UNIVERSITY OF COLORADO
Office of University Controller

Finance Procedural Statement: *Expenditure Control*
Effective Date: January 8, 2007
Revised October 8, 2007

Introduction

As articulated in the Administrative Policy Statement (APS) <u>Fiscal Roles and Responsibilities</u>, the University implements policies and procedures designed to provide reasonable assurance that the fiscal impact of university operations is planned, controlled, and accurately accounted for in the University's financial records. Specifically, this APS states that no expense transaction shall be processed unless there are adequate funds allocated to cover it.

The purpose of Expenditure Control is to promote sound fiscal management by addressing the problem of deficit spending, which occurs when expenditures exceed available resources. Whether the result of actual or encumbered expenses, deficit spending strains *organizational unit* functionality and puts university operations at risk. Expenditure Control works to minimize deficit spending by preventing certain types of transactions from posting to a SpeedType if a deficit would result.

Definitions

Italicized terms are defined in the Administrative Policy Statement <u>Dictionary</u>. Additional terms are defined in the <u>Finance/Procurement Procedure Glossary</u>.

Procedural Statement

This procedural statement sets forth the Finance System enhancements, university business process, and individual office responsibilities for implementing and administering Expenditure Control.

Finance System Enhancements
- **Expenditure Control Rule**
  The Expenditure Control Rule is an attribute on the Program/Project ChartField that identifies:
  o The level at which to aggregate expenses (i.e., at the Org, Program/Project, or SpeedType level); and,
  o How to aggregate expenses (i.e., by gathering all expense Accounts together, or by gathering expense Accounts within their defined categories or budget pools). Note: For information on budget pool categories, see <u>https://www.cu.edu/controller/documents/SRECNA_2007.xls</u>.

  The Expenditure Control Rule attributes are:
  o DAB - Control at Org Level, All Expenses, Budget
  o DAN - Control at Org Level, All Expenses, Net Assets
  o DB - Control at OrgLevel, Budget Pool Expenses
  o PA - Control at Program Level, All Expenses
  o PB - Control at Program Level, Budget Pool Expenses
  o SA - Control at SpeedType (Subclass) Level, All Expenses
  o SB - Control at SpeedType (Subclass) Level, Budget Pool Expenses

- **Available Resource Basis**
  The Available Resource Basis is an attribute on the SpeedType ChartField that identifies if:
  o <u>Net Assets</u> (NA) will be used to determine available resources; or,
  o <u>Budget Ledgers</u> (BL) will be used to determine available resources.

- **Resource Check**
  Resource Check is the Finance System process that determines if adequate resources exist to support a transaction or if processing that transaction would create a deficit. The [Resource Check Matrix](#) provides detailed information on how each type of transaction is handled, including:
  - when Resource Check processing occurs;
  - when, and to whom, notification is provided if the Resource Check indicates insufficient resources to support a transaction; and,
  - how often, and for how long, a transaction is rechecked.

Process Overview
- **Assignment of Expenditure Control Rule Attributes and Available Resource Basis Attributes**
  The campus finance office – in coordination with the *organizational unit* – assigns the Expenditure Control Rule and Available Resource Basis attributes and updates the Finance System. Updates to these attributes are made only at the beginning of the fiscal year.

- **Expenditure Control Timetable**
  Expenditure Control runs throughout the fiscal year with the exception of July. During that month – while budgets are loaded and net assets are rolled forward – Expenditure Control processing is suspended. Expenditure Control resumes in August, at which time all July transactions are checked against the Available Resource Basis.

- **Impact on Transactions**
  If Resource Check shows that a deficit would be produced, the following types of transactions will be prevented:
  - Journal Entry posting for Actual, Budget, and Encumbrance Journals;
  - Department Purchase Order (DPO) dispatch;
  - Purchase Order (PO) Requisition sourcing;
  - Standing Purchase Order (SPO) Requisition sourcing;
  - Non-PO/SPO Voucher posting; and,
  - Subsystem posting for subsystems that are not approved by the Associate Vice President and University Controller.

  Whether or not a deficit would be produced, the following types of transactions will be allowed:
  - Payroll, including Payroll Expense Transfers (PETs);
  - Subsystem posting for [subsystems](#) approved by the Associate Vice President and University Controller (including, among others: Procurement Card and, approved travel agency ticket charges against the Central Travel System account).

Individual Office Responsibilities

- **Office of University Controller**
  - Review and approve subsystems that are permitted to post even if a deficit would result;
  - Apply override for system-generated errors; and,
  - Provide procedures, policies, and training on the process and tools for deficit monitoring.

Campus Finance Offices (Controller, Budget, and Sponsored Projects)
  - Work with *organizational units* to assign Expenditure Control Rule and Available Resource Basis attributes;
  - Recommend subsystems that are permitted to post even if a deficit would result;
  - Review Budget Journal Entries for technical correctness, reasonableness, appropriateness, and available resources;
  - Approve Budget Journal Entries in all four ledgers (Initial Continuing, Initial Temporary, Current Continuing, Current Temporary), and – if delegating this approval – establish a process to ensure that the required review is being conducted by the delegate;

- o Monitor deficits and follow up with *organizational units* to develop and document financing plans for eliminating those deficits; and,
- o As appropriate, override Expenditure Control, ensuring that the use of override is fully documented with appropriate justification (i.e., establishing as reasonable either a permanent or temporary financing plan).

Organizational Units
- o Provide reasonable assurance that adequate resources are available before processing transactions;
- o Monitor SpeedTypes for deficit spending and take appropriate action to resolve it. Appropriate actions include:
  - Transferring the failed transaction to another appropriate funding source;
  - Transferring a previously recorded transaction to another appropriate funding source;
  - Demonstrating reasonableness to the campus budget office for budget adjustments, and processing budget entry (note: this does not provide relief if available resources are based on Net Assets);
  - Contacting campus finance office to request a temporary financing plan (if revenue is anticipated in the near future, i.e., before the end of the current fiscal year), or, a permanent financing plan (if required resources are not anticipated in this fiscal year); or,
  - Contacting the Office of University Controller (via the Finance and Procurement Help Desk) if the identified deficit appears to be a Finance System error.

Exceptions

Unless approved by the University Controller, there are no exceptions to this procedural statement.

Related Administrative Policy Statements (APS), Other Policies, and PSC Procedural Statements

APS Fiscal Roles and Responsibilities
APS Propriety of Expenses
PSC Procedural Statement Tests of Propriety

Step-by-Step Guides

Expenditure Control Attribute Inquiry
Resource Inquiry
Identifying and Investigating Transactions that Fail Resource Check

Educational Resources

Frequently Asked Questions regarding Expenditure Control