

FISCAL ACCOUNTABILITY—REGULATIONS

Board of Governors for Higher Education
State of Rhode Island

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INTRODUCTION

The budget is the foundation of any system of financial control. It is a means by which an institution can relate total demands to available resources and provide a basis for control over monies received and expenditures made during the year.

If proper evaluation is to be made of the competing demands for available resources, adequate time must be devoted to budget preparation and review. Proper support documentation must be available and analyzed, and officials must state the reasons for their requested funds. Otherwise, there can be no assurance that the budget's true message regarding needs and priorities will be understood by those responsible for overall allocation of available resources.

The following addresses the timely submission of budget requests to the Board of Governors, the format of these requests, as well as the necessary documents for budget modifications, financial reporting and personnel reporting.

BUDGET SCHEDULING

The requirements for budget submission by the institutions shall be communicated by the Commissioner's Office through a combination of written and verbal explanations.

In order to permit more complete submission of budget information and to strengthen the articulation of resource needs from the institutions to the Commissioner, the Commissioner's Office shall establish and monitor an annual budget submission calendar. The calendar will contain the major tasks and target dates for budget submission, review, and delivery of the budget to the Board of Governors.

BUDGET REQUEST

The request shall be prepared by each institution and submitted to the Commissioner's Office in accord with the dates provided in the budget submission calendar and submitted on formats as prescribed by the Commissioner.

The Commissioner's Office also requests additional information and descriptive data for at least the following in accordance with procedures established by the Commissioner.

- Major additions, deletions and adjustments to instructional departments, degree programs, or operating units ("Major" to be determined by the institution).
- Requests for new positions.

- Significant increases in either revenues or expenditures.
- Capital items will be identified pursuant to procedures specified by the Commissioner.

The Commissioner may schedule a separate meeting with the President and staff of each institution to review the content and considerations used in formulating and developing the budget.

BUDGET REVIEW

The components of this budget review will be set by the Commissioner similar in format to the initial budget request.

Narrative explanations and supporting schedules shall accompany the reports in similar detail and format as explained previously for submission of the initial budget request.

The Commissioner may schedule a separate meeting with the President and staff of each institution to review any significant variances from the original budget request.

As part of its annual budget review process for unrestricted funds, the Board shall approve specific amounts in each postsecondary budget for personnel costs, utilities, out-of-state travel, repairs, capital and scholarships as well as the overall total budget.

Upon the approval of the budgets, the institutions shall complete the “work program” forms for the fiscal year as required by the State Budget Office.

The Commissioner will develop the formats for reporting modifications that require the approval of the Board of Governors.

In those cases where Board approval is not necessary, the Commissioner and Board shall still be made aware of any changes through the report formats developed by the Commissioner.

BUDGET MODIFICATIONS

Since the institutions’ budgets are approved prior to the beginning of the fiscal year, they are not exact in every detail. During the operating year, the institutions are faced with changes in need and resources. Because of uncertainties, the budget process must be sufficiently flexible and responsible to permit necessary changes during the year. At the same time, the Board of Governors must be assured that changes from approved institutional budgets are not the result of mere expediencies and are still in accord with planned results. To meet both the Board’s requirements for fiscal accountability and to provide the institutions with the necessary flexibility to manage their programs and resources, budget modification guidelines and procedures are described herein.

1. A budget modification is required for any change in the budget allocation made by the Board of Governors that takes place as a result of (a) transfers among sub-division or (b) an increase (or decrease) in the expenditures (or revenues).
2. Modifications or transfers for Research and Sponsored Programs and Student Aid will be reported to the Board of Governors by reflecting the change in the monthly financial statement.

Actual expenditures (year-to-date) together with estimated year-end expenditures shall be provided for all line items in the unrestricted budget as part of the mid-year review.

A. Transfers

1. The Board of Governors shall have prior approval over all budget adjustments resulting from transfers among major sub-divisions. These categories follow the guidelines as set forth by NACUBO.

Major sub-divisions shall be construed to mean the following:

MAJOR SUB-DIVISIONS

- a. Education and General
 - b. Student Aid
 - c. Auxiliary Enterprises
2. Fund transfers that require reporting to the Board of Governors are modifications of transfers made within a major sub-division. They shall be reported to the Board of Governors by reflecting the change in the monthly financial statements presented for informational purposes. These transfers do not require Board approval.

B. Increases and Decreases

1. The Board of Governors shall approve all major (as defined by the institution) changes requiring budget modifications increasing or decreasing the unrestricted and restricted (other than Research and Sponsored Programs and Student Aid) revenues and expenses.

A budget modification request shall be submitted when major changes are recognized.

2. Any expenditure over \$100,000 for any one capital item not in a program funded from unrestricted funds must be forwarded to the Board of Governors for information and approval prior to expenditure of the funds.
3. The Board of Governors shall have approval over the addition or deletion of any instructional department, degree program, operating unit, and also any major research programs that could have a commitment of state funds in either the current fiscal year or subsequent years. To effect such a change is clearly an exercise of the policy-making responsibility of the Board. Since such changes should be anticipated in the regular course of budget preparation, they should not be permitted during the budget year without Board approval.

4. Budget Modification Reporting Process

To aid the Board and the institutions in implementing these budget modification procedures, a standardized form and procedure is utilized by the Commissioner's Office to process those modifications requiring Board approval.

FINANCIAL REPORTING

A. Financial Statements

In order to provide timely information for evaluating fiscal performance, quarterly reports of revenues and expenditures shall be made by each institution to the Commissioner's Office.

1. Structure of Reports

The quarterly financial reports shall be in a format consistent with the institutions' approved budgets and provide data which compares planned to actual activity.

2. Analysis of Financial Data

The recommended financial reports described above provide the Board and Commissioner with timely and complete financial data. The Commissioner shall analyze their reports and bring the findings to the Board of Governors as appropriate.

B. The Annual Audit

The Board and the Commissioner shall maintain fiscal responsibility in accordance with chapters 16-59-4 (4) and 16-59-6 (6) for the use of public funds through the annual audit. Each year an independent certified public accountant shall conduct an audit of each institution's financial statements.