What is Expenditure Control?

Expenditure Control is a comprehensive approach to promoting sound fiscal management by addressing the problem of deficit spending. Deficit spending occurs when expenditures exceed available resources. Whether the result of actual or encumbered expenses, deficit spending strains organizational unit functionality and puts university operations at risk.

When will Expenditure Control take effect?

In order to provide the best possible support across the University, Expenditure Control is being implemented in phases by fund type:

<table>
<thead>
<tr>
<th>Fund</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>26 (Auxiliary Fund), 72, 78 (Renewal/Replacement Fund), 80 (Agency Fund)</td>
<td>January 8, 2007</td>
</tr>
<tr>
<td>10 (General Fund) and 34 (Gift Fund)</td>
<td>October 8, 2007</td>
</tr>
<tr>
<td>2x (Auxiliary Fund) and Self-Funded Funds (except Fund 26)</td>
<td>October 2008</td>
</tr>
<tr>
<td>Remaining Funds other than Funds 30 and 31</td>
<td>October 2009</td>
</tr>
<tr>
<td>30 and 31 (Sponsored Project Funds)</td>
<td>October 2010</td>
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How is Expenditure Control being implemented?

Each SpeedType in a controlled fund is assigned two Expenditure Control attributes: the Expenditure Control Rule and the Available Resource Basis.

- The **Expenditure Control Rule (ECR)** tells the Finance System how and at what level to aggregate expenses.
  - PA ⇒ Control at the Program level, All Expenses
  - DAB ⇒ Control at the Org level, All Expenses by Budget
  - DAN ⇒ Control at the Org level, All Expenses by Net Assets

- The **Available Resource Basis (ARB)** identifies the basis that will be used (Budget or Net Assets) by the Finance System to determine the resources available for spending.
  - BL ⇒ Budget: Sum of all four budget ledgers
  - NA ⇒ Net Assets: Prior Year Ending Net Assets + Current Year Revenues – Current Year Expenses

The normal business practice for your organizational unit always should be to "live within your means." As explained in the Administrative Policy Statement Fiscal Roles and Responsibilities, expenditures should only be initiated when adequate resources are available. There are a number of Finance System applications and Reporting System reports to make this easier to accomplish.

- **SpeedType Inquiry**, in the Finance System, indicates the ECR and ARB for a SpeedType and also shows who is assigned to each fiscal role on the SpeedType. For a Gift Fund SpeedType that is linked to an account at the CU Foundation (CUF), the balance at the CUF is also provided.
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- **Resource Inquiry**, in the Finance System, indicates the ARB and also provides the available resource amount. This amount is calculated by netting the Budget/Net Assets (as indicated by the ARB) against the expenses and encumbrances. In addition, the Resource Inquiry page shows if there have been any transaction failures or exception warnings.
  - If the ECR is **PA**, the information displayed on the Resource Inquiry page pertains to a specific SpeedType.
  - If the ECR is **DAB/DAN**, the information displayed on the Resource Inquiry page pertains to all SpeedTypes (in the controlled fund) that are associated with the particular org and that are also designated as being controlled at the org level.

Refer to the Step-by-Step Guide **Resource Inquiry** for further information.


- **Expenditure Control Attribute Inquiry** in the Finance System shows the current ECR and ARB, the cutoff date for making changes to the ECR and ARB for the next Fiscal Year, and what the ECR and ARB are slated to be in the upcoming year. Refer to the Step-by-Step Guide **Expenditure Control Attribute Inquiry** for further information.

- **Revenue and Expense Statement Summary report** is burst through the portal to those with fiscal roles on the respective SpeedType. It can also be run directly in the Reporting System by anyone with Finance System access. The report shows the Amount Available - or “bottom line” - for the respective SpeedType. Refer to the following Step-by-Step Guides for further information:
  - **How to Read...The Revenue and Expense Statement Summary Report** for specifics on the information the report provides;
  - **How to Run...The Revenue and Expense Statement Summary Report** for details on running the report directly in the Reporting System; and,
  - **Calculating Amount Available** to review how the “bottom line” is being figured for each of your SpeedTypes.

- **Financial Summary report (FSR)** is burst through the portal to those with fiscal roles, and can also be run directly in the Reporting System. Refer to the following Step-by-Step Guides for further information:
  - **How to Read...The Financial Summary Report**; and,
  - **Calculating Amount Available** to review how the “bottom line” is being figured for each of your SpeedTypes.
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- **Simple SpeedType Query (SSQ)** is available in the portal, and reflects the Amount Available for each SpeedType as of the close of business the previous business day. Refer to the following Step-by-Step Guides for further information:
  - Using the Simple SpeedType Query (SSQ) for specifics on the information the report provides and how to access the information; and,
  - Calculating Amount Available to review how the “bottom line” is calculated for each of your SpeedTypes.

The Expenditure Control Initiatives page provides information about key concepts and additional resources related to this initiative. Click here to see first-hand what this page has to offer.

**How does the available resource check work?**

In order to prevent deficit spending, the Amount Available for the org (ECR of DAB/DAN) or the SpeedType (ECR of PA) is checked to make sure adequate resources are in place to sustain the expenditure. If there are not enough resources on hand, then the transaction will be stopped from processing until adequate resources become available. (Note: Transactions from certain approved subsystems will process even when a deficit results.)

To determine how the Amount Available is calculated for funds already subject to Expenditure Control, see the Step-by-Step Guide Calculating Amount Available. For information about approved subsystems, visit the Expenditure Control Initiative page.

**How will I know if a transaction fails due to inadequate resources?**

An email notification is sent when a transaction first fails. The transaction continues to recycle until the resources necessary to support it become available. A follow-up email will be sent every tenth day - until the resource issue is solved - as a reminder that the transaction is still unable to process due to inadequate resources.

For a chart of who is notified of transaction failures, refer to the Resource Check Matrix on the Expenditure Control Initiative page.

As noted above, once a transaction fails resource check, it will keep recycling until adequate funding becomes available. For procurement transactions, this checking process occurs twice daily and will continue until fiscal year end. The resource check process for journal entries behaves a bit differently. Refer to the Resource Check Matrix on the Expenditure Control Initiative page for information about journal entry processing.
What can I do to make resources available?

When a transaction cannot be processed due to inadequate funds, an appropriate action must be taken to make funds available. Examples of some actions that may be appropriate given the specific circumstances of the transaction include:

- Transferring the failed transaction (or another, appropriate transaction) to a different (yet appropriate) funding source;
- When the ARB is BL, working with the respective campus budget office to do a budget adjustment (if appropriate);
- When the ARB is NA, increasing revenue or reducing expenses/encumbrances; or,
- Contacting your campus finance office to request a temporary/permanent financing plan.

For more guidance on addressing inadequate resources, contact your campus finance office.