BUDGET POLICIES AND PROCEDURES

Policy Statement

This document addresses budget policies and procedures for general and auxiliary fund budgets that are applicable for all university campuses and teaching sites: Hattiesburg, Gulf Coast, Gulf Coast Research Laboratory, Stennis Center for Higher Learning, and the Mississippi Polymer Institute. Information regarding budgeting for designated fund budgets will be supplied by the Controller’s Office, and restricted-fund budgets will be supplied by the Office of Contracts and Grants Accounting.

Reason for Policy/Purpose

This policy is required for the effective communication of university policies and procedures regarding the university budget.

Who Needs to Know This Policy

All members of The University of Southern Mississippi community.

Website Address for this Policy

www.usm.edu/institutional-policies/policy-adma-bud-001

Definitions

general fund budget: a budget developed to support the primary mission of the university. The general fund budget provides those resources necessary to fund the general operations of the university. The primary revenue sources that support the general fund budget are state appropriations and tuition and fees. The Hattiesburg campus, Gulf Coast campus, Gulf Coast
Research Laboratory, the Mississippi Polymer Institute, and the Stennis Center for Higher Learning are a part of the university's composite general fund.

auxiliary fund budget: a budget developed for an auxiliary enterprise. An auxiliary enterprise is an operation that directly or indirectly provides a service to students, faculty, or staff and charges a fee for these services; the most distinguishing characteristic of an auxiliary enterprise is that it must be managed as a self-supporting activity. It may have a portion of student fees allocated to fund its operation.

Policy/Procedures

OVERVIEW

These policies and procedures will first provide a brief overview of budgets and how they will be handled in the SoarFin General Ledger. Then, general requirements for completing a Budget Revision Form will be explained, followed by the allowability of revisions across specific budget categories. A Budget Revision Form has been designed in an Excel spreadsheet and directions for its completion will be outlined.

If anyone has any questions regarding these policies and procedures, please contact the Office of Budget and Tax Compliance at (601) 266-4091.

BUDGETS IN THE SOARFIN GENERAL LEDGER

The University of Southern Mississippi will utilize three types of budgets within the SoarFin general ledger module for general and auxiliary fund budgets. These types of budgets are appropriation, organization, and revenue estimates.

Controlled Budgets

Budgets in the SoarFin General Ledger will be controlled budgets, which mean that departments will not be able to spend more than is budgeted. To keep up with how much a department has spent during the year, department personnel will be able to inquire online in the SoarFin general ledger module, view the status of their budgets, and review transactions that have been processed against the budget.

Utilizing the concept of controlled budgets is important for two reasons. First, a department should not spend money that is not budgeted. Controlled budgets will prevent a department from spending more than its total budget. That is to say, if a department submits transactions that will exceed either the Personal Services or Other budget categories, then the transaction will not be processed. These categories will be explained in more detail in the next section.
Second, the chart of accounts for the university can have numerous combinations across campuses. Using the controlled budget feature will prevent an invalid chart of account combination from being improperly charged and keep the financial system from having inaccurate information.

Departments will still have the flexibility to spend over in some categories as long as the total budget is not expended. The university is utilizing the appropriation and organization budget features within the SoarFin general ledger to accommodate this flexibility.

**Explanation of Appropriation and Organization Budgets**

A definition of an appropriation and organization budget in SoarFin will help explain these types of budgets.

An *appropriation budget* is the highest level of budgeting in SoarFin. The term appropriation is a SoarFin term and should not be confused with the appropriations received by the university from the state of Mississippi. The appropriation budget is the controlling budget, and as long as funds are sufficient within the categories of the appropriation budget, a department will be able to process transactions that will pass budget checking.

An *organization budget* can be either linked to an existing appropriation budget or stand alone. The organization budget will show budget categories at a more detailed level than that of an appropriation budget. The detail of the organization budget is akin to the current budget in the legacy system. Budgets will be displayed by the major categories: that is, salary, wages, fringe benefits, travel, contractual services, commodities, capital outlay, equipment, purchases, mandatory, and nonmandatory transfers. The appropriation budget will be displayed in two categories only: personal services and other. The personal services category will combine the totals of the salary and fringe benefit categories, and the other category will combine the totals of the remaining categories of the operating budget.

For general and auxiliary fund budgets, there is an organization budget linked to an appropriation budget. This does not mean that the budget is doubled. It just means that the budgets are linked, and they should equal each other in total. The only difference will be the level of detail.

**Sample Budget**

Below is a sample budget for a department.

<table>
<thead>
<tr>
<th>Major Categories</th>
<th>Budget</th>
<th>Encumbered</th>
<th>Expended</th>
<th>Remaining Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries</td>
<td>100,000</td>
<td>90,000</td>
<td>10,000</td>
<td></td>
</tr>
<tr>
<td>Wages</td>
<td>10,000</td>
<td>9,000</td>
<td>1,000</td>
<td></td>
</tr>
<tr>
<td>Fringe Benefits</td>
<td>30,000</td>
<td>35,000</td>
<td>(5,000)</td>
<td></td>
</tr>
<tr>
<td>Travel</td>
<td>5,000</td>
<td>1,000</td>
<td>4,000</td>
<td>(1,000)</td>
</tr>
<tr>
<td>Contractual Services</td>
<td>5,000</td>
<td>2,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Budget</td>
<td>Encumbered</td>
<td>Expended</td>
<td>Remaining Budget</td>
</tr>
<tr>
<td>---------------------</td>
<td>--------</td>
<td>------------</td>
<td>----------</td>
<td>------------------</td>
</tr>
<tr>
<td>Personal Services</td>
<td>130,000</td>
<td></td>
<td>125,000</td>
<td>5,000</td>
</tr>
<tr>
<td>Other</td>
<td>25,000</td>
<td>3,000</td>
<td>18,000</td>
<td>4,000</td>
</tr>
<tr>
<td>Totals</td>
<td>$155,000</td>
<td>$3,000</td>
<td>$143,000</td>
<td>$9,000</td>
</tr>
</tbody>
</table>

The Personal Services category is comprised of the budget categories of Salaries and Fringe Benefits. The Other Category is comprised of all remaining budget categories (also called the departments "operating" budget). These categories include Wages, Travel, Contractual Services, Commodities, Equipment, Capital Outlay, Mandatory Transfers, Nonmandatory Transfers and Purchases (Auxiliary only).

In this example, note that the department exceeded the budget amount for the fringe benefits and contractual services categories in the organization budget. In addition, this department did not have funds budgeted in equipment, but had expenditures that were charged against that budget category. This is not a problem since the categories are combined in the appropriation budget, and the department still has sufficient funds in the related categories of personal services and other. The fact that there is overspending in various categories in the organization budget does not cause the department’s transactions to fail budget checking.

**Budget Checking in SoarFin**

In general, most transactions should not fail budget checking, especially at the beginning of the fiscal year when funds have not been expended. In addition, by combining categories at the appropriation level, the likelihood that a transaction will fail budget checking is mitigated. As the fiscal year-end approaches, departments will have to be extremely cognizant of remaining budget balances. As noted earlier, departments will have the ability to inquire online to ascertain the status of their budgets.

However, in the event a transaction still fails budget checking, the Purchasing Department, Financial Affairs Department, Office of Contracts and Grants Accounting, and the Office of Budget and Tax Compliance (OBTC) have designed an internal business process to accommodate this issue. For the most part, if a requisition, remittance voucher, or interdepartmental invoice fail budget checking, the department will be contacted and asked to either provide an account that has sufficient funds or cancel the transaction (if the item is a requisition).

**Revenue Budgets**
Departments should not be concerned about developing revenue estimates for general fund budgets. The OBTC will handle these estimates. The revenue estimate budget for the auxiliary funds must equal total related expenditures and should be taken into consideration during the budget planning process.

**Budget Revisions**

Based on the controlled budget feature in SoarFin, a more formalized process is needed when budgets need to be revised for academic and nonacademic departments. The following definitions are provided to differentiate between a nonacademic and an academic department.

*Academic departments* are those departments that report to a dean, director, or chair within a particular college and are generally involved in the instructional and the academic support functions within the general fund. These units in general report to the Office of the Provost.

*Nonacademic departments* are those departments who report to all vice presidents other than the provost and in general support the following areas: research, public service, student services, institutional support, and operation and maintenance of the physical plant.

These broad definitions are loosely defined, and as such, some departments may be units that could be classified as either nonacademic or academic. OBTC can be consulted if there is any uncertainty related to the classification of a unit.

Completion of the Budget Revision Form will be required in the instances indicated below:

- In the past, academic units did not have to process a budget revision for actual salary amounts that were higher than the budgeted salary amount, as long as there were salary savings in other positions across the college. With the advent of budget checking in the SoarFin general ledger module, beginning July 1, 2005, all academic departments will have to process a Budget Revision Form to adjust salary budgets for those changes that occur across departmental budgets.

- Academic departments must always process a Budget Revision Form when salary funds will be used for purposes other than originally budgeted (i.e., transfers to part-time, transfers to other budget categories, transfers to other departmental budgets to supplement instruction costs, etc.)

- Nonacademic units must complete a Budget Revision Form when an offer is made to fill a position higher than what is in the beginning budget. The only exception to this is when sufficient funds exist within a beginning budget due to a position being filled lower or when an employee receives a certification, degree or classification promotion that the university recognizes as indicated in Human Resources Policy Retrieval Numbers 4001 and 3103.

- If an academic or a nonacademic department is transferring a portion of its beginning budget, regardless of the category, to another department thereby temporarily decreasing
the total spending authority (appropriation) of the department while increasing the total spending authority (appropriation) of the receiving department, then a Budget Revision Form must be completed.

- A Budget Revision Form must be completed if an academic or a nonacademic department needs to spend more funds than was originally budgeted.

A Budget Revision Form need not be processed for the following scenario:

- If an academic or a nonacademic department needs to move funds from one "operating" budget category to another (i.e., from contractual services to travel to fund an unexpected trip) within the same budget, then a Budget Revision Form is not needed.

In all instances, the Budget Revision Form must be properly approved by the appropriate expenditure authority, and the next higher level depending on the category. Additional information on approval signatures will be provided later in this document where the instructions for completing the Budget Revision Form are explained.

**Budget Categories**

As indicated earlier, the budget categories for the general and auxiliary funds are Salaries, Wages, Fringe Benefits, Travel, Contractual Services, Commodities, Purchases (auxiliaries only), Capital Outlay (general fund only), Equipment, Nonmandatory Transfers, and Mandatory Transfers. Below is a discussion about each category and if budget revisions are allowable for each category.

**Salary**

All fixed positions of the university will be budgeted in the salary category of the budget. This means that exempt and nonexempt (monthly and biweekly paid) employees will be budgeted in the salary category.

The reason for this is twofold. First, any dollars that are budgeted in an actual position represent a fixed cost and should therefore be segregated from the more variable operating costs of a department. Second, due to the controlled budget feature in SoarFin, combining all positions into the salary line will provide better assurance that payroll transactions will pass budget checking. In some instances, miscellaneous pooled salary funds can be also budgeted in the salary category. For example, if a department anticipated paying a graduate assistantship on a monthly basis, then it would be appropriate to budget a pooled salary amount.

**Uncommitted Salary Dollars**

Any use of salary funds other than as originally budgeted will require approval of the Provost and the Vice President of Administrative Affairs. In general, nonacademic units may not utilize unused salary funds for any other purpose than as originally budgeted (i.e., compensation). For departments on the Gulf Coast campuses, requests by academic departments should be submitted
to the Vice President and Campus Executive Officer-Gulf Coast and the Associate Vice President of Administration and Finance-Gulf Coast.

Transfers of unused salary budgets to another category will always require a Budget Revision Form.

**Creating a New Position**

Academic and nonacademic departments may transfer funds from other categories (other than fringe benefits and mandatory transfers) to create a new position. However, while funds may be available within the department's budget with the new position, this does not mean that the department can immediately hire someone for a position. When a new position is created, a department should simultaneously submit a Budget Revision Form with proper approvals to OBTC and complete a job analysis questionnaire with the proper approvals to the local Human Resources Department. A job description, title, and, if applicable, a level will be assigned to the new position by Human Resources. Once this has been accomplished, and, if budgeted funds have been secured, the Human Resources Department will advertise the position. All new positions must have final approval by the respective vice president.

It is important to note that salaries of any employee classified as staff by the Department of Human Resources who is a new hire or who transfers within the university, will be examined independently from the budgeted salary the former employee was earning. The Department of Human Resources will evaluate and approve the final salary. All offers of employment must come from the Department of Human Resources. For offers of employment made for an academic position, university departments should follow the departmental hiring procedures outlined in the *Faculty Handbook*.

In addition to the Department of Human Resources, OBTC must be notified anytime a department wishes to change the nature of salaried positions that are budgeted. OBTC has a position database in SoarFin that is used to track all changes to a position that is budgeted in the annual Budget Book. This database is the key resource that is utilized to report demographics on general fund positions to the Mississippi Institutions of Higher Learning and the Legislative Budget Office. These demographics determine the university's level of state funding for positions. As such, it is imperative, that all position changes be reported to UBO and HR departments. Eventually, it is the goal of UBO to provide position information to departments on a semiannual basis to ensure the data is accurate.

**Wages**

Departments should use wage funds to pay student workers, regular employees' overtime, temporary workers (no benefits), and part-time faculty. All other personnel services should be budgeted in the salary category.

**Fringe Benefits**
The fringe benefit category is used to pay employer-paid benefits such as retirement, social security, unemployment, health insurance, workers compensation, and life insurance. These funds are calculated based on the percentage of an employee's annual salary. Departments cannot transfer funds into or out of the Fringe Benefits category without appropriate approvals.

Travel

The travel category is where funds are budgeted to cover the costs of employees' travel. Appropriate permission to travel forms and travel vouchers are needed to expend travel funds.

Contractual Services

The contractual services category is where funds are budgeted to cover the costs of items such as communication services, postage and shipping, utilities, professional fees such as auditing, legal, engineering, subscriptions and rents.

Commodities

The commodities category is where funds are budgeted to cover the costs of items such as office supplies and materials, maintenance materials, food for persons, scientific chemicals and supplies and printing costs. Also, effective January 1, 2011, purchases of furniture and equipment with a cost of $5,000 or less should be charged to a commodity budget string.

Purchases

The purchases category is where funds are budgeted by auxiliary units to cover the costs of inventory items purchased for resale. No departmental budget within the general fund should ever use this category. Although not necessary, only auxiliary departments can initiate a Budget Revision Form to move funds initially budgeted in the purchases category to any of the other categories or from other categories to the purchases category.

Capital Outlay

The capital outlay category is where funds are budgeted to cover the costs associated with the land, buildings and library acquisitions. In general, the only areas that would use the capital outlay category would be the University Libraries, Physical Plant, and the Controller's Office. No other departments within the general fund or the auxiliary funds should use this category.

Equipment

The equipment category is used to budget funds to cover the costs associated with items such as computer equipment, medical equipment, farm equipment, vehicles, office machines, and furniture. Effective January 1, 2011, only purchases greater than $5,000 should be charged to the equipment category. All furniture and equipment with a cost of $5,000 or less should be charged to the appropriate commodity budget string.
Transfers (Mandatory and Nonmandatory)

The category, formerly known as Subsidies, Loans, and Grants, has now been replaced by two categories: Mandatory Transfers and Nonmandatory Transfers. The reason this category has been further defined into two components is to better facilitate UBO's reporting requirement to the Mississippi Institutions of Higher Learning. In addition, a further breakdown of this category assists departments in the proper usage of the funds.

Funds budgeted in the Mandatory Transfers category are budgeted for the most part to represent a binding legal agreement related to financing (debt service) that is accounted for in the plant fund. Funds are also budgeted in this category to satisfy grant agreements with external agencies or organizations for matching funds within the restricted fund.

Funds budgeted in the Nonmandatory Transfers category are budgeted to transfer discretionary funds out of the general fund to other funds, such as the designated fund, auxiliary funds, restricted funds, and the plant fund. Generally, a department would budget funds in this category to fund a renovation project. In addition, the auxiliary fund may provide services such as mail service or animal research for the general funds for which a nonmandatory transfer would be appropriate.

Review

The Director of the Office of Budget and Tax Compliance is responsible for the review of this policy every four years (or whenever circumstances require immediate review).

Forms/Instructions

Budget Revision Form available from http://www.usm.edu/budget-tax-compliance/forms

Appendices

N/A

Related Information

N/A

History

11/01/11: Formatted for Institutional Policies website.
02/20/13: Formatted for template. Minor editing of punctuation and word usage throughout.
Amendments: Month, Day, Year – summary of changes
Authorization

BUDGET POLICIES AND PROCEDURES
ADMA-BUD-001

As the Responsible Officer, I have reviewed this policy and believe it represents the current policy.

[Signature]

Responsible Officer

04/30/13

Date