

IDAHO STATE UNIVERSITY
POLICIES AND PROCEDURES (ISUPP)
Budget Control, Deficit Spending and Cash Balance Monitoring
ISUPP 2300

POLICY INFORMATION

Policy Section: *Finance*

Policy Title: *Budget Control, Deficit Spending and Cash Balance Monitoring*

Responsible Executive: *Vice President Finance & Business Affairs*

Sponsoring Organization: *Budget Office*

Dates: Effective Date: *1-28-13*

Revised:

I. INTRODUCTION

Campus administrative officials, including vice presidents, deans, department chairs and principal investigators have a responsibility to follow University policies and procedures. This includes maintaining in sound fiscal condition all programs for which they are responsible. Administrative officials remain accountable for the funds entrusted to them even if they have delegated budget and accounting responsibilities to others. This policy provides direction and assistance in monitoring and controlling budgets and cash balances, and describes the types of corrective action administrative officials must take to resolve deficits.

II. POLICY STATEMENT

The Vice President for Finance and Business Affairs is designated as the chief fiscal officer for the university. The Vice President shall advise the President of the university of budget situations requiring action by the President. The management of budget authority for each individual department is the responsibility of the appropriate Administrator for such individual department. All expenditure of funds received by and deposited with the university shall be expended in accordance with applicable state and federal statutes, regulations, University policy and specific directives of the Idaho State Board of Education (SBOE). Authority to spend funds brings with it the responsibility for effective and proper fiscal management and control. All ISU units are to meet their operating objectives and activities within their available budgets and as defined by their budget criteria.

State appropriated indexes and agency indexes are not permitted to operate in a deficit position. Sponsored program indexes may have negative cash balances in the short term as a result of the cost reimbursement process with the grant sponsor, but should not overspend the total authorized award on the grant. If a grant index is overspent, the deficit should be cleared within 90 days, but preferably sooner. Some flexibility may be allowed for sponsored program accounts with unique circumstances. On occasion, local indexes may run deficit cash balances (for example, at the start of a fiscal year when

revenue generation is in its early stages). However, such deficit balances must be monitored throughout the year and cleared before the close of the fiscal year. Significant deficits in local indexes should be cleared within 90 days. Time to clear cash deficits may be extended for local funds only when an authorized deficit resolution business plan is in place and the unit is in compliance with the plan.

Deficit resolution business plans are initially approved by the managing Dean and/or Vice President and are then submitted to the Associate Vice President for Budget, who will review the plan(s) on behalf of the Vice President for Finance and Business Affairs. The need for deficit resolution plans is expected to be rare and approval will be on an exceptional basis, since best practice dictates that deficits be resolved by fiscal year end.

III. AUTHORITY AND RESPONSIBILITIES

- A. **Vice President for Finance and Business Affairs** - Under the general supervision of the President, the Vice President for Finance and Business Affairs is charged with the overall financial management of the University, as approved by the Idaho State Board of Education. Accordingly, the Vice President is responsible for maintenance of an accurate accounting and audit of all income and expenditures. As such, he/she is responsible to assure that the various units of the University monitor and control their fiscal activity and related budgets, and address deficit balances to ensure they are cleared in a timely manner. He/she is also responsible to ensure that processes are in place to enable units to seek authorization to extend deficit balances in those rare situations when it is determined to be appropriate.
- B. **Vice Presidents, Deans, Directors and other unit Administrators** - Each Dean, Vice President, or other unit Administrator is ultimately responsible for monitoring all indexes for which he/she is responsible to ensure incurred costs are appropriate and have been allocated to the proper budgets. In addition, they should ensure that cash balances are positive where required (see II. Policy Statement for exceptions), or obtain authorization prior to incurring a cash deficit. The administrator of each unit, with the assistance of their University Business Officer, Account Directors, and Principal Investigators, has ultimate responsibility for the management of the unit's budgets and the planning of expenditures to maintain a balance sufficient to meet requirements throughout the year. Failure to maintain an adequate balance within a budget category may result in requisitions being rejected.
- C. **University Business Officers** - University Business Officers, as part of Finance and Administration, are responsible for working with Vice Presidents, Deans, Directors, Principal Investigators and other unit heads to monitor, analyze and resolve deficits and overdrafts within their areas of responsibility and in accordance with this policy. Significant deficits that remain unresolved for a period of 90 days or more must be reported to their respective Assistant Vice President for Finance and Business Affairs.
- D. **Principal Investigators** - Are responsible to ensure expenditures charged to their grant awards or contracts comply with all federal, state and university rules, regulations and policies, and that their overall authorized grant budget is not

overspent. If a grant index is overspent or contains unallowable costs, the Principal Investigator is responsible for resolution within 90 days.

- E. **Grants and Contracts Accounting** - Is responsible for central monitoring of costs charged to sponsored indexes (including compliance with applicable regulations) and working with University Business Officers, Principal Investigators, and others to resolve regulatory issues and or grant indexes that exceed their authorized budget over the period of the award.

IV. DEFINITIONS

- A. **Budgeting** - Budgeting is the process whereby the plans of the University are translated into an itemized, authorized, and systematic plan of operation, expressed in dollars for a given period. Budgets are the blueprints for the orderly execution of program plans. They serve as control mechanisms to match anticipated and actual revenues and expenditures.
- B. **Administrative Official** - An ISU employee to whom financial, administrative or management responsibilities have been assigned or delegated, e.g. Vice President, Provost, Dean, Department Chair, Principal Investigator, Director, Manager, University Business Officer, etc.
- C. **Appropriated Budgets** - Represent funds provided by the State of Idaho as part of the annual appropriation of tax and other dollars. Funds in appropriated indexes are the equivalent of a cash balance. Annual budgets are allocated to the various budget categories based upon State Appropriations (including appropriated student fees). Appropriated budgets are submitted to the Idaho State Board of Education (SBOE) for approval. Banner index codes for appropriated budget items typically begin with the letter "A".
- D. **Local Indexes** - Local indexes are not State appropriated funds; they are typically generated from campus activities or charges. Local budgets should be based upon anticipated revenues that reflect financial estimates of the planned activity for the fiscal year. Budgets may be adjusted during the fiscal year as long as the change is properly justified and authorized. If budgets are submitted with expenses exceeding revenues, the prior year fund balance must be sufficient to cover the budget deficit. Index codes for local budgeted items typically begin with the letter "L". Expenditures are allowed up to the amount of cash available.
- E. **Restricted Indexes** – Restricted indexes represent funding restricted to specified items, projects or activities. These indexes are established and monitored by Grants and Contracts Accounting. They typically have a specified budget and or timeline with expected deliverables or accomplishments and are generally subject to specific rules, practices or other additional criteria. Budget revisions are done by Grants and Contracts Accounting. Index codes for restricted indexes begin with the letter "R".
- F. **Agency Indexes** - Indexes classified as "Funds held for others". They are established as temporary resources held by the University as custodian or fiscal agent for

individuals or third party organizations. Agency indexes are not typically assigned a budget. Expenditures are allowed up to the cash balance available.

- G. **Budget Categories** - Budget categories divide funds into functional areas for improved management and control. At ISU, funds are controlled within the following major categories:

Personnel Categories:

- Regular salaries
- Irregular salaries
- Fringe benefits

Non-Personnel Categories:

- Travel
- Communications
- Materials & Supplies and Services
- Capital outlays

Personnel costs for established positions with an active Position Control Number (PCN) are charged to the regular salary category, whereas personnel costs reported on a “time card” are charged to the irregular salary category. Travel includes transportation, meals & lodging for employee travel. Communication includes postage & telecommunications. Material & supplies include all other general expenditures. Capital outlays represent expenditures for items over \$300 in value and with a useful life of two (2) or more years.

- H. **Budget Transfers** - Budget transfers are established to move budgeted amounts, not expended amounts. Non-personnel budget category amounts may be moved to other indexes and/or to other budget categories. Personnel budget categories may be moved within the index or to other indexes, but the move must be within personnel budget categories (see definitions.) Budget transfers cannot be made between appropriated indexes and non-appropriated indexes.

There are two types of budget transfers as explained below:

- Temporary budget transfers, which exist for the current fiscal year only.
 - Permanent budget transfers, which represent reallocations of budgeted funds that are on-going.
- I. **Expenditure Transfers** – Expenditure transfers differ from Budget Transfers in that they relate to costs incurred and charged to an index as opposed to budgeted amounts for the index. In many cases Expenditure Transfers are the result of an incorrect posting and are resolved with an approved correcting journal voucher. Typically, such transfers should be completed within 90 days of the original booking. In the case of restricted indexes, the 90 day window is a requirement, and the transfer must conform to all applicable federal regulations.

- J. **Deficit** - The amount by which expenditures exceed an award, budget allocation, or revenue received.
- K. **Principal investigator** - The individual ultimately responsible for the appropriate scientific and financial conduct of a sponsored research project. On occasion, there may be co-principal investigators who share responsibility for the project.
- L. **Sponsored Project** - Any externally funded research or scholarly activity that has a defined scope of work or set of objectives, and provides a basis for sponsor expectations within the constraints of the funds committed. This more specifically involves research, demonstration, professional development, instruction, training, curriculum development, community and public service, or other scholarly activity involving funds, materials, other forms of compensation, or exchanges of in-kind efforts under awards or agreements.

V. PROCEDURES TO IMPLEMENT

- A. As part of the minimum monthly or more frequent financial review by the Dean, University Business Officer, Account Director, Principal Investigator, or other department Administrator, care should be taken to review and monitor all index budgets/cash balances and the appropriateness of costs and revenues allocated to those index budgets. Significant deficit balances and overdrafts require resolution within the designated time frame. Means of resolution may include:
 1. Affecting a Budget Transfer Request to move budget funding from one index to another via an approved request to the Budget Office.
 2. Submission of an ISU Journal Voucher to the Controller’s Office to make revenue/expenditure corrections and/or to move local fund cash between local indexes, as approved by the appropriate administrators of both indexes.
 3. Submission of an Inter-Departmental Invoice to the Controller’s Office to charge services or supplies from one department to another department.
 4. Completion of an approved Deficit Resolution Business Plan to resolve the deficit or overdraft in a specified amount of time. Approval must be received from the appropriate Dean or Vice President, as well as the Chief Budget Officer.

PRESIDENTIAL CERTIFICATION

 Approved by Arthur C. Vailas
 President, Idaho State University

Date: _____