Memorandum to Presidents

Date: December 2, 1996

From: Office of the Senior Vice Chancellor for Finance and Management

Subject: Income Fund Reimbursable Program:
Revised Policy and Guidelines

To: Presidents, State-operated Campuses

Revised policies and guidelines for the Income Fund Reimbursable (IFR) program have been developed to extend the utmost campus flexibility in the area of the Income Fund Reimbursable. A subcommittee of the SUNY business officers was instrumental in developing these revised Guidelines, which were then also endorsed by all campus business officers. The following policy statement replaces Memorandum to Presidents Vol. 89, No. 16 (August 28, 1989), and becomes effective immediately.

Summary Of Major Changes

The following items highlight the flexibility governing IFR operations except for dormitory operations (DIFR) and hospital operations (HIFR) for which there are separate policies and guidelines.

I. The Major Project level of administration of IFR projects is eliminated.

II. A new GAAP structure is established. IFR projects will be categorized as follows:

A. Restricted
The use of funds is limited as specified by external sources.

B. Unrestricted
The use of funds is not restricted by third party stipulation as to the purpose of the expenditure.

1. System-wide Designated Project
Project limitations are determined by the Board of Trustees or the Chancellor. The terms and conditions for the use of funds are established pursuant to the policies of the Board of Trustees.
2. Campus Designated Projects
   The terms and conditions for the use of these funds are established and maintained
   at the discretion of each campus.

III. The annual budget and financial plan process has been streamlined.

IV. Campuses will assign fringe benefit and overhead waivers according to established
    guidelines.

V. Campus assessments for fringe benefits and overheads will be made in lump sums for the
   restricted and unrestricted categories.

VI. Other administrative processes and workload are eliminated or streamlined.

Background

The 1975 IFR policy was significantly revised in 1985 when increased operating flexibility
was granted to the State University of New York (SUNY) and its campuses by the New York
State Division of the Budget (DOB). Policy and operating guidelines were updated to reduce the
administrative approvals needed to initiate or revise an IFR account. In addition, a new major
project classification structure was established and standards for accountability and control were
initiated.

Subsequently, the Operating Flexibility Act was enacted which greatly expanded the
general flexibility of University operations. In 1989, the IFR policy and guidelines were updated
to reflect the intent of this legislation.

In 1993, a separate special revenue fund, State University Tuition Reimbursable Account
(SUTRA) was established to recognize support for certain degree credit-bearing activities that
generated tuition revenues exempted by policy and law from the general requirement that tuition
be deposited in the Income Offset Account. Although a separate revenue fund was established to
account for these revenues, general IFR principles continued to apply.

In recent years, the volume of activity conducted through the IFR mechanism has
increased dramatically. Activities such as Intercollegiate Athletics, previously conducted through
other funding mechanisms, were shifted to IFR. Activities previously State funded or partially
supported, such as student health services, were moved to IFR status. The increased reliance on
funding sources other than the general operating budget (State tax dollars and tuition) prompted
the University to look to a flexible, all funds approach to manage its resources. IFRs are a
significant component of the University budget, and the policies governing their operation
required revision to better reflect the current operating environment. The IFR accounts were
established for a relatively narrow set of activities, self-funding in nature, and to provide a degree
of flexibility which was not available for State general fund appropriations. In the last ten years,
the importance of IFR funded activities has grown as campuses increasingly generated resources.
outside of State general fund appropriations. The existing guidelines originally established for this process are too restrictive and no longer reflect the scope of campus IFR activities, nor the requirement that campuses have flexibility in managing funds. Further, some activities now operate under distinct guidelines such as those funded through SUTRA.

This past year, the SUNY Business Officers Association worked with SUNY System Administration staff to develop IFR policies and guidelines that satisfy both the administrative needs of the campuses and the fiduciary responsibility of the Board of Trustees. Significant progress was made and a final version of the IFR program guidelines will be implemented soon.

**Purpose and Scope of Activities**

University programs are funded by a combination of State tax dollars, tuition income, fees and fines, grants, contracts and other separate revenues. In addition to the regular operating budget appropriations (general fund and offset), funding resources include general IFR, SUTRA, SUNY Restricted Current Fund, hospitals, residence halls, SUNY Construction Fund, Research Foundation (RF), local campus foundations, auxiliary services corporations, faculty student associations, alumni associations, and clinical practice plans. Each of these funds, corporations or entities is assigned the responsibility to receive and expend funds and/or operate programs for the purposes specified in their enabling legislation, charters, contracts, etc. The IFR fund was established as a special revenue fund and is the financial and administrative mechanism through which the University conducts income-producing activities not specifically funded within the regular operating budget, and which are considered outside the restricted purposes of other funds, corporations and entities. The IFR fund operates and administers the fiscal aspects of educationally related activities and augments the other funding mechanisms.

The IFR funding mechanism is essential for the effective operation of the University under existing State laws, rules, and regulations providing a vehicle by which campuses can augment State tax resources in order to fulfill their fundamental missions.

The IFR creates a mechanism for the University to operate and administer self supporting educationally related activities that include, but are not limited to, the following:

1. **Grants and Contracts**

   These externally restricted funds (grants and contracts) are limited to those which are not contractually administered by the Research Foundation.

2. **Tuition from credit bearing academic programs**

   Tuition revenues from overseas academic programs, summer session, contract courses and academic year overflow enrollment may be deposited and expended through SUTRA.
3. Pass-through activities

A number of activities essential to campus operations are handled as pass-throughs. These include activities conducted under contract with a group of individuals, an organization, or any public or private corporation providing needed services to the University. The University in the first instance charged students, clients, reimbursement agencies and others a fee for those services, or alternatively, charges students, clients, reimbursement agencies and others a fee based on the contractual cost of services. These are activities essential to campus operations and programs having exact income/expense relationships and requiring University fiduciary responsibilities. It includes, but is not limited to, food service operations, professional fee component agreements, and hospital affiliation contracts.

4. Student fees

Certain activities and services are supported by either individual students or general groupings of students as primary customers. SUNY policy generally sets the level of these fees and utilizes IFRs as the fiscal mechanism through which they are administered.

5. Fees for services and facilities

Campuses frequently provide services to individuals (other than registered students) as part of, or in conjunction with, their instructional, research and public service missions. Revenues derived from these activities are deposited in IFR accounts. In addition, revenues derived from the use of campus facilities by external parties are deposited in the IFR fund.

6. Service center accounts and cost recovery

These are fiscal mechanisms established to improve operating efficiency and recover costs associated with the provision of goods or services to campus departments, students, faculty and staff.

7. Auxiliary enterprises and hospitals

Certain activities such as residence halls, parking, and hospital operations (having financial significance), are categorized as activities separate from the core education and general activities of the campus. The residence halls and hospital operations are administered in separately designated special revenue funds. Separate policies, guidelines and procedures govern the administration of these funds.

Categories

The following categories shall govern the operation of IFR accounts and activities, except for dormitory operations (DIFR) and hospital operations (HIFR), for which there are separate policies and guidelines:
1. IFR accounts will be categorized as follows:

**Restricted** - The use of funds is limited as specified by external sources. The intended use is communicated clearly and in language that expresses direction, command or demand. Accounts are generally established to accommodate contracts with third parties or which otherwise involve the receipt and expenditure of funds, subject to contractual or other legally binding restrictions. The terms and conditions for use of the revenue generated for these IFRs are established through the contractual obligations or through the conditions established by entities external to the University.

**Unrestricted** - Accounts are established for funds where no stipulation is made by an external party as to the purpose for which they may be expended. These accounts may be designated for system-wide or campus purposes.

(a) **System-wide designated** - Account limitations are determined by the Board of Trustees or the Chancellor and can be modified through future actions. Accounts are generally established at a campus in order to provide a service or program for which system-wide rules have been established and relate to its particular role in accomplishing the mission of the University or of the individual campus.

(b) **Campus designated** - Accounts are similar to system-wide designated purposes accounts in that they relate to activities which foster the mission of the campus. These accounts and the terms and conditions for the use of funds are established and maintained at the discretion of each campus.

2. Each campus will be responsible for the recording and accountability of accounts as stipulated by contractual or administrative agreements initiating the individual accounts. The University-wide accounting system will be available to the campuses for detailed accounting of the accounts.

**Financial Management**

1. Each campus will be responsible for using sound management practices including the establishment and maintenance of prudent financial and internal controls in fulfilling this responsibility. Estimates and judgments by campus management are required to assess the expected benefits and related costs of financial and internal control structures. The objectives of the internal control structure are to provide reasonable but not absolute assurance that assets are safeguarded against loss from unauthorized use or disposition.

2. Campuses assume full responsibility for maintaining IFR accounts under the concept of self-sufficiency. The campus IFR funds will be deemed self-sufficient when each type of fund (restricted, unrestricted, etc.) operates on a break-even or better accrual basis, including the costs of assessed indirect overhead expenses.
3. Funded reserves are recognized as necessary for the long-term financial stability of the general IFR program. Campuses may include funded reserves in the self sufficiency test for unrestricted funds. Restricted funds by their nature should not include reserves, but rather classify excess revenue as deferred revenue. The campus will be responsible for eliminating any deficit in an IFR fund balance.

4. A University-wide reserve fund will continue to be maintained to support campus operations that are subject to major fluctuations in costs and/or revenue.

5. Campuses are responsible for adhering to related SUNY policies and procedures regarding fees, fines, deposits and charges associated with IFR funds.

6. There are no restrictions governing the allocation or establishment of positions within IFR accounts other than the availability of funds and those governing the classification of positions and appointments under State personnel policies and procedures. Policies governing the appointment of personnel are the same for IFR accounts as for any State-funded activity. Terms and conditions of employment are established in the Policies of the Board of Trustees, the various negotiated contracts with employee organizations, and appropriate State statutes.

7. Procurement and expenditure activity within the IFR fund is subject to SUNY purchasing and contracting guidelines.

Procedural instructions and detailed implementation schedules are provided in the attached “Income Fund Reimbursable Financial Operation Guidelines”. Questions regarding this policy should be directed to the Office of Finance and Management.

William H. Anslow

Attachments

c: Chief Academic Officers, State-operated Campuses
   Vice Presidents for Administration

This memorandum addressed to:
   Presidents, State-operated Campuses

Copies for information to: Presidents, Community Colleges
                          President Coll
                          Provost Randel
                          Deans, Statutory Colleges
General Income Fund Reimbursable Guidelines

Introduction

The IFR policy enumerates the overarching principles governing the operation of IFR activity. The policy delegates extensive authority to the campuses for the conduct of activities through the IFR mechanism. The policy and general guidelines identify those activities and functions for which the campuses and System Administration are responsible. The policy also provides direction to the campuses in the development of their own policies, operating guidelines and procedures. Each campus is expected to develop and maintain its own guidelines and procedures which address both accountability and programmatic uniqueness within a campus.

System Administration Responsibilities

SUNY System Administration is responsible to ensure that the financial integrity of the university-wide IFR fund is not compromised. System Administration also establishes the financial and administrative structure within which IFR activity operates, including the policies and procedures of the University, as well as its system of management and internal controls. The financial structures are provided to accommodate system monitoring and reporting and to supply information to the campuses as needed to manage the IFR activity. System Administration also coordinates the compliance of the IFR fund with State rules and regulations.

System Administration, working with the campuses, will maintain a streamlined budget request and financial plan process. The financial plan will include undistributed allocation maintained by System Administration to be made available to campuses based on available allocation and a justification of need.

Financial reporting of the separately appropriated IFR funds will be generated from the University’s general ledger upon completion of its annual independent audit. The University’s accounting system will be used for reporting to external parties and for internal management and monitoring on a periodic and ad hoc basis.

System Administration will coordinate the fiscal management and administration of the IFR fund’s indirect cost components. It will assess and recover overheads at a campus fund level in accordance with procedures annually disseminated to the campuses, in the financial plan or other document.

A University-wide equalization reserve for the IFR program will be managed and maintained by System Administration. The reserve will be funded and replenished from reimbursable operations. The amount reserved will be transferred to a specially designated revenue classification.
SUNY policies and procedures govern the establishment of fees, fines, deposits and other charges. System Administration conducts an annual inventory of all fees, fines and charges assessed by the campuses and consolidates that information periodically. Certain fees charged to students require approval of the Senior Vice Chancellor for Finance and Management.

The IFR funds are part of the SUNY financial reporting entity and are included in the annual audit performed by the University’s independent auditor. Audit tests and other procedures consistent with the nature of IFR activity are part of that engagement. In addition, the IFR funds may be included in the audit plans of the University’s Internal Auditor and the Office of the State Comptroller.

Campus Responsibilities

Campuses are responsible for developing and implementing local policies, guidelines and procedures. These form the focal point of contact and communication with individual IFR account managers and should address such areas as budgeting; accounting, financial management and reporting; financial and internal control; and fees and charges.

**Budgeting** - Campus guidelines relative to budgeting should include procedures for initially allocating funds and revising allocations, so that control at the account or campus organizational level is maintained.

**Accounting, Financial Management and Reporting** - Campuses will be responsible for the recording and reporting of activity at the account level consistent with the restricted, unrestricted, system-wide or campus designated nature of the funds involved. Consistent with the concept of self-sufficiency, each IFR fund will support all costs reasonably attributable to its operation, including the indirect costs of applicable overheads. Campuses will be responsible for determining and assigning waivers for new IFR accounts related to fringe benefit and overhead charges in accordance with the standard waiver categories. New waivers will be reviewed in the IFR post audit process to determine the appropriateness of campus assigned waivers. **Fringe benefit and overhead charges will continue to be charged under current mechanisms until the Resource Allocation Management (RAM) task group develops and the Business Officers Association approves a new method for assessing and distributing these costs.** Campuses will be responsible for the assignment of fringe benefit and overhead charges to individual IFR accounts.

Campuses will have full allocation transfer authority within the limits of their total allocation for a given special revenue fund appropriation (e.g., SUTRA, general IFR, DIFR-IFR, HIFR-IFR). Campuses may, without restriction, transfer revenue or fund balances between individual IFRs (within the unrestricted, campus designated purposes group of accounts).

Except for restricted funds, funded reserves may be established at the account or campus level for program stabilization, facilities rehabilitation and renovation, equipment repair and replacement, or, in the case of unrestricted campus designated funds, general campus purposes. Campuses may establish equalization reserves. Generally accepted accounting principles should guide campuses in the development of policies and procedures for the establishment and use of...
reserves. Manuals and publications issued by Governmental Accounting Standards Board (GASB), National Association of College and University Business Officers (NACUBO), American Institute of Certified Public Accountants (AICPA), and other authoritative sources in the accounting industry are helpful.

Campuses are responsible for providing information to System Administration, on an accrual basis of accounting, at fiscal year end and on an ad hoc basis so that external financial reporting requirements may be met in a timely manner.

Campuses are also responsible for providing data to campus account managers necessary to carry out their day to day management responsibilities. Both University and campus accounting systems should be used to provide information that supports financial and internal controls.

**Financial and Internal Control** - Each campus is responsible for maintaining financial and internal control over its IFR fund and ensuring its balanced status. The fiscal condition of a campus's IFR fund will be considered balanced when such fund balance, on an accrual basis, at fiscal year end is zero or positive, including recognition of indirect costs. Included in the campus policies and guidelines should be procedures and standards which address monitoring and control of activity at the account and organizational level. These might include the valuation of allocation levels for accounts or organizational units in comparison with income and expenditure levels.

The nature and diversity of IFR activities make it an area with inherent risk and vulnerability. Since IFR account activities are generally funded from current revenues, there is always the potential for revenue not to meet expectations. Campus policies and guidelines should include procedures for frequent periodic reviews of account status and cash controls so that deviations from planned results or irregularities are detected and prompt corrective action is taken.

In relation to cash controls, the collection of cash also increases the risk of theft, fraud or misuse of funds, especially at decentralized locations. Effective internal controls provide reasonable assurance that all cash which should be received is actually received and is properly recorded and deposited. Campus management should ensure that all cash collection locations follow the basic controls for safeguarding cash.

Consistent with the vulnerability associated with IFR accounts, periodic audit coverage is anticipated. SUNY-wide and campus policies are the standards against which IFR activities and performances are to be compared.

**Fees and Charges** - Campuses are responsible for adhering to SUNY policies and procedures regarding fees, fines, deposits and other charges associated with IFR activity. Campus guidelines should provide account managers with information on what fees and charges are permissible and the procedures for obtaining approval of other fees and charges. Each campus is also responsible for maintaining an inventory of its fees and charges and providing System Administration with periodic updates.
Special Guidelines Governing the Use
of the State University Tuition Reimbursable Account

The State University Tuition Reimbursable Account (SUTRA) comprises four separate credit-bearing income fund reimbursable types of activities:

A. Summer Session
B. Overseas Academic Programs
C. Contract Courses
D. Academic Year (Fall/Spring) overflow enrollment

Summer session, overseas academic programs, and contract courses all may generate an unlimited enrollment. However, all institutional and support costs (library, student services, maintenance and operation of plant, and administration) must be supported from revenue generated by these instructional activities. The enrollment for these programs must be planned, budgeted, and reported separately from both regular academic-year enrollment and fall/spring overflow enrollment. The fall/spring overflow account is limited both as to annual average full-time equivalent (AAFTE) students planned or reported and tuition revenue which a campus may retain.

Campuses must annually submit a comprehensive enrollment plan to the Office of Planning and Policy Analysis at System Administration. The plan must include all regular academic year headcount and AAFTE. Separately identified headcount and AAFTE students for each of these categories (regular academic year, overseas academic programs, and contract courses) are included. Plans should also be developed and submitted for summer session.

A. Summer Session

Summer session is unlimited as to enrollment. It includes instructional activity conducted anytime during the period following Spring commencement and ending with the beginning of classes for the Fall semester. Summer session enrollment and revenue are to be recorded separately from enrollment generated during the regular academic year (fall/spring). Tuition charges are limited to regular tuition; however, summer session revenue is expected to pay both the direct costs of instruction plus the costs of support activities, including libraries and student services, general administration, maintenance of physical plant and fringe benefits for all personnel. The overhead charges (including fringe benefits) will be deducted as a flat charge from revenue.
B. Overseas Academic Programs

Overseas academic programs have the capacity to serve as many students as the program allows. Campuses have the option of charging additional student fees in order to cover the extra costs of overseas instruction in certain areas. However, the regular tuition rate is the minimum charge. The on-campus (administrative) portion of these programs are subject to normal fringe benefit, administrative and maintenance and operation of plant (M&O) overhead charges. However, all operational costs incurred overseas are waived both administrative and M&O overhead as a fiscal pass-through account.

C. Contract Courses

Contract courses for credit under SUTRA may enroll as many students as is provided in the contract:

1. The instructional activity must be contracted for and paid by a third party (a corporation, State agency, union, etc.).

2. The enrollment in the designated course(s) or section(s) must be restricted to individuals specified in the contract through an affiliation with the third party.

3. All costs of the program must be charged to the contracting third party and rates must be set to the greater of regular tuition or the total per student cost incurred by the program, including direct instructional costs, support costs, overhead charges and fringe benefits. An exception is made for programs designed for "in-service" teachers, in which student rates may be limited to total per student costs, as defined above.

D. Academic Year (Fall/Spring) overflow enrollment

Academic Year (Fall/Spring) overflow enrollment is the AAFTE enrollment by which a campus exceeds its targeted AAFTE enrollment level, i.e., the level which has been used to establish State budget support and to set a tuition offset target for a given fiscal year.

Revenue, from tuition collected as a result of overflow enrollment is retained by the campus and is subject to a maximum amount determined by the Provost’s Office of State University. The overflow enrollment is indistinguishable programmatically from regularly budgeted enrollment. This may include enrollment in sections regularly scheduled during the fall and spring semesters, as well as courses and sections offered during the evening, off campus, through continuing education, intern programs and through experimental courses or programs.