

University Financial Policies

The Financial Policies contain the governing principles and standards for the financial management of Pepperdine University. The development of the Financial Policies are the primary responsibility of the Finance Office.

Section 1.1: Responsibility for Expending University Funds

Overview

This policy is designed to outline the responsibilities of various University constituents in delegating authority for spending University funds, and the corresponding responsibilities of those to whom authority has been delegated.

Responsibility for Expending University Funds

Delegating Authority to Expend Funds

- The Board of Regents grants authority to the Chair, Vice Chair, Secretary, and Assistant Secretary of the Board of Regents and Authorized Officers to execute documents (see [Execution of Documents Policy](#)).
- Only the Chief Financial Officer and Chief Operating Officer are authorized to delegate authority to other officers and employees to execute documents in amounts of \$25,000 or less.

Responsibility of Authority to Expend Funds

Any employee who is authorized to execute documents to expend funds and bind the University is responsible for assuring that expenditures are:

- reasonable and necessary;
- consistent with established University policies and practices applicable to the work of the University, including instruction, research, and public service; and
- consistent with sponsor or donor expenditure restrictions.

Signature Security

Only the person to whom authority is delegated may expend funds by authorizing a transaction either manually or electronically.

Deactivating Expenditure Authority

When a person with expenditure authority transfers to another department or leaves the University, the person's current supervisor is responsible for deactivating the departing employee's expenditure authority.

Limitations on Expenditure Authority

Expenses and Reimbursements

No person may approve his or her own expenses or reimbursements, or the expenses or reimbursements of an individual to whom he or she reports directly. Expenses of the President and Chief Executive Officer, and the President's direct reports, are reviewed by the Chief Financial Officer and his delegate(s) within the Finance Office.

Salaries

No person may sign or approve any payroll/personnel form that affects his or her own salary, or that affects the salary of an individual to whom he or she reports directly.

Conflict of Interest

No person may authorize payment to any individual or business where there is a conflict of interest (see [Conflict of Interest Policy](#) in section 6.4 of the University Policy Manual).

Review Activity

The Major Area Administrators, Major Area Budget Managers, and Departmental Budget Managers are responsible for reviewing financial activity in their area of responsibility for appropriateness and accuracy. They are also responsible for requesting correction of errors and preventing irregularities. Guidelines for requesting error corrections are outlined in Section 2.1, [University Accounting and Funds](#).

Expenditures of Restricted Funds

Conformity to External Restrictions

Expenditures of restricted funds, such as organized research or gift funds, whether from federal or non-federal sources, must conform to any limitations or exclusions set forth in the agreement or gift document. Expenditures of funds for federally sponsored projects are subject to the allowability, allocability, and reasonableness standards of the Office of Management and Budget Circular A-21, Cost Principles for Educational Institutions, and to negotiated agreements between the University and the federal government. Cost-sharing expenses are subject to the same standards as the sponsored project that they support.

Monthly Review of Charges

For sponsored projects and related cost-sharing expenses, the expenditure statements must be reviewed each month. The review is evidenced by a signature on the monthly expenditure statement. The review must be completed within two months of the end of the month of the statement (e.g., October expenditures must be reviewed no later than December 31). For more details, see the Office of Research, Grants, and Foundation Relations website: <https://community.pepperdine.edu/rsp/>.

Expenditures of Agency Funds

Any outside organization for which the University administers funds or acts as agent (an Agency Fund) is required to comply with all University financial policies and procedures, particularly those related to expenditures of funds. While expenditures for personal gifts are generally not permitted, faculty associations are permitted to purchase support

gifts for bereavement, marriages, births, retirements, and other celebrations, if funded entirely by the faculty association, and not with University funds. Purchases of flowers up to \$100 for these occasions are permitted to be made on the University Credit Card. To comply with IRS rules for the purchase of gifts, all other support gift purchases must go through the reimbursement process, and may not be made with the University Credit Card.

Section 1.2: Responsibility for University Financial Assets

Overview

This policy outlines the roles and responsibilities of various University officers, as defined in the [Execution of Documents Policy](#), and their delegates in managing the University's financial assets.

Roles and Responsibilities

Members of the Board of Regents – Any two of the Chair, Vice Chair, Secretary, or Assistant Secretary of the Board of Regents may execute any document as delegated in the [Execution of Documents Policy](#).

Authorized Officers – One or more Authorized Officers, as defined in the [Execution of Documents Policy](#), acting alone or jointly, may execute documents on behalf of the University.

Major Area Administrators – Major Area Administrators are responsible for managing funds in their major area. They are expected to achieve budgeted revenues and operate within budgeted expenses. They hold Major Area Budget Managers accountable for operating and budgetary results and are also responsible for maintaining adequate reserves for unforeseen contingencies during the fiscal year. A list of Major Area Administrators may be found at <https://community.pepperdine.edu/finance/accounting/majorareacontacts.htm>.

Major Area Budget Managers – Major Area Budget Managers are responsible for ensuring the appropriateness and overall accuracy of their major area budgets and for actual results. Major Area Budget Managers are responsible for submitting applicable deliverables to the Office of Financial Planning and preparation of budget information, as well as overseeing and coordinating the day-to-day financial operation of their major area. A list of Major Area Budget Managers may be found at <https://community.pepperdine.edu/finance/accounting/majorareacontacts.htm>.

Departmental Budget Managers – Departmental Budget Managers are responsible for managing funds in their specific area of responsibility and for exercising sound financial judgment. They are responsible for ensuring the appropriateness and overall accuracy of their budgets and operating results and preventing irregularities.

Approvers – Approvers have been delegated authority to expend University funds within specified limits and are responsible for ensuring the appropriateness of these expenditures and for recording transactions accurately.

Requestors – Requestors are responsible for initiating transactions in PeopleSoft on behalf of the University and for assuring that requisitions are entered in a timely manner and recorded accurately. They are also responsible for monitoring the progress and approval process of requisitions they initiate to ensure desired outcomes.

Annual Audit and Annual Report

At fiscal year-end, the Controller is responsible for closing the accounting records for the year and preparing reports on the year's financial activity.

Annual Audit

In order to ensure that the University's assets are protected and that transactions and events are recorded properly, an independent auditor recommended by management and selected by the Board of Regents is responsible for auditing the annual financial statements in accordance with generally accepted auditing standards. The auditor's procedures include obtaining an understanding of University systems, procedures and internal accounting controls, and performing tests and other auditing procedures to provide reasonable assurance that the financial statements neither are materially misleading nor contain material errors.

Audited Annual Financial Statements

The Controller is responsible for producing the financial schedules from which the audited financial statements and related notes are derived in a document distributed to University administration. The Controller is responsible for preparing, reviewing, and/or approving all financial statements of the University, which receive final approval from the Chief Financial Officer.

Annual Report

After they have been approved by the Chief Financial Officer, audited summary financial statements and accompanying notes to the financial statements in the University's Annual Report are published.

Section 1.3: Submitting Confidential and Anonymous Complaints to the Audit Committee of the Board of Regents

Overview

This policy outlines the methods by which a member of the University community may submit complaints to the Audit Committee of the Board of Regents.

By US and Campus Mail

Complaints may be mailed to the Audit Committee, under the direct control of the Mail Services at the following address:

Audit Committee
Pepperdine University
24255 Pacific Coast Highway
MC 4293
Malibu, CA 90263-4293

All mail received at the Audit Committee mail address will be immediately forwarded by Mail Services to the Chair of the Audit Committee

Direct Communication with the Audit Committee

Complaints or concerns about accounting and reporting, internal accounting controls, auditing, or fraud may be made directly to the Audit Committee through the established University mail address or at

While a complaint or concern may be submitted anonymously, the Audit Committee encourages those who submit complaints/concerns to provide appropriate contact information, particularly with regard to serious matters. Be assured that the Audit Committee is committed to holding all information in confidence to be shared only on a "need to know" basis or as required by law.

Section 2.1: University Accounting and Funds

Overview

This policy outlines general policies guiding the accounting for University funds in accordance with Generally Accepted Accounting Principles (GAAP) in the United States of America. For further information on these principles, please see the American Institute of Certified Public Accountants (AICPA) Not-for-Profit Entities Audit and Accounting Guide.

Basis of Accounting

Accrual Accounting

The accounts and funds of the University are maintained on the accrual basis of accounting in accordance with GAAP and with provisions of the AICPA's Audit and Accounting Guide. The University's funds are received from a variety of sources and may have associated restrictions. Restricted funds are tracked individually and are a separate accounting entity with their own assets, liabilities, and fund balance within the general ledger.

Restrictions on Use of Funds

Depending on the existence or absence of donor-imposed stipulations, funds may be:

- **Without donor restriction**, meaning those funds are not subject to donor-imposed stipulations, donor-restricted contributions whose restrictions are met in the same reporting period as the contribution is received, or quasi-endowments designated by the Board of Regents of management for specific purposes.
- **With donor restriction**, meaning those funds are subject to donor-imposed stipulations that will be met either by actions of the University pursuant to those stipulations and/or the passage of time. In addition, there are also funds subject to donor-imposed stipulations that require the University to maintain them in perpetuity. Generally, the donors of these assets permit the University to use all or part of the income earned on related investments for general or specific purposes.

Pepperdine's accounting system is Peoplesoft Financials which houses the University's ledger of record, known as the general ledger. Fund types within the general ledger can be crosswalked to the funds noted above as follows:

PeopleSoft	Audited Financial Statements
Unrestricted	Without Donor Restriction
Temporarily Restricted	With Donor Restriction
Permanently Restricted	With Donor Restriction

All financial transactions of the University are recorded in the general ledger within Peoplesoft. Each transaction is coded with a chartstring, which is made up of several unique elements known as chartfields. Chartfield names and

brief explanations follow:

- **Fund** – Identifies source or use of funds
- **Account** – Identifies transactions as assets, liabilities, revenues, expenses, transfers, or fund balance
- **Department** – Identifies unit or individual department spending or receiving funds
- **Class Code** – Identifies functional category for revenue and expense
- **Product Code** – Identifies a specific type of activity as assigned by the user
- **Program** – Identifies academic program for each school
- **Project** – Identifies a grant or capital project
- **Operating Unit** – Identifies a designated fund

The Controller's Office, and the departments and individuals authorized to spend funds share responsibility for using the chartfields appropriately. The Controller's Office is responsible for maintaining the integrity of the chartfields and for assigning chartfield elements for use to departments. Departments are responsible for communicating any restrictions on use of funds so that Controller's Office staff can set up chartfields correctly. For more detailed information, please refer to the [Finance Training site](#).

Fund Types – Defined and Used within PeopleSoft

- **Unrestricted Operating** – Funds received primarily from tuition and fees to support the general operations of the University. PeopleSoft funds include: UONDA, UOAUX, UOEXT, UORCG. These funds are included in the **Without Donor Restriction** category for financial statement purposes.
- **Designated Operating** – Funds received from donors for a designated purpose. See the [Gifts Policy](#) for guidelines on designation of gifts from donors. PeopleSoft funds include: UODNS, UODSC. These funds are included in the **Without Donor Restriction** category for financial statement purposes.
- **Student Loan Funds** – Student loan funds are loaned to students as a portion of the financial aid package. As these loans are repaid, the principal and accumulated interest become available for new loans to students. PeopleSoft funds include: ULINS, ULPRV, PLFED, PLPRV, PLINS. These funds may be included in either **With** or **Without Donor Restrictions** categories for financial statement purposes depending on donor-imposed stipulations.
- **Grants** – Funds provided by sponsors to reimburse the direct costs of contracts and grants. The terms of the grant and the applicable regulations determine how the money may be spent. To apply for a contract or grant, the principal investigator for the project submits a proposal through the Office of Research, Grants and Foundation Relations. PeopleSoft funds include: UGFED, UGSTA, UGPRV, UGCTY. These funds are included in the **Without Donor Restriction** category for financial statement purposes.
- **Plant/Facilities** – Plant funds are funds that have been received or designated for facilities and retirement of indebtedness. They also include all the University's investments in long-lived capital assets and related liabilities. PeopleSoft funds include: UPPRJ, UPRAR. These funds are included in the **Without Donor Restriction** category for financial statement purposes.
- **Endowment Funds** – Endowment funds include:
 - **True Endowment** – Gifts subject to donor restrictions requiring that principal be invested in perpetuity with distributions made available for spending in accordance with the Uniform Prudent Management of Institutional Funds Act. PeopleSoft funds include: PETEN, TETEN for housing original endowed corpus or principal, and budgeted endowment payout or distributions and related expenses utilize their respective

unrestricted designated fund UODNS or UODSC. True endowment funds (PETEN, TETEN) are included in the **With Donor Restriction** category for financial statement purposes.

- **Quasi-Endowment** – are expendable funds which management or the Board of Regents has determined should function in a manner similar to donor-restricted true endowment funds. PeopleSoft funds include: UEQUA for housing original quasi-endowed corpus or principal, and budgeted endowment payout or distributions and related expenses utilize their respective unrestricted designated fund UODNS or UODSC. These funds are included in the **Without Donor Restriction** category for financial statement purposes.

- **Agency Funds** – Includes funds that are held for others, with Pepperdine acting as the custodian. PeopleSoft funds include: AONDA, AEQUA, AGFED, AGSTA.

PeopleSoft naming convention utilizes the first letter of the fund to determine the type. Funds beginning with U are Unrestricted, beginning with T are Temporarily Restricted, and beginning with P are Permanently Restricted. Please see above for a crosswalk to funds denoted as **Without Donor Restriction** and **With Donor Restriction**. Please see the [Finance Training site](#) for more information on funds.

Fund Transfers

Fund transfers are accounting entries which move all, or a portion of, a fund's balance to another fund. The appropriateness of a fund transfer is dependent on the characteristics of the source and destination funds, including the type of fund and the existence or absence of donor-imposed restrictions associated with the fund. Generally, fund transfers are allowed when the characteristics of the source and destination funds conform to one another and the terms of each fund does not preclude such a transfer. These transfers are used to:

- Transfer money between designated funds or between donor-restricted funds (generally, transfers between a donor-restricted fund and a designated fund are not allowed nor are transfers with a sponsored project fund)
- Transfer money into or between plant funds
- Increase or decrease the budgeted funds of a designated operating fund

Most fund transfers are processed by the Office of Financial Planning or, in some cases, by the General Accounting Office. However, Budget Managers are authorized to make certain types of fund transfers, generally as a step within the budget process.

Budgeting

Each year the University prepares a consolidated budget based on conservative, but realistic estimates of income and expenses. The scope of the University's operating budget consists of unrestricted operating and designated operating funds. For further information, please see section 3.1, [University Operating Budget](#).

Revenue and Expense Recognition

Revenue and expense recognition is made on an accrual basis in accordance with accounting principles generally accepted in the United States of America. Revenues are recognized when earned, and expenses are recognized when incurred. Revenue is considered earned when the University has substantially met its obligation to be entitled to the benefits represented by the revenue. Revenue should be recorded when earned, regardless of the timing of cash receipts. In the event a sponsored project stipulates performance measures, revenue is considered earned when the performance measures have been completed. Deposits (whether refundable or non-refundable), early payments, and progress payments should not be recognized as revenue until the revenue producing event has occurred.

Revenue recognition policies are as follows:

- **Student Tuition and Fees (net of Scholarship) and Room and Board.**

The University's operating revenue is primarily derived from academic programs provided to students including undergraduate and graduate programs, and residential services. Tuition and fees, and room and board revenues are recognized in an amount that reflects the consideration the University is entitled to in exchange for providing educational, housing, and dining services. The University's transaction price is determined based on the gross price, net of any scholarships and refunds.

Tuition and fees and room and board are recognized as revenue in the period in which the University satisfies its performance obligation to its students. A performance obligation is a promise in a contract to transfer a distinct good or service to a customer. The University's performance obligations are to provide education to the student, and in certain instances, other items such as room and board.

Student tuition and fees received in advance of services to be rendered are recorded as deferred revenue. The University's payment terms generally require payment in advance of the academic term.

- **Endowment Support**

Endowment support, limited to the payout calculated under the Total Rate of Return methodology, consists of ordinary income and accumulated gains on endowment and quasi-endowment assets.

- **Private Gifts and Grants**

Private gifts, including unconditional promises to give, are recognized as revenue in the period received and are reported as increases in the appropriate category of net assets. Conditional or contingent grant awards and gifts are not recorded as revenue until the conditions on which they depend have been substantially met. The University has elected a policy to report contributions where the condition and restriction are met in the same reporting period within net assets without donor restrictions.

- **Government Grants**

Government grants received from departments or agencies of the government are considered non-exchange transactions and are reported as increases in net assets without donor restrictions as the associated barriers are overcome, which generally is as allowable expenditures under such agreements are incurred. The University has elected a policy to report awards where the condition and restriction are met in the same reporting period within net assets without donor restrictions.

- **Sales and Services**

Sales and services revenue includes income from supporting services, such as conferences and events, dining facilities, and bookstores, and is recorded at a point in time when the customer obtains control of the promised product or service. Amounts received in advance of delivery of products or services are recorded as deferred revenue.

- **Other Revenue**

Other revenue includes income primarily generated from athletic activities, maturity of trusts, and other fees. Amounts received are recorded at the time of transaction. Amounts not received by year-end but earned are accrued and are included in other accounts receivable.

Revenue and Expense Transfers

Transfers (or reclassifications) of revenue or expense are generally unallowed. Certain exceptions may be made at the discretion of the General Accounting Office. Exceptions may be made based upon materiality or the correction of fund, project ID, or operating unit. For cost transfers related to a sponsored project, please refer to the [Office of Research, Grants, and Foundation Relations](#) site.

Allocations

Certain expenses are allocated across the functional expense categories for financial statement presentation purposes only. Expenses allocated are central plant operation expenses, debt interest expenses, and depreciation expenses. The functional expense categories are:

- Program Services
- Management and General
- Fundraising

Grants

The accounting process for awards begins in the Office of Research, Grants, and Foundation Relations. Office of Research, Grants, and Foundation Relations notifies the General Accounting Office when a proposal has been awarded and indicates the type of award. Proposal and award records are maintained by the Office of Research, Grants, and Foundation Relations. The General Accounting Office will establish a new Project ID to be used specifically for the accounting of that award. The General Accounting Office then notifies all pertinent offices of the new Project ID.

Please also see the [Office of Research, Grants, and Foundation Relations](#) site for further information about grants.

Investments, Pooled Assets, and Endowment Policy

The University's Investment Policy is maintained by the [Investment's Office](#) and is approved by the Investment Committee.

Investments

Investments are stated at fair value and all related transactions are recorded on the trade date. The fair value of investments is based on quoted market prices from national security exchanges, except for alternative investments for which quoted market prices are not available. The fair value of certain alternative investments, which include limited partnerships in venture capital, real estate, and other private debt and equity funds, is typically Net Asset Value provided by the external investment managers or general partners, adjusted for receipts and disbursements of cash and distributions of securities if the date of valuation is prior to the University's fiscal year-end. Such valuations generally reflect discounts for illiquidity and consider variables such as financial performance of investments, recent sales prices of investments, and other pertinent information. The University believes the carrying amount of these financial instruments is a reasonable estimate of fair value. For those investments that are not traded on a ready market, the estimates of their fair value may differ from the value that would have been used had a ready market for those investments existed.

Investment income, as well as realized and unrealized gains and losses, are accounted for within net assets without donor restrictions, or as changes in net assets with donor restrictions if so stipulated by the donor of such assets. Investment income includes rental income, interest income, royalties, dividends, and other investment income, and is reported net of investment management fees and net of direct internal investment fees.

Investment return up to the University's approved spending rate is presented as endowment support within operating revenue. Endowment support is calculated based upon the Total Rate of Return methodology noted below in Pooled Assets. The difference between endowment support and the actual total return (which may be positive or negative) is presented in non-operating revenues and expenses.

Pooled Assets

The University manages two separate investment pools designated as Pool A and Pool D. Pooled investments and allocation of pooled investment income are accounted for using the unit market value method.

The Total Rate of Return methodology is utilized for Pool A which consists primarily of quasi and true-endowment funds. The annual total payout is calculated based on an approved spending rate that is applied to a five-year monthly average market value of Pool A funds.

Pool D is the charitable gift annuity reserve pool and is invested in accordance with California State Insurance Commission requirements.

Endowment

The University's endowment consists of individual donor-restricted endowment funds and University-designated quasi-endowment funds for a variety of purposes. The net assets associated with endowment funds, including funds designated by the University to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The University has interpreted the Uniform Prudent Management of Institutional Funds Act as allowing the University to appropriate for expenditure or accumulate so much of an endowment fund as the University determines is prudent for the uses, benefits, purposes, and duration for which the endowment funding is established, subject to the intent of the donor as expressed in the gift instrument. As a result of this interpretation, the University classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift. The remaining portion is classified as donor-restricted net assets until those amounts are appropriated for expenditure by the University in a manner consistent with the standard of prudence prescribed by the Uniform Prudent Management of Institutional Funds Act. In accordance with the Uniform Prudent Management of Institutional Funds Act, the University considers the following factors in making a determination to appropriate or accumulate endowment funds:

- The duration and preservation of the fund
- The purposes of the University and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the University
- The investment policies of the University

The University has adopted an endowment payout policy to preserve and enhance the purchasing power of the endowment and to provide a relatively stable and constant return sufficient to meet a portion of the spending needs of the University.

The endowment payout policy is based upon the average market value of the previous 60 months multiplied by a specified percentage. Accumulated investment gains are used to fund the difference between payout and current earnings.

The endowment payout policy is intended to produce increasing yet smooth and predictable endowment distributions year over year. From time to time, the fair value of endowment funds may fall below the original gift amount. Deficiencies of this nature are referred to as underwater endowments. In the event that an endowment falls underwater, current management policy is to allow spending on the endowment.

For additional information, please refer to the [Investment Office](#) .

Fair Value of Financial Instruments

The University considers cash and cash equivalents, student receivables, other accounts receivable, student loans, beneficial interests and contributions receivable, investments, assets held as trustee or agent, US government-funded student loans, and trust and agency obligations as financial instruments. The University uses the following methods and assumptions in estimating the fair value of its financial instruments for financial statement presentation purposes:

- **Financial Assets**

The carrying values of cash and cash equivalents, student receivables, other accounts receivable, student loans, beneficial interests and contributions receivable, investments, and assets held as trustee or agent are determined by reference to quoted market prices. When quoted market prices are not available, fair value is estimated by reference to market prices for similar securities or by discounting cash flows at an appropriate rate taking into consideration the varying degrees of risk specific to each financial asset. Determination of student loans receivable, which are primarily federally sponsored student loans, cannot be made without incurring excessive costs.

- **Derivative Financial Instruments**

The fair value of interest rate caps, floors and swaps, forward treasury contracts, and interest rate futures, to the extent used by the University, are based on quoted market prices. The fair values of foreign currency derivatives are based on pricing models using currency market rates.

- **Fair Value**

Current accounting guidance defines fair value as the price the University would receive to sell an asset or pay a liability in an orderly transaction between the market participants at the transaction date. This guidance also establishes a three-tier hierarchy for presenting valuations, based on the transparency of inputs used to value investments and other relevant assets. A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Valuation inputs may be observable or unobservable, and refer to the assumptions that a market participant would consider significant to value an asset or liability. The determination of "observable" requires judgment by the University. In general, the University considers observable inputs to be data that are readily available, regularly updated, reliable, and verifiable. Unobservable inputs may be used when observable inputs are not readily available or current. In this situation, one or more valuation techniques may be used including the market approach (inputs based on recent market transactions or comparables) or the income approach (discounted cash flow).

The three levels of the fair value hierarchy under current accounting guidance are as follows:

Level 1 – Quoted prices available in active markets for identical investments. These generally include the University's investments in mutual funds and common stock that are regularly traded in active markets where quoted prices may be easily obtained.

Level 2 – Quoted prices in active markets for similar investments; quoted prices for identical investments in markets that are inactive; and prices based on observable inputs other than an adjusted quoted price. These generally include the University's investments in debt securities and certain unlisted equity funds that offer a high degree of liquidity and transparency. Debt security prices are obtained from pricing services or from brokers. Real property is valued based on a number of different approaches, including third-party appraisals, market comparisons, and discounted future rental revenues. Level 2 investments may also be priced using model-based valuation techniques where all assumptions are observable.

Level 3 – Prices based on significant unobservable inputs. These generally include the University's other investments, which consist of notes receivable and private limited partnerships. These investments do not typically transact on a regular basis, nor do they have readily determinable fair values.

The fair value of certain alternative investments, which include limited partnerships in venture capital, real estate, and other private debt and equity funds, is based on valuations provided by external investment managers or general partners, generally using Net Asset Value as a practical expedient, adjusted for receipts and disbursements of cash and distributions of securities if the date of valuation is prior to the University's fiscal year-end. Such valuations generally reflect discounts for illiquidity and consider variables such as financial performance of investments, recent sales prices of investments, and other pertinent information. These estimates are subjective in nature and involve uncertainties and matters of judgment and therefore cannot be determined with precision. Changes in assumptions can significantly affect estimates. Additionally, fair values may not include the value of anticipated future operating activities and the value of assets and liabilities that are not considered financial instruments.

Records Retention

Records of all financial transactions should be retained in accordance with the University's [Records Management Policy](#). These policies are maintained and updated on an as-needed basis by the Office of the General Counsel.

Section 2.2: Grant Funds

The University receives various grants and contracts from federal, state, and local agencies as well as from private foundations. Policies and procedures related to these funds may be found on the [Office of Research, Grants, and Foundation Relations website](#) .

Section 2.3: Gifts Policy

Overview

Advancement Gifts and Records processes all gifts through a standalone database known as the Raiser's Edge. An automated interface between Raiser's Edge and PeopleSoft allows all gifts to be fed to the general ledger. The primary purpose of Raiser's Edge is to support fundraisers, assist in fundraising, and track gift revenue. Gifts in the form of cash, check, credit card, etc., can be generated from various fundraising efforts such as in-person requests from fundraisers to donors, telemarketing, online giving, direct mail, special events, athletic events, membership club renewals, matching gifts, etc. Gifts are submitted to Advancement Gifts and Records with either a Gift Donation Summary form, which is filled in by the fundraiser's office, or a solicitation response form, which is filled in by the donor. The Gift Donation Summary includes information such as donor name, address, purpose of gift, amount of gift, nature, and description of gift, cost chartstring and/or Raiser's Edge fund number where gift is to be credited, solicitor(s), proposal, event, appeal, and pledge information. The gift, Gift Donation Summary form and all gift backup including correspondence, mailing envelope, etc., are submitted to Advancement Gifts and Records.

Gifts are coded within Raiser's Edge to distinguish between cash, gifts-in-kind, security, and real estate gifts. The interface and subsequent journal to the general ledger debits these gifts to the appropriate gift clearing account or asset account chartstring, and credits the designated gift revenue chartstring. Gifts-in-kind entries are recognized and expensed without manual intervention. Gifts of securities, real estate, or cryptocurrency are booked to the applicable investment asset account. Gifts of securities and cryptocurrencies are typically liquidated immediately. Depending on the nature of a real estate gift, it may also be liquidated. Gifts associated with pledges and deferred giving arrangements (charitable gift annuities and charitable remainder trusts) are also recorded within Raiser's Edge.

Pledges

On a monthly basis the General Accounting Office runs the Raisers Edge Pledge/Notice of Intent report, which lists the donor's name, pledge amount, pledge gift payments, and the pledge balance. The General Accounting Office uses this report to create and track monthly contributions receivable activity. Contributions Receivable are recorded for new irrevocable pledges of \$100,000 or greater. The General Accounting Office reviews the outstanding contributions receivable with Advancement Gifts and Records at fiscal year-end to determine collectability. Any recorded pledges that are deemed uncollectible are written off. Pledges which are beyond their final fulfillment date will be written off unless the Vice President for Advancement and Chief Financial Officer have received other indication that the pledge remains valuable.

Deferred Giving Arrangements

Charitable gift annuities and various forms of charitable remainder trusts are components of Assets Held as Trustee or Agent and Trust and Agency Obligations on the general ledger. Trust and Estate Services manages these assets once Pepperdine or Wave Services becomes a trustee. Cash (or proceeds from liquidated securities) received as part of charitable gift annuities or charitable remainder trusts are typically invested in pooled funds in accordance with the trust agreement. Real estate assets may be retained or liquidated depending on the terms of the trust agreement.

Gift Types and Processes

Cash Gifts are deposited directly to the Cashier's Office by Advancement staff.

Check Gifts are sent from Malibu in locked security bags and transferred via the Mail Services courier to Advancement Gifts and Records in Calabasas. Once checks are received, Advancement Gifts and Records organizes gift batches and completes a CASHNet deposit report. The back of the checks are stamped with the bank account endorsement stamp by Advancement Gifts and Records.

Credit Card Gifts that are not received through online processes are sent from Malibu in locked security bags and transferred via courier, or sent via interoffice mail in a sealed envelope to Advancement Gifts and Records or dropped

off in the Calabasas locked drop box.

Recurring Credit Card Gifts are received by Advancement Gifts and Records to set up the recurring gift schedule on Raiser's Edge. Advancement Gifts and Records enters the credit card information into Blackbaud Merchant Services through a Bluefin P2PE device which is connected through Raiser's Edge. Once the credit card information is entered and saved, the card number becomes encrypted except for the last four digits. The recurring gift paperwork and credit card information is then stored in a secured cabinet.

EFT/ACH Direct Bank Debit Gifts are recurring gifts transferred via EFT from the donor's bank account to Pepperdine's bank account. Bank account numbers are entered into Blackbaud Merchant Services via a Bluefin P2PE device which connects to Raiser's Edge NXT. Advancement Gifts and Records enters the donor's recurring gift pledge, which includes the gift amount to be deducted, donation designation, and frequency of donation.

Venmo Gifts are collected via an email link or in person. Donor fills out their constituent information and the donation amount. The money is transferred from the donor's Venmo account to the Pepperdine University Donations Official account. The Pepperdine Fund Office initiates the ACH transfer from Venmo to Pepperdine's bank, and emails the General Accounting Office and Advancement Gifts and Records of the pending deposit. The Pepperdine Fund Office shares the gift paperwork with Advancement Gifts and Records.

Gifts-In-Kind (noncash) Gifts receipt notification for donations of artwork, gift certificates, and miscellaneous merchandise is submitted to Advancement Gifts and Records through the gifts drop box in Malibu. Once received in Calabasas, Advancement Gifts and Records reviews the Gift Donation Summary and gift documentation, and then batches the gifts for processing. Some donations are classified as "services" and are not tax-deductible. Complicated gifts-in-kind are reviewed by the Office of the General Counsel. Donors receive an official gift receipt and/or letter from the University. Additionally, in some instances for items or a group of similar items with a value greater than \$5,000, the University may need to provide the donor with a Donee Acknowledgement on federal Form 8283, *Noncash Charitable Contributions*. Note, appraisals may be required. Such acknowledgments must be reported to the Controller's Office.

Securities Gifts receipt notification is sent to Advancement Gifts and Records by the Investment Management Office when stocks/securities have been donated to Pepperdine. The Investment Management Office completes the appropriate paperwork including the name of the security, the mean value of the security, the donor's name, and the transfer date. Additionally, in some instances for securities with a value greater than \$5,000, the University may need to provide the donor with a Donee Acknowledgement on federal Form 8283, *Noncash Charitable Contributions*. Such acknowledgments must be reported to the Controller's Office.

Real Estate Gifts receipt notification is sent to Advancement Gifts and Records from the fundraiser's office or Office of the General Counsel via email, or the paperwork is sent via the Mail Services courier. Gift documentation is reviewed by Advancement Gifts and Records, and the gift is batched for gift processing. Additionally, in some instances for real estate with a value greater than \$5,000, the University may need to provide the donor with a Donee Acknowledgement on federal Form 8283, *Noncash Charitable Contributions*. Note, appraisals may be required. Such acknowledgments must be reported to the Controller's Office.

Cryptocurrency will be processed and liquidated by a third-party vendor The Giving Block. Advancement is notified by The Giving Block that a gift of cryptocurrency has been received by Pepperdine. Advancement identifies the donor and other pertinent information about the transaction from reporting available within The Giving Block dashboard. Advancement then contacts the Prospect Manager for designation of the gift and proceeds to enter the gift in Raiser's Edge for processing.

Section 2.4: Capital Assets

Overview

Capital equipment, also referred to as property, is equipment or material which meets certain qualifying criteria. Depending on the acquisition method, most are depreciated over a period of time. Capitalization includes the cost in the value of an asset and is expensed over a period of time, usually the useful life of the asset.

Definitions and Types of Capital Equipment

Buildings, building improvements, ERP software and systems, and land improvement with a threshold value of \$25,000 or greater and a useful life of more than two years is recorded as a capital asset on the general ledger. Assets will be expensed below the \$25,000 threshold.

Depreciable assets include all land improvements, buildings, structures, furniture, equipment, and apparatus. Not included are land, library books, and fine arts. Library books will be written off as disposals occur.

Federally Sponsored Funds

For capital equipment assets (an article of nonexpendable, tangible personal property having a useful life of more than one year with an acquisition cost or fair market value of \$10,000 or more) acquired with federally-sponsored funds, please refer to the [Office of Research, Grants, and Foundation Relations, Equipment Policy](#) .

Method of Depreciation

Depreciation expense is calculated on an annual basis using Pepperdine’s fiscal year and the straight-line method with the convention of a year of depreciation after a year of use.

Building expenditures will be capitalized in the individual building accounts and depreciated over the building’s remaining useful life, unless an expenditure will change the remaining useful life.

Facilities are depreciated using the respective life and the whole-year convention method of accounting. Depreciation begins once construction has ceased and the facility is complete and in service by using the straight-line method.

All fiscal year assets will be capitalized as of July 31, of the given year. Each March 1, fully depreciated assets as of the previous fiscal year will be retired.

Profiles and Categories for Real Property

Real Property Asset	Profile	Category	Estimated Useful Life	Notes

Classrooms and other buildings of excellent quality	BLDG_A	BLDG	40 years	
Student dormitories and other residences	BLDG_A	BLDG	40 years	
Lesser quality buildings and structures	BLDG_C	BLDG	20 years	Pool, pool house, information booths, tennis courts, trailers, etc.
Building improvements	BLDG_IMP	B_IMP	20 years	
Land	LAND	LAND	0 years	Non-depreciable asset
Land improvements	LAND_IMP	L_IMP	20 years	Joslyn Plaza = 60 years
Intangibles (University Master Plan)	INTAN	INT	40 years	
Work in progress	BLDG_A BLDG_C BLDG_IMP LAND LAND_IMP INTAN	BLDG BLDG B_IMP LAND L_PRP INT	N/A	Accumulate expenditures until building or structure is deemed completed and the “in service” period begins

Profiles and Categories for personal property

FF&E Asset	Profile	Category	Estimated Useful Life	Salvage Value	Notes
Furniture	FURNITURE	FURN	10 years	None	
Music Equipment	MUSIC	MUSIC	15 years	None	
Non-Computer Equipment	EQUIP	EQP	10 years	None	
Computer Hardware	HARDWARE	CMP_H	2 years	None	
ERP System	ERP	CMP_S	5 years	None	
Computer Software	SOFTWARE	CMP_S	2 years	None	
Motor Vehicles	VEHICLES	AUTO	5 years	None	

Art Objects	ART	ART	N/A	N/A	Non-depreciable asset
Library Books	LIB_BKS	L_BKS	N/A	N/A	N/A non-depreciable asset

Section 2.5: Leases

Overview

Leases are contracts under which a lessee has committed to pay stipulated cash payments for the use of an asset for a specific period of time. For purposes of this financial policy, leases with a commitment to pay for the use of an asset for longer than one year, will be classified as operating leases or financing leases. Leases with a commitment to pay for the use of an asset for less than one year will be considered rentals and expensed over the lease term.

The Controller's Office in collaboration with various University departments will evaluate arrangements to determine if a lease exists within contracts. Once a determination has been made as to the existence of a lease, evaluation of the lease to determine lease type will be applied.

Criteria

There are five critical elements that must be evaluated. If one or more criteria is met at lease commencement, then the lease is classified as a financing, rather than operating, lease by the lessees. The five criteria are:

1. Ownership of the underlying assets transfers to the lessee by the end of the lease term
2. The lessee has an option to purchase the underlying asset AND exercise of that option is reasonably certain
3. When the lease term does not begin at or near the end of the underlying assets economic life, the lease term comprises a major part of the underlying assets' remaining economic life
4. The present value of the sum of the lease payment and any residual value guaranteed by the lessee that is not already included in the lease payment is equal to or exceeds substantially all of the underlying asset's fair value
5. The underlying assets' specialized nature is expected in it not having an alternative use to the lessor at the end of the lease term

Lease Accounting

The University follows Generally Accepted Accounting Principles, and the accounting guidance requires the recognition of rights and obligations from lease contracts, including existing and new arrangements, as assets and liabilities on the Consolidated Statement of Position.

The University determines if an arrangement is or contains a lease, and classifies the lease as either operating or financing depending upon the terms and conditions of the contract. The University uses a risk-free rate for a period comparable to the lease term to determine the present value of lease payments when the implicit rate is not readily available.

Operating lease expense is recognized within the operating expenses on the Consolidated Statement of Activities on a straight-line basis over the lease term. On the Consolidated Statement of Position, the right of use assets represents the University's right to use the underlying assets for the lease term and lease liabilities represent the

University's obligation to make the lease payment arising from the leases. Financing lease assets are amortized on a straight-line basis over the lease term.

Section 3.1: University Operating Budget

Overview

Unrestricted activities are unrestricted revenues and expenditures consisting of all unrestricted funds (all funds that begin with U). The operating budget consists of unrestricted operating funds (UONDA, UOAUX, UOEXT, UORCG).

Designated activities are designated revenues and expenditures consisting of unrestricted designated funds (UODNS, UODSC). Each designated account is assigned a unique operating unit. Most operating units within this group are included in the annual operating budget.

Capital activities occur within the unrestricted plant funds (UPPRJ and UPRAR). Capital activities generally include major equipment expenditures greater than \$25,000, fiscal year expenditures (renewal and replacement), and larger-scale capital projects. Each project, whether fiscal year or capital, is assigned a unique project ID. Some of these projects are funded annually from the operating budget, primarily the replacement and renewal projects.

Reserve funds include banking reserves, strategic reserves, and sinking funds, and are each assigned a unique operating unit. Funds are not expended directly from these operating units, but are held and accumulated to fund strategic allocation as approved by management.

The annual budget process is designed for the development of the proposed "operating budget" and as revised will serve as a tool for accountability. Year-end results are subject to the [Year-End Banking policy](#).

Purpose of the Operating Budget

- To facilitate strategic and prioritized allocation of operating resources.
- To provide budget managers with a financial planning and monitoring tool.
- To encourage and enhance management creativity, initiative, delegation, and flexibility.
- To provide incentives to maintain and enhance revenues and to utilize resources responsibly.
- To provide a tool to evaluate and hold managers accountable for use of resources.

Budget Management and Accountability

Each major area is expected to achieve its budgeted revenues and operate within its budgeted expenses. To the extent this is not achieved, the University experiences financial disequilibrium and other units are adversely affected. University management may take material surpluses and deficits into account in subsequent budget allocations.

Each Major Area Budget Manager is accountable for overall accuracy of their budgets and for actual results. Managers are expected to achieve results consistent with budget plans and/or provide timely explanations for material variances. Changes from budget plans, year-end forecast, and/or errors should be reported in a timely fashion in writing to the Office of Financial Planning for corrections within approved policy.

Budget managers must plan for all expenses related to new or continuing programs within the budgets allocated, including all operating expenses, equipment and furnishings (new or replacement), and space requirements.

It is principally the responsibility of the major area manager to hold their budget managers accountable for operating and budgetary results.

Day-to-Day Management of the University's Operating Budget

University management's primary budget responsibilities include the allocation of strategic resources; the development of the proposed annual operating budget; and the year-end review of the operating budget results, which include any strategic allocation of funds and review of year-end banking results.

Responsibility for budget revisions and day-to-day management of the operating budget will be conducted by the Office of Financial Planning.

Official Budget

The official budget is maintained in PeopleSoft and can be viewed using the University's enterprise reporting solution, currently Simpler Systems.

Original Budget

The original budget is the budget that is submitted to and approved by the Board of Regents in the annual budget process.

Revised Budget

Frequently, and for a variety of reasons, the original budget is revised during the fiscal year. The revised budget is the principal tool for planning and measuring financial results. Material variances from the revised budget are reported to the Board of Regents with the financial statements.

Budget Revisions

A budget revision changes total University expenses or revenues within the operating budget. A revision that increases revenue due to additional tuition, gift, sales, or other revenue, can be used to increase expense budgets. Generally, a portion of new revenue is set aside to the central University at a pre-established expense-to-revenue ratio. In some instances, a situation arises that requires an additional expense budget that cannot be absorbed by a given area of the University. In cases of time sensitivity, strategic opportunities, or true emergencies, the Chief Financial Officer will review and approve as needed.

Budget Adjustments

Budget adjustments differ from revisions in that an adjustment does not increase University revenues or expenses, but rather reallocates the existing operating budget among departments. Requests for budget adjustments can be submitted by a Major Area Budget Manager via the Budget Adjustment Request form. Adjustments shall be identified as base (recurring) or non-base (non-recurring) adjustments. Budget Adjustment Requests submitted by the Major Area Budget Manager via the Budget Adjustment Request form are considered approved by the affected major area. All Budget Adjustment Requests are reviewed by the Office of Financial Planning for policy and budget compliance. Approved Budget Adjustment Requests will be processed within 24 hours of approval by the Office of Financial Planning. The last date to submit a Budget Adjustment Request for the current fiscal year is July 31. Certain exceptions can be made for gift processing that occurs after July 31. Special circumstances may require the Office of Financial Planning to make exceptions to the above rules.

Allocated Budget Variance Reporting

An important tool for assessing financial and management performance is the University's allocated budget. The allocated budget is built monthly and prorates the revised budget based upon the portion of the fiscal year elapsed and historical trends. For example, endowment support is assumed to be earned and recognized on a monthly or 1/12 basis. Thus, the allocated budget for November would allocate 4/12 of the full year's endowment support budget. Actual results through the same point in time are then compared to the allocated budget to identify potential budget issues that need to be addressed. This tool provides management with information to monitor and make decisions on a proactive basis prior to year-end when the allocated budget is allocated at 100%. Each major area is responsible to provide timely explanations of material variances as requested by the Office of Financial Planning. These explanations are used to inform the Board of Regents of material variances that could impact the University at year-end.

Major Budget Segments

External Expenses

Fixed and generally non-discretionary expenses approved independently of operating budgets. The Steering Committee must approve adjustments. Typical external budgets are:

- Employee benefits
- Graduate center leases
- Interest expense
- Utilities
- University property and liability insurance
- Property taxes
- Bad debt expenses

Auxiliary Enterprises

Auxiliary enterprises exist to furnish goods or services to students, faculty, or staff, and charge a fee directly related to, although not necessarily equal to, the cost of the goods or services. The distinguishing characteristic of auxiliary enterprises is that they are managed as essentially self-supporting activities. Examples are residence halls, food services, and college bookstores. The general public may be served incidentally by auxiliary enterprises.

Recharge Service Centers

Recharge service centers exist to recoup internal resources for the usage of certain functions. Examples include photocopies, telephone, internet usage, etc. In general the recharge rates should be break-even or better. Analysis will be conducted periodically to ensure the rate being charged is still in line with the expenses to provide the particular service. The University Management Committee must approve all changes in recharge rates and methods.

Procedure for New Recharges or Recharge Modifications

The University Management Committee shall make available a "Recharge Request Form" for use by University schools and departments. To request imposition or revision of a recharge, the completed form shall be submitted to the Finance Office. At a minimum, the following information shall be provided:

- Purpose of the recharge
- Reason it should be charged
- Amount of the recharge
- Reason for modifying an existing recharge
- Method for determining the amount of the recharge (include specific calculations)
- Service or material provided for the recharge

All submitted requests shall be approved and signed by the budget manager responsible for the requesting department.

The University Management Committee recharge subcommittee shall review and assess each request. If the request results in a relatively immaterial financial impact and there is unanimous approval amongst the subcommittee members, the recharge subcommittee may decide to administratively approve the proposal. Otherwise, the subcommittee will refer the request to the University Management Committee.

Based upon the information provided by the requesting department, assessment of the request by the subcommittee, and any discussion at a meeting, the University Management Committee shall vote to approve the proposal, deny the proposal, or request revisions to the proposal from the requesting department. The University Management Committee will review all recharges on an annual basis during the recharge audit.

Questions regarding this policy should be directed to the chair of the University Management Committee.

Designated Activity

Designated accounts represent a stand-alone operating unit to account for revenue and expenses that are attributable to a specific donor-designated purpose. Each budget manager is responsible for maintaining the budget for each designated operating unit. In the event a donor fully endows an operating unit, the spendable portion will be paid out over a 12-month period in conjunction with the University's endowment payout policy as approved by the Board of Regents. Endowment payout is currently computed using a five-year (60-month) rolling payout calculation. Designated expense budgets are limited to the available fund balance (accrued surplus from prior years), new revenue to be collected, and endowment payout that will occur. In the event a designated account ends the year with a cash deficit, the area budget manager is responsible to rectify the deficit.

Generally, expenses must meet the terms of the restrictions initially set up by the donor and maintained by Advancement and Office of Financial Planning.

Financial Aid

Financial aid is to be actively managed by each school as a revenue-related function. Financial aid is comprised of funded and unfunded aid. Funded aid is supported by a donor-designated fund, in the form of an endowment or current gift. Unfunded aid is a tuition discount that is paid for by the University without support from a donor-designated source (endowment or gift). Any tuition revision must include a corresponding revision to the financial aid budget to account for aid that will be awarded to the additional students.

Renewals and Replacements

Renewal and replacement projects are approved in consultation with Planning, Operations, and Construction.

University/Major Area Contingency Funds

Included as a component of the annual University operating budget is a University contingency fund, which is used to fund major unforeseen contingencies that may arise during the year. The President, Executive Vice President, and Chief Financial Officer may allocate University contingency funds. Contingency funds are generally not used for correction of operational oversights or minor departmental initiatives. These items should be covered by major area budgets. Each major area manager is responsible to maintain adequate major area contingency funds for such needs.

Major Area Defined

A major area is defined to include each school and administrative area, which are typically represented by the membership of the Planning Committee.

Academic Areas (Schools of the University)

Schools are responsible for revenues, direct expenses, financial aid, and certain incremental indirect costs in order to maintain their base budget net contribution. Base expense-to-revenue ratios will be used as a planning and monitoring tool.

Administrative Areas

Administrative areas are responsible for expense budget management, but are generally not responsible for meeting significant revenue targets.

Financial Health

The President, Executive Vice President, Chief Financial Officer, or the Steering Committee may override any of these policies based on the overall financial health or needs of the University.

Section 3.2: Year-End Banking

Overview

With the goal of incentivizing prudent and responsible stewardship of University resources and generating capital available to be reinvested in support of University operations, the year-end banking policy seeks to maintain equity consistent with the operating results of each major segment of the University. By providing incentives for budget managers to be financially responsible, the overall fiscal strength of the University is enhanced, while providing budget managers with additional funds to help address strategic priorities.

Methodology

Generally, revenue units (i.e., schools and auxiliaries) may carry forward a portion of year-end revenue budget surpluses into the following year. Amounts carried forward will vary based on several conditional metrics, such as tuition discount variances (if applicable), expense to revenue ratios, and types of programs or activities responsible for the surpluses. Budget deficits will be recorded in the full amount to the responsible area's cumulative banking reserve balance.

As the general rule, all areas may carry forward year-end expense savings in the full amount into the following year.

Cumulative Reserve Targets

Cumulative banking reserve balances are expected to range between 15%-25% of expenses for each major area. If balances are above this range, the Steering member responsible for the area will meet with the President, Executive Vice President, Chief Financial Officer, and Provost to discuss the best strategic use of these funds. If balances are below this range, the Steering member responsible for the area will provide this group with a detailed plan of how and when the appropriate range will be met. Until such point, and if balances are in deficit, the area will be charged annual interest at the rate of the University's 10-year average endowment return.

Withdrawals

Requests for withdrawals from the banking reserve balance should be submitted to the Office of Financial Planning. Requests for withdrawals in excess of \$100,000 must be approved by the Chief Financial Officer. If an unfavorable banking adjustment is anticipated in the current year that exceeds the available banking reserve balance, any request for withdrawal may be denied. Base allocations for funding may only be supported by quasi-endowment banking reserve distributions.

Exceptions, Exclusions, Considerations

Interpretation of or exceptions to this policy will be determined by the Chief Financial Officer.

Section 3.3: University Fees

Overview

The University has a continuing interest in overseeing the imposition or revision of fees and charges collected by University schools or departments from its students, faculty, and staff. This institutional interest includes: monitoring the totality of charges the University collects from its students; monitoring how those charges relate to the expectation of the student when choosing a Pepperdine program; ensuring fairness regarding fees among its schools; ensuring fees charged to students are used for the intended purpose; and ensuring equity and fairness with regard to fees assessed to employees.

Definitions

For the purposes of this policy, a fee is a charge collected from individual students, faculty, or staff for materials or a service, including but not limited to mandatory fees, elective fees, and fines.

Mandatory Fees

A mandatory fee is a charge that is imposed upon an individual on the basis of his or her employment status, enrollment status, or degree program. These are fees that a student must pay in order to matriculate or graduate. Examples include laboratory fees, course fees, application fees, graduation fees, etc.

Elective Fees

An elective fee is a charge that is imposed upon an individual in exchange for access to an elective service and is not required within the scope of his or her academic career or employment. Examples include finance charges, recreation fees, event fees, rental fees, etc.

Fines

A fine is a charge that is imposed as a penalty for violation of a University policy or procedure. Examples include parking fines, late checkout fines, cancellation fees, property damage fines, etc.

Policy

All fees as defined above and not otherwise excluded from this policy must be approved by the University Management Committee prior to imposition or revision.

The following fees and charges are excluded from this policy:

- Tuition, room and board, and any other fee or charge approved by the Board of Regents
- Fees or charges collected by related corporations
- Fees or charges collected for a performance or event to which members of the public are welcome and charged (e.g., Athletics tickets, theatre performances, conferences, etc.)
- Chargebacks or recharges (these are addressed in a separate policy)

Procedure

The University Management Committee shall make available a "Request for Fee Imposition or Revision" form for use by University schools and departments. To request imposition or revision of a fee, the completed form shall be submitted to the Office of Financial Planning. At a minimum, the following information shall be provided to the University Management Committee:

- Purpose of the fee
- Reason for modifying an existing fee or creating a new fee
- Amount and method of determining the fee
- Fee category
- Way in which the fee relates to instruction or the student experience
- Service or material provided for the fee
- Budget impact
- The number of students affected by the fee
- Manner and proposed timing in which students will be notified of the fee
- The chartstring of where the fee should be charged

All submitted requests shall be approved and signed by the dean or vice president responsible for the requesting school or department. All course-related fees shall be submitted through the dean and the Office of the Provost.

The Office of Financial Planning, the Vice Provost, and the University Registrar shall review and assess each request. If the request results in a less-than-material impact, the fee subcommittee may decide to administratively approve the proposal. Otherwise, they will refer the request to the University Management Committee.

Based upon the information provided by the requesting department, assessment of the request by the Office of Financial Planning, and any discussion at a meeting, the University Management Committee shall vote to approve the proposal, deny the proposal, or request revisions to the proposal from the requesting department.

For certain fees (e.g., fines for damage to University property, traffic violations, etc.), the University Management Committee may approve a dollar range within which a department may collect a fee at its discretion.

The University Management Committee will review all fees on a regular basis.

Questions regarding this policy should be directed to the chair of the University Management Committee.

Guidelines for Requesting Departments

A request to impose or modify a fee should present a clear and compelling argument for its implementation. Students and employees should not be charged for materials and services where the University would reasonably be expected to provide them without a charge. When such charges are imposed, the amount should be reasonable and linked to the cost the University has incurred to provide the service or materials.

Generally, it is expected that most regular session instruction offered for credit should be supported by tuition. Course fees should approximately equal the actual cost incurred by the University to provide the materials or services to one student. They are justified when the costs associated with the instruction exceed what is reasonable or ordinary.

Mandatory fees, elective fees flowing directly from mandatory fees (e.g., finance charges), and fines assessed to students should be assessed primarily through student accounts. Other elective fees should be assessed at the point of sale.

Section 4.1: Travel and Entertainment

Overview

Faculty and staff shall be reimbursed for reasonable travel and entertainment expenses incurred on authorized University business. All such expenditures must be approved in advance by the employee's Department Budget Manager.

The University assumes no financial responsibility for expenditures incurred by employees who do not adhere to these policies. Both the person who incurs the expense and the person who approves reimbursement of expenses are responsible for achieving maximum economy in the expenditure of University funds. Primary responsibility to ensure that expenditures are reasonable and necessary rests with the Department Budget Manager for the account.

An employee must obtain the approval of his or her Department Budget Manager before payment for any reimbursement, internal requisition, or direct expenditure is issued. A Department Budget Manager may delegate this review to a direct subordinate; nevertheless, the Department Budget Manager will remain personally responsible for any such authorizations.

Substantiation and Documentation

Supporting documentation, including itemized receipts, must be included within the substantiation. Supporting documentation must also include a completed and accurate business purpose explaining how the expenditure directly benefits the project to which it is charged. This standard applies regardless of the item, type of service, amount, or form of payment. Explanations of business purposes should contain sufficient information so that reviewers and approvers, including auditors, can clearly understand how the expenditure benefits the project(s) to which it is charged and why it is reasonable, necessary, and appropriate (i.e., who, what, where, when, and why).

The Internal Revenue Service imposes specific requirements for travel and entertainment reimbursements and advances to be considered as non-taxable to the employee. The University's reimbursement policy requires employees to comply with the following three-prong "accountable plan" for all travel and entertainment expenses:

- **Business Purpose** – There must be a business purpose for the expenditure. Such expenses must be ordinary and necessary business expenses, which are incurred in connection with services performed as an employee.
- **Substantiation** – There must be substantiation of the expense by the employee within a reasonable period of time (see below). Substantiation includes: verification of date, time, place, amount, and business purpose. All substantiation must be done through the PeopleSoft Credit Card Substantiation and Travel and Expense Modules. All receipts must be scanned in, using one PDF file. The receipts must be in order of the transactions showing on the online statement. Each transaction must have all questions completely explained (who, what, when, where, and why). If proof of payment by check is required, a copy of the canceled check or bank statement is sufficient. If payment was made via a personal credit card, receipts must include the last four digits of the card number, or a credit card statement showing the charge should be submitted (personal charges may be redacted). If payment was made via a third party payment platform (e.g., Venmo and Zelle), an invoice or receipt is still required. Payments made via personal gift cards are not permitted. Receipts for expenditures under \$35 are not required but are preferred. In all instances, each expenditure must be fully substantiated. In the event that an item is delivered to a location other than a Pepperdine campus, justification should be included.
- **Reasonable Period of Time** – Employees must substantiate all travel and entertainment expenses within 60 days after incurring the expense.
 - Out-of-pocket reimbursements must be substantiated within 60 days of incurring the expense. Out-of-pocket reimbursements submitted after 120 days of the expenditure will be paid through the Payroll Office as taxable income.
 - University Credit Card expenses must be substantiated within 60 days from the statement date. University Credit Card expenses not substantiated within 120 days, from the statement date, will be processed through the Payroll Office as taxable income.
 - Travel Cash Advances must be substantiated within 60 days after incurring the expense. Travel Cash Advances not substantiated within 120 days will be processed through the Payroll Office as taxable income.

Timeliness Return of Excess Travel Cash Advance

Excess travel cash advance monies must be returned within a reasonable period of time. The Internal Revenue Service allows the following method for defining and enforcing this rule:

The "30-60-120" method. This method automatically allows an employee to meet the reasonable time requirement if (1) he or she gets an advance no more than 30 days before he or she incurs the expenses; (2) the employee substantiates the expenses no more than 60 days after he or she incurs the expenses; and (3) the employee returns any unspent or unsubstantiated amount no more than 120 after he or she incurs the expenses.

Travel Cash Advances not substantiated within 120 days will be processed through the Payroll Office as taxable income.

Per Diem

Members of the University Steering Committee have the authority to preclude the use of per diem for the respective divisional areas. Per diem is an allowance amount that can be applied to meals, lodging, and incidental expenses for

employees traveling domestically and internationally. The allowance may be requested in lieu of reimbursement for actual expenses incurred by employees traveling on University business.

The University uses the government-recommended rates published by the [US General Services Administration](#) for domestic travel and the [US Department of State](#) for international travel. These rates are set by fiscal year and are specific to the location where the expense is incurred. Any request for per diem must be based on the US General Services Administration travel data provided within PeopleSoft.

For lodging, daily rates with tax excluded are provided for the specific city or county in the event that the applicable city is not listed. Rates are based on contractor-provided average daily rate data for lodging in the location where travel is taking place. A daily total rate (M&IE Total) for all meals and incidentals will be used. **If a per diem rate is being used, the employee may not request reimbursement for food or other incidental expenses during the same period.** Additionally, a University Credit Card holder may not use their University card to pay for meals while also requesting a per diem reimbursement. An additional rate is available for the first and last day of travel that includes an adjusted amount of 75% for meals and incidentals.

Additionally, in order to utilize per diem, the following conditions must be met:

- Actual reimbursements may not be submitted during the same trip, i.e., a trip must either be actual expenses incurred or per diem for the duration, not a mix.
- Expenses may not be provided and paid for by an external party, e.g., conference, sales representative, coworker, or supervisor.
- When using the per diem process to reimburse travel, documentation is required to substantiate proof of travel.

Any exception to the per diem policy, e.g., the request of a per diem rate greater than what is provided, must be approved through the Exception Approval Process. For additional examples, please see [Appendix A](#).

Air Travel

All domestic and foreign travel should be booked for the lowest available **economy class** option. Upgraded seats or other reasonable and necessary accommodations up to \$50 are allowable, as well as one checked bag. For student group travel, additional checked bags are permitted. If an additional exception is required, prior approval must be obtained by any **one** of the following: President, Executive Vice President, Chief Financial Officer. Exceptions may not be approved through delegates unless such delegates are appointed by the Chief Financial Officer. Employees are expected to travel by the most direct route using the most economical and reasonable mode of travel available. To maximize discount fare possibilities, air travel arrangements should be reserved as far in advance of the travel date as possible. The University will not reimburse for membership in airline club memberships. Additionally, air travel insurance should ordinarily not be purchased, except in situations where circumstances call for it.

Frequent Flier Programs

The University does not reimburse travelers for tickets purchased with frequent flier miles.

Ground Transportation

Airport Transfers

Airport shuttle services are the preferred method of transportation to/from the airport, and to a hotel or meeting site. When an option is provided, the most economical vehicle should be selected. Optional airport shuttle services that pick up and drop off at the Malibu campus include, but are not limited to, [Prime Time Services](#), [Go Green](#), and

[Curbside Express](#) . These shuttle services allow for single riders and have no restrictions on pick up and drop off times. Taxis and private limousines or town cars should be used only when they represent a more reasonable alternative or are essential due to time constraints. In such cases, the university will reimburse up to \$120 per one-way ride, for each individual or group.

Taxis, Uber, Lyft, and Independent Drivers

Usage should be limited, with preference given to public transportation. If public transportation is unavailable, inadequate, or unsafe for local travel, then taxis, Uber, and Lyft rides may be used. Furthermore, if taxis, Uber, and Lyft are unavailable, an independent driver may be used. In such circumstances, payment to independent drivers for ground transportation may be made via a third-party payment platform (e.g., Venmo and Zelle), assuming this is the only form of payment accepted. Receipts and proof of payment must be retained for substantiation purposes.

Car Rentals

Enterprise Rent-A-Car is the University's preferred vendor for car rentals. They provide preferred pricing and free membership into the Emerald Club to earn additional points and benefits. As the preferred vendor, Enterprise-Rent-A-Car also ensures that car rentals are within the University's policies and procedures. These benefits apply to all Enterprise Rent-A-Car, Enterprise Truck Rental, and National Car Rental locations worldwide. To book a rental car using the University's corporate discount, click [here](#) . The University's corporate discount number is XZ33641.

A Driver Status Form must be submitted and approved by the Office of Insurance and Risk prior to an employee renting a car or driving on behalf of University business.

An "Auto Accident Packet," which includes a proof of insurance card, a checklist to follow in an accident, and forms to report an accident must be obtained from the Office of Insurance and Risk prior to an employee driving a rental car on behalf of University business. Please contact the Office of Insurance and Risk to obtain the packet.

To be eligible to rent a car on a University Credit Card, a driver must be an approved University driver meeting all the requirements of the University Driver Policy. Car rentals must be in the name of Pepperdine University and in the individual's name.

Employees must not purchase insurance from car rental agencies for rentals within the United States as the University's automobile insurance will apply as primary coverage. Pepperdine University's insurance will respond for rental terms of less than 30 consecutive days (as long as the automobile is rented in the name of Pepperdine University). Additional insurance offered by a car rental company is not necessary and purchasing this insurance is not reimbursable.

Prior to renting vehicles outside the United States, approval must be obtained from the Office of Insurance and Risk. Car rentals originating outside the United States should include insurance from the car rental agency. Prior to an employee taking possession of a rental car, employees should thoroughly inspect it to assure that any existing damage is noted on the rental agreement. Additionally, some countries require a US-licensed driver to obtain an International Driving Permit to legally be permitted to drive. The cost of the permit varies by country, and is eligible for reimbursement once approved by the Office of Insurance and Risk.

Employees involved in an accident with a rental car should follow the checklist provided in the "Auto Accident Packet" which includes the following:

- Secure the scene
- Seek medical aid if injured

- Notify the local police department
- Provide information to and obtain information from the other driver
- Take photos of the vehicles and scene
- The employee should alert the Office of Insurance and Risk regarding the accident and refer the rental company, injured party, or anyone claiming injury to contact the Office of Insurance and Risk at (310) 506-4410.
- The employee should be prepared to furnish the Office of Insurance and Risk with the completed forms from the "Auto Accident Packet" and any photos of the accident. If an employee elects to retain the rental vehicle for personal travel or vacation, the employee is responsible for providing appropriate auto insurance coverage during that period of time. Please note that some car rental agencies may require the vehicle to be turned back in to activate a new contract under different auto insurance coverage.

Mileage for Personal Automobiles

A Driver Status Form must be submitted and approved by the Insurance and Risk department prior to an employee driving any vehicle on behalf of University business.

Employees required to use their personal vehicles while engaged in University business are eligible for mileage reimbursement consistent with this policy and subject to the approval of their supervisor.

Employees who are required to drive a distance greater than that normally driven between their principal work location and their principal residence are eligible for mileage reimbursement. The distance between the principal work location and an employee's principal residence is the "normally driven daily commuting mileage."

Employees working on multiple campuses are eligible for mileage reimbursement for mileage in excess of their normally driven daily commuting mileage. When submitting a request for reimbursement, employees must deduct their daily commuting mileage from the request and will only be reimbursed for the excess mileage incurred.

Employees with remote working agreements (i.e., those employees not required to physically be on a campus) may request mileage reimbursements without deducting a daily commute when travel is required by their job function.

Employees with hybrid (i.e., on-site for a portion of their work) work agreements may request mileage reimbursements, but must deduct a daily commute distance, regardless of whether the day was remote or on-site. For additional clarification, please refer to the examples below:

- A fully remote employee that is required to travel in their own vehicle may then submit a request for reimbursement without deducting a daily commute.
- An employee with a hybrid work schedule (i.e., partially on-site, partially remote) that is required to travel in their own vehicle may also request a mileage reimbursement. However, that employee must deduct their daily commute distance regardless of whether the date of occurrence was scheduled to be an on-site day or not.

Consistent with the policy statement above, if a business trip begins or ends at an employee's residence, the normally driven daily commuting mileage must be subtracted from the total trip mileage before submission for reimbursement.

The mileage reimbursement rate is determined each year by the Internal Revenue Service and includes gas, oil, maintenance, insurance, and depreciation costs. Any changes in the Internal Revenue Service reimbursement schedule will be automatically implemented by the University. The current mileage reimbursement rate and standard mileage distances are available at <https://community.pepperdine.edu/finance/accountspayable/employee-reimbursements/mileagerates.htm>.

Those employees with voluntary hybrid work agreements, i.e., a blend between remote and on-site work, may collect mileage if they received advance approval from their supervisor to travel off-site for University business. Employees must still deduct their daily commute distance regardless of whether the occurrence is a day they are scheduled to be on-site or not. To be eligible for mileage reimbursement, the employee must remain compliant with the Human Resources [Remote Work Policy](#).

In the event that an employee works in a fully remote environment, a mileage reimbursement may be collected any time their job function with supervisory approval requires them to travel in their own vehicle, without the deduction of a daily commute.

No employee is authorized to use a personal vehicle on University business unless the driver possesses a valid license and the vehicle is insured with at least the minimum California state requirements. Employees should recognize that their personal automobile insurance will respond primarily in the event of an accident while driving on University business.

Lodging

Employees will be reimbursed for reasonable and appropriate hotel expenses when traveling overnight on University business. Reimbursement is limited to a single room rate unless the room is shared with another University employee. Bookings through Airbnb, or other similar services, are not permitted. Room service charges are discouraged, and should be at the Department Budget Manager's discretion, depending on travel circumstances.

Meals While In Travel Status

Employees will be reimbursed the reasonable cost of meals while the employee is traveling. Expenditures for alcoholic beverages are not authorized and shall not be reimbursed unless related to the entertainment and/or cultivation of donors, (e.g., dinners or small gatherings of groups less than 20). Meal costs which appear excessive will be referred to the Major Area Budget Manager for final approval. The Internal Revenue Service requires substantiation and documentation. As a result, dated and itemized receipts to support each instance of travel or entertainment must be submitted. Credit card payment forms or statements alone are not considered itemized receipts. For additional information on the use of per diem reimbursement, see section [Per Diem](#). For additional information on meals that involve spousal accompaniment, see section [Travel Expenses for a Spouse, Dependent, or Other Individual](#).

Local Business Meals and Entertainment

Expenses with original itemized receipts incurred for local business meals and entertainment (meetings, employer/employee relations, etc.) may be reimbursed upon approval of the Department Budget Manager. Expenditures for alcoholic beverages are not authorized unless related to the entertainment and/or cultivation of donors, (e.g., dinners or small gatherings of groups less than 20). Meal costs which appear excessive will be referred to the Major Area Budget Manager for final approval. The Internal Revenue Service requires substantiation and documentation with dated, original, itemized receipts to support each instance of travel or entertainment. Credit card payment forms or statements alone are not considered itemized receipts. To be considered non-taxable, the Internal Revenue Service requires that the names of the persons at the meal and the business purpose be clearly stated. Individual names are not required if a large group (more than ten people) is involved that can be identified as a single body (the approximate number of persons and group identification must be stated).

Travel Related Expenses

Parking and Toll Charges

Necessary parking and toll charges incurred on University business are reimbursable in addition to mileage allowance and other transportation expenses.

Tips and Gratuities

Tips and gratuities should be reasonable. Tips and gratuities on meals, hotel (e.g., housekeeping), and taxi expenses should not exceed 20% of the total charge. Bellhop/porter tips should not exceed \$2 for each bag.

Laundry Service

Laundry, cleaning, and pressing charges are allowed only when an employee will be away from home more than five days.

Passport and Visa Fees

Fees for passports and visas are reimbursable, if specifically obtained for a required University business trip.

Registration Fees for Conferences and Professional Meetings

Whenever feasible, registration fees for conferences and professional meetings should be paid in advance to obtain available discounts.

Non-Reimbursable Expenses

Pepperdine University will reimburse or directly pay properly substantiated business expenses. Expenses lacking appropriate substantiation, documentation, or authorization will not be reimbursed. Expense payments for activities that primarily benefit the individual will not be reimbursed. The following is a sample list of expenses typically deemed personal (this list is not intended to be all-inclusive):

- Alcoholic beverages – Purchases of alcohol may be reimbursed without prior written approval in the event that the purchase is related to the entertainment and/or cultivation of donors (e.g., dinners or small gatherings of groups less than 20). Additionally, alcohol may be purchased for larger events such as the CSOL Dinner or the Associate's Dinner; however, prior written approval is required. If an additional exception is required, prior approval must be obtained by any **one** of the following: President, Executive Vice President, or Chief Financial Officer. Exceptions may not be approved through delegates unless such delegates are appointed by the Chief Financial Officer.
- Barber and hairdresser expenses
- Car rental insurance (covered through University policy)
- Clothing
- Donations
- Furniture purchases, including tables, chairs, cabinets, desks, sofas, etc. (prior approval required by the Department of Design and Construction)
- Gasoline purchases (excluding rental cars)
- Golf fees
- Hotel health club fees
- Lost or theft of personal property

- Lost or theft of travel cash advances
- Meal points on employee or student ID cards
- Medicine and Medical expenses
- Membership fees to warehouse club stores and delivery services (Costco, Sam's Club, Instacart etc.)
- Motorcycle, scooter, bicycle, or similar rentals
- Payments made to individuals
- Payments made to service providers
- Payments made via personal gift card
- Personal credit card fees or penalties
- Personal gifts for wedding showers, baby showers, birthdays, etc. (see policy below)
- Personal reading materials (magazines, books, newspapers, etc.)
- Repairs, maintenance, or towing of personal vehicles
- Toiletry items
- Traffic fines or penalties

Payments to Service Providers

Due to federal and state tax regulations the use of the University Credit Card for payments to individuals, independent contractors, service providers, and/or out-of-state service providers performing services within California is considered an unauthorized/inappropriate use of the University Credit Card. Similarly, using a personal credit card or other form of personal payment for these expenditures is not permitted.

Dividing of Expenses

The dividing of an expense into separate transactions on one or more credit cards to work around the single transaction limit is considered an unauthorized/inappropriate use of the University Credit Card. If in violation, the University Credit Card may be suspended or revoked.

Unsubstantiated or Unauthorized Expenses

Any expense lacking appropriate substantiation, documentation, or authorization is considered an unauthorized/inappropriate use of the University Credit Card. Failure to comply with the University's substantiation and appropriate use standards may result in, but not be limited to, the following:

- Revocation of University Credit Card
- Denial of payment, requiring the cardholder to reimburse the University
- Classification of the reimbursement as taxable income to the employee

Gift Cards

The Internal Revenue Service considers gift cards to be income to the recipient and as such, the cardholder who purchases gift cards must document the full names of the recipients, campus-wide IDs (Social Security Numbers for non-employees), and the amounts of the cards, regardless of the dollar value, for submission to the Payroll and/or

Accounts Payable Office for proper income tax reporting. Gift cards are reported to the Internal Revenue Service and included as taxable income to the recipient. If the recipient is a University employee, the gift card is included as taxable income on the employee's paycheck. If the recipient is a non-employee, the recipient is issued an Internal Revenue Service Form 1099 MISC at the end of the calendar year.

Gifts

Gifts, such as employee incentives (e.g., work on a challenging project, performing additional responsibilities, etc.), are considered non-taxable income to the recipient until the collective value of all gifts to the recipient per calendar year exceeds \$35 (with the exception of gift cards, which are taxable income to the recipient regardless of the dollar value, as explained above). The cardholder who purchases a gift must document the full names of the recipients, and campus-wide IDs (Social Security Numbers for non-employees), regardless of the dollar value, for submission to the Payroll and/or Accounts Payable Office for proper income tax reporting. If the collective value of all gifts to the recipient exceeds \$35 per calendar year, the gifts are reported to the Internal Revenue Service and included as taxable income. If the recipient is a University employee, the gift is included as taxable income on the employee's paycheck. If the recipient is a non-employee, the recipient is issued an Internal Revenue Service Form 1099 MISC at the end of the calendar year.

Personal Gifts and Celebrations

Gifts, decorations, supplies, or food items for wedding showers, baby showers, birthday celebrations, or other similar events are considered non-business-related purchases and are an unauthorized/inappropriate use of University funds. Failure to comply with the University's substantiation and appropriate use standards may result in, but not be limited to, the following:

- Revocation of University Credit Card
- Denial of payment, requiring the cardholder to reimburse the University
- Classification of the reimbursement as taxable income to the employee

Travel Cash Advances

Travel cash advances may be obtained by employees for costs to be incurred while conducting official University business. Advances may not be issued more than seven days prior to the departure. Advances may be authorized when:

- Out-of-pocket expenses (cash and debit card transactions) for the duration of the trip or event will cause a financial hardship to the employee.
- The out-of-pocket expenses are expected to exceed \$200.

No University funds may be advanced for personal reasons.

Advance Reconciliation

Responsibility for the University funds remains with the individual until a final reconciliation is made of expenditures.

- Failure to submit a final reconciliation of an advance will result in the advance recipient being ineligible to receive any future advances.
- Out-of-pocket reimbursements will not be processed if an advance has not been substantiated within 60 days.

Advances Reported as Personal Income

The Internal Revenue Service requires that advances be accounted for within a reasonable period of time. If an advance has not been substantiated after 120 days, the advance will be reported as taxable income through the Payroll Office for the advance recipient.

Travel Expenses for a Spouse, Dependent, or Other Individual

General Rule

As a general rule, the University does not reimburse for a spouse, dependent, or other individuals to accompany an employee on business-related travel.

- **Hotel Rates** — If any of the aforementioned individuals accompany an employee on business-related travel, and a double hotel room is booked, the employee will only be reimbursed for the cost of a single hotel room.
- **Transportation** — If any of the aforementioned individuals accompany an employee on business-related travel and public transportation is used, the employee will only be reimbursed for their fare.

Exceptions

It is expected that there will be no exceptions to this policy. Any request for an exception in extraordinary circumstances must be approved in writing, in advance of the travel or expense, by any **one** of the following: President, Executive Vice President, or Chief Financial Officer. Exceptions may not be approved through delegates unless such delegates are appointed by the Chief Financial Officer.

Taxation

If an exception is approved and travel expenses for a spouse, dependent, or other individual are reimbursed by the University, the reimbursement will generally be taxable in accordance with Internal Revenue Service regulations.

Per Internal Revenue Service regulations, such reimbursement is not taxable only if the spouse, dependent, or other individual's travel has a bona fide business purpose. Furthermore, the travel expenses must be reasonable and necessary in the conduct of such business and directly attributable to it. The spouse, dependent, or other individuals must be someone that is reasonably expected to actively conduct business while accompanying the employee. Incidental services, such as typing notes or assisting with entertaining others, do not constitute a bona fide business purpose.

The bona fide business purpose of the spouse, dependent, or other individuals must be clearly documented on the expense report to show that their attendance at a function or event meets the above conditions.

Appendix A - Per Diem Examples

- An employee would like to travel to a conference and stay in the hotel hosting the conference, which exceeds the rate determined by the US General Services Administration. In this case, the employee may book a room in the host hotel, but the amount must be approved to authorize the exception.
- In reviewing lodging options it is determined that the properties meeting the US General Services Administration rates are either unsafe or exceed a reasonable proximity to the destination. In this instance, the employee may book a room that exceeds the US General Services Administration rate, and the exception should be approved in advance.
- The hotel that an employee is staying at provides breakfast each morning. Assuming that the breakfast is satisfactory and meets any dietary restrictions, an employee should deduct the breakfast expense from their

daily rate. This can be achieved by adjusting the daily hours, and removing the breakfast allocation.

- The conference that an employee is attending provides a complimentary breakfast and lunch that is a part of the registration fee. The employee may submit actual expenses to be reimbursed for dinner, but may not collect per diem for the duration of the trip.
- An employee that is a University Credit Card holder may not use their card to pay for meals and then request per diem reimbursement.
- An employee that is the recipient of a free meal, e.g., another employee pays for the meal, food is provided by an outside source, may not collect per diem and “double dip” into both per diem and credit card reimbursement funds.
- As a general policy, individual and group reimbursements in excess of reasonableness are not allowed. Travelers should neither gain nor lose personal funds as a result of business travel on behalf of the University.

Section 4.2: Exceptions to Financial Policies

If there are exceptions to any of the financial policies, prior approval must be obtained in writing by any **one** of the following: President, Executive Vice President, or Chief Financial Officer. Exceptions may not be approved through delegates unless such delegates are appointed by the Chief Financial Officer.

Section 5.1: Payments

Overview

The Accounts Payable Office pays invoices in accordance with payment terms negotiated or secured by the Purchasing Office. The Accounts Payable Office may, at its discretion, verify receipt or acceptance of products or services before paying any invoice.

Purchase Orders

A purchase requisition should be submitted to establish the request for goods or services by the department. All requisitions must be initiated through PeopleSoft, which will then be routed through the appropriate approval process. Once approved, a PeopleSoft Purchase Order will be created and dispatched. A purchase order should be used for any non-travel expenditure greater than \$5,000, where possible.

Open Purchase Order

- The Accounts Payable Office will start the payment process for the transaction upon receiving an invoice listing the open purchase order number.
- The Accounts Payable Office will not pay any invoice that exceeds the not-to-exceed total of the open purchase order until a change order has been approved by the purchase order Approver(s) authorized to approve the specified amount and established through the Purchasing Office.

Price Differences Between Invoice and Purchase Orders

For a number of reasons, the invoiced amount may differ from the dollar amount approved on the purchase order or service contract. If the invoice amount exceeds the amount on the purchase document, the Accounts Payable Office is not able to process payment until a change order has been approved for the purchase order.

Automatic Payment Orders

- **Purpose** – An automatic payment order authorizes the Accounts Payable Office to make a fixed payment at fixed intervals for a specific period of time. This method is useful for equipment rental or maintenance, where the charge remains constant.
- **Schedule** – An automatic payment schedule is established by the Purchasing Office in consultation with the requesting department and vendor. Under an automatic payment order the requesting department must maintain records for audit purposes.

Ratification of Received Orders

Unless a requisition has been processed by the Purchasing Office a transaction is not an authorized Pepperdine order and will not have a purchase order number. If the Accounts Payable Office receives an invoice (through the invoice@pepperdine.edu submission process) without a purchase order number, the Accounts Payable Office may return the invoice to the requesting department unpaid.

If the Purchasing Office does not ratify the transaction, the paperwork will be returned to the department. If a vendor contacts the Purchasing Office or Accounts Payable Office about the unpaid invoice, the vendor will be advised that the transaction was not authorized business, and that the University is not responsible for payment.

Freight Bills

- **Prompt Payment Required** – Federal and state regulations requires Pepperdine to pay all freight bills within seven days of receipt. Accordingly, departments must send the freight bill to the Accounts Payable Office immediately upon receipt.
- **Terms** – The Purchasing Office attempts to negotiate standard terms of Freight on Board Destination, which transfers the title and risk of loss of the item to Pepperdine upon delivery of an item at Pepperdine, or any other specified destination. If those terms are not acceptable to the vendor, the Purchasing Office negotiates to have the vendor prepay transportation charges and add them as a separate charge on the invoice. However, if shipping charges are not known and not included on the issued purchase order, the vendor may prepay freight and separately invoice for shipping costs.
 - **Payment for Freight Delivery under a Purchase Order** – If any department receives a freight invoice for a product obtained under an issued purchase order, a department representative should write the purchase order number on the invoice, and then forward it promptly to the Accounts Payable Office for payment.
 - **Payment for Freight Delivery Without a Purchase Order** – If any department receives a freight invoice and no purchase order has been issued, a department representative should prepare an Exception Payment Requisition as appropriate for the amount of the bill, and forward the invoice to the Accounts Payable Office for payment.

Section 5.2: Purchasing

Overview

These purchasing policies are for the procurement of major and minor construction, equipment, supplies, and services by Pepperdine.

Authority and Responsibility

The Board of Regents of Pepperdine University, which has responsibility for all University funds, including those received under grants and contracts and those originating with other outside sources, has delegated authority for the acquisition and disposition of property and the expenditure of University monies to various University officers and officials as specified as authorized in the [Execution of Documents Policy](#) .

Approvers

Approvers in schools and departments have the authority to approve the commitment and expenditure of funds for a given purpose, and against specific chart fields for which they have been given authorization. Spending authority approval limits are aligned throughout the University as outlined below:

- Level 1 – \$12,500
- Level 2 – \$25,000
- Level 3 – \$50,000

Purchasing Office

The Purchasing Office is authorized to execute contracts and place orders for goods and services, subject to the receipt of purchasing requisitions. With the exception of certain delegations made by the Purchasing Office, the Purchasing Office is the sole holder of this authority at the University.

Purchases by University Departments

The Purchasing Office has delegated authority to departments to work directly with vendors in the acquisition of goods or services when procured by the University Credit Card. The University Credit Card is the preferred purchasing method for items under \$5,000. Purchases that exceed \$5,000 or with vendors that do not accept credit cards should submit a purchase requisition. All University Credit Card expenditures must be substantiated to document the details of the business-related expense. Once substantiated, the supervisor of the cardholder as well as the designee(s) within the Finance Office will review all expenditures for policy compliance and appropriateness.

Only a person authorized in writing by Pepperdine may commit Pepperdine funds to purchase goods or services. If a person without University authority commits University funds, Pepperdine may consider the acquisition effort null and void, and decline to pay any invoice that might be issued. In such a case, the supplier may look to the individual placing the order for payment or reimbursement.

The University is a part of the [E&I](#) purchasing cooperative. Preferred suppliers can be identified for various products and services, and usage results in a rebate being provided back to the University. Departments are able to review all available contracts through E&I, including pricing and offers. Departments may then work directly with the preferred suppliers or the Purchasing Office, referencing the E&I contract number to ensure the established agreement is applied.

Office Supplies

The University's preferred office supply vendor is Office Depot. The Purchasing Office has authorized departments with an approved University Office Depot account ([Office Depot](#)) to purchase all office supplies with the exception of furniture. An approved Office Depot Business Solutions Division On-Line User Request Form ([Office Depot Access](#)) is required before access is granted. Office supplies that may not be available through Office Depot can also be purchased through the University's Amazon Business account. Additional information regarding the use of the Pepperdine Amazon Business Account can be found at [Amazon Business](#).

Furniture

Furniture purchases exceeding \$250 should only be made with prior written approval from the Department of Design and Construction. To ensure proper safety protocols are met, it is recommended that all furniture purchases go through the Department of Design and Construction approval process; however, if the furniture is below the \$250 threshold, the assurance of safety is incumbent upon the individual purchasing the furniture. Furniture is considered to include, but not be limited to, chairs, tables, desks, cabinets, and sofas. The purchase of furniture that has not been approved may result in denial of reimbursement, requirement to reimburse the University, or other disciplinary action. Resources, including labor, from the Department of Design and Construction, the Department of Facilities Services, and Warehouse Services will not assemble or repair furniture that is purchased without prior written approval from the Department of Design and Construction.

Competition

The University's policy is that acquisition of products or services will be by competition between potential vendors, to the maximum practical extent subject to the requirements of quality, price, and performance. When a department needs to use a single or sole source in the acquisition of a product or service with a cost of \$50,000 or more, a written source justification is requested. ("Single source" means other sources are available but the Requestor chooses to use only one particular source. "Sole source" means that no other sources other than the one recommended are available.) The source justification should include the following information:

- A specific description of the supplies or services required to meet needs, and a statement of facts that show the unique qualifications of the services or items selected to satisfy those needs.
- A description of efforts made to locate other sources of supply.
- Documentation that the anticipated cost is fair and reasonable. This can include a comparison of prices when the item is generally available or, when the item is specially fabricated, an analysis of the manufacturer's cost.
- Any other information supporting the use of other than full and open competition.

Purchases on Government Grants and Contracts

Pepperdine University receives government grants and contracts for academic research. In carrying out its sponsored projects, Pepperdine fulfills the agreement's conditions, some of which are stated in OMB Circular A-110 and the sponsored project agreement, statutes, regulations, and policy statements.

Terms and Conditions

A grant or contract often requires Pepperdine to include certain contractual clauses in purchase orders or subcontracts issued under the award. The requesting school/department must obtain input from the Office of Research, Grants, and Foundation Relations in advance as to which contractual clauses are appropriate for inclusion in individual purchase order contracts.

Prior Approval

If a government-sponsored project agreement is a funding source, a government representative may be required to approve a proposed purchase of capital equipment or complex goods or services before the Purchasing Office places the order.

Offices Needing Documentation

The requesting department is responsible for maintaining records of approval documentation. When required, the Purchasing Office or the Accounts Payable Office may request copies of such documents.

- **Subcontracts** – If the purchase requires government approval of subcontract provisions, the Purchasing Office will obtain the necessary approval and keep it on file.
- **Screening Levels** – The department making the purchase must screen for items of equipment costing between \$5,000 and \$24,999 at the departmental level before purchase, and items at \$25,000 and above at the University level. Equipment costing less than \$5,000 need not be screened.

Section 5.3: University Credit Card

Overview

These policies apply to the use of the University Credit Card for purchases of goods or services made directly by departments. The University Credit Card is a tool for individuals making purchases on behalf of the University for which Pepperdine is financially liable.

Authority to Purchase

Delegation of Authority

The Chief Financial Officer delegates to University departments signature authorization for ordering supplies and services directly from vendors with a University Credit Card, generally with a transaction purchase limit of \$5,000, subject to the limitations contained in this policy. Credit cards will not be issued to temporary employees.

Department Responsibility

With this delegation of authority comes the responsibility for departments and individual cardholders to observe all University policies and procedures related to purchases, and to observe all government laws and regulations (state and federal) that apply to the commercial transactions placed via the University Credit Card.

Audit

All Pepperdine transactions are subject to review by the Controller's Office as well as internal and external auditors for compliance with sound business practices, institutional policies and procedures, and any applicable laws and regulations.

Criteria for Use

Basic Criteria

Pepperdine faculty and staff are eligible to obtain the University Credit Card provided that:

- they have approval from their supervisor and Department Budget Manager
- they complete an application and training session
- they agree to follow the University Credit Card policies and procedures and additional guidelines, if any, as defined and supported by their department

Restrictions

Because of tax reporting, inventory, and regulatory requirements, and to simplify reconciliation, the University Credit Card is NOT to be used in the following circumstances:

- **Personal Expense** – Personal expenses are purchases that are not made on behalf of the University or for use by the University. These are considered fraudulent transactions. Purchases must be for the use and benefit of Pepperdine University, regardless of intent to reimburse Pepperdine. If the cardholder commits purposeful fraudulent or negligent behavior regarding the proper use or protection of the card, it will be considered serious misconduct and may result in disciplinary action, up to and including termination.
- **Fabrications** – A fabrication is a unique item which cannot be acquired off-the-shelf, has a useful life of more than one year, and is made of components which cumulatively cost \$5,000 or more. The components of an item reported as a fabrication should not be acquired with the University Credit Card. (NOTE: Putting together a computer system does not meet the definition of a fabrication since a computer system is not unique.)
- **Hazardous Materials** – Hazardous materials may include chemicals, compressed gases, radioactive materials, nucleotides, peptides, growth media, controlled substances, restriction enzymes, or biological organisms, as defined by federal, state, and University regulations.
- **Cash advances**
- **Any purchase over \$5,000.**

Responsibilities

Cardholders act as purchasing agents of the University and are issued a University Credit Card associated with their department. Cardholders should not lend or share their University Credit Card. They must keep their University Credit Card secure and the card number confidential.

Approvers have the responsibility to examine transactions to ensure that charges are appropriate and comply with University policies, i.e., include a complete and accurate business purpose, appropriate chart string to be charged, and are approved and routed to any additional appropriate approver(s) in a timely manner. An approver cannot report to the individual who made the purchase or be the beneficiary of the purchase/transaction.

Department management has the responsibility of approving who can be a cardholder or an approver. Furthermore, managers are responsible for disseminating departmental rules and monitoring University Credit Card transactions to ensure compliance with the University Credit Card program policies and any departmental rules.

Alternatives to the University Credit Card

PeopleSoft Requisition

A PeopleSoft Requisition can be used for the following expenditures if credit cards are not accepted by the vendor.

- Accreditation fees
- Artist performance agreements
- Claim payments made through the Office of Insurance and Risk
- Guest lecturers (non-Pepperdine employees)
- Honorariums (non-Pepperdine employees)
- Interpreters (non-Pepperdine employees)
- Legal fees

- Memberships that do not accept credit cards
- Non-resident alien travel reimbursements
- Non-employee reimbursements
- Permit/license fees (e.g., building permits; excludes software license agreements)
- Refunds
- Reports/reporting fees (e.g., Department of Motor Vehicles, South Coast Air Quality Management District, court records)
- Speakers
- Sports officials/referees

Petty Cash Reimbursement

[Petty cash reimbursement](#) can be used for expenses totaling \$100 or less.

Section 5.4: Purchasing Requisitions

Overview

The PeopleSoft Requisition is the financial document in which the department requests the issuance of a purchase order that is then dispatched to the vendor. University departments are encouraged to contact the Purchasing Office early in the acquisition process. The Purchasing Office can help develop technical specifications, provide product descriptions and lists of vendors, negotiate contracts, and estimate cost or price.

Purchasing Systems

The University has implemented PeopleSoft, which is an online financial system to manage its financial transactions. All acquisition transactions must be entered in the financial system. Designated employees use the online purchasing requisition process for entry, approval, and review.

Preparing Transactions

PeopleSoft Requisitions must be prepared by an employee with appropriate Requestor authority and access to the online system. Pepperdine faculty and staff may have Requestor access to the online requisition after attending an [Information Technology Authorized Requestors Training](#).

Approvals

Once a PeopleSoft Requisition is completely submitted, it is then electronically routed by the Requestor to a designated employee who is an authorized Approver for the department.

Unauthorized Orders

A PeopleSoft Requisition may not be submitted if the goods have already been ordered or the service has begun. For goods or services rendered prior to a PeopleSoft Requisition being created an Exception Payment Requisition will need to be submitted.

Purchasing Requisition Routing

Approvals

In addition to the Requestor and the first-level Approver, additional levels of approval may be necessary for the PeopleSoft Requisition. If the dollar amount requested exceeds the Level 1 Approver limit, additional approvals will be required. When a PeopleSoft Requisition has received all required approvals, it is automatically routed to the Purchasing Office for processing.

Levels of Approvals:

- Level 1 – \$12,500
- Level 2 – \$25,000
- Level 3 – \$50,000

Attachments

Backup documentation must accompany a PeopleSoft Requisition. Backup documentation consists of a quote, agreement, or contract.

Electronic attachment of bids, quotes, or contract proposals in the financial system is the required method.

Vendor Selection

Information Source

Departments may obtain information about vendors through the financial system.

Purchase Orders and Contracts

The Purchasing Office is authorized to assign a purchase order number to an approved PeopleSoft Requisition. Unless otherwise authorized by the Board of Regents, Executive Vice President, or delegated authority by the Chief Financial Officer, no other University department may assign contract or purchase order numbers for the acquisition of goods or services.

Purchase order numbers serve as a common identification between University records and those of the vendor, and they aid in tracking the process of vouchers, payments, and receipts.

Any agreements by other departments, written or verbal, with the vendor prior to getting an approved purchase order are strictly prohibited by the University. The University accepts no financial responsibility for these transactions. Such purchases are the financial responsibility of the Requestor or the vendor providing unauthorized goods/services.

Purchase Order

When the Purchasing Office places a single order with the selected vendor for an acquisition, that transaction is a purchase order. The purchase order is then dispatched directly to the vendor to ensure adequate supply and/or price.

Contracts

A written contract may be required in addition to a purchase order in the following circumstances:

- The nature of the work and obligations of the parties must be specified

- Payment terms are complex and require special handling
- Equipment being acquired is unusual, unique, or special - examples include situations where design, engineering, testing, or other special factors might be risks of the transaction
- For consulting services
- For research
- For construction or installation of fixtures or staging of events which may expose Pepperdine to liability to third parties
- For blanket orders
- For license agreements, rentals, and leases

Change Orders

When the goods, services, or terms of the purchase order needs to be modified to meet the University's requirements, the department is responsible for initiating a change order request before the goods or services are rendered. Failure to do so may result in cancellation of the delivery of goods or services, or nonpayment of the invoice.

Delivery and Receiving

Delivery Points

▪ **General Shipments**

Most campus shipments are delivered directly to the Central Receiving Department by the vendor or shipper. All shipments must have the packing slip on the outside of the package for routing to the correct department. If there are questions or special requirements concerning a delivery, the Purchasing Office can advise on the appropriate manner, place, and terms of delivery to be included in an order.

▪ **Radioactive Shipments**

Radioactive materials may not be delivered directly to any department. All shipments of radioactive material go to the Central Receiving Department for examination by the Environmental Health and Safety Specialist and Campus Operations, and verification of a controlled radiation authorization number. After examination by Environmental Health and Safety Specialist and Campus Operations, delivery is made or the materials may be picked up by the requesting department. All shipments must have a Material Safety Data Sheet on the outside of the package being delivered.

▪ **Biohazard Shipments**

Bio-hazardous material may be delivered directly to University's Central Receiving Department; however, each department is responsible for ensuring that a department representative is available to receive the shipment and ensure the safe handling of such products upon delivery by the Central Receiving Department's personnel. All shipments must have a Material Safety Data Sheet on the outside of the package being delivered.

Certification of Receipt or Acceptance

The receipt of goods must be entered into PeopleSoft. Entry of the receipts into the system is used to determine the eligibility of a particular invoice for payment.

Contract Administration

The Purchasing Office works with departments and vendors throughout the acquisition process to ensure that the vendor and the University comply with their mutual obligations.

Expediting

The Purchasing Office can expedite orders when notified by a department or vendor that an order needs special attention, e.g., a delivery failed to come in as expected.

Claims

The requesting department is primarily responsible for administering shipping claims. If the Purchasing Office was involved in the transaction, the Purchasing Office can, upon request, assist departments in the handling of damage claims, the return or repair of defective items, and/or the return of wrong items. For losses or damage over \$1,000, the Office of Insurance and Risk may be contacted for assistance.

Section 5.5: Surplus Property Sales

Overview

Warehouse Services shall have the primary responsibility to identify and retain any surplus property that has reusable value to the University. Such items are stored and maintained by Warehouse Services for University reassignment.

Authority to Transact Sales

Warehouse Services has the responsibility of consummating the sale of surplus property. Therefore, the only entity authorized to sell equipment to non-Pepperdine entities is Warehouse Services. University departments are encouraged to contact Warehouse Services for such surplus activities. Items identified for surplus sale, through Warehouse Services, are first made available to the University Community and then made available to the public.

Some of the common items available at the campus surplus warehouses include office desks, chairs, tables, and file cabinets. As noted further in the policy, any surplus property with software or confidential/restricted data (i.e., laptops, desktop computers, tablets, storage devices) must be delivered to Information Technology.

Departments may not give or sell property to individuals, including Pepperdine employees, or to non-Pepperdine entities. If a department arranges to sell property to a buyer, the sale transaction must be approved by the head of Campus Operations. The check from the buyer must be made payable to Pepperdine University.

Basic Sale

Request Form and Routing

Purchases of surplus property are made via a form available from Warehouse Services. Once completed, the request form is sent directly to Warehouse Services, after approval by the originating department.

Proceeds

The sale proceeds for any University property, including gifts to University departments of personal property, surplus items, scrap, and salvage, belong to the University. The net amount from the sale is credited to the University General Fund (UOEXT, 12040, 406005, ISGEN).

Trade-in Surplus Allowance

When a budget manager gets approval from his/her Major Area Budget Manager, they may use a designated surplus item as a trade-in allowance for the purchase of a new item in a similar category. All such transactions shall be conducted in accordance with University purchasing protocol.

Delivery

Buyers are responsible for removing and transporting items they buy.

Sale Records

After the property is sold, Warehouse Services prepares a bill of sale. The buyer may not take possession of the equipment until the buyer has signed and returned the bill of sale.

All sale transactions of University surplus materials are “as is” and final; there is no warranty, either in writing or implied. There are no exchanges or refunds.

Sales Requiring Special Handling

Donated Equipment

The University is permitted to sell donated equipment without unrelated business income tax implications. However, any income from such sales must be reported on Internal Revenue Service Form 990, and the University may be required to file federal Form 8282, *Donee Information Return* (if the value exceeds \$5,000 and the property is sold within three years of the donation). This must be reported to the University Controller's Office.

Disposal of Bulky Surplus Property

Warehouse Services shall handle the disposal of general surplus property at no charge to the requesting departments. Bulky surplus disposals requiring the assistance of outside vendors shall be considered a chargeable surplus. The requesting department shall be responsible for any external vendor's expenses.

Hazardous Equipment

- **Contamination Risk** – If the property might be contaminated in any way, the department must dispose of the property as required by law. Any other types of equipment that appear to need clearance are handled accordingly. Hazardous equipment includes, but is not limited to, the following:
 - Animal cages
 - Biological safety hoods (also known as laminar flow hoods)
 - Centrifuges & accessories (rotors, shields, unions, rings, cups)
 - Electrophoresis apparatus (not power supplies)
 - Ethylene oxide sterilizers
 - Fraction collectors
 - Freeze-dryers
 - Fume hoods & accessories
 - Furnaces

- Glove boxes
- Incubators
- Laboratory glassware washing equipment
- Laboratory pumps
- Laminar flow clean benches
- Microtomes
- Mixers
- Ovens
- Reagent storage cabinets
- Refrigerators & freezers (unless from Dining Services)
- Scintillation, gamma, or otherwise labeled radioactive counters
- Water baths

NOTE: Warehouse Services does not dispose of chemical, biological, or other forms of waste. For inquiries related to such waste disposal, please contact the Office of Insurance and Risk.

- **Injury Potential** – If a piece of property might cause injury to someone browsing through Warehouse Services' inventory, the department must note this information on the request. Warehouse Services and the department will discuss whether the property should remain with the department, so that only people familiar with the equipment will handle disposal.
- **Government Safety Standards** – If a piece of equipment does not meet applicable government safety standards, the department must so indicate this on the request (e.g., lasers, polychlorinated biphenyls “PCBs” in transformers, etc.).

Computer and Electronic Devices

- Any computer or device containing University data must have all data storage media on that device wiped before disposing of the device for any reason (e.g., surplus, sale, transfer, donation, trash/recycle, etc.).
- Any computer or electronic device must be acquired from an authorized partner, which shall preconfigure the device for Information Technology asset management. Computers or electronic devices not acquired from such a partner must be turned over to Information Technology for their secure onboarding process.
- Pursuant to this Surplus Property Sales and other Financial Policies, Information Technology shall specify, update, and maintain electronic device acquisition, transfer, and disposal standards and procedures. These documents are linked on the [Information Security Policies, Guidelines, and Standards](#) page.

Section 5.6: Technology Purchasing

Overview

This policy covers the purchase and acquisition of technology-related goods and services (hardware, software, maintenance, licenses, telecommunications services, consulting, or other technology-related goods and services).

This policy shall apply for all contracts and requisitions that exceed \$25,000, or contracts and requisitions that are perceived to have an impact on the overall security of the University's information resources, require integration with the University's enterprise information systems, or require significant implementation assistance by Information Technology.

Purpose

The University operates a highly complex interconnected system of technology services that include (but are not limited to) telecommunications services for voice, video, and data communications; enterprise information systems for finance, human resources, and academic services; and a whole host of hardware and software applications that facilitate the management of information and transactions critical to the University's ability to conduct business. Ongoing responsibility for the strategic planning and management of these services, their operational reliability, and their security lies with the Chief Information Officer.

The purpose of this policy is to ensure that necessary checks and balances are in place so that all University technology purchases:

- are compatible with existing University infrastructure, practices, operations, and standards;
- are acquired in such a way as to take advantage of the economies of scale made possible by aggregating the University's buying power;
- are implemented in a way that assures the overall security of the University's information resources; and
- ensure that the necessary resources are identified to fully support the internal and external costs of the acquisition, including internal staffing requirements necessary to operate and support the acquired technology service.

Procedure

All contracts (including written proposals and/or quotations) for technology-related goods and services shall be executed according to the [Execution of Documents Policy](#). Written contracts (or proposals) covered under the scope of this policy shall be reviewed by the Chief Information Officer or his or her delegate before the contract is executed. Contracts shall be submitted to the Chief Information Officer sufficiently in advance of any deadline for execution to allow for such further contract modification as the Chief Information Officer, or his or her delegate, shall recommend. If the Chief Information Officer, or his or her delegate, does not recommend execution of the contract, he or she may notify the Requestor or the senior administrator over the Requestor's area.

PeopleSoft Approvers asked to approve technology-related contracts subject to this policy should not do so if the contract has not been reviewed by the Chief Information Officer, or his or her delegate.

The Purchasing Office will verify that technology-related contracts subject to this policy have been reviewed by the Chief Information Officer, or his or her delegate, prior to the issuance of a purchase order.

Section 5.7: University Vehicles

Overview

This policy is for the acquisition and ownership of motor vehicles. Motor vehicles can be cars, trucks, boats, golf cart-type vehicles, and trailers. All University vehicles are for official use by University personnel only.

Administrative Responsibilities

Department – The department acquiring the vehicle is responsible for ensuring that the vehicle is properly operated, cared for, and maintained.

Transit Services – Transit Services is responsible for the following administrative aspects of the vehicles in their fleet:

- Assistance in the development of specifications for requests for purchasing of vehicles
- Assistance in the disposal process
- Overseeing the maintenance of vehicles, either performed at the fleet garage or another service provider (department must get approval from Transit Services if service is not performed at the fleet garage)

Transit Services uses its maintenance management record-keeping system for:

- Scheduling and billing repairs and maintenance
- Charging fuel, maintenance, insurance, and Department of Motor Vehicle fees
- Recording and tracking vehicles in inventory

Purchasing – The Purchasing Office negotiates purchases and issues purchase orders for vehicles on receipt of a requisition from a department.

Campus Operations – Department of Motor Vehicles Registration Certificates are processed by Campus Operations.

Office of Insurance and Risk –The Office of Insurance and Risk handles all insurance inquiries.

Methods of Acquisition

A University department may acquire a new or used vehicle via any of the following methods.

- **Purchase with University Funds**

Vehicles may be purchased with regularly budgeted general funds, as with any purchase of capital equipment. If a purchase is financed, University policy requires that the purchase price of vehicles acquired with University funds be depreciated over the useful life of the vehicle. The Controller's Office can provide information on internal loan arrangements.

- **Gift**

Occasionally, a motor vehicle is given to the University. The same records and reports are made and the provisions of this policy apply.

- **Transfer**

Intra- or interdepartmental transfers are at the discretion of the department(s) involved. As with a transfer of any other kind of equipment, the department(s) must notify the General Accounting Office to update the asset management system.

Insurance

The University obtains public liability insurance on all fleet vehicles. This is the responsibility of the Office of Insurance and Risk. All vehicles owned as of the beginning of the fiscal year (August 1) will be insured and the

department will be responsible for the cost of insurance.

Replacing a Vehicle Now in the Fleet

Replacement Schedule

As a general guide, a vehicle should be considered for replacement on a five-year or 60,000-mile basis. Low-mileage vehicles, including trucks and vans, should be retained over a longer term.

Approval for Replacement

When a department requests a replacement vehicle, the purchase requisition signed by the appropriate dean, department head, or other authorized signer constitutes the necessary University approval.

Disposition of Replaced Vehicles

When the replacement vehicle is received, the vehicle being retired from service must be released by the department to the fleet garage. The department initiates the necessary disposal requests and obtains appropriate approvals for disposal of the vehicle, submits a copy of the [Declaration of Vehicle Surplus Form](#) to Warehouse Services, and then delivers the vehicle to Campus Operations and Warehouse Services for removal of all University identification. Campus Operations and Warehouse Services retire the vehicle from the University fleet so it can be sold. The portion of the proceeds representing return of capital is credited to the University account that financed the purchase. Any gain from the sale is credited to the purchase price of the newly acquired vehicle or to the department if the vehicle is not replaced.

Section 6.1: Tax Reporting and Compliance

Overview

This policy is designed to outline the various forms of tax reporting and compliance undertaken by the University. Tax compliance and reporting is generally overseen by the Controller's Office in conjunction with various other offices.

Federal Tax Exempt Status

The University is a not-for-profit charitable corporation under Section 501(c)(3) of the Internal Revenue Code. Thus, the University is exempt from taxation on profits from business activities that are related to its exempt purpose, which is the provision of educational services.

State Tax Exempt Status

Income Tax

The University is also a not-for-profit charitable corporation under Section 23701d of the California Revenue and Taxation Code. Similar to the Internal Revenue Code, the California Revenue and Taxation Code exempts the University from taxation on profits from business activities that are related to its exempt purpose.

Sales and Use Tax

The University is not exempted from payment of sales and use taxes. The Accounts Payable Office is responsible for ensuring compliance with appropriate payment of sales tax on in-state purchases of goods and services and payment

of use tax on goods and services purchased out-of-state.

Non-Exempt Activities

Any activity that is not directly related to educational services may be subject to taxation as unrelated business income. This includes, but is not limited to, the rental of space for events where services are provided, certain kinds of investment activity, and other goods or services provided that are not primarily for the convenience of students or employees. Departments contemplating engaging in any business activity should contact the Controller's Office to discuss possible taxation consequences of the activity.

Annual Tax Filings

Informational Returns

As required by the Internal Revenue Code and California Revenue and Taxation Code, in order to maintain tax-exempt status, the University files an information tax return with both the Internal Revenue Service (Form 990) and the California Franchise Tax Board (Form 199). Copies of these filings are available to the public. The most recently filed Form 990 can be found on the [Finance Office's homepage](#) and [Taxation Services page](#). The returns may also be requested by contacting the [Controller's Office](#).

Returns for Unrelated Activities

The University files tax returns and pays income tax where required due to unrelated business activities. Specifically, the University files business income tax returns with the Internal Revenue Service (Form 990-T) and the California Franchise Tax Board (Form 109). The University also files and pays income tax on unrelated business activities in any other state where it has a tax nexus, typically from certain kinds of investment activities.

International Tax Reporting

The University has legal entities in several other countries and complies with all applicable tax laws and regulations related to sales, employment, and income tax in those countries. For further information on the University's compliance protocols in an overseas location, please contact the Controller's Office.

Other Tax Reporting

The University is also required to file many other kinds of informational returns with various government agencies, mostly related to employment (i.e., employment taxes and W-2 information), payment of tuition by students (i.e., Form 1098-E and 1098-T), and charitable contributions. For further information regarding these forms or other tax reporting issues, please contact the Controller's Office.

Section 7.1: Cash Handling and Deposits to the University

Overview

Cash requires clear accountability for deposit in a timely manner and custodianship for proper safeguarding. A department must be authorized by the Controller's Office before engaging in any business activities, including cash handling.

Cash Handling

Cash handling is the collection, control, and deposit of amounts due to the University from sales, accounts receivable, fundraising, and other sources.

Definition of Cash

Cash includes, but is not limited to:

- Currency
- Checks
- Credit/debit card transactions
- Electronic payments

Internal Controls

The Cashier's Office is responsible for overseeing cash handling and ensuring that adequate internal controls are in place in authorized departments to protect and secure the University's assets. In an effort to maintain an effective system of internal controls, departments authorized to handle cash are subject to audits at any time.

The following internal controls must be followed when handling cash or deposits:

- **Timeliness** – All cash items collected for the University, from any source, must be deposited with the Cashier's Office at the Malibu campus daily for amounts greater than \$200. For amounts of \$200 or less, deposits must occur at least weekly.
- **Receiving Checks** – All checks must be made payable to Pepperdine University.
- **Responsibility to Safeguard Personal Financial Information** – The department must ensure the security and confidentiality of customer personal financial information in compliance with the Information Security Office's policies and procedures.
- **Documentation** – The department must establish written procedures describing its cash handling practices.
- **Cash Handling Responsibility** – The cash handling responsibility is to be assigned to a single individual, the Cash Custodian.
- **Separation of Duties** – It is critical that the responsibility for the physical security of assets is separate from the responsibility for related record keeping. There must be a separation of duties between staff responsible for receiving and depositing cash versus the staff responsible for the accounting records.
- **Recording Cash Received** – A system must be in place to record the receipt of cash at the time it is received. If you need assistance or have questions on recording cash, please contact the Controller's Office.
- **Balancing** – Cash receipts are to be balanced daily to the sales records.
- **Cash Security** – Cash should be physically protected from loss at all times. Any thefts must be immediately reported to the Department of Public Safety and the Cash Custodian's supervisor. If you need assistance or need recommendations for securing cash, please contact the Controller's Office.
- **Routine Reconciliation** – Routine reconciliation is required monthly, at a minimum, to ensure that all cash sales are recorded properly.

Deposits

Deposits must be made at the Cashier's Office at the Malibu campus, in person at the window, or through cash bag delivery. To accommodate remote work situations, [cash and check deposit forms](#) may be sent by email to the Cashier's Office; however, funds must still come to the Cashier's Office to be processed. Under no circumstance should cash currency be delivered through campus mail.

The use of an unauthorized bank account for depositing University revenue is prohibited.

Credit Card Compliance

Departments must obtain authorization from the Controller's Office before accepting credit card payments.

[Payment Card Industry \(PCI\) Data Security Standards \(DSS\)](#) compliance is required of any department processing credit card payments, merchant service activity, or service provider doing business with Pepperdine University.

Reporting Cash Payments in Excess of \$10,000

The Cashier's Office is responsible for reporting any cash receipt of more than \$10,000 in any 12-month period, in a single transaction or in related transactions, in compliance with Internal Revenue Code Section 6050I. For purposes of Internal Revenue Service Form 8300 reporting, cash is defined as US or foreign currency, cashier's checks, money orders, bank drafts or traveler's checks. The department that received the cash is responsible for providing the Cashier's Office with the payee's name, address, and taxpayer identification number with the deposit.

Electronic Payments

Departments must contact the Controller's Office to obtain current banking information to receive electronic payments. Departments are responsible for notifying the General Accounting Office of all anticipated incoming electronic payments and providing the appropriate chartstring.

Cash Gifts to the University

Cash gifts, regardless of value, form, or designated use, must be made payable to Pepperdine University. All cash gifts must be sent directly to Advancement Gifts and Records. Advancement Gifts and Records is responsible for verifying that all gift documentation is recorded properly and deposited in a timely manner. For further information on gift acceptance, please refer to the [Gifts Policy](#).

Petty Cash Funds

Petty cash funds may be provided to departments to use for reimbursement of small, non-recurring business expenses of \$100 or less. The [petty cash reimbursement](#) policy applies to petty cash funds. In addition, department petty cash funds are not to be used for mileage reimbursement or cash advances. Petty cash funds must be maintained separately from change funds.

Petty cash funds are authorized and advanced through the Cashier's Office, which is responsible for establishing them and communicating standards for their use, safety, and control.

Change Funds

Cash advances in reasonable amounts may be provided to departments as a convenience for making change for cash sales. Change funds must be maintained separately from petty cash funds.

Change funds are authorized and advanced through the Cashier's Office, which is responsible for establishing change funds and communicating standards for their use, safety, and control.

Section 7.2: Electronic Commerce

Overview

Electronic commerce (e-commerce) is the use of electronic information technologies on the internet to allow direct selling and automatic processing of payments to the University for goods and services. This policy generally applies to situations where the University is selling goods or services and does not cover business-to-business e-commerce in which the University purchases goods or services.

Departments must have written authorization from the Controller's Office before engaging in e-commerce or any University business activity.

Responsibility and Authorization

Finance Office

The Finance Office is responsible for the oversight and review of e-commerce activity and for communicating related standards.

Integrated Marketing Communications

Integrated Marketing Communications is responsible for the appearance and content of the University's website. Departments must have prior approval from Integrated Marketing Communications before establishing or making any changes to an existing website to ensure compliance with University web standards.

Security and Confidentiality of Data

Departments must ensure the security of confidential and restricted data, i.e., customer financial records such as names, addresses, phone numbers, bank and credit card account numbers, income and credit histories, and social security numbers. They must comply with all federal and state laws and University policies.

Authorized Vendor for Electronic Commerce

Departments that engage in e-commerce must use the University's authorized vendor or offer evidence to the Controller's Office that the authorized vendor cannot meet the department's business needs. The department must show that an alternative vendor meets University requirements for security and for integrating transaction information into Pepperdine's financial systems. This arrangement allows the University to:

- Consistently require the vendor to take necessary and reasonable steps to ensure that transactions are secure
- Assure appropriate integration with University financial systems
- Ensure that parties comply with Pepperdine name use and privacy policies
- Use tested emergency response and recovery procedures
- Leverage University transactions to reduce costs
- Provide current technology and support for developing applications

Vendors Doing Business at Pepperdine Campuses

Vendors housed or present at Pepperdine campuses that engage in e-commerce may not use the University's network for credit card transactions.

Vendors that engage in credit card transactions via a dedicated phone company data line, or using their own equipment in a cellular network must be Payment Card Industry compliant. The vendor's contract/agreement must state that they are Payment Card Industry compliant, will remain compliant for the duration of their contract/agreement with the University, and as proof of compliance a copy of the signed Attestation of Compliance must be provided on an annual basis. Please contact the Finance Office for additional information.

Section 7.3: Sales of Goods and Services

Overview

All University business activities involving sales of goods and services should be substantially related to supporting the University's mission.

Departments must be authorized by the Controller's Office before engaging in any business activity to ensure operational efficiency throughout the University. Authorized departments are responsible for ensuring that this policy and applicable laws and regulations are followed. The Controller's Office oversees and reviews University business activities periodically for compliance.

Sales to the General Public

The "general public" is defined as all individuals or entities other than University students or employees. University business activities involving sales of goods and services to the general public must meet one or more of the conditions listed below to qualify as exempt from income tax under federal and state laws and regulations:

- The activity is substantially related to the University's educational mission.
- The activity provides a public service as a result of educational efforts.
- The activity sponsors or provides facilities for athletic, cultural, or recreational events.
- The sale or auction of goods and services that have been donated by gift or contribution is related to fundraising activities.
- The activity is carried on primarily for the convenience of University students and employees.

Online Sales

From time to time, the University sells books, publications, and other items online. Selling goods through e-commerce platforms for delivery to customers outside of California can subject the University to sales tax in other states. Accordingly, to the extent it is anticipated that goods sold online will be delivered to customers outside of California, they must be sold through an e-commerce platform that collects and remits applicable sales tax on the University's behalf (e.g., Amazon or Google). Departments must work with the Controller's Office before engaging in such activities.

Taxation Issues

Income Tax

Pepperdine University's educational mission forms the basis for its tax-exempt status as a non-profit institution. The University is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code on income from activities that are substantially related to its educational mission.

Unrelated Business Income Tax

Tax regulations require the University to identify all business activities that generate unrelated business income. Unrelated business income is income from any unrelated trade or business activity that is regularly carried on, but that is not substantially related to supporting the University's mission. Unrelated business activity may be subject to income tax (Internal Revenue Code Sections 511, 512, 513, and 514). If you have questions or believe you may be engaged in unrelated business activities that generate income, please contact the Controller's Office.

California State Sales Tax

Sales made by the University may be subject to sales tax governed by the California Department of Tax and Fee Administration. The Controller's Office is responsible for remitting any sales tax due. Departments are responsible for being aware that the sale of certain goods and services may be subject to state sales tax. Tax liability costs will be expensed to the department conducting the business activity.

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