



**ACCOUNTING PROCEDURES MANUAL
AND
REFERENCE GUIDE**

SECTION 1: FISCAL PROCEDURES

**DIVISION OF BUSINESS AND FINANCE
VERSION 2019.01
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What's New

January 2019

Travel

- This document has been updated to reflect the 2019 IRS standard business mileage rate, which increased from 54.5¢ to 58¢ per mile, and the 2019 IRS standard depreciation mileage rate, which increased from 25¢ to 26¢ per mile. See the Transportation by Personal Vehicle section for details.

December 2018

Travel

- Added a reminder for readers that the state travel policies are to guide colleges in the use of *state* funds. Colleges have broad authority to use local funds within the constraints, if any, provided by those funding sources. This may have income tax implications in certain circumstances.

P-card/credit cards

- Added a reminder for readers to see the State's p-card policy, located on OSC's website at <https://www.osc.nc.gov/documents/commercial-card-transactions-procurement-cards-and-payment-cards>.

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I. Vending & Concession Activities

The board of trustees of each college shall adopt local policies consistent with G.S. 115D-58.13 for the budgeting, accounting and expenditure of funds generated through vending machines and other convenience concession activities. Funds generated through vending facilities, vending machines, and other convenience concession activities shall not be used to supplement the salary of any college president.

II. Travel

A. Purpose of Regulations

Statutory regulations for per diem, transportation, and subsistence allowances for state contained in G.S. 138-5, 138-6, and 138-7 apply to community colleges and their boards of trustees. It is the intent of this section to provide statements of policy for uniform interpretation to pay or reimburse allowable state travel expenses pertaining to official travel and subsistence for official college business.

Notice that this is for *state* travel expenses, and colleges have broad authority to use local funds within the constraints, if any, for those sources of funds. Business officers are reminded that state travel policies are designed to remain compliant with Internal Revenue Code, and any additional level of funding paid from local funds may exceed the IRS allowable limits. In these cases, additional amounts paid becomes taxable to the recipient.

B. Official College Business

Official college business occurs when an employee or other person is traveling to attend approved job related training, work on behalf of, officially represent, or provide a service related to the college mission. Travel that would not directly benefit the college is not reimbursable.

C. Employee Responsibility

An employee traveling on official college business is expected to exercise the same care in incurring expenses that a prudent person would exercise if traveling on personal business and expending personal funds. Excess costs, circuitous routes, delays, or luxury accommodations and services unnecessary, unjustified, or for the convenience or personal preference of the employee in the performance of official college business are prohibited.

Colleges may authorize credit cards and/or procurement cards (“p-cards”) for employees during travel on college business. Employees will be responsible for unauthorized costs and any additional expenses incurred for personal preference or convenience. Employee misuse of college issued credit cards and/or p-cards is grounds for termination. All travel is contingent upon the availability of funds in the proper budget line item.

D. Definition of Terms

For purposes of this policy, the following definitions apply:

Authorized traveler – A college employee or non-college employee (as defined later) who is authorized for travel on official college business (as defined later).

Blanket authorization for college presidents only – G.S. 115D-20(1) requires college Presidents to report to the college's board of trustees. Therefore, the College Board of trustees shall pre-authorize the President's routine travel in the manner they see fit and determine the level of detail they require before authorizing travel, subject to State Board of Community College guidelines. In addition, in the interest of fiscal responsibility, it is the Board's responsibility to examine the President's travel at their discretion.

Blanket authorization for all others, excluding college presidents – A travel approval form necessary to conduct college business on a routine basis and claim mileage reimbursement only. The blanket authorization must contain the following:

1. name of the person traveling;
2. destination(s) and purpose for travel as defined by the college, such as various site visit to monitor classes, nursing instructors commuting to local hospital(s) to conduct student clinical training, commuting to local banks to deposit daily college deposits, commuting between campuses, etc.;
3. dates of travel for example July 1, 201x – June 30, 201x;
4. source of funding; and
5. any other information necessary to justify traveling on a routine basis.

A blanket authorization form may be completed and approval secured annually. The blanket travel authorization form must be approved prior to departure for all routine travel for which reimbursement is issued.

Common carrier – Commercial scheduled airplane, train, or bus.

Conference – A formal gathering for the purpose of conducting business and exchanging information. Registration fees may be paid for the actual amount expended for such meetings as shown by a valid receipt or invoice.

Duty station – While employed by the college, it is the headquarters or job location assigned by the college at which the college employee spends the majority of his/her working hours.

In-state – Within the borders of North Carolina.

Institute – A formal gathering for the purpose of training and instruction. Tuition fees may be paid for instructional costs incurred in such meetings.

Non-college employee – A person who is not legally employed by the college, such as:

- A consultant whose compensation will be paid from a general expense line item rather than from a payroll;

- An employee of another governmental jurisdiction, local or federal, in whose travel the college may have a business interest; or
- A student in a community college or technical college.

Non-state funds – Any funds expended or deposited in the college’s bank account (county, institutional/special, STIF).

International – Anywhere not included in in-state and out-of-state of this subsection. Generally understood to be travel outside of the country, for the purposes of this policy it also includes travel to Alaska and Hawaii.

Out-of-state – All of the contiguous United States except within the borders of North Carolina. This excludes Alaska and Hawaii.

State Funds – Any funds expended or deposited with the State Treasurer, whether derived from appropriations, grants or college receipts.

Stipends – A fixed and regular payment such as a salary for services rendered. Colleges approving stipends must withhold appropriate taxes pursuant to IRS guidelines (see *Publication 15* and *Publication 15-A*).

Subsistence – Lodging, meals, registration, phone calls, and all other items allowed by this policy, which are not defined as transportation by this policy.

Transportation – The means of moving from one physical location to another. The cost of transportation includes reimbursement paid for the use of private or public motor vehicles, fares paid on public conveyances, tolls, and parking fees.

Travel – All activities involving expenses for transportation, subsistence, or registration, which are authorized to be paid from state, federal, county or institutional/special funds or which involve college vehicles for transportation.

E. Authorization

For college presidents only – G.S. 115D-20(1) requires college presidents to report to the college’s board of trustees. Therefore, the board of trustees shall pre-authorize significant or unusual trips, etc., in the manner in which they see fit and determine the level of detail they require before authorizing the trip, subject to State Board of Community College guidelines. In addition, in the interest of fiscal responsibility, it is the board’s responsibility to examine the president’s travel at their discretion. A travel authorization must be completed and approved for all travel not covered under blanket authorization (i.e. overnight trips, out-of-state travel, requests for excess expenses, etc.).

For prospective professional employees
Approval for reimbursement of transportation expenses of prospective professional employees visiting a college for a *call back employment interview* may be approved by

the college president or his or her designee. These expenses are limited to transportation and subsistence for three days at the in-state rate. Amounts in excess of one thousand dollars (\$1,000.00) must be approved by the System Office President and the Office of State Budget and Management.

Students

Students who travel on official college business and whose expenses are paid or reimbursed by the State of North Carolina are subject to these regulations, including statutory subsistence allowances, to the same extent as college employees. Travel by students for the purpose of participating in athletic contests and activities of student organizations must be paid from funds supporting the particular organization or activity, not state funds. Colleges shall pay or reimburse travel expenses related to athletic contests and student organization activities consistent with its local policy, provided that this policy does not provide subsistence allowances that are higher than statutory rates. In addition, state funds shall not be used to charter transportation for student field trips *unless* the field trip is a **mandatory** course requirement, *not optional*, and must be part of the course outline from inception.

For all others not previously listed – An approval form is required for travel that is necessary to conduct college business and not on a routine basis. This authorization allows the traveler to claim mileage and/or per diem reimbursements. A travel authorization form must be completed and approved for all travel not covered under a blanket authorization (i.e. overnight trips, out-of-state travel, international travel, requests for excess expenses, etc.) and must contain the following:

1. name of the person(s) traveling;
2. destination(s) and purpose for which the trip will be made;
3. dates of travel;
4. source of funding (including the department/unit);
5. mileage and/or air fare, hotel and/or registration fee costs, and any other information necessary to justify the trip must be attached/included with the authorization form;
6. excess request (if needed) with justification.

The travel authorization form must secure approval of the college president or his/her designee for all trips prior to departure, regardless if traveling in a college owned or private owned vehicle. In addition, written authorization must be secured ***in advance*** from the college president or his/her designee for excess lodging and for registration fees.

F. Per Diem Compensation

Per diem compensation, whether called a stipend or by any other name, is not authorized for college employees who are in paid status. Employees of the college who are off payroll, but are to return to work and be put back on payroll (such as nine month instructors who are off pay status during the summer months) may receive compensation/stipend for attending conferences and/or workshops during the time

when they are off payroll. Colleges approving stipends must withhold appropriate taxes pursuant to IRS guidelines (see *Publication 15* and *Publication 15-A*).

G. Subsistence Rates

Subsistence is an allowance related to lodging and meal costs, including gratuities. For the purposes of determining eligibility for allowances, travel status means being away from the employee's normal duty station or home and, while traveling, the employee must be acting in his/her official capacity as required by his/her work activities. The maximum allowable statutory rate for meals and lodging (subsistence) are shown in Table 1, below. The maximum includes lodging only if an overnight stay is required and excludes lodging for day trips.

Table 1 – Current daily subsistence schedule.

	In-state	Out-of-state
Breakfast	\$8.40	\$8.40
Lunch	\$11.00	\$11.00
Dinner	\$18.90	\$21.60
Lodging (actual, up to)	\$71.20	\$84.10
Maximum	\$109.50	\$125.10

The payment of sales tax, lodging tax, local tax, or service fees applied to the cost of lodging is allowed in addition to the lodging rate and is to be paid as a lodging expense. The employee may exceed the part of the ceiling allocated for lodging without approval for over-expenditure provided that the total lodging and food reimbursement that the employee is entitled to for that day does not exceed the maximum allowed daily subsistence.

H. Tips and Gratuities

Reimbursable gratuities or tips must be considered reasonable for items that are not already covered under subsistence. Excessive tips will not be reimbursed. A reasonable tip would be one that a prudent person would give if traveling or conducting personal business and expending personal funds. For further guidance, the following information is provided when calculating a tip:

- Airports: baggage handling/Skycaps = no more than \$2 per bag; shuttle drivers = no more than \$2 per bag.
- Parking/auto related: valets = \$2 per car when collecting the car; taxi or ride sharing service drivers no more than \$5 per trip.

Tips for handling baggage at common carrier terminals and/or when arriving at or departing from the place of lodging are allowed and must be itemized under "other expenses". Baggage tips are not counted toward the authorized subsistence maximums, but may be claimed as miscellaneous and excessive tips must be documented with a receipt. Tips for room service and other hotel services are not reimbursable. The costs of laundry, entertainment, alcoholic beverages, "set-up," between-meal snacks or refreshments, and other personal expenses are not reimbursable.

For tips and gratuities for meals, see *Reimbursement for Meals*, later.

I. Out-of-State Travel

Out-of-state travel status begins when the employee leaves the state and remains in effect until the employee returns to the state. However, in-state allowances and reimbursement rates apply when employees and other qualified official travelers use hotel and meal facilities located in North Carolina immediately prior to and returning from out-of-state travel during the same travel period.

J. International Travel

All out-of-country travel must be authorized by the college president or such department official designated by him or her. International travel status begins when the employee leaves the contiguous United States and remains in effect until the employee returns to the contiguous states. If the employee and other qualified official travelers use hotel and meal facilities located outside North Carolina, but within the contiguous United States, immediately prior to and upon returning from international travel (or to Hawaii or Alaska) but during the same travel period, out-of-state subsistence rates shall apply.

K. Authorization for Lodging

Prior written approval by the department head or his or her designee must be obtained in order to qualify for reimbursement for overnight stays. Supervisory personnel certifying the reimbursement request as necessary and proper must require documentation from the traveler to substantiate that the overnight lodging was necessary and accomplished. The travel must involve a travel destination located at least 35 miles from the employee's regularly assigned duty station or home, whichever is less, to receive approved reimbursement. "Duty station" is defined as the location where the employee is assigned. The designation of an employee's home as the duty station requires the approval of the department head.

L. Reimbursement for Lodging

Each authorized traveler is responsible for his or her own request for reimbursement. The travel must involve a travel destination located at least 35 miles from the employee's regularly assigned duty station or home, whichever is less. Requests for reimbursement shall be filed within thirty days after the travel period ends for which the reimbursement is being requested. Specific dates of lodging must be listed on the reimbursement request, which shall be substantiated by a receipt from a commercial lodging establishment (or online residential rental service, if supported by demonstrated savings), not to exceed the maximum per night for in-state or out-of-state lodging as shown in *Subsistence Rates*, earlier. Reimbursement to an authorized traveler sharing a room with a member of his or her family will be limited to the single occupancy rate. Telephone access fees for business calls are considered a miscellaneous expense. Telephone access fees for personal calls are only reimbursable if they comply with the policy found later in this section.

M. Excess Lodging

Excess lodging authorization for in-state, out-of-state, and international travel (including Alaska and Hawaii) must be obtained in advance from the college president or his or her designee. Excess lodging is allowed when the travel is to a high cost area and the authorized traveler is unable to secure lodging within the current allowance, or when the authorized traveler submits in writing an opinion that his/her personal safety or security is unattainable within the current allowance. Excess lodging authorization is not allowed for reason of convenience or personal preference for the employee. The college may allow the authorized traveler to exceed the part of the ceiling allocated for lodging without approval from the college president provided that the total lodging and food reimbursement does not exceed the maximum daily subsistence.

N. Penalties and Charges Resulting from Cancellations

Penalties and charges resulting from the cancellation of travel reservations (including airline, hotel, or other travel reservations and conference registration) shall be the college's obligation if the authorized traveler's travel has been approved in advance and the cancellation or change is made at the direction of and/or for the convenience of the college. If the cancellation or change is made for the personal benefit of the authorized traveler, it shall be the authorized traveler's obligation to pay the penalties and charges. However, in the event of accidents, serious illness, or death within the employee's immediate family or other critical circumstances beyond the control of the authorized traveler, the college may pay the penalties and charges.

O. Authorization for Meals

An authorized traveler may be reimbursed for meals, including lunches, while on official college business when the authorized traveler is in overnight travel status. The destination must be located at least 35 miles from the authorized traveler's regularly assigned duty station (vicinity) or home, whichever is less, to receive approved reimbursement.

Prior written approval by the college president or his or her designee must be obtained in order to qualify for reimbursement for meals if the authorized traveler is within 35 miles of the authorized traveler's regularly assigned duty station (vicinity) or home, whichever is less. Supervisory personnel certifying the reimbursement request as necessary and proper must require documentation from the authorized traveler to substantiate that the payment for meals was necessary and accomplished.

P. Reimbursement for Meals

Each authorized traveler is responsible for his or her own request for reimbursement. Tips for meals are included in the meal allowance. Each meal reimbursement rate must be listed on the reimbursement request. Departure and arrival times must also be listed on the reimbursement request. The costs of meals included in other related activities (registration fees, conference costs, hotel registration, etc.) may not be duplicated in reimbursement requests. An authorized traveler may be reimbursed, if requested, for breakfast even if their lodging establishment offers a free continental breakfast.

Costs of meals furnished with other related activities (registration fees, conference costs, etc.) may not be duplicated on the reimbursement request. See the exception in *Meals and Commercial Air Travel*, later.

Q. Meals during Daily Travel

In recent years, state budget policy allowed for the reimbursement of meals during daily travel if pre-approved. Since there is no exception in Internal Revenue Code to exempt such payments from taxation, the policy was revised to prohibit the practice. The state policy has once again been amended to allow such reimbursements provided that the following conditions are met:

- If a college decides to allow such reimbursements, there must be an approved college policy to clearly outline the allowable expenses and reimbursements. Such policy should dictate that:
 - breakfast cannot be paid unless the employee departs their duty station prior to 6am and the work day is extended by two hours;
 - supper cannot be paid unless the employee returns to their duty station after 8pm and the work day is extended by three hours; and
 - the travel must be to and from a location at least 35 miles from the employee's home or ordinary duty station, whichever is less.
- Under state law, lunches can generally be reimbursed only if the employee is in overnight status. Exceptions to this are set by [NCGS §138-6\(a\)\(3\)](#) and include allowing reimbursement for lunches under these circumstances:
 - When an overnight stay is required reimbursement is allowed while an employee is in travel status;
 - When the cost of the lunch is included as part of a registration fee for a formal congress, conference, assembly, or convocation, by whatever name called. Such assembly must involve the active participation of persons other than the employees of a single State department, institution, or agency and must be necessary for conducting official State business; or
 - When the State employee is a member of, or providing staff assistance to, a State board, commission, committee, or council which operates from funds deposited with the State Treasurer, and the lunch is preplanned as part of the meeting for the entire board, commission, committee, or council.
- If employees receive reimbursement for one or more meals when the employee is not in overnight travel status, these reimbursements must be taxed as compensation. The System Office recommends paying such reimbursements through payroll to ensure that the proper federal and state taxes are calculated and withheld.
- Colleges choosing to implement this policy must ensure that all employees are made aware of the tax implications of the policy in the any policy documentation or employee handbooks and similar references.

R. Meals during Overnight Travel

Authorized travelers may be reimbursed for meals for partial days of travel only when in overnight travel status and the partial day is the day of departure or the day of return. The following applies:

- Breakfast: depart duty station prior to 6:00 am and extend the workday by two hours.
- Lunch: depart duty station prior to noon on the day of departure or return to duty station after 2:00 p.m. on the day of return.
- Dinner: depart duty station prior to 5:00 p.m. on the day of departure or return to duty station after 8:00 p.m. on the day of return and extend the workday by three hours.
- The travel must involve a travel destination located at least 35 miles from the employee's regularly assigned duty station (vicinity) or home, whichever is less.

Unless specifically authorized by local policy and approved in advance, allowances cannot be paid to authorized travelers for meals if travel does not involve an overnight stay.

S. Meals and Day-to-Day Activities

College employees may not be reimbursed for meals in conjunction with a congress, conference, assembly, convocation or meeting, or by whatever name called, of employees within a single college, state department, institution or agency, or between the employees of two or more colleges, state departments, institutions or agencies to discuss issues relating to the employee's normal day-to-day business activities.

T. Meals for Conferences or Events Requiring Employee Attendance

A college employee, when traveling in overnight status, may be reimbursed for meals, including lunches, when the employee's job requires one's attendance at the meeting of a board, commission, committee, or council in one's official capacity and the meal is preplanned as part of the meeting for the entire board, commission, committee or council. Such board, commission, committee, or council must include persons other than the employees of a single college, state department, institution, or agency. This provision does not apply to conference, seminars or workshops *unless* the lunch is a *preplanned* part of the formal agenda, and/or is included as part of the registration fee.

Similarly, a college employee may be reimbursed for meals, including lunches, when the meal is included as an integral part of a congress, conference, assembly, convocation, etc. Such congress must involve the active participation of persons other than the employees of a single state department, institution, or agency; the employee's attendance is required for the performance of his/her duties, *but must not be part of that employee's normal day-to-day business activities*; the congress must be planned in advance with a formal agenda; and the congress must provide written notice or an invitation to participants.

U. Meals and Commercial Air Travel

Authorized travelers are allowed to claim reimbursement for meals even though they are shown and offered as a part of the authorized traveler's flight schedule on a commercial airline.

V. Excess Meals

No excess reimbursement will be allowed from state funds for meals unless such costs are included in registration fees, there are predetermined charges, and/or the meals were for international travel or travel to Alaska or Hawaii. The college president or his or her designee may grant excess subsistence for meals for out-of-country travel. To claim excess subsistence, prior approval must be secured prior to departure.

W. Authorization for Registration Fees

All registration fees must be approved in advance by the college president or his or her designee. Convention or conference registration fees must be included on the travel authorization request prior to departure. Registration fees for webinars or other on-line training that does not involve travel should not be requested on a travel authorization, but should be processed using the college's normal purchasing procedures. The college president or his or her designee must reduce the cost by unrelated items that are not a direct part of the official convention or conference, such as tours or social activities.

Registration fees may be paid by the college or the authorized traveler. An assembly must involve the active participation of persons other than the employees of a single college or agency and must be necessary for conducting official college or state business. When a registration fee includes the cost of one or more meals, it is the responsibility of the college to ensure that reimbursements for such meals are not approved on the travel authorization.

X. Reimbursement or Direct Payment of Registration Fees

Authorized travelers may not claim reimbursement for meals included in registration fees. To reimburse an authorized traveler for a paid registration fee, the employee must provide documentation of the expense by a receipt. It is the authorized traveler's responsibility to obtain the receipt, not the college's responsibility. A copy of a cancelled check used to pay a registration fee cannot be used as a valid receipt for reimbursement purposes. The employee will have to exercise due diligence to obtain a receipt in order to be reimbursed.

If the registration fee is paid by the college directly to the vendor through the accounts payable process, the proper registration fee documentation (i.e. brochures, invoices, etc.) must be received for payment to be processed and filed with the expense voucher as other accounts payable invoices. Registration fees shall be distinguished from tuition fees. Tuition expenses which generate continuing professional education credits must be coded to expenditure object 53980X - Employee Education Expense.

Y. Transportation by Common Carrier

Reimbursement for air, rail, or bus fare is limited to actual coach fare, substantiated by receipt. Reimbursement for check-in fees is limited to actual costs substantiated by receipt. Tickets for commercial air travel may be purchased by the college or by the authorized traveler and claimed on his or her expense account. Travel by coach class must be utilized. Exceptional conditions requiring the use of first class accommodations

may warrant reimbursement provided a statement of the condition is attached. A receipt is required for reimbursement. Flight insurance is not reimbursable.

Requests for all travel as passengers on non-commercial (charter flights) aircraft are made and approved in the same manner as transportation by other means. In order to be approved, the use of a charter flight must be more economical than a commercial flight and/or be necessary because of unusual travel circumstances.

Z. Super Saver Rates

When traveling by common carrier to conduct official college business, authorized travelers traveling to their destination earlier than necessary and/or delaying their return to avail the college of reduced transportation rates may be reimbursed subsistence for additional travel days if, in the opinion of the college president or his or her designee, the amount saved due to the early and/or delayed travel is greater than the amount expended in additional subsistence. When the reduced airfare rates require staying overnight one Saturday night, to be eligible for reimbursement, the authorized traveler must stay overnight on the Saturday closest to the first or last day of official state business to which the authorized traveler is attending. With sufficient justification, the college president or his or her designee can make an exception to this requirement prior to travel commencing.

AA. Transportation by International Flights

Authorized travelers traveling internationally or to Alaska or Hawaii on overseas flights may be reimbursed actual business class fare (substantiated by receipt) with prior approval of the college president or his or her designee.

BB. Frequent Flyer Miles

Frequent flyer miles earned by an authorized traveler while traveling on official college business at state expense are the property of the college. Frequent flyer miles accumulated by an individual authorized traveler during previous official college business trips should, to the extent possible, be used by the authorized traveler accumulating the frequent flyer miles while traveling on future official college business trips.

CC. Coupons or Certificates for Reduced Air Fare

Coupons or certificates for reduced air fare, if acquired by an authorized traveler while traveling on official college business at state expense, are the property of the college and should be used, to the extent possible, by the authorized traveler on future official college business trips.

DD. Fees and Service Charges

With sufficient justification and documentation and with approval of the college president or his or her designee, authorized travelers can be reimbursed for usual, customary, and reasonable fees and service charges imposed by travel agents for assistance in making travel arrangements.

EE. Transportation by Personal Vehicle

Travel shall be conducted in the most efficient manner and at the lowest and most reasonable cost to the college. With regard to passenger vehicle travel, whether in-state or out-of-state, college travel policies shall:

- Maximize utilization of college-owned vehicles
- Make use of State term contracts for short-term rentals (State Term Contract 975B Vehicle Rental Services), and
- Reimburse for use of personal vehicles on a limited basis.

Colleges are encouraged to establish policies that promote efficient travel, such as ride-sharing. When college-owned resources are not available, the college may procure vehicles through the State's term contracts or reimburse use of personal vehicles. If a college employee chooses to use a personal vehicle, actual mileage is reimbursable. Mileage is measured from the closer of duty station or point of departure to destination (and return).

An authorized traveler who has been approved for reimbursement for the use of a personal vehicle shall be reimbursed the current standard business mileage rate set by the Internal Revenue Service (see Table 2, below, for rates as of this publication) or a lower rate approved by the college's board of trustees when using their personal vehicle for official college business and the round trip does not exceed 100 miles in total.

However, if an authorized traveler chooses to use a personal vehicle and the round trip exceeds 100 miles in total, colleges will reimburse the authorized traveler at the current state excess mileage rate (see Table 2, below, for rates as of this publication), or a lower rate approved by the college's board of trustees, for all miles traveled. Parking fees, tolls, and storage fees are reimbursable when the required receipts are obtained (see *Parking*, later). Fines for traffic and parking violations are the responsibility of the state employee.

As mentioned in the last two paragraphs, for the purposes of reimbursing authorized travelers for the use of their personal vehicle for official college business, colleges may use either the prescribed mileage rates and their respective restrictions or establish a lower or more restrictive rate structure than the foregoing rate structure as a result of the limited budget availability for travel (State Board of Community College Action Item Attachment FC-5, 07/16/04). Reimbursement rate structures must be approved and adopted by the college's board of trustees.

It is the responsibility of the college to review the IRS business standard mileage rate annually and obtain local board approval prior to changing the reimbursement mileage rate to the prevailing rate or any amount less than the prevailing rate.

Reimbursement shall not be authorized for expenses which exceed the established rate of travel or actual air-coach rate when:

- A college-owned vehicle is available.
- Railroad, airplane, or other alternate transportation is feasible and would be more economical, considering transportation, subsistence, and salary costs.

For *college owned* automobiles on official state business, reimbursement shall not exceed the rate established by the local board of trustees for transportation by privately owned automobiles *less* the current depreciation portion of the IRS standard business mileage rate (see Table 2, below).

<i>Table 2 – Current* mileage rate schedule.</i>	Per mile
IRS standard business mileage rate	58¢
IRS depreciation mileage rate	26¢
Mileage rate for trips exceeding 100 miles in total	33¢

*As of the date of this document – see www.irs.gov for current rate information

Reimbursement may be made to College Board of Trustees for their commute from their home to their duty station to conduct official College Board meetings.

FF. Transportation by a Rental Vehicle

For both in-state and out-of-state travel, rental vehicles shall be obtained through State Term Contract 975 B Vehicle Rental Services when available. If the rental agency does not bill the college directly, the authorized traveler will be reimbursed up to the rental rate of a standard class vehicle based on the State’s term contract, unless there is a documented business purpose for rental of a larger vehicle and that purpose has been approved through the travel authorization process.

Review State Term Contract 975B Vehicle Rental Services for a complete listing of all vehicle rates and options: <http://www.pandc.nc.gov/975b.pdf>

Differences in cost when renting a vehicle from a class that exceeds the cost of a standard vehicle must be approved in advance by the college president or his or her designee. Without such approval, the authorized traveler must pay the difference in the cost.

Authorized travelers must present an original itemized receipt from the rental agency for reimbursement. Authorized travelers should choose the most economical means of refueling the rental vehicle, which is typically to refuel the rental vehicle before returning it to the rental agency. Gas receipts for refueling the rental vehicle from a commercial gas station or rental agency are required for reimbursement. No reimbursement will be made for rental insurance purchased because college employees are covered under the college’s auto insurance program. However, reimbursement for automobile rental insurance will be permitted for individuals engaged in official college business during travel to international destinations.

GG. Travel to/from Airport at Authorized Traveler’s Duty Station

Reimbursement for travel between the authorized traveler’s duty station or home

(whichever is less) and the nearest airline terminal (or train/bus station if applicable) and for parking (see also *Parking*, later) may be made under the following circumstances. For travel by:

- Taxi, car service, mobile phone ordered car service, or airport shuttle - actual costs with receipt (but see *Tips and Gratuities*, earlier).
- Private car – the business standard mileage rate set by Internal Revenue Service (see *Transportation by Personal Vehicle*, earlier) for a maximum of two round trips with no parking charge, or for one round trip with parking charges. Receipts are required for airport parking claims (see *Parking*, later).
- Use of public transportation – In lieu of using a taxi or airport shuttle, employees can be reimbursed without receipts \$5 for each one-way trip either from the airport to the hotel/meeting or from the hotel/meeting to the airport or the actual cost of the travel with the submission of receipts.

HH. Travel to/from Airport at Authorized Traveler's Destination

Reimbursement for travel to and from the airline terminal (or train/bus station if applicable) at the authorized traveler's destination may be made when travel is via most economical mode available as listed below:

- Taxi, car service, mobile phone ordered car service, or airport shuttle service – actual costs with receipts (but see *Tips and Gratuities*, earlier).
- Rental vehicles - may be used with the prior approval of the college president or his or her designee; however, rental vehicles may not be used for the sole convenience of the employee (receipt required).
- Use of public transportation – In lieu of using a taxi or airport shuttle, employees can be reimbursed without receipts \$5 for each one-way trip either from the airport to the hotel/meeting or from the hotel/meeting to the airport or the actual cost of the travel with the submission of receipts.

II. Parking

Parking expenses are reimbursable while in the course of conducting official college business as long as such expenses are determined reasonable and clearly show that there was care taken to keep the costs to the college as low as possible. Any parking rates considered excessive and only for the convenience of the authorized traveler will not be reimbursable. An example of excessive or inappropriate parking would be the use of an airport's hourly parking lot for an overnight trip.

JJ. Travel Involving Trips Other than to and from the Airport

The actual costs of taxi and shuttle service fares are reimbursable when required for travel on official college business (but see *Tips and Gratuities*, earlier). The request must be documented with a receipt. The use of public transportation is reimbursable for actual costs with a receipt.

KK. College-Owned Vehicles Used for Instruction

Reimbursement is allowed when using college owned vehicles for purposes of instruction, and college policies and procedures must be developed and approved by the local boards of trustees to calculate the appropriate reimbursement rate. Colleges should use the same reimbursement model as is used by the North Carolina Department of Administration (NCDOA) Motor Fleet Management Division for the State of North Carolina.

This model requires colleges to determine the anticipated resale value, salvage percentage, salvage value, and salvage miles for all vehicles. Next, create the applicable vehicle classes (i.e. sedan, truck, van, SUV), and apply the appropriate inflation rate for all vehicles. (Note: NCDOA Motor Fleet uses an inflation rate of 3% for 3 years, per the recommendation of OSBM). Then, colleges will need to determine their mileage reimbursement rate annually by calculating the following:

- Weighted vehicle class depreciation rate
- Vehicle class gas rate
- Vehicle class repair rate

The above rates are then added together to determine the mileage reimbursement rates for each vehicle class. Since college owned vehicles vary in size, number, and class from college to college, each college is responsible for calculating an appropriate reimbursement rate for the institution.

Table 4 – Example mileage and expense calculations.

Vehicle Class	Number of Vehicles	Vehicle Type Description	Miles Driven 7/1/09 - 6/30/10	Total Gas Expenses 7/1/09 - 6/30/10	Total Repair Expenses 7/1/09 - 6/30/10	Total Expenses
SUV	5	2005 Ford Escape Hybrid 4W	60,255	\$5,063.76	\$2,411.51	\$7,475.27
SUV	15	2006 Ford Escape Hybrid	245,215	\$20,864.28	\$3,341.63	\$24,205.91
SUV	8	2008 FORD ESCAPE HYBRID	48,211	\$4,398.61	\$109.72	\$4,508.33
SUV	28		353,681	\$30,326.65	\$5,862.86	

Table 5 – Example depreciation calculations.

Vehicle Class	Number of Vehicles	Vehicle Type Description	Purchase Price	Salvage (%)	Resale Value	Depreciable value	Salvage Miles	Depreciation Weight
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SUV	5	2005 Ford Escape Hybrid 4W	\$24,900.00	25%	\$6,225.00	\$18,675.00	90,000	1.16577
SUV	15	2006 Ford Escape Hybrid	\$18,322.00	25%	\$4,580.50	\$13,741.50	90,000	2.57341
SUV	8	2008 FORD ESCAPE HYBRID	\$12,693.00	25%	\$3,173.25	\$9,519.75	90,000	0.95082
SUV	28							4.69000

Table 6 – Example operational cost calculations.

Vehicle Class	Number of Vehicles	Vehicle Type Description	Depreciation Rate	Gas Rate	Repair Rate	Billing Rate
SUV	5	2005 Ford Escape Hybrid 4W	0.23315	0.08404	0.04002	
SUV	15	2006 Ford Escape Hybrid	0.17156	0.08509	0.01363	
SUV	8	2008 FORD ESCAPE HYBRID	0.11885	0.09124	0.00228	
SUV	28		0.16750	0.08575	0.01658	0.26982

In summary, the steps to calculate mileage reimbursement for instructional use of college vehicles are as follows:

1. Create policies for anticipated resale value, salvage miles, and use of an inflation rate (Note: NCDOA Motor Fleet uses an inflation rate of 3% for 3 years, per the recommendation of OSBM).
2. Determine vehicle classes (i.e. sedan, truck, van, SUV), miles driven, and total gas and repair expenses (shown in Table 1).

3. Use the policies created in Step 1 to determine the salvage miles, to apply the salvage percentage to the purchase price, and to calculate the resale value and depreciable value (shown in Table 2). Determine depreciation rates for each vehicle class (shown in Table 3 fourth column) by multiplying the purchase price by the inflation rate minus the resale value, divided by the salvage miles. It will be necessary to weigh depreciation rates (shown in Table 2 last column) if there are multiple vehicles in a class (i.e. five 2005 Ford Escape Hybrid 4W). Multiply the depreciation rate by the number of vehicles to calculate the depreciation weight.
4. Determine gas and repair rates for each vehicle class by dividing last fiscal year's expenses by the miles driven (shown in Table 3).
5. Add the depreciation, gas, and repair rates for each class to determine the reimbursement rate for vehicles in each class.

LL. Travel Advances

All authorized travelers who travel on official college business may be issued advances when authorized by the college president or his or her designee in order that personal funds will not be required. Fiscal records must be maintained by the college for proper control. Eligibility for advances and reporting requirements are as follow:

- College employees who have been issued college credit cards for travel purposes should not be issued travel advances unless there is substantiated justification.
- Travel advances for occasional travel must not exceed the estimated cost of the trip and may not be issued more than five working days prior to the date of departure. Advances must be deducted from the reimbursement request on the travel expense report that is to be submitted within thirty days after the travel period or June 30th, whichever comes first.
- Travel advances for regularly scheduled travel for employees who travel each month may be made through an annual advance of funds equal to the average monthly expense. All reimbursement requests shall be filed and paid monthly for incurred expenses and the advance must be repaid as of June 30th annually or earlier if required by the college. If it is determined that the monthly reimbursement has averaged less than the annual advancement, the advance must be reduced to the newly established amount.

Travel advances may be issued from grants/special projects from an accounts receivable code in the project's special fund, but the advance cannot be requested from the System Office on the project's request for reimbursement (Form NCCCS 2-33). Only actual expenses will be reimbursed by the System Office. If a college chooses to pay registration fees, airline fare, etc. in advance, the payment should be charged to the appropriate expenditure code and source of funds, not an accounts receivable code.

MM. Long Distance Telephone Charges

Authorized travelers are not allowed to charge long distance phone calls to the college for calls made of a personal nature, except as stated below. All long distance calls that are to be paid by the college are those made pursuant to the employee conducting official college business. Official business phone calls are NOT reimbursable from state

funds. Official business calls may be reimbursed from non-state funds up to five dollars (\$5.00) without the point of origin and destination being identified. Calls over five dollars (\$5.00) must be identified as to point of origin and destination.

NN. Reimbursement for Telephone Charges

Official phone calls are reimbursable under "Miscellaneous." Individual calls over \$5.00 must be identified as to point of origin and destination. Reimbursement must be made from non-state funds.

OO. Allowable Personal Calls

An authorized traveler who is in travel status for two or more consecutive nights in a week is allowed one personal long distance telephone call for each two nights, for which reimbursement to the authorized traveler may not exceed \$3.00 for each in-state call or \$5.00 for each out-of-state call. Documentation is required for reimbursement. Reimbursement must be made from non-state funds.

PP. Employee Emergency Calls

Authorized travelers may be reimbursed for a personal long distance call(s) if such call(s) is/are of an emergency nature as determined by the college. An example is a call made when an authorized traveler calls home to inform someone that the travel period has been extended beyond original plans due to unforeseen reasons. Reimbursement must be made from non-state funds.

QQ. Mobile Telephones

Because mobile telephone charges (cellular and digital) are based on measured use, no personal calls should be made on college-owned mobile telephones except in case of emergency as determined by the college. Mobile telephone calls to conduct official college business should only be used when more economical means of telephoning are not reasonably available. If an authorized traveler uses his/her personal mobile telephone in conducting official college business, the authorized traveler can be eligible for reimbursement when more economical means of telephoning are not reasonably available. In order for the college to reimburse the authorized traveler, the traveler must indicate on his/her telephone bill the reimbursable calls, individuals called, and nature of calls and submit the telephone bill to their supervisor for approval. If the supervisor approves the calls as related to official college business, the college will reimburse the actual billed cost of the call(s) from non-state funds.

RR. Use of Telephone with Computer Hook-ups

Authorized travelers traveling on official college business who need to transmit data electronically (including email) or use the internet for official college business purposes should use the most cost-efficient manner available. Prior to reimbursement, the employee's supervisor must approve. Documentation and justification must be attached to the request for reimbursement. Reimbursement may be made from state funds for data transmissions.

SS. Assemblies Sponsored by the College

Whenever feasible, assemblies should be held in facilities owned by the college. When necessary, other facilities may be rented and the costs charged to participants as part of a registration fee. If no registration fee is charged, rental of facilities becomes local responsibility. For subsistence allowance purposes, the 35 mile limitation with regard to employee's duty station as set forth previously does not apply for employees attending formal meetings.

Assemblies sponsored or co-sponsored by a college are considered formal when they meet the following limitations:

- There are a substantial number of participants, with at least 25 percent of the participants coming from outside the local area.
- The assembly is planned in detail in advance, with a formal agenda or curriculum.
- There is a written invitation to participants setting forth the calendar of events, the social activities, if any, and the detailed schedule of costs.

Registration fees may be charged by the sponsoring college to participants for costs of assemblies. Registration fees collected shall be deposited to a special fund and used to defray expenses of the particular assembly. All registration fees collected for this assembly must be used to pay the cost of putting on this assembly and cannot be used for any other program or purpose. Any funds remaining from collections after paying all the assembly costs must be remitted to the State.

When a registration fee is not charged, sponsoring colleges may provide refreshments for "coffee breaks" provided there are twenty (20) or more participants and costs do not exceed five dollars (\$5.00) per participant per day, per workshop. For coffee breaks to be paid by the college, the following shall be secured:

- an itemized receipt or invoice;
- a list of participants by name; and
- the purpose and duration of assembly or a formal agenda.

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

- the purpose and duration of the assembly;
- the number of persons expected to attend;
- the specific meals to be served at the assembly;
- the approximate daily subsistence cost per person; and
- the name of the conference center, hotel, caterer, or other organization providing the service.

Payments will be made only when sponsoring colleges attach to the payment vouchers an itemized invoice, approved by the college president or his/her designee, with a list of names, addresses, and affiliations of those attending.

It is the responsibility of the college to ensure that reimbursement for meals included in the lump-sum payment are not also included in reimbursement payments made to assembly participants.

Expense reimbursement and payment for participants at formal assemblies
Reimbursement for expenses of college employees or payment expenses incurred on behalf of college employees participating in any formal conferences, convention, school, workshop, institute, seminar, or other organized gathering sponsored or co-sponsored by a college shall be in accordance with all provisions of these travel regulations and shall be based on in-state rates.

Colleges can pay registration fees for their employees when attending meetings sponsored by a college. If any portion of the registration fee is to be used to defray meal costs, it is the responsibility of the college to ensure that its employees are not reimbursed for the same meals charged in the registration fees.

TT. Informal Meetings

College presidents may be reimbursed from state funds for meals for themselves and non-college employees who are their official guests, when accompanying them in the course of conducting official college business. Non-college employees include but are not limited to members of the college's board of trustees, advisory board, and/or curriculum advisory board. Such meals are not subject to the daily maximum limitations on amounts contained in these regulations and the limitations pertaining to minimum distance from duty station does not apply. Cost of meals and other expenses for family members of college employees and/or non-college employees conducting official college business are not reimbursable from state funds.

UU. Travel and Allowances-Part-Time Instructors

Temporary or part-time curriculum and extension instructors who travel more than 15 miles to or from a duty station for the purpose of teaching curriculum and extension courses may be paid mileage expense *in justified cases* approved in writing by the college's president or his/her designee. These payments must be included on an employee's W-2 form as salary payments.

Note: This policy is not intended to reimburse normal commuting expenses.

Subsistence and lodging for temporary or part-time curriculum and extension instructors may be paid when it is deemed more economical for the employee to stay overnight rather than to charge transportation costs on successive days.

If a college requires a part-time employee to travel to a conference, seminar, etc. beyond the times stated in their instructing contract, salary can be paid for the part-time employee to attend the conference, seminar, etc. A new contract must be generated and the new contract shall include written justification stating that the college requires the part-time employee to travel. The new contract costs must include driving time to

and from the conference, seminar, etc., as well as the time spent attending the conference, seminar, etc. The new contract salary costs shall not include time spent each day before the conference, seminar, etc. convenes nor time spent each day after the conference has adjourned (i.e. time spent each evening in their hotel room or participating in events that state funds normally would not support). Salary will only be calculated according to a formal, printed preplanned agenda according to the days and times listed on the agenda that relate directly to conference, seminar, and etc. activities. Salary will be expended from a part-time salary object. All other travel related costs will be expended from the appropriate expenditure object(s).

VV. Timely Filing

Each employee is responsible for his/her own request for reimbursement. All reimbursement requests shall be filed for approval and payment within thirty (30) days after the travel period has ended as reflected on the approved travel authorization or June 30th, whichever comes first. Travel period is defined as the calendar month during which the travel occurred. In the case of continuing education instructors who are paid at the end of a semester, their travel period may be considered to be the end of the contract.

III. Moving and Relocation

A. Conditions and Limitations:

An employee's moving expenses may be paid from state funds only when:

- A change of residence is deemed to be in the best interest of the college if such a change is required as a result of a promotion within the department or by a change in assignment involving a transfer of the employee for the advantage and convenience of the college.
- For existing employees, the new duty station is fifty (50) miles or more from the employee's most recent duty station or residence, whichever is *closer* to the new duty station. For new hires, the new duty station is fifty (50) miles or more from their current residence.
- The state policy has been amended to allow moving expenses for new hires when it is determined that it is in the best interest of the State. This should be limited to difficult to fill positions and the need must be documented. If a college decides to allow such reimbursements, there must be an approved college policy to clearly define allowable conditions.
- Community colleges may use state funds to pay for moving expenses of new presidents when the president's household and personal goods weigh less than 15,000 pounds. Should the president's household and personal goods weigh 15,000 pounds or more, see "Excess Weight Authorization" in the next section.
- Requests for moving expenses for new hires other than presidents must be approved by the president of the college. Requests for moving expenses for new presidents must be approved by the college's board of trustees.
- The move should be accomplished within 90 days of approval. The college's board of trustees may approve an extension of an additional 90 days.
- No payment may be made from state funds for expedited service, space reservation,

or other special or non-routine services by the carrier.

Every effort should be made to expedite the movement of the employee's household goods. However, the time allowed for the employee's locating a new residence and moving is the responsibility of the individual college and should be granted as leave-with-pay, for up to a total of 16 hours, which is accounted for as normal workday activities. Reimbursement for moving and relocation expenses shall be prorated in the same manner in which his/her salary is funded. If the employee's salary consists of for example 80 percent state and 20 percent local, the moving and relocation allowance shall be prorated in the same manner.

All other moving and relocation expenses must be paid from non-state funds.

B. Expenses Paid

The maximum payment from state funds for various categories of costs is enumerated in this section. Any additional costs must be paid from other allowable funding sources or borne fully by the employee.

The Internal Revenue Service (IRS) considers moving expenses paid to an employee directly or indirectly (to one or more third parties on behalf of the employee) as taxable compensation. Any moving expenses paid to an employee based on guidance under the Moving and Relocation section in this manual must be taxed as compensation.

1. Moving of Household and Personal Goods

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

2. Excess Weight Authorization

When due to extraordinary circumstances the total weight exceeds the maximum weight allowable, 15,000 pounds, a request for payment for this excess, which sets forth in detail the nature of such extraordinary circumstances, may be approved by the president, if submitted on behalf of a new employee who is not the president, or the Board of Trustees when the new hire is the college president. Reimbursement shall be based upon the tariff rate of 15,000 pounds, provided reimbursement does not exceed actual poundage costs. Except as otherwise provided specifically herein, payment may be made only for basic services performed by the carrier. No payment may be made from state funds for expedited service, space reservation, or other special or non-routine services by the carrier.

3. Insurance

Payment of transit insurance costs, in addition to that included in the carrier's required base coverage of 60 cents per pound per article, is limited to \$1.25 per pound per article, and coverage for up to 15,000 pounds. Additional coverage is the responsibility of the employee and is not reimbursable.

4. Appliance Connections

The reasonable costs of disconnection of appliances, as defined in this section, at the old residence and reconnection or reinstallation of the same appliances at the new residence, by the carrier or by a service company, may be allowed up to a maximum of \$200. This would include items typically found in performing household operations such as electrical, water, gas hook up, household appliances, and connection of a single telephone. This would not include items considered unnecessary to household operations such as television antennas, cable connection, satellite dish, nor any type of power tools or other equipment associated with home workshops, hobbies, or other activities. Also, utility deposits or the running of utility lines are not a reimbursable expense.

5. Mobile Homes

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

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

Claims for payment for such services, whether performed by the carrier or a service company, must be supported by itemization on the bill of lading or on paid receipts, as applicable, detailing in either case the appliances serviced, the work done, and the individual cost of each such service. Such services performed by the carrier, and for which he assumes complete responsibility, may be invoiced at the applicable tariff rates, and must be further supported by an affidavit signed by the employee verifying that the carrier performed the services.

6. Employee Travel and Subsistence

Payment for travel expenses incurred in moving the employee and his or her family from the old residence to the new residence is authorized as follows:

- a) Locating a new residence
Transportation mileage calculated at the statutory rate for a maximum of three round trips by automobile with each trip not to exceed two days (2 days, 1 night), for total house hunting trips not to exceed 6 days (6 days, 3 nights). Subsistence for meal costs as shown in the travel section for each member of the family per

trip. If overnight lodging is necessary, lodging is limited to one double room and subsistence for the following day is allowable.

b) Move date

Mileage calculated at the statutory rate for a one-way automobile trip (a maximum of two cars). Subsistence for meal costs as shown in the State Budget Manual travel section (Section 5) for each member of the family. Employees have two days to complete the move. If overnight lodging is necessary, subsistence for the following day is allowable. Lodging is limited to one double room. The department head or his/her designee can approve any additional time needed.

c) New duty station

Subsistence at the new duty station is not to exceed five days a week Monday-Friday, or a consecutive five day period, if working a nontraditional schedule. Mileage is limited for one-round trip per week from the employee's current residence to the new duty station, subject to state travel laws and regulations, from the time he or she begins work until he or she moves into the new residence, not to exceed a total of 40 consecutive working days, excluding any leave time.

C. Procedures for Moving and Payment

1. Arranging the Move

Prior to the actual move, the employee will submit a request to the college's board of trustees. The request shall include bids from three movers and an estimate of other allowable expenses. These regulations require competitive bids that do not exceed the tariff rates and charges as published and filed with the North Carolina Utilities Commission. Bidders must have all required state and federal licenses and insurance. Bids included in the request shall include:

- Shipment weight
- Number of cartons
- Charges for loading and unloading
- Cost of transit insurance coverage

Transportation and loading shall be governed by the rules and regulations as contained in tariffs on file with the North Carolina Utilities Commission.

The college's chief financial officer shall accept the low bid unless judged not to be to the college's advantage and interest. The chief financial officer will notify the employee in writing as to the mover receiving the contract. Reimbursement to the employee will be paid after the move and on the basis of the total bid price of the successful bidder and prorated by funding source as outlined in "Conditions and Limitations" earlier in this section.

2. Procedure for Payment

Upon completion of the move, the employee may pay the carrier and/or submit to the college's chief financial officer documentation consisting of:

- A bill of lading from the carrier which shows the actual rates and charges for transporting, loading and insurance, itemized by miles, loading charges with numbers and sizes of cartons, insurance coverage, as spelled out in this section.
- For moves over 50 miles, a certified weight ticket obtained by the mover and certifying the actual gross, tare, and net weights. This can be obtained from platform scales at truck stops, weight stations, etc.
- A copy of the letter authorizing the move. The college shall reimburse the employee or pay the carrier upon receipt of proper documentation. The expenditure should be charged to an account designated Employee Moving Expense.

The *Tax Cuts and Jobs Act of 2017* repealed the federal tax exclusion for moving expenses. Payments by employers to an employee or to third parties on behalf of an employee are taxable to that employee beginning January 1, 2018. Such payments are subject not only to federal and state income tax withholdings but also FICA taxes are well (§11048 of the *Act*). For these reasons, colleges are strongly advised to add the moving expense payments to the employee's pay for the period in which payment is made and run through payroll so that appropriate taxes will be calculated, withheld, and reported. Payments made to third parties could be added as a taxable adjustment and deducted back as a post-tax adjustment.

3. Alternate Procedure

The college board of trustees may approve moving by an alternate procedure provided proper documentation and receipts support the move. The college may reimburse the actual cash expenditure made by an eligible employee in moving his/her household goods by another method, provided such reimbursement does not exceed that which would have been made if a regulated common carrier had been used. This alternative may be applicable for movement of an employee's goods by a rental trailer or truck or by a non-licensed mover. It is the responsibility of the board of trustees to determine if this method is cost effective before approval is granted.

IV. Bookstore Operations

The Operations of the bookstore should be handled through the provisions of Institutional Funds. All financial transactions pertaining to the bookstore should be kept separate from all other activities of the college.

A. Inventory

A complete physical inventory should be taken of all items for resale as of June 30 each year. This inventory should list each item on hand at June 30, and should provide columns for quantity of each unit on hand, per unit cost, and total costs. The total value

of the inventory at costs should be recorded in the ledger and used to arrive at the cost of goods sold. The inventory list should be saved for use in auditing the bookstore.

All items on hand at year-end must be included in the inventory, although invoices on some of these items may not have been received until the following year. Care must also be taken to include any items which may have been returned, but for which credit has not yet been received.

Physical inventories may be desired at times other than June 30 to produce interim statements or some method of inventory estimating may be used as long as the inventory is reported at cost.

B. Bookstore Receipts

Without a Cash Register – The bookstore manager is required to issue a receipt for each sale, and will turn the money over to the business office each day. The cashier will issue a Cash Receipt – General and credit the appropriate revenue account in the institutional funds. The bookstore manager will retain a copy of the receipt for the bookstore's audit file.

With a Cash Register – The bookstore manager should clear the cash register machine at the close of each day and prepare an analysis of receipts for that day. The format of the Daily Cash Analysis will be created in the college Business Office. All overages and shortages must be shown. The business office will issue a receipt as described above. The receipt, analysis and cash register audit tape will be filed together for bookstore audits.

See 1H SBCCC 300.3(b) for the Board policy governing the use of bookstore operating revenues.

C. State Board of Community Colleges' Policy for use of Bookstore Operating Profits

All expenditures shall be consistent with the State Board of Community Colleges Code. See 1H SBCCC 300.3(c) for Board policy governing excess bookstore revenues.

V. Receipt of Library Fees

A. Procedures to be followed in the library

- Collections in the library for overdue books, copy machine use, lost books, etc. should be turned into the business office whenever the receipts total more than twenty-five dollars (\$25), but not less than once weekly. Normally this deposit should be on Friday to avoid leaving cash in the library over the weekend.
- The receipt from the cashier should be filed in the library's files for audit purposes for at least 2 years.

B. Procedures in the Business Office

- The cashier should count the cash and verify the count against the documentation provided by the library for the receipts collected.
- When fines are collected, receipts should be deposited into state funds as a refund

of expense.

VI. Returned Checks

Returned checks will be replaced and should not be charged back against the bank account they received the deposit. Upon notification that a check was returned, the business office will write a replacement check from the institutional Returned Check Receivable account that is in the college's institutional current general fund. This check will be exchanged at the bank for the one that was bad. The journal entry should look like this:

- Debit returned check accounts receivable
- Credit institutional cash

A. Timely Repayment

If the original payor makes the check good, which should be the case most often, the second payment should be deposited directly into the *institutional* fund returned check accounts receivable code.

- Debit institutional funds returned check cash account
- Credit returned check accounts receivable

B. Untimely Repayment-Write Offs

If after one year or more from retrieving the returned check from the bank the check is not made good, and the college has performed due diligence collection procedures, the fund(s) that were originally credited when the check was originally receipted against should be used to write off the debt by:

1. Drawing a check on each fund against which the original bad check was receipted.

If tuition and/or occupational registration fee:

- Debit the revenue account(s) against which the original bad check was receipted
- Credit state disbursing

If institutional funds (i.e. bookstore, student activity, etc.),

- Debit the fund's revenue code the original bad check was receipted against
- Credit the same institutional funds cash

NOTE: If at this point institutional funds are involved, a journal entry may be posted instead of writing an institutional funds check to deposit back to institutional funds returned check accounts receivable.

2. Deposit the refund check(s) to the returned check accounts receivable account in institutional funds.

- Debit - institutional funds returned check cash account
- Credit - returned check accounts receivable

C. Repayment after Untimely Process - Write-Off is completed:

If at any time after the above refund has been made, and/or the account has been written off, the check is made good by the debtor, repayment must be deposited into the codes used in #2, above under Untimely Repayment - Write-Offs.

In charging the receivable (returned check) account, it is recommended that a controlling account and subsidiary ledger be maintained and be available at all times.

Collection of processing fees for returned checks (NCGA General Statutes – Chapter 25) (25-3-506)

A returned check processing fee may be charged for payment of goods or services not to exceed twenty-five dollars (\$25.00) for a check on which payment has been refused by the payor bank because of insufficient funds or because the drawer did not have an account at the bank. The fee must be established by the college's board of trustees and deposited to general unrestricted within institutional funds.

Funds are to be used as follows:

- Support the collection efforts of the college for the returned check.
- Student aid and/or scholarships
- Other expenditures of direct benefit to students. (e.g., funding of positions for financial aid and support of the Student Government Association.).
- Other similar expenses authorized by the board of trustees. (e.g., new faculty positions for start-up of new programs and counselors)

Funds may not be used for:

- Supplemental salaries or bonuses of any personnel.
- Administrative support of the college other than that allowed above.
- College entertainment expense. (Educational activities for non-college personnel or college personnel to enhance student success is permissible. Functions in which the primary purpose is lobbying or soliciting donations would be considered entertainment and are not permissible.)

All expenditures shall be consistent with the mission and purpose of the community college system.

If a collection agency collects or seeks to collect on behalf of its principal a processing fee as specified in this section in addition to the sum payable of a check, the amount of such processing fee must be separately stated on the collection notice. The collection agency shall not collect or seek to collect from the drawer any sum other than the actual amount of the returned check and the specified processing fee.

NOTE: If a student issues a check and it is returned as “insufficient funds”, the college must follow the above repayment policy. At no time can a college remove a student from their current class(es), but colleges are required to adopt a policy to prevent the student from registering for future class(es), curriculum or non-curriculum, or receiving grades and/or transcripts until the debt is repaid.

VII. Deposit of Receipts

A. State Funds

The Board of Community Colleges has provided that state funds shall be deposited in accordance with NCGS §147-77 which requires that every agency or college collecting funds belonging to the State of North Carolina shall deposit same on a daily basis in the name of the State Treasurer in a bank designated by the Treasurer.

The funds collected are to be deposited no later than the next business day following the date of collection. These funds are not subject to withdrawal except by draft of the State Treasurer. Checks which are taken in as receipts shall be endorsed as follows:

“For Deposit Only to the Credit of N.C. State Treasurer By: (Name of College)”

All deposits of State funds will be made on Certificate of Deposit, Form 10-4. The deposit number should be sequential. If on a given day there are no receipts of State Funds, but receipts for other funds, (institutional and/or county) a Certificate of Deposit should still be prepared and electronically transmitted at zero receipts.

Complete instructions on the use of preparation of the Certificate of Deposit may be found in A.P. No. 1.129 and 1.130. (As of this revision, sections 1.129 and 1.130 are not available for viewing on the NCCCS *Accounting Procedures Manual* web page.)

B. Local Funds

The deposit of local funds should also be handled on a daily basis and accounted for on forms provided by the local bank(s). The bank deposit slip should be prepared in duplicate with the original retained by the bank and the duplicate retained by the college and filed with the day’s receipting documents reflecting the deposit.

VIII. Disbursements

All disbursements of funds handled by the college should be made by check or P-Card except for the purchase of items handled through the college’s petty cash account.

Issuance of Vouchers

As covered in NCGS §115A-30, public funds provided for a college shall be paid out as follows:

A. State Funds

All state funds received by or deposited to the credit of a college shall be disbursed only upon warrants drawn on the State Treasurer and *signed by two employees* of the college who shall have been designated by the college’s board of trustees, and who

shall have been approved by the NCCCS Vice President of Business and Finance. Such funds may be disbursed in any other manner provided by regulations of the State Board of Community Colleges.

State funds expended by the colleges shall be disbursed through a disbursing account established for each college with the State Treasurer. The signature of persons authorized to sign vouchers issued on state funds shall be maintained on file with the State Treasurer and the State Board. The State Treasurer will furnish signature cards for this purpose.

The State Board of Community Colleges has established specifications for a standard check form to be used for the disbursement of State funds. Refer to the North Carolina Department of the State Treasurer Financial Operations Division Banking Operations web page for specifications. The cost of printing state checks shall be paid from state funds.

B. Local Funds

All local public funds received by or credited to a college shall be disbursed on warrants signed by two employees of the college that have been designated by the college's board of trustees, and who have been approved by the NCCCS's Vice President of Business and Finance.

IX. Petty Cash

The college will probably find it desirable to maintain a petty cash fund. This should be handled on an imprest cash basis. It would be best to operate a petty cash fund with a minimum amount of cash. The best source to obtain this money would probably be Institutional Funds. **It may not be obtained from state funds.** If it has been determined that fifty dollars (\$50) is the amount needed to establish the fund, a check for this amount should be drawn and charged to Petty Cash.

As this fund is used to pay small bills such as postage, freight, etc. a petty cash voucher would be completed showing the line item charges and initialed by the person receiving the cash; any supporting data available would be attached. Periodically these vouchers would be summarized by line item of expenditure, by fund and a reimbursement check would be drawn to replace these vouchers bringing the petty cash back up to the fifty dollar (\$50) level. The signed petty cash voucher slips and supporting data (i.e. sales receipt) shall be filed as documentation with the check. Petty cash reimbursement checks are made payable to the Chief Financial Officer, or the Cashier, or the custodian of the petty cash fund.

Any accumulated overages or shortages should be cleared at least by the end of each fiscal year.

X. Writing-Off Uncollectible Accounts and College Loans

Colleges shall establish policies and procedures to govern techniques for collection of accounts receivable and delinquent accounts, and the writing these accounts off as uncollectible. These techniques may include use of credit reporting bureaus, judicial

remedies authorized by law, and administrative setoff by a reduction of an individual's tax refund pursuant to the Setoff Debt Collection Act, Chapter 105A of the General Statutes, or a reduction of another payment, other than payroll, due from the college to a person to reduce or eliminate an account receivable that the person owes the college.

The 1979 session of the General Assembly established the Setoff Debt Collection Act (G.S. 105A). The Act provides that North Carolina individual income tax refunds are subject to State claims. A refund in whole or in part may be applied against any past due indebtedness owed the State, provided both the debt and refund, if any, are at least fifty dollars (\$50.00).

The Setoff Debt Collection Act must be incorporated into a college's collection procedures. Colleges will submit for collection all delinquent debts that are at least fifty (\$50.00) which they are owed by individuals. Past due debts include those that have been written off as uncollectible for financial statement reporting purposes as well as those that are still in the collection process. Before final setoff can occur, colleges must notify the debtor of the proposed setoff and of the debtor's right to contest the setoff through an administrative hearing and judicial review.

The following should be considered a minimum effort and should not prevent a college from adopting more stringent measures.

A. For amounts of less than fifty dollars (\$50)

A personal letter which details the date, purpose and amount of the debt should be mailed to the debtor. The debtor should be advised of state policy regarding grade transcripts and registration for future classes. If this measure fails, the account may be written off with the approval of the college's board of trustees. Copies of all correspondence should be retained.

B. For amounts of fifty dollars (\$50) and more

A personal letter which details the date, purpose and amount of the debt should be mailed to the debtor. The debtor should be advised of state policy regarding grade transcripts and registration for future classes. If this measure fails, it should be turned over to the Collection Agency under contract with the State for this purpose and/or turned over to the College's Attorney who will write a collection letter. If the college is notified by the Collection Agency or the College's Attorney that the account is uncollectible, the debt shall be included in the "Set-Off Debt Collection Program" established with the Department of Revenue by G.S. 105A. Use of this program is mandatory for all debts of fifty dollars (\$50) and over. If all these measures fail, the account may be written off with the approval of the college's board of trustees. Copies of all correspondence should be retained.

Uncollectible accounts may be written off of a college's financial accounting records and no longer recognized as collectible receivables for financial reporting purposes, but the legal obligation to pay the debts still remains. Accounts should only be written off when all collection procedures have been conducted without results and management deems the accounts uncollectible. Accounts due from individuals or vendors must be

submitted to the Department of Revenue for setoff debt proceedings at least once prior to write off. (For further details, see Subsection 350, Debt Setoff Programs.) After write off, these accounts shall continue to be submitted to the Department of Revenue for debt setoff proceedings.

A college's write-off policy must be adequately documented. Such documentation must be readily available for audit. Federally sponsored student loans should be written off and no longer considered a debt of the college when assigned to the U.S. Department of Education or other applicable federal agency.

Colleges shall develop policies and procedures to ensure that no student having any outstanding past-due accounts with that institution is allowed to enroll for the next term.

These procedures should be applied to state funds and other funds under the control of the college and that any debts rising from a Federal program are subject to all rules and regulations of the U. S. Department of Education. Also, the college has the prerogative of placing accounts with the Collection Agency or filing legal suits for any amounts.

XI. Student Fees

The State Board of Community Colleges gives local boards of trustees the authority to establish registration and other fees; to provide a new and continuing source of support for college operations; to provide local flexibility in setting fees at what the local market can sustain and retaining those fees locally; and, to provide annual accountability to the State Board in identifying the fees.

A. Establishment of Student Fees

Local college's board of trustees may establish student activity fees, instructional technology fees, college access, parking, and security fees, required specific fees, and other fees but are subject to any State Board established maximums. Guidelines for the local application of each of those fees are established in State Board Code 1E SBCCC 700.1 through 700.7.

General Provisions – 1E SBCCC 700.1

Student Activity Fees - 1E SBCCC 700.2

Instructional Technology Fee - 1E SBCCC 700.3

College Access, Parking and Security Fee (CAPS) - 1E SBCCC 700.4

Required Specific Fees – 1E SBCCC 700.5

Other Fees - 1E SBCCC 700.6

Excess Fee Receipts – 1E SBCCC 700.7

B. Disbursements of Excess Funds Receipts

1. Receipts in accounts that are classified as excess funds should be transferred from the original account source to an account classified as Excess Funds Receipts.

2. Expenditures of Excess Funds Receipts must be maintained in a separate account so that those expenses are kept separate from expenses charged to the non-excess funds in the original account. For example: Self-support collections for the year exceeded expenditures by \$20,000. A college wants to use \$10,000 of these funds to support their welding program by purchasing some welding equipment. \$10,000 should be transferred from the college's self-support account to excess receipts, and the welding equipment should be purchased from the excess receipts account.
3. Funds must be expended in accordance with 1E SBCCC 700.7.

XII. Live Client Projects

See 1H SBCCC 300.1 for State Board policy.

XIII. Parking and/or Traffic Fines (See numbered memorandum CC05-239)

Colleges approving and charging a parking and/or traffic *fin*es must remit collections to the "Civil Penalty and Forfeiture Fund" through the Office of State Budget and Management within 10 days after the end of the calendar month in which the fines were collected to comply with a July 1, 2005 ruling of the North Carolina Supreme Court. Checks are to be made payable to the Office of State Budget and Management and the description of the payment should indicate "FINES AND PENALTIES COLLECTED FOR ____ (insert month and year)" and mailed to OSBM, 20320 Mail Service Center, Raleigh, NC 27699-0320.

This ruling does not affect towing fees collected under G.S. 115D-21 so long as those fees reasonably relate to the actual costs associated with the towing of vehicles. In addition, the decision does not affect library fines or other fines beyond the scope of G.S. 115D-21.

XIV. Overhead Receipts

Many financial aid programs provide for an administrative allowance that colleges can use to offset overhead costs of administering the program. These financial aid receipts shall be divided into two parts:

A. Unrestricted

Twenty-five percent (25%) of the total amount received each year may be used for instruction, student support services, student financial aid (e.g. scholarships, grants, loans, Work Study), student refunds, student activities, curriculum development, program improvement, and professional development. Colleges may also use this portion for costs associated with financial statement audits or any other audits required by the State or Federal Government, OMB A-133 audits, or any other audits required by the State or Federal Government. If the college is required to payback funds as a result of audit findings, the college may use this portion to meet that obligation. These purposes shall be approved by the college's board of trustees only once, unless the purposes are changed. If equipment was permitted by the grant through which the

indirect cost allowance was earned, equipment may be purchased with the unrestricted portion only. Funds cannot be approved for capital improvement projects.

B. Restricted

The remaining seventy-five percent (75%) of the total amount received each year may only be used for the following:

1. Publications containing financial aid and other student services information.
2. College Work Study matching or continuation of the College Work Study Program after regular funds have been exhausted.
3. Salaries and related fringe benefits in financial aid, business office, grants administration or student services, which are necessitated by grants earning overhead receipts. (Supplements to regular salaries are not permitted.)
4. Supplies and materials for use in either the financial aid office, business office, grant administration or student services which are related to the grants providing the overhead receipts.
5. Travel of persons in the financial aid office, student services or others who are responsible for administration of grants providing overhead receipts.
6. Membership dues or fees paid to financial aid and student services associations.
7. Service fees paid to billing and collection services.
8. Contractual services which are related to supporting the grants providing the overhead receipts.
9. Costs associated with financial statement audits, OMB A-133 audits, or any other required audits by the State or Federal Government.
10. Required payback of funds as a result of audit findings.
11. Student financial aid (e.g. scholarships, grants, loans).
12. Other purposes related to supporting the grants providing the indirect cost receipts, upon receipt of written approval from the North Carolina Community College System Chief Financial Officer.

Special Provisions

The fund balance that accumulates from year-to-year in Overhead Receipts restricted, and is available for uses as described in the second part above. Funds should be transferred out of the Overhead Receipts Fund to other appropriate funds to be expended.

XIV. Payroll

A. Partial Month Pay Calculations

Colleges have two options for calculating partial month pay in Colleague: the daily rate method and the hourly rate method. No other method is approved for use at this time.

Daily rate method

Colleges may use the daily rate calculation method when calculating partial monthly pay for employees. Current functionality in Colleague supports the daily rate calculation method for several scenarios, though not all. To calculate the daily rate, Colleague divides an employee's monthly salary by the number of working days in the current working month to calculate a daily rate.

Example: An employee having a monthly salary of \$4,112.10 works 22 days in a particular month that has 23 working days. The gross pay is calculated by dividing the monthly salary of \$4,112.10 by the 23 working days in the month to get a daily rate of \$178.7869. Next, multiply the daily rate by 22 days worked to get \$3,933.31.

Monthly salary	÷	Scheduled working days	X	Actual days worked	=	Partial month pay
4,112.10		23		22		3,933.31

For employees taking leave days without pay, an adjustment can be made on PPGA to delete the number of days that an employee is on unpaid leave.

Example: Assume that the employee in the example above works 19 days out of 23 and takes four unpaid days. The gross pay is calculated by dividing the monthly salary of \$4,112.10 by the 23 working days in the month to get a daily rate of \$178.7869. Once the four unpaid days are removed from PPGA, Colleague multiplies the daily rate by 19 days worked to get \$3,396.95. The salary will be correct using this method without doing any other manual manipulations of the salary in PPGA.

Monthly salary	÷	Scheduled working days	X	Actual days worked	=	Partial month pay
4,112.10		23		19		3,396.95

Hourly rate method

In most cases, adoption of the daily rate method will eliminate the need for any manual calculations. However, if a new employee has a wage start date after the first working day of the month or if an employee leaves and has a wage end date before the last working day of the month, Colleague will pay the employee using an hourly rate method in which the monthly gross is divided by the number of working hours in the month. Colleges wishing to avoid manually calculating the partial pay and manually correcting the amount shown on PPGA are permitted the flexibility to accept the hourly rate calculation.

A college may choose to make the manual interventions necessary to pay by the daily rate method if preferred but is not required to do so. Furthermore, the college may

choose the method on a case-by-case basis using professional judgment to decide which method is more appropriate under the circumstances of the individual situation.

As a reminder, pay is not received for any days designated as a holiday in the following cases:

- Holidays that occur before the beginning date of employment;
- Holidays that occur after the last date of employment; or
- Holidays that occur after an employee goes on extended leave without pay if the employee does not work at least half of the workdays in that same month.

Questions about Colleague human resources and payroll processes can be directed to the CIS

Help Desk at cishelpdesk@nccommunitycolleges.edu or (919) 807-7048.

B. Spreading Pay

As a service to employees on contracts shorter than twelve months, as well as for administrative efficiency, colleges may decide to offer the option of spreading contract pay over twelve months. This has the advantage of offering these employees a year of paychecks and it benefits the college by easing the burden of collecting payments from contract employees for the cost of their benefits during the months in which no paycheck is issued.

Internal Revenue Code (IRC) calls compensation earned in one period but paid in a later period deferred compensation, and it is further classified as qualified or non-qualified. Qualified deferred compensation is money deducted from an employee's check and deposited into funds that meet the terms of IRC §401(k), §403(b), or §457(b). Non-qualified deferred compensation is any other type of deferred compensation unless specifically exempted.

In the guidance provided by Notice 2008-62, IRS originally exempted up to a limitation of \$15,500 of deferred pay for instructional personnel as set by IRC §402(g)(1). For tax year 2018, the revised limitation is \$18,500.¹ That means that as long as the employee is paid the entire amount of their contract within the thirteen-month period that begins in the initial month of their working period (i.e., the first of the month that their contract begins) and there is a written or electronic agreement in place with the employee accepting spread pay, any deferral of pay up to the limitation is essentially treated as though it were earned in the subsequent tax year for tax purposes.

Under the IRS rules, colleges have three options:

1. A college may elect not to offer to spread pay;
2. A college may elect to offer to spread pay; or
3. A college may elect to require spreading pay.

For colleges who elect to offer to spread pay but not require it, a policy should be adopted stating whether participants will be allowed to alter their spread pay agreement

or cancel it entirely during the work period. Note that the process of switching to or from a spreading agreement during a working period requires manual calculations and colleges should consider whether this is a service that they want to offer.

Regardless of whether the colleges allow intra-period modifications, agreements should specify the terms of the spread pay agreement, including when the pay is earned, the method by which the current portion will be calculated for payroll purposes (such as *pro rata*), and when the deferred portion will be paid. Colleges should pay out any unpaid balance of earnings upon termination of the employee.

¹See <https://www.irs.gov/newsroom/irs-announces-2018-pension-plan-limitations-401k-contribution-limit-increases-to-18500-for-2018>

C. Members of Boards and Commissions as Employees

As outlined in Numbered Memo CC17-033, community college board and special commission members should generally be treated as employees for tax purposes. Federal revenue regulations provide that a public official must be an employee of the organization and payroll withholding regulations must be followed. Internal Revenue Code §3401(c) provides that the term employee includes, “an officer, employee, or elected official of the United States, a State, or any political subdivision thereof, ...or any agency or instrumentality of any one or more of the foregoing.”

On its website (<https://www.irs.gov/government-entities/federal-state-local-governments/tax-withholding-for-government-workers>) IRS defines “public office”:

- The constitution, legislation, or a municipality or other body with authority conferred by the legislature created the office
- The office was delegated a portion of the powers of a government body
- Legislative authority or law defined, either directly or indirectly, the powers conferred and the duties to be discharged by the office

In the same place as the foregoing, IRS provides the following examples:

- President and the vice president
- Governor or mayor
- Secretary of state
- A member of a legislative body such as a state legislature, county commission, city council, school board, utility or hospital district
- A judge, a justice of the peace, a county or city attorney, a marshal, a sheriff, a constable and a registrar of deeds
- Tax collectors and assessors
- Members of advisory boards and committees like boards of education, water boards and other boards and commissions

Colleges should not only treat members of boards and commissions as employees, generally, but should also run all other forms of taxable compensation through the payroll system and tax them as ordinary compensation. Other forms of compensation

typically include routine personal/commuting use of a business vehicle, travel allowances, travel reimbursements that exceed customary amounts (amounts that would have been provided to any other employee in the normal course of business), season tickets to theatre or sporting events, and country club memberships. While most of these are not common among colleges, readers should be aware of these specific categories. Please see the following section, “Taxability of Payments and Accountable Plan Rules,” “De Minimis Fringe Benefits,” and, “Awards,” for more rules that apply to members of boards and commissions.

D. Taxability of Payments and Accountable Plan Rules

All amounts paid to employees are taxable unless specifically excluded by regulation. In *Publication 463*, IRS defines an accountable plan as one in which the expenses must have a business purpose, that the recipient is accountable to the employer for the amount spent within a reasonable period of time, and that excess funds received over the actual expenses are returned to the employer. A “reasonable period of time” could be thirty days prior to travel for a travel advance, sixty days after travel for an accounting of actual expenses, and up to a few months after travel for repayment of any excess.

An example of reimbursement under an accountable plan would typically involve reimbursing employees or board members for actual lodging and meal costs or providing reasonable per diem allowances. Examples of payments that would not qualify as reimbursements under an accountable plan would include reimbursing employees or board members for commuting expenses, routine meal reimbursements when not in travel status, and transportation or vehicle allowances for which employees are not required to account and return any excess.

E. De Minimis Fringe Benefits

Similarly to accountable plan rules, IRS regulations provide that colleges may elect to provide tokens of appreciation to employees, including board members, and exclude the value of such items from taxable wages if certain de minimis benefit rules are met. In order for a benefit to be a de minimis fringe benefit, it must be property or service that has so little value, considering the frequency of providing such a benefit, that accounting for it would be unreasonable. Cash and cash equivalents (such as gift cards), season tickets for theater or sporting events, country club or athletic club memberships, and similar items are never de minimis. A few examples of de minimis fringe benefits include:

- Holiday or birthday gifts, other than cash, with a low fair market value;
- Occasional personal use of a business cell phone; and
- Occasional theater or sporting tickets.

For more information, consult *Publication 15-B*.

F. Awards

There are federal revenue regulations specific to awards that increases a college's flexibility for tax-free gifts, but the rules can be tricky. First, the recipient must be considered a legal employee. Second, it must meet all of the following criteria:

- it is given to an employee for length of service or safety achievement;
- it is awarded as part of a meaningful presentation; and
- it is awarded under conditions and circumstances that don't create a significant likelihood of disguised pay.

These criteria are spelled out in *Publication 535*, and in that document IRS tells readers that the payment can be *deducted*, even if paid in cash. Since colleges don't pay income taxes, deduction is not what is important. Whether the employee must be taxed on the gift is what is important, and that is discussed in *Publication 15-B*. If the award is in cash, a cash equivalent (such as a gift card), vacations, meals, country club memberships, tickets to theatre or sporting events, and similar items, then it is taxable to the employee.

Otherwise, such gifts are excludable from an employee's wages under the following circumstances:

- the award is made under an established written plan, and
- the plan does not discriminate in favor of highly compensated employees (see *Publication 15-B* for the current limits), and
- the average cost of all employee achievement awards (both qualified and nonqualified awards for length of service and safety) made by the employer during a single year does not exceed the cap (see *Publication 15-B* for the current limits).

For more information, consult *Publication 15-B*.

XV. Foreign National Compliance Policy

All North Carolina State Government Agencies, Universities, Community Colleges and Institutions have been tasked with the responsibility of withholding and reporting on payments to Foreign National individuals and vendors in accordance with the IRS Code Regulations Section 1441 and policies established by the Office of the State Controller (OSC). These policies and procedures are posted on the Office of the State Controller website at

http://www.osc.nc.gov/Foreign_Nationals/Foreign_Nationals_Information.html

The Tax Navigator software package was purchased by OSC and provided to state entities to assist in properly withholding and reporting payments made to foreign nationals working and studying in North Carolina. The software consists of components that calculate all applicable tax withholding, deliver all necessary tax analyses and forms required, and stand recognized by the IRS as valid software for withholding and reporting for Foreign Nationals.

The software contract terms stipulate that five community colleges have licenses to use, manage and maintain the software locally on their campuses, while the remaining 53 colleges are managed through a central database at the North Carolina Community College System Office (NCCCSO) Systems Accounting and Special Projects section of the Division of Finance and Operations. All licenses are funded and paid for by the System Office. The five colleges that have the software on campus are:

- Asheville-Buncombe Technical Community College
- Central Piedmont Community College
- College of The Albemarle
- Guilford Technical Community College
- Wake Technical Community College

A. College Responsibilities

As part of the Foreign National Compliance Program, all colleges must develop written internal policies and procedures that establish their own internal business flow process between Human Resources, Student Services and Accounts Payable. Any payments to foreign employees, vendors, contractors and students must be tracked within each college. All colleges must designate a contact person or persons in the areas of Human Resources/Payroll, Student Services, and Accounts Payable/Purchasing to communicate with the System Office and the Office of the State Controller (OSC) on matters related to foreign nationals and the Tax Navigator software. Each college submits a Foreign National College Contacts form assigning the contact(s) for each area, and the System Office verifies and updates these contacts periodically. Colleges can select as many contacts in each area as needed, and the same person can be the contact for one or more areas.

The 48 colleges managed centrally through the System Office must also submit and maintain a Foreign National College Authorized Signature Form. The designated individuals are responsible for signing the Foreign National Data Gathering Form and the Foreign National Payment Certification Form, certifying that the information being submitted has been reviewed and is accurate to the best of his/her knowledge. These individuals are also responsible for signing the forms to be submitted to the IRS or Immigration office when necessary. It is recommended that authorized signature designees for each college include the Chief Financial Officer and the Human Resources Director.

When presented with a foreign national vendor, contractor, student or employee, the college should complete either the Foreign National Vendor Data Gathering Form or the Foreign National Data Gathering Form found on the Business and Finance website and return to the Systems Accounting and Special Projects section of the Division of Finance and Operations. Once the form has been reviewed and processed, Systems Accounting staff will notify the college of the applicable taxation rules.

It is the college's responsibility to gather all data for each individual to be tracked through Tax Navigator, whether processing the data in the locally or through the System Office, before payment is issued.

If payments made by the college to the foreign national vendor, contractor, student or employee are taxable, the college must withhold federal and/or state taxes as instructed. Payments and tax withholdings must be certified to the Systems Accounting and Special Projects Division of Business and Finance every quarter using the Foreign National Payment Certification Form.

B. Workflow for Colleges Managed through the System Office

1. College identifies a foreign national or foreign vendor that will be compensated via payroll, accounts payable or student services. The appropriate department should maintain a copy of evidentiary and supporting documentation, such as I-9, I-20, I-94, I-797, passport, employment authorization card, visa, DS-2019, W-8BEN, W-ECI, etc.
2. College completes the FNIS Data Gathering Form or FNIS Vendor Data Gathering Form and submits via email with supporting documentation to the System Office to nordstroml@nccommunitycolleges.edu.
3. System Office establishes the record containing demographic data in Tax Navigator, performs the Substantial Presence Test (SPT) and/or Treaty Analysis, if applicable, and notifies the college contact via email of the appropriate taxation rules.
4. College certifies payment and withholding information to the System Office on the Foreign National Payment Certification Form for each individual/vendor added to the system for tracking. This form will be submitted on a quarterly basis to update the information in the Tax Navigator.
5. System Office will update all records quarterly from the payment information submitted by the college.
6. At the end of the calendar year, IRS Forms 1042, 1042-T and 1042-S will be printed by the System Office and sent to the college to be submitted to the IRS by March 15 each year. Form 1042-S must also be distributed by the college to the foreign nationals/vendors by March 15 each year.

XVI. Fixed Asset Policy

A. Capitalized Assets

A capital asset is property, such as land, land improvements, easements, buildings, equipment, works of art and historical treasures, and infrastructure, with a cost equal to or greater than \$5,000.00 and a useful life of two or more years. Capital assets are acquired for use in normal operations and are not for resale. These assets must be capitalized and entered on the College's fixed asset inventory system. A physical inventory must be taken of inventoried assets at least once a year.

B. Non-Capitalized Assets

Assets costing below \$5,000.00 are expensed, not capitalized, nor depreciated for financial reporting purposes. These assets **are not consumable and have an extended useful life**. Non-Capitalized Equipment is purchased using either the **expense object code 555100 (Non-Capitalized Equipment) or the expense object code 555200 (Non-Capitalized Equipment – High Risk)**. **Non-Capitalized Equipment** is a non-consumable asset and should never be purchased using a supply object code. **Object Codes 555100 and 555200** can be used with either a **capital purpose code (920, 940) or with a current operating purpose code (1XX, 220, 3XX)**,

4XX, 510). Only expenditures charged to capitalized equipment object codes in purpose code 920 will be used to calculate the amount of equipment carryover funds.

C. High Risk Assets

The System Office has designated the following equipment as **high risk**: data processing and networking equipment, servers, computers, laptops, portable projectors, iPads and other tablets, and guns.

Equipment that the System Office considers high risk must be purchased **using the expense object code 555200 (Non-Capitalized Equipment – High Risk)**.

Colleges can also use **expense object code 555200 (Non-Capitalized Equipment – High Risk)** for other items that they consider high risk, such as, audio-visual equipment, microscopes, and medical equipment. Using a separate object code for high risk equipment purchases provides a balancing tool between the monthly state funds expense report and the fixed asset inventory system, for those colleges that are adding non-capitalized high risk equipment to their fixed inventory system.

D. Fixed Assets System

Colleges are required to enter capitalized assets to the college's fixed asset inventory system

Colleges are not required to enter equipment purchased with a non-capitalized equipment object code to the college's fixed asset inventory system, but are allowed and encouraged to track them on the inventory system. Non-capitalized assets tracked on the inventory system must be designated with a source code of 9.

An annual physical inventory is not required on non-capitalized inventoried items, but Colleges **should inventory non-capitalized items kept on the inventory system at least once every 2 to 3 years, if not annually**, and high risk items not kept on the inventory system at least once every 2 to 3 years, if not annually.

Colleges must have the ability to **keep track of high risk non-capitalized equipment**. The college's tracking process for **Non-Capitalized Equipment – High Risk** items must be written and reported to the System Office. Colleges submit their written process to the System Office upon request, and the written process must be **signed** and approved by the CFO.

XVII. Reporting Damage, Theft, Misuse of State Funds/Property

- Report the damage, theft, embezzlement, or misuse of any state-owned personal or real property by institutional officials or employees to the Director of the State Bureau of Investigation in accordance with G.S.114-15.1
- Whistleblower Protection
- State Auditor Hotline
- Retirement Hotline: The North Carolina Retirement Systems has created a Fraud and Abuse Hotline that allows citizens to report potentially fraudulent behavior by members, benefit recipients and employers in the Retirement Systems. You are encouraged to contact the N.C. Retirement Systems to report possible fraud and abuse regarding areas such as:

- Return-to-work violations
- Disability fraud as it pertains to the N.C. Retirement Systems, not Social Security disability
- Receipt of a deceased member's benefits
- Impersonation of an N.C. Retirement Systems employee

Report Retirement Systems fraud now to one of the following:

- 1-855-90FRAUD (1-855-903-7283)
- 1-919-807-4945 (Raleigh area)
- www.nctreasurer.com/retfraud to submit a fraud report

XVIII. Changing depositories

The Banking Operations team within the Financial Operations Division of the Department of State Treasurer is excited to announce a new page on the Department's website that will provide resources and guidance on our depository relationships across North Carolina. Visit the new page here:

<https://www.nctreasurer.com/fod/Pages/Banking-Relationships.aspx>

XIX. P-card/credit cards

Refer to the Administrative Code **01 NCAC 05B.1523** and **NCGS §143-49(8)** for rules governing the use of p-cards. Also see the state p-card policy 500.12 on OSC's website at <https://www.osc.nc.gov/documents/commercial-card-transactions-procurement-cards-and-payment-cards>.

A. P-Card Rebates

The system office will generate payments to colleges receiving procurement card rebates when notified by the Office of the State Controller (OSC) and funds are received from the Department of State Treasurer.

Colleges should deposit the rebates into the general ledger account(s) where the original expenditures were made. Any amounts deposited to state fund general ledger accounts should be recorded as refunds of expenditure using the appropriate NARD code so that these amounts are reflected accurately on the monthly 2-12 Receipts and Deposits page.

The federal government must be allocated their portion of any rebate received from the use of procurement cards by colleges. The federal portion is based on the participation by the federal government in the particular grant or program that generated the rebate. Each college is responsible for calculating the federal financial participation rate, applying that rate to the rebate received and remitting that amount back to the specific granting federal agency via check. The exact procedure for the return of funds should be agreed upon with the granting agency.

An OSC approved method to calculate the federal financial participation rate is to divide total college Schedule of Expenditures of Federal Awards (SEFA) expenditures for the fiscal year by the total college expenditures for the fiscal year for accounts with any

federal revenues. Any other method by which a more precise rebate allocation is generated may also be used, including the actual rate for a particular grant where the federal funds were spent, if that is easily identified.

Each college is responsible for proper documentation on the receipt of these funds, the accounts to which they were deposited, any methods of calculation or allocation between accounts and/or federal portions, and all other details about accounting for these rebates, as each college is responsible for any future inquiries concerning the receipt and processing of these rebates.

XX. Records Retention

Refer to the State Records Retention Schedule on the State Archives website for rules governing the retention of state records. The URL for the current retention schedule is: http://archives.ncdcr.gov/Portals/3/PDF/schedules/NCCCS_Colleges_Final_7-26-16.pdf?ver=2016-08-08-113555-747. This link was posted to the North Carolina State Archives blog located at <https://ncrecords.wordpress.com/category/schedules>.

XXI. Document History

Date published	Description
March 2015	<p>Travel – Corrected the total daily travel reimbursement rates as shown in the written words. (The reimbursements amounts shown on the chart in Section II, Part C and shown in numbers in Section II, Part B were correct)</p> <p>Travel – Statement about on-line training added to the section on Registration Fees - All registration fees must be approved in advance by the college President or his/her designee. Convention or conference registration fees must be included on the travel authorization request prior to departure. Registration fees for webinars or other on-line training that does not involve travel should not be requested on a travel authorization, but should be processed using the college’s normal purchasing procedures.</p> <p>Moving and Relocation – Added a statement giving colleges blanket approval to use state funds for moving and relocation expenses for new Presidents Moving expenses are not allowable for initial employment or if the employee requests the change. The Office of State Budget and Management (OSBM) has approved one exception to this rule. They have given Community Colleges blanket approval to use state funds to pay for moving expenses of new Community College Presidents when the President’s household and personal goods weigh less than 15,000 pounds. Should the President’s household and personal goods weigh 15,000 pounds or more, colleges must request permission from OSBM.</p> <p>Moving and Relocation – Clarification that the Office of State Budget and Management is the approval authority for approving employee moving expenses when household goods weigh above 15,000 pounds</p> <p>Writing off Uncollectible Accounts and College Loans – This section was</p>

	<p>completely rewritten and the minimum requirements were changed to give colleges more flexibility.</p> <p>Student Fees – Disbursements of Excess Funds Receipts section added. Requires colleges to keep the expenses related to excess funds receipts in a separate institutional account from the original source account.</p> <p>Payroll – Updates the Partial Monthly Pay Calculations section to the daily rate method which is the way colleague calculates partial monthly pay</p> <p>Foreign National Compliance Policy – Change in the number of colleges that maintain their own Tax Navigator (Windstar) software license for foreign tax compliance from ten to five.</p>
June 2015	<p>Payroll – Spreading Pay was added. Provides guidance to colleges about spreading pay for employees on instructional contracts less than twelve months.</p>
October 2015	<p>Travel – The travel policies were updated for current rate information.</p> <p>Payroll – <i>Partial Month Pay Calculations</i> and <i>Spreading Pay</i> were combined into a single Payroll section. This section combines the payroll issues into one section and updates the guidance on partial month pay to offer colleges flexibility in calculating partial month pay.</p> <p>Document History – section was added. This will allow users to track the history of modifications to this document.</p>
March 2016	<p>Travel – In addition to being completely reorganized for better reference and to reduce redundancy, the travel policies were updated for:</p> <ul style="list-style-type: none"> • the decrease in IRS mileage rate from 57.5¢ per mile to 54¢ per mile; • the current IRS depreciation rate of 23¢ per mile; • the current state motor fleet rate of 34¢ per mile; • the introduction of a tiered mileage reimbursement system for mileage above and below 75 miles per trip; • the rental of vehicles under state contract; • the allowance of tips for taxi and other ground transportation drivers of 15% of the fare plus up to \$2 per bag; and • the handling of “super saver” rates and frequent flyer miles earned on official college business trips. <p>Live Client Projects – Readers are now referred to the Board policy at 1H SBCCC 300.1.</p> <p>P-card/credit cards – In accordance with Office of the State Controller Memo No. 15-22, this section was updated to reflect that federal rebates are no longer to be sent to OSC but remitted directly to the granting agency.</p> <p>Records Retention – section was added. Refer to the State Archives website for the State Records Retention Schedule. Currently, the URL is http://stateschedules.ncdcr.gov/Schedules/North%20Carolina%20Community%20College%20System/Colleges%20in%20the%20Community%20College%20System/NCCCS_Colleges_CommCollSystem_Admin.pdf</p>

	This document was updated for ADA compliance. The font family was converted from serif to sans serif. The online version will be available in grayscale.
December 2016	Travel – In accordance with Numbered Memo CC16-052, this document has been updated to show that reimbursement for official use of a personal vehicle is to be reimbursed at the IRS standard business mileage rate up to 100 miles per day of travel status and any miles driven in excess of that threshold are to be reimbursed at the IRS medical or moving purposes mileage rate. See the Transportation by Personal Vehicle section for details.
January 2017	Travel – This document has been updated to reflect the 2017 IRS standard business mileage rate, which decreased from 54¢ to 53.5¢ per mile; the 2017 IRS standard depreciation mileage rate, which increased from 24¢ to 25¢; and the 2017 IRS medical or moving purposes mileage rate, which decreased from 19¢ to 17¢ per mile. See the Transportation by Personal Vehicle section for details. Records Retention – The North Carolina Department of Natural and Cultural Resources, State Archives Division, has completed the new records retention schedule for community colleges. See the Records Retention section for details.
July 2017	Travel – Pursuant to a memorandum dated July 7, 2017, from State Budget Director, Charles Perusse, this document has been updated to reflect changes in the state travel subsistence rates effective July 1, 2017. The in-state breakfast rate has increased from \$8.30 to \$8.40, the lunch rate has increased from \$10.90 to \$11.00, and the dinner rate has increased from \$18.70 to \$18.90. The out-of-state breakfast rate has increased from \$8.30 to \$8.40, the lunch rate has increased from \$10.90 to \$11.00, and the dinner rate has increased from \$21.30 to \$21.60. The in-state lodging rate has increased from \$67.30 to \$71.20 and the out-of-state lodging rate has increased from \$79.50 to \$84.10. See the Subsistence Rates subsection of the Travel section for more information about these daily rates.
August 2017	Payroll – Following Numbered Memo CC17-033, this document has been updated to include four new subsections: “Members of Boards and Commissions as Employees,” “Taxability of Payments and Accountable Plan Rules,” “De Minimis Fringe Benefits,” and “Awards.” These sections are intended to provide an outline to assist colleges in finding the appropriate guidance for making decisions about which board and commission members should be treated as employees, and how fringe benefits should be handled for all employees. See each of these new subsections for details.
January 2018	Travel – This document has been updated to reflect the 2018 IRS standard business mileage rate, which increased from 53.5¢ to 54.5¢ per mile; the 2018 IRS standard depreciation mileage rate, which remained unchanged at 25¢; and the 2018 IRS medical or moving purposes mileage rate, which increased from 17¢ to 18¢ per mile. See the Transportation by Personal Vehicle section for details.
March 2018	Travel – Pursuant to a memorandum dated January 19, 2018, from State Budget Director, Charles Perusse, this document has been extensively updated to reflect the following changes, with the affected subsection(s) in parentheses following the update: <ul style="list-style-type: none"> • The 2018 IRS standard business mileage rate, which increased from 53.5¢ to 54.5¢ per mile and the 2018 IRS standard depreciation mileage rate, which remained unchanged at 25¢ (<i>Transportation by Personal Vehicle</i>); • The 2018 state excess mileage rate of 33¢ per mile replaces the IRS medical or moving purposes mileage rate, which was 17¢ per mile (<i>Transportation by Personal Vehicle</i>); • The change in the mileage rate structure from a threshold of 100 miles per day of

	<p>travel status to 100 miles in total while in travel status. (<i>Transportation by Personal Vehicle</i>);</p> <ul style="list-style-type: none"> • To update guidance for tip allowances for taxis and car services (<i>Tips and Gratuities</i>) • To allow for reimbursement for the use of car services and mobile phone ordered car services (<i>Travel to/from Airport at Authorized Traveler's Duty Station, Travel to/from Airport at Authorized Traveler's Destination</i>) • To prohibit meal reimbursements for travel that is not in overnight status in order to comply with IRS regulations. (<i>Meals during Overnight Travel, Meals for Conferences or Events Requiring Employee Attendance</i>) • To allow reimbursement for online residential rental services that are supported by demonstrated savings (<i>Reimbursement for Lodging</i>); and • To increase the rate for breaks to provide for coffee, snacks, and related items (<i>Assemblies Sponsored by the College</i>). <p>Payroll – This document has been updated to reflect the 2018 IRS elective deferral limitation, which increased from \$18,000 to \$18,500. See the <i>Spreading Pay</i> subsection for details.</p>
October 2018	<p>All changes noted below were made pursuant to a memorandum dated July 2, 2018, from State Budget Director Charles Perusse. This document has been updated with the affected subsection(s) in parentheses.</p> <p>Travel</p> <ul style="list-style-type: none"> • Colleges may now choose whether to allow for meal reimbursements during daily travel, but it must be in policy approved by the board of trustees and employees must be taxed on such reimbursements as compensation (<i>Meals During Daily Travel</i>). <p>Moving and Relocation</p> <ul style="list-style-type: none"> • Colleges have been delegated the authority to approve moving expenses for employees new to the college under certain circumstances (<i>Conditions and Limitations</i>); • Payment of moving expenses must be treated as compensation to the employee (<i>Expenses Paid, Procedures for Payment</i>); • Colleges have been delegated the authority to approve higher weight limits for moving expenses (<i>Excess weight authorization</i>); • Moving expenses for the advancement of an employee has been removed (<i>Arranging the Move</i>); and • Updated guidance on the proper accounting of moving expenses by referencing the Office of the State Controller's Job Aid (<i>Procedure for Payment</i>).
December 2018	<p>Travel</p> <ul style="list-style-type: none"> • Added a reminder for readers that the state travel policies are to guide colleges in the use of <i>state</i> funds. Colleges have broad authority to use local funds within the constraints, if any, provided by those funding sources. This may have income tax implications in certain circumstances. <p>P-card/credit cards</p> <ul style="list-style-type: none"> • Added a reminder for readers to see the State's p-card policy, located on OSC's website at https://www.osc.nc.gov/documents/commercial-card-transactions-procurement-cards-and-payment-cards.

January 2019	Travel – This document has been updated to reflect the 2019 IRS standard business mileage rate, which increased from 54.5¢ to 58¢ per mile, and the 2019 IRS standard depreciation mileage rate, which increased from 25¢ to 26¢ per mile. See the Transportation by Personal Vehicle section for details.
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