

BOARD OF REGENTS
BRIEFING PAPER

1. Agenda Item Title: Handbook Revision: Self-Supporting Budgets

Meeting Date: September 5, 2013

2. BACKGROUND & POLICY CONTEXT OF ISSUE:

At its June 2013 meeting, the Board of Regent' Audit Committee reviewed the recommendations resulting from the internal audit of the University of Nevada, Reno Differential Program and Special Course fees. Among the audit recommendations, the report urged the Vice Chancellor of Finance and the institutional Business Officers review matters related to the types of transactions that constitute expenditure activity in the reporting of institutional self-supporting budgets and based upon the outcome of that review, a revision to the self-supporting budget policy be developed that provides clarification and further guidance in this area.

The Board Policy under Title 4, Chapter 9, Section C.2., of the handbook requires self-supporting budgets that are projected to exceed \$25,000 in expenditure activity to be included in the annual budget process.

The issue is whether or not transfers from accounts constitute expenditures and if they should or should not be included in determining if an account needs to be reported per the Board's Self-Supporting Budget policy.

The National Association of College and University Business Officers (NACUBO) Business Administration manual makes a distinction between expenditures and transfers in that, expenditures differ from transfers. Expenditures are the recognition of the expending of resources of the Current Funds group (resources which are expendable for the purpose of performing the primary missions of the institution-instruction, research, and public service) toward the objectives of each of the respective funds of that group. Transfers are amounts moved between fund groups to be used for the objectives of the recipient fund group.

The NSHE Business Officers Group met and discussed whether or not transfers should be included as expenditures in determining if an account meets the Board's self-supporting budget policy in regards to reporting accounts that are projected to exceed \$25,000 in expenditure activity. The Business Officers recommend that transfers out of an account not be included as expenditures of the account because the transferred funds will ultimately be reported as expenditures of the accounts that the funds are transferred to when expended for goods and services. Reporting account funds as expenditures when transferred from an account and then again when expended in a recipient account causes the same funds to be reported twice as expended.

3. SPECIFIC ACTIONS BEING RECOMMENDED OR REQUESTED:

Amend Title 4, Chapter 9, Section C.2., of the Handbook concerning the Self-Supporting Budget Review to exclude the transfer of funds out of an account in determining the \$25,000 in expenditure activity for an account.

4. IMPETUS (WHY NOW?):

This recommendation is brought as a result of the recommendation of the internal audit of the University of Nevada, Reno Differential Program and Special Course fees that was approved by the Board at its June 2013 meeting.

5. BULLET POINTS TO SUPPORT REQUEST/RECOMMENDATION:

If adopted as proposed, the revised policy will:

- Provide clarification of the policy as to types of transactions that should be included in reporting self-supporting budgets.
- Establish consistency among the NSHE institutions in determining which institutional accounts meet Board policy for reporting self-supporting budgets annually that are projected to exceed

\$25,000 in expenditure activity.

6. POTENTIAL ARGUMENTS AGAINST THE REQUEST/RECOMMENDATION:

Accounts that have projected transfers of funds out activity will not be reported as self-supporting budgets unless the projected expenditures (non-transfer activity) of the respective accounts meet the Board's \$25,000 reporting threshold in which the transfers would then also be included in the self-supporting budget activity.

7. ALTERNATIVE(S) TO WHAT IS BEING REQUESTED/RECOMMENDED:

Maintain the status quo and leave the policy concerning the reporting of self-supporting budgets that have expenditures projected to exceed \$25,000 as currently written whereby expenditure activity is not clarified as to the inclusion or exclusion of transfers leading to a potential inconsistency among NSHE institutions in the determination and reporting of self-supporting budgets.

8. COMPLIANCE WITH BOARD POLICY:

- Consistent With Current Board Policy: Title #____ Chapter #____ Section #____
- Amends Current Board Policy: Title # 4 Chapter # 9 Section # 2
- Amends Current Procedures & Guidelines Manual: Chapter #____ Section #____
- Other: _____
- Fiscal Impact: Yes____ No____
Explain: _____

POLICY PROPOSAL
TITLE 4, CHAPTER 9, SECTION C.2
Financial Policies – Self-supporting Budget Review

Additions appear in *boldface italics*; deletions are [~~stricken~~ and bracketed]

Section 2. Financial Policies

1. Uniform Accounting Policies and Procedures

- a. NSHE institutions will implement uniform accounting and administrative policies and procedures as defined by NSHE. Revisions to the policies and procedures will be considered by all institutions through the Business Officers Council to the Presidents' Council for recommendation to the Chancellor.

- b. Definitions for all reporting categories will be in accordance with the nationally accepted National Association of College and University Business Officers (*NACUBO*) classification system. Policies concerning review and approval of annual operating budget adjustments are applicable to and will vary within each of the three primary groupings (1) State Operating Budget; (2) Self-Supporting Budgets, and (3) other funds, consisting primarily of federal grants and contracts.

2. Reporting

Consistent and uniform quarterly reporting of financial activity is an obligation of the System units to the Chancellor's Office. Reporting of exceptions to the Business and Finance Committee will be determined by the Chancellor.

3. Self-supporting Budget Review

All self-supporting budgets exceeding \$25,000 of projected annual expenditure activity will be included in the annual budget process. *Fund transfers will not be included in determining whether a self-supporting budget meets the \$25,000 threshold for inclusion in the annual budget process.* Excluded from this requirement are grants and contracts and plant, loan, endowment and scholarship funds.

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