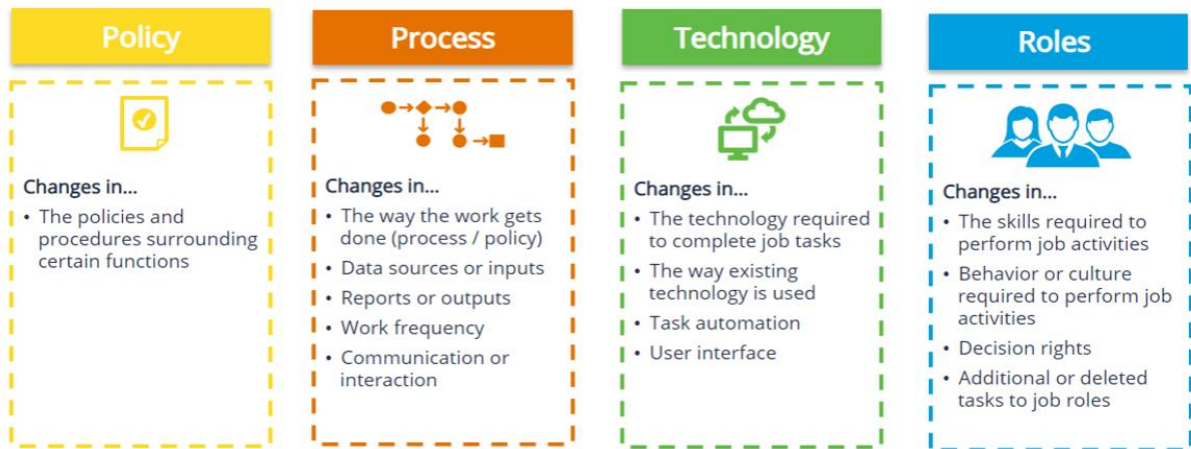


## Fund Balance Ownership Frequently Asked Questions

FY23



This document is intended to provide the answers to frequently asked questions about fund balance ownership, implemented in FY23. As updates are made to the document, a new version is distributed showing an updated version date in the header. Previous versions are archived and changes since the last version are listed below.

Have questions, edits, or additions? Reach out to us at [askfinance@virginia.edu](mailto:askfinance@virginia.edu) and we will incorporate into the next version.

**Last version date:** May 26, 2022

### Changes since the last version:

- Clarified answer on commitment tracking impact on balances (*Since commitments are included in balances, how do we know if they will become an actual expense?*).
- Added language to clarify that revenue and spend categories for transfers are allowed to be used during the post year-end adjustment period so long as the fund remains the same.
- Added best practice regarding cross-MBU transfers: coordination with the other MBU on use of optional and required worktags prior to entry of the transfer.
- Added recommendation to use optional worktags to improve reporting.

## Policy and Procedure Questions:

### ***What is a fund balance?***

A fund balance is a unit's available cumulative net position, inclusive of operating surplus (deficit), and/or carryforward. Fund Balances appear in the General Ledger and may also be referred to as Expendable Fund Balances. Fiscal Year End (FYE) Fund Balances only include actuals; any other time throughout the year, Fund Balances include all Workday obligations and Workday commitments (what is expendable).

### ***When will fund balances be measured centrally?***

UVAFinance will monitor MBU-level fund balances on a quarterly basis, ensuring that MBUs are in compliance with policy at year end. Units will not be in violation of policy for deficit balances during the fiscal year so long as they are not in deficit at the MBU level at year end.

### ***What is the purpose and scope of quarterly fund balance monitoring performed centrally?***

UVAFinance will perform quarterly monitoring of MBU-level fund balances to ensure that any potential year-end deficits are anticipated and addressed as early as possible. Units will not be in violation of policy for deficit balances during the fiscal year so long as they are not in deficit at the MBU level at year end. Should monitoring reveal potential issues, UVAFinance will reach out to the affected unit(s) to discuss the trend(s) and document whether the issues are problematic, whether there is a plan to address if needed, and ensure that leadership is apprised when necessary. In the early years of this new monitoring, there may be more central/unit discussions until UVAFinance learns of anticipated "lumpiness" of activity within units, but once patterns are known, this monitoring is expected to be simpler.

### ***When can I view fund balances to ensure I am not spending in deficit?***

Any person with financial reporting access will be able to view fund balances in Workday at any time. Workday is the recommended reporting system for day-to-day fund balance reporting. Fund balances (and all actuals) will be loaded into Adaptive following each month-end close.

### ***How often should I review my unit's fund balances?***

Preparers and approvers should review fund balances monthly as part of the account certification process. Deans and vice presidents should monitor fund balances in their units at least quarterly, ensuring that units are not in deficit by year-end close.

### ***How will fund balance deficits be measured?***

Fund balance deficits may be measured with any combination of worktags. For example, a unit could measure a faculty member's funding using the assignee worktag (assuming the unit has used the worktag on funds owned by the faculty member) and/or the assignee worktag in combination with other worktags (e.g., fund, program, activity, cost center, etc.). A dean's office could measure tuition and other non-appropriations state funds available in a department by running a fund balance report with the department's cost center and FD001.

For the purposes of compliance with FIN-033, MBUs must not have deficits at the MBU level across all funds by year-end close. This will be measured using cost center hierarchy level 4.

***I currently have a deficit authorization in my unit. How will this be managed in FY23 and beyond?***

Deficit authorizations will no longer be allowed under the revised FIN-033 policy. Units are expected to clear project-level deficit under the previous FIN-033 policy by June 13, 2022.

***Which University policies and procedures were substantively revised to account for the change to full fund balance ownership?***

Both for the transition to Workday and to support the change to full fund balance ownership, numerous policies are in the process of revision. The ones most relevant to fund balance ownership are linked below and the links will be updated as the revised policies are posted.

[FIN-023](#) – Reconciling Unit Accounting Records

[FIN-025](#) – Internal Investment Program for University Units

[FIN-033](#) – Maintaining Fund Balances

***What is the benefit to the Schools/Vice President offices to report balances at a MBU level?***

This gives an overall picture of the unit and allows them the flexibility to manage their funds internally as best fits the unit. Reporting at the MBU level also mitigates timing and other issues that could confuse the overall picture if reporting is done at a lower level. Units will use more granular reporting internally, to help manage their funds, but executive offices looking at their units should use MBU-level reporting.

## Process Questions:

***What are the benefits of this change?***

*Expendable fund balance reporting enabled* – Units have the ability to accurately report on funds available without needing to wait for year-end settlement and carryforward calculations. In combination with the FDM, anyone with reporting access can run a trial balance on any combination of FDM worktags at any time.

- *Clear ownership of funds* – Consistent transfer of funds make it clear “who owns the fund balance” and the "owner" of the fund can see where the funds have been transferred and how much has been spent.
- *Elimination of significant amounts of tracking outside of systems of record* – Units can eliminate and/or streamline current tracking mechanisms (i.e., manual Excel spreadsheets).
- *Reduction in risks of errors* – Through the elimination of the manual calculation of balances and the addition of robust real-time variance analysis capabilities.
- *Increased staff capacity* – This allows more staff time to be devoted to analytical work rather than manual, tracking work.

***For FY22, when will my unit receive carryforward and/or settlement?***

FY22 settlement and carryforward calculation and communication dates are being determined in partnership with the FST project, as they play a role in the fund balance realignment exercise associated with Workday go-live. The timeline will be communicated to stakeholders as soon as it is finalized.

***For FY23, when will my unit receive carryforward and/or settlement?***

FY22 will be the final year of the carryforward and settlement calculations by OFP&A. Fund balances will stay in accounts where they occur at year end, unless executive leaders (COO, Provost, President, Deans, other VPs) decide to sweep some or all balances at year end.

***When will funding entries from central offices be made (monthly, quarterly, etc.)?***

Central offices are preparing a transaction processing guide related to fund ownership that provides details on the timing, responsible office, FDM worktags, and amounts of funding entries. Upon reviewing the document, please send any questions or feedback to [askfinance@virginia.edu](mailto:askfinance@virginia.edu) with the subject line “fund ownership transaction processing” so we can continue to refine the document’s contents.

***When my unit is granted more funding, how will I see that reflected in my budget and funds?***

In general, permanent (base) funding changes will be made mid-year in both budget and actuals, to ensure that year-over-year reporting is accurate. One-time funds granted mid-year will often be transacted in actuals, but likely not also entail a change to budget. Instead, units would see a variance in budget to actuals reporting and know that the variance was associated with a one-time change in funding. The fund ownership transaction processing guide provides more information about budget and actuals changes. Upon reviewing the document, please send any questions or feedback to [askfinance@virginia.edu](mailto:askfinance@virginia.edu) with the subject line “fund ownership transaction processing” so we can continue to refine the document’s contents. At times, the determination of whether to adjust the working budget in addition to transacting funding changes in actuals will be made on a case-by-case basis, but the central unit providing the funding will provide additional guidance.

***After year-end, when will my unit receive our carryforward?***

Carryforward will occur naturally (beginning with year-end FY23); with no additional transactions or delays. Units may choose to consolidate fund balances being carried forward (e.g., a dean’s office may move balances centrally from departments to the dean’s office, the COO may choose to move balances centrally from COO-reporting units, etc.). Any year-end fund balances sweeps should be clearly communicated among impacted units.

***I need further clarification on how carry forward will be reported. Will it be reported at the MBU level?***

Funds carried forward from a previous year(s) will be reported in whichever combination of worktags the balance is in. We will be able to report at the MBU level on fund balances, but

units will also be able to report at more granular levels depending on how they internally manage their funds.

***If carry forward funds are reported at a MBU level, will it be up to the cost center hierarchy to work to clear individual cost center deficits?***

Units will not be required by University policy to clear individual cost center deficits. Units will need to decide and communicate their internal management practices. If requested, OFP&A would be happy to add unit-specific practices to University-wide documentation.

***Can my unit further distribute centrally provided funds within our MBU?***

Yes, units can use accounting journals to move funds internal to their MBU and also use accounting journals to move funds to/from their MBU to other units. Communication between and within units is essential to ensure each side of a transfer has enough information.

***Since commitments are included in balances, how do we know if they will become an actual expense?***

If units want to track commitments, it is recommended that they utilize the optional worktags such as program/activity. The use of optional worktags would also help to make reporting an effective monitoring tool.

***Is there a method to easily return unspent funds that were transferred from another unit? For instance, if EVPP transfers \$100K but expects the unit to return unspent funds, how will that work in fund balance ownership?***

An accounting journal will be required to transfer the funds. The EVPP should track which commitments are expected to return unspent funds and ensure the transfers occur in the post year-end adjustment period (until July 15 or so each year). Communication will be key here: the funding unit should ensure that the receiving unit is aware of the constraints of the funding, including if the funding unit intends for unspent funds to be returned.

***Are there changes to what units need to complete at year end?***

Per revised FIN-033, units will need to ensure they have greater than \$0 by year end. If anything, the revised policy reduces year-end transactions, as units will no longer be required by University policy to ensure project-level balances are \$0 or greater, and instead can focus on compliance at the MBU level. As with any other year-end timeline, units should use the month of June to complete final transactions, including clean-up, for the fiscal year.

***What kinds of transactions can my unit do in the year-end adjustment period?***

- Units may perform adjusting journal entries during the post-year end adjustment period, and may find this period especially helpful for transferring funds, including performing deficit resolution (per internal unit fund balance practices), sweeping excess funds to a more centrally held FDM string, etc.
- Any entries involving state funds must stay within the same spend categories (SCs), revenue categories (RCs), funds (FDs), and ledger accounts after June 30 (see annual

year-end timeline for precise cutoff date). Transfer spend and revenue categories may be used as long as the fund remains consistent.

- The year-end adjustment period will end around July 15 of each year, with the precise date announced in the year-end calendar.

***What kinds of transactions are not allowed in the year-end adjustment period?***

- Units cannot perform any state funds transactions that change spend categories (SCs), revenue categories (RCs), funds (FDs), functions (FN), or ledger accounts after June 30 (see annual year-end timeline for precise cutoff date).
- Units cannot move funds between state and local accounts during the post-year end adjustment period, as this would create differences with the reporting made to the state as of June 30.

***Today we can only transfer funds between awards with the same acronym. Since the fund balances will report on a MBU level, does this mean we can transfer funds from a gift account (as an example) to cover a deficit in a DN? Or will we be required to do a journal entry to move costs in order to clear a deficit?***

No, transfers must remain in the same fund (e.g., FD001), but can cross designated values and cost centers (as well as optional worktags). You will not be required by University policy to clear internal deficits; you will only be required to keep the all-funds MBU-level balance at \$0 or greater.

***If a unit budgets a transfer in Adaptive Planning, will the transfer happen automatically, or will we need to do a journal entry in Workday?***

Nothing in Adaptive Planning will happen automatically. Units can use the data entered in Adaptive to form the basis for their accounting journal upload, but should review the entries prior to the upload.

***When should I ensure funds are transferred (as opposed to when do I have an internal-to-my-unit choice)?***

The general rule, to ensure that MBU-level fund balances are reliable, is that cross-MBU funding relationships should always involve a funds transfer across the MBUs. MBUs have the authority to decide when to enact internal-to-the-MBU funds transfers as opposed to managing via budget variances, but funding across MBUs should always be transferred. Funding and receiving units should ensure they coordinate with each other about the timing and worktags associated with cross-MBU transfers prior to entry of the transfer. Best practice would also include coordination during the budget process so transfers are budgeted in line with plans well in advance.

## **Technology Questions:**

***Which reports should I use to monitor my funds?***

Reports for fund balance monitoring are in development and will be available in different forms in Workday, UBI, and Adaptive. Workday reports will be used for day-to-day operational

balance reporting. UBI may be used for more detailed reporting of fund balances, especially with large datasets. Adaptive will be used for fund balance reporting and projection, especially in relation to budget and multi-year financial planning.

***Will the balances be reported at a fund source level (i.e.: Gifts, Designated, Grants)?***

Balances could be reported at just the Gift (GF), Grant (GR), Designated (DN) level, but should generally be reported every time at the GF/GR/DN and Cost Center (CC) level (the latter to indicate who owns the money and the former being the type of money). For example, the President's Office will report on President's Fund for Excellence (PFE) at the DN level to see overall balance and spend, but could add in CC to see who owns the funds. In most other cases, units should always include the cost center in fund balance reporting.

***Are there new tools available to me so I do not need to keep separate Excel spreadsheets?***

Yes! Workday and Adaptive Planning give us many ways to improve our tracking *in the systems of record*. Please reach out to [askfinance@virginia.edu](mailto:askfinance@virginia.edu) if you would like to consult about how to stop using side systems in your unit. Note: much of the improvement in our tracking is a result of a new chart of accounts (FDM). The use of optional worktags, such as program, activity, and assignee, is recommended to make reporting a more effective monitoring tool.

***Can I execute large sets of transfers without entering them one-by-one?***

The Accounting Journal upload process, detailed at <https://communityhub.virginia.edu/docs/DOC-3973>, allows units to upload large sets of transfers. The template is available at <https://communityhub.virginia.edu/docs/DOC-3605> and the accompanying integration packet can be found at <https://communityhub.virginia.edu/docs/DOC-3322>. Please note that journals are limited to 1000 lines; any larger journals will need to be parsed into journals of 1000 lines or fewer. For transfers using the 89XX transfer ledger account, the journal source of Manual\_Journal\_Transfers is required. These ledger accounts and related spend categories cannot be used with another journal source like Manual\_Journals.

***When should I use Workday versus Adaptive to monitor my funds?***

Workday will be the best place for day-to-day operational reporting of fund balances and associated transactions. Actuals will only be brought into Adaptive after each month close, so its primary use is for budget planning and scenario modeling.

## **Roles Questions:**

***WORK-IN-PROGRESS:*** *The questions previously in this section were removed for now to reflect that the central accountant role and other roles have tenant configuration access that was not previously known, so a custom role may need to be developed. In the interim, units should continue work to determine how they will implement fund ownership internally with the assumption that the related processes/security roles will be communicated in more detail either at go-live or soon after. Updates will be provided as information becomes available.*