Financial Transaction SOP: **Financial Processing, Budget Adjustment (BA)**
　　　　SOP Owner: Financial Processing Manager
　　　　Version Number, Date Revised: #3, 09/09/14
　　　　Date Implemented:
　　　　Approval(s):

Standard Operating Procedure

1. Purpose

　　　The Budget Adjustment (BA) e-doc is used to record income and expense budget transactions. It can be used to modify a base budget, a current budget, or both. **Note**: all adjustments to the base budget of an account must balance, and all adjustments to the current budget of an account must balance.

The BA is a financial planning tool that allows adjustments to the current and base budget figures for a given account. It can also be used to create a budget for a new account established after the beginning of a new fiscal year.

- Base budgets are established during the budget construction process and designate an ongoing fiscal commitment. (Base budget refers to the fiscal budget; it is used by the Budget Construction module.)
- Current budgets designate budgetary authority for the current fiscal year.
- A BA e-doc is normally used to:
  - reallocate current budget as necessary throughout the fiscal year
  - transfer budgets from one general fund account to another
  - establish budget lines in new accounts created after the fiscal year begins
  - make long-term adjustments to the base budget
- The e-doc allows for the establishment of monthly budgeted amounts for users that wish to maintain budget information at this level.

Training Issue: clarify the distinction between a base budget and a current budget. (Reallocating funds permanently—base budget; reallocating funds on a one-time basis—current budget.)

Notes:
- an adjustment to a base budget gets carried over into the budget construction process for the next fiscal year.
- Sponsored budgets will be managed by current budget (as opposed to base budget). Central administrative units will continue to initiate budgets for sponsored agreements and federal appropriations. Units should not process budget adjustments that impact revenue budget categories or adversely impact budget expense categories based on agreement budget restrictions.

Examples of common use at Cornell:

- Changing a position due to a reorganization within a unit (i.e., moving the budget for the position from one account to another within the unit)
- Q: what is a logical permanent change to a base budget?
  - When a Dean provides permanent funding for a new program or initiative (affects both current and base budget)
  - When a Vice President's office makes a one-time allocation to a student organization for a conference on sustainability (adjustment is to current budget).

2. Scope

- Business Service Centers / Financial Transaction Centers
- Department / unit finance managers
- Staff responsible for the college-level budget
- Department administrators
- Financial specialists
- Fiscal Officers (FO) (**Note**: any reference to FOs in an SOP is understood to include primary and secondary delegates.)
- Central

3. Prerequisites (Forms / Tools)

- Knowledge of basic budgeting
- Basic knowledge / training on KFS
- Basic understanding of Financial Processing transactions (requires a "Financial Processing, Overview" SOP and tutorial: will also cover scanning / attaching and transaction descriptions / line-item descriptions)
- Budget Adjustment e-doc training

4. University Policy

Current:
- 3.14 Business Expenses
- 4.2 Transaction Authority and Payment Approval
- 4.7 Retention of University Records

5. **Responsibilities**

- Requestor: a proposed, optional additional step whereby a request for a BA is sent to a KFS-user who has the authority / ability to initiate the e-doc ("Initiator"). Requestor is not a KFS-user role, it is locally delegated authority. Requestor role is: an individual within local units who has been identified by the organization as having the authority to request a BA.

- Initiator: Initiator is responsible for preparing a BA and must understand the institutional need for a BA financial transaction. (This individual may or may not be the same as the Requestor.)
  Before initiating a BA transaction on behalf of the university, it is the responsibility of the Initiator to assess whether the proposed transaction is in support of the university's mission.

- Other roles:
  - A. Within unit
    - o Fiscal officers for the accounts used
    - o Staff responsible for college-level budget
  - B. University Budget Office (*what the impact will be within the University Budget Office is still under analysis*—need to determine what the rules are as it concerns sub-fund review. Example: sub-fund review may apply to state appropriation funds.)
  - C. C&G / Sponsored Financial Services

The following guidelines must be adhered to:
- In cases where the Initiator and Requestor are not the same person, the Initiator ensures that the Requestor has the authority to request a BA transaction.
- There is appropriate documentation. *Best Practice recommendation*: attach back-up / relevant documentation whenever possible; in situations where documentation is not attached, clearly indicate where back-up documentation is located.

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6. **Procedure**

Transactions

Financial Processing

- Advance Deposit
- Auxiliary Voucher
- Budget Adjustment
- Cash Receipt
- Credit Card Receipt
- Disbursement Voucher
- Distribution of Income and Expense
- General Error Correction
- Indirect Cost Adjustment
- Internal Billing
- Pre-Encumbrance
- Transfer of Funds

Figure 1 – KFS Financial Processing Transactions menu

The BA e-doc only has the standard financial transaction e-doc tabs and does not have any unique tabs. Two field exceptions are the **Year** field in the Document Overview tab and the **Monthly Lines** section in the Accounting Lines tab.

Figure 2 – Budget Adjustment e-doc

Table 1 Budget Adjustment Financial Document Detail field definition

Field Name	*Description (* indicates a required field)*
Year	* Select the fiscal year this adjustment should apply to from the Fiscal Year drop-down list. Most budget adjustments are made to the current fiscal year, but in some cases you may be able to choose a fiscal year that has not yet begun. **Note**: during the time between the beginning of the budget construction cycle and the closing of the current fiscal year, there may be more than one year available on the drop-down list.

Year

If you change the fiscal year, click **refresh** to make sure that all the fields on the e-doc are available for that fiscal year. For example, the object codes you are budgeting on may not be valid for the new fiscal year.

Monthly Lines

The Accounting Lines tab in the BA e-doc is also different from the other financial transaction documents in that it has the Monthly Lines section that can be expanded by clicking **show**.
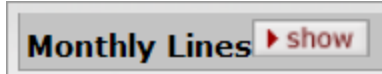

Figure 3 – Monthly Lines, show

Figure 4 – Monthly Lines, open

To distribute an accounting lines current budget amount into monthly periods, click **show** on the Monthly Lines section.

This opens a series of 12 monthly periods where you can specify, by account line, how much of the current amount should be distributed to each month. The total of all monthly distributions must equal the total current amount for the accounting line.

Accounting Lines

Accounting Lines on the BA are standard; however:

- Use of the From / Decrease section automatically decreases the budget associated with the account, sub-account, and object code combination entered. The current budget, base budget, or both may be affected.
- Use of the To / Increase section automatically increases the budget associated with the account, sub-account, and object code combination entered. The current budget, base budget, or both may be affected.

Generation of Fringe Benefit Amounts

When you submit a BA e-doc that uses a Labor Object Code, KFS displays a message asking if you wish to have the system automatically generate the associated benefits.

Figure 5 – warning message: "You have entered Labor Object codes. Do you want to automatically generate the associated benefits?"

When you receive the warning message regarding labor object codes, note the following:

- Selecting **no** routes the e-doc without generating any additional account lines.
- Selecting **yes** generates the appropriate benefit lines and amounts (determined by entries in the Labor Object Benefit and Labor calculations tables) and returns you the e-doc to view the entries it has created. You can make manual adjustments to these lines if needed.
- Click **submit** to route the e-doc after benefit accounting lines have been generated. Upon submit, the system generates another message that asks, again, if you want to generate the associated benefits. This time, select **no**. (You have already selected yes, and the benefit amounts have already been generated. If you select yes the second time, it will not generate the benefit amounts again, but will continue to "loop" back to the original warning message / question.)

    Training Issue: if you want to generate the associated benefits, select yes the first time, and, upon submit, select no.

Figure 6 – Budget Adjustment example

Business Rules

- The accounting period chosen must already exist and be open.
- Only accounts with recording level attribute of 'Budget' accept budget adjustment transactions.
- Negative amounts are not allowed except when using **error correction** option. *For information on error corrections (by either the General Error Correction e-doc or the error correction button), see the General Error Correction SOP and tutorial.*
- Increases and decreases must balance in the e-doc with relation to object code types. Increases in income may be balanced by decreases in other income lines or by increases in expenditures. Decreases in income may be balanced by increases in other income lines or by decreases in expenditures. Similar logic applies to changes in expenditures
- If Base Adjustments have not been enabled for the selected fiscal year on the e-doc, then base changes are not allowed.
- The fund group and sub-fund group contain an attribute for determining how budget adjustments within that group can be made. These attributes limit the mixing of accounts with different attributes (charts, organizations, account numbers, fund groups, or sub-fund groups) on the same BA e-doc.
- Values for fund group are:
  - C (Chart),
  - O (Organization),
  - A (Account), or
  - F (Fund).
- Values for sub-fund group are:
  - C (Chart),
  - O (Organization),
  - A (Account),
  - S (Sub-Fund), or
  - N (None).
- The budget adjustment applies the following rules using the above values:
  - There can only be one fund group on the e-doc
  - If any sub-fund on the e-doc has a restriction (i.e., a value other than N), then only that sub-fund can be used on the e-doc.
  - If all sub-funds on the e-doc have a value of N, the restriction of the fund group is applied to the e-doc.
- Budget adjustments on the BA e-doc must balance within a sub-fund.

The use of certain balance sheet object codes and certain object sub-types may be prohibited.

Need to address budget adjustment concerns as it relates to cost sharing accounts. *Analysis is ongoing.*
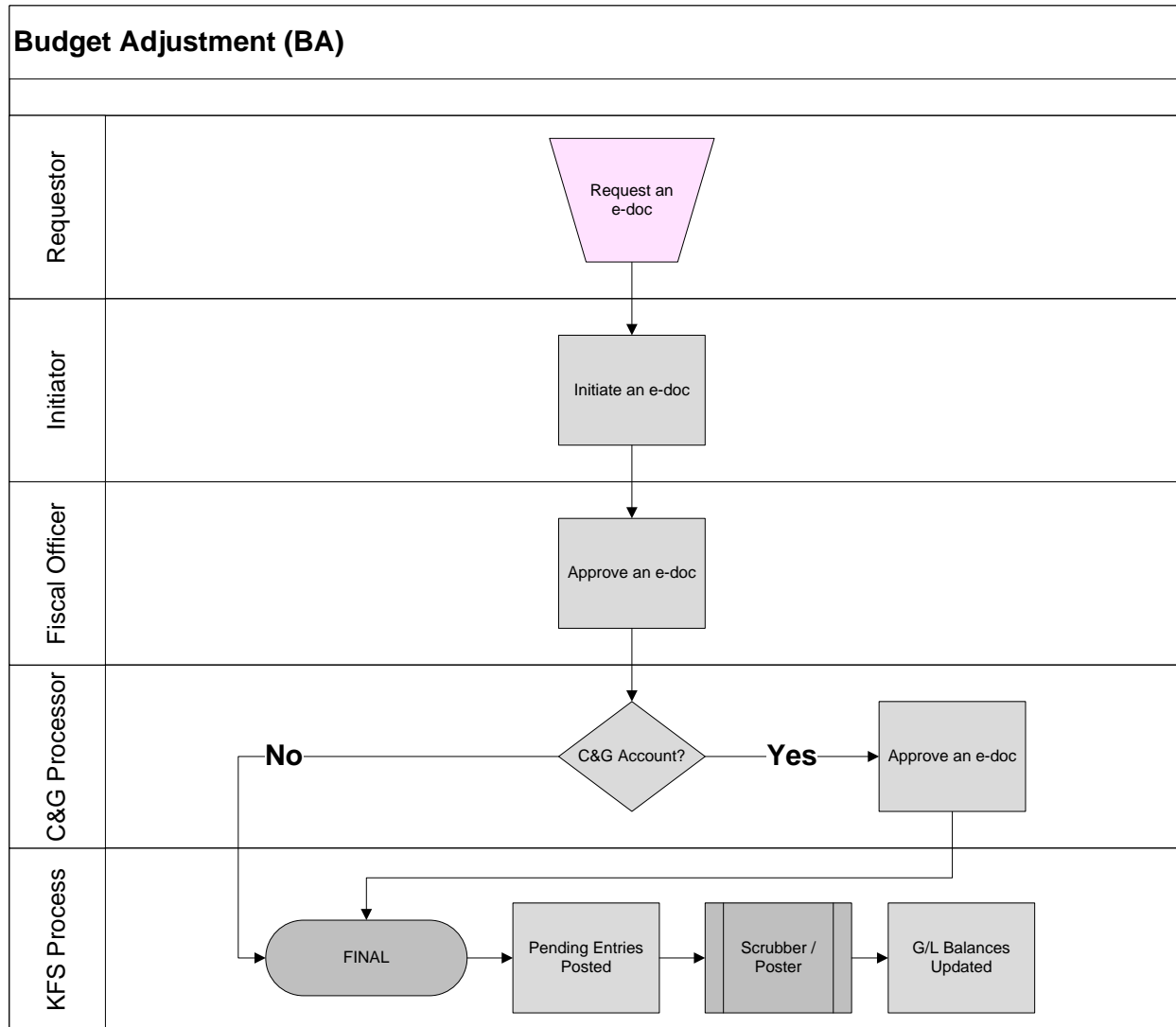
Workflow

Budget Adjustment (BA)

Figure 7 – Budget Adjustment workflow

Note: if sub-fund reviewer role should be part of BA workflow is still under analysis.

7. **Definitions**

- KFS at CU: Chart of Accounts
- KFS at Cornell Glossary
- Old World / New World, Definitions, Helpful Information

8. **References**

- KFS "Basics" tutorials