions, alterations, betterments, rehabilitations, or replacements. The principle in accounting for these changes is to capitalize the costs incurred where they significantly extend the useful life of property or its capacity to render service, and to remove from the property accounts the cost of features superseded or destroyed in the process.

f) Repairs and Maintenance. Normal repair and maintenance costs incurred to keep the property in satisfactory operating condition shall be accounted for as a current operating cost.

g) Retirements and Transfers. The cost or other basis of property retired from service, whether by sale, reimbursable transfer, dismantlement, destruction, or other means, shall be removed from the accounts along with any depreciation that has been accumulated in the accounts.

Removable costs and amounts realized from sale, reimbursable transfer, or other salvage shall be considered in determining the loss or gain on the retirement.

The book value of property transferred without reimbursement shall be accounted for as a reduction of the University's investment.

Property retired from service but not immediately disposed of shall be classified separately to disclose its status.

h) Accounting for property of others. Adequate records shall be maintained for assumed property or other property held but not owned. The system employed shall provide an adequate record of the University's accountability for such property, including its receipt, custody and disposition.

i) Physical Inventories. Physical inventories of both expendable materials and supplies and fixed assets shall be taken at regular intervals.

The frequency of physical inventories, which may be taken on a cycle basis over a period of time, shall be determined on the basis of such factors as nature and value of property; physical security and control procedures relating to receipt, issuance and custody; turnover; and results of previous inventories.

Differences between quantities determined by physical inspection and those shown in the accounting records shall be investigated to determine the cause of difference and identify necessary improvements in procedures to prevent errors, losses, or irregularities.

Accounting records shall be brought into agreement with the result of physical inventories.

j) Depreciation. A basic responsibility of management is to fully and fairly account for all resources entrusted to or acquired by the University. This responsibility extends to the consumption of those resources through use in carrying out operations and is just as applicable to long-lived physical facilities as it is to expendable materials. Depreciation of capital assets will be accounted for whenever a periodic determination of the cost of all resources consumed is needed, such as: 1) where financial results in operations in terms of costs of performance in relation to revenues earned, if any, are to be fully disclosed in financial reports; 2) where amounts to be collected in reimbursement for services performed are to be determined on the basis of the full cost of performance pursuant to legal requirements or administrative policy; 3) where investment in fixed assets is significant and total cost information is needed by management or other officials in making cost comparisons, evaluating performancing and devising future plans.

In accounting for depreciation, the cost of the fixed assets, reduced by reasonable estimates of realizable salvage values at the end of the projected period of usefulness, shall be written off over the estimated period of their usefulness.

The period selected for writing off costs of capital assets shall be estimated with due regard to available information on physical life; technological, social and economic forces; and any other factors having a bearing on the probable period over which the facilities can reasonably be expected to render service. Provisions shall be made to review the period selected from time to time and appropriate changes made to improve estimates that become possible with experience and the passage of time.

209 ADVANCES AND PREPAYMENTS

General

Advances and prepayments represent disbursements made in advance of performance or a given event. Usually such disbursements are made for travel, construction contracts, and other similar purposes upon determinations that such payments are in the best interest of the University.

Principles and Standards

1. Advances and prepayments shall be recorded as assets at the time they are made.

2. The asset accounts for advances and prepayments shall be reduced and the accrued expenditure recorded when performance occurs.

3. Advances will be accounted for by recipients within 30 business days following completion of the trip.

210 LIABILITIES

General

Under the accrual basis of accounting, liabilities represent amounts payble to others ususlly as a result of the receipt of funds, property or services.

Principles and Standards

In accounting for liabilities the following principles and standards shall be observed:

1. All liabilities shall be measured and recorded in the accounts in the period in which incurred and shall be removed from the accounts in the period in which liquidated.

2. The amounts to be recorded as liabilities shall represent the amounts actually owed under contractual or other arrangements.

3. Liabilities shall be accounted for and reported regardless of whether funds are available or authorized for their payment.

4. Separate accounts shall be maintained for major categories of liabilities to facilitate full disclosure of the liabilities for financial statement and other purposes.

5. Accounting records shall be maintained so that all transactions relating to liabilities are included as the end of the accounting period.

6. Separate identification shall be made of funded and unfunded liabilities.

7. Appropriate records of contingent liabilities shall be maintained as part of the accounting system. When the amounts are signfii cant, they shall be disclosed in financial reports, with approrpiate explanation.

. 8. The accounts and financial reports on programs involving the incurrence of liabilities measured on an acturial basis shall disclose the current costs of the programs as they accrue and the estimated liability at any given time to make future payments.

9. The purchase price included in lease-purchase contracts for real property shall be recorded as a liability upon acceptance of the

property from the contractor, and the liability shall be reduced on the basis of periodic payments.

10. Under contracts involving constructive delivery the liability to pay for work is incurred as the work is performed by the contractor. Under such contracts, materials or services being acquired shall be recorded as accrued expenditures on the basis of reported performance of work, rather than as invoices received or as disbursements are made and a related liability shall be recognized. Under D.C. Accounting, the government assumes liability at the time of obligation of the funds for the transaction.

11. When materials or services are sold by the University to another and financed through the use of current fund advances, the University shall account for the amount advanced as a liability until it has completed its performance. Correspondingly, the University shall account for the amounts advanced until the materials or services ordered are received.

12. The cost and related liability for accrued annual leave shall be disclosed in financial reports as of the close of each fiscal year.

211 UNIVERSITY EQUITY

General

The Equity of the University consists of the residual equity after accounting for all known liabilities and equities of others. The major source of funds comprising this investment are:

Gifts and contributions

Fees established by the Board of Trustees

Property and services obtained from sources outside University

Accumulated net income from operations and reinvestments

Principles and Standards

The principles and standards which the University will observe in accounting for University Equity are as follows:

1. All major elements of University Equity shall be separately accounted for and disclosed in the financial reports. Major changes occuring during each accounting period covered by the reports should be summarized in separate financial schedules.

2. Property and services received without reimbursement from external sources shall be accounted for as an increase in the appropriate University Equity.

3. Property and services transferred outside the University without reimbursement shall be accounted for as a reduction in the appropirate University Equity accounts.

212 REVENUE

General

The principal sources of revenue for the University are (1) tuition payments; (2) fees; (3) D.C. appropriations; (4) educational funds; (5) private grants; (6) charges for other current services; (7) gifts, donations and endowments; (8) income from investments; (9) auxilliary.

Principles and Standards

The following principles and standards shall apply to the accounting for revenues within the University:

1. The accounting system shall provide for the recording of revenue transaction in the accounting records when the revenue is earned or received.

2. Accounting policies shall be established to identify the key events that take place or the circumstances that exist as the basis for recording revenues.

3. All revenues shall be collected as promptly as possible.

4. Appropriate records shall be maintained to facilitate the clear and full disclosure of the nature of the revenue in the financial reports.

5. The accounting system shall incorporate procedures for obtaining annual data on accrued revenues.

6. Amounts received in advance of performance shall be treated as liabilities until revenues are earned on the basis of performance.

213 PAY, LEAVE AND ALLOWANCES

General

The system for processing the pay, leave, and allowances due the employees of the University shall be designed to provide:

1. Prompt payment in the proper amount to employees entitled to be paid.

2. Payments are in compliance with applicable laws and regulations.

3. For proper disposition of all authorized deductions from pay.

4. Integration of the subsidiary records in the University with the District's central accounting system.

5. For maintenance of adequate and reliable payroll records.

6. Adequate control over all phases and segments of the payroll system.

7. Proper coordination of pay, leave, and allowance operations with personnel functions and other related activities.

Principles and Standards

The following principles and standards shall apply to the accounting for pay, leave and allowances:

1. Integration with Central Accounting System

a) The payroll system shall be an integral part of the University accounting system with detailed accounts and records maintained in the D.C. Central Accounting Office as subsidiary to controlling accounts in the general ledger.

b) The cost distribution procedures shall be designed to produce payroll cost data classified by activity, organization, and other needed categories.

2. Uniformity of Procedures. The procedures for processing pay, leave and allowances shall be uniform within the University.

3. Controls. Suitable control records and other control features over detailed payroll operations shall be maintained in order

to provide evidence of the accuracy of such operations and to serve as a deterrent to payroll irregularities.

4. Deductions from pay

a) The gross amount of deductions for retirement, life insurance and health benefits plus agency contributions for employees shall be paid to the Civil Service Commission or other appropriate organization or agency through the District in accordance with regulations and procedures described in the regulations of the Personnel Section of the University of the District of Columbia Administrative Manual.

b) Federal income taxes and Federal Insurance Contributions Act taxes withheld shall be paid to the Internal Revenue Service as provided by the District's regulations.

c) The amount of District and other state income taxes withheld shall be paid to the state authority in accordance with the agreement entered into by the District with the applicable state.

d) The amounts paid to the Internal Revenue Service and District (state) taxing authorities for Federal income taxes, Federal Insurance Contributions Act taxes, and state taxes shall be reconciled by the District at least annually with the amounts withheld from individuals as shown by the pay or other records.

e) Other amounts withheld shall be paid in accordance with applicable regulations and instructions furnished by the individuals from whose pay the deductions are made. These payments should be reconciled annually with the amounts withheld as shown by the pay or other records.

f) A current file of all deduction authorizations, including withholding certificates showing the number of exemptions claimed for Federal and District (state) income taxes, shall be maintained as justification for each deduction.

5. Collection of Indebtedness. Prompt action shall be taken for the collection of debts of employees due to erroneous payments. The regulations established covering collection of erroneous payments to employees are subject to approval by the Board of Trustees and the District of Columbia Government.

6. Pay, Leave and Allowance Records

a) A complete and accurate record shall be maintained for every individual of the pay, leave and allowances to which the employee is entitled and the payments thereof. These records must be adequate to provide proper control over pay, leave and allowances and to provide information necessary to: 1) properly pay each individual, 2) meet budgeting and reporting requirements; 3) Establish a permanent record of the actions taken.

b) The amounts recorded on the individual pay records shall be reconciled at least quarterly with the amounts recorded on the related control records.

7. Allowances in kind

Where employees receive allowances in kind the reasonable value of such allowances in kind must be administratively determined and deducted from the employees' pay in accordance with Office of Management and Budget Circular A-45, and decisions of the Comptroller General.

The reasonable value of allowances in-kind shall be deducted from the gross pay in determining the amount of compensation to be charged to the pay appropriation. The expenditure made in providing the services will be charged to the applicable appropriation.

The payroll voucher will not include charges to the appropriation for allowances furnished in kind. A separate voucher will be drawn for such purposes.

214 PURCHASING

General

The University purchasing system provides a mechanism by which University managers procure necessary goods and services to exercise controls over spending, and to account for the goods and services purchased. The system provides three types of controls over purchases. It verifies that the proposed purchase is appropriate for the requesting organization, procurement procedures have been properly followed and the necessary funds are available to cover the purchase.

Principles and Standards

In execution of the University purchasing procedures, the following principles and standards will apply:

1. The authority to commit University funds for supplies, materials and equipment and contractual services rest with the University's procurement office. This policy benefits the University in the following ways:

a) Permits the consolidation of requirements with resulting quantity discounts.

b) Promotes specialization with more accurate adaption of purchases to needs.

c) Permits the establishment of uniform policies with respect to vendor/supplier relationships.

d) Aids in obtaining and communicating uniform interpretations of policies and procedures established by District agencies.

e) Reduces the amount of clerical effort involved in purchases.

This authority shall not be circumvented. Individuals who obligate or otherwise commit University funds may be held liable for their actions. The University will not honor obligations or commitments made without observing the prescribed procedures.

2. The procurement officer or his representative will verify the appropirateness of all purchases. Budget control and accounting for purchases shall be exercised by the University's Accounting Office; however, the responsibility for entering all purchase orders and requests into the system rest with the procurement officer based upon purchase request of the responsible FPU head. The University's Accounting Office will audit and monitor the obligation and disbursement of agency funds related to procurement actions.

3. The University's Accounting Office will keep track of all events in the purchasing cycle, i.e., purchase request, purchase order, voucher, disbursement. It will control encumbrances against the University's budget, match voucher to the respective purchase order, schedule the voucher for payment and generate action for disbursement. Finally,

the University's Accounting Office will generate the necessary accounting entries and provide the required audit trails.

4. Requisitions for items up to $10,000 may be handled by the UDC Procurement Office.

a) $7,500.00 or less in any single day from District and Federal term contract schedules, and Superintendent of Industries, D.C. Department of Correction or G.P.O.

b) $2,000.00 or less in any single day from a single open market (non-contract) supplies provided that the University complies with the following procedures: 1) $250.00 and under may be purchased using one oral quotation from a single source. This delegation shall not be used to circumvent sound procurement practices. 2) $250.01 to $1,000.00 shall be purchased from the lowest of three oral quotes and documented in the agency files. 3) $1,000.01 to $2,000.00 shall be purchased from the lowest of three written dollar responses.

c) $2,000.01 to $10,000.00 shall be solicited by the University from five written request for quotations utilizing two D.C. 2620.5 forms. At least three monetary responses are needed to accomplish a purchase from the lowest quotation.

5. A requisition for items more than $10,000.00 will be handled by the D.C. Office of Materiel Management with prior approval by the D.C. Office of Management and Planning in coordination with the University's Procurement Office.

6. <u>Competition</u>. All purchases and contracts whether by formal advertising or negotiation shall be made on a competitive basis to the maximum practicable extent.

7. Formal Advertising. Contracts for supplies, materials, equipment and non-personnel services shall be made by formal advertising in all cases in which the use of such methods is feasible and practicable under the existing conditions and circumstances. Procurement for formal advertising shall be in accordance with the detailed requirements and procedures as set forth in this section.

8. Negotiation. If the use of formal advertising is not feasible and practical, purchases and contracts for supplies, materials, equipment and non-personnel services may be negotiated in accordance with the detailed requirements and procedures set forth in this section.

9. Gratuities. An employee of UDC shall not accept gratuities, courtesies or gifts in any form whatsoever from any person or persons, corporations, or associations that directly or indirectly may seek to use the connections thus formed for securing favorable comments or considerations on any commercial commodity, process or undertaking.

10. Purchases for personal use of employees. It is unlawful for the University to make purchases for personal use of its employees.

11. Conflict of Interest. Employees of UDC may not buy from or sell to the University.

12. Sales and excise taxes. The UDC as an independent agency of the District of Columbia is exempt from payment of Federal Excise Tax, Transportation Tax, and the District of Columbia sales and use tax.

13. Taxes of other states. Generally, the University is not liable to pay state sales taxes of other states, if transaction is consummated in the District of Columbia. However, the University is liable to pay taxes of other states if the title passes in the state.

More detailed procedures and practices for purchasing in the University may be found in the Procurement Section of the Administrative Manual.

215 COST ACCOUNTING

General

The term "cost" refers to the financial measure of resources consumed in accomplishing a specific purpose such as performing a service, carrying out an activity or operation, or completing a unit of work or a specific project.

Cost accounting is that part of an accounting system devised to systematically measure and assemble all significant elements of such costs.

Congressional Policy

Congressional policy, as expressed by law, calls for the use of cost information in budgeting and in the management of operations. Public Law 84-863 (31 U.S.C. 24) specifically provides that the District use cost-based budgets in developing requests to the Office of Management and Budget for appropriations.

For purposes of administration and operation, cost-based budgets shall be used by the University and its subordinate units for justification of its need. Administrative subdivision of appropriations or funds shall be made on the basis of these cost-based budgets.

Principles and Standards

In accounting for costs, the University adopts the following principles and standards:

1. The accounting systems will produce appropriate data on the cost of carrying out operations pursuant to Public Law 84-863 (31 U.S.C. 24) and Public Law 93-471 as amended by D.C. Law 1-36.

2. The accounting systems will incorporate appropriate cost accounting techniques so that needed cost information will be produced for management and reporting purposes. The cost accounting techniques shall be integrated into each accounting system only to the extent that the value of the data produced, in terms of usefulness, outweighs the cost of producing it.

3. Accounting for costs is required where reimbursement for goods or services is to be at cost or where sale prices are primarily based on cost.

4. The accounting system will provide for the accumulation of cost information by major organizational segments, budget program activities, and the program structure adopted by the University.

5. Each cost accounting system shall be developed to provide meaningful cost data consistent with the assignment of responsibility and should include the production of quantity data related to performance.

6. Each cost accounting system should provide for the accumulation of information on all significant elements of cost identified by those financed from appropriations and funds, as distinguished from other costs. Any omission of significant elements of costs shall be

disclosed in the cost report together with the nature and estimated amount of such costs and the reason for their omission.

7. Costs reports shall be designed to disclose cost information that is consistent with assignments of responsibility. Accordingly, accounting procedures allocating indirect costs shall be devised so as not to distort the total costs for which the manager may be held accountable.

8. Cost assigned to a given organization or purpose shall include those financed from other appropriations, funds, and other sources.

9. Cost-finding techniques may be substituted for cost accounting where it is more economical and comparable results are obtained.

10. The accounting system shall classify costs according to: 1) acquisition of assets and 2) current expenses. In addition to meeting this requirement and the need for accumulating costs by areas of management responsibility, budget programs, object class, activities, projects or units of work, the accounting system shall provide classifications according to the kind of costs incurred, such as labor, materials and contractor services.

11. Leave costs. The University shall accrue in its accounts and disclose in its financial reports the cost for accrued annual leave at no greater interval than as of the close of each fiscal year regardless of whether funds have been made available to pay for such leave. Other forms of leave shall be accounted for when required by law or needed by management.

12. Depreciation. Depreciation is recognized as an element of cost in specific circumstances and shall be accounted for and included in reports containing cost information. The principle circumstances in which depreciation shall be accounted for are stated earlier.

13. Cost incurred and paid by others

a) Accounting procedures shall be adopted to incorporate cost incurred and paid by others (interest on investment, cost of space provided by other agencies, etc.) into the accounting system whenever periodic determinations of total costs incurred and paid by others are determined to be of signficance in relation to the total costs of the organization, activity, or operation on which financial reports are being prepared.

b) Reasonable estimates of cost incurred and paid by other agencies, based on information and obtained from the performing entity rather than on precise and detailed measurements, shall be used. Performing entities shall not be requested to provide needless and burdensome details of these estimated costs.

c) These costs should be separately identified in financial reports.

14. Non-recurring costs, gains and losses

a) All realized gains or losses on exchange transactions, representing differences between values received and the investment in materials or services exchanged shall be clearly disclosed in the accounts and in the financial reports on operations.

b) Other losses which have been actually incurred or which may be reasonably expected to occur shall be recognized in the accounts and disclosed in financial reports. The amounts of such losses should be determined or estimated by the management from the best information available.

c) Separate accounts shall be maintained for unusual costs or losses of a non-recurring nature which are substantial in amount. Such costs or losses shall be separately classified in operating statements so as to clearly disclose their occurrence and nature.

216 FINANCIAL REPORTING

General

The accounting system of the University shall provide for the prompt preparation of all needed financial reports. Financial reports shall be prepared to clearly disclose significant financial facts about the University operations and activities. They shall be prepared and issued when needed to meet internal and external requirements. Where possible, the reporting requirements of top level management shall be met by a summarization of detailed data.

Types of financial reports

The basic financial reports to be prepared, illustrated in Appendix A, include: 1) balance sheet; 2) statement of changes in fund balance; and 3) statement of current funds, revenues, expenditures and other changes.

Specifically designed additional reports may be prepared to supplement the above basic reports. In addition, special financial reports required by the Board of Trustees, the D.C. Government or its committees, agencies of the Federal Government or private sponsors shall be prepared in accordance with prescribed instructions by the requestors.

Separate statements shall be prepared for each fund. In addition, combined or consolidated statements covering two or more funds shall be prepared, where required, to better present the financial operation or condition of the University.

Reporting Standards

Financial reports on the University activities shall be prepared in accordance with the following standards:

1. Fairness of presentation. Fairness of presentation refers to the overall propriety in disclosing of information and requires observance of the following:

a) Completeness and clarity. All essential financial facts relating to the scope and purpose of each report and the period of time involved shall be included and clearly displayed.

b) Accuracy, reliability, and truthfulness. All financial data presented shall be accurate, reliable and truthful. All appropriate steps shall be taken to avoid bias, obscurement of significant facts, and presentation of misleading information.

c) Accounting support. Financial reports shall be based on official records maintained under an adequate system that produces information objectively disclosing the financial aspects of all events or transactions taking place. Where financial data or reports based on sources other than the accounting system are presented, their basis should be clearly explained.

d) Excluded costs. If significant amounts of cost applicable to an activity for which a statement of operations is being presented are excluded by reason of their being financed by other agencies or funds, such exclusions shall be clearly explained in accompanying notes along with estimates of the amounts involved.

e) Extent of detail. The amount of detailed information shown, including explanatory notes as to unusual items, graphic presentations where appropriate, and accompanying interpretative comment, shall be sufficient to provide a clear and complete report. However, unnecessary detail shall be avoided where the effect of its inclusion is to obscure significant financial data.

g) Performance under limitations. Financial performance in relation to statutory or other limitations prescribed by higher authority shall be specifically reported.

h) Consistency. The financial data reported shall be derived from accounts that are maintained in all material respects on a consistent basis from period to period, material changes in accounting policies or methods and their effect shall be clearly explained.

i) Terminology. Consistent and non-technical terminology shall be used in financial reports to promote clarity and usefulness.

2. Compliance with prescribed requirements. Financial reports prepared by the University must comply with: the specific requirements of applicable laws and regulations as to nature, accounting basis, content, frequency, and distribution; and all applicable restrictions pertaining to information that is classified for national security purposes.

3. Timeliness. All needed reports must be produced by the fifteenth of the following month to be of maximum usefulness. The issuance of reports should not be delayed to produce relative minor refinements of data.

4. Usefulness. Financial reports should be carefully designed to present information that is needed by and useful to the persons to whom the reports are sent.

UNIVERSITY OF THE DISTRICT OF COLUMBIA

ACCOUNTING MANUAL

TITLE III

ACCOUNTING AND BUDGET STRUCTURE

CONTENTS

TITLE III

ACCOUNTING AND BUDGET STRUCTURE

301 OBJECTIVES

There are seven objectives to be accomplished in the design of an accounting and budgeting coding system for the University of the District of Columbia Budget and Accounting offices. One, it must be compatible with the account coding structure used by the District of Columbia Accounting and Budget offices. This is necessary to allow legally required interface with the D.C. Budget and Accounting systems. It will also allow continued use of the current computer programs and systems in place at the existing institution under the Board of Trustees, UDC without major modification. Two, it must incorporate the program structure set forth by Western Interstate Commission of Higher Education (WICHE) with changes suggested by the Joint Accounting Task Force (NACUBO/AICPA/NCHEMS) which represent the latest in higher education program structuring. Three, it must allow production of a trial balance without undue difficulty and other related financial reports as recommended by NACUBO and AICPA and also suggested by the University's independent public accounting firm. Four, it must be easily understood and utilized by non-accountant or non-computer specialist. Five, it must distinguish each cost center (FPU) from another regardless of the University's ultimate structure. Six, it must allow accumulation of cost and expenditure by source of funds as well as by distinct accounts as necessitated by constraints and reporting requirements of the funding sources. Seven, it must facilitate reformating of cost data to meet the reporting demands of both internal and external reporting and/or cost accounting systems.

302 BASIS FOR STRUCTURE

The Chart of Accounts presented was developed considering both the needs of the technical budget, accounting, computer and other supporting specialists as well as the need for managers at all levels of the University's organizational structure.

The objective stated above was of prime consideration while at the same time consideration was given to the requirement of flexibility and adaptability to possible changes in policy, procedure, structure of system changes. The enabling legislation was also examined to determine the authority of the University in receipt and disbursement categories of funds. The requirement for compatibility and interaction of a University internal accounting system with the D.C. Accounting system and other interfacing internal and external cost or reporting requirements were also evaluated. Adaptability of the proposed system with existing ADP supporting programs were also considered.

A 37-Character Code will be used by personnel in the technical administrative processing elements of the University (Accounting, Budget, Personnel, Procurement, etc.). Second, a 7-Character Abbreviated Code (pseudo code) which will be utilized by responsible Fundable Program Unit (FPU) heads within the University. The Abbreviated Code (FPU) will provide the minimal essential information which when annotated on the action document will enable the processing technician sufficient information to complete the longer code described above. The codes as herein recommended will provide for all conceived contingencies of the University's internal as well as external fund accounting demands. The codes provide the following:

1. Management, accountability and reporting of funds by the responsible FPU heads.

2. Accumulation and reporting of cost by total University and by major University components.

3. Accumulation and reporting of cost by AICPA Fund Group.

4. Identification and compatibility with D.C. Accounting as to specific appropriation designator, fiscal year and appropriation symbol.

5. Accumulating and reporting of cost by Joint Accounting Group (JAG) budget structure.

6. Compatibility with D.C. Accounting usage of limitation or transactional coding schemes.

7. Identification and accumulation of cost by UDC campus.

8. Identification of specific UDC FPU or cost center.

9. Classification of expenditure by major and sub-object category of expenditures.

10. Identification of obligation authority for each transaction.

11. Identification of expenditures to: a) External sponsoring agency codes, b) Non-appropriated fund sponsors and commercial depository where funds are maintained, and c) Capital projects by project designation and phase.

12. Accumulation of cost and posting of internal general ledger records.

13. Accumulation and identification of cost for federal grants, and non-appropriated funds by specific account designation.

The FPU abbreviated or pseudo code schemes provide: (1) For appropriated funds, the account type and the FPU code (Budget/FPU). (2) Non-appropriated funds, fund type and account code.

303 STRUCTURE COMPONENTS

The proposed account classification code and organization codes are designed to provide the means to record, control, crosswalk and report accounting information to satisfy the needs of the University, the individual components and the District Government. The proposed account classification codes will be a composite account classification code incorporating the system now being used by the D.C. Government, UDC financial computer systems and official forms of the District. Specifically, the new system should accommodate five levels of accountability. Each element of this code is explained below:

1. Agency (2 Alphabetical Characters)

The Agency Code designate the University of the District of Columbia as the agency of record with the District of Columbia Government. In this case, the Agency Code will encompass both the University and its governing Trustees. The Agency Code is the first element of the account classification and denotes the primary level of budgetary accounting controls by the responsible executive and legislative branches of the government.

2. Fund Group Code (1 Numeric Character)

Fund Group Code is a new code which will occupy a position formally reflected as zero in the District Accounting Classification System and which was utilized by the institutions which were merged into the University. The purpose of this code is to identify funds for internal fund accounting purposes. This code provides for a set of self-balancing accounts consisting of assets, liabilities, and a fund balance and is used for reporting purposes in formats as suggested by NACUBO and AICPA Audit Guide.

3. Fund Category/Account Type (1 Numeric Character)

A fund is the generic entity consisting of a set of inter-related accounts which record income and out-go transactions related to a specific purpose. This data element will identify the fund category and in some cases the purpose of the fund within the D.C. Government Accounting system.

4. Fiscal Year (1 Numeric Character)

The Fiscal Year element identifies the fiscal year in which the account originated, unless designated as "No" Year Fund, i.e., funds expenditure not limited to a single fiscal period. General Operating and Federal Grant funds will use the last digit of the Fiscal Year. Special trust and revolving fund accounts will use an "X".

5. Symbol (3 Numeric Characters)

For all operating funds, grants, revolving funds and capital outlay accounts, first position designate the fund; the last two characters of this data element of this identifies account with the U.S. Treasury. For federal grants and contracts, the unique grant or contract identifying codes will be used. This field may change upon transfer of depository responsibilities from U.S. Treasury to D.C. Treasury.

6. Budget Structure (3 Alpha-numerical Characters)

The budget structure will identify the major component and operating programs of the University. This structure also denotes the control levels where cost ceilings within the Congressional budget are set. For the University's purpose, this code represents both component as well as program activity categories as designated in the NCHEMS JAG program classification structure. The budget structure is compatible with and allows necessary interface with the District Government. First position of this code will identify component. The second and third positions of this code identify major subprograms of the University. To conform with the enabling legislation and Board of Trustee approved budget structure, instructional programs are subdivided into two distinct program categories: (a) General Academic Programs (Program 000-4900) and (b) Vocational/Technical Programs (Program 5000-5599). For Federal grants and contracts, this field (Budget Structure) will be used to identify specific project (sub-programs) or components of the grantor contracts.

7. Limitation (2 Numeric Characters)

The limitation field is used to identify the specific types of limits on reimbursements and expenditures, as specified in the D.C. Accounting System.

8. Campus Identification Code (1 Numeric Character)

This code identifies the geographic location of the cost centers (FPU) by campus location.

9. Activity Code (3 Alpha-numerical Characters)

This field will be used to represent a further breakdown of the University's organizational structure, e.g., the School, Division and Department of Instructional Programs, Program Area, Division, Department or Office in non-instructional areas, the activity code provides means of identifying specific cost centers or fundable program units and represents the lowest organization level of fiscal responsibility and reporting. This code is also used to identify the particular FPU to which a Federal grant or contract is assigned.

10. Object Class (4 Alpha-numerical Characters)

The object class elements record the classification and sub-classification of certain types of expenditures, according to the character of resources utilized. This data element will be identical to Object Class codes presently used in the District and Federal Government budget and Treasury regulations.

11. Types of Obligating Authority (1 Numeric Character)

This element identifies the basic types of obligating authority for all accounts for accounting office purposes.

12. Identifier (3 Numeric Character)

The identifier is a further identification of the fund category/ purpose. Three different formats are used in the identifier element to provide a basis for cross-referencing the account designation. The various formats will be external agency designated.

13. <u>General Ledger Code of Level I of Cost Center</u> (9 Alpha-numeric Characters)

General ledger code is a new data element and is designed to contain accounting and account identification information required by the University for accounting control and reporting purposes.

APPENDIX

FINANCIAL REPORTING FORMATS

Balance Sheet

Statement of Current Funds, Expenses, Transfers, and Fund Balances

Statement of Changes in Student Loan, Land Grant Endowment, and Plant Fund Balances

UNIVERSITY OF THE DISTRICT OF COLUMBIA

STATEMENT OF CURRENT FUNDS REVENUES, EXPENSES, TRANSFERS AND FUND BALANCES

FOR THE YEAR ENDED SEPTEMBER 30, 1977

(WITH COMPARATIVE TOTALS FOR THE PRECEDING 15-MONTH PERIOD)

	Current Funds		Total	
	Appropriated (Unrestricted)	Grants and Other (Restricted and Internally Designated)	1977 (12 Months)	1976 (15 Months)
REVENUES:				
Student tuition	$ XXXXXXX	$ -	$ XXXXX	$ XXXXXX
Bookstore revenues	XXXXX	-	XXXXX	XXXXX
District of Columbia appropriation	XXXXXX	-	XXXXXX	XXXXXX
	XXXXXX	-	XXXXXX	XXXXX
Land grant related items -				
Grants	-	XXXXX	XXXXX	XXXXX
Endowment income	-	XXXX	XXXXX	XXXXX
Other grants and contracts, exclusive of indirect cost recoveries below	-	XXXX	XXXXXX	XXXXX
Recovery of indirect costs	-	XXXX	XXXXX	XXXXX
Investment income	-	XXXX	XXXXX	XXXXX
Other	-	XXXX	XXXX	XXXXX
Total revenues	XXXXXXX	XXXXXX	XXXXXX	XXXXXX
EXPENSES:				
Instruction	XXXXXX	XXXXX	XXXXXX	XXXXX
Organized research	XXXXX	XXXXX	XXXXX	XXXXX
Public service	XXXX	XXXXX	XXXXX	XXXXX
Academic support	XXXXXX	-	XXXXX	XXXXX
Student support	XXXXX	XXXXX	XXXXX	XXXXX
Institutional support	XXXXXX	XXXXX	XXXXX	XXXXX
Ancillary operations	XXXXX	XXXX	XXXXX	XXXXX
Total expenses	XXXXXX	XXXXXX	XXXXX	XXXXXX
MANDATORY TRANSFERS FOR:				
Student loan funds matching grants	XXXXX	-	XXXXX	XXXXX
Other matching contributions	XXXXX	(XXXXX)	-	XXXXX
Total expenses and mandatory transfers	XXXXX	XXXXX	XXXXXXX	XXXXXX
NONMANDATORY TRANSFERS TO (FROM) OTHER FUNDS	XXXXXX	(XXXX)	XXXXX	XXXXX
EXCESS OF REVENUES OVER EXPENSES AND TRANSFERS	-	XXXXXX	XXXXX	XXXXX
FUND BALANCE (DEFICIT)	-	XXXXXX	XXXXXX	(XXXXX)
FUND BALANCE, end of period	$ -	$ XXXXXX	$ XXXXXX	$ XXXXXX

The accompanying notes are an integral part of this statement.

UNIVERSITY OF THE DISTRICT OF COLUMBIA

BALANCE SHEET AS OF SEPTEMBER 30, 1977

(WITH COMPARATIVE TOTALS FOR 1976)

ASSETS

	Current Funds				Plant Funds		Total	
	Appropriated (Unrestricted)	Grants and Other (Restricted and Internally Designated)	Student Loan Funds	Land Grant Endowment Fund	Unexpended Plant	Investment in Plant	1977	1976
DEFERRED EXPENSES OF FALL SEMESTER	$XXXXXXX	$ -	$ -	$ -	$ -	$ -	$ XXXXXXX	$ -
PROPERTY, at cost:								
Land (Note)	-	-	-	-	-	XXXXXX	XXXXXXX	XXXXXX
Land improvements	-	-	-	-	-	XXXXXX	XXXXXX	XXXXXX
Buildings and improvements	-	-	-	-	-	XXXXXX	XXXXXX	XXXXXX
Computer lease (Note)	-	-	-	-	-	XXXXXX	XXXXXX	XXXXXX
Equipment	-	-	-	-	-	XXXXXX	XXXXXX	XXXXXX
Library books	-	-	-	-	-	XXXXX	XXXXXX	XXXXXX
Less- Allowance for amortization of buildings and improvements, computer lease, equipment, and library books	-	-	-	-	-	(XXXXXXX)	(XXXXXXX)	(XXXXXX)
Construction in progress	-	-	-	-	XXXXX	-	XXXXXX	XXXXXXX
Total assets	$XXXXXXX	$XXXXXX	$XXXXXX	$XXXXXX	XXXXXX	$ XXXXXX	$ XXXXXX	$ XXXXXX

The accompanying notes are an integral part of this balance sheet.

UNIVERSITY OF THE DISTRICT OF COLUMBIA

BALANCE SHEET AS OF SEPTEMBER 30, 1977

(WITH COMPARATIVE TOTALS FOR 1976)

ASSETS

	Current Funds				Plant Funds		Total	
	Appropriated (Unrestricted)	Grants and Other (Restricted and Internally Designated)	Student Loan Funds	Land Grant Endowment Fund	Unexpended Plant	Investment in Plant	1977	1976
CASH AND TEMPORARY CASH INVESTMENTS	$ xxxxx	$ xxxxxx	$ xxxxx	$ -	$ -	$ -	$ xxxxxx	$ xxxxxx
FUNDS HELD BY THE DISTRICT OF COLUMBIA GOVERNMENT	-	xxxxxxx	xxxxxx	-	-	-	xxxxxxx	xxxxxxx
ACCOUNTS RECEIVABLE:								
Due from the District of Columbia Government	xxxxxxx	-	-	-	xxxxx	-	xxxxxx	xxxxxx
Grants and contracts	-	xxxxxxx	-	-	-	-	xxxxxx	xxxxxx
Tuition and fees, principally from government agencies, net of allowance for doubtful accounts of $xxxxx in 1977 and $xxxxx in 1976	xxxxxx	-	-	-	-	-	xxxxxx	xxxxxx
Accrued interest	-	xxxxx	-	-	-	-	xxxxxx	xxxxxx
Other	-	xxxxx	-	xxxxxx	-	-	xxxxxx	-
NOTES RECEIVABLE:								
National Direct Student Loan Program, net of allowance for doubtful accounts of $xxxxx in 1977 and $xxxxx in 1976	-	-	xxxxxxx	-	-	-	xxxxxx	xxxxxx
Federal Nursing Loan Program, net of allowance for doubtful accounts of $xxxxx in 1977 and $xxxxxx in 1976	-	-	xxxxxx	-	-	-	xxxxxxx	xxxxxx
Other, net of allowance for doubtful accounts of $xxxxx in 1977	-	-	xx	-	-	-	xx	xx
INVENTORIES, at cost	xxxxxx	-	-	-	-	-	xxxxxx	xxxxxx
INVESTMENTS, at cost (market value of $xxxxxx in 1977 and $xxxxxx in 1976)	-	xxxxxx	-	xxxxxxx	-	-	xxxxxxx	xxxxxx

UNIVERSITY OF THE DISTRICT OF COLUMBIA

BALANCE SHEET AS OF SEPTEMBER 30, 1977

(WITH COMPARATIVE TOTALS FOR 1976)

LIABILITIES AND FUND BALANCES

	Current Funds				Plant Funds		Total	
	Appropriated (Unrestricted)	Grants and Other (Restricted and Internally Designated)	Student Loan Funds	Land Grant Endowment Fund	Unexpended Plant	Investment in Plant	1977	1976
LIABILITIES:								
Computer lease obligation	$ -	$ -	$ -	$ -	$ -	$ XXXXX	$ XXXXXX	$ XXXXX
Accounts payable	XXXXXX	XXXXX	XXXX	XXXXX	-	-	XXXXX	XXXXX
Accrued payroll	XXXXXX	XXXXX	-	-	-	-	XXXXX	XXXXX
Accrued annual leave	XXXX	XXXXX	-	-	-	-	XXXXX	XXXXX
Deferred tuition	XXXX	XXXXX	-	-	-	-	XXXXX	XXXXX
Deferred appropriations	XXXX	-	-	-	-	-	XXXXXX	-
Unearned grant receipts	-	XXXXX	XXXX	-	-	-	XXXXXX	XXXXX
Deposits held for others	-	XXXXX	-	-	-	-	XXXXX	XXXXX
Interfund payable (receivable)	-	(XXXX)	XXXX	-	-	-	-	-
Total liabilities	XXXXXX	XXXXXX	XXXXX	XXXX	-	XXXXX	XXXXXX	XXXXXX
COMMITMENTS AND CONTINGENCIES (Note)								
FUND BALANCES	-	XXXXX	XXXXX	XXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX
Total liabilities and fund balances	$XXXXXX	$ XXXXXX	$XXXXXX	$XXXXXX	XXXXXX	$ XXXXXX	$ XXXXXX	$XXXXXX

The accompanying notes are an integral part of this balance sheet.

UNIVERSITY OF THE DISTRICT OF COLUMBIA

STATEMENT OF CHANGES IN STUDENT LOAN, LAND GRANT ENDOWMENT,

AND PLANT FUND BALANCES

FOR THE YEAR ENDED SEPTEMBER 30, 1977

	Student Loan Funds	Land Grant Endowment Fund	Plant Funds: Unexpended Plant	Plant Funds: Investment in Plant	Total
ADDITIONS:					
Expended for plant facilities, including $ from appropriated funds	$ -	$ -	$ XXXXX	$ XXXXX	$ XXXXX
Federal grants	XXXXXX	-	-	-	XXXXX
Interest income	XXXXX	-	-	-	XXXXX
Gain on sale of investments	-	XXXXX	-	-	XXXX
Total additions	XXXXXX	XXXXX	XXXXX	XXXXX	XXXXXX
DEDUCTIONS:					
Provision for depreciation (Note)	-	-	-	XXXXXX	XXXXX
Provision for uncollectible accounts	XXXXX	-	-	-	XXXXXX
Cancellations of student loans	XXXXX	-	-	-	XXXXX
Collection costs	XXXXX	-	-	-	XXXXX
Total deductions	XXXXXX	-	-	XXXXX	XXXXXX
TRANSFERS:					
Mandatory - Student loan matching grants	XXXXX	-	-	-	XXXXX
Nonmandatory -					
Administrative expenses - to Grants and Other Current Funds	(XXXXX)	-	-	-	(XXXXX)
From Appropriated Current Fund	XXXX	-	-	-	XXXXX
Total transfers	XXXXX	-	-	-	XXXX
NET INCREASE (DECREASE) FOR THE YEAR	(XXXXX)	XXXXX	XXXXX	(XXXXX)	XXXXXXX
FUND BALANCES	XXXXXX	XXXXX	XXXX	XXXXXX	XXXXXX
FUND BALANCES, end of year	XXXXXX	$ XXXXX	$ XXXXX	$ XXXXXX	$ XXXXXXX

The accompanying notes are an integral part of this statement.

VITA

The author, a native of North Carolina, was born on January 28, 1940. He received his early education in the public school of Durham, North Carolina. He holds the Bachelor of Science degree from the North Carolina Central University and the Master of Business Administration degree from the Saint Johns University, Jamaica, New York; and a Certificate of Advance Graduate Studies in Education from Virginia Polytechnic Institute and State University. He matriculated in pursuit of a Doctor of Education degree from the Virginia Polytechnic Institute and State University in the area of Administration with Business Administration as a collaterial area.

He is an Army veteran with three years of active duty service.

The author has served as deputy controller for a large non-profit corporation and financial analyst and regional controller with two major corporations. He has also served as Vice President for Business and Finance at two institutions of public higher education.

He is presently serving as Acting Vice President for Administration and Finance at the University of the District of Columbia.

Larry Wilson, Jr.

Larry Wilson, Jr.

A CONCEPTUAL FRAMEWORK FOR FINANCIAL REPORTING IN PUBLIC HIGHER EDUCATION IN WASHINGTON, D.C.

by

Larry Wilson, Jr.

(ABSTRACT)

The purpose of this study was to develop a conceptual framework for improved financial reporting in public higher education in the District of Columbia. Implementation of major concepts was accomplished through development of an accounting manual for public higher education in the District of Columbia which was consistent with the accounting and reporting principles enunciated by the American Institute of Certified Public Accountants (AICPA), in Audits of Colleges and Universities, and by the National Association of College and University Business Officers in College and University Business Administration.

The District of Columbia is unique because the local government performs the functions of state, county, and municipal governments, in addition to functioning as a quasi-federal agency. The District of Columbia government has been severely criticized for the overall quality and integrity of its financial accounting and reporting system. In response to a congressional mandate, the city is undertaking a complete revision of its financial accounting and reporting system.

The existing financial accounting and reporting system for public higher education in the District of Columbia has been following federal agency guidelines in contrast to recommended practices by

AICPA, NACUBO, and NCHEMS. In development and evaluation of an Accounting Manual to be used by the University of the District of Columbia, the author modified a questionnaire, the manual requirements, and supporting reference information to four jury groups. The primary jury group consisted of professionals in higher education financial management in the District of Columbia; the remaining jury groups represented various constituencies that would use the proposed manual or be responsible for its adoption. Based on the recommendations of these jury groups and an analysis of the various legal and operational requirements imposed by statue, a manual was developed that was determined satisfactory for operational implementation.

The author recommends the use of a similar procedure for developing accounting manuals for use by other institutions and cites the benefit of multiple jury groups broadly representative of experts and users.