



MASTERING SUPERVISION

FINANCIAL/BUDGET BASICS FOR SUPERVISORS

December 11, 2008

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FINANCIAL/BUDGET BASICS FOR SUPERVISORS

Goal

To provide an overview of key financial, budget and human resource concepts that are important for effective supervision at Penn State

Objectives

This module will help you to:

- Learn basic budget concepts and their impact on hiring/spending decisions
- Understand the supervisors role in form approval and budget management
- Gain a better understanding of why policies and controls are in place
- Learn about important tax and payroll issues that can impact supervisors

BUDGET MANAGEMENT

- **Budget Administrator** - responsible for the overall management of assigned accounts, including authorizing personnel appointments and expenditures and ensuring that restricted accounts are operated and spent within pre-determined sponsor guidelines.
- **Delegate**: An individual that a Budget Administrator designates to approve certain transactions for the budget administrator. Governed by University Policy FN-18.
- **Proxy**: An individual authorized to act on behalf of the Budget Administrator in his/her absence, only
- **In either case – the responsibility and accountability for transactions posted lie with the Budget Administrator**

BUDGET ADMINISTRATOR ROLE

- Per FN-18, University Approval Policy, the budget administrator (unless otherwise restricted by the budget executive) **MUST approve** and may not delegate approval of:
 - All expenditure actions from \$5,000 to \$49,999
 - Permanent budget actions up to \$49,999 and all temporary budget actions of \$5,000 or more
 - Budget Amendments generated automatically through IBIS personnel actions
 - All actions required by other University Policies

BUDGET ADMINISTRATOR ROLE

- Per FN-18, University Approval Policy, the budget administrator (unless otherwise restricted by the budget executive) **MAY approve or delegate** approval of:
 - Personnel actions having a Letter of Offer signed by the budget executive, and a Memorandum of Personal Service signed by the new (or rehired) employee
 - All other expenditure, budgetary, or personnel actions not already restricted

BUDGET BASICS – FUNDING SOURCES

- **General Funds:** supported by state appropriation, tuition & fees, and departmental income.
- **Federal Appropriations:** direct funding from federal sources for Agricultural and Medical programs.
- **University Services:** self supported by income derived from services operated to serve other university departments (06-0XX-XX).
- **Auxiliary Enterprises:** - self supported completely by income derived from services operated primarily to serve students, faculty or staff (08-0XX-XX).
- **Restricted/Miscellaneous Funds:** - Income derived from government and private contracts, gifts and grants (denoted by fund number other than 10010). Accounting for these funds are on an on-going or Contract to Date basis.

BUDGET BASICS - THE DIFFERENT COLORS OF MONEY AT PENN STATE

PERMANENT FUNDING (General Funds)

- Funding that will recur from year to year
- General funds – depicted in Initial Operating Budget (IOB) at the beginning of each fiscal year
- University Service/Auxiliary – supported by income that is projected to recur annually
- All standing and fixed-term multi-year appointments MUST be funded with permanent dollars

BUDGET BASICS - THE DIFFERENT COLORS OF MONEY AT PENN STATE

TEMPORARY FUNDING (General Funds)

- Funding that is temporary in nature – only available for one-time use.
- Temporary funding can be continuous from year to year – but no guarantee.
- General funds carried over from one year to the next year are treated as temporary funds.
- All expense items except standing and fixed-term multi-year positions can be funded with temporary funds.

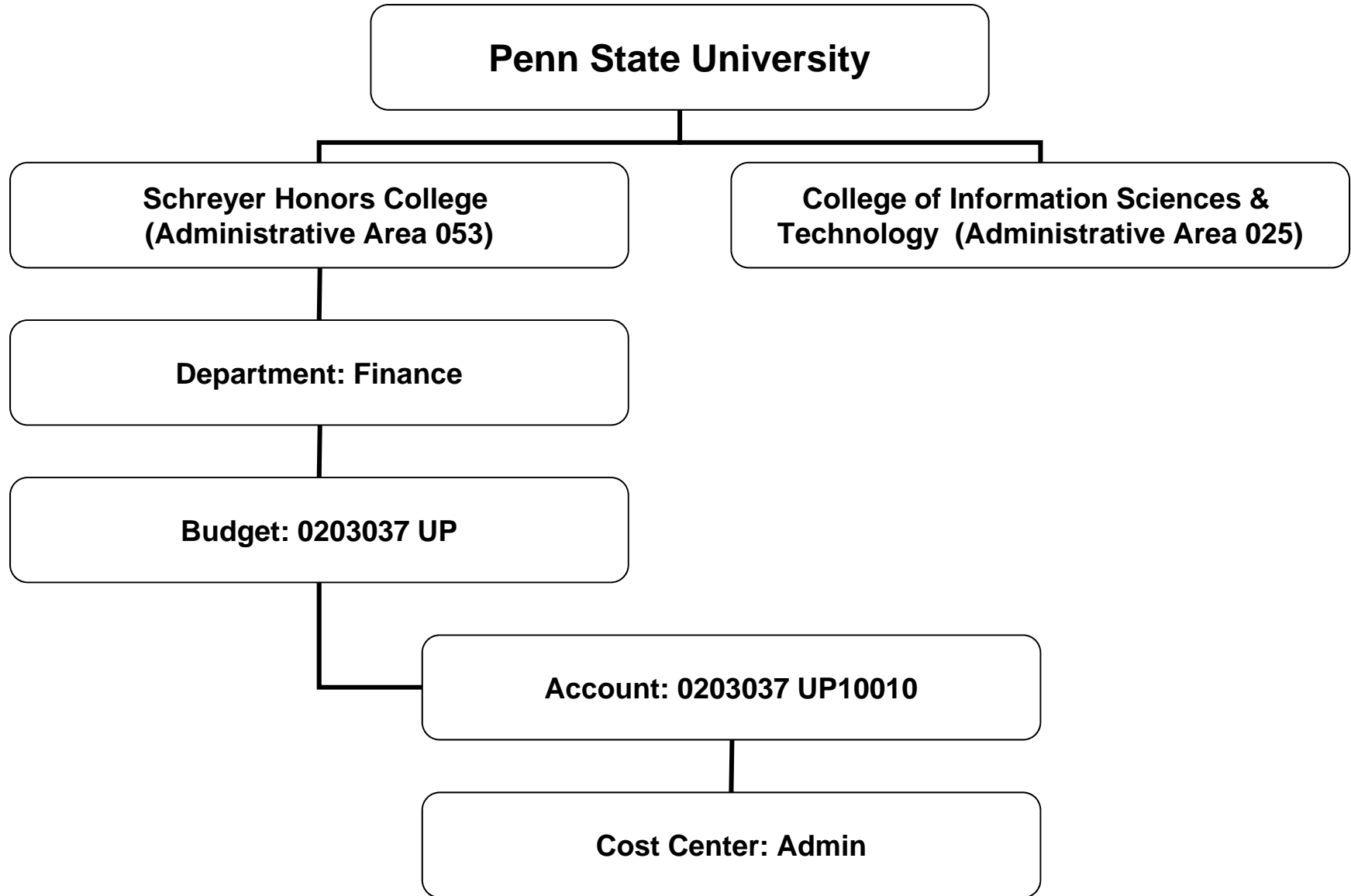
BUDGET BASICS - CARRYFORWARD (General Funds)

- Currently 8% of an administrative area's permanent budget allocation may be carried forward into the next year.
- Carry-forward funds must be used for departmental allotment expenditures and/or building renovations/ special projects - they cannot be used for salary expense.
- Open purchase orders at year-end are not included in the 8% total.
- The approved carry-forward amounts are transferred as temporary funds to each respective Administrative Area around October of the next fiscal year.

BUDGET BASICS - CARRYFORWARD (General Funds) **(continued)**

- Budget executive may get an exception to the 8% limit by submitting a request to the Senior Vice President for Finance & Business by May of each year.
- Each Administrative area handles budget excesses/carry-forward in a different manner. Some centralize all the savings under the Dean/Chancellor/Vice President, others permit Budget Administrators to determine how these funds will be utilized

BUDGET BASICS - Chart of Accounts



BUDGET BASICS (CONTINUED)

- Budget: used to be generated based upon the particular function (Teaching, Research, Institutional Support, etc.)
- no longer the case, check via IBCD
- Fund:
 - 10010 - used by general, university service & auxiliary
 - 12xxx - used by federal appropriation budgets
 - 19xxx - endowments
 - 19400 & 19200 Spending Account
 - 19040 & 19020 Principal Account
 - 93xxx - reserves
 - all others can be used for restricted budgets
- Account: the combination of a budget (02-024-01) and a fund (10010). Expanded IBIS: 02-024-01 UP 10010
Abbreviated: 224-01 UP 10010

BUDGET BASICS (CONTINUED)

- **Object Code** – numeric codes used to classify expenditures. Three major categories include:
 1. Salary: (0100 - 0199)
 2. Wage: (0200 - 0299)
 3. Department Allotment (DA): (0300 and higher)
- Complete listing can be found at <http://guru.psu.edu/gfug/appendices/APP09.html>

BUDGET BASICS (CONTINUED)

DEPARTMENTAL ACCOUNTING

- **Cost Centers:** sub-division of accounts that are used for allocating and managing monies within the account.
- **Sub-objects:** a breakdown of one or more central codes. For example, all travel object codes (in-state, out-of-state, inter-campus, and out-of-country travel) might be split into sub-objects such as recurring trips, professional development and other business.**

Limitations: no easy reporting, whoever creates sub-objects owns them, only one to change

EXAMPLES OF COST CENTERS

ENTER A NUMBER AND PRESS 'ENTER' TO SELECT PF9 RETURN W/O SELECTION

04/04/06

IBIS FINANCIAL SYSTEM

ICAG

10:58:28.2

SELECT ACCOUNT

SUS6

Select which structure to view

C-Closed

Select

Pure-id	-----Long Title-----	Type	Mnemonic/ Cost-Center	Activity	Admin Area
1	UNIV1 UNIVERSITY DEFAULT	UNIV			
2	GENERAL OFFICE OPERATIONS	COST	A. GENERAL		040
3	AVP RECRUIT	COST	AVPRECRUIT		040
4	COMMUNICATIONS STRATEGY 7	COST	COMMUNICTN		040
5	VILLAGE AT PENN STATE	COST	D. VILLAGE		040
6	DIVERSITY STRATEGY 5	COST	DIVERSITY		040
7	IMAGING	COST	IMAGING		040
8	ONE TIME EXPENSES	COST	ONE TIME		040
9	PROPERTY CONSULTING	COST	PROPCONSUL		040
10	STAFF PROFESSIONAL DEVELOPMENT	COST	STAFFPRDEV		040

Enter Selection:

ACCT#: 00 - 000 - 55 UP 10010 FY: 2005 / 2006

NEXT FUNCTION: _____ (MENU, KEYS, END)

BUDGET BASICS (CONTINUED)

- **Income:**
 - Positive balance indicates that income has yet to be realized (currently below budget projections)
 - Negative balance indicates more income has been realized than projected
- **Expense:**
 - Positive balance indicates that funds are still available for spending
 - Negative balance indicates that the category or object code is over expended (exceeded budget projections)

04/04/06
10:37:42.4

IBIS FINANCIAL SYSTEM
INQUIRE OBJCAT BY CATEGORY

ICAG
SUS6

Account Name: University Movies - Admin

Sel Catg	Budget (B)	Encumbrance (E)	Actual (A)	Income	%ACT	%A/E
_ INCOM	.00	.00	.00	.00	0	0

UNIVERSITY STRUCTURE (TOTAL ACCOUNT)

Sel Catg	Budget (B)	Encumbrance (E)	Actual (A)	Balance	%ACT	%A/E
_ SALRY	231842.00	23700.00	71604.00	136538.00	30	41
_ WAGE	12000.00	.00	4661.22	7338.78	38	38
_ ALLOT	458243.00	85099.48	341869.30	31274.22	74	93
_ FRNGE	.00	.00	.00	.00	0	0
_ TUITN	.00	.00	.00	.00	0	0
_ EQUIP	.00	.00	.00	.00	0	0
_ CAPTL	.00	.00	.00	.00	0	0
_ OVRHD	.00	.00	.00	.00	0	0
_ TOTAL	702085.00	108799.48	418134.52	175151.00	59	75
NET	702085.00	108799.48	418134.52	175151.00		

Create Date: 01 / 01 / 2005 Closed Date: 10 / 31 / 2006 76 % Elapsed Days

STATUS: OPEN RESOLUTION NEEDED CRFN (Begin to End Date)

NEXT ACCT: 01 - 000 - 36 UP 10010_ FISC YR: 2005 / 2006 CCTR: _____

NEXT FUNCTION: _____ (MENU, KEYS, END)

Enter-PF1---PF2---PF3---PF4---PF5---PF6---PF7---PF8---PF9---PF10--PF11--PF12---
HELP MENU CMPS END RTRN HDR PRNT .

BUDGET BASICS (CONTINUED)

- Budget: includes initial operating budget as well as net changes to permanent and temporary funding
- Encumbrance: a commitment of funds has been made including purchase orders. All electronic documents encumber during the approval cycle and automatically post as an actual (and release the encumbrance) when the transaction is paid or finalized.
- Actual: expenses/(income) that have already occurred/been realized.

BUDGET BASICS (CONTINUED)

- Basic Budget equation:

$$\begin{aligned} & \text{Budgeted Funds (Temporary + Permanent)} \\ & - \text{YTD Encumbrances} \\ & - \underline{\text{YTD Actual Expenses}} \\ & = \text{Remaining Balance Available} \end{aligned}$$

04/04/06
11:45:57.7

IBIS FINANCIAL SYSTEM
INQUIRE OBJCAT BY CATEGORY

ICAG
SUS6

Account Name: Office

Sel Catg	Budget (B)	Encumbrance (E)	Actual (A)	Unbudgeted Income	%ACT	%A/E
_ INCOM	.00	50.00	3234.00	3284.00-	0	0

UNIVERSITY STRUCTURE (TOTAL ACCOUNT)

Sel Catg	Budget (B)	Encumbrance (E)	Actual (A)	Balance	%ACT	%A/E
_ SALRY	2357211.00	608851.89	1950097.89	201738.78-	82	100
_ WAGE	.00	.00	53607.88	53607.88-	0	0
_ ALLOT	765132.00	29116.10	573982.66	162033.24	75	78
_ FRNGE	.00	.00	.00	.00	0	0
_ TUITN	.00	.00	.00	.00	0	0
_ EQUIP	.00	.00	.00	.00	0	0
_ CAPTL	.00	.00	.00	.00	0	0
_ OVRHD	.00	.00	.00	.00	0	0
_ TOTAL	3122343.00	637967.99	2577688.43	93313.42-	82	100
NET	3122343.00	637917.99	2574454.43	90029.42-		

Create Date: 01 / 01 / 2005 Closed Date: 10 / 31 / 2006 76 % Elapsed Days
STATUS: OPEN RESOLUTION NEEDED CRFN (Begin to End Date)

NEXT ACCT: 01 - 000 - 34 UP 10010_ FISC YR: 2005 / 2006 CCTR: _____

NEXT FUNCTION: _____ (MENU, KEYS, END)

Enter-PF1---PF2---PF3---PF4---PF5---PF6---PF7---PF8---PF9---PF10--PF11--PF12---
HELP MENU CMPS END RTRN HDR PRNT .

FINANCIAL REPORTING TOOLS

- IBIS Mainframe: (By individual account)

ICAG – Inquiry on Category

<http://ais.its.psu.edu/ibis/media/icag.pdf>

ISTR – Inquiry on Structure

http://ais.its.psu.edu/ibis/media/fa_istr.pdf

- FIT – Financial Information Tool (see FO for training)
- Data Warehouse (Access) (see FO for access and training)

EXAMPLE OF ICAG REPORT

04/04/06

IBIS FINANCIAL SYSTEM

ICAG

10:37:42.4

INQUIRE OBJCAT BY CATEGORY

SUS6

Account Name: University Movies - Admin

Sel Catg	Budget (B)	Encumbrance (E)	Actual (A)	Income	%ACT	%A/E
_ INCOM	.00	.00	.00	.00	0	0

UNIVERSITY STRUCTURE (TOTAL ACCOUNT)

Sel Catg	Budget (B)	Encumbrance (E)	Actual (A)	Balance	%ACT	%A/E
_ SALRY	231842.00	23700.00	71604.00	136538.00	30	41
_ WAGE	12000.00	.00	4661.22	7338.78	38	38
_ ALLOT	458243.00	85099.48	341869.30	31274.22	74	93
_ FRNGE	.00	.00	.00	.00	0	0
_ TUITN	.00	.00	.00	.00	0	0
_ EQUIP	.00	.00	.00	.00	0	0
_ CAPTL	.00	.00	.00	.00	0	0
_ OVRHD	.00	.00	.00	.00	0	0
_ TOTAL	702085.00	108799.48	418134.52	175151.00	59	75
NET	702085.00	108799.48	418134.52	175151.00		

Create Date: 01 / 01 / 2005 Closed Date: 10 / 31 / 2006 76 % Elapsed Days

STATUS: OPEN RESOLUTION NEEDED CRFN (Begin to End Date)

NEXT ACCT: 01 - 000 - 36 UP 10010_ FISC YR: 2005 / 2006 CCTR: _____

NEXT FUNCTION: _____ (MENU, KEYS, END)

Enter-PF1---PF2---PF3---PF4---PF5---PF6---PF7---PF8---PF9---PF10--PF11--PF12---

HELP MENU CMPS END RTRN HDR PRNT .

EXAMPLE OF ISTR REPORT

04/04/06
11:30:41.9

IBIS FINANCIAL SYSTEM
STRUCTURE BUDGET REPORT

SSTR
SUS6

Budget Name: PSU Dept
Account Name: UNIVERSITY FUNDS
Title: UNIVERSITY DEFAULT

Structure Type: UNIV Id: UNIV1

Select	Description		Year-to-date Balance	Contract-to-date Balance
1	MISC FEES EXPENSE	0363	300.00-	
2	MAINT/REPAIR EQUIPMENT	0371	2,763.47-	
3	MAINT OPP DIR BILL	0374	18,425.49-	
4	CONSULTING FEES	0392	7,800.00-	
5	PROFESSIONAL SERVICES	0393	139,520.05-	
6	COMPUTER SERVICES	0407	1.36-	
7	PURCHASED SERVICES	0411	13,428.39-	
8	PRINTING AND COPYING	0414	4,355.32-	
9	ADVERTISING	0447	7,900.00-	
10	EMPLOYMENT ADVERTISING	0448	6,694.53-	

Enter Selection: Reposition to OBJ: (UNIV) RESOLUTION NEEDED CRFN
NEXT ACCT#: 00 - 000 - 26 UP 10010_ FY: 2005 / 2006 DATE: 07 / 01 / 2005
NEXT FUNCTION: _____ (MENU, KEYS, END)

COMMONLY USED IBIS FUNCTIONS

- BAFM – To look at forms awaiting action
- ISTR – Report by object code
- ICAG – Report by category
- BFMB – Browse forms by budget
- CRFN – Resolve expenses to cost center
- BEAD – Browse encumbrances
- BFMS – Browse form by status
- UDFS – Update free space and description (also to see where resolved)

**TRAINING FOR FINANCIAL
REPORTING CAN BE SCHEDULED
THROUGH HRDC AT:**

<http://www.ohr.psu.edu/hrdc/programs.cfm>

POLICIES AND CONTROL

- Protect University, employees, students and assets
- Federal and state law
- Standard accounting practice and external auditors
- FO – exception, different approach to meet an objective

KEY UNIVERSITY POLICIES

Financial

- *FN10 – Other Business Expenses and Activities
<http://guru.psu.edu/policies/FN10.html>
- *FN14 – Use of Tangible Assets, Equipment, Supplies
<http://guru.psu.edu/policies/FN14.html>
- *FN18 – University Approval Authorization
<http://guru.psu.edu/policies/FN18.html>
- *FN21 – Non-Office Telecommunications Services
<http://guru.psu.edu/policies/FN21.html>
- *FNG04 – Employee reward and recognition
<http://guru.psu.edu/policies/FNG04.HTML>
- *FNG05 – Expenditure Guidelines – OMB Circular A-21
<http://guru.psu.edu/policies/FNG05.html>
- *FNG06 – Guidelines for Other Business Expenses
<http://guru/policies/FNG06.html>

KEY UNIVERSITY POLICIES

Business Services

*BS07 – Authority and Procurement

<http://guru.psu.edu/policies/psu/BS07.html>

*BS09 – Initiating Purchases from Outside Vendors

<http://guru.psu.edu/policies/psu/BS09.html>

*BS14 – Penn State Purchasing Card

<http://guru.psu.edu/policies/psu/BS14.html>

*BS17 – Use and Procurement of Outside Consultants

<http://guru.psu.edu/policies/psu/BS17.html>

Travel

*Travel Policy (new, replaced 14 different policies)

<http://www.travel.psu.edu/travelpolicy/overview.shtml>

New Employee Reimbursement System (ERS)

<http://www.ers.psu.edu/documentation.shtml>

KEY UNIVERSITY POLICIES

Administrative

*AD15 – Fees and Charges for Facilities & Services

<http://guru.psu.edu/policies/AD15.html>

*AD18 – Possession and use of Alcohol on Campus

<http://guru.psu.edu/policies/AD18.html>

*AD19 – Use of Penn State ID# and SSN

<http://guru.psu.edu/policies/AD19.html>

*AD20 – Computer and Network Security

<http://guru.psu.edu/policies/AD20.html>

KEY UNIVERSITY POLICIES

Human Resources:

HR73 – Moving Expenses

<http://guru.psu.edu/policies/OHR/hr73.html>

HR75 – Relocation of PSU employees

<http://guru.psu.edu/policies/OHR/hr75.html>

HR88 – Alternatives to Full-time employment

<http://guru.psu.edu/policies/OHR/hr88.html>

HR91 – Conflict of Interest

<http://guru.psu.edu/policies/OHR/hr91.html>

**ALL UNIVERSITY POLICIES CAN BE
FOUND AT:**

<http://guru.psu.edu/policies/>

EMPLOYMENT ISSUES

- Financial Implications
 - Funding
 - Permanent
 - Temporary
 - Salary Approval from OHR
 - Appointment Processing
 - Background Check
 - I-9
 - W-4
 - Salary Deposit Form

EMPLOYMENT ISSUES

- Timelines
 - Payroll deadlines
 - Fair Labor Standards
- Employment Begin Dates
 - Employment offer, then payroll (no Honoraria)
 - Fall Semester faculty appointments
 - Academic appointment begin dates (HRG08)

EMPLOYMENT ISSUES

- Tax Issues
 - Commuting
 - Moving Expenses
 - HR73, HR75, Procedure CR2049

EMPLOYMENT ISSUES

- Compensation Issues
 - Current employees
 - Independent Contractor vs. Employee
 - Compensation in any form is taxable
 - FN-10 (Recommended reading)
 - Taxable?
 - Reportable?

EMPLOYMENT ISSUES

- Foreign National Regulations

- Contact the Experts

Human Resources - Michele Barosh
(mbb13@psu.edu), Assistant Manager (5-0423)

Payroll – Rita Seyler (rqs2@psu.edu)

Tax Manager – Larry Friedken (ljf4@psu.edu)

SUMMARY

- Can be complex
- Be aware of the tools
- HRDC courses
- Contact your Financial Officer

OTHER RESOURCES

- FO directory
<http://www.controller.psu.edu/Divisions/FinancialOfficers/staffcontact.html>
- FO Public Site
<http://www.controller.psu.edu/Divisions/FinancialOfficers/index.html>
- ESSIC <https://ohr.psu.edu/essic/>
- Penn State Fact Book
<http://www.budget.psu.edu/FactBook/default.asp>
- Penn State Portal <https://portal.psu.edu/>

THANK YOU!

If you have any general questions about topics covered in this presentation, please contact:

– Wes Bumbarger (wbumbarger@ist.psu.edu)

*Specific questions related to your budget or processing forms, including human resource and payroll forms, should be directed to your respective Financial Officer.

Budget Management

As a supervisor, you may also serve as a budget administrator. The role of a budget administrator is an important one, and the responsibility of this position is important in the financial management of the University.

As a budget administrator, you are responsible for the management of assigned accounts, including authorizing personnel appointments and expenditures, managing the available funds within those accounts, and requesting additional funds as required for special projects or initiatives. If you manage restricted accounts, you are also responsible for assuring that expenditures are in compliance with the account restrictions, such as grant or contract regulations/restrictions or donor's wishes as outlined in endowment or gift guidelines.

University policy allows budget administrators to designate "delegates" who can approve certain transactions for the budget administrator (they are delegated authority to sign), or "proxies", who are authorized to approve as the budget administrator in their absence from the University. However, ultimately, the responsibility and accountability for transactions posted to the accounts lie with the budget administrator. The best budget administrators do delegate certain authority, but have a full understanding of the transactions posted to their accounts and knowledge of what funding is available for future spending. Knowing how to read a budget report and interpret the details is critical to be successful as a budget administrator.

Per FN-18, University Approval Authorization Policy, the budget administrator must do the following financial approvals:

The budget administrator (unless otherwise restricted by the budget executive) **MUST** approve and may not delegate approval of:

- a) all expenditure actions (documents) from \$5,000 to \$49,999 inclusive,
- b) permanent budget actions up to \$49,999, and all temporary budget actions of \$5,000 or more,
- c) Budget Amendments generated automatically through IBIS personnel actions, and
- d) personnel actions involving Standing Appointments for technical-service and staff.
- e) all actions required by other University policies.

The budget administrator role (unless otherwise restricted by the budget executive) **MAY** approve or delegate approval of:

- a) those personnel actions having a Letter of Offer signed by the budget executive, and a Memorandum of Personal Service signed by the new (or rehired) employee, and
- b) all other expenditure, budgetary, or personnel actions not restricted above.

Following are key topics that are important for all budget administrators to understand. Where applicable, reference to additional training has been provided. Your Financial Officer can also provide more advice and training on your role as budget administrator. To find the Financial Officer for a specific administrative area, access the Financial Officer directory at <http://www.controller.psu.edu/Divisions/FinancialOfficers/staffcontact.html>

University Budgets

The annual operating budget consists of groups of similar budgets which are classified into the following six different types of funds, each having different characteristics:

- **General Funds** -- State appropriation, tuition and fees, and departmental income
- **Federal Appropriations** -- Such as Agriculture Programs and Medical Programs
- **University Services** -- Self-supported by income derived from services operated to serve educational and other departments
- **Auxiliary Enterprises** -- Self-supported completely by income derived from services operated primarily to serve students, faculty, or staff
- **Restricted Funds/Miscellaneous Funds** -- Income derived from government and private contracts, gifts, and grants.

Most areas have general funds and restricted/miscellaneous funds. General funds are usually the operating funds for the department, while restricted/miscellaneous funds account for specific grants or contracts. Gift funds are also considered restricted/miscellaneous funds. There are many financial policies that restrict what expenditures can be made on general vs. restricted funds, so it is important to understand the distinction.

Definitions

Account – This is the combination of a budget (02-024-01 UP) and a fund (10010 or 14190). The budget portion of the account number is seen in two formats, the expanded IBIS format (02-024-01 UP) and the old format (224-01 UP). To convert an old budget to the new format, insert a zero before and after the first

digit of the budget number. The fund number indicates the type of fund (10010 is general). Fund numbers for restricted accounts are assigned by Research Accounting based on the type of gift, grant or contract.

Object Code – These are used to classify expenditures. There are three major expense categories for General Funds: Salary, Wage and Department Allotment. All salary codes are between 100 – 199, all wage codes are from 200-299 and all department allotment codes are from 300 or higher. A listing of central object codes is available in GURU in the General Forms Usage Guide Appendix. It can be accessed at the following website:
https://guru/gfug/appendices/App09_sa.html

Category – Individual object codes are grouped into categories for summary purposes. As referred to under the Object Code definition, the major categories for general funds are salary, wage, and department allotment. For restricted accounts, additional categories include equipment, overhead and capital.

Permanent Funds (Permanent budget) – For general funds, permanent funds are those budgeted funds that will recur from year-to-year. The Initial Operating Budget (IOB) shows the permanent general funds budget for the University as of the beginning of each fiscal year. All standing appointments and fixed-term multi-year appointments MUST be funded with permanent dollars by budget policy.

Temporary funds (Temporary budget) – These funds are available for one-time use. There is no guarantee that temporary funds will be available in the following fiscal year. At times, temporary funding does appear to be continuous from year to year, but is not considered to be permanent funding unless budgeted as such. General funds carried over from one year to the next year are treated as temporary funds.

Encumbrance – This refers to a commitment of funds that have not yet been expended. Purchase orders have always been encumbered when the PO is issued; the encumbrance is released and posted as an actual when the vendor is paid for the order. In IBIS Financial, all electronic documents encumber during the approval cycle and automatically post as an actual (and release the encumbrance) when the transaction is paid or finalized.

Actual – These are income or expenditures that have occurred. Income becomes “actual” when cash is received or, for certain areas, when the service has been preformed or goods delivered and the income has been earned. Expenses become “actual” when the University makes the payment. Salary and wage expenditures move into the actual column when the payroll is issued. For departmental allotment expenditures, actuals are incurred when the check is issued to pay the vendor/supplier.

Balance – On a budget report from IBIS, the balance is based on the following equation:

Total Budget – Encumbrances – Actuals = Balance

Departmental Accounting

The implementation of Departmental Accounting as part of IBIS Financial has provided new tools for managing departmental budgets. Additionally, it provides the ability to break-down accounts and object codes into more detailed information for departmental use:

Cost Centers are a sub-division of an account that are used for allocating and managing monies within the account; for example, a department might establish separate cost centers to track costs for each faculty member in a department or set up cost centers to manage projects within an account.

Sub-objects are a breakdown of one or more central object codes. For example, all travel object codes (in-state, out-of-state, inter-campus, and out-of-country travel) might be split into sub-objects such as recurring trips, professional development, and other business.

Use of cost centers and sub-objects is totally optional. If you feel that cost centers and/or sub-objects would allow you to manage your accounts more efficiently, you should discuss this with your Financial Officer. Use of cost centers and sub-objects does require some additional work when adding and approving documents (telling IBIS which cost center or sub-object to post to) and this should be considered before implementation. However, if you are currently using a "shadow system" to track your expenditures, then the use of cost centers or sub-objects in IBIS will greatly reduce the amount of time and effort currently invested in your "shadow system".

For more training: HRDC Course ADC 013 – Introduction to IBIS Financial on the Mainframe. Register online with HRDC at:
<http://www.ohr.psu.edu/hrdc/programs.cfm>

Budget Reports

There are several budget reports available on-line in IBIS. Over the next year, printed budget reports generated from the Central Accounting system will be eliminated, so it will be important to understand and use the reports available through IBIS. Becoming familiar with on-line reports will also allow up-to-the-minute management of accounts, without the delay in reporting common now with the Central Accounting reports. Some units, especially Auxiliary Enterprises, may use other budget reports – check with your Financial Officer for more information about unit-specific reports.

On-line budget reports can be used in several ways. They can be used to check quickly on the balance available on a particular account, or to verify if a particular expenditure has been incurred or encumbered. It can also be used to check on the level of expenditures - for example, one can quickly determine how much has been spent for travel to other Penn State campuses (object code 0339) or for printing and copying (object code 0414). If certain features of IBIS are used, the

on-line report can provide detailed information on projects, such as tracking funds spent for a particular event, for example, an annual departmental retreat or meeting.

Mainframe reports are available within IBIS. The mainframe reports provide up-to-the-minute reporting for accounts and cost centers. Unfortunately, sub-object information is NOT available through any of the mainframe reporting tools:

ISTR – Inquiry on Structure: This report lists the total of each central object code used on a requested account. For non-restricted accounts, the year-to-date balance is displayed. For restricted accounts, the year-to-date and contract-to-date balances are displayed. Users can “drill-down” to obtain additional financial detail about the data in ISTR. The information displayed in ISTR is also referred to as the University structure – each object code is displayed as a separate line in the structure. If an object code is not used in a particular account, it will not be displayed (zero lines are suppressed). On-line documentation on how to use ISTR is available at http://www.oas.its.psu.edu/ibiswork/subsyste/document/fans/fa_istr.htm

ICAG – Inquiry on Category: This report lists the total of each financial category (income, salary, wage, departmental allotment, fringe, tuition, equipment, capital and indirect costs) on requested accounts or cost centers. For non-restricted accounts, the total is a year-to-date total. For restricted accounts, the total is a contract-to-date total. On-line documentation on how to use ICAG is available at http://www.oas.its.psu.edu/ibiswork/subsyste/document/fans/fa_icag.htm

BEAD – Browse Open and Close Encumbrances: This report lists the open and closed encumbrances for a requested account and/or cost center. The report displays the different encumbrance types (e.g. ordinary encumbrances, planned encumbrances, and standing encumbrances). By selecting a function key, the report switches from the open encumbrances to the closed encumbrances for the same account.

For more training: HRDC Course ADC 013 – Introduction to IBIS Financial on the Mainframe. Register online with HRDC at: <http://www.ohr.psu.edu/hrdc/programs.cfm>

Client-server Tools are also available for use in managing departmental accounts:

FIT - Financial Information Tool: FIT is used to create customized reports. Data from IBIS Financial is downloaded into your PC for viewing with FIT. Budget administrators and others can use this software to perform account management functions with IBIS Financial data. FIT enables users to build

reports that are meaningful and useful to them. For example, a principal investigator might use FIT to create a monthly report summarizing total expenses and balances for each project task. The FIT software is available for downloading from the web. For more information about FIT, visit the following site: <http://ais.its.psu.edu/fit/index.html>

For more training: HRDC Course ADC 016 – The Financial Information Tool (FIT). Register online with HRDC at: <http://www.ohr.psu.edu/hrdc/programs.cfm>

Data Warehouse: This is a collection of databases with the information organized in tables. IBIS Financial data is available on the warehouse, as well as student and human resource information. The data in the tables is refreshed on a weekly basis, so the data warehouse is best used as a tool for historical reporting. Security authorization is required to access the warehouse (see your ASR or Financial Officer). Each table in the warehouse has fields that display data derived from records in the database. Using a query, the user obtains the data for a report or spreadsheet. For example, a user might query a database to see all charges for in-state travel for all accounts in an administrative area. Several software packages can be used to access the data warehouse. The most widely used are MS Excel, MS Access (IBM) and FoxPro (MAC). For more information, visit the following site: http://ais.its.psu.edu/data_warehouse/index.html

Reading a Budget Report

The key to reading a budget report is to understand the definitions for the rows and columns on the report:

Columns: Permanent Budget
 Temporary Budget
 Encumbrance
 Actual
 Balance

Rows: Category or Object Code

Please refer back to the section “**Definitions.**”

Once the definitions are understood, you need to know how to interpret the balance column. Interpreting negative and positive balances can be confusing, because negative and positives have opposite meanings for income and expense because of their nature. For income, a positive balance indicates that income has yet to be realized (below budget projections). A negative balance indicates that more income has been realized than budgeted (exceeded budget projections). For expenses, a positive balance indicates that funds are still available for expenditure (below budget projections). A negative balance indicates that the category or object code is over-expended based on the budget (exceeded budget projections).

To further complicate reading a budget report, departmental allotment for a general funds account may be budgeted in a lump sum rather than by each object code. General funds departmental allotment can be budgeted as 030B - with B

indicating that it is a budgetary code. Therefore, if you are reading a report that lists each departmental allotment object code as a separate line item, the balance for an individual object code will most likely be negative, because there is no corresponding budget amount. Generally, it is best to determine your current account status for department allotment by looking at the category total. There is a capability to budget department allotment for each object code, but it is not required.

Security Considerations: IBIS has security on salaries. Certain individuals are authorized to see salaries in detail, others only in summary form, and some may not see any salary information at all. In the latter case, ICAG and ISTR reports will NOT display any information in the salary lines. If you review your account on-line and no salary is displaying, security is probably set at no salaries. If you believe you need to view salaries either in summary or detail on the account, discuss with your Financial Officer.

Other Considerations: There is variation among administrative areas on how budget balances are handled. For example, some Deans do not allow the departments to use any unexpended salary funds and reserve it for the Dean's use. Therefore, when reading the budget report, any excess funds in the salary line should not be considered available funds for spending in the account. You should review your accounts with your Financial Officer to determine if there are special situations that you need to be aware of to effectively manage the account.

Policies and Control

Policies are in place to protect the University, including its employees, students and assets. Many policies have their roots in federal or state law, others relate to our status as an instrumentality of the Commonwealth of PA, and many others reflect controls which are standard accounting practice and which are required by our external auditors (federal, state, and independent). Although it may appear at times that a policy is a roadblock to your operations, it is important to keep in mind that there are many factors which you may not be aware of that require such policies to be in place. Keep in mind that you can consult with your Financial Officer about a particular policy - understanding what it is you wish to accomplish can help the FO to determine if a policy exception is warranted, or if another approach allowed by policy can be employed.

There are several policy sections which supervisors should be familiar with if responsible for budget management: Budget (BT), Business Services (BS), Financial (FN), Payroll (PR), Research Administration (RA) and Travel (TR). Specific policies that all supervisors should review are:

Business Services (Purchasing):

- BS07 – Authority and Procurement
- BS09 – Initiating Purchases from Vendors Outside the University
- BS14 – Penn State Purchasing Card
- BS17 – Use and Procurement of Outside Consultants

Financial:

- FN10 – Other Business Expenses and Activities
- FN14 – Use of Tangible Assets, Equipment, Supplies and Services
- FN18 – University Approval Authorization Policy
- FN21 - Non-Office Telecommunications Services
- FNG06 – Guidelines Regarding Other Business Expenses and Activities

Travel:

- One comprehensive policy was implemented as of January 01, 2007
<http://www.travel.psu.edu/travelpolicy/overview.shtml>
- New Employee Reimbursement System (ERS)
<http://www.ers.psu.edu/documentation.shtml>

University policies are maintained on the web by Systems and Procedures on a site known as GURU (General University Reference Utility). The GURU homepage can be found at the following address: <http://guru.psu.edu/>. If you have not used GURU in the past, it is very user-friendly and has search engines to assist you in finding the information you need.

For more training: HRDC Course PRO 072 – Using GURU: Penn State’s General Forms Usage Guide

For more information: Contact your Financial Officer. To find the Financial Officer for a specific administrative area, access the Financial Officer directory at <http://www.controller.psu.edu/Divisions/FinancialOfficers/staffcontact.html>

Employment Issues

Hiring employees is an important task for any supervisor. Beyond the considerations taught in other parts of Mastering SuperVision regarding employment and hiring practices, there are financial implications that must be understood:

Funding: Understanding the source of funds that are to be used for an appointment is very important. For example, all standing and fixed-term multi-year positions at the University must be funded from permanent dollars. Therefore, it is important to work with your Financial Officer to assure that the appropriate funding is in place, before a position is posted.

Upgrades for current positions also require identifying the funding source. If a standing position will be upgraded, where will the additional salary dollars being provided to this position be taken from? This is a common mistake for new supervisors and one that can lead to embarrassment from either having to tell the employee that funding is not available for an upgrade after promises have been made, or having to request additional funding from the budget executive.

Appointment Processing: There are several key processes that must be completed in order to process an appointment for a new employee.

I-9: Federal regulations require that the University complete an I-9, which must be done before the employee begins working. This verifies that the employee is eligible to work in this country. If the I-9 cannot be completed, then the individual cannot be hired.

W-4: To be paid, the individual must complete a W-4 statement for income tax withholding. This is also a federal regulation, and we cannot process any payroll appointments without this information.

Salary Deposit Form: All employees must complete a salary deposit form for direct deposit of their pay.

Salary: An offer for a staff position cannot be made until the salary is approved by OHR. In addition, new appointment forms will not process unless OHR has entered the salary information into the system. Therefore, it is critical to work with your HR representative to assure that the salary being offered to a new employee is approved before making an offer for employment.

Timelines: It is critical that the supervisor understands federal regulations regarding Fair Labor Standards. If someone begins providing services to us, we are required by law to pay that person within 15 days of when they provided those services. Payroll cannot issue a payroll check unless the department initiates and completes the required paperwork by published deadlines. Advances also cannot be issued, in those cases where there is a legitimate need for an advance, unless the appropriate appointment forms are completed and processed. Supervisors should understand the payroll deadlines and should not make promises to new employees regarding payroll that cannot be kept due to federal or internal policies.

Employment Begin Date: There are many issues to consider when setting a starting date for an employee. Following are some common mistakes that new supervisors make:

- Promising "honoraria" to new employees if they come in for a few days before the official start date. IRS regulations require that if an employment offer has been made, then any payments for services to that individual **MUST** be made through the payroll system, and appropriate taxes withheld. In these cases, the I-9 and W-4 must be completed before the individual provides these "pre-employment" services.
- Promising new employees, especially 36-week faculty, that payroll checks can be issued prior to the official start date of employment. If a faculty member is being appointed to a 36-week appointment beginning with the Fall Semester, the first paycheck cannot be issued until the end of August. The person must provide service. Benefits can also not be provided to an individual before the official date of employment.

Tax Issues: There are several tax issues related to employment that supervisors must be aware of:

- **Commuting:** IRS regulations do not allow the University to reimburse an individual for what the IRS considers "commuting" costs. This would involve any travel from the individual's home to their main place of employment. If an employee lives in Harrisburg, and accepts a position at University Park, the costs involved in commuting back and forth are the individual's responsibility, or if paid by the University, are taxable to the employee. To avoid the complications involved in reimbursing commuting costs, supervisors should adjust compensation as necessary to cover such costs, rather than agreeing to reimburse those costs directly.
- **Moving Expenses:** Certain moving expenses can be paid by the University for new employees or for the relocation of current employees. There are limits on the amount of moving expenses that can be reimbursed. Certain expenses are also taxable to the employee under IRS regulations. Policies HR73 and HR75, as well as Procedure CR2049, provide much more detail on allowable moving expenses. Supervisors should verify with the Financial Officer that moving expenses can be provided before confirming with a new employee.

Compensation Issues

Payment for services or others can be a confusing area. It is important to determine if someone needs to be paid as an employee before making agreements to provide compensation. Some common pitfalls:

- **Current employees:** If someone is currently paid by the University through the payroll system, we generally must pay them for ALL services provided to the University through the payroll system. The only exceptions relate to employees who own outside businesses, and in those cases, the individuals must have certain documentation from the IRS to prove that they do not have to be paid as an employee for services.

One area where many faculty members have been caught in the past is in payment for clerical services. A faculty member might pay someone for typing a manuscript out of their own pocket, thinking that this will save that person from paying taxes. The faculty member will then request reimbursement for paying those services. If the person the faculty member paid is already an employee, we cannot reimburse the faculty member. The only way for the faculty member to get their money back, is to ask the person to return the original payment and then process a payment through the payroll system.

- **Independent Contractor vs. Employee:** The IRS has regulations that the University must follow which specify when someone must be treated as an employee instead of an independent contractor. Paying someone incorrectly as an independent contractor instead of an employee can result in severe penalties against the University. Several Big 10 universities have been audited specifically related to these regulations.

The University has developed the I/CE form that is used to make the determination of the individual's status. Before contracting with any individual to provide services, it is important to assure that this form has been reviewed. The I/CE form is now incorporated into the SRFC form in IBIS. You can consult with your Financial Officer if you are unsure how to pay an individual.

- **Compensation:** The IRS considers any form of compensation to be taxable. Compensation can range from cash and cash equivalents (such as gift certificates) or non-cash gifts. All cash payments are taxable, no matter what the dollar amount, and for employees, must be reported in the payroll system. Therefore, it is NOT appropriate to "thank" an employee for what might be considered an "honoraria" by giving them a gift certificate. This is taxable and must be reported and taxed. For non-employees, our reporting rules are not as stringent, but must be reported so that they can be properly reported to the IRS through the 1099 reporting process. Following is a table from FN10 regarding awards, but the tax issues are the same for any "compensation":

From FN-10: Cash awards, including gift certificates, are taxable to the recipient, no matter what the source of funds or the dollar amount. All non-cash awards purchased with University funds or donated to the University are taxable to the recipient, but only need to be reported if valued at \$100.00 or more. All taxable awards must be reported to Payroll/Accounting Operations for appropriate reporting. Following is an overview of taxable and reportable awards:

	EMPLOYEE		NON-EMPLOYEE	
	Taxable? Reportable?	Reportable?	Taxable?	
Cash more	Yes	All - Payroll	Yes	\$100 or
Operations				Acctg.
Non-Cash or more	Yes	\$100 or more	Yes	\$100
Acctg. Operations		Payroll		

Foreign National Regulations

The Bureau of Citizenship and Immigration Services (BCIS) has developed regulations regarding what payments can be made to Foreign Nationals. Payments include both salary (compensation) and reimbursement of expenses, such as travel. This is an area that can cause much frustration and embarrassment for supervisors when promises are made to pay a visiting

individual an honorarium or reimburse their travel, and then the visa type they use to travel to the US prohibits us from making any payments. This is a complex area and the following individuals can be contacted, prior to making arrangements for visits, to be sure that the regulations are followed:

Human Resources – Michele Barosh (mbb13@psu.edu)

Payroll - Rita Seyler (rqs2@psu.edu)

Tax Manager - Larry Friedken (ljf4@psu.edu)

There is a form available which should be used by supervisors when inviting visitors to the University to assure that these regulations are followed: Visitor Information Sheet for Income and Travel (VISIT - available in GURU at <http://guru.psu.edu/formpublic/VisitorsInformationSheet.pdf>)

A table is available in GURU that provides an overview of the regulations at <http://guru.psu.edu/central/payroll/data/visatype.html>

Summary

The area of budget and financial management can be very complex. As a supervisor, you should be aware of the tools available to you to review policies and to track budget and financial information. Even if you do not have budget responsibility, you should be aware of certain policies related to business services/purchasing, financial, and travel so that you have some background in this area.

If you would like to learn more about this area, consider taking the HRDC courses referenced here. Also talk to your Financial Officer about what training would be helpful for you, as everyone's situation will be different based on the area and their direct responsibilities.

The information presented in this section can be accessed on the Web at the following address:

<http://www.controller.psu.edu/Divisions/FinancialOfficers/index.html>

It will provide you with the links you need to find the information referenced as easily as possible.

If you have additional questions about this topic, please discuss with your Financial Officer. You can also contact the presenter – Westley Bumbarger, at wbumbarger@ist.psu.edu, or Larry Friedken, Tax Manager, at ljf4@psu.edu or (814) 865-9503.