

COLORADO STATE UNIVERSITY
Financial Statement Procedures
FPI 2-12

1. **Procedure Title:** DCESUP Subfund, CONTED Subfund and ONLPL Subfund.
2. **Application of Procedure:** The CONTED subfund account is used exclusively by CSU Online for credit courses. The ONLPL subfund account is used exclusively by CSU Online for non-credit courses. The net amount due the department's DCESUP subfund account, based on the Memorandum of Understanding (MOU) negotiated between CSU Online and the academic department, will be transferred to the department's DCESUP subfund account at the conclusion of the course.
3. **Application of Procedure:** To explain the DCESUP, CONTED, and ONLPL subfunds.
4. **Exemptions:** The Continuing Education CSU Online program is a CSU enterprise. An enterprise must generate sufficient revenues from outside customers to be self-supporting. Enterprises are allowed to earn as much revenue as they can generate
5. **Definitions:** The following definitions address terminology used throughout this Financial Procedure Instruction:
 - A. **B&FS** - Business and Financial Services
 - B. **CCHE** - Colorado Commission on Higher Education
 - C. **Deficit** - Costs of providing a service exceed the revenue generated by the service
 - D. **Direct Operating Costs** - All costs that can be specifically identified with a service provided by the activity. These costs include salaries, wages and fringe benefits of University faculty and staff directly involved in providing the service, travel expenses, materials and supplies, purchased services, equipment rental or depreciation, interest associated with equipment acquisitions, etc.
 - E. **GASB** - Governmental Accounting Standards Board
 - F. **Institutional Indirect Costs:** The costs of administrative and supporting functions of the University. Institutional indirect costs consist of administration and general expenses, such as executive management, payroll, accounting, and personnel administration; operations and maintenance expenses, such as utilities, building maintenance, and custodial services; building depreciation; administrative and supporting services provided by academic departments; libraries; and special administrative services provided to sponsored projects.
 - G. **MOU** - Memorandum of Understanding. This is a written agreement between CSU Online and another university department, defining the educational outreach activity, services to be provided, and fees to be charged under the agreement.

H. Revenues (Internal and External) - Internal revenues are payments received from other university departments for goods or services provided. External revenues are amounts due or received from outside customers. Note that students, faculty, and staff are external customers. In some cases, a university department may pay the required tuition and fees for a faculty or staff person enrolled in a CSU Online course. Because the source of the revenue is a university department, this is classified as internal revenue. However, if the faculty or staff person is personally responsible for the payment of tuition and fees, it is external revenue since the revenue source is an external customer.

I. RI - Resident Instruction

J. Surplus - The amount that the revenue generated by a service exceeds the costs of providing the service.

6. Procedure Statement:

These policies and procedures provide guidelines for establishing, monitoring, and administering activities in department accounts linked to CSU Online (Division of Continuing Education) courses or conferences and to establish guidelines for CSU Online and related department activities whose sole purpose is to administer Colorado State University's (CSU's) educational outreach programs. These policies and procedures have been established to provide consistent operational practices within the DCESUP Subfund and CONTED Subfund. In addition, they are designed to ensure that activities and use of these funds are accounted for in accordance with CCHE regulations, Generally Accepted Accounting Principles and federal Cost Accounting Standards.

The University's financial policies and procedures for CSU Online activities are described in the following pages. These are not intended to answer all questions regarding the operation of these activities.

A. Description of Subfunds

1. DCESUP Subfund - This subfund is for use by departments, colleges, and administrative units to account for courses, conferences, and other programs conducted under CSU Online. CSU Online is not responsible for the DCESUP subfund accounts, but will transfer funds to these accounts per Memorandum of Understandings (MOUs). The DCESUP subfund accounts are the responsibility of the departments to whom the various accounts were assigned when created. Activities are expected to comply with the University's policies and procedures. Failure on the part of account managers to comply may result in the termination of the activity or other imposed sanctions. Individual departments are responsible for any disallowance, fine, or penalty for failure to comply with these policies and procedures. Departments and colleges must thoroughly review and analyze proposed activities prior to submitting requests to the central administration. Departments and colleges are required to assume financial responsibility for failed activities. All program expenses will be fully costed and comply with CCHE regulations in the DCESUP subfund accounts.
2. CONTED Subfund – Those subfunds managed by and for the operation of CSU Online for credit courses

3. ONLPL Subfund – Those subfunds managed by and for the operations of CSU Online for non-credit courses, badging, Master Gardner, or any other entrepreneurial programs.

B. Responsibilities:

Overall

Financial Control

The institution's financial officers and director are responsible for compliance with CCHE policies, state fiscal rules, recognized accounting practices and good management practices.

Tuition and Fees

Tuition and fees for courses shall be set at levels that ensure that at least full instructional and administrative costs associated with the courses are recovered.

CONTED Subfund

Cost Accounting Standards

Costing standards are needed to fairly cost the course. All costs directly related with a course, either current or a planned future program, are to be recorded in the CONTED Subfund accounts. Costs that should be included are instructor pay and benefits, materials, classroom rental, and other related and necessary expenses.

1. Course Costing:

Instructor cost at (1) actual negotiated rate for non-CSU employee or adjunct, (2) for costing purposes, accounts will be reviewed to see if compensation, equal to at least 10% of the college average annual Resident Instruction (RI) Funded compensation plus fringes for CSU faculty or staff, has been appropriately charged to the account. However, the supplemental pay would be what is actually negotiated by the department and the instructor. The 10% costing standard represents a three-credit offering and will be in the form of an overload pay for faculty working above a fifteen-credit load or an in load cost credit to the RI Fund for faculty working under a fifteen-credit load for that academic year. To assure that an overload payment is for overload work, such payments can only be processed after the second semester begins and the total first plus second semester actual teaching load is equal to or above fifteen credits. (3) guest lecturer cost at actual negotiated compensation.

Course specific: materials; instructor travel to classroom; promotion; classroom rental; student accommodations (e.g., refreshments, transportation).

2. Program Costing:

A program is defined as a series of courses that will satisfy requirements for a degree or certificate. Program staff costs are based upon the level of effort in designing, maintaining, and performance monitoring of programs under their control. Costs should include salary and fringes.

Program specific: marketing and promotion, alternative delivery costs related to outreach, independent study, and distance education.

3. College costing:

College staff directly involved in programming, quality control, and performance monitoring of educational outreach academic efforts. Costs should include salary and benefits based on their level of effort.

Account numbers:

CONTED and ONLPL subfund –
CONTED – 120xxxx – 124xxxx
Reserve Fund – 1240000
Loan Accounts Balance – 1245000
Compensated Absences – 1249990

Object Codes:

Object code 6601 in a departmental CONTED and ONLPL account as CONTED to DCESUP. The department's responsibility is to use the payment from CSU Online to cover appropriate expenses related to courses activity incurred by the department out of their DCESUP accounts.

DCESUP

Funds in Excess of Expenses

Accounts will be reviewed for reasonableness of salaries/professional fees expense in relation to revenues generated, large dollar transactions, types of expenses, and other compliance with costing principles. Failure to comply with proper costing of salaries and expenses in the CONTED and ONLPL subfunds departmental accounts will result in the department losing its authority to manage this activity, termination of the activity, or other imposed sanctions. CSU Online will assess fees prior to distributing funds to the DCESUP account.

Funds that are generated by their CSU Online programs that are above actual expenses should be spent within the University's mission of teaching, research, service and extension.

Budgets

Although there is no established policy for budgets in the DCESUP subfund accounts, it is recommended that managers of DCESUP subfund accounts prepare and submit annual budgets showing expected revenue and planned expenditures for the upcoming

year. The departments enter their own budgets. DCESUP subfund accounts are self-funded and budgets are estimates of revenue and expenses. They do not constitute actual amounts available for departments to spend. The amount of revenue generated in the account is what determines the amount available to spend and the fund must stand alone. Departments are responsible for any deficits caused by overspending, regardless of the accuracy of their budgets.

Budgets for the CONTED and ONLPL subfund accounts are submitted to Office of Budgets (BO) for approval and then entered into Kualii by CSU Online.

Accrual Basis of Accounting

Revenues and expenses are recognized on the accrual basis of accounting in accordance with Governmental Accounting Standards Board (GASB).

Accounts Receivables – At year-end, CSU Online will send B&FS a detailed listing of accounts receivables to include customer, date of invoice and amount of receivable. Based on this listing, the accounts receivables amount recorded in CSU Online' Accounts Receivables accounts in the CONTED and ONLPL subfunds are adjusted to agree with the CSU Online' independent subsystem accounts receivables in the CONTED and ONLPL subfunds. Accounts receivables are not recorded in the DCESUP subfund.

Expenses and Deferred Revenue – Many CSU Online courses cross fiscal years. Revenue received will be prorated based on the number of days the program runs. The prorated portion that occurs in the next fiscal year will be recorded as deferred revenue. Salaries associated with the current fiscal year revenues, but not actually paid until the next fiscal year, should be reported as accrued salaries. Accrued expenses and deferred revenue are only recorded in the CONTED and ONLPL accounts.

Other costs, the CONTED subfund accounts, ONLPL subfund accounts and the DCESUP subfund accounts, should be analyzed to determine if they are current fiscal year expenses or prepaid expenses for the next fiscal year.

G&A Overhead Prorates

Prorate entries (recurring mechanical entries) are used in the CONTED fund to charge general and administrative (G&A) overhead to various accounts. Central Administration (CA) determines the annual charge. Based on CA's schedule of G&A the CONTED subfund accounts are automatically charged and the offsetting credit is to the appropriate central university G&A recovery accounts in the 1-3 (General and Education) Fund.

Deficits

DCESUP accounts are not permitted to incur deficits. On occasion, departments may incur temporary deficits because of the time lag in receiving CSU Online revenue. Deficits incurred for any other reason, especially year-end deficits, must be covered immediately. If the Business Officer looks at the DCESUP accounts as a whole instead of on an account by account basis, then as long as the overall balance is positive it does not need

to be covered. It is recommended for these types that at the end of each fiscal year the expenses and revenues are evened out in the accounts. This prevents the DCESUP accounts from not carrying large deficit beginning balances while others carrying a large surplus beginning balance all within the same department.

BFS monitors deficit accounts in the DCESUP subfund. Deficits should be cleared by the department by using existing DCESUP surpluses or RARSP funds.

Account Numbers:

DCESUP subfund –
DSESUP – 125xxxx – 129xxxx

Object Codes:

The DCESUP subfund uses object code 4800 to record payments from CSU Online to academic departments for service connected with outreach programs. DCESUP accounts are only allowed to have internal revenue not external revenue.

C. Business & Financial Services Oversight

Business & Financial Services oversees the activity in the Continuing Education DCESUP subfund, CONTED subfund, and ONLPL subfund accounts for appropriateness of revenue.

Procedures and Responsibilities:

1. General

An account may only be established in the DCESUP after a department or college has a signed agreement with the CSU Online to provide outreach service. The purpose of this account is to record departmental support of CSU Online activities. There are two general types of account classifications:

Department Account: Academic

This type of account is linked to academic courses in which CSU Online pays the department for teaching CSU Online students. The department, in turn, is required to record salary and other directly associated costs in the same account to ensure proper matching of revenue and expense. If revenues exceed expenses, the surplus should be spent within the University's mission of teaching, research, service and extension. If expenses exceed revenues, the department must cover the deficit. These accounts operate as long as CSU Online and departments have agreements for providing the service.

Department: Conference/Short Course/Other Programs

These temporary accounts are for recording revenues and expenses of a specific conference, short course, or other program. A university department sponsors the activity, subject to the terms of a specific MOU between CSU Online and the department. An MOU must be completed and signed before an account may be set up. This type of account will be

closed after the conference, short course, or other program has been completed, all revenue and expenses have been properly recorded, and the other terms of the governing MOU have been met. An account may be reopened later if the activity is identical or very similar to the original purpose, but a new MOU must always be executed before an account can be re-used. The department may not hold this type of account open indefinitely, nor may it be used for other than its original purpose. If expenses exceed revenues, the department must cover the deficit as soon as the conference or program has ended.

2. MOU Procedures

- a) An MOU will be created describing the program, specifying the department's provision of outreach services on CSU Online' behalf and stating how the revenues are to be shared by CSU Online and the department. The MOU form may be obtained from the CSU Online office.
- b) CSU Online officials and the department will both sign this agreement. This ensures that CSU Online has reviewed the proposed activity and qualified it as a bona fide CSU Online activity and that the proposed activity budget demonstrates proper activity costing, including appropriate charges for faculty/staff salaries and fringe.
- c) A Department can use an existing DCESUP account if available. If a new account needs to be created, CSU Online will suggest an account number and the department will then create the new account in Kualu.

The institution's financial officers and director are responsible for compliance with CCHE policies, state fiscal rules, recognized accounting and good management practices.

7. **References and Cross-References:** More information about CSU Online can be found at <http://www.online.colostate.edu/onlinedistance/>

8. **Forms and Tools:** None.