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Finance minutes 10/18/2012

Finance Committee

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UMM Finance Committee Minutes

10.18.2012

Members Present: Brad Deane, Michael Korth, Dennis Stewart, Bryce Blankenfeld, Sara Haugen, Pieranna Garavaso, Mary Zosel, Timna Wyckoff, Laura Thielke, Reed Olmscheid, Lowell Rasmussen, Gwen Rudney, Tara Winchester

Members Absent:

Guests: Colleen Miller, Amanda Krosch-Note Taker

Approval of the 10/4/2012 minutes- minutes approved unanimously

Michael: We'll continue the discussion of carry forward funds.

Colleen: Reminder that the numbers on last meeting's handout are still preliminary; FY12 is still open because the external auditors are still reviewing University financials. The hand out was as of Period 913; and in Period 914 Accounting Services was cleaning up from PeopleSoft FY08 conversion, so there have been changes and will need to wait until FY12 is closed before reviewing final balances.

If Department projects a carry forward they can write a rationale to keep the funds. And if the funds are not asked to be kept, then the funds are subject to being moved to contingency.

Brad: I was reading the past minutes and what are "obligated funds" exactly? And how are they different from requested carry forwards?

Colleen: Terms change and "obligated funds" may have meant that the money was already committed but the payment won't be made until the next fiscal year, (e.g., PO sent but not been paid.)

How do we get funds back that have been moved to the contingency account?

Response: Any exception requests must be approved by the Chancellor.

Colleen: Currently still working on figuring the final number that can be put into contingency.

Michael: So can we say movement of funds to contingency currently is voluntary?

Sara: I don't think that has happened in the past.

Gwen: I know there was a year when everyone had to give 10% or something from their carry forward.

Lowell: there was a proposal where when there was a University deficit excess carry forward funds would be transferred from all over campus.

Colleen: if there's been a request to keep a portion of a carry forward and there is more carry forward at year end than that which was requested, the additional funds will be considered available for transfer into the contingency; this is only for carry forwards in fund 1000.

Sara: one recommendation that this committee made was that there would be a 60/40 split so that only a portion of the carry forward would be put into the contingency account.

Response: it was a recommendation but it was not implemented.

Sara: Are we notified before the transfer is taken?

Colleen: No, Budget Managers know what carry forward was requested to be retained. Actual carry forward is available on UMReports.

Sara: I would recommend that departments would get notification when the transfers happen; to be made aware.

Gwen: We know what we said we wanted to keep from our carry forwards and we know what's in there and there is a lag from when we submitted supplemental budget information.

Colleen: The carry forward in UMReports is the top number, and departments know what they requested; the difference between what is in the UMReports and what is requested to stay is the difference that will be leaving (may be in the middle of the year because that is when the numbers are considered final, after Period 915 closes.)

Also, the first transfer into the contingency account in FY11 was made when not everyone was here on campus because not everyone is here year round.

Michael: Is there concern about the quality of rationales and whether they need to be assessed?

Brad: But that would be a problem, someone would have to be appointed to assess that.

Pieranna: We are coming from a history of carry forward anxiety; there hasn't been clarity on how or when the transfers would be made. I understand much more since joining this committee. Is there a way that it could be communicated with this same clarity across campus and the process could be less anxious for those involved?

Michael: In an email message or the budget instructions?

Pieranna: Perhaps a visit to the division meetings to explain because I want it to get to the faculty as well.

Lowell: Maybe we should have this Committee look at the budget instructions and give us direction or pointers on what needs more clarification if something is confusing.

Colleen: I would request not to have it in the instructions because every year there are changes. The instructions are already 3 pages long and they are not always being read.

Dennis: Basically you tell those budgeting that carry forwards can be scooped if not requested, and it can take 6 months to be transferred out. But they have the carry forward before the transfer, so can it still be spent?

Response: If you spend against carry forward funds that are going to be scooped, you will be creating a deficit in the account at the end of the fiscal year.

Colleen: Any requests for return of carry forwards need to be approved by the Chancellor.

Michael: Each unit submits a budget in April that includes planned expenses and that's what should be used as a guideline for spending. When a department spends more than they budgeted, they are going to end up in deficit.

Colleen: Periods 913, 914, and 915, span from July to October. Carry forward balances can be updated/changed by the Central administration and change multiple times during those Periods. This means the scooping cannot happen faster.

note From 11.1.2012's meeting Lowell wanted to point out that UMM does have the ability to scoop before Period 915 is closed, however, since the numbers are not final, it may create deficits/more work and it not recommended. *end of note*

Pieranna: Again, I think clarifying that the carry forward available is what you have asked for in the supplemental budget information, NOT the number on UMReports. It is not money in the pocket.

Michael: To help with clarity, maybe Colleen and I and anyone else who wants to, will work up a simple description of the carry forward?

Pieranna: And email it to the Division Chairs so they can distribute the information from there.

Sara: Does everybody know that scooping is part of every year?

Lowell: Yes, it is part of the budget instructions.

Gwen: Are people not giving "good" rationale, is that the problem?

Colleen: An example for keeping carry forward is: "We need to keep \$500 in our department for next year's supplies." That's what the current budget is for.

Brad: What would be the goal of the assessor: to look at the rationale provided by departments for keeping the carry forwards? To define the areas that are not permissible for keeping a carry forward?

Colleen: The financial people that are already working with transactions answer the 5 W's when making a journal entry, which should be applied to the request for keeping carry forward. I don't think you need a new person, and who's going to have that knowledge?

Gwen: I think asking for the carry forward and not using it is the problem.

Michael: We are not looking at this because it's a problem; we're looking at it as a governance committee and asking if this is the best way to handle carry forwards etc.

Timna: I can't see what the problem is by looking at the handout from last meeting.

Colleen: We look at what we can't use (in the fund 1000 dollars), what has been asked to be kept, (which is on the Supplemental Budget Worksheets), and then moving funds into the contingency funds. We look at raw data, exclude obligated/committed funds and make a recommendation for transfer to contingency account.

Dennis: I think the question should be asked "why people are giving a poor justification" and I think the reason is that they don't want to give up the money.

Michael: If people could see that the (Campus) central pool is used to benefit the campus, they may start to feel better about giving the "left over" money to the central pool and that might reduce the concerns over the issue.

Gwen: There is a trust issue with the contingency fund. If I knew in four years that I could get the money back when I need it for a big event, I'd have no problems giving it over.

Michael: (Shifting topics) I've asked Colleen to talk about the history of the contingency account.

Sara: Is there one or two contingency accounts?

Colleen: There is only one contingency account

Lowell: We made a verbal agreement with Fitz for an, investment and contingency reserve, but we haven't set up a process to do that yet. Right now both are reserve within the same account.

Sara: CRPC recommended keeping \$500,000 for an initiative fund.

Lowell: It is difficult to set hard numbers because of the fluctuations and needs vary.

Colleen's handouts:

"UMM Contingency Reserve"

Shows the balance as of October 18, 2012.

FY12 took \$200,000 to balance the budget and in FY13 it took \$389,000 to balance the budget.

Michael: We are out of time but there are questions to pursue on this topic. One of those questions is, "was money really transferred to make the budget balance?"

Meeting Adjourned.

Next meeting will be 8AM, November 1, 2012 in the Moccasin Flower Room.