Managing and Reconciling Your Unit/Department Budget

I. Why Manage and Some Budget Basics

- The main reason to manage your unit’s money is to be sure the resources are used in a way that helps accomplish the departmental mission.
- Budgets cannot be overspent. (BPPM 30.21 and EPPM 1)
- If you are new to your department, become acquainted with the basic function/mission of the department. For example, what percentage of the budget will go toward:
  - teaching
  - research
  - undergraduate program
  - graduate program
  - outreach and other needs of the department
- Use departmental history as a guideline. Prepare a 5 year analysis. Need help? Contact your AFO.

- Learn how the different budgets and associated funds are different from each other and how to account for the transactions accordingly.
  - For example: state funded budgets have different purposes and rules than grant or auxiliary unit budgets and they are allocated differently.
  - (*Note: Allocation and fund types are discussed in more detail in section III.)

**Fiscal Year**
- Runs 12 months from July 1 to June 30
- Identified by the year it ends
  - ex: 7/1/2014 to 6/30/2015 = Fiscal year 2015 or FY15

**Biennium**
- Covers two year period of time
- Starts on the even fiscal year
  - example: It began on July 1, 2013 and will end on June 30, 2015.

**CURRENT BIENNIAL 2013-15**

<table>
<thead>
<tr>
<th>FISCAL YEAR 2014</th>
<th>FISCAL YEAR 2015</th>
</tr>
</thead>
</table>

**Common Terms**
- WSU accounting systems (see also section V):
  - Budget Statements
  - Balances
  - Business Objects (Financial Data Warehouse)
  - zzusis OBIEE

Budget tracking system (optional):
- Database (Access, Filemaker Pro, Quickbooks, etc.)
- Spreadsheet (Excel)
- Word processing program (Word)
Trainings you should take:
HRS has videos of all of these if you cannot go to the training sessions.

- Accounting Fundamentals
- Introduction to WSU Accounting Systems
- AIS: Account Balances
- Business Objects – Financial Data Warehouse Training
- Zzusis training – for Financial Aid and Student Financials (all receivables)
- Financial Analysis
- Position Control

II. RECONCILING YOUR UNIT BUDGET
Your Ultimate Goal in Reconciling the Budget is to:

- Know how much $ you have to spend for planned expenses and what flexibility exists
- Only pay for items that you purchased and received - verify that they are charged to the correct projects
- Prepare a forecast for the upcoming year
- Prepare regular budget updates
- Prevent surprises and correct any errors
- Produce special ad hoc reports as needed

The question is not “whether” you should reconcile your budget, but rather “which method” you should use. Reconciling your budget is similar to keeping your checkbook. If you don’t write down your checks, debits or transfers and don’t look at the statement when it” arrives, you won't not know how much money you have. You should look for expenses that have not been authorized. Prevent overdrafts or unexpected financial difficulties.

Become familiar with how to read and interpret budget statements. If you don't understand an entry, or think something looks strange but you can't figure it out, call someone for help. A good place to start is with your Area Finance Officer.

Common mistakes to avoid:
- If you are not able to find paperwork to go with an entry on the budget statement, research it. Errors happen from time to time and items end up being paid from the wrong budget. Analyze your statement two ways.
- Has all your supporting paperwork been entered on your budget statement or are there outstanding commitments to account for?
- Reconcile budget statements before giving them to the Chair/Director. Furnish him/her with a list of encumbrances/outstanding commitments to go along with the statements or other internal reports.
Establish Systems and Internal Controls for Spending

- **Use departmentally designed order forms**
  Insist that faculty, staff, and students fill out and sign forms when ordering supplies, equipment, making travel arrangements, putting employees on timeslip, appointing salaried employees (or making changes to their current appointments), scheduling motor pool vehicles, or anything that impacts spending funds in your department. It is important to have verification that department and grant funds are being managed and allocated by the appropriate personnel rather than the office staff.

- **Email**
  Keep email communication as a means to verify instructions

- **Tracking Departmental Expenditures**
  See BPPM 30.08 if you need an example of how to set up your files

- **Requisition Numbering System**
  Departments are to establish a numbering system, assigning a separate number to each requisition. The number of characters composing a requisition number may not exceed eight. The department and Purchasing use this number to track the purchase. Assign a number to purchases and keep a log.

- **Departmental Purchase Order (DPO)** “K” order – used for off-campus purchases that aren’t purchased on the purchasing card
- **Departmental Requisition** “F” order – used for off-campus purchases that require a purchasing agent to process
- **Interdepartmental Requisition and Invoice (IRI)** – used for on-campus purchases
- **Purchasing Card (P Card)** – used for off-campus purchases up to $3,500 or a larger amount if requested
- **Request for Shipment of Merchandise** – used for deliveries sent by Fed Ex, UPS, etc.
- **Personnel Action Form (PAF), PERMS and Positive Pay**
- **Position Action and Expense Assignment Action forms (PA & EAA)**

  Be sure to follow BPPM for all procedures!

---

**Reading the Budget Statement**

- **Program**
- **Objects**
- **Project Summary To Date**
- **Indication of Project Number**
- **Summary To Date by Sub-Object**
- **Budget Number**
- **Project Statement To Date**
- **Object Summary**
- **Sub-Object Summary**
- **Budget Object Summary**
- **Program Object Summary**
- **Program Summary**
- **Summary of Budget by Program**
- **Summary of Budget by Object**
- **Summary of Budget by Sub-Object**
**Budget Statement (continued)**

- **Transaction Type:** see next slide
- **Summary of Sub-objects continued**

**Current Month Begins here**

---

**Budget Statement**

PEARS:
- Payroll is verified every two weeks.
- Appointments are processed by personnel action forms.

Positive Pay:
- Time is entered every two weeks.

---

**Position Number 87665C**
Position Action – See handout

Budget Statement

Match these numbers to the numbers on IRI invoices, P-Card Trans, DO (K) Field Order Numbers (F).

Purchased items are split up according to object and sub-objects e.g. Central Stores Slip No. S983726 is broken down by AA & AH.

Travel Authority Number

Employee Benefits
Expenditures for employee benefits (object 07)—The reference number indicates the date of the expenditure.
Number Prefixes  (BPPM 30.07)

• **TT, Document, Reference Numbers.** These numbers refer to documents associated with a transaction. Most document and reference numbers are numeric with an alpha prefix. The alpha prefix identifies the type of document involved.

• **TT – Transaction Type.** These numbers identify the way a transaction is handled by the accounting system. For example, 81, 82 are for expenditures; 85 & 86 are for Payroll expenditures.

• **Doc. No** This is the number of the document which directly initiated a transaction shown on the Account Balances/Detail reports.

• **Ref. No** Usually this is the number of the document which initiated a previous step in the expenditure procedure, e.g., field order. Sometimes a reference number is assigned to further identify the transaction, e.g., a Request for Shipment of Merchandise number.

• **Doc. No & Ref. No.** examples: F is a field order (Departmental Requisition) and U is a purchasing card transaction.

---

**What To Do If You Find a Mistake**

• Research the source of the mistake
  - If the mistake was made in another department, contact that department and have them fix the problem if they can. For example, you approved an IRI for $100.00, but the department that entered the IRI typed in $110.00.

• Put policy or process in place to avoid the mistake/error in the future

• Alert your supervisor and/or the Principal Investigator (PI) if it’s on a grant account

• Take corrective action
Common Processes to Correct Problems

**Expenditure Transfers**

BPPM 30.25 lists the instructions and form for initiating expenditure transfers (excluding salary expenditures). This form should be used to ensure prompt corrections of coding errors and will move expenses within or between funds to the right account. Instructions for moving salary expenses are also covered in this BPPM.

**Allocation (Budget) Transfers** – (excludes 17A)

Contact your Dean’s Office for specific instructions for your area. Allocation transfers are allowed if the accounts are on the same fund source. If a faculty member has a separate account for his/her startup costs, for example, and the allocation to cover the costs was put into a different account, a transfer should be made to match up the budget allocation with where the expenditures occurred or will be occurring to prevent overdrafts. Both accounts must have the same fund source (for example state 001-01).

---

**Expenditure Transfer Request**

[Image of an Expenditure Transfer Request form]

**Shadow Books**

There is no right or wrong way to analyze your data as long as you do it and it reconciles to the university system. There are trade-offs, however, between the cost effectiveness of keeping separate records vs. being able to tap into the wealth of detail included in the university’s financial system. Consider some of the following suggestions that may be useful to you and the members of your department.

Create separate project numbers for the following items (example on following slide):

- Faculty Startup Accounts
- Course Costs
- Copy Center Costs
- Costly Remodel projects
- Seminar Series
- Any other items that might cause you the need to create a complex spreadsheet such as the one shown on this page.
Example of Separating Activities With Accounts:

One Budget and Project

<table>
<thead>
<tr>
<th>Project Numbers</th>
<th>Account Titles</th>
</tr>
</thead>
<tbody>
<tr>
<td>001-01-06C-2401-0001</td>
<td>Plant Genetics Department</td>
</tr>
</tbody>
</table>

Or Multiple Projects

<table>
<thead>
<tr>
<th>Project Numbers</th>
<th>Account Titles</th>
</tr>
</thead>
<tbody>
<tr>
<td>001-01-06C-2401-0002</td>
<td>Alvin New Faculty Startup Account</td>
</tr>
<tr>
<td>001-01-06C-2401-0003</td>
<td>Seminar Series</td>
</tr>
<tr>
<td>001-01-06C-2401-0004</td>
<td>Undergraduate Poster Competition</td>
</tr>
<tr>
<td>001-01-06C-2401-0005</td>
<td>Department Course Costs</td>
</tr>
</tbody>
</table>

III. Understanding Budget Allocations and Fund Sources
(The foundations for managing a departmental budget)

Other training sessions that cover this subject:
- Understanding the University Budget
- Position Control

Since this is an important subject related to successfully managing and reconciling budgets, we will provide another look at the topic of university budget allocations and fund sources.

- Most Common Types of Allocations
- Specialized Fund Sources

Most Common Types of Allocations
(Can be on multiple funds and are centrally &/or internally allocated)

- Permanent Budget Level (PBL) Allocation
- Temporary or Non-recurring Budget Allocations
  - Accruals
  - Carry Forward funds
  - Equipment Replacement/Omnibus Funds
  - Major Capital
  - Minor Capital Improvement (MCI)
  - Temporary Teaching Funds
  - Faculty Start Up Funds
  - Negotiated Commitments
Most Common Types of Allocations
(continued)

A. Permanent Base Level (PBL) funding

Most departments receive base operational funding designated as PBL administered through their Dean's Office or institutional "Area."

• The funds are allocated annually although the exact amount may change because of, for example, enrollment growth, funding cuts or internal budget reallocations.

• The base typically includes funds for operations and permanent positions.

• The package of PBL materials from the Budget Office (or your Dean's Office) includes operations and a list of positions and their dollar and FTE (full time equivalent) values.

• See your Area Finance Officer for more information.

B. Temporary or Non-recurring Budget Allocations

These are usually one-time allocations. They can reoccur, but without a written commitment to the contrary, they should be considered one time in nature. It is recommended to get commitments in writing!

Examples:

• An allocation for a specific purpose from your dean or organizational head, from a different college or from central administration.

• Accruals – one-time or short term occurrence (both positive and negative) associated with positions and salaries (EPM EP9).
Accruals

Positive accruals are generated when the budgeted amount of a salary is larger than the actual salary expenditure for a given payperiod.

Negative accruals (autodraws) occur when the budgeted amount of a salary is less than the actual salary expense for a given payperiod. Automatically draws from the area.

The university accruals policy is listed on the Budget Office website or at the following link:
http://budget.wsu.edu/documents/SalaryAccrualandAllocationAdjustment.pdf?0.8863205458196217

Accruals Exercise
SABBATICALS

Martin Earth, faculty member, will be on sabbatical for one semester.
- No accruals are generated because the faculty member is paid 100% of his salary.
- The expense is equal to the allocation each pay period.

June Summer, faculty member will be on sabbatical for the whole academic year. She will receive 75% of her salary.
- Accruals are generated on 25% of the salary.
- The expense is less than the allocation each pay period.

NOTE: What is your college’s policy regarding sabbatical accruals?

Accruals Exercise
GRANTS

Lisa Flower is a full time faculty member. Her grant is going to pay 30% of her salary from 9/1 – 10/31. She is paid on program 06C. (Pay attention to programs & policies with accrual usage.)

- Her home budget has 100% allocation for the two months, but since the grant is paying 30%, the expense on her home budget is only 70%. This is noted on the budget statement as “Grant/Cntrt Override” and the resulting savings is called an “accrual.”
- Vacant positions may or may not generate accruals. Please check with your dean’s office for more details.
Most Common Types of Allocations (Continued)

Negative Accruals (Autodraw) Exercise

Joe Cougar is hired to teach a course and is paid on program 06C. He is a temporary instructor, not funded by permanent funds (PBL), therefore, an autodraw will occur.

Can show on budget statement as:
• “No Allocation (Temp Posn)”
• “No Expense”
• “Expense >Alloc 001-01”

Most Common Types of Allocations (Continued)

Other Temporary Budget Allocations

Carry forward balances from the previous year are considered temporary. (i.e., once the carry forward balance is spent, it is gone.)

Temporary Teaching Funds - Increased enrollment may create a need for additional lab sections. These funds may cover salaries for instructors or graduate and undergraduate teaching assistants.

Faculty Startup Funds - Look for details in offer letter(s).

Negotiated Commitments - The Chair/Director may request funds from the Dean when unforeseeable needs arise. An example would be funds to repair an autoclave.

Most Common Types of Allocations (Continued)

Other Temporary Budget Allocations

Minor Capital Improvement (MCI) Funds – Space renovations costing between $25,000 and $2 million.

Major Capital – New buildings or major renovations costing more than $2 million.

Major and Minor Capital funds do not carry forward beyond the biennium. Check with your Dean’s office to see if you need to spend your Omnibus funds in year 1 or year 2 or the biennium. Be sure to spend it all by early year 2!
Temporary Budget Allocations (Continued)

Example: Minor Capital Improvement

Minor Capital Improvements include:

- Redirecting airflow in the building
- Lab remodels
- Conversion of space into a different use such as a workroom into a conference room.
- New flooring

Helpful Hints: These funds are frequently used for new faculty lab remodels. This process does not happen quickly so plan ahead about a year and discuss it openly with any potential faculty hires. Commit funds early so project is finished and billed out by March in 2nd year of biennium.

** Secure an estimate from Facilities Services – do not try to estimate projects yourself **

Specialized Fund Sources

(Restricted by where they originate from and/or what they can be used for)

- Facilities and Administrative Costs (F&A) - formerly called Indirect Cost Recovery (ICR)
- Grants
- Grant matching
- Special Student Course Fees
- Summer Session
- Service Centers and Other Self Sustaining accounts
- Services and Activity Fees
- Scholarships/Donations
  - Discretionary Development accounts

Facilities & Administrative Funds (F&A) - formerly Indirect Cost Recovery (ICR)

- Funds generated by grants
- They are calculated and distributed quarterly to areas (Executive Policy Manual EP2)
Facilities & Administrative Funds

F&A Return to Departments:

06C-XXXX-9901

Example:

F & A Generated by the Grant = $50,000
23% Returned to College (Pullman Campus)
Dept. = 15% x $50,000 = $7,500
College = 8% x $50,000 = $4,000
Total = $11,500


http://www.wsu.edu/~forms/manuals.html

Grants (Sponsored Projects)

Contact the Office of Grant and Research Development or see their website at www.ogrd.wsu.edu for preaward processes
Contact Sponsored Programs for expenditures and reporting processes

Grant Matching Funds

Refer to Office of Research website to find the "Policy on Matching Funds for Equipment"

Specialized Fund Sources (Continued)

Special Student Course Fees

• See BPPM 30.95
• Educators and administrators may request the establishment of special course fees to pay for goods and services not provided by state-appropriated funds or general student fees.
• Revenues from special course fees are not intended to replace departmental operating budgets
• Department personnel should not collect money from students to pay for lab supplies or services. This should all occur via Student Financial Services
Summer Session

Departments offer students the opportunities to take classes during summer while providing jobs to faculty and graduate students. Some of the tuition revenue is returned to the College according to a Summer Session Revenue Flow Chart published in the Summer Session Planning Guide. Depending upon your college policy, departments may or may not receive income generated from teaching courses during this time period.

Refer to the Summer Session Administrative home page: http://www.summeradmin.wsu.edu/forms.asp

Specialized Fund Sources (Continued)

Service Centers and Other Self-Sustaining Accounts (BPPM 30.15)

Any unit that intends to charge for goods, services and/or use of equipment creates a service center. Allows departments to bill users for the use of a copy machine or expenses associated with the use of a scientific piece of equipment. Department personnel ordinarily do not collect cash for these services, but other university centers do collect cash. Be sure to follow cash handling rules.

Specialized Fund Sources (Continued)

Services & Activities (S&A) Fees

Student clubs

Scholarships/Donations/Endowments

(BPPM 30.75) = gift accounts

Discretionary Development Accounts – 17A

- Department pays fringe benefits
- Most flexible funds we have – can be used to pay for food, alcohol, travel above allotted per diem and daily limits
### Specialized Fund Sources (Continued)
Scholarships/Donations/Endowments

**Endowments Information:**
- $25,000 or more is needed to endow an account
- The account generates quarterly distributions that go into a spendable account
- Spendable 17A accounts do NOT earn interest

The Gift Use Agreement (GUA) for each budget number states how the funds can be spent.

### Income Statement Sample

**INCOME**
- Allocations (Permanent and Temporary operations only, not salaries)
- Carryforward from previous year
- If applicable - Expected/Actual Revenue or Transfers In
- Accruals
- Other Income

**LESS EXPENSES**
- Temporary positions
- Time slip
- Supplies
- Travel
- Other Expenditures
- Outstanding Commitments and Encumbrances

**TOTAL EXPECTED BALANCE**

### Account Balances

Data from FINANCIAL DATA WAREHOUSE or BALANCES

At end of each month:

<table>
<thead>
<tr>
<th>Account numbers</th>
<th>Alloc Expenses</th>
<th>Encr</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>2464-0001</td>
<td>10,000</td>
<td>3,000</td>
<td>6,980</td>
</tr>
<tr>
<td>2464-0006</td>
<td>200</td>
<td>150</td>
<td>50</td>
</tr>
<tr>
<td>2464-0400 (grant)</td>
<td>2,000</td>
<td>1,000</td>
<td>1,000</td>
</tr>
</tbody>
</table>

Suggest grouping like accounts for ease of analyzing:
- For example: Departmental operating accounts grouped separately from grant accounts
V. SYSTEM RESOURCES

The University Systems Producing Budget Statements

- BALANCES
- BUSINESS OBJECTS

Helpful for reconciling, reporting, and researching financial transactions.
BUSINESS OBJECTS
Financial Data Warehouse

View of Expense Summary by sub-object

You can review the previous fiscal year by object and subject. This allows you to project spending for an upcoming year.
VI. FINAL TIPS
What to collect when beginning a new job

(not an exhaustive list, just a place to begin)

- PBL Allocation for your department from Dean's Office or Admin. Unit
- List of all position numbers from DEPPS (note whether they are permanent or temporary funded positions)
- Carry forward balances from all accounts, both 7/1 and the current date balances
- From Dean’s Office:
  - One-time Commitments and Special Allocations
  - Teaching Overloads
  - Faculty Startups
  - Cost Share Agreements
  - Other Negotiated Special Agreements
- Omnibus/Equipment Replacement Funds for Biennium, if any
- Minor Capital Improvement Allocations (MCI), if any
- Summer Session returns for previous year

What to collect when beginning at a new job

(continued)

From Predecessor – does budget history exist for your department that might help give perspective on the budget trends? Need help? Contact your area finance officer.

- Office specific policies regarding budgets
- Student Course Fee materials
- Cash receipting information (sign for the transfer of forms)
- Summer Session data
- Self Sustaining accounts
- Endowments/Scholarships/Donations
- Property Inventory (or know who is the person who manages this)
- Accruals and a forecast of future accruals
Remember:

• When it comes to budgets, reconcile monthly when possible & when in doubt, ask for help.
• You bring continuity and stability to your department! Your Chair’s term usually only lasts four years but your time in the department may be longer. Your chair and department need your help in managing the financial resources.
• You also have the opportunity to train new chairs, faculty and administrators if they are receptive to learning about budgets!
• Quote: “If you think you’re too small to make a difference, you’ve never been in bed with a mosquito.” –Anita Roddick

Go Cougs!

Contact Information
Your College Finance Officer
Find a mentor

Kris Boreen
kboreen@wsu.edu
Phone: 335-2701

Deborah Carlson
dcarlson@wsu.edu
Phone: 335-3344

If you attended this live training session and wish to have your attendance documented in your training history, please notify Human Resource Services within 24 hours of today's date:
hrstraining@wsu.edu

This has been a WSU Training Videoconference