Financial Administration at Penn

March 2017
Chris Bristow

- Executive Director of Fiscal Operations, Engineering Budget & Administration (2000 –)
  - Financial oversight for $180M Revenue & Expense Budget including $60M in Sponsored Projects Research

- Came to Penn in 1983 – served in several progressively responsible business positions within Penn Engineering
Hermon Mebrahtu

- Associate Director of Finance, Provost Administrative Affairs Office (2015–)
- Financial administrator for several centers and institutes that report to the Provost
- Came to Penn in 1999
Purpose

- Overview of Penn’s financial system
- Planning for the future
- What effect account combinations and transactions have on the department, organization, school/center and ultimately the University
Agenda

- Responsibility Center Management
- Budget Planning and Submission Cycle
- Chart of Accounts
- Purchasing
- Useful Links
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Responsibility Center Management

- RCM is responsibility or management of revenue and expense in the schools, resource centers and auxiliary units
- Two basic types of Centers:
  - Revenue Generating Centers
  - Administrative Service Centers
Centers

- Revenue-generating centers are expected to:
  - fund the direct cost of their own operations
  - cover their share of services provided by the Administrative Service Centers (via Allocated Costs)
  - maintain internal budget balance
Revenue Generating Centers

- Schools
  - Annenberg, SAS, SDM, Design, GSE, SEAS, Law, PSOM, SON, SP2, SVM, Wharton

- Resource Centers
  - non-School Academic Support Centers; Interdisciplinary Programs, International Programs, University Library and Division of Recreation & Intercollegiate Athletics
  - Academic Related Centers; Annenberg Center for the Performing Arts, Institute of Contemporary Art, Morris Arboretum and University Museum

- Auxiliary Enterprises (Business Services)
  - Penn Bookstore, Campus Dining Services, Ice Rink, Community Housing, Computer Connection, University Club, Housing & Conference Services, Mail Services, Morris Arboretum, Off Campus Living, Office of Site Licensing, PennCard, Penn Children’s Center, Penn Hotels, Purchasing Services, and Transportation & Parking
Central Distribution of Revenue

- **Subvention**
  - Funded primarily through 20% of tuition income and 10.5% of grant overhead.
  - Allocated by the Provost and the President.
  - Directed back to the Schools, the Resource Centers, and academic initiatives as directed by the President’s Office and the Provost’s Office. The majority of the subvention pool is committed as program regular subvention and graduate student support to the schools.
  - Gives the Provost and President some ability to influence and direct the development and implementation of academic priorities at Penn.
Revenue Distribution

- **Tuition Distribution**
  - 20% to Subvention Pool
  - 20% to the Student’s Home School
  - 60% to Teaching School

- **Grant Overhead**
  - 88.5% to Dean’s Office of School receiving grant
  - 10.5% to Subvention Pool
  - 1% to Research Facilities Development Fund
Administrative Service Centers

- Executive Vice President’s Office
  - Audit, Compliance & Privacy, Facilities & Real Estate Services, Finance, Human Resources, Information Systems & Computing (Joint w/Provost), Public Safety

- President’s Center
  - Development & Alumni Relations

- Provost’s Center
  - College Houses & Academic Services and University Life
Administrative Center Funding

- **Allocated Costs**
  - Measurement of services provided by Administrative Centers

- **Internal Charges**
  - Direct charges for services; telecommunication, mail service and building security guards

- **General Fee**
  - Supports student activities and services
Administrative Center Funding

- Allocated Costs
  - University Services
    - Direct expenditures averaged over 4 year period; payroll, tax, public safety
  - Facilities maintenance
    - O&M; housekeeping, maintenance and utilities
    - Facilities renewal – replacement of building systems to extend the useful life of facilities
    - Replacement value of building
  - Development & Alumni Relations
    - % of fundraising University wide
    - number of living alumni
  - Library
    - Allocated based on the number of faculty/students in each school and the number of course units generated
  - Research
    - Funds Office of Research Services, IRB, IACUC, ULAR, EHRS, & Vice Provost for Research
Agenda

- Responsibility Center Management
- **Budget Planning and Submission Cycle**
- Chart of Accounts
- Purchasing
- Useful Links
Penn’s Fiscal Year is July 1<sup>st</sup> – June 30<sup>th</sup>
- Currently we are in FY17
- 13<sup>th</sup> month or the ADJ period is from July 1<sup>st</sup> to July 8<sup>th</sup>
- Research Projects run on a project schedule not a fiscal year
Budget Planning and Submission

- Five Year Budget Submission timeline
  - Initial submission for next fiscal year is in October/November
  - Budget guarantees are distributed in March/April from the Budget Office
  - Final Balanced Budget submissions for next fiscal year due April/May;

- Current Year Forecast are submitted quarterly
  - October, January and April
UNIVERSITY FY 2017 REVENUE BUDGET BY SOURCE

Health System = $5.775 Billion

Academic Budget = $3.474 Billion

Total = $9.249 Billion
UNIVERSITY FY 2017 EXPENDITURE BUDGET
BY RESPONSIBILITY CENTER CATEGORY

Health System = $5.707 Billion
Academic Component = $3.474 Billion

Total = $9.181 Billion
UNIVERSITY FY 2017 ACADEMIC COMPONENT BUDGET BY EXPENSE TYPE

Total = $3.474 Billion

- Compensation $1.830 B
- Current Expense $840 M
- Capital Transactions $424 M
- Grad Student Aid $165 M
- Ugrad Student Aid $215 M
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Chart of Accounts

- Basics of the chart of accounts
  - Assets – what we own
  - Liabilities – what we owe
  - Revenues – incoming funds
  - Expenses – outgoing funds
Chart of Accounts Segments

- There are 7 unique segments which make up the 26 digit account combination:
  - Center Net Asset Class (three digits) or CNAC
    - identifies responsible school/center and any externally imposed restrictions
  - Organization (four digits) or ORG
    - identifies the department or organizational unit belonging to one school or center – the WHO in the transaction
  - Budgetary Control (one digit) or BC
    - determines level of funds checking

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<th>OBJ</th>
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Penn’s Chart of Accounts

- Fund (six digits) or **FUND**
  - identifies restricted or unrestricted resources of funds
- Object Code (four digits) or **OBJ**
  - identifies the type of transaction – asset, liability, revenue or expense
- Program (four digits) or **PROG**
  - identifies what kind of transaction or the WHY of the transaction
- Center Reference Number (four digits) or **CREF**
  - is the unique identifier established by the school or center

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Authorized Buying Methods

- **Purchase Order (PO)**
  - BEN Buys purchasing system

- **Purchasing Card**
  - Individual Credit card attached to specific account combination

- **Disbursement (PDA) Form**
  - To be used when a PO or purchasing card aren’t possible

- **Concur Travel and Expense Management System (TEM)**
Purchase Order

- University’s primary buying method
- Penn Marketplace suppliers
  - Contract with Penn to offer a negotiated rate for the most commonly ordered products and services
  - 67% of all PO transactions are with these suppliers
  - Currently there are over 166 suppliers with products available
Contracts

- Penn faculty and staff are NOT authorized to sign contracts or lease agreements on behalf of the University.
- By signing a contact, the Penn faculty or staff member becomes personally liable for the commitment.
- When in doubt, contact the Purchasing Sourcing Manager who is responsible for the commodity being purchased.
Creating a Purchase Order

- Identify the need or item to be purchased
- Identify University approved contract supplier who best equipped to fill your needs
- Identify special shipping or delivery instruction
- Create the purchase order
  - Places the order with the supplier
  - Binds the University and the supplier to the purchase of the items in the PO.
- If purchase is made with a non-contract supplier and over $5,000 a competitive bidding process is required
Purchases with Total Cost over $5,000

- For services and products purchased with an aggregated total cost of over $5,000
  - Purchases made in the Penn Marketplace or from contract suppliers, NO competitive bidding is necessary
  - Purchases not made in the Penn Marketplace or from contract suppliers, competitive bids are required.
Purchase Completed

- Confirmation of delivery should be given to the BA or requisitioner
- For purchases over $5,000 a receipt is required in order to pay an invoice
- Invoice submission
  - Invoices should go directly to Accounts Payable from the Supplier
  - Invoices should never be sent to the purchasing department
Capital Equipment

- An item of non-expendable tangible personal property with a useful life of more than one year, a cost in excess of $5,000 per item, excluding freight charges and taxes, and for which the University has title. In addition, acquisitions of individual items of software with an acquisition cost of $5,000 or more will be considered a capital asset.
Capital Equipment Purchases

- Moveable Equipment (unit cost over $5,000)
  - Property Management Information:
    - Category
    - Building
    - Floor
    - Room
    - Custodian
    - Tagging Contact
Capital Equipment

- All Capital Equipment Must be Tagged for inventory
- Custodian – person with knowledge of physical location of equipment
- Tagging Contact – Responsible for affixing tags on equipment
- Asset Administrator – updates tagging information in the BEN Assets system
Capital Equipment – Moving or Retiring

- Moving – Custodian is responsible for notifying Tagging Contact and Asset Administrator when capital equipment is moved.
- Retirement - Tagging Contact and Custodian are responsible for identifying equipment to be retired and for initiating the retirement process by notifying the Asset Administrator of the impending retirement of the asset. This includes retirement due to theft or casualty loss.
Capital Approval Process for Large IT & Equipment Purchases

- Purchases $\geq 500K$ must be reviewed by Capital Information Technology & Equipment Committee (CITE) via e-mail

- Committee Members
  - VP for Budget & Management Analysis
  - VP for Finance and Treasurer
  - Vice Provost for Research
  - Managing Director Design & Construction
  - VP for Information Systems & Computing
Capital Approval Process for Large IT & Equipment Purchases

- Information Packet presented to CITE
  - Project Needs
  - Project Scope
  - Project Budget
  - Project Funding
  - Project Schedule
  - Cash Flow
  - Operations and Maintenance Implications
Purchasing Card

- MasterCard issued in an individual faculty or staff members name
- Tool used to purchase and pay for routine, low dollar, non-restricted commodities from non-restricted suppliers
- Charges default to account provided by the Senior Business Officer
- To be used if the total cost of the transaction is not more than $1,000
PCard Supplier Restrictions

- Purchases from a Deactivated Supplier.
- Purchases from suppliers listed in the federal procurement Systems for Award Management (SAM)
- Purchases from eBay (only via PayPal upon receipt of prior approval from the Card Program Administrator)
- Purchases from Foreign Visitors, Non-Resident Alien (payments to or on behalf of a foreign visitor; including travel related expenditures such as airfare, shuttle, train, etc.)
- Purchases from an Individual
- Purchases from a Penn Marketplace Supplier.
- Purchases from a Preferred Contract Supplier.
PCard Commodity Restrictions

- Products or services available from a University preferred contract or Penn Marketplace supplier
- Alcohol such as beer, wine or spirits
- Animals for use in laboratory research
- Antibodies, Drugs and Reagents
- Bottled Water (PCard can be used for Deer Park)
- Business entertainment
- Car Rentals (PCard can only be used for EnterpriseCarShare)
- Cash advances including wire transfers and money orders
- Catering services requiring a formal supplier contract
- Cloud Computing Services from an unapproved vendor
- Consulting Services
- Express shipping services
- Firearms or ammunition
- Gasoline or Diesel
- Gifts and donations
PCard Commodity Restrictions

- **Hazardous materials** (defined as radioactive materials, chemicals and reagents, biological materials, compressed gas, bulk ethyl alcohol and DEA licensed materials, including prescription drugs)
- **Hotels and motels** (PCard can be used to make Club Quarters, Inn at Penn and University Sheraton hotel reservations)
- Insurance premiums
- Medical services (defined as expenses related to medical care or services) PayPal and eBay online payment accounts (only upon receipt of prior approval from the Card Program Administrator)
- Purchases with a unit cost of $5,000 or more
- **Relocation and moving** expenses for faculty and staff
- Service payments to individuals
- **Travel services** such as airlines, car rental companies, and entertainment (e.g. meals at restaurants). (PCard may be used to purchase AMTRAK train tickets and Septa tokens)
Disbursement Forms (PDA)

- Corporate Payments use PDA form when PO or Purchasing Card are inappropriate
- Non faculty and staff payments must include a W-9 as required by the IRS
- Faculty, staff and student payments (must also include W-9) for limited tax reportable transactions such as student awards, royalties, human subject payments, legal settlements, and rents
Independent Contractors

New process

- Individual completes Service Provider Questionnaire (similar to c-12)
- The hiring department and H/R complete Service Provider Evaluation
- If H/R agrees with independent contractor status, documents forwarded to Purchasing for final approval (PO)
- If H/R determines employee, the individual must be hired and paid through payroll

http://www.hr.upenn.edu/service-provider-classification
T&E for Penn Affiliates
Faculty/Students/Staff

- Use of the Penn Travel Portal (http://cms.business-services.upenn.edu/penntravel/) is recommended

- All reimbursements are processed through Concur Portal (https://medley.isc-seo.upenn.edu/authentication/profile/concur?app=concurprod)
  - Receipts required for any item over $25
  - If Penn faculty or staff reimbursement; reimbursement will be direct deposited into the individual bank account
  - Any reimbursement over $500 requires a higher level approver
T&E for Non-Penn Travelers

- Booking of travel for non-Penn travelers can be done using the Concur System.
- Reimbursements to an individual are processed using the Travel and Entertainment Expense Report
  - Receipts required for any item over $25
  - Signature of individual requesting reimbursement required
  - Any reimbursement over $500 requires a higher level approver
Useful Links

- Penn Portal
  https://medley.isc-seo.upenn.edu/penn_portal/u@penn.php
- Penn Purchasing
  http://www.purchasing.upenn.edu/
- Penn Preferred Contract Suppliers
  https://cms.business-services.upenn.edu/purchasing/making-purchases/find-a-supplier/supplier-search.html
- P2P Made Easy
  http://www.upenn.edu/p2p/home
- Penn Travel
  http://cms.business-services.upenn.edu/penntravel/
- Comptroller’s Office
  http://www.finance.upenn.edu/comptroller/
- Budget Office
  http://www.budget.upenn.edu/
Q & A

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