

The college shall maintain financial and business services functions consistent with requirements of the State of Arizona and best practices in higher education (ARS 15-1445 and ARS 15-1473).

System of Accounts, Structure, and Classification

The accounting codes and systems of accounts outlined within the Uniform System of Accounts and Financial Reporting for Community Colleges of Arizona (USAFR) shall be followed.

The college will recognize the accounting principles, the fund classes, and the structure and classification of income and expenditures recommended in (1) College and University Business Administration, prepared under the auspices of the National Association of College and University Business Officers, published by the American Council on Education, Washington, D.C.; and (2) Audits of Colleges and Universities, published by the American Institute of Certified Public Accountants under the auspices of the Committee on College and University Accounting.

Financial Reports

The Chief Financial Officer shall prepare monthly financial statements for presentation to the Governing Board at regular meetings. The financial statements shall include the year-to-date figures of revenue, expenditures, and available balances.

Collection of Funds

All collections of money shall be handled in accordance with USAFR regarding cash receipts and related safekeeping

Deposit of Funds

All cash or checks received by the college shall be entered in the records as received using serial number receipts (or an electronic equivalent), a copy of which shall be made part of the records of the college. All monies received shall be deposited in a bank account according to the schedule prescribed for the campus.

Payment of Expenses

All expenses of the College shall be paid by check or warrant signed by the President and the Chief Financial Officer by actual signatures or by a facsimile plate signatures. Each supporting voucher shall state the budget account against which the warrant or check is drawn.

Processing Invoices

The Chief Financial Officer and/or designee shall be authorized to process invoices and issue warrants and checks when due.

Financial Aid Funds

The President may delegate the responsibility of administrating these funds to the financial aid office. The Chief Financial Officer shall be responsible for issuing checks and accounting for said funds according to state and federal guidelines.

Student Organization Accounts

All income secured through student endeavors shall be deposited with the college immediately. All requests for expenditures of these funds shall be made through appropriate procurement procedures prescribed for the organizations.

Property Records

The college shall maintain a listing, updated annually, of all property and capital equipment owned by the college in accordance with approved accounting standards practices. The primary goal is to ensure that the capital assets are correctly accounted for using the approved accounting standards. The capitalization threshold for any individual item buildings, equipment, improvements other than buildings, and software is set at \$5,000 or higher with an estimated life of at least two (2) years. The estimated useful life of each category may differ. The capitalization threshold for land, land improvements, and library book collections is \$1. This inventory listing should include the item description, cost and date of acquisition, location of item and disposal information if applicable. Capital inventory items should be assigned a numbered inventory tag with the details and corresponding number entered on the listing worksheet.

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Forms and Information Repository

To ensure a professional look and consistency of official college forms and documents, all items must be approved by the Policy and Procedure office. Items to be posted on the website will be channeled through and maintained by the information repository manager (see website for current manager).

All forms and documents must be dated. All forms must also have a college number assigned. Documents do not require numbers. Documents to be posted on the website are to be provided to the information repository manager.

Any unauthorized forms found on the website will be removed and the appropriate content administrator will be notified of removal.

All college staff are to use only approved forms.

Forms and Information Repository Procedure

All new forms must be approved by the Policy and Procedure Committee prior to printing, using or posting on the website.

At any time in the creation process, a form number can be requested from the information repository manager.

Form numbers are to be left justified in a footer on the form, using 7 pt. Arial font. The correct format is: MCC Form ABC 0000 (dd/mm/yy)

Forms and Information Revision Procedure

When a form is revised, the format is: MCC Form ABC 0000 (rev. dd/mm/yy)

After approval, the form can be sent for printing or provided in electronic format to the information repository manager for posting on the website. Each form must have a responsible department contact. This is the individual who will be contacted when any changes or updates to the form are needed. This information must be provided along with the form when sent for posting on the website.

When changes or updates are made to the form, an updated file must be provided to the information repository manager.

Once the form has been posted to the Information Repository, the manager will provide the content administrator or the web content administrator with the appropriate information for linking to the form from any webpage. By following this procedure, all links to the form will be automatically updated whenever the form is updated and re-loaded into the information repository.

Multi-part forms will be posted with a disclaimer that the form must be obtained from the appropriate office. Each department still using multi-part forms is encouraged to examine such forms to determine the feasibility of making the form available in a downloadable format.

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Intergovernmental Agreement (IGA) or Contract

A district entering into an agreement may appropriate funds, and may sell, lease, give, or otherwise supply for the benefit of the undertaking such services or personnel as is within its legal power to furnish. However, no district may exercise a power or engage in a business or enterprise that is not authorized by law. Likewise, an agreement does not relieve a district of obligations imposed on it by law, State Board of Education Rules, or the Uniform System of Financial Records (USFR).

A substantial number of services can be provided cooperatively through contracts or agreements, including, but not limited to, the following activities:

- Accounting
- Adult education
- Alternative schools
- Curriculum development and implementation
- Data processing
- Distance learning
- Driver education
- Equipment repair
- Grant program writing and management
- Health and safety management
- Mobile learning centers
- Purchasing
- Research and planning
- Shared staff
- Special education
- Staff development
- Teacher pools
- Technology
- Testing
- Transportation
- Vocational education

The process to be followed is:

1. Adopt a joint resolution of purpose and objectives with governing boards of other participating entities to form an IGA.
2. Prepare an IGA and review it with the district's attorney.
3. Specify in the IGA which district is to act as fiscal agent, if necessary.
4. Ratify the IGA.
5. Submit the IGA to the Arizona Department of Education (ADE) to be forwarded to the Attorney General and State Board of Education for approval, as applicable.
6. File the IGA with the Secretary of State or county recorder, as applicable.

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Independent Contractors

Mohave Community College requires the performance of services by various individuals to carry out its activities. The college must evaluate whether a worker should be classified as an employee or as an independent contractor/consultant before services are performed or payments are processed. The IRS and other government agencies assess significant penalties for misclassification of workers. Misclassification can also create other potential liabilities. In addition, common standards are necessary to reduce overall risk and ensure equitable business practices that are cost effective. This document provides guidance and tools to help determine the correct classification of service providers.

The procurement of personal services requires an evaluation of how the service provider will be paid. The service provider may be classified as an independent contractor and paid through accounts payable if the criteria outlined in this procedure guide are met. Otherwise, the service provider must be paid as an employee through payroll with the associated fringe benefit costs, employer payroll taxes and insurance risks inherent with employee classification. The classification must be based on the IRS guidelines, not on administrative convenience or relative costs.

Independent Contractor Requirements

1. Independent contractor/consultant services are subject to the college's procurement policies and procedures.
2. The IRS (Internal Revenue Service) requires the college to provide clear and convincing evidence supporting a decision to treat an individual as an independent contractor, usually in the form of the common-law 20 question test.
3. Verification of taxpayer identification number – The college is required to obtain FORM W-9 (Request for Taxpayer Identification Number and Certification) to confirm correct tax identification number and obtain appropriate certifications.
4. The college is required to obtain FORM 8233 (Exemption from Withholding on Compensation for Independent and Certain Dependent Personal Services of a Nonresident Alien Individual) from all nonresident individuals. Failure to provide FORM 8233 when requested shall be subject to an automatic 30% withholding rate (foreign-person withholding).

5. Nonresident alien issues – in order to comply with complex immigration and taxation laws, the college must provide adequate documentation prior to issuing payments to nonresident independent service providers.

Independent Contractor Descriptions and Definitions Temporary Employee Services:

A temporary employee is an individual who provides services to the college on an irregular or occasional basis. These services are provided on a substitute basis for activities normally performed by a college employee. Examples include:

1. Individuals who have academic appointments and provide non-clinical services such as lecturing, tutoring or teaching (associate faculty) on a sporadic or minimal basis are considered employees not independent contractors.
2. Individuals who provide sectional coverage for clinical activities are considered employees and not independent contractors.
3. Individuals who provide services normally performed by exempt or non-exempt staff for not more than six months in a calendar year are considered temporary employees not independent contractors.

Temporary employees must be approved by human resources and paid through the college's payroll department.

Current and Former College Employees

If the service provider the department wishes to hire is a current or former college employee (paid through the college's payroll within the previous 12 months), he/she will be classified as an employee and not as an independent contractor. Contact human resources for approval and processing steps.

Contracts

A contract establishes a mutually agreed-upon terms and conditions of the transaction, between the service provider and the college. An independent contractor agreement must be completed before engaging the service provider.

Misclassification - Risks and Other Costs

The common risks associated with incorrectly classifying a service provider as an independent contractor are:

1. Penalties assessed by the IRS and state taxing authorities for failure to withhold FICA taxes, federal income taxes and state taxes. Penalties can be assessed against the college even when the service provider fully paid his/her tax obligations, payroll taxes

2. Penalties assessed by state unemployment and workers' compensation agencies
3. Penalties assessed by Department of Labor and other regulatory agencies
4. Grievances and/or law suits filed by independent contractors asserting negligence for injuries, etc.

Tax Issues

The college must report payments to independent contractors of \$600 or more during a calendar year on IRS Form 1099. The independent contractor is responsible for the following:

1. All estimated tax payments and other tax filing requirements.
2. All tax records, original business receipts, etc.
3. General liability and other insurance coverage for workers that work on his/her contract with the college.
4. All benefits such as health insurance, pension plan, etc.

Services exempt from independent contractor review

Certain types of payments to service providers may be processed without requiring independent contractor status approval. The services below may be exempt from independent contractor review; however, depending on the type of service, other rules, agreements and approvals may apply.

1. Certain professional service firms, including, engineering firms, architectural firms, law firms, accounting (CPA) firms.
2. Royalty – payment that represents compensation for sale or use of copyrighted or patented work of an author, composer or inventor.
3. Entertainers

IRS Guidelines Used to Determine Employment Status

Mohave Community College follows IRS guidance in determining employment status. Worker classification is based on facts and circumstances; no one factor is determinative. The IRS emphasizes three broad categories: behavioral control, financial control, and overall relationship. The burden of proof is on the taxpayer (college) when determining employment status.

1. Behavioral Control: Independent contractors determine how they will accomplish the task. If the college provides training and/or instructions about how to complete the task, the worker should usually be classified as an employee.
2. Financial Control: Independent contractors have significant investments in their businesses. A service provider who works at home generally does not have a significant investment in the business.

3. Relationship: Independent contractors have a broad customer base. If the worker works primarily for the college, the worker should be classified as an employee. If to the extent which the services performed are a key aspect of the regular business of the college, the worker should be classified as an employee.

Sponsored programs often require reports, presentations, and/or reviews by experts not employed at the college. These individuals have specialized knowledge directly related to the scope of a project. Although they generally do not operate businesses, they may qualify as independent contractors because the college does not control their activities.

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Honoraria Payments

An honorarium is a payment that is primarily intended to confer distinction or to symbolize respect, esteem or admiration. It is paid at the discretion of the college, is not a fee charged by a person being paid, and is not contractual in nature. Honoraria may be provided to individuals such as guest speakers or presenters who participate in educational events or projects. The value of an honorarium is not related to the performance of services.

Requests for payment of honoraria are exempt from independent contractor review and can be paid via a requisition through accounts payable. However an honorarium paid to an employee of the college is treated as additional compensation and must be processed through the college's payroll department.

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