



**POLICIES**

Effective Date: July 1, 2003

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Revised: July 1, 2015

Approved by: James E. K. Hildreth, Ph.D., M.D.  
President and Chief Executive Officer

Subject: Division of Finance - Policy on Budget Process

**PURPOSE:**

The purpose of this policy is to outline the process to plan, prepare, adopt, execute, monitor and maintain the College's annual operating budget.

**POLICY STATEMENT:**

It is the policy of the Board of Trustees to approve the College's operating budget plans annually. The operating budget includes all revenue and expenditure projections. The budget is prepared by NACUBO defined functional categories. The budgeting process consists of four stages: planning, preparing and adopting, executing, and monitoring.

The Senior Vice President of Finance with the assistance of the Director of Financial Planning, Budget and Analysis is responsible for coordinating the development and preparation of the initial budget document. Each Department Head is responsible for creating and submitting his/her departmental budget to the Division Head. The Division Head is responsible for submitting the budget to the Budget Committee after validation by the Senior Vice President for Finance. Upon recommendation by the Budget Committee, the Senior Vice President for Finance will present the budget to the President for discussion and validation. The Senior Vice President will submit the Proposed Institutional Budget, through the President, to the Finance Committee of the Board of Trustees, and then the entire Board of Trustees for adoption.

**DEFINITIONS:**

**Budget** – A budget is a comprehensive financial operating plan that contains estimated revenues and expenditures for the fiscal year. The budget helps to ensure that the College does not obligate itself beyond resources available during a given period.



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### **PROCEDURE:**

The plans of an institution are translated in an itemized, authorized, and systematic plan of operation through the Institutional Budgeting process. Budgets are the blueprints for the orderly execution of program plans expressed in dollars; they serve as control mechanisms to match anticipated and actual revenues and expenditures.

There are two types of budgets: 1) the operating budget which is a financial plan of current operations that encompasses both estimated revenues and estimated expenditures for a specified period and 2) the capital budget which outlines expenditures for new construction, major repairs or renovations, and major items of equipment.

These procedures will address only Meharry Medical College's operating budget.

#### **Budget Committee**

The Institutional Budget Committee is charged with the responsibility of recommending a College Budget to the President based on the College's estimated revenues. The guiding force of the budget is estimated revenues. Therefore, total estimated revenues should be determined first, and total budgeted expenditures should not at any time exceed total estimated revenues. In other words, the budget should be balanced at each stage of development.

The estimated revenues will be determined by the divisions where revenue is recorded, which are the Executive Vice President, School of Medicine, School of Dentistry, School of Graduate Studies, and Finance. These revenues will be reported to the Budget Committee through the Senior Vice President for Finance after validated by Financial Planning.

In addition to recommending a College Budget to the President, other responsibilities of the Budget Committee include:

- A. Review and approve major policy recommendations that affect the comprehensive College Budget.
- B. Identify guidelines and indicate the institution's position on such items as salary and wage increases, tuition rates, levels of support for various types of student aid, improvement in certain programs, implementation of new programs and reduction or elimination of certain programs.
- C. Review rates for interdepartmental charges (i.e., standard, Essex lines, telephones, pagers, printing and duplicating).
- D. Review all institutional budget priorities.
- E. Recommend budget allocations to the respective schools and divisions.

**Subject: Policy on Budget Process****Budget Committee Membership***Voting Members*

1. Senior Vice President, Finance (Chair)
2. Executive Vice-President
3. Dean of each School (Medicine, Dentistry, Graduate Studies)
4. Senior Vice-President, General Counsel
5. Senior Vice President, Advancement
6. President (ex-officio)

*Non-Voting Members (Observers)*

7. Assistant Dean, Finance and Business (SOM)
8. Associate Dean, Finance and Business (SOD)
9. Associate Dean, Finance and Business (SOGS)
10. Faculty Senate Chair
11. Associate Vice President, Administration
12. Associate Vice President, Human Resources
13. Administrator, Grants and Contracts
14. Executive Director, Meharry Medical Group
15. Administrator, Elam Mental Health Center
16. Vice President, Information Technology
17. Associate Vice President, Finance
18. Director, Financial Planning and Analysis

The charge and membership of this Budget Committee is taken from the view that most of the budget decisions will be made within School/Divisions which are the responsibilities of the Vice Presidents and/or Deans. Non-voting members are only observers to the voting members of the Budget Committee and are on the committee to provide input as deemed necessary.

**Overview of the Budgeting Process**

Budgeting is an integral part of managing Meharry Medical College (MMC) and is concerned with meeting organizational goals and objectives. The budget is designed and prepared to direct the efficient and prudent use of college's financial

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and human resources. The budget is management's commitment to a plan for present and future organizational activities to ensure financial stability. It provides an opportunity to examine the composition and viability of the college's programs and activities simultaneously in light of available resources.

### **Budget Administration**

Within the Office of Financial Planning, Budget and Analysis is the unit called Budget Administration which is responsible for:

- Developing the budget development process
- Coordinating the college's operating budget
- Monitoring and assisting in controlling the budget
- Performing and disseminating analysis and providing informational resources
- Responding to internal and external requests for information and advising administrative offices in interpreting and developing responses to data requests.
- These functions are performed with oversight from the Senior Vice President for Finance

The Office of the Controller and the Office of Budget Administration engages in monitoring of the budget through system capabilities. Any irregularities or material variances to the budget are noted and appropriate individuals are informed, and corrective action is taken with the approval of the Senior Vice President for Finance.

### **Developing the Budget**

It is the policy of MMC to prepare an annual budget. The budget initialization process must be completed before the development of revenue and expenditure estimates is initiated (requesting types of reports, and all accounts to be used).

The Office of Budget Administration meets with the staff in Information Technology, Grants and Contracts, and Accounting to discuss the type(s) of reports that will be standard for the division's to prepare detail budgets, as well as system access to inquire/enter data into the budget.

Information Technology will create the next year roll for position budget.

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Budget Administration downloads historical and year to date actual data into working document to be included in budget development packets and distributed to each Division Head and/or budget designee. The budget packets contain information about the budgeting process, the standard request forms to use, and budget guidelines to employ.

### **Preparation and Adoption**

Budget Administration gathers proposed budget information from all divisional fiscal budget designees and prepares the first draft of the budget. Budgets proposed and submitted by each division should be accompanied by the defined worksheets explaining all material fluctuations in budgeted amounts from prior years.

### **Estimating Revenues**

Revenue estimates must be made annually and based on objective standards or sources.

The annual operating budget should provide for contingencies.

### **Estimating Expenditures**

All budget requests made by division heads must be fully documented and justified, and adhere to the budget guidelines.

Each division prepares an expenditure draft budget for each department and/or unit by **Fund**, **Organization**, **Account**, and **Program Number (FOAPAL)**.

Budget designees must review all worksheets/spreadsheets to ensure all information required for budget development was received.

Divisions are responsible for entering the expenditure draft budgets into the Banner system.

Divisions are responsible for final review and approval of divisional final draft before submission to the Budget Committee.

The Division Heads must comply with the directives and expenditure request proposals of the Senior Vice President for Finance/Budget Advisory Committee.

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### **Budget Hearings**

The Senior Vice President for Finance directs the Office of Budget Administration to notify each division in writing as to the date, time, and place of the budget hearings.

After appropriate revisions and a compilation of all department budgets, a draft of the college-wide budget, as well as individual departmental budgets, is presented to the Senior Vice President for Finance for discussion and revision, before submission to the Budget Advisory Committee for initial approval. The final draft is then submitted to the Finance Committee of the Board of Trustees, and finally to the entire Board of Trustees for adoption.

The Budget Advisory Committee is responsible for evaluating each division's budget and makes any recommendations necessary to ensure that budgeted revenues equal budgeted expenditures and that all expenditures made are the type and amount to further the College's mission and Strategic Plan

As scheduled, the Division Heads appear before the Budget Committee to support the budget request.

Division heads must submit the supporting documentation to the Office of Budget Administration prior to presentation to the Budget Committee to ensure that budgeted revenues equal budgeted expenditures and that all expenditures made are the type and amount to further the College's stated mission and operating plans.

Each division must revise the draft budget as recommended by the Budget Committee. The division must communicate Budget Committee recommendations to the departments to ensure complete recognition of changes. All budget appeals must be conducted by the Senior Vice President for Finance. Once changes have been made and communicated to all concern, the Office of Budget Administration will package the proposed budget, inclusive of financial analyses, for the Senior Vice President for Finance's meeting with the President.

It is the policy of MMC to adopt a final budget about 45 days before the beginning of the college's fiscal year. The purpose of adopting a final budget at this time is to allow adequate time to roll the budget into the new year and establish appropriate accounting and reporting procedures (including any necessary



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modifications to the chart of accounts) to ensure proper classification of activities and comparison of budget versus actual once the year begins.

**Monitoring Performance**

It is the policy of MMC to monitor its financial performance by comparing and analyzing actual results with budgeted results. This function shall be accomplished in conjunction with the monthly financial reporting process.

On a monthly basis, financial reports comparing actual year-to-date revenues and expenses with budgeted year-to-date amounts shall be produced by Information Technology and distributed to each department head and staff with budgetary responsibilities. Also, financial operating reports summarizing divisions are distributed to Executive Management and the full Board of Trustees.

**Revisions and Adjustments to Draft Budget**

The President approves the final draft Budget document each year.

Only revisions approved by the President are entered into the budget development system after the appeals process.

Division Heads may appeal their preliminary budget to the Senior Vice President for Finance

The Office of Budget Administration prints ad hoc reports as deemed necessary by the President.

Budget Administration enters all budget changes approved by the President into the budget development system via budget adjustment forms.

**Approval and Ratification of Budget By Board of Trustees**

Budget Administration prepares the final institutional budget to be sent to the Board of Trustees. The proposed draft budget is presented to the Finance Committee, and the Executive Committee of the Board of Trustees for ratification.

The Corporate Secretary mails the proposed budget to the Board of Trustees. The President presents the proposed budget to the Finance Committee and the

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Executive Committee of the Board of Trustees for approval. The Board of Trustees ratifies the budget at the Board meeting. The approved budget is moved into production after ratification. The approved budget is used as the source document for entry into production of Banner Finance. The Senior Vice President for Finance/President sends out the notification to the campus that the budget has been ratified by the Board of Trustees.

### **Budget Modification**

After the budget has been approved by the Board of Trustees and adopted by the College, reclassification of budgeted expense amounts within a single department may be made by the department head, with approval from Budget Administration. Reclassifications of budgeted expense amounts across Fund, Orgs, Accounts, Programs, Activities and Locations (FOAPALs) may be made only with approval of the Senior Vice President of Finance. Also, reclassification and any budget modification resulting in an increase in budgeted expenses or decrease in budgeted revenues can be made only with approval of the Senior Vice President of Finance.

### **Execution and Maintenance of Budget**

- Budget Administration verifies that the budget data is rolled into production.
- Budget Administration reconciles the production data with the budget roll.
- All revisions to the approved college budget concerning unrestricted expenditures must be processed on the Budget Transfer form or the Budget Adjustment form.
- Budget revisions for unrestricted funds may be submitted as needed during the year.
- Personnel budgets can only be moved to other personnel positions or to Contractual, and vice versa. Budget Transfer forms or a Budget Adjustment form may be retrieved online
- Budget revision initiator obtains the appropriate approvals.
- Budget Administration enters budget changes into the Human Resources and/or Finance system.
- The Controller's Office enters the labor distribution change for all personnel.



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**Monitoring of Actual Revenues and Expenditures to Budget**

Each month the Banner system produces financial reports that can be reported by function or by FOAPAL. The reports are available to the campus by the 8<sup>th</sup> business day of the following month and are distributed electronically to appropriate users, i.e., the President, Deans, Associate Deans, Senior Vice Presidents, Associate Vice Presidents, Department Heads and Fiscal Officers. The Office of the Controller is responsible for this function.

The financial reports show actual revenues and expenditures as compared to budget and the variance. Any material variances are investigated by the Senior Vice President for Finance, Controller, Assistant Controller and the Director of Financial Planning, Budget and Analysis. Appropriate department heads are notified of significant changes to budget and appropriate action is taken.

The financial reports are reviewed on a monthly and quarterly basis by the Senior Vice President of Finance, the Controller, the Assistant Controller, and the Director of Financial Planning, Budget and Analysis and any necessary changes are made prior to dissemination of these financial reports to the Board of Trustees or external parties. The President and the Board of Trustees are notified of any unforeseen changes or circumstances related to the financial status of the college on a routine basis by the Senior Vice President for Finance. Any reports prepared for external users are reviewed and approved by the Senior Vice President of Finance. (See Financial Reporting Policy).

**REFERENCES:**

Financial Reporting Policy