



Committee Meeting: Policy Committee	Date: January 3, 2017
Committee Chair: Kate Masiello – members present listed on page 2	
New or Edited: New	

**POLICY NAME:** Financial Internal Controls

**POLICY TYPE:** Board

**SUBMITTED BY:** William D. Reuter, ECC Chief Administrative & Financial Officer

**ISSUE OR STATEMENT OF PURPOSE:** To provide SUNY Erie Trustees timely and accurate financial information on decisions impacting the annual budget and setting forth the type of monthly and ad hoc financial reporting provided to the Trustees as well as a description of the annual budget process in order to assist the SUNY Erie Board of Trustees in fulfilling its fiduciary responsibility in administering a community college.

**CORRECTIVE ACTION PLAN RECOMMENDATION (if any):** The Corrective Action Plan (CAP) approved by the ECC Board of Trustees on April 12, 2016 recommendation 1a Board Oversight – “Board of Trustees policies addressing financial decisions will be revised to include: (1) specific enumerated dollar or percentage thresholds and (2) categories or budgeted line items as appropriate when Board of Trustees approval is required for changes in the adopted budget. These policies will align with SUNY Regulations”; CAP 1b Board Oversight – “Additionally, Board of Trustees policies will be revised to require Board approval for: (2) any contract extending beyond the upcoming fiscal year”.

**NEW OR EDITED POLICY:** New.

### **Overview**

The College falls under several jurisdictions when it comes to the preparation and adoption of its budget. The College Budget must be approved and adopted by the College’s Board of Trustees, reviewed by the Erie County Executive and submitted to the Erie County Legislature with recommendations, approved by the Erie County Legislature, and approved by the State University of New York (SUNY) in accordance with an Erie County Legislative resolution that establishes the budgetary timeline (discussed further below) as well as state statute. In addition, the Erie County Fiscal Authority (Control Board) normally opines on SUNY Erie’s operating budget and financial projections, since SUNY Erie is a component unit of Erie County and is within the Authority’s scope of review.

### **Overall Budget Amendments**

Section 602.9 of Community College Rules state that in regards to amendments of college operating budgets that “within the total approved college operating budget, the college trustees may transfer appropriations from one function or object of expense account to another” and that “amendments to increase the total



**POLICY NAME: Financial Internal Controls - Continued**

college operating budget may be effected by the college trustees with the approval of the sponsor and State University trustees.”

**Budget Transfers**

Throughout the year, the College is permitted to reallocate its individual departmental budgets by transferring funds between functions and within objects of expense. Although functional costs (instructional, library, student affairs, etc.) may increase/decrease, the overall budget will not change. In addition, budget transfers are permitted within objects of expense but the overall budget for the objects of expense (personnel, fringe benefits, contractual services, equipment) will not change. Transfers are not permitted from one fund to another (grant to operating or vice versa).

The College has traditionally budgeted expenses such as equipment and travel at an Executive Vice President level with subsequent budget transfers to operating departments based upon approved expenditures. This high level budgetary control ensures expenditures are necessary, consistent with the College’s strategic plan, and provides assurance that the overall budget will not be exceeded. Each year, the College analyzes its revenues and expenditures. Budget reallocation may be required if a particular area of expenditure is underfunded due to unanticipated expenses and reallocation is provided if it is consistent with achieving institutional goals and objectives as long as the overall budget is not affected.

For requested budget transfers exceeding \$50,000, the President will authorize such transfer and will include on the subsequent Financial Health subcommittee agenda a report of and the reasons for such budget transfer. A compilation of all budget transfers will be maintained and will be made available for review by the College President and/or Board of Trustees upon request.

Budget transfers requests are submitted electronically by the originating department using the attached form (Exhibit) and require supervisory approval prior to submission for processing. Such transfer requests must provide justification/explanation and generally are done within an operating department moving funds from one contractual services account to another (such as from office supplies to instructional supplies).

**Budget Process/Timeline**

In January of each year, a memo is sent to all operating units in the College establishing the format and guidelines for budget consideration. Each unit is asked to establish priorities in line with the Strategic Plan and Program Review and within the scope of available resources. The priorities establish the determining factors in building the budget. Each unit submits its budget request electronically in February. The Executive Vice Presidents meet with all operating units, and reviews and discusses their individual requests. At that time,



## **POLICY NAME: Financial Internal Controls - Continued**

information justifying the proposed budgets is presented. The request must demonstrate how proposed expenditures tie into the Strategic Plan and Program Review and how they would contribute to achieve the College's mission and institutional goals.

After the budget proposals are presented and reviewed, the information is summarized and prioritized by the Executive Vice Presidents and reviewed with the President and Executive team. Tentative decisions are then made regarding available funding and the requests received based upon an institutional priority. The process can be repeated several times because information is received regarding salaries, retirement-systems percentages, health-insurance rates, and other similar factors as well as enrollment, state aid, tuition and fees, and other factors impacting estimated revenues.

Budget information is brought before the Board of Trustees Financial Health Subcommittee beginning in March or prior and the budget review process may take several meetings of this committee before a recommendation is made to the full Board of Trustees. The Board of Trustees will review the significant financial factors affecting the College's budget – enrollment, tuition and fees, state aid, county contributions, staffing, benefit costs and contractual services.

As far as required budget dates/timelines, the previously mentioned Erie County Legislative resolution requires the SUNY Erie Board of Trustees to submit a recommended budget to the Erie County Executive prior to May 10<sup>th</sup> with the Erie County Executive required to submit his/her recommended SUNY Erie budget to the Erie County Legislature on or before June 1<sup>st</sup>. The Legislature has until the last regularly scheduled meeting in the month of June to act on SUNY Erie's budget. Under normal circumstances, the Legislature's Community Enrichment Committee will request the College to make a presentation on the budget request and respond to any questions. Additionally, prior to the Legislature taking final action a Public Hearing is required. After legislative action on the budget is taken, the tuition and fee schedule along with the operating budget is sent to the SUNY Board of Trustees for its approval.

### **Monthly Financial Reporting**

On a monthly basis, there are several finance related reports provided to the Financial Health Committee and then to the full Board of Trustees. Most are informational, some need Board approval and are duly noted.

Those reports are as follows:

1. Monthly and year-to-date revenue and expenditure reports which provide a budget monitoring report on key revenue and expenditure accounts, as well as enrollment reporting and the financial impact of such enrollment.



**POLICY NAME: Financial Internal Controls - Continued**

2. Finance Dashboards – provides graphical display of key revenue and expenditure accounts monthly, year-to-date and variance analysis.
3. Vendor Report – provides report of any vendor payment(s) exceeding \$10,000 from the start of the College’s fiscal year. Amounts reflect all expenditures – grant and/or operating combined as well as a brief explanation as to the reason for the vendor payment.
4. Petty Cash - action by the Erie County Legislature in approving Plan “C” authorized the SUNY Erie Board of Trustees to establish and maintain petty cash funds for specified College purposes with the list of all expenditures made from such petty cash funds to be presented to the Board of Trustees at each regular meeting. When presented, Board of Trustees’ approval of such expenditure is requested.
5. Disposal of Materials – an itemized listing of material to be surpluses, scrapped and or donated is provided detailed by campus, asset number along with original cost and remaining book value. When presented, Board of Trustees’ approval of such disposal is requested in order to remove the asset from the College’s records and so that the surplus material can be turned over to the Erie County Division of Purchasing for disposal.
6. Facility Rentals – recap by month and cumulative fiscal year-to-date of all outside facility usages and the fees charged/waived.
7. Health Insurance Utilization – monthly and year-to-date analysis of health insurance utilization compared to premiums paid. On an annual basis provides information relative to new rates set for the calendar year.
8. Facility/Capital Projects – provides a brief overview of the county capital projects along with facility enhancements done internally by SUNY Erie staff.
9. Management Letter – A report is provided monthly to the Financial Health Committee addressing the status of any progress towards addressing management letter comments issued by the College’s independent auditing firm from the previous year’s audit.

**Ad Hoc Reports**

On a less frequent basis, there are several finance-related reports provided to the Financial Health Committee and then to the full Board of Trustees. Those reports are as follows:

1. Community college chargebacks which identifies SUNY chargeback rates to use for billing purposes along with reports by municipality and community college where chargebacks are being paid to and where the Erie County residents are coming from. Information is also shared detailed by academic program at Niagara County Community College as well as the entire SUNY system as to what programs Erie County residents are taking.



**POLICY NAME: Financial Internal Controls - Continued**

2. Erie County Budget – both the Executive recommended along with Legislative adopted County annual budget as it impacts SUNY Erie’s operating and capital budget. Generally first information provided starting in October with monthly updates until December.
3. SUNY Budget – provides a recap of the SUNY recommended budget followed by the Governor proposal, the Senate and Assembly version all culminating in a State budget on or around April 1<sup>st</sup> which provides the operating and capital match from the State of New York. Generally first information provided starting in November and monthly updates until April.
4. College Audit – annually upon the completion of the College audit, the College’s independent audit firm will provide a draft of the audited financial statements and accompanying management letter, for review and discussion at a Financial Health Committee meeting. After review, the audit and management letter will be provided to the full Board of Trustees for its information. College audited financial statements are included as a discrete presentation in Erie County’s audited financial statements. Audit results are generally presented in February or March.
5. Auxiliary Services Corporation (ASC) Audit – annually upon the completion of the ASC audit, the ASC’s independent audit firm will provide a copy of the audited financial statements and accompanying management letter, for review and discussion at a Financial Health Committee meeting. After review, the audit and management letter will be provided to the full Board of Trustees for information. ASC’s audited financial statements are included as a discrete presentation in the colleges audited financial statements. Audit results are generally presented in January or February.
6. Foundation Audit – annually upon the completion of the Foundation audit, the Foundation’s independent audit firm will provide a copy of the audited financial statements and accompanying management letter, for review and discussion at a Financial Health Committee meeting. After review, the audit and management letter will be provided to the full Board of Trustees for information. Foundations audited financial statements are included as a discrete presentation in the colleges audited financial statements. Audit results are generally presented in January or February.
7. Contract renewals/extensions specific to facilities/financial operations such as architecture/engineering firm approval and cell company lease agreements.
8. Collective Bargaining Agreements along with negotiation updates are generally provided to the Board of Trustees at its monthly meeting. Any agreements negotiated either primarily by the College (Faculty Federation of ECC and Administrator’s Association of ECC) or by the County which the college participates in negotiations (CSEA and AFSCME) are brought before the Board of Trustees along with a resolution approving such agreement. Oftentimes, negotiations, collective bargaining and other labor matters are discussed as part of Executive session.
9. Most contracts/agreements involve academics and or student affairs and are reviewed by the Curriculum and Student Success Committee, and with subsequent approval recommendation to the full



**POLICY NAME:** Financial Internal Controls - **Continued**

Board of Trustees. Prior to submission to the Committee, the Chief Administrative and Financial Officer reviews the contract/agreements. Any contract/agreement requiring County Attorney review/approval is sent to the County Attorney before/after the Board of Trustee meeting dependent upon the timeframe of submission.

10. Contracts for professional services are covered under a separate Board of Trustee policy but if the contract is in excess of \$10,000, depending upon the nature of the service to be provided, the contract would be reviewed by the applicable Board of Trustee committee and the full Board of Trustees. Amounts in excess of \$50,000 also require County approval.
11. Any contract/agreement that requires the College to indemnify the other party must be approved by the Board of Trustees through the applicable Board committee structure.

**DOES IT SUPERCEDE A POLICY/WHICH ONE:** No prior policy exists. Other than the discussion on budget transfers most other covered topics included in Exhibit A are part of normal, historical Board/Committee reporting, as well as the followed budget practices/timelines.

**POLICY COMMITTEE RECOMMENDED ACTION:** Pending review and approval by the Financial Health Committee of the SUNY Erie Board of Trustees, the Policy Committee recommends the Board of Trustees approve this Board policy under the Report of the Chair, Ad Hoc Committee Reports, Policy Committee.

**Policy Committee Members Present** – Trustees Kathleen Masiello, Susan Swarts, and Neal McCallum, Trustee Tim Callan via telephone call in, Senior Vice President of Operations Mike Pietkiewicz, EVP Academic Affairs Rick Washousky, Director of Human Resources Tracey Cleveland and Chief Administrative and Financial Officer William Reuter.

**DATE OF BOARD APPROVAL:** January 26, 2017

**POLICY COMMITTEE TEAM FOLLOW-UP:** Following Trustee Approval, this policy will be included in the Board of Trustee Policy Manual.

**INFORMATION/INPUT CONSIDERED DURING POLICY COMMITTEE DELIBERATIONS:** As prescribed by Education Law Article 126 and Part 600 of Community College Regulations, SUNY Community College Trustees have fiduciary responsibilities in administering a community college. In order to construct a policy to properly address this fiduciary responsibility the following activities/actions were undertaken:

1. Contacted SUNY Comptroller's Office, SUNY Legal Counsel as well as OSC audit. No specific guidance provided.
2. Discussed with College's Independent Audit Firm, general comments received.
3. Reviewed detailed OSC audit report as well as work done by Review Panel.



**POLICY NAME: Financial Internal Controls - Continued**

4. Reviewed Office of the New York State Comptroller Division of Local Government and School Accountability Local Government Management Guide “Fiscal Oversight Responsibilities of the Governing Board”.
5. Reviewed Erie County Charter and Code.
6. Community College Business Officers Association survey. Most survey results were centered on budget transfers and the level for which the Board of Trustees reviews such transfers. Reviewed Suffolk County Community College’s Internal Control & Policies & Procedures Manual which centered on budget transfers and the annual budget process.
7. Reviewed existing BOT Policies covering wireless telephones, travel, procurement, journal entries and consultants. Separate policy to be written regarding College investments/cash management controls.
8. Reviewed GFOA’s “Best Practices in Community College Budgeting”.

This Policy has been previously reviewed and discussed at the Policy Committee meetings of December 13, 2016 and January 3, 2017. The draft Policy was also emailed to Financial Health Committee members on a couple of occasions requesting feedback.

At the meeting of January 3, 2017 the Policy Committee unanimously approved this Policy with edits that have been made to the above. The Policy was reviewed and discussed at the Financial Health Committee on January 17, 2017 and approved for Board of Trustee adoption.

The Financial Health Committee did express some concerns on the need to pre-approve budget transfers over a certain dollar threshold but agreed to give the above Policy an opportunity and if need be, to re-visit the Policy at a later point in time.

ERIE COMMUNITY COLLEGE  
**BUDGET TRANSFER REQUEST FORM**

**\*\*\* USE TAB KEY TO MOVE THROUGH FORM \*\*\***

TO: Jean Klar, Financial Coordinator – SOUTH CAMPUS  
 DATE: \_\_\_\_\_  
 DEPARTMENT: \_\_\_\_\_

**NOTE: Equipment, personnel and fringe benefit accounts cannot be utilized as a funding source for budget transfers, and you cannot transfer funds to/from one fund into a different fund. Grant related transfers should be emailed directly to Jean Klar at Klar@ecc.edu.**

FROM:	Fund	Object Code	Campus	Function	Unit Code	Amount
Account #	Select Fund		Select Campus			
Account #	Select Fund		Select Campus			
Account #	Select Fund		Select Campus			
<b>TOTAL TRANSFER FROM:</b>						\$0.00

TO:	Fund	Object Code	Campus	Function	Unit Code	Amount
Account #	Select Fund		Select Campus			
Account #	Select Fund		Select Campus			
Account #	Select Fund		Select Campus			
<b>TOTAL TRANSFER TO:</b>						\$0.00

**Justification/Explanation (Required – attach requisition if possible)**



PRINT COPY OF THIS FORM FOR YOUR RECORDS, AND REFER TO DIRECTIONS BELOW FOR ELECTRONIC SUBMISSION.

- Save a copy of this form by selecting “File” from the pull-down menu, and “Save As” and give it a name and location to save to.
- Email the saved file as an attachment to the appropriate Supervisor(s). Please put “Budget Transfer” in the subject line of the email, and place the following message in the body of the email:  

“Please review the attached Budget Request Form. If approved, please **FORWARD** this email message back to me saying it is APPROVED.”
- Upon receipt of APPROVED email from Supervisor(s), **FORWARD** approved message(s) to [Klar@ecc.edu](mailto:Klar@ecc.edu) for final processing.

**IMPORTANT: Failure to use the FORWARD key on your email messages will prevent the Form from being attached and could delay transfer approval.**

**FOR Chief Accountant USE ONLY:**

Date Transfer Input: \_\_\_\_\_ Transfer # \_\_\_\_\_  
 Date Confirmation Sent to Department: \_\_\_\_\_