

**Business Administrator Services**

**Forum Minutes**

**August 10, 2011 9:00 a.m. to 10:15 a.m.**

**Kent Student Center Governance Chambers**

**Anne Brown - Associate Vice President, Business and Administration Services**

**Policy Updates**

The purchasing card policy on both the Policy Register and Accounts Payable websites are no longer in draft status. The information contained in the draft copy and the final copy remains the same; the only difference is that the “Draft” watermark will no longer appear on the screen or on a newly printed copy.

A new hospitality policy is in the final review stages and will replace the existing entertainment policy. Watch for more details as they become available. The hospitality policy will be listed as an October forum agenda item if final approval has been received by the board.

Anne will begin working on a new cash collection policy. This policy will affect the forms and processes currently in place for departments that collect payments. Significant changes will be made concerning the collection and retention of credit card numbers. Due to data security standards we must protect cardholder information and have written procedures within the departments detailing the process of obtaining, storing and retention of banking information and card numbers.

Credit card numbers will not be permitted to be included on any forms. If payment is to be made to a department using a credit card, the customer will either need to use an approved online system or call the department with the credit card information and the department will be required to input the payment information directly into the CashNet system. Detailed department procedures will need to be developed for the processing, storing and destruction of credit card numbers obtained over the phone.

In all cases, care must be taken to limit access to critical banking information.

**Carla Wyckoff – Communications & Events Manager, HR and General Counsel**

**President’s Excellence Award**

Nominations for the 3rd annual President’s Excellence Awards will begin on Monday, August 15, 2011 and will be accepted through September 16, 2011. Employees are encouraged to nominate fellow co-workers or employees for this prestigious award. Winners of the awards will receive a check in the amount of $1,000. The value of the award will be added to the employee’s W-2.

Full time classified and unclassified staff can be nominated if they have been employed by KSU a minimum of one year, are in good standing with the university and have demonstrated exceptional performance in advancing one of the seven goals of the university’s Excellence agenda including actions, initiatives or projects during the previous fiscal year (July 1, 2010 through June 30, 2011).

The university’s Excellence goals include the following areas:

Student Success Collaboration

Diversity and Inclusion Serving as an Ambassador for the University

Quality Customer Service Sustainability

Effectiveness and Efficiency

Written remarks should demonstrate why the person is being nominated, the category for the nomination (can choose only 1 category per nomination form) and the projects or initiatives that support the nomination. Nominations will be reviewed for eligibility requirements and a final list will be submitted to the Office of the President. The final decision on recipient(s) and the number of recipients resides with the President.

Nomination forms can be found at: <http://www.kent.edu/president/excellenceaward>. The form can be completed and sent electronically or printed and sent to Employee Relations, Attn: President’s Excellence Award in the Terrace Hall Annex.

**Steve Paschen – University Archivist, KSU Libraries Special Collection and Archives**

**Records Retention – What to Keep**

In 2009 the IUC (Inter University Council) archivists met and revised the records retention schedule. The current records retention schedule can be found on the General Counsel website: <http://www.kent.edu/universitycounsel>. Steve Paschen, archivist and Jim Watson, general counsel work together to determine the need to archive documents vs. the destruction of documents after the necessary retention period.

The university archives are located on the 10th, 11th and 12th floors of the Kent Campus Library. Hours of operation are Monday – Friday 8:00 a.m. – 5:00 p.m. Appointments are necessary when dropping off items to be archived or reviewing items currently in storage.

Steve should be contacted if you are confused about whether to retain records, destroy records or if you possess records that seem historical in nature. When in doubt, complete a record destruction form and forward to Steve for review. Steve will review the document list, make an appointment to complete an informal appraisal of the documents if necessary, determine whether the documents should be archived or destroyed then forward to Jim Watson for additional sign off. Requests for destruction of records should be forwarded to Steve approx 15 days prior to the date you anticipate destroying the records; this will allow ample time for the review of the documents prior to their destruction.

The records retention schedule uses generic categories for retention purposes. If you have documents that do not fit into one of the categories listed, contact Steve or Jim to assist with determining the required retention period.

Historically interesting materials include substantive correspondence to and from a department; minutes of internal department or office meetings; historical accounts of departments, offices or employees; historical department subject files; self studies, reports or department publications; facilities information and photographs. Not all old files are historical. If you have files unique to a department that helps maintain university history then you can contact Steve to see if the files should be archived. Other items documenting building history, floor plans and use of buildings are other areas that need reviewed by the archivist.

When taking pictures and keeping in files or books, please make sure you indicate the date, event and persons in the picture. Unknown events and unidentified people cannot be categorized.

Generally speaking, it is not necessary to keep the following:

* University publications – UCM (University Communications and Marketing) provides the archivist with university publications
* Duplicate copies of documents
* Blank forms
* Student grades
* Student evaluations of faculty
* Financial documents – a summary of the audited financial documents are kept for administration.

Steve will consult with departments or regional campuses by phone or email to give advice regarding the disposition of records beyond the retention schedule deadlines, to aid in the interpretation of the records retention schedules, or to advise on the preservation of physical records. The archivist’s department has been able to preserve documents with minimal damage.

On-site visits to departments or regional campuses can be scheduled. The on-site visits usually take 1-2 hours depending on the volume of documents to be reviewed. Prior to Steve’s arrival, the items should be grouped into 3 categories: items you think should be retained; items you feel could be destroyed and items that are questionable. Steve will help determine which items are to be stored, destroyed or archived.

If you have items that need to be archived, Steve will coordinate the shipping of the records from your department or campus to the library. Items should not be delivered to the library without Steve’s prior notice and approval.

Items sent to the archives are still obtainable and viewable by departments and/or the public. The archivist will sort, categorize and store the documents. A reading room is available on the 12th floor of the Library for reviewing documents in archives.

A question was asked pertaining to the amount of time it takes for the destruction of the items to be approved. Steve indicated that the online form is completed and returned in a printed document to the department within a couple of days. They are sensitive to the destruction dates listed by the departments. The online form automatically goes to both Jim’s and Steve’s offices, where it is signed by both and returned to the original department.

Another question was asked regarding the organization and packaging of items to be sent to archives. Steve indicated that banker’s boxes are the desired method of boxing up the items and forwarding for storage. If items are in binders, the binders are generally removed and the documents are stored in boxes. Departments do not need to organize the materials prior to sending. In most cases, file folders labeled by the departments are used by the archivist for sorting, categorizing and storing.

Any questions regarding the items to be stored, destroyed or archived can be directed to Steve Paschen at [spaschen@kent.edu](mailto:spaschen@kent.edu) or by phone at 330-672-1639.

**Paula DiVencenzo – Tax Manager**

**Tax Reporting – Scholarship/Fellowship or Wages?**

Paula explained the basic differences between a non reportable scholarship/fellowship payment and wages and also explained that there is a need to ask questions so that the payments are properly paid and coded to avoid unexpected tax ramifications for payees and tax, penalties and interest for the university.

A [listing of tax terminology](file:///\\kent.edu\shares$\FINAData\BASData\Shared\BAS%20Forums\fy%202012\August%2010,%202011\Tax%20Terminology%20for%20Payments.docx) regarding scholarships, fellowships and wages can be obtained by clicking on the link above. The tax terminology is also available under the August 10, 2011 forum minutes on the [www.kent.edu/bas](http://www.kent.edu/bas) website.

When making a payment it does not matter where the funds are coming from, the proper tax treatment of the payout is based on who we are paying and why we are making payment. Paula will provide guidance on which of the tax classifications apply. She will ask questions regarding who, why, what, where, how and when in order to understand the purpose of the payment and have the payment properly recorded. Improper classifications may result in tax liabilities and/or penalties to the university along with interest fees.

There are four tax classifications regarding payments:

* Wages – tax withholding, Medicare tax, worker’s compensation, retirement plan contribution - Payment is processed by payroll
* Independent Contractor – 1099 non-employee compensation; approved by HR - Payment is processed by Accounts Payable
* Award – 1099 “prizes and awards”, not a candidate for a degree – Payment is processed by Accounts Payable
* Scholarship or Fellowship – not reportable on a 1099 or W-2 but may be taxable – Processed by financial aid or in limited cases through Accounts Payable. *Special rules are in place for non U.S. citizens.*

A scholarship or fellowship includes a reduction in the amount owed for tuition, room and board and other fees. They are both not compensatory and cannot be for past, present or future services. ***The source of the funding does not matter, even if it is a non-cash item.***

Training grants or training stipends might be considered a fellowship for tax purposes. Additional questions need to be answered before the determination can be made. Determination will depend on who is paid and what they are doing; the activity should benefit the student and not the university. Scholarships and fellowships may be taxable even though the payments are not reportable by Kent State. The payment would be non taxable only if the payment was used to pay qualified expenses such as books, tuition, required supplies.

Kent State University cannot give tax advice but should provide a letter to the students explaining the tax treatment of scholarships and fellowships. The [Scholarship/Fellowship/Grant student letter](http://www.kent.edu/tax/copy-of-copy-of-information-reporting.cfm) can be found on the [www.kent.edu/tax](http://www.kent.edu/tax) website or by clicking on the student letter link above. A direct link will also be made available under the Aug 2011 BAS forum minutes.

When determining whether a payment should be classified as a scholarship/fellowship or wages, the following questions should be considered:

* Is the primary purpose for the individual to study, learn, develop etc?
* Is there an insignificant benefit provided to the grantor and the university?
* Is the payment purely for learning or is it required for another reason?
* Does the university have an obligation that would not be met without the individual’s time and effort?

Prior to making a payment for a scholarship, fellowship or training grant, Accounts Payable reviews the payee’s employment history to see if the payee has been paid wages by Kent State within the current *calendar* year. As with independent contractors, payments and wages in the same calendar year as well as scholarships/fellowships and training grants plus wages in the same year raise red flags to the IRS. Employment has to be unrelated to the scholarship / fellowship, training grant or training stipend; and additional documentation will be required to verify that the employment responsibilities resulting in wages earned differ from the terms of the scholarship/fellowship etc.

If there is a service obligation, then the payment will not be considered a scholarship/fellowship. This applies to both cash payments (stipends) and tuition reduction. If the individual is not obligated to repay in the event the service obligation is not fulfilled, then both the cash payments (stipends) and tuition reduction are taxable as wages when paid. If the individual is obligated to make repayment due to not meeting the service obligation, then the payments are considered loans and the university does not need to report the payment. As the recipient fulfills the service obligation, the loan is forgiven. The recipient will be responsible for reporting the debt forgiveness.

Expense reimbursements may or may not be tax free. Employees and independent contractors may use an accountable plan. An “accountable” plan rule allows for tax free reimbursement for travel when a service is performed. Students who are not providing a service to the university are not eligible for tax free expense reimbursements.

Please make sure that the descriptions and supporting documentation for payments accurately describe the service. All documents, including emails, must be consistent and not contain any conflicting descriptions. Documentation must be kept for three years, starting from March 15 after the calendar year in which the payment was made.

The earlier documentation is received the better. The documentation needs to be received and reviewed prior to finalizing any agreement with a payee. Accounts Payable will not process a payment without the tax determination. Once a determination is made, subsequent payments to the same payees can be pre-determined as long as all of the information remains unchanged.

**Information needed to make determination**

* Any documents describing the activities of the person receiving a payment (Who and Why)
* Is the payee a U.S. citizen or entity?
* What, Where, When and How
* Service obligation, if applicable
* RFP (Request for Proposal), if applicable
* Independent contractor determination, if applicable
* Revenue that will be generated outside of the grant – need contract or agreement
* All signed agreements or contracts, if any
* Information regarding other employment at KSU within the same calendar year of the proposed payment – include description of the duties in that position
* Repayment agreement, if applicable

Below is a quick comparison between Service vs. Scholarship or Fellowship

Wages / Services Scholarship / Fellowship

|  |  |
| --- | --- |
| * Internship or work / study program | * Independent study |
| * Defined amount of hours or specified schedule | * Hours as needed in order to learn or develop |
| * Defined tasks with close supervision | * Defined learning objectives |
| * Trainee is needed as the result of an agreement or contract | * Progress is monitored and reported but not controlled |
| * Fringe benefits (vacation, health insurance, holiday pay, retirement plan) | * Program exists primarily to meet study or training objectives |
| * More than incidental benefit to KSU or the grantor | * Incidental benefit to KSU or the grantor |

The tax website can be found at [www.kent.edu/tax](http://www.kent.edu/tax). The website is intended for the purpose of providing information on various tax matters encountered by KSU staff, faculty and students. The information and attachments within the website are guides and are not intended to be used as tax advice.

The website contains information regarding the following:

* Tax Status
  + Federal Tax Exemption
  + Sales Tax Exemption
* Tax Information by Tax Type
  + Employment Tax
  + Ohio Sales Tax
  + Information Reporting
* Government Websites
  + IRS – Government Entities
  + Ohio Department of Taxation
* Tax News
* FAQ (Frequently asked questions)
* Tax Tools
  + Scholarship/Fellowship/Grant Student Letter
  + Tax Determination Questions
  + Tax Determination Comparison
* Kent State – VITA (Volunteer Income Tax Assistance) Program

Next BAS Forum

Wednesday

October 12, 2011

Kent Student Center

Governance Chambers