

Accounting for Capital Projects

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POLICY

.100 POLICY STATEMENT

The policy sets forth system-wide requirements for the administration and accounting for capital projects.

.110 POLICY RATIONALE

OUS seeks to ensure that the policies and procedures related to administration and accounting for capital projects are documented, communicated, clearly understood, and consistently applied.

For this policy the term “capital projects” refers to the acquisition, construction, major improvements, and major repair of real property. Real property comprises land and property affixed to land (e.g. buildings, land improvements, infrastructure, and improvements other than buildings).

For this policy, the term “capital projects” does not pertain to:

- Expenditures for personal property
- Expenditures of education and general funds under the State of Oregon “capital improvements” expenditure limitation
- Expenditures of renewal and replacement funds for building repair

The accounting for capital projects is complex due to multiple funding sources, a large volume of expenditures, and the crossover of expenditures into multiple fiscal years.

Capital projects are accounted for in the unexpended plant funds.

A. OBJECTIVES OF ACCOUNTING FOR CAPITAL PROJECTS

- To ensure that the total expenditures of each capital project do not exceed the capital budget approved by the Oregon State Board of Higher Education (OSBHE).
- To ensure that sufficient but not excessive funds are authorized and available to pay the expenditures of capital projects as those expenditures become due.
- To ensure that funding is in compliance with all applicable laws and regulations.

- To ensure that accounting for capital projects is in accordance with generally accepted accounting principles and provides for sufficient internal control.
- To ensure that the financial activity of capital projects is adequately monitored.

.120 AUTHORITY

- [ORS 351.085 - Duties and Powers of Chancellor](#)
- [ORS 351.090 - Standardization of Accounts and Records; Preparation of Budget; Allocation of Funds](#)
- [OAR 580-040-0005 - Delegation and Assignment of Responsibility](#)
- [IMD 6.001 - Finance and Business Affairs Accounting Policies - Assignment of Responsibility](#)

.130 APPROVAL AND EFFECTIVE DATE OF POLICY

The original policy was approved by the Controller on July 11, 2005, with an effective date of July 1, 2005. Revisions and updates approved by the Associate Vice Chancellor for Finance & Administration/Controller on January 14, 2010. Revisions and updates approved by the Associate Vice Chancellor for Finance & Administration/Controller effective as of July 1, 2012.

.140 KNOWLEDGE OF THIS POLICY

All institutional and Chancellor's Office personnel with financial oversight responsibilities and accounting and financial reporting responsibilities related to capital projects should be knowledgeable of this policy.

.160 RESPONSIBILITIES

Responsibilities related to accounting for capital projects include the following:

A. OUS CONTROLLERS DIVISION

- Establish system-wide accounting policies and internal controls to ensure uniform and consistent accounting of capital projects.
- Establish numbering convention for project (grant) codes for capital projects.
- Establish and set up baseline funds for bond funded projects.
- Transfer system-wide funds among universities.
- Provide periodic overall monitoring of the unexpended plant funds' accounting records and expenditures within approved capital budgets.

B. OUS CAPITAL AND FACILITIES PLANNING

- Interpret, clarify, and document requirements of legislative session Requests.
- Put forward capital project requests and obtain OSBHE and legislative approval.
- Allocate system-wide funds among universities.
- Review and approve funding plans for capital projects.

C. UNIVERSITY

- Establish university-specific accounting policies and internal controls pertaining to capital projects.
- Record transactions in the appropriate capital project funds using the correct account codes.
- Create project (grant) codes in university Banner FIS, which comply with numbering convention established by the Controller’s Division, for all capital projects.
- Establish capital project funds and corresponding index codes in Banner FIS, ensuring that bond funds are set up in the series established by the Controller’s Division.
- Establish and update budgets in the capital project funds.
- Manage the financial activity of capital project funds.
- Monitor actual revenue and expenses to budget.

.200 CAPITAL PROJECT APPROVALS AND MANAGEMENT

The following table outlines the capital project approval documentation and submission timelines.

Capital projects financed with bonds and/or state funding:	
Approval requirements:	<ol style="list-style-type: none"> 1) Approval by President or authorized designee. 2) Review and approval by OUS Capital and Facilities Planning Division. Review to determine that (1) capital project is in accordance with the university master plan, (2) sufficient funding exists for the capital project, and (3) projected resources are sufficient to repay capital project debt. 3) Approval by Board Finance and Administration Committee 4) Approval by OSBHE 5) Approval by Governor and Legislature

Capital projects financed with bonds and/or state funding:	
Documents required:	For capital projects valued less than \$5M: “Capital Approval Process– Short Form” documents For capital projects valued \$5M or more: “Capital Approval Process– Standard Form” documents
Timeline:	“Capital Approval timeline”
All Other Capital projects not financed with bonds or state funding:	
Approval requirements:	1) Approval by President or authorized designee. 2) Review and approval by OUS Capital and Facilities Planning Division. Review to determine that (1) capital project is in accordance with the university master plan, and (2) sufficient funding exists for the capital project. 3) Approval by Board Finance and Administration Committee required for capital projects valued \$5M or higher.
Documents required:	“Streamlined Process” documents
Timeline:	For capital projects valued less than \$5M: “Campus time line” For capital projects valued \$5M or higher: “Campus time line and OSBHE meeting schedule”

Bond financed projects require statutory bonding authority regardless of the project amount. Statutory bonding authority requires governor and legislative approvals before the issuance of the bonds.

.210 BOND FUNDING

A. XI-G BONDS

Funds available under the expenditure limitation for XI-G bonds must be matched as approved by the legislature with funds available to the constructing authority for that purpose.

B. XI-Q BONDS

The State of Oregon Department of Administrative Services (DAS) issues Article XI-Q General Obligation Bonds (XI-Q), which OUS universities generally use for equipment and systems purchases, such as computer and telecommunication systems and to fund capital projects. Proceeds from XI-Q are initially deposited with a trustee, and then distributed to the universities on a reimbursement basis. The proceeds must be repaid, generally over a five year period. Sufficient controls must exist to ensure that expenditures in the XI-Q funded unexpended plant funds are within the DAS authorization and have been reimbursed by the XI-Q trustee.

The OUS Controller's Division administers the XI-Q program for OUS universities; the following policies are limited to the accounting for the issuance of the XI-Q and the use of the proceeds. The following does not directly address the planning, requesting, biennial budgeting, spending plans, or repayment of XI-Q. Additional information of administering and accounting for XI-Q can be obtained from OUS Controller's Division.

All XI-Q funded projects must be requested through the OUS Budget and Management Division and receive Legislative expenditure approval through the biennial budget process.

XI-Q funded projects are on a reimbursement basis, and must include a spending plan filed with OUS Controller's Division Debt Manager.

A "Declaration of Official Intent to Reimburse Capital Costs with XI-Q bonds" document must be in place before XI-Q funded expenditures may occur and be recorded in Banner FIS if the expenditures are made prior to the bond sale.

Responsibilities include the following:

- Controller's Division creates the additional account codes pertaining to each XI-Q series in the Banner FIS baseline charts.
- Controller's Division creates the XI-Q unexpended plant funds in the applicable university's Banner FIS.
- Controller's Division establishes XI-Q revenue and expenditure budgets in the unexpended plant funds.
- Universities make expenditures from XI-Q funds.
- Universities prepare and submit reimbursement packets to OUS Debt Manager.
- Controller's Division records reduction of funds held by the Trustee.
- University records receipt of XI-Q funds to reimburse the XI-Q unexpended plant funds.

Expenditures to the XI-Q unexpended plant funds are recorded with 2xxxx and 4xxxx account codes. Reimbursements to the unexpended plant funds are recorded using a 05263 - XI-Q Trustee Reimbursements account code.

At the end of each fiscal year, the expenditures in the XI-Q unexpended plant funds (1) will not exceed the total amount authorized by Department of Administrative Services, and (2) may be fully reimbursable by the XI-Q trustee.

.250 CASH MANAGEMENT

Once the OSBHE has approved a capital project, a series of steps must be taken to ensure that sufficient funds are available to pay expenditures as they become due. These steps require a coordinated effort between the University, the OUS Capital Facilities and Planning Division, and the OUS Controller's Division. Sufficient funding must be received timely, deposited and accounted for, and must comply with laws and regulations including *Oregon Revised Statutes* and *IRS Code*.

.300 ACCOUNTING

Banner FIS is the official accounting record for capital projects and is used to reconcile Operating Ledger project expenditures to General Ledger capital asset additions and individual asset capitalization in Banner Fixed Assets. Each project is made up of at least one project (grant) code and at least one fund code.

A. PROJECT (GRANT) CODE

The project (grant) code identifies the capital project and is the primary basis for ensuring that the total expenditures of the capital project has not exceeded the approved capital budget for the project. Project (grant) codes allow for inception to date reporting and reporting of multiple funds. Project (grant) codes must meet the following requirements:

- Every capital project fund must be tied to a project (grant) code.
- All capital project funds related to the same project must be tied to the same project (grant) code.
- The numbering of the project (grant) codes must be consistent with the numbering convention developed and communicated by the Controller's Division in Appendix .730.
- Project (grant) codes must be sequentially numbered.
- For project (grant) codes with project-specific approved budgets, the "maximum" expenditure amount must not exceed the approved budget.

B. FUND CODE

Unexpended plant funds in Banner FIS record the capital project expenditures and the funding used to cover those expenditures. Fund codes must meet the following requirements:

- For each capital project, a separate unexpended plant fund must be established for each type of funding source. For example, a capital project with four types of funding sources (e.g., XI-F Bonds 2005 Series A,

Donations, Auxiliary Enterprise Funds, SELP Loans) would have four funds, and the expenditures would be charged to the appropriate funding source.

- Unexpended plant funds are not established until the project has been submitted and approved per Section .200 A of this policy, and the university is ready to begin the project.
- All capital project funds must be set up in fund type 81-Unexpended Plant Funds. The fund code must fit within the OUS Baseline Hierarchy for fund type 81-Unexpended Plant Funds. See OUS Fund Baseline Hierarchy in the OUS Fiscal Policy Manual [05.110 "Chart of Account Administration"](#).
- Fund codes must be sequentially numbered.
- Every unexpended plant fund must be tied to a project (grant) code.
- Capital repair and maintenance projects funded by budgeted operations funds can either roll-up to 004000 - Repair and Remodeling, or general funds can be transferred to a capital project fund in fund type 81. The institution has the choice of creating a separate fund for each capital improvement project or one fund for each budget period. Capital improvement funds are not required to be tied to a project (grant) code. The 004000 fund should never be used for capital projects.

Capital projects funded by budgeted operations must be set up in fund type 81-Unexpended Plant Funds and funded by a transfer from budgeted operations to the unexpended plant fund.

C. LOCATION CODE

The location code identifies the location of the real property construction or purchase. The location code corresponds to the "ptag" number that will identify the real property in the Banner Fixed Assets system. The general purposes of the location code are to denote the physical location of the real property and to distinguish between land, buildings, land improvements, improvements other than buildings, and infrastructure.

The Controller's Division establishes new building location codes in Banner FIS. The use of location codes must agree with OUS numbering conventions. Location codes are required for all capital project expenditures.

For numbering of Location Codes see Standards Pertaining to Real Property Records, Appendix 4:

<http://www.ous.edu/dept/cont-div/accounting-reporting/property/app4#a2>

D. ESTABLISHING AND UPDATING BUDGETS

Each capital project fund is required to have a revenue and expenditure budget. Use of budgets helps ensure that (1) total expenditures do not exceed total funding, and (2) total expenditures do not exceed the approved budget for the project.

For each fund, the revenue and expenditure budgets must equal, and the total revenue and expenditure budgets of all funds within the same project (grant) code must equal the total of the approved capital project budget.

D. TRANSFERRING OF FUNDS

Funding to cover capital project expenditures are recorded as revenue or transfers-in in the capital project funds.

- Different sources of funding may not be commingled in the same fund; a separate fund must be established for each funding source.
- Total revenue and transfers-in in unexpended plant funds may not exceed the approved budget for the capital project.
- Controller's Division distributes funds received centrally. Universities record receipt of funds received directly by the university and transfers from other university funds.
- Universities must consult with Controller's Division in the recording of matching funds required for XI-G bonds, to ensure that the receipt, use, and accounting of matching funds complies with rules and regulations pertaining to XI-G bonds.

E. PAYMENT OF EXPENDITURES

Except for cost-reimbursable projects and projects with documented and formally approved reimbursement resolutions, expenditures may only occur after funding is received.

Some university facility departments initially charge expenditures to clearing funds, but ultimately each expenditure must be charged to the correct capital project fund and to the correct account code within the capital project fund. Expenditure may only be charged to the capital project to which they pertain.

F. TERMINATING CAPITAL PROJECT FUNDS

Once a capital project is complete, the applicable funds should be terminated as soon as possible to eliminate the possibility of mistakenly charging additional expenditures to those projects. A review for completed projects is usually done at the end of each fiscal year. Capital project funds may not be terminated until the following requirements are met:

- All financial activity has been posted.

- All amounts withheld as construction retainage have been refunded to the contractor and any open issues with the contractor have been resolved.
- The capital project fund has no remaining fund balance.
- The corresponding Banner FIS index has been terminated.

G. TERMINATING PROJECT (GRANT) CODES

A project (grant) code may only be terminated after the project is complete and all funds of the project have been terminated. Project (grant) codes for university-specific projects are terminated by the university. Project (grant) codes for system-wide projects may only be terminated by the Controller's Division.

.350 MONITORING

A. MONITORING OBJECTIVES

The objectives of monitoring capital project funds are to ensure that

- Actual expenditures have not exceeded actual revenue.
- Expenditures are appropriate for the source of funding.
- Total expenditures of all funds comprising the capital project have not exceeded the applicable approved budget.
- The net increase or decrease in the general ledger real property asset accounts for the year agrees to the real property capitalized expenditures less real property disposals for the year.

This monitoring is performed at fiscal year-end. Each university is required to develop and implement internal controls designed to either prevent or detect inappropriate use of capital construction funds.

Each university is responsible for monitoring capital projects to ensure that expenses do not exceed approved budgets.

B. PERIODIC MONITORING

Monitoring occurs on a periodic basis by the Controller's Division to ensure that expenditures do not exceed approved budgets.

.375 CAPITAL SUPPORT ASSESSMENT

OUS charges a capital project support assessment which is 1/4th of 1 percent (.0025) of the approved budget on all capital construction projects which include bond funding.

See [Appendix .820](#) Capital Support Assessment for information on the accounting process.

.400 YEAR-END CLOSING PROCEDURES

Accounting for capital project funds is subject to the year-end closing instructions issued by the Controller's Division and the applicable universities business office.

.450 RECORDS RETENTION REQUIREMENTS

The following retention requirements apply to records related to bonds, COP, XI-Q bonds and Lottery proceeds.

The IRS requires that all records related to the sale, expenditures and use of bond-funded facilities be retained for three years beyond the final bond maturity date. For OUS, the retention period would be approximately 33 years, depending on the final maturity of the bond sale. This would include at a minimum the following records:

- Basic records relating to the bond transaction (including the trust indenture, loan agreements, and bond counsel opinion-bond sale transcript);
- Documentation evidencing expenditure of bond proceeds (both internal and external);
- Documentation evidencing use of bond-financed property by public and private sources (i.e., copies of management contracts and research agreements);
- Documentation evidencing all sources of payment or security for the bonds; and
- Documentation pertaining to any investment of bond proceeds (including the purchase and sale of securities, SLGs subscriptions, yield calculations for each class of investments, actual investment income received the investment of proceeds, guaranteed investment contracts, and rebate calculations).

.475 RETAINAGE PROCESSING

For construction-related services contracts over \$1,000,000, the Institution will withhold a retainage. The Institution may require a retainage for construction-related Services Contracts under \$1,000,000.

An Institution will retain cash equal to five percent (5 percent) of the contract price for work completed. After the Contractor has performed at least fifty percent (50 percent) of the work and is progressing satisfactorily, upon the Contractor's submission of written application containing the surety's written approval, the Institution may, in its discretion, reduce or eliminate retainage on any remaining progress payments. The Institution will respond in writing to all such applications within a reasonable time. When the work is ninety-seven and a half percent (97.5 percent) completed, the Institution may, at its discretion and without application by the Contractor, reduce the retained amount to one hundred percent (100 percent) of the value of the remaining unperformed work. An Institution may at any time reinstate retainage. Retainage will be included in the final payment of the contract price.

If retainage is held in an account at a financial institution, title to such funds will remain with the Board until the work is complete and accepted by the Institution. Interest on deposited retainage accrues to the benefit of the Contractor and will remain in the retainage account until the work is accepted. The Institution may deduct fees necessary to open and maintain a bank account.

An Institution will recover from the Contractor all costs incurred in the proper handling of cash retainage and securities, by reduction of the final Contract payment.

[See Appendix .810 for process information](#)

.500 OTHER COMPLIANCE ISSUES

The accounting records of unexpended plant funds must also provide documentation of compliance with other OUS policies pertaining to capital projects. Accounting related to other compliance issues is specified in [appendix .800](#), Compliance with Other Objectives Related to Capital Projects.

.690 CONTACT INFORMATION

Direct questions about this policy to the following offices:

Subject	Contact
General questions from institutional personnel	Institution Office of Business Affairs
General questions from institutional central administration and Chancellor's Office personnel	Chancellor's Office Controller's Division

.695 HISTORY

07/11/05 - Approved
07/15/05 - Updated
01/14/10 - Revised
09/03/10 - Updated - added section .450

07/01/12 - Revised

Policy Last Updated 07/01/12

APPENDIX

.700 CONTEXT

The following context is specific to unexpended plant funds and does not relate to repair and maintenance projects funded by and accounted for in budgeted operating funds.

.701 BACKGROUND

"Unexpended Plant Funds" within Banner FIS account for revenue and expenditures of capital projects, including their acquisition and construction.

The Chancellor's Office and the seven institutions within OUS require uniform and consistent accounting policies pertaining to unexpended plant funds. The policies must result in an efficient process while still accomplishing the accounting objectives related to unexpended plant funds.

The planning and administering of capital construction projects require coordinated efforts of many offices, both within the university and the Chancellor's Office. As determined by the University Vice President, university planning and administration of capital projects may involve the university facilities department, academic departments, business office, budget office, grants office, and general counsel. Chancellor's Office involvement typically includes the Capital and Facilities Planning Division, Budget and Management Division, Controller's Division and Legal Counsel.

The accounting for unexpended plant funds also requires a coordinated effort, generally involving four offices:

- Chancellor's Office Controller's Division
- University Business Office
- Chancellor's Office Capital and Facilities Planning Division
- University Facilities Department

At some universities the accounting functions of the business office and facilities department are combined in one office.

The accuracy of the accounting for unexpended plant funds impacts the OUS annual financial statements, fixed asset records and depreciation calculations, reports to the State of Oregon for inclusion in the State of Oregon Comprehensive Annual Financial Report (CAFR), facilities and administrative rate proposals presented to the federal government, and support for demonstrating compliance with IRS rules and regulations.

.710 GENERAL ACCOUNTING RESPONSIBILITIES

The universities have differing organizational structures, and the accounting responsibilities may vary in terms of where they occur specific to each campus. Regardless of which office performs the tasks below, it is the university's responsibility to ensure that adequate controls are in place, including sufficient segregation of duties or other compensating controls.

The [attached table](#) shows the general guidelines for accounting responsibilities of capital project funds.

.720 CASH MANAGEMENT

For policies related to returning unused bond proceeds, please refer to Fiscal Policy Manual [35.100 "Returning Excess Bond Proceeds."](#)

.730 ACCOUNTING

Project (Grant) Code

The Controller's Division determines the numbering conventions for 9xxxxx capital project (grant) codes. Codes are routinely seven digits in length with an optional eighth character added at the discretion of the Controller's Division.

Set-up responsibilities are based on the highest required approval level of the project as follows:

- 96xxxx - Legislative-Authorized (Controller's Division responsibility)
- 97xxxx - OSBHE -Authorized (University responsibility)
- 90xxxx - University-Authorized (University responsibility)

Following each legislative session, the Controller's Division will establish the 96xxxx project (grant) codes for system projects approved by the Legislature. Universities will submit an element request form to the Controller's Division for projects that will include State bonding or funding prior to recording any expenses for the project, including planning expenses. Upon receipt of the element request form, the Controller's Division will establish the 96xxxx project (grant) codes. Universities are responsible for establishing 90xxxx and 97xxxx project (grant) codes; however the Controller's Division will set these codes for universities upon request.

--First two characters are:

- "96" – for projects with State bonding or funding approved by the Full Board and submitted to the Governor and Legislature for approval.
- "97" – OSBHE Approved Capital Projects – Indicates a project of \$5 million, or greater, with no State bonding. Funding must have been approved by the university President or designee and the OSBHE Finance and Administration Committee.
- "90" – University Approved Capital Projects – for projects which do not include State bonding or are under \$5 million and have approval by the University President or an authorized designee.

--Third and fourth characters are the fiscal year in which the project is initiated, beginning with "13" for FY2013 projects, etc.

--Fifth Character is the university COAS Code (or "S" for system projects).

- UO – B
- OSU – C
- OSU-Cascades – C
- PSU – D
- WOU – E
- SOU – F
- EOU – G
- OIT – H
- OUS – K
- System Projects – S

--Sixth and seventh characters are numeric sequential starting with 01 for the first project of each fiscal year.

--An eighth character may be added in the "96" series in circumstances where the project approved budget consists of more than two bond sales. This is most often related to capital repair system limitation. Universities will be notified when this additional character is necessary.

Submit Capital Project Element Request Form to cd-a-r@lists.ous.edu

[Element Request Form for Capital Projects](#)

Fund Code

The OUS Controller's Division creates the OUS Baseline Hierarchy for all fund types. Universities create unexpended plant fund codes in Banner FIS, which roll up to the appropriate OUS Baseline Hierarchy, for all capital projects..

If a university does not have sufficient controls to ensure sufficient segregation of duties in establishing and administering unexpended plant funds, universities, at their option, may request that the Controller's Division create unexpended plant fund codes in Banner FIS by having university facilities prepare and forward plant fund requests to OUS Controller's Division.

Bank Code

Bank codes group funds together and are used to facilitate reporting. Each bank code represents a different type of funding. The Controller's Division creates bank codes in Banner FIS. The bank code is assigned by the office (University business office or Controller's Division) that creates the capital project funds.

Establishing and Updating Budgets

Each university is responsible for setting up budgets for each unexpended plant fund. The revenue and expenditure budgets must equal, and the total revenue and expenditure budgets of all funds within the same project (grant) code may NOT exceed the approved budget for the capital project.

Paying Expenditures - Account Codes

Expenditures related to capital projects must be charged to the appropriate fund and account codes. The account code specifies the nature of the expenditure and distinguishes costs to be expensed from costs to be capitalized and subsequently depreciated. The account code indicates type of property (e.g., Land, Building, Land Improvement, Infrastructure, or Improvement Other Than Building).

- The account code classification must be accurate.
- All expenditures in capital project funds must include a location code.
- See [Account Code Index](#) in OUS Fiscal Policy Manual for descriptions of account codes.
- See OUS Fiscal Policy Manual 55.100 "[Fixed Assets Accounting Policies](#)" for capitalization policy.

.750 YEAR-END CLOSING PROCEDURES

The year-end closing procedures close the accounting records for the fiscal year and become the basis for preparing the annual financial statements, auditing the annual financial statements, and determining fund balances to be carried forward as beginning balances for the following year. Once the accounting records are closed for the year, they cannot be reopened.

The schedule for completing the year-end closing procedures is coordinated by the university's business office. In general, the objectives of the year-end closing procedures pertaining to capital project funds include the following:

- Ensuring that all expenditures for services rendered up to the close of the fiscal year have been paid or accrued as a year-end liability.
- Ensuring that all charges to clearing funds have been cleared and charged to the correct capital project fund.
- Ensuring that all charges in the capital project funds have been recorded to the correct account code and the appropriate fund has been used for the expenditures.
- Ensuring that no capital project funds have negative fund balances.
- Ensuring that total expenditures have not exceeded approved budgets.
- Ensuring that the total capitalized expenditures for the year have been added to the appropriate general ledger asset account by either recording those expenditures in Banner Fixed Assets or by journal voucher for construction in process.

For additional information, refer to the annual year-end closing procedures issued by the Controller's Division and the university's business office.

.800 COMPLIANCE WITH OTHER OBJECTIVES RELATED TO CAPITAL PROJECTS

.810 CONSTRUCTION RETAINAGE

Normally, five percent of each progress payment to a contractor is retained until the work under a construction contract is complete and accepted. Specific policy references to construction retainage are found in [OAR 580-040-0007](#) and [OAR 580-063-0045](#).

The contractor has three options for handling the construction retainage:

- Retainage held by OUS
- Securities deposited in lieu of the retainage
- Retainage deposited in a financial institution

Sufficient controls must be in place to ensure that retainage amounts on deposit are for the correct amount, safeguarded, reconciled to the accounting records, and not released to the contractor until the work is complete and accepted.

Responsibilities vary depending on the method the contractor selects for handling the construction retainage.

Retainage Held by OUS

- University business office and facilities department handles all procedures pertaining to construction retainage.
- Retainage payable must be accounted for in a capital project fund and account B0390 – Contract Retainage Payable.

Securities Deposited in Lieu of Retainage

- Controller's Division obtains approval of the State Treasurer and opens a retainage account at a bank. Retainage accounts require two authorized signatures from the Controller's Division for any withdrawal.
- University works with the contractor, bank and legal counsel to establish an acceptable agreement and deposits securities into the account.
- Controller's Division and the University receive notification from the bank of securities held by the bank in lieu of retainage.
- Controller's Division reviews securities on deposit to verify that they meet the requirements of the statutes or have an approved exception.
- On a monthly basis the University ensures that the value of the securities held equal or exceed five percent of the total amount of progress payments.

- University Facilities Department determines when the work of the contract is complete and accepted.
- University sends request to the Controller's Division to release the securities to the Contractor.
- Controller's Division confirms the work is complete and advises the bank to release interest in the securities.
- Bank releases the securities to the contractor.

Retainage Deposited in a Financial Institution

- Controller's Division obtains approval of the State Treasurer and opens a retainage account at a bank. Retainage account at a bank requires two authorized signatures from the Controller's Division for any withdrawal.
- University requests a Banner FIS construction retainage receivable A35XX account code be set up by the Controller's Division.
- University deposits the five percent retained from all progress payments into the bank account and records construction retainage receivable in fund 804901 – Contract Retainage Fund.
- University records a payable to the contractor in fund 804901 – Contract Retainage Fund account B0390 – Contract Retainage Payable.
- Controller's Division receives and reconciles monthly bank statements to the A35xx receivable account.
- University Facilities makes determination of partial or full release of retainage amount on an as needed basis.
- University Facilities requests release of the retainage amount when appropriate.
- Controller's Division releases amount in bank account (net of statutorily required service charges) and credits the construction retainage receivable in the unexpended plant fund.
- University Facilities pays contractor the retainage amount.

.820 CAPITAL SUPPORT ASSESSMENT

The capital support assessment is for the administration of programs and projects by OUS Capital and Facilities Planning, including Minority/Women in Business and Emerging Small Business, the Capital Repair Baseline study, studies of space utilization, five-year rental appraisal for Board-approved housing and other system-wide consulting or database applications for capital activities.

The assessment:

- Is assessed on the approved budget for capital projects funded by state bonding or other state funding. The assessment is NOT applied to unexpended plant funds for miscellaneous projects less than \$1 million.
- If actual budget is less than the approved budget, the difference in the assessment is not returned.

When an unexpended plant fund is established the Controller's Division will charge the applicable unexpended plant fund for the assessment and prepare an inter-institutional journal voucher to transfer the assessment to OUS Capital and Facilities Planning. The OUS Controller's Division will perform periodic monitoring to ensure that all capital support assessments have been recorded and transferred to the OUS Capital Construction Division.

For renewal and replacement projects that are not capitalized use the following account code:

- For default program codes "93000 - Plant Improvement" and "97000 - Renewal and Replacement:"
 - 28103 OUS Capital Support Assessment

For capitalized projects use the following account codes:

- For default program code "90001 - Plant Construction:"
 - 40318 Land - OUS Capital Support Assessment
 - 40418 IOTB - OUS Capital Support Assessment
 - 40518 Buildings - OUS Capital Support Assessment
 - 40718 Infrastructure - OUS Capital Support Assessment

The use of the 40xxx accounts ensures that the capital support assessment is included in the capitalized cost of the project and depreciated in subsequent fiscal years.

The credit for all capital support assessment transactions is recorded in Chancellor's Office Chart K, Index CAPSUP, Fund 001015 with account code "79392 Miscellaneous Service Reimbursement."

The capital support assessment cannot be charged to Lottery or XI-Q Bond funds. The Controller's Division will contact the university to help determine which university Index to use for the capital support assessment.

.830 PLANNING ADVANCES

OUS Capital and Facilities Planning maintains a limited fund available to universities for architectural and engineering planning advances that is funded by a portion of the Capital Support Assessment. The monies are used in the initial planning phases before the capital construction project is approved. The advance is in the form of a loan and is repaid to OUS Capital and Facilities Planning once capital project is approved and the proceeds from the funding have been received.

Planning advances must include a loan agreement on file with OUS Controller's Division, in accordance with the Inter-Institutional and Inter-Fund Loan Policy in section [05.271](#). If the capital project is not approved and does not proceed, the amount loaned to the university is written-off and not repaid to the Chancellor's Office.

Responsibilities include the following:

- OUS Capital and Facilities Planning completes and obtains university signatures on planning advance agreements and forwards copy of agreement to Controller's Division.
- Controller's Division records the accounting entries related to issuance and repayment of planning advances.
- Controller's Division maintains a listing of the detail of outstanding planning advances.

Accounting includes the following:

- Accounting transactions are indicated in the Inter-Institutional and Inter-Fund Loan Policy in section [05.271](#).
- Proceeds for the university receiving the advance from OUS Capital and Facilities Planning will be recorded in fund 804999 - Fund Bal Arch/Eng Plan using a Due to Other OUS Entities account code B7019 - Liab Arch/Eng Plan.
- In Chart K for the Chancellor's Office, the advance is recorded in fund 804999 Fund Balance Arch/Eng Planning as a Due from Other OUS Entities account code, as follows:

A7001 - Adv Arch/Eng Plan EOU
A7002 - Adv Arch/Eng Plan OIT
A7003 - Adv Arch/Eng Plan WOU
A7004 - Adv Arch/Eng Plan OSU
A7005 - Adv Arch/Eng Plan SOU
A7006 - Adv Arch/Eng Plan UO
A7009 - Adv Arch/Eng Plan PSU

At the end of each fiscal year, the sum of the Due to Other OUS Entities account code B7019 in fund code 804999 within the Universities' charts should equal the total of the A70xx account codes in fund code 804999 in Chart K of the Chancellor's Office.

At the end of each fiscal year, the total of the listing of outstanding planning advances should agree to the fund balance of fund 804999 in Chart K of the Chancellor's Office.

.995 HISTORY

7/11/05 - Approved
09/13/06 - Updated
03/20/09 OAR References added to Section .810
8/17/09 - Updated
01/14/10 – Revised
11/15/2012 - Revised

Appendix Last Updated: 11/15/12