



Policy Title: Budget Policy

Category: Accounting/Business Office

Policy Number: ABO 101-06

Sponsor: Vice President for Finance and Administration

Effective Date: July 1, 2006

1. Introduction

The budgetary process at Rosalind Franklin University of Medicine and Science (RFUMS) is an integral part of carrying out the mission of the University. The budget is prepared prior to the beginning of each fiscal year and is approved by the President and the Board of Trustees in advance of its implementation.

This document addresses budget policies and procedures for the University's operating budget. Questions regarding restricted funds or sponsored research budgets should be addressed to the Office of Sponsored Research.

2. Accountability

The University has a fiduciary responsibility to effectively manage and use its financial resources. The President and Vice President for Finance and Administration are ultimately responsible for the fiscal solvency of the University. Vice Presidents are ultimately held responsible for the fiscal solvency of their areas. Deans of colleges are held accountable for their college's fiscal solvency. Chairs and Department heads are held accountable to the Deans/Vice Presidents for their individual budgets.

The University is committed to effective resource management and accountability. Ongoing budget oversight is provided to ensure that resources and expenditures are occurring in general conformity with the approved budget plan. Throughout the fiscal year, the Accounting/Business Office, Vice President of Finance and Administration, Vice Presidents, Deans, Chairs and Department heads shall monitor and oversee operating funds ensuring that:

- Year-to-date resources and expenditures are occurring in a manner consistent with the budget plans;
- Resource shortfalls and expenditure overruns are identified and resolved quickly; and
- Deficit spending at the department level does not occur.

3. Compensation

Salaries and employee benefits represent the largest expenditure component. It is important to manage this expense effectively. A position inventory is provided to each department in their budget packet. The position inventory is an effective tool to provide Chairs and Department Administrators with the information needed to make decisions on whether to recruit and refill a position vacancy.

4. Fiscal Year End Purchase Requisitions Generally accepted accounting principles require the University to record the expense at the time when the item has been received or service

provided. Expense items incurred prior to June 30th will be charged to the current fiscal year and not be held and charged against the following fiscal year.

Outstanding purchase orders on which delivery is not received before June 30th will be charged/expensed against the following fiscal year. When ordering goods/services in April, May, and June remember the expense is recorded when the goods are received/services provided. Vendors/providers lead time vary and should be considered when ordering.

5. Capital Expenditures

A capital expenditure is the purchase of furniture, equipment, vehicles, facilities, etc., with a price (or fair market value in the case of a gift) of \$5,000 or more and a useful life of two or more years.

Capital expenditures are charges to the departmental budget and should be charged to object codes (effective July 1, 2006):

- 60201 Equipment-Laboratory
- 60202 Equipment-Office
- 60203 Equipment-Computer
- 60204 Equipment-Physical Plant

Any purchase of furniture, equipment, vehicles, facilities, etc., with a price under \$5,000 or a useful life of less than two years will be considered a minor equipment expenditure and charged to object codes:

- 60301 Non-Capital Equipment-Lab
- 60302 Non-Capital Equipment-Office
- 60303 Non-Capital Equipment-Computer
- 60304 Non-Capital Equipment-Physical Plant

6. Budget Pools

Budget Pools are holding object codes where the budgets of several related object codes are grouped together. These pools consist of the following categories:

- 60100 Travel – Budget Pool
- 60200 Capital Equipment – Budget Pool
- 60300 Non-Capital Equipment – Budget Pool
- 60400 Library – Budget Pool
- 60500 Services – Budget Pool
- 60600 Supplies – Budget Pool
- 61000 Operating – Budget Pool

For example, the budget for 60604 (Office supplies), 60605 (Food supplies), and 60606 (Paper) are all collapsed into 60600 (Supplies – Budget Pool).

For a complete listing of each budget pool and related object codes, see the expense object code listing on the Accounting/Business Office Website.

7. Budget Reallocations

The Board of Trustees approves the budget for each Department based on initial allocations submitted; therefore, it is imperative that adherence to these allocations is maintained. During the course of operations, adjustments to allocations may need to be made due to unforeseen circumstances and changes. All budget reallocations must be approved by the responsible Dean/Vice President. Budget transfers between funds are typically not allowed.

Budget transfers are typically allowed from one budget pool to another budget pool within the same department. Budget transfers should be made to cover deficits in specific budget pools.

The Budget Reallocation Form should be used if departments require the ABO to transfer budget dollars from one **budget pool** to another. Please note the following:

1. Budget transfer to and from salary to other categories is not allowed.
2. Please use My Budget/Datatel or the monthly general ledger report for account description and current budget amount.
3. After completing the form it should be sent to the ABO.

Reallocations between functions are typically not permitted and must be approved by the Chief Financial Officer.

8. Departmental Account Deficits

Deficits in a University departmental account are **not** permitted. The budget is approved by the Board of Trustees and departments should not deviate from their budget. In all cases, Chairs and Department Administrators are ultimately responsible for the financial management of their accounts and should take immediate action to prevent or correct any deficit problem.

Certain circumstances may require written pre-authorization of a deficit for a special purpose. The authorization should include an explanation of why the deficit is planned. This request and approval process must be fully documented through the appropriate Dean/Vice President and the Vice President for Finance and Administration for final approval.

Requisitions and purchase orders that will place a department in deficit will not be processed by the ABO but will be returned to the department.

If an account balance is in deficit without proper authorization, the Department head and Dean/Vice President will immediately be notified. Unless the deficit is cleared or written approval for a deficit is provided within 30 days of notification, all non-mandatory financial activity within the account will be suspended.

Requesting Authorization for Deficit

1. Department head prepares a memo to the Dean/Vice President requesting authorization for a budget deficit.
2. The following information should be included in the memo:
 - a. Date of deficit,
 - b. Amount of deficit authorization requested, and
 - c. Reason for deficit.
3. If the Dean/Vice President approves the request, the Dean/Vice President will prepare a deficit authorization memo to the Vice President for Finance and Administration for final approval.