



# Abraham Baldwin Agricultural College

## Fiscal Affairs Policies and Procedures Manual

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### 400 CASH RECEIPTS

#### 401 GENERAL

The central point for the receipt of any cash (including coins, currency, checks, money orders, charge card authorizations and any other forms of legal tender) is the Business Office. The Head Cashier reports to the Accounting Manager who reports to the Director, of Business Services/Controller.

#### 401.01 SCOPE OF CASH RECEIPTS PROCEDURES

This procedure is applicable to all cash receipts for Abraham Baldwin Agricultural College by Departments, Organizational Units and Administrative Offices.

- A. A cash receipt may be one of many forms, among which are coin, currency, checks or credit card receipts. All of these will be referred to as cash throughout this Manual.
- B. The transmittal of cash to the Cashier constitutes a deposit. Any authorized person, office or other entity should deposit cash receipts daily to the cashier at the Business Office unless otherwise directed.
- C. Abraham Baldwin Agricultural College requires that proper controls and safeguards be established at all administrative levels to ensure that cash receipts are protected while in the custody of College personnel.
- D. Unless approved by the Director of Business Services, (no Department/Unit or individual employee, other than the Cashier, shall engage in the collection of cash receipts. Instead individuals or businesses owing money to the College will be instructed to forward any payments (along with a copy of the College's bill, invoice, letter, and other relevant material) to the Business Office.
- E. In cases where prior approval has been given (Bookstore, Continuing Education, and the like), collections of any cash receipts will be according to instruction and procedures of this Manual and as further detailed by the Director of Business Services or his or her designee.
- F. Questions concerning procedures relating to cash receipts should be directed to the Accounting Manager or Office of the Director of Business Services.

#### 401.02 CASH TRANSMITTALS

All cash receipts must be deposited with the Business Office. Consistent with internal security, only a few employees of Abraham Baldwin Agricultural College should be involved in receiving or handling cash receipts before or after deposit.

- A. Except for the Vice President for Fiscal Affairs or his official designee, no Department/Unit or Administrative Office has authority to open an account or deposit College funds in a commercial bank, savings and loan association or any other financial organization or institution. In any such case all accounts with financial organizations or institutions will be according to policies of the Board of Regents, with full knowledge of the Board's Treasurer and Vice Chancellor for Fiscal Affairs.



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- B. All Departments/Units must use a Deposit Transmittal Form developed by the Business Office (Exhibit 400-1) to accompany and record the transfer (deposit) of cash receipts to the Cashier. From this form the Cashier will initiate the accounting entries to record each deposit transaction and issue a computer generated Banner Receipt (Exhibit 400-3 attached) for each Receipt Transmittal. The Banner Receipt should be compared with the Department's/Unit's copy of the Deposit Transmittal form to verify the accuracy of the deposit.
- C. Cash transmittals (deposits) should be personally delivered (not mailed) to the Cashier. The following should be included:
  - Cash;
  - Calculator tape of checks, in check sequence, corresponding with the checks total shown on the Deposit Transmittal form. (Checks should be endorsed (stamped) to correspond to the "Payee" on the face of the check. Endorsements should include "For Deposit Only," with the transmitting Department/Unit and Abraham Baldwin Agricultural College identified in the endorsement.); and completed Deposit Transmittal form.
- D. Deposit Transmittal forms should be prepared and signed by the person collecting the cash.
- E. After Cashier's Receipts have been issued, all supporting documentation (Deposit Transmittal, memoranda, tapes and the like) will be filed, by date and receipt number.

Departments/Units will file, by date, all transmittals and copies of supporting documentation within department files.

### 402 CASH SECURITY AND TRANSFER

#### 402.01 DIVISION OF RESPONSIBILITY

Division of duties is an essential element in the proper control and security of cash. In Departments/Units having several employees, different persons should be designated and assigned responsibility for receipt of cash, cash deposits and records maintenance of cash transactions so that a single person does not have control over the entire process.

This concept should be practiced in the campus Departments/Units as well as the Business Office. For instance, the functions of collecting specific deposits, *i.e.*, Continuing Education, reconciling that area's deposits and the preparation of the Deposit Transmittal should be assigned to different employees.

#### 402.02 EMPLOYEE TRAINING AND INSTRUCTION

Employees who are responsible for receiving or handling cash, or for recording transactions involving cash, must be instructed precisely as to their duties and responsibilities. It is important that thorough training and instruction be provided each such employee and that policies and procedures be followed closely, so that established controls and security measures will effectively protect both the College and the employee.

#### 402.03 PHYSICAL CONTROL OF CASH



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- 402.0301 Proper handling, physical security and adequate records should be stressed with each employee having access to or responsibility for cash or any other College assets (merchandise, supplies, equipment, etc.). Departments/Units receiving cash for Abraham Baldwin Agricultural College are responsible for maintaining security of cash and other property.
- 402.0302 The following general guidelines are important and should be known and followed by each employee:
- Only authorized persons are permitted in areas where cash is handled;
  - Doors should always be locked at entrances to areas where cash is handled;
  - Vault or safe doors will be locked, except during working hours;
  - Cash registers, drawers, boxes, etc. should not be left unattended unless they are locked;
  - Employees counting or handling large sums of money should be concealed or moved away from the general public;
  - Cash must never be left unattended on desk tops; and
  - Cashiers must endorse checks immediately, or when possible, "For Deposit Only, Abraham Baldwin Agricultural College."
- 402.04 TRANSFER OF CASH
- 402.0401 Departments/Units receiving cash for Abraham Baldwin Agricultural College are responsible for maintaining the same degree of security when transferring cash from one location to another as is required when cash is handled by employees at their regular places of employment.
- 402.0402 The following general guidelines are imperative and must be followed by each employee:
- Currency and coins should never be sent through on-campus or interoffice mail. Cash should be delivered personally or by campus security guards;
  - When very large sums (registration payment deposits, athletic events receipts, concert receipts, book sales, etc.) are being handled, security of cash must be at a maximum. It may be necessary or desirable to obtain security guards during such periods.
  - Any Department/Unit transferring cash to other offices or banks must provide adequate security. Depending upon the circumstances, it may use police escort, security guards, or at least two employees to ensure effective security.
  - Bank transfer bags should be kept locked and opened only by authorized persons. Bags containing cash should be secured and never be left open in vaults or safes.
- 403 CASH RECEIPTS PROCESSING
- 403.01 GENERAL
- 403.0101 The way in which cash is received and the method by which it is processed vary among College units authorized to receive payments. However, all units receiving cash should



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make daily deposits (whenever activity occurs) and maintain records as required in Section 401 of this Manual.

- 403.0102 When a Department/Unit is authorized to receive payments and does not have a cash register system, it must use pre-numbered receipts, or other compensating controls, and total each day's receipts. If more than one employee is involved, it must prepare a daily summary of each employee's transactions, along with a Deposit Transmittal form for total cash transactions. The total must agree with the employees' receipt totals which, along with adding machine tapes for each batch of checks, must be delivered to the Cashier for deposit.
- 403.0103 When a Department/Unit receives cash by mail, it must prepare within twenty-four (24) hours of receipt and deliver to the Cashier a transmittal letter showing the date, payer, amount and nature of the payment. It should use its file copy of the transmittal letter to verify the accuracy of the receipt issued by the Cashier for this payment, and to reconcile recording of the transaction.
- 403.0104 If, when balancing daily cash receipts, any overage or shortage occurs during receipt verification, it will be returned to the originating Department for verification and correction. Recurring differences will receive the scrutiny of the Accounting Manager. Such overages and shortages are the responsibility of the Department/Unit Head who should be aware of all balancing items.
- 403.105 Pre-numbered Receipt Books for use by authorized Departments/Units will be provided by the Business Office. A Receipt Book Log will be maintained to record the issue of Receipt Books, including signatures of recipient, date issued, receipt numbers, number of books issued and any other information that will attest to the complete record of issue or turn-in. Receipt books must be issued in sequence and used by the Departments/Units in sequence. Duplicate sets of books will not be issued.
- 403.02 CASH SALES AND OVER-THE-COUNTER RECEIPTS
- 403.0201 When a Department/Unit uses a cash register to record cash receipts, the daily cash register tapes with totals must agree with the amount deposited as shown on the Deposit Transmittal form (Deposit Slip). The daily record of transactions should be represented by a file of the cash register tapes and copies of Deposit Transmittals.
- 403.0202 Any employee receiving cash must make a cash register (computer) recording or prepare a pre-numbered receipt. In very unusual cases where neither is available and when it is not feasible to get the payer to make the payment to the Cashier or whenever cash registers or computers are temporarily inoperable, the employee must prepare a "hand receipt" which should include, as a minimum, the date, payer, amount and nature of the payment.
- 403.0203 Each day, employees handling cash receipts must balance cash collected and cash register totals or totals of receipt forms prepared.
- 403.0204 Employees handling cash should not perform any accounts receivable functions (unless directed by supervisor).
- 403.0205 Employees must retain copies of cash receipt forms in numbered sequence and by date, including the original and copies of any "voided" forms.
- 403.03 CASH PAYMENTS BY INDIVIDUALS - CASHIER



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- 403.0301 At the Cashier, individuals regularly make payments to Abraham Baldwin Agricultural College for miscellaneous charges levied by the College. Examples include tuition and fees, parking fines, graduation fees and accounts receivable.
- 403.0302 Individuals can make payment in person to the Cashier or, if accompanied by appropriate billing, notice, statement of charges, etc., by U.S. Mail or Campus Mail. In either case a Cashier computerized, numbered receipt is issued for each payment. See Exhibit 400-2 for a sample copy of such a receipt.
- 403.0303 When a payment is presented in person the customer receives his or her copy of the Cashier Receipt.
- 403.0304 When a payment is received by mail, the Cashier processes the payment and issues a receipt. A receipt may not be sent to the payer when payment is by a check received through the mail. The payer's canceled check may serve as a receipt.
- 404 RETURNED CHECKS
- The returned check procedure is applicable to any check issued in favor of Abraham Baldwin Agricultural College and returned unpaid by the bank on which it was drawn.
- College policy requires a diligent and continuing effort to collect unpaid checks.
- 404.01 PROCEDURE
- 404.0101 Depository Bank
- The depository bank of the College's Operating Funds Account returns to the Business Office Department all unpaid checks and charges the amount of unpaid check(s) to the Operating Funds Account.
- 404.0102 Business Services Office
- The Business Services Office will process transactions in the Accounting system to record such unpaid checks and any subsequent entries related to the repayment of unpaid checks and all other related charges. In cases where the unpaid checks are never repaid, the Business Services Office will make necessary accounting entries reflecting this fact.
- 404.0103 Control of Unpaid Checks
- The Head Cashier and to the extent necessary in collections procedures, the Cashier in that division--who has primary responsibility in notifying payer, collecting and recording amounts to cover unpaid checks--retain physical control of all unpaid checks.
- The Business Services Office prepares and maintains control file of unpaid checks. Returned check file contains the following information:
- Name of the drawer of the check,
  - Name of the Payee and/or the endorser,
  - Amount of the check,
  - Date of the check,
  - Bank on which check is drawn,
  - Reason check was returned unpaid
  - Department depositing check, and
  - Record of collection action.



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Returned Checks (NSF) on hand will be reviewed monthly and reconciled to the General Ledger listing.

### 404.0104 Collection of Unpaid Checks

The Cashier is responsible for collecting unpaid checks. Upon receiving a listing and/or the unpaid checks from the Comptroller, the Cashier will notify the drawer of the unpaid check by mail and give notification of the following information:

A check being returned unpaid;

Check number and amount;

Reason given by bank for returning the check unpaid, in the case of Stop Payment or Account Closed.;

Request for payment via cash, credit card, cashier's check or money order due immediately by mail or in person to the Cashier;

The amount(s) of "returned check charge" assessed and any other approved collections costs to be paid by the drawer; and

Final action notification letter will be sent on checks not collected.

### 404.0105 Payment of Returned Checks

When payment of the full amount of a Returned Check plus all fees and charges assessed to the drawer has been made, the Cashier will receipt and deposit these funds in accordance with the procedures of the Board of Regents.

### 404.0106 Returned Checks of Employees

Whenever an employee of Abraham Baldwin Agricultural College is the drawer of a returned unpaid check and fails to make payments according to procedures outlined in Section 404.0104, the Director of Business Services will implement the same procedures to collect the appropriate funds for non-employees.

### 405 CASHIER'S DAILY BALANCING AND DEPOSITS

At the end of any day or part of a day during which a Cashier in the Cashier has removed assigned cash from the vault and/or received any payments or transacted any business, the Cashier must count the assigned cash, balance it to the receipts analysis, and prepare a bank deposit according to the following procedures:

A Cashier must prepare, by computer, a Cashier's Daily Report of all transactions. See Exhibit 400-3 for a sample printout;

A Cashier must count and verify the amount of all cash to the Cashier's Daily Activity Report.

A Cashier must ensure that the beginning drawer amount of cash equals the ending amount of cash after the exact amount of the day's receipts has been set aside for deposit to the College's Operating Bank Account; and



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A Cashier must enter their daily totals on the Deposit Receipt Report (Green Sheet) to accompany the cash for deposit for the day's receipts. See Exhibit 400-4 for a Sample of this Deposit Receipt Report.



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### PETTY CASH FUNDS

Upon the approval of the Director of Business Services, appropriate funds balance(s) that have been receipted and deposited may be set aside for the purpose of making change or paying small obligations for which the issuance of a formal voucher and check would be impractical. Such funds, in the amount approved by the Director of Business Services, will be known as Petty Cash Fund(s).

Disbursements from such an imprest system are made from time to time as needed and in accordance with provisions of this Manual. At the time of each disbursement, a receipt or petty cash voucher will be obtained and/or prepared. At certain appropriate intervals, or when the Petty Cash Fund is depleted, a voucher with substantiated receipts, petty cash vouchers or other valid documents establishing the use, purpose and nature of the expenditure will be prepared to replenish the Petty Cash Fund by processing a Check Request. A check drawn on the appropriate College account will be issued in accordance with the procedures of this Manual. The Petty Cash custodian will ensure that authorized approvals are included for all documentation.

Documentation for all disbursements from the Petty Cash Fund will be sufficient and complete in accordance with Section 910 of this manual.

Custodians of Petty Cash funds will ensure that these funds are secured, accounted for, and balanced daily in accordance with Section 400 of this Manual.

406.01

### SURPRISE PETTY CASH COUNTS

At least twice each fiscal year, the Head Cashier (or a College employee designated by the Director of Business Services and independent of the custodian of the fund, the cash receipting and posting of the Petty Cash Fund and the processing of reimbursement vouchers) will conduct a surprise count and audit of all Petty Cash Funds. The results of the findings will be reported to the Director of Business Services along with any pertinent recommendations.

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### UNCOLLECTIBLE ACCOUNTS -- WRITE OFF

All uncollectible accounts aged more than one hundred twenty (120) days from the date of the oldest receivable should be reserved as an uncollectible account. This is the time that more intense collection efforts should commence. In order to accomplish the appropriate recognition of revenue, the following method will be used: Allowance for Doubtful Revenue (Contra Revenue) account should be debited and the Allowance for Doubtful Accounts Receivable (Contra Accounts Receivable) account should be credited. This effectively reverses the revenue from current year operations for both budgetary accounting and GAAP reporting. Fund integrity must be maintained at all times with regard to the uncollectible accounts.

When accounts receivable of \$3,000 or less are ultimately determined uncollectible and due diligence for collection has taken place, the Accounts Receivable account should be credited and the Allowance for Doubtful Accounts Receivable account should be debited. Write-off of receivables is based upon the aggregate of the debtor, not on individual transactions. For a complete discussion of the processes used to accomplish this, see the processes section of the X drive.

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### FUNDS MANAGEMENT

408.01

### BANKING



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All depositories, where funds of the College are held in time deposits, will either give a depository bond in some acceptable security company qualified to do business in Georgia, or, in lieu thereof, may deposit with some other depository satisfactory to the Treasurer of the Board of Regents, securities of the following classes, the current market value of which will be equal to or in excess of the amount of the time deposits:

- A. Direct obligations of the United States Government.
- B. Obligations unconditionally guaranteed by the United States government.
- C. Direct obligations of the State of Georgia.
- D. Direct obligations of any political subdivision of the State of Georgia.
- E. Georgia Municipal, County, or State of Georgia Authority Bonds acceptable to the Treasurer of the Board of Regents. (BR Minutes, 1970-71, p. 691)

The President of Abraham Baldwin Agricultural College will determine the bank, or banks, where funds are deposited. He or she will inform the Treasurer of the Board of Regents of the bank, or banks, where funds are deposited. It will be the duty of the Treasurer of the Board to handle all details relative to the bank, or banks, furnishing the required depository protection. (BR Minutes, 1949-50, p.251)

The Treasurer of the Board will appoint a person, or persons, at Abraham Baldwin Agricultural College with authority to sign checks drawn on banks where funds of the respective institutions are deposited. Persons so appointed will be authorized to sign any documents that may be required by the banks concerned. (BR Minutes, 1952-53, p.365) The Vice President for Fiscal Affairs of Abraham Baldwin Agricultural College has been so designated.

(BR Policy 705.01)

### 408.0101 Funds Deposited in Time Deposits

The Board of Regents has delegated to the College the authority to place funds in time deposits ("Cash in Banks — Time Deposits" and/or "Cash in Savings & Loans — Time Deposits"). To comply with Board of Regents' requirements, the Vice President for Fiscal Affairs will ensure the following:

- A. That each account is insured and/or is properly collateralized, with such collateralization on record in the Office of the Treasurer of the Board of Regents;
- B. That deposits are made only to banks and/or savings and loans institutions in the State of Georgia; and
- C. That the term of placement of funds will normally be in short periods, but in no case more than twenty-four (24) months.

When the source of funds placed in time deposits is Trust Funds, the period normally should be short-term in anticipation of appropriate placement in longer term permanent type investments which produce not only income but growth.

Although the authority for "Investments" of any and all funds resides exclusively with the Treasurer of the Board of Regents, such authority has been delegated to the College's



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Vice President for Fiscal Affairs. This authority, in writing, must be on file in the Office of the Vice President for Fiscal Affairs. (See Section 9 Banking and Investments of the BOR Business Procedures Manual)

### 408.0102 Recording Interest Earned on N.O.W Accounts and Time Deposits

Interest earned from Cash in Banks, both Demand Deposits and Time Deposits, must be recorded in the accounting records according to the guidelines provided below:

- A. Interest earned on *CASH IN BANKS - DEMAND DEPOSITS* (invested in accounts known as Negotiable Orders of Withdrawal or N.O.W. accounts) is to be budgeted and receipted in Unexpended Plant Funds and, thus, used for Capital Outlay purposes.
- B. Interest earned on *CASH IN BANKS - TIME DEPOSITS*, in most instances Certificates of Deposit (C.D.), is to be budgeted and receipted as interest earned in the fund group which provides the resource to purchase the certificate(s).

More specifically, resources from Restricted Funds, Auxiliary Enterprises Funds, Loan Funds, Endowment Funds, Unexpended Plant Funds, and Agency Funds — Student Activities, which are invested in Time Deposits, will be recorded so as to appear on the Statement of Net Assets as “Cash and Cash Equivalents”.

### 408.0103 Internal Control of Electronic (Wire) Transfers

To maintain adequate internal control whenever electronic (wire) transfers of funds are used, the following safeguards are to be followed:

- A. Transactions affected by wire transfers-in are to be recognized by the issuance of a receipt and thereby recorded into the accounting records by way of the Cash Receipts Sub-Systems. All such transactions are to be supported by either a validated deposit slip or a properly executed debit memo from the bank.
- B. Wire transfers out are usually initiated by fax, internet or telephone and should be recorded by general journal in a timely manner. These should be supported by full and adequate documentation.
- C. In the absence of the internal audit function the Vice President for Fiscal Affairs will ensure that, as a part of the bank reconciliation function each month, all wire transfers-in and wire transfers-out are verified. The bank reconciliation function must be performed by an employee who has no duties directly or indirectly related to receiving or disbursing of funds.

### 408.02 INVESTMENTS

In acquiring, investing, reinvesting, exchanging, retaining, selling and managing property for the benefit of another, such executor and/or trustees (Vice President for Fiscal Affairs and Investment Committee) will exercise the judgment and care under the circumstances then prevailing, which men of prudence, discretion and intelligence exercise in the management of their own affairs, not in regard to speculation but in regard to the permanent disposition of their funds, considering the probable income as well as the probable safety of their capital. Within the limitations of the foregoing standard, such executor and/or



trustees are authorized to acquire and retain every kind of property, real, personal or mixed, and every kind of investment, specifically including but not by way of limitation, bonds, debentures, and other corporate obligations, and stocks, preferred or common, which men of prudence, discretion and intelligence acquire or retain for their own account, and within the limitations of the foregoing standard, such executor and/or trustees may retain property properly acquired, without limitation as to time and without regard to its suitability for original purchase. The terms "property" and "investment" as used herein will be deemed to mean and include life insurance, endowment and annuity contracts issued by any insurer authorized to do business in the State of Georgia. (Ga. Laws 1973, P. 718)

BR Policy 705.02

### 408.0201 Insurance Coverage and Collateral Requirements

Insurance coverage on funds invested in any banking or savings institution by Abraham Baldwin Agricultural College, a unit of the University System, has been set by the Board of Regents at the level of insurance coverage provided by FDIC in any one institution.

Should the College need to invest more than the level of insurance provided by FDIC in any one banking or savings institution, the Vice President for Fiscal Affairs must require the banking institution to provide collateral by depositing acceptable securities with the Federal Home Loan Bank in Atlanta. The value of these securities must be equal to or in excess of the amount being secured. When requiring such collateral, the banking institution will be instructed by the College's Vice President for Fiscal Affairs to advise the Treasurer of the Board of Regents that collateral has been pledged and the nature of such collateral.

Further, the College will advise the Treasurer of the Board of Regents by letter when investments in any one banking institution have exceeded the level of insurance coverage provided by FDIC and, accordingly, that the amounts are in process of being secured.

### 408.0202 Investment Objectives

It is Abraham Baldwin Agricultural College's goal to be more independent and self-sufficient through the use of investments. To achieve this goal, the primary objective is to preserve the principal and over time increase the inflation-adjusted value of the investable assets. Second, it is expected to provide short-term usable income. Third, long-term growth in both corpus and income is anticipated. These objectives are to be obtained assuming a level of risk consistent with prudent investment practices for such funds. All Endowment and Quasi-Endowment Funds shall be subject to the same high level of prudent investment policy.

Specifically, the total fun annualized rate of return should over rolling five year periods:

1. provide at least a 3.7% premium over the rate of inflation as measured by the Consumer Price Index (CPI); and,
2. outperform an index of balanced fund managers.

### 408.0203 Investment Strategy and Manager Evaluation Procedures

The Investment Committee is comprised of five members: the President, Vice President for Fiscal Affairs, and other members to be appointed at a later date. The members are appointed by the President, in consultation with the vice President for Fiscal Affairs, and



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will serve on the Committee initially for a term of three years with annual renewals thereafter.

**Investment Committee:** It is the Investment Committee's responsibility to direct the Investment and Spending Policy of the College. They are to oversee and evaluate the performance of invested funds in the attainment of the investment objectives. The committee is authorized to engage investment manager(s) for the direct management of the school's investable assets. By such action, the Committee expects to acquire expertise in investment management which will benefit the school's long term asset growth. Delegation of the college's investable assets to an investment manager will provide continuity to asset management despite periodic personnel changes in the Committee's composition, which will enable emphasis on the achievement of long term objectives rather than short term or ad hoc decisions.

The Investment Committee may, at its discretion, exclude from investment the equities of certain corporations or industries.

**Investment Manager:** The investment manager(s) will have discretion with regard to individual asset selection to which the investment policy will serve as a general framework within which the funds are to be managed. It is expected that portfolio variability over time should be minimized through prudent diversification both among individual assets and by asset class.

- A. **"Prudent Man" Investing** - The manager shall not assume a speculative position purchasing securities on margin, sell short or trade in commodity futures contracts. The manager shall not purchase lettered stock or private placements. The use of stock options, puts or calls not permitted without the prior written consent of the Investment Committee.
- B. **Portfolio Decision** - Where portfolio decisions are outside the portfolio guidelines or are in conflict with stated restrictions, it shall be the responsibility of the investment manager to communicate exceptions to the Investment Committee, or Vice President for Fiscal Affairs.
- C. **Reports** - At least quarterly, the manager will provide to the Committee a statement to include:
  - 1. The portfolio composition and performance of each major class of securities including cash equivalents;
  - 2. All transactions in descriptive detail;
  - 3. A disclosure of any deviations from the investment guidelines along with a plan of corrective action;
  - 4. A report of any material changes in policy, objectives, staffing or business conditions of the investment management firm; and
  - 5. The listing of individual security holdings and the composition of any commingled or mutual funds (annually).

**Invested Assets Review:** At least semi-annually, the Investment Committee will evaluate the investment policy and the quality of investment management services. In addition, the investment manager's services will be reviewed for conformity and compliance with the investment policies and guidelines. The committee will review investment reports provided by the investment manager performing an evaluation to include:



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1. The total fund and each asset class.
2. Measurements of fund through:
  - a). nominal, relative and comparative performance,
  - b). time weighted returns vs. stock and bond indices,
  - c). comparative performance to other similar managers by investment style.

Over a typical market cycle of three to five years, the investment manager is expected to outperform the broad market indices (i.e. S. & P. 500, Shearson Lehman Government/Corporate Bond Index, etc.) and exceed the median of comparable universes.

Results of the Investment Committee's review must be analyzed by the Vice President for Fiscal Affairs and a written report will be provided semi-annually to the proper federal and state agencies. The committee's report should include any recommendations and corrective actions to be taken, i.e.:

1. Should the committee deem the fund's performance to be unacceptable, the fund may be placed with an alternative investment management firm, upon approval by the majority of the committee.
2. A change in the liquidity needs or risk/return expectations require the guidelines and objectives to be reassessed and restated in writing for agreement by the Investment Committee and investment manager.

### 408.0204 Investment Procedural Guidelines

The investment policy of the University System and Abraham Baldwin Agricultural College is governed by the "prudent man" rule. The portfolio is to be structured in a manner that will assure investments are made in a prudent fashion, are diversified to minimize the risk of large losses, and principal is preserved, recognizing that changing economic and market conditions may make it impossible for the fund to precisely mirror all aspects of the investment policy at any point in time.

**Asset Allocation:** The asset allocation policy shall implement the growth objectives for investable assets. The asset allocation in combination with the spending policy shall seek to produce a net inflation adjusted positive total return after spending. The normal asset allocation should be:

1. Total fund equity exposure should fall within the range of 80% to 40%.
2. Total fund fixed income exposure should fall within the range of 60% to 20%.
3. Total fund cash equivalent exposure should fall within the range of 10% to 0% at the discretion of the manager.

Deviation/changes from the normal allocation will be made by the investment manager in consultation with the Vice President for Fiscal Affairs and/or his/her designee(s).

#### A. **Equity Investments:**

2. **Philosophy** - The management policy to be followed should be disciplined and consistent. It should accommodate all those events and



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occurrences considered reasonable and probable. Extreme positions and opportunistic styles are not applicable to the philosophy of the College Endowment Fund, which is to invest funds at a prudent level of risk.

### 3. Policies for Equity Investments -

- a). Industry and company investments shall be based upon demonstrable analysis of prospects from above-average return over a three to five-year period. Emphasis should be placed on growth of earning. Portfolio turnover will be carefully monitored by the Vice President for Fiscal Affairs.
- b). Investments shall be made in well-seasoned, quality companies with securities which have sufficient market capitalization to enjoy good marketability. No more than 5% (at time of investment) of the net assets of the Endowment Fund shall be invested in securities of issuers having a record of less than three years operations.
- c). Concentration in any single industry and in any company shall not exceed 15% and 5% respectively of the market value of the Endowment Fund at the time of investment, without consultation by the investment manager with the Vice President for Fiscal Affairs.
- d). All commercial paper must be rated A1/P1.

### 4. Investment portfolio equity holdings diversification - The investment portfolio should be diversified as to equity holdings. The purpose of this diversification is to provide reasonable assurances that no single security or class of securities will have a disproportionate impact on the total portfolio.

## B. Fixed Income Investments:

### Policies for fixed income securities -

- a). Investment is restricted to high-quality instruments rated "A" or better.
- b). Investments shall be limited to government (federal, state or municipal), agency issues and to corporate issuers having a minimum rating of Baa by Moody's and BBB by Standard & Poor's, at the time it is introduced into the portfolio.
- c). The fixed income portfolio shall be diversified between different sectors (Governments, Agencies, Corporates) and different issues within each sector with no one issue comprising more than 10% of the aggregate fixed income portfolio.
- d). A minimum of \$50,000,000 outstanding in each debt issue and call protection emphasized to assure stable, current income and marketability.

## C. Cash Equivalent Investments:



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### Policies for Cash Equivalents -

1. The average maturity of cash equivalent investments should generally range from 30 to 120 days.
2. All certificates of deposit must be with banks or savings and loans insured by the FDIC. Board of Regents' policy will be followed on all deposits of \$100,000 or more requiring the amount over \$100,000 to be covered by pledged securities.

#### 408.205 Investment Income Spending Policy

The policy of Abraham Baldwin Agricultural College concerning the expenditure of income earned on invested assets is governed by the U.S. Department of Education's regulations and guidelines for those restricted endowment funds. Funds will be spent, only as needed, for necessary costs to operate the institution, costs associated with the administration and management of the endowment funds, and costs associated with the buying and selling of securities. Ref. 34 CFR 628 Subpart E. (628.45)

**Allowable Rate:** Based on the stated objectives, the initial spending level will be 3% - 4% of the investments' market value, not to exceed the maximum allowable limit of "50% of the earned income", to ensure that the purchasing power of the Endowment Fund is preserved and that some real growth is earned.

**Rate Increases:** Since there may occasionally be situations requiring a higher percentage of spending from investable assets, in order to assure the short term economic viability of the school, the Investment Committee is authorized to increase the spending rate as necessary on a temporary basis. Such an increase should not be undertaken without a clearly documented justifiable need and in no case exceed the maximum allowable spending level.

**Financial Emergency:** In the case of a financial emergency spending in excess of the maximum allowable level, for endowment funds, may be exceeded **ONLY WITH THE PERMISSION OF THE SECRETARY OF THE U.S. DEPARTMENT OF EDUCATION.**

**Penalties:** Penalty for improper use of endowment funds is repayment to the U.S. Department of Education of an amount ranging from 50% of the amount improperly used to termination of the grant with the entire grant amount plus the income earned on it due, as determined by the Secretary. Ref. 34 CFR 628 Subpart E. (628.43)

#### 408.0206 Policy for Investment Policy Reviews

The Investment Committee shall review the investment and spending policy at least every three years for conformity with the long and short term goals and objectives of the college. Policy recommendations and significant modifications shall be made only upon approval of the President.

#### 408.03 SALE OF SECURITIES

The Treasurer of the Regents, with the approval of the Chairman or Vice Chairman of the Board, is authorized and empowered to sell and assign, or request payment or reissue of any and all United States securities of any description registered on the books of the Treasury Department, or registered securities with respect to which the Treasury Department acts as the transfer agency, now or hereafter held by Regents of the University System of Georgia as executor, administrator, guardian, trustee, or in any fiduciary capacity whatsoever, and also to sell and assign any such securities which the



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## Fiscal Affairs Policies and Procedures Manual

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Board of Regents is, or will be, authorized or empowered to sell and assign as attorney for, or other representative of, the owner thereof.

The Treasurer of the Board, with the approval of the Chairman or Vice Chairman, is authorized and empowered to receive payment for any matured security and to reinvest the principal or the sum total in a like or similar security. The Treasurer will make reports of such transactions to the Board as information.

(Board of Regents Policy Manual, Section 705.04)

### 408.04 ACCEPTANCE OF GIFTS, BEQUESTS, AGREEMENTS AND DECLARATIONS OF TRUSTS

The Board of Regents has delegated to the President of Abraham Baldwin Agricultural College the authority to accept gifts, bequests, agreements and declarations of trusts at a dollar value of \$100,000 or less. The President and/or the Vice President for Fiscal Affairs are/is authorized to execute, on behalf of the Board of Regents, any documents necessary to provide proper fiscal management of such gifts.

The Vice President for Fiscal Affairs will prepare and submit, through the President, to the Chancellor of the Board of Regents an annual summary report of each gift, bequest, agreement and/or declaration of trust with an initial value of \$10,000 or more.

### 409 HANDLING THE SALE OF FUNCTION TICKETS

The Student Life Office, in the handling and sale of tickets to concerts and other programs, will follow the provisions of this Manual (Section 400) pertaining to receipting and accounting for and the security of cash. All tickets should be numbered and accounted for just as if they were cash. The Business Office will provide appropriate forms to facilitate the audit and accounting for such receipts and tickets.

### 410 GUARANTEED TUITION APPEAL

Abraham Baldwin Agricultural College students may appeal their guaranteed tuition rate classification by submitting a written letter of appeal to the Vice President for Fiscal Affairs. When considering appeals, the guaranteed tuition policy of the Board of Regents will be strictly adhered to except in circumstances of military deployment. Appeals which include documented military deployment may be approved for additional periods at the guaranteed rate. The Vice President for Fiscal Affairs is the final authority for reviewing the appeal.