



Department Chair Training
Finance Session
July 16, 2015

Agenda

- Budget Overview
- Fund Sources and Uses
- Procurement Services Top 10 Do's and Don'ts
- Breakout Sessions
- Resources

Budgeted Revenue

VCU's budgeted revenue can be initially classified into...

- State General Fund – general tax revenues collected by the Commonwealth of Virginia, such as income tax and sales tax
- Non General Funds – revenues raised by VCU

Non General Funds

Non General Funds at VCU are derived from 6 different sources

1. Sponsored Programs (Grants and Contracts)
2. Auxiliary Enterprises (Athletics, Bookstore, Dining, Housing, University Fee)
3. Student Financial Assistance
4. University Funds – sometimes called local funds (Gifts, Investment Earnings)
5. Hospital Services (Service agreements between the University & the VCU Health System)
6. Student Tuition and Fees

General Funds

General Funds at VCU are derived from 6 different sources

The General Fund is explicitly outlined in the yearly Budget Bill from the General Assembly

They are primarily used to support Education and General (E&G) programs and Student Financial Assistance

“Taxpayer Dollars”

So...how does budgeted revenue get to your individual department's budget?

At VCU, we use a Base Budgeting model (also known as Traditional Incremental Budgeting)

- What is Base Budgeting?
- How does my base budget increase?

To increase any budget, revenue source(s) either have to be increased or resources have to be reallocated... or a combination of both

The Budget Development Cycle (January – May)

- Call for Unavoidable Cost Requests
- Call for Unique Tuition and Student Fee Requests
- Collection, Review, and Prioritization of Requests at Various Levels
- Budget Meetings held by University Senior Leadership
 - Existing University sources?
 - Known costs for the following fiscal year (on-going or one-time)
 - Unavoidable Costs for the following fiscal year (on-going or one-time)
 - To what extent does the University have to raise tuition, mandatory fees, and/or reallocate existing resources to balance the budget?

From these discussions, a budget is presented to the Board of Visitors in May for approval and adoption

The Approved Budget

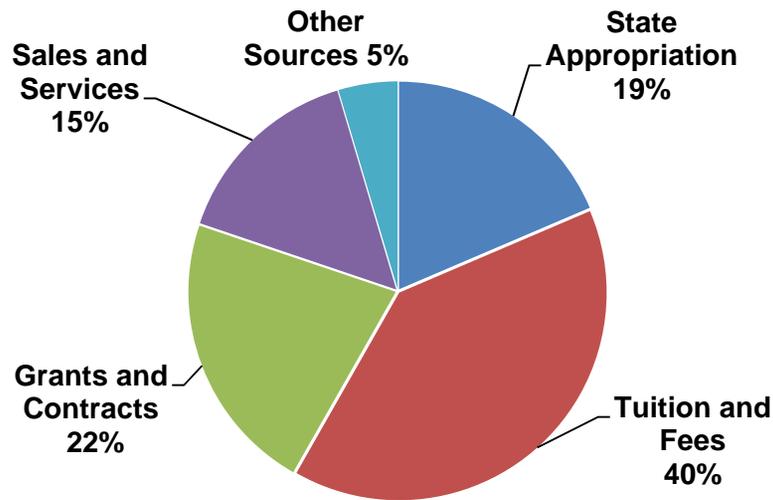
- Once the budget for the next fiscal year is approved, the next phase is “budget implementation”.
- During budget implementation (May-June), the Budget Office creates all the budget files to be loaded into the University financial system (Banner) for the new fiscal year on July 1.
- The Budget Office coordinates with the various VP offices to ensure that accurate budgets are loaded at the index and account level.

Fund Sources and Uses

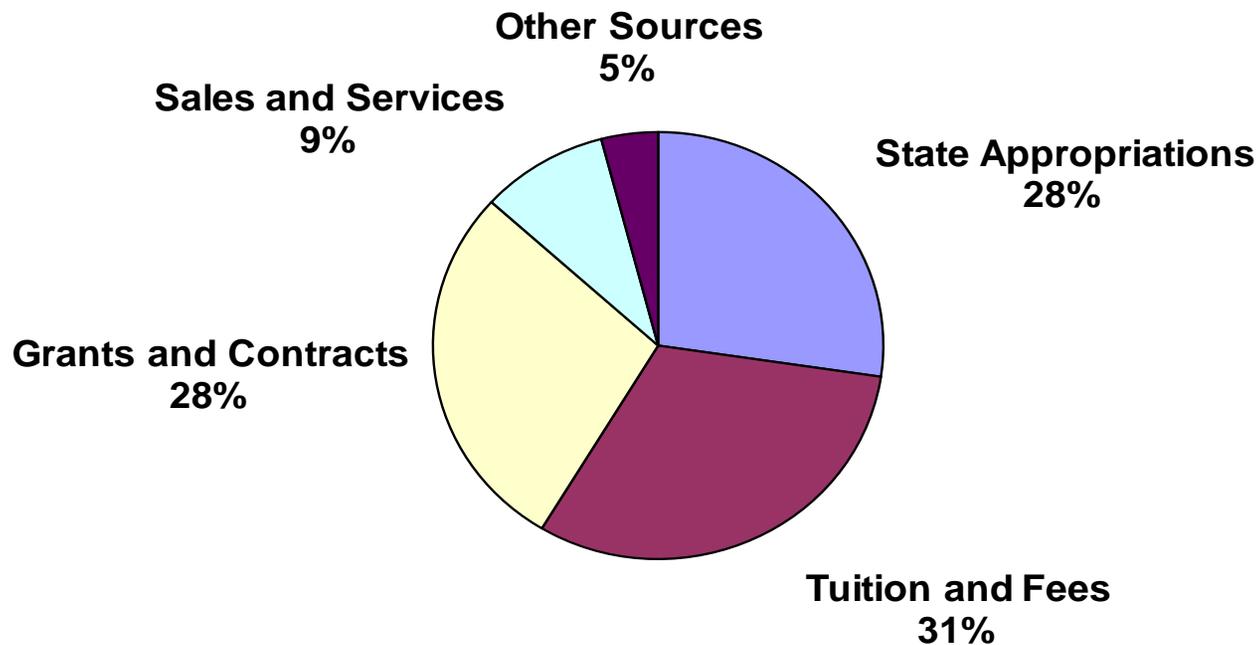


VCU

VCU is a complex business, with an involved mix of funding sources . . . In FY 2016, VCU is projected to collect slightly over \$1B



The fundamental state support /student tuition revenue mix has changed over the past decade – in FY 2005, state support made up 8% more of VCU’s revenues and student tuition comprised 10% less



Fund Sources

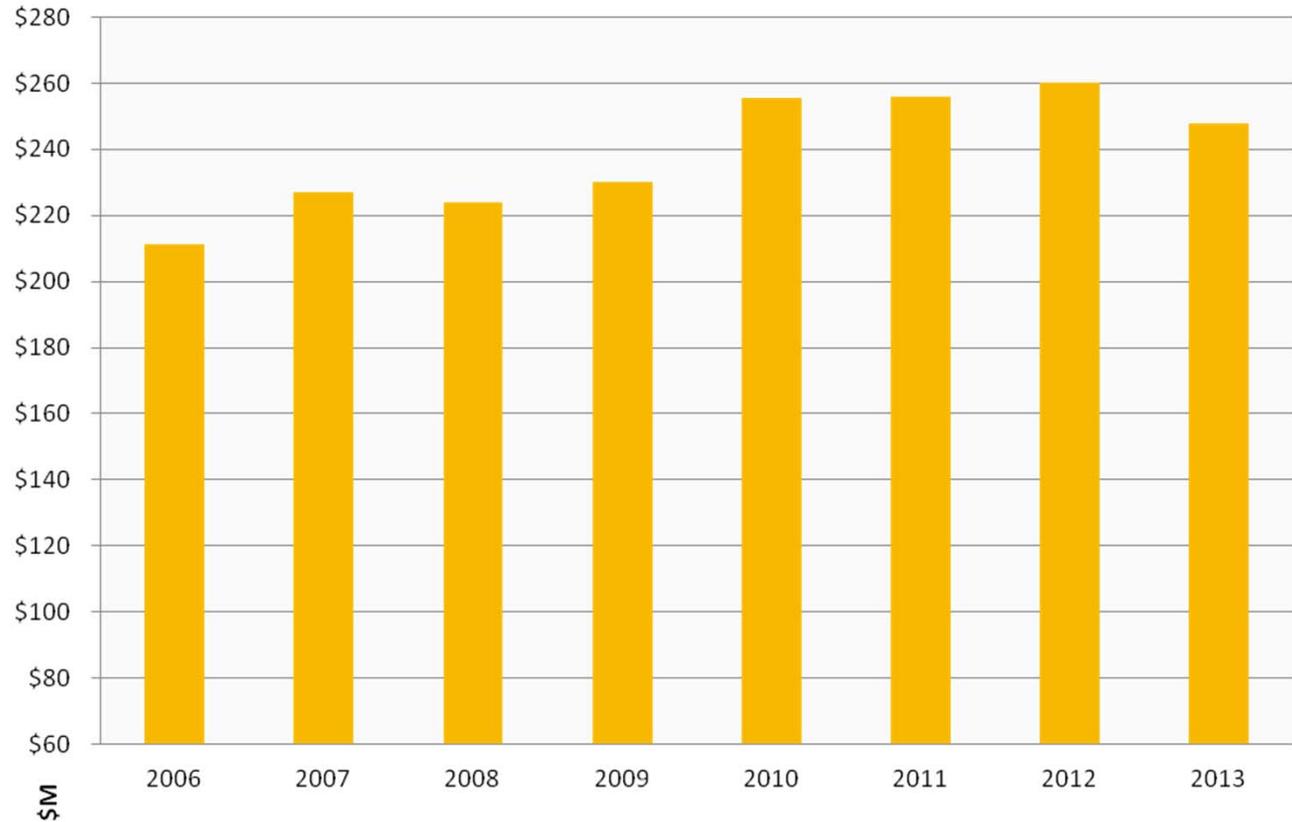
E&G - already discussed in Budget section

Sponsored Programs include research projects, training grants and similar activities funded by revenue received from governmental and private agencies.

- Sponsored programs are administered in accordance with the terms of the applicable grant or contract.
- These funds should be monitored on a project-to-date basis to ensure that you stay within budget.

VCU Sponsored Program Awards

FY	Spons. Progs.
2006	\$ 211,119,180
2007	\$ 227,153,887
2008	\$ 223,789,733
2009	\$ 230,232,223
2010	\$ 255,461,169
2011	\$ 255,927,083
2012	\$ 260,172,801
2013	\$ 247,956,748



Fiscal Year

FY13 Total: \$247,956,745

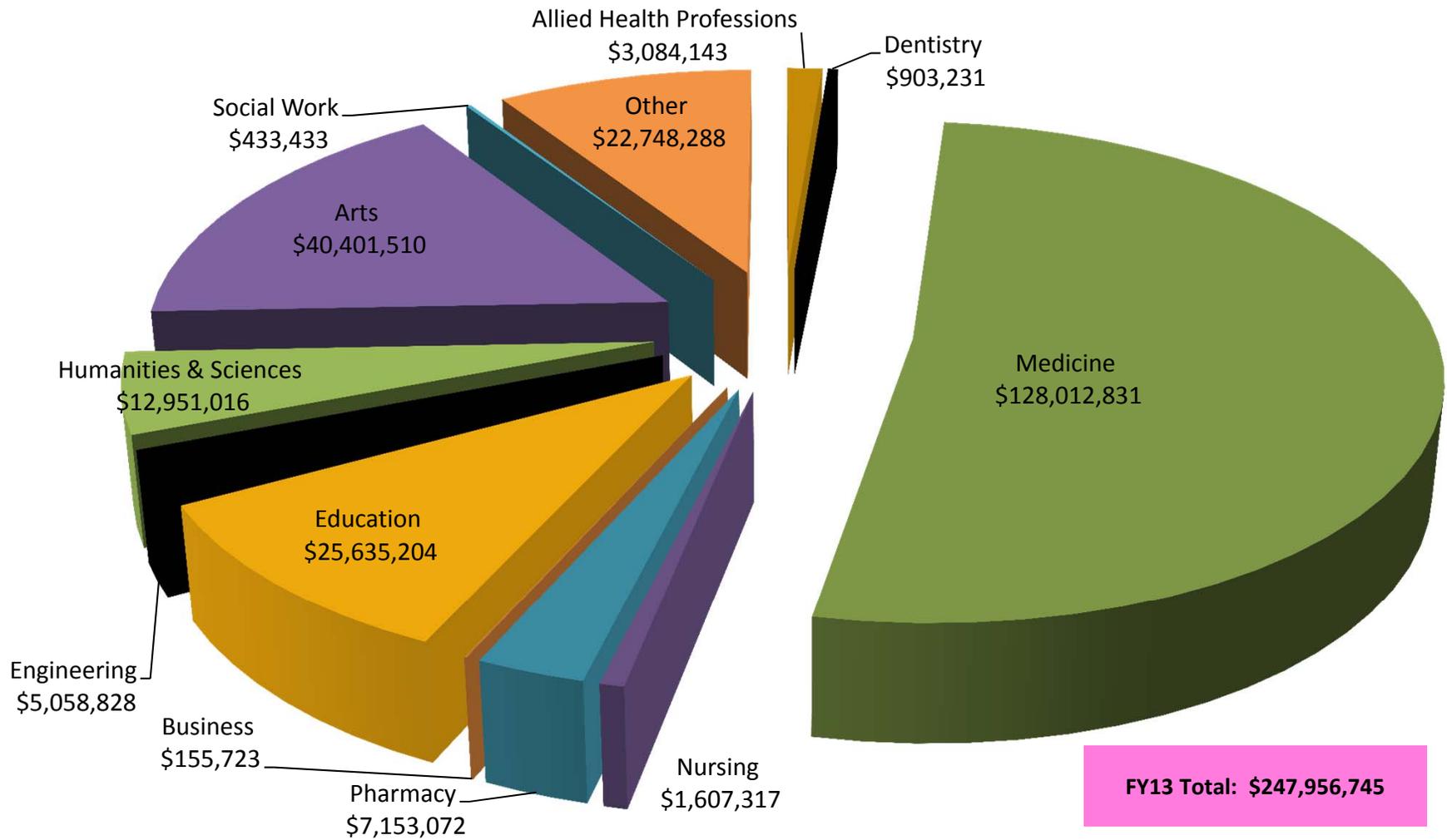


VCU

Make it real.

VIRGINIA COMMONWEALTH UNIVERSITY

FY13 Sponsored Programs Awards by School



VCU

VIRGINIA COMMONWEALTH UNIVERSITY

Make it real.

Facilities and Administrative Cost Recoveries (FACR Ledger 2)

- Dating back to shortly after World War II – when the federal government initiated a close partnership with universities in pursuit of the research enterprise– recognition was given to the infrastructure costs needed to support research
- These infrastructure costs became known as Facilities and Administrative (F&A) costs and were expressed in terms of a rate; that is the indirect costs of research divided by the direct costs of research
 - This F&A rate is applied to eligible direct costs and is the accepted sponsor method to reimburse universities for the indirect costs incurred with the research project

Facilities and Administrative Cost Recoveries (FACR Ledger 2)

- Revenues from this fund source are projected to be \$38.6M for FY16
- VCU's on-campus organized research F&A rate is 52.5% through FY 2015, and continues at this rate until a new agreement is negotiated
- FY14 is the base year for the next proposal cycle, which was submitted to the federal government earlier this week
- After the 30% that is transferred to E&G, these funds must be spent for debt service on any building or for conducting research

Auxiliaries (Ledger 3)

- Auxiliary enterprise units are run “like businesses”
- Revenues are derived directly from fees for services and from students for university-wide services
 - The fees charged for services are related, but not necessarily equal, to the cost of the services provided
 - In many cases, auxiliary units receive revenue from the University Fee

Student Financial Assistance

- For FY 2016, student financial assistance includes:
 - \$30.3 million from federal sources
 - \$25.1 million from state sources
- In addition to the state and federally funded amounts, in FY 2016 VCU will provide for:
 - \$4.6 million in athletic scholarships
 - \$5.9 million in scholarships, fellowships, and departmental awards

Fund Sources

University Funds can be restricted or unrestricted. Sources of funds are primarily gifts, investment income or endowment income

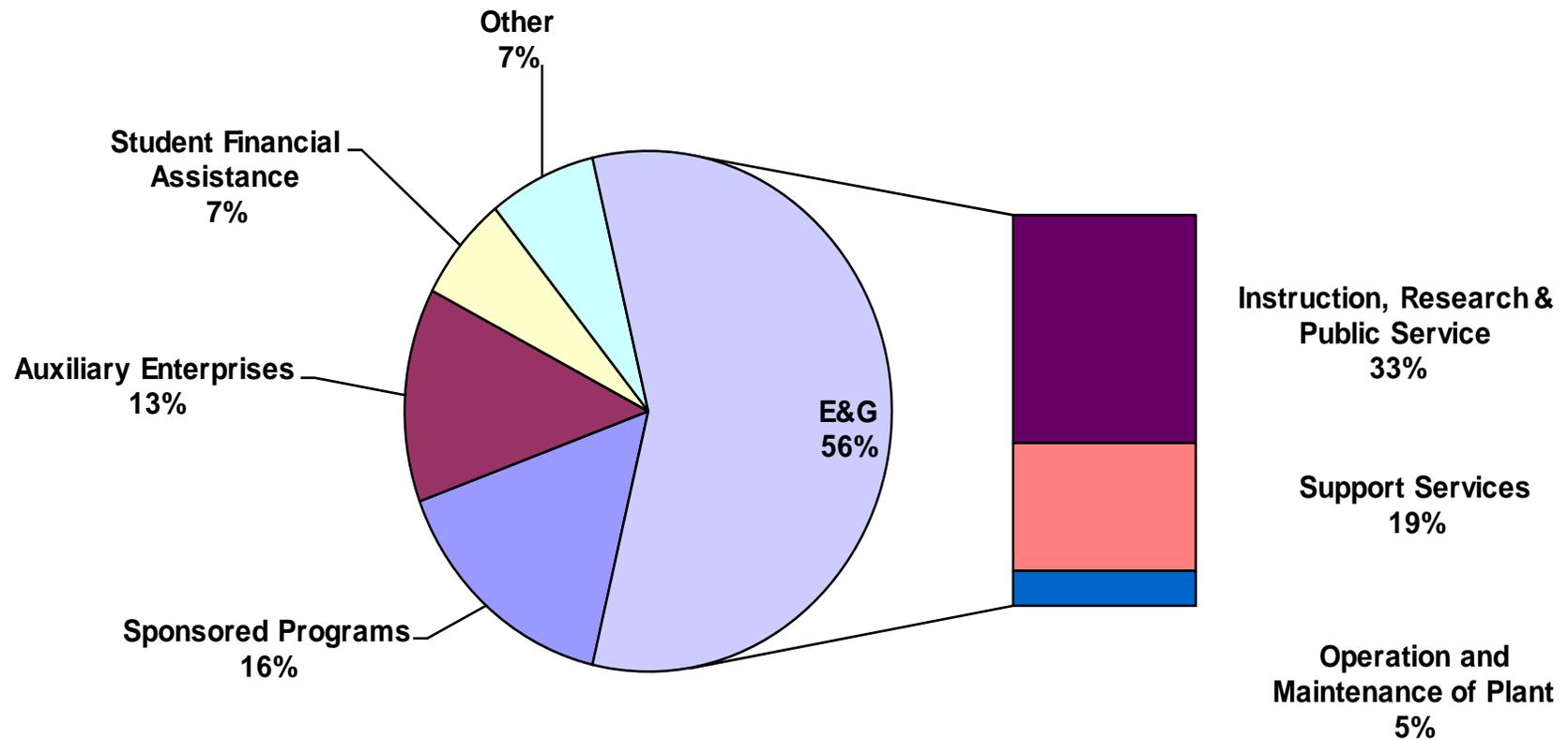
- Unrestricted funds are recorded in 4xxxxx ledger
 - No donor restriction has been placed on these funds
- Restricted funds are recorded in the 6xxxxx ledger. The donor has stipulated how the funds are to be used
 - It is the responsibility of the department chair to ensure that the funds are spent in accordance with donor's restrictions

Fund Sources

Hospital Services Hospital Services represents revenue for services provided by the University to the VCU Health System and related activities. Includes payment for clinical, educational and research services (CERSA) as well as administrative services (OSA). Revenues are budgeted at \$ 26.6M in FY16.

Agency Funds are not University funds. The University is merely the custodian of these funds. Any agency funds that contain student activity fees must follow State rules for allowable/unallowable expenses.

The use of funds is equally involved . . . VCU had a budget of \$984.8 million in FY15



Basic Use of Educational & General Funds (E&G)

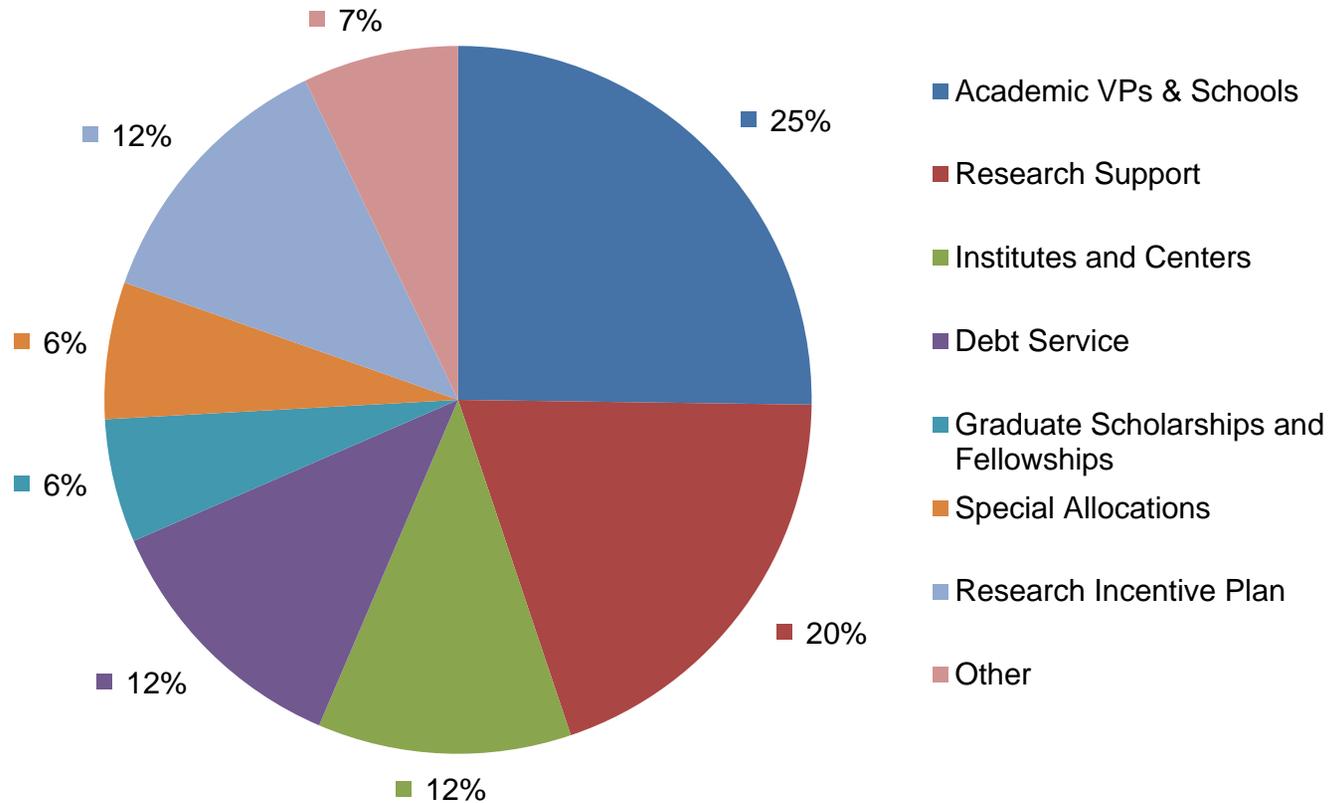
- Core instructional programs and related support services
 - Instruction
 - Academic Support
 - Operation & Maintenance of Plant
 - Research
 - Student Services
 - Public Service
 - Institutional Management
- Largely supported by student tuition and fees and state general funds

Basic Use of Sponsored Program Funds

- Funds are expended in two ways
 - Direct costs spent according to the terms of the grant/contract
 - Indirect costs (FACR) are expended through the E&G and FACR budgets
 - The Commonwealth has a requirement that a portion of an institution's total FACR be included in its E&G revenues to meet administrative costs
 - The E&G revenue budget assumes a 30% FACR amount of \$8,221,500
 - The remaining FACR (70%) is used for direct research support and is budgeted pursuant to the University Research Incentive Plan

Basic Use of FACR Funds

FY16 FACR Expenditures Budgeted at \$30.4M



Basic Use of Auxiliary Funds

- Services
 - Services provided to students, faculty and staff
- Reserves
 - The Commonwealth has guidelines requiring auxiliary units to set aside an amount from current year operations as reserves to be used to fund revenue shortfalls and special needs (primarily equipment replacement), facility repairs and renovations

Basic Use of Student Financial Assistance Funds

- Student financial assistance includes scholarships, grants and fellowships awarded to students without requiring work or service, and work-related programs
- In addition to the direct VCU, state, and federally funded amounts, in FY 2016 VCU will provide for:
 - \$31 million in tuition waivers, scholarships and wages for graduate teaching assistants; merit-based aid, need-based aid
 - 50 graduate fellowships

Basic Use of University Funds

- These are not considered “state” funds
- Use of these funds is not restricted in the same ways as state general funds, student tuition and fee revenues, sponsored programs and auxiliary revenues and allowable uses include:
 - Promotional items (e.g. mugs, key rings, portfolios, water bottles, t-shirts)
 - Alcohol (requires Dean designee approval)
 - Employee Functions/Recognitions
 - Flowers/Plants Sponsorships
 - Gifts

Basic Uses of Hospital Services Funds

- Payment is made for services provided to VCU HS outlined in the Clinical, Educational, and Research Services and Operating Services Agreements annually:
 - For the clinical, educational, and research services provided between the Health Sciences schools and the VCU HS

Basic Uses of Hospital Services Funds

- For a variety of administrative services provided by the University, (cont'd):
 - Parking
 - Telecommunications
 - Master Lease
 - Employee Health Services
 - Library Services
 - Mail Services
 - Communications/Public Relations
 - Assurance Services

Top 10 Do's

1. Require your fiscal staff to attend fiscal training offered by Procurement Services.
2. Know your delegated purchasing authority is \$10,000 and involve Procurement Services early in the process if you have questions or are unsure how to best procure something.
3. Plan ahead for fiscal year-end and HEETF procurements to ensure sufficient time for proper procurement, vendor product lead time, inspection/testing upon delivery, and invoice payment.
4. Understand that certain business activities involve higher risk (e.g. personal reimbursements, travel reimbursements, purchasing card, petty cash) and therefore require closer monitoring.
5. Understand that all procurements, travel reimbursements, personal reimbursements, and any other expenditures are subject to public inspection upon request.

Top 10 Do's

6. Know and apply the Richmond Times-Dispatch Front Page Test (RTD Test) on all expenditures.
7. Be familiar with the Allowable/Non-allowable Expenditures policy.
8. Recognize that fraud does occur and is most often found when a trusted employee is given too much autonomy with no oversight controls.
9. All travel and meal reimbursements must be for official university business purposes only.
10. Support diverse suppliers in procurement activities (SWaM = Small, Women-, and Minority-owned businesses).

Top 10 Don'ts

1. Sign vendor contracts.
2. Ignore or procrastinate when a vendor fails to perform.
3. Sign expenditure documents without fully understanding them and performing the appropriate level of review and due diligence.
4. Violate the provisions of the Ethics in Public Contracting in the Virginia Public Procurement Act.
5. Delay completing receiving reports in Banner when goods and services are received (Prompt Pay Management Standard).

Top 10 Don'ts

6. Expect Procurement Services to catch every questionable expenditure transaction before payment.
7. Think an employee's right to access/use the University's financial systems (eVA and Banner) cannot be suspended or revoked for improper use.
8. Expend Grant funds in a manner that doesn't comply with University expenditure policies and procedures.
9. Fail to review P-card transactions monthly to ensure appropriateness and compliance with procedures.
10. Presume all receipts are truly "original receipts" and all items have been properly received in the office.

Resources - Contacts

Budget Office	Jacob Long	828-1584
Controller's Office	Tricia Perkins	828-5474
Procurement Services	Brenda Mowen	828-3361
Research Administration	Sue Robb	828-6772
Effort Reporting	Mark Roberts	828-0033

Topical list of contacts:

<http://www.controller.vcu.edu/handbook/contact.html>

Resources – Web Sites

Budget

<http://www.budget.vcu.edu/>

Fiscal Handbook

<http://www.controller.vcu.edu/handbook/index.html>

Procurement Services

<http://www.vcu.edu/procurement/>

Allowable/Nonallowable Expenditure Policy

http://www.vcu.edu/procurement/purchasing/pdf_docs/Chap_6a.pdf#page=2

Grants & Contracts Accounting

<http://www.controller.vcu.edu/grants/grants.htm>

Effort Reporting

<http://www.controller.vcu.edu/grants/effort.htm>

Purchase Card Monitoring Report

my VCU from the VCU home page, VCU Reporting Center, Finance Folder

Resources – Web Sites

Office of Sponsored Programs

<http://www.research.vcu.edu/osp/>

Sponsored Project Roles & Responsibilities Matrix

http://www.research.vcu.edu/osp/roles_responsibilities.htm

OM Circular A-21

http://www.whitehouse.gov/omb/circulars_a021_2004

OMB Circular A-110

http://www.whitehouse.gov/omb/circulars_a110

OMB Circular A-

133 <http://www.whitehouse.gov/sites/default/files/omb/circulars/a133/a133.pdf>