

UAF Budget Control Authority & Insufficient Funds Guidelines

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Responsible Chancellor's Cabinet Member: AVC Financial Services

Responsible Department/Office: Office of Finance & Accounting (OFA)/ Office of Grants and Contracts Administration (OGCA)

OVERVIEW STATEMENT

This procedure offers guidance to UAF departments/units with respect to prudent and efficient financial management, appropriate budgetary oversight controls, and insufficient fund (referred in Banner as Non-Sufficient Funds, or NSF) procedures.

This procedure allows for the delegation of authority for assignment of budget controls and NSF override review/approval to the appropriate unit executive officer (or senior financial/business manager).

The UAF Office of Finance and Accounting (OFA) and the Office of Grants and Contracts Administration (OGCA) will serve in an audit role and each retains the authority to manage budget controls and access.

BACKGROUND & JUSTIFICATION

Currently, the Banner system prohibits the completion of encumbrance and reservation transactions that fail a status check on available funds (NSF) based on applicable budget control levels; while this is necessary, the status check must be accurate and controls must be set at the most appropriate level to allow for maximum business process flexibility, efficiency, and compliance with the UA Accounting Manual and with sponsored projects. In cases where the status check is not accurate or funds are not available within the budget controls, the decision and action to override the system control falls to OFA and OGCA depending on the source of funds; this creates a process bottleneck and puts the override decision too far from the direct management of the funding source.

NSF flags result in incomplete documents, which an automated process deletes from the Banner system after they are in suspense. While these flags are the result of insufficient budget authority within the budget controls, NSF suspension is rarely a result of lack of sufficient funds within the unit or program overall. The current NSF suspension process often halts procurement in the unit, but direct central oversight does not typically add value to the process since NSF overrides or budget revisions allow the unit to continue with the procurement after the delay.

This procedure will delegate control and approval to the appropriate unit executive officer (or senior financial/business manager) to increase their responsibility and accountability in the process, will expedite the current process, and will remove operational budget responsibility from OFA in an effort to shift to a budget oversight role. If the NSF override involves a sponsored project, the unit must have sponsor approval via established OGCA procedures, as appropriate.

DEFINITIONS

Non-Sufficient Funding (NSF) Status: NSF is a suspension status in Banner that triggers due to insufficient funds within budget pooling accounts under a given budget control. Budget pooling accounts can vary from a single account code, such as 1927 (Employee Physicals), to PLBUD (Budget Pooling Account), which consists of the sum of all direct expenditure and transfers. The sum of budgets less the sum of all expenditures, transfers, and encumbrances within that budget control level determines whether available funds exist for that account pool. NSF status typically stops a fiscal employee from completing a requisition (REQ) or an encumbrance in Banner; the NSF flag leaves a document in “incomplete” status until it is reviewed (and approved) or deleted.

Budget Authority: Budget authority refers to the full-authorized budget within a given programmatic area for management by the individual(s) delegated the authority, such as a senior business manager, dean, director, or department head.

Budget Control: Budget control refers to accounting codes that combine to determine the available budget within a given accounting string. For example, Banner uses an organization (org) code to check for sufficient available funding within any given fund. Account codes used for budget control (pooling accounts) are set at the system level, but org code budget control can be set using any valid org code and at different (financial) hierarchy levels within the budget structure: from the lowest level (level 8 - an individual org) to a higher level such as a program, department, center, or unit (school/college/institute). Controls to determine available budget pool all budget and activity in orgs that share the same budget control code.

Urgent Procurement: Urgent procurement is any procurement that requires immediate action with no advance notice, whether budget is available or not. This type of procurement is most often associated with equipment that needs a large lead-time or other time-sensitive procurement that is unforeseen. If urgent procurement is required and is not in the budget for a sponsored project, the procurement should go onto a Fund 1 account until the sponsor approves it. Project managers will follow OGCA standard procedures to notify unit personnel when a sponsor approves such actions. Travel rarely falls within this category.

REFERENCES

UA Accounting Manual: <http://www.alaska.edu/controller/acct-admin-manual/>

PROCEDURES

Financial Management Expectations: Generally, an appropriate unit executive officer (or senior financial/business manager) can avoid NSF suspensions through proper budget controls, regular monitoring of budget authority, and regular monitoring and processing of incomplete documents. When budget is unavailable within the current budget authority, unit executive officers should submit a budget revision proactively to make budget available when and where they need it. The unit executive officers must make the determination as to whether the unit may accomplish the purchase within the constraints of the authorized budget. Unit executive officers may assign any combination of org code budget controls within the unit’s org code structure in order to manage the operating budget in the best manner.

Delegation of Authority: OFA delegates authority to unit executive officers and senior level administrators to set budget controls within the unit at any level based on the unit’s management preferences and in consideration of process efficiency. The highest financial hierarchy level that may be used is level four, the unit level, and in no case may the budget

control exceed the budget authority level of the financial manager. Executive officers may determine multiple budget control levels as appropriate. OFA will review and approve this budget control structure and make every effort to create management consistency and streamline budget control efforts.

Unit executive officers have authority to override NSF suspension in Banner. By processing an NSF override, the officer certifies that the unit has the authority to commit the university's funds, the unit will make budget authority available for this expenditure, and it is an urgent procurement. If budget authority involves a sponsored project, the manager must have approval from the sponsor via OGCA procedures for prior approval.

Responsibilities: It is the responsibility of a unit's senior administrator and executive officer to maintain sufficient budget within the unit's accounting structure and budget authority to accomplish the goals of the unit. This includes temporary changes in authority when appropriate. Unit executive officers are responsible for submitting accurate management reports, per UAF management reporting principles, throughout the fiscal year to communicate the overall financial health of the unit.

It is important for the executive officer to choose a prudent level at which to set budget controls in order to both manage operational workflows efficiently and maintain appropriate oversight of a unit budget.

Non-Compliance: Abuse of the budget control structure, exceeding delegated authority on restricted funds, creating situations of high-risk, or inappropriate management of funds resulting in a unit deficit status at the end of the fiscal year will result in a detailed review by UAF Financial Services. In the event of misuse, adjustments to the budget control structure and/or removal of unit-level NSF approval access may be necessary. If budget authority involves a sponsored project, the unit must obtain approval from the sponsor via OGCA procedures. UAF Financial Services and OGCA retain the authority to audit unit budget management procedures at any time.

Setting Budget Controls and Performing an Override:

To update or set budget controls within the unit, please contact OFA. OFA personnel will meet with the unit executive officer to agree upon an appropriate budget control structure that best fits unit's business model and management practices.

For details on approving/processing NSF overrides, please see the online resources:

<http://www.uaf.edu/finserv/finance-accounting/financial-manager-resourc/>

PROCEDURAL GUIDELINE APPROVED BY:



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Signed: 11/24/15