Budget Policies & Procedures Manual
For Annual Budget Planning & Control

Effective December 1st, 2019

The American University in Cairo
The Office of Budget and Financial Planning
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1 Introduction

1.1 The AUC Budget

The annual budget reflects the projected revenues and expenses of all the activities of AUC within its academic programs and administrative functions for the current period. It is the primary instrument for fiscal control and efficient management of resources.

The budget expresses the plans and funded programs of the University and the estimated revenues necessary to finance them.

1.2 Budget Management

The Office of Budget and Financial Planning is responsible for facilitating the annual budget process and overseeing budget management throughout the fiscal year. The office, in alignment with the Board of Trustees, President and VP for Finance & CFO, allocates budgetary resources according to the University's strategic priorities and financial policies.

“The budget is not just a collection of numbers, but an expression of our values and aspirations.”
— Jacob J. Lew (2011, 1), director of the White House Office of Management and Budget

2 The Office of Budget and Financial Planning

2.1 The Role of the Office of Budget and Financial Planning

The Office of Budget & Financial Planning is responsible for developing annual and multi-year University budgets for approval by the Board of Trustees and the monitoring and reporting of the budget throughout the fiscal year.

The responsibilities and services of the Office of Budget & Financial Planning during the annual budgeting process include:

- Integrating proposed expenditures submitted by University-wide academic and administrative departments and preparing the annual budget submission for the Board of Trustees for approval
- Providing support and recommendations for senior management and the Board of Trustees on budget matters
- Managing effective resource allocations for the University by probing and challenging budget holders on proposed revenues and expenditures during the budgeting process to ensure sound rationale is provided for allocation resources in alignment with university strategic priorities.
- Ensuring proper compliance with the University’s financial regulations and policies.
- Supporting budget holders in budget setting and providing sufficient data and analysis as needed.
- Reviewing budget proposals for ‘new’ academic and non-academic initiatives.
- Reporting on variances between actuals against budget throughout the fiscal year to monitor performance and ensure alignment with the budget and strategic priorities.
- Approving and executing budget transfers and funding requests for new initiatives.
- Allocating fund resources to capital projects

The Office of Budget & Financial Planning website is located at https://www.aucegypt.edu/offices/budget-and-financial-planning for downloading budget documents, forms, and policies.
Office of Budget and Financial Planning Personnel:

<table>
<thead>
<tr>
<th>Staff Member</th>
<th>Telephone</th>
<th>Email</th>
</tr>
</thead>
<tbody>
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</tr>
</tbody>
</table>

2.2 Key Budget Partners and Responsibilities

Every office or school has a designated budget partner who acts as a liaison between the office or school and the Office of Budget and Financial Planning (OBFP).

Budget partners are responsible for:

1. Revising base budgets versus previous actual trends and identifying areas of savings and/or new initiatives
2. Preparing the new upcoming annual budget submission
3. Securing approval of the area head or Dean for the budgets of all cost centers of the department/school
4. Submitting the final proposal to the OBFP for review
5. Providing in-depth analyses and narrative as requested by the OBFP during the budgeting process

2.3 Budget Variance Analysis

The Office of Budget and Financial Planning provides a monthly variance analysis report template to the budget units on the 15th of each month. The budget units are required to complete the report at the G/L account level / cost center level and provide a justification for any variance over the budget by 5% and/or for any other changes that signal significant variances. The report is to be submitted back to the OBFP within 7 working days.

3 Basic Concepts

3.1 Fund Accounting

Fund accounting is used for tracking assigned funds to different purposes and the uses of such funds. The fund groups that are currently utilized by AUC are the Unrestricted Fund, Multiyear Fund, Gift Fund, Grant Fund, and
Endowment Fund. These broad groups are comprised of sub-funds for more specific allocations. The fund field appears in the SAP reporting of individual transactions.

3.2 Fiscal Year and Accounting Periods

**Unrestricted funds** are budgeted and monitored on a fiscal year basis. The budget is only valid for the respective fiscal year whereby at the end of the fiscal year, its designated budget closes and a new budget opens for the new year with no overflow of funds from one period to another.

**Multiyear funds** budgets are also reflected in the annual budget in terms of projected uses and sources related only to the current fiscal year. Balances carried forward from/to previous periods are not considered in the annual budget. Examples of multi-year budgets are capital projects and grant projects.

3.3 Budget Components

**Revenues** are sources of funds that inflow to the University from students' tuition & fees, university endowment funds, and internal investments, sales of educational or auxiliary services and supplies and grants and other revenues from institutions, governments, and other donating bodies.

**Funds** are either: a) **restricted funds**, which are allocated, collected or donated for a specific purpose and can only be used for the purpose specified by the source of the funds, e.g. grants, gifts & endowment grants b) **Unrestricted funds** are allocated towards the operating expenses of the University, such funds typically include tuition and fees, endowment income, program income, auxiliary revenues, and other sources.

**Operating Expenses** are expenditures that are incurred during the normal operation of a given fiscal year. These expenditures include employee salaries, benefits and allowances, supplies and services, and depreciation costs.

**Capital Expenses** are expenditures related to purchases or upgrade of assets or physical property such as equipment, furniture, and fixtures, books and vehicles.

**Capital Projects** include expenses directed for the efforts of construction or renovation, such as expenses for design, architectural services, engineering services, digital renovation in addition to other charges, liabilities, and preparations related to such projects. Expenditures that are incurred as part of a capital project are capitalized at the end of a specified period (quarterly or annually).

3.4 Budget Terms

**The base budget** refers to the recurring set of funds allocated to each cost center at the onset of the budget process. It is derived from the previous year’s budget and adjustments such as inflation or organizational changes. It does not typically account for one-time or special projects or initiatives.

**Planning Matrix** is the system where departments/cost centers submit justifiable expense needs that are projected to be needed in a given fiscal year above the base budget limit.

**The approved budget** is the total budget after making necessary adjustments to the base budget and additions from the planning matrix and after a series of reviews and adjustments driven by the recommendations of the Office of Budget & Financial Planning. It is the budget that will be available for departments at the beginning of a given fiscal year.

**Forecast** projections for revenues and expenditures throughout the fiscal year usually prepared on a quarterly basis. Forecasts include actual transactions for closed periods/quarters and projected trends for the remainder of the fiscal year ahead. Typically, forecasts are compared with the approved budget to highlight risks and opportunities
posed on the income statement allowing for corrective or precautionary actions to be taken before the end of the fiscal year.

The current Budget refers to the approved budget adjusted for budget transfers that have been transacted during the fiscal year.

4 The Budget Structure – Building Blocks & Controls

4.1 Overview

The annual budget is based on four main building blocks. Each budget line has to be assigned to a combination of the fund, cost center, general ledger account (GL), and a Work Breakdown Structure (WBS) number (for project and capital budgets only).

4.2 Fund Definitions

As mentioned earlier in section 3.2, there are two broad types of funds: AUC Fund and External Funds. Details of funds normally used for annual budgeting purposes are as follows:

<table>
<thead>
<tr>
<th>AUC Funds</th>
<th>Fund ID</th>
<th>Description</th>
<th>Nature</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>10100000</td>
<td>Unrestricted General Fund</td>
<td>Annual Unrestricted Appropriation</td>
</tr>
<tr>
<td></td>
<td>10101000</td>
<td>Unrestricted General Fund</td>
<td>Annual Unrestricted (Research Grants)</td>
</tr>
<tr>
<td></td>
<td>10200000</td>
<td>Unrestricted Multi-Year Projects</td>
<td>Multiyear Unrestricted Appropriation (Conferences, Projects, etc.)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>External Funds</th>
<th>Fund ID</th>
<th>Description</th>
<th>Nature</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>10300000</td>
<td>Temporary Restricted Gifts</td>
<td>Multiyear Unrestricted Appropriation</td>
</tr>
<tr>
<td></td>
<td>10301000</td>
<td>Endowments (LT investments)</td>
<td>Multiyear Unrestricted Appropriation</td>
</tr>
<tr>
<td></td>
<td>10302000</td>
<td>Gifts Cost Sharing Fund</td>
<td>Multiyear Unrestricted Appropriation</td>
</tr>
<tr>
<td></td>
<td>10900000</td>
<td>Non-Federal Grants</td>
<td>Multiyear Restricted Appropriation</td>
</tr>
<tr>
<td></td>
<td>10910000</td>
<td>Federal Grants</td>
<td>Multiyear Restricted Appropriation</td>
</tr>
<tr>
<td></td>
<td>10920000</td>
<td>Grant Cost Sharing Fund</td>
<td>Multiyear Restricted Appropriation</td>
</tr>
</tbody>
</table>

4.2.1 Annual Appropriation Budgets

- **Fund 10100000**: for budgeting revenues and expenses related to the normal operations of AUC for a given fiscal year. The budget is only valid for one year. Unexpended budgets are not liable to carry forward to the following fiscal year.
- **Fund 10101000**: for budgeting revenues and expenses related to supporting grants.

4.2.2 Multiyear Budgets (Projects)

Multiyear projects might be set for periods exceeding one fiscal year. The budget periods may either be defined (funds must be expended by a predetermined final date) or undefined (funds may be expended at any future time provided an available balance remains).
This mechanism may be convenient when a fund has been established to execute a specific project and the amount available for spending is to be automatically incremented whenever, for example, additional funds are donated.

- **Fund 10200000**: for budgeting revenues and expenses related to conferences, small projects, etc. that are funded by AUC.
- **Externally restricted funds (103XX/109XX, etc.)** like sponsored grants and donations budgets.

### 4.2.3 Work Breakdown Structure (WBS)

In SAP multiyear budgets are an attribute of a ‘Project’. That is to say that an organization must be defined as a Project that has an assigned WBS number (“Work breakdown structure”—see below) in order for budgets to operate on a multiyear basis.

### 4.3 Cost/Fund Center

Cost centers are the organizational units representing the structure of the organization (areas of responsibility, departments, areas). Below is an example of the hierarchy leading to the fund center as its basic organizational unit:

```
* Refer to the AUC Directory for details on the entire list of cost centers and relative schools, offices, and areas
```

### 4.4 General Ledger Account (GL)

GLs provide greater detail on the source of revenue or kind of expenditures. It is essential that each cost center or department allocate their budgets to the accurate account, this helps decision making on different levels when line items are aggregated and sources and uses of funds are analyzed.
GL accounts are organized in a way to facilitate allocation of budget, for example:

<table>
<thead>
<tr>
<th>General Rule</th>
<th>GL Example</th>
<th>Nature</th>
</tr>
</thead>
<tbody>
<tr>
<td>GLs starting with &quot;4&quot; are related to revenues</td>
<td>4111100 - Graduate Tuition - Egyptian/ Resident - Fall</td>
<td>Tuition &amp; Fees</td>
</tr>
<tr>
<td></td>
<td>42112100 - Tuition - SCE Business Programs - Tahrir Campus</td>
<td>Adult Education</td>
</tr>
<tr>
<td></td>
<td>43111300 - Other US Fed Govt Grants &amp; Contracts</td>
<td>Grants</td>
</tr>
<tr>
<td></td>
<td>44111110 - TRS Current Private Gifts - US Sources</td>
<td>Gifts</td>
</tr>
<tr>
<td></td>
<td>45191000 - S/T Investment Unallocated Income</td>
<td>Investment Income</td>
</tr>
<tr>
<td></td>
<td>46131107 - Special Program Income</td>
<td>Educational Sales &amp; Services</td>
</tr>
<tr>
<td></td>
<td>47111100 - Press Book Sales</td>
<td>Auxiliary Sales &amp; Services</td>
</tr>
<tr>
<td></td>
<td>48111103 - Use Of AUC Facilities</td>
<td>Other Revenues</td>
</tr>
</tbody>
</table>

| GLs starting with "5" are related to salaries & benefits | 51111100 - Local Faculty Salaries | Salaries & Benefits |
| GLs starting with "6" are related to expenses | 61100010 - Office Supplies | Supplies & Services |
| | 62220010 - Electricity Municipal | Utilities |
| | 69000300 - Equipment Depreciation Expense | Depreciation |
| | 68131100 - EGY Gov UG Egyptian Fall Scholarships | Scholarship |
| | 68611100 - Teaching Tuition Waiver Egyptian Fall Fellows | Fellowship |
| | 68421100 - UG Egyptian/ Resident Fall Student Work Study | Workstudy |

* You may refer to the AUC Directory for details on the entire chart of accounts on SAP

5 The Budget Cycle

- **Base Budget + adjustments becomes available on SAP**
  - **OCTOBER**
- **Departments/Units review & redistribute budget, if needed (no net change)**
- **Additional budget requests are submitted on Planning Matrix (V5)**
- **Version 5 submission for Deans/AVPs approval**
- **Units distribute aggregate budgets on objectives - Planning Matrix (MANDATORY)**
- **Total unit budget is aggregated on Planning Matrix**
- **Approvals proceed from Deans/AVPs to Area Heads to Cabinet & finally to BOT (Versions 4 to 1)**
  - **JANUARY - FEBRUARY**
- **Final budget changes (if any) are aggregated with SAP Base Budget**
- **Approved Budget becomes available on SAP (V0)**
  - **JULY**
6 Annual Budget Guidelines & Procedures

6.1 Process Overview

Using the previous year’s approved budget as a base, we are able to examine outcomes for the fiscal year about to begin using varying assumptions for both revenue sources and operating expenditure requirements.

The major variable on the revenue side is student tuition. Critical factors to consider are the likely size and composition of the student body, distribution of financial aid, and the level of tuition fee increases.

On the expenditure side the three major variables are:

- Personnel cost: critical factors to consider are the likely size of salary adjustments to combat the erosion of purchasing power through local inflation (a particularly complex issue, as the dual currency environment introduces also consideration of prospective adjustments in the pound/dollar exchange rate and expansion in probable full-time faculty numbers (increases in other personnel categories play a subsidiary role in cost terms).
- Financial Assistance: critical factors to consider are the likely size of the student body, tuition rate increases and the strategic direction regarding the distribution of financial aid.
- Supplies & Services: critical factors to consider are projected inflation and exchange rates in addition to the costs related to new initiatives. Changes in contractual agreements also have a major impact on expenses.

Models of the budget using different inputs of the key variables provide an informed view of sums likely to be available for operating supplies and maintenance, capital equipment, acquisition of new facilities and improvements to the existing plan, and start-up costs of new programs.

6.2 AUC Budget (Unrestricted Operating Budget)

6.2.1 Revenue Planning

Tuition & Fees Planning the Office of Budget & Financial Planning run different models for various proposed rates with several varying factors such as comparative rates of similar institutions, student enrollments, anticipated cost increases, economic indicators and strategic goals of the University. Upon approval of the Board of Trustees, the annual tuition and fee rates are announced to the AUC community. All non-standard tuition and fees (such as lab fees, special programs, medical insurance, parking charges, and others) are also reviewed by the OBFP.

Revenue-Generating Departments/Centers include:

- Auxiliaries: Press & Bookstores, Hostel, Faculty Housing, Transportation Services & Food Services
- Education Extension: School of Continuing Education, Executive Education, Engineering and Science Services and the Graduate School of Education

During the budget call, these departments need to send their projected revenues for the coming fiscal year. Estimates should be realistic, using predictors as follows:

- Average revenues earned per year in the past 3-4 years (trend)
- Revenue earned in the most recent fiscal year
- Factors impacting revenue change (such as the increase in fees, enrollments, inflation, contractual agreements, etc.)
- Efforts to improve advertising and enhancing the program
6.2.2 Operating Expense Budgets

During the budget call, departments may propose reallocation of the base budget from one operating – non-personnel – account to another such as from office supplies to consulting services.

6.2.2.1 Commitment Items Groups

After the budget is requested, submitted and approved, all budgets for units operating in the Unrestricted Operational fund 101XX and Unrestricted Projects fund 10200000 are controlled by setting ceilings or limits for expense groups, known in SAP as “Commitment Items”.

A commitment item group consists of one or more budget lines (GL accounts), which are normally logically related and fall within a single fund center/cost center.

1. Salaries, Wages & Allowances (pooled by category of employment)
2. Fringe Benefits (pooled by type of benefits)
3. Supplies & Services
4. Depreciation expense
5. Capital Expenditures

6.2.2.2 Commitment Controls

Commitment Item Groups Control: Individual lines/GL accounts within a commitment group may be “overdrawn” but the aggregate spending of the underlying group shall not exceed its budget limit.

However, some GL accounts within commitment groups will be set to full spending control – see in the section below.

Full Spending Control: Individual budget lines within a “Commitment Items” group may be set to full spending control. This means that each expense against such a line must satisfy two conditions:

1. There must be an unobligated budget balance in the underlying appropriation (commitment group) equal to or greater than the proposed expenditure, and
2. There must be an unobligated budget balance in the budget line itself equal to or greater than the proposed expenditure.

SAP ERP has been configured for the Supplies & Services lines to be set to full control by creating new groups. The reason is to ensure the accuracy of budget lines and to avoid the consequences of spending on specific line items on other budget items.

The following table shows the GL accounts that are subject to full budget control:

<table>
<thead>
<tr>
<th>GL Group</th>
<th>GL Account Range</th>
</tr>
</thead>
<tbody>
<tr>
<td>Utilities</td>
<td>62220010 - 62220900</td>
</tr>
<tr>
<td>Travel</td>
<td>62131000 - 62132530</td>
</tr>
<tr>
<td>Consulting &amp; professional services</td>
<td>62180010 - 62180075</td>
</tr>
<tr>
<td>Insurance</td>
<td>66000010 - 66000070</td>
</tr>
<tr>
<td>Hospitality</td>
<td>62240010</td>
</tr>
</tbody>
</table>
6.2.3 Capital Expense Budgets

All operational equipment acquisition requests have to be budgeted during the annual budget process prior to the start of the fiscal year, in order to secure budget approval and allocation, in addition to the creation of reference WBS numbers. WBS must be quoted on the requisitions submitted to the Procurement Services Department.

Procurement Services will not proceed with the procurement of any equipment item lacking a budget reference control number (WBS).

Budget savings realized on capital acquisitions for Funds/Cost Centers are NOT available to be spent on other unbudgeted items. Savings in the University-wide capital expenditure budget for furniture and equipment may, however, be applied to make up for shortfalls in budgeted departmental capital acquisitions for which the budget proves to be insufficient due to price increases or incorrect market research.

6.3 External Funds Budget (Project-Based Planning)

6.3.1 Overview

Budgeting for projects that are funded externally through fundraising, grants, and donations is aimed at providing a reasonable estimate for the annual portion of spending on salaries & benefits, financial assistance, and other supplies and services. This allows for a more accurate representation of revenues and expenses in the balanced consolidated income statement.

6.3.2 Sponsored Grants and Gift Planning

Sponsored grant budgets follow special procedures. When the grant has been officially awarded, the approved budget is adopted (to the extent necessary) to SAP expense codes with the assistance of the Office of Sponsored Programs and the Grants Accounting Services in the Controller’s Office.

All subsequent changes to this initial budget require the approval of Grants Accounting Services provided that the requested increases are within a percentage or amount limits previously approved in writing by the granting agency.

6.3.3 Capital Project Planning to be revised

For capital project planning, the Management & Transformation Area Head submits the following:

1- A breakdown for building modifications and IT projects with estimated costs for each project.
2- Milestones of project completion for the capitalization process

The Office for Budget & Financial Planning reviews the budget and submits for approval by the Board of Trustees. The OBFP will also be responsible for monitoring and reporting the activity on opened projects, whereas any exceptional transfers between projects are subject to the approval of the VP for Finance.

6.4 New Initiatives and Contingency Planning

6.4.1.1 Contingency Funds

Contingency funds are budgeted for unplanned or unexpected events, such as:

- Personnel, if it results from previously unplanned additions
- Supplies and services
- Equipment and furnishings
All transfers from the contingency fund to the respective school or department budget must be approved by the VP for Finance & CFO before processing by the Office of Budget & Financial Planning. The only exception to the foregoing principle is when revenue-earning organizations – typically auxiliary enterprises – request expenditure increases (excluding increases in equipment budgets) at the same time that they submit upward revisions to revenue budgets in amounts which will ensure the preservation of projected operating margins. In such cases, expenditure increases may be submitted for approval directly to the Budget Office with a copy to the Area Head.

6.4.1.2 Academic Initiatives Fund

This fund is administered by the Provost and supports new programs/initiative within the academic area, for example:

- Essential equipment and software required to support the program/initiative.
- Support for faculty or staff members to take part in the program/initiative.
- Enhancing educational/academic programs and research across campus.

Allocation/breakdown for initiatives must be submitted to the Office of Budget & Financial Planning as part of the normal budget annual submission process.

During the fiscal year, each spending request from the initiative’s budget needs to be submitted by the respective department and approved by the Provost. Any discrepancy versus the approved initiatives is subject to the approval of the VP for Finance and CFO.

6.5 Performance Monitoring

All Funds/Cost Centers with access to SAP ERP can monitor their budget performance on line.

Immediately after you log on to SAP, open the folder “FM” where you will find a folder titled “Funds Reporting” under this folder you will find the following reports:

- Budget Availability Report (transaction code ZFM01)
- Budget Revenue Report (transaction code ZFM09)
- Capital Plan Report for AUC capital (transaction code ZFM08)
- Capital Plan Report for MY-Projects (transaction code ZFM05)
- Budget comparative report (transaction code ZFM10)
- Operational Plan Report (transaction code ZFM04)

Each of the above reports will take you to a screen where you will specify the year for which you are requesting the report, and then press the icon shown as a clock at the toolbar and the report will be produced instantly.

You may drill down on any line in the report for detailed information at the transaction level. Further information can be found on the SAP end-user manual, which is available at http://in.aucegypt.edu/offices/office-budget-and-financial-planning

Finally, it should be noted that while these reports are updated in real-time as individual transactions are posted during the course of the business day (figures may have changed in a report even if the second inspection follows the first at an interval of only a few minutes).
7 Approved Budget Guidelines

7.1 Accountability

Vice Presidents and Deans have budget responsibility for their departments. Budget partner designated to department support in conducting the financial business and overseeing the department’s budget.

VP’s and Deans are accountable for the financial performance of their units against budget and their compliance with University policies.

7.2 Budget Modifications

Beginning July, Funds/Cost Centers managers begin to submit/capture requests for modifications to the approved budget. Errors and omissions may come to the light, and changes may be sought in operating expenditures and capital equipment required.

All such changes should be entered on SAP Budget transfer transaction code FMBBC (subject to limitations as per section 6.2.2.2). Approved changes to the approved budget show on SAP report as negative and positive differences between the ‘Approved Budget’ amount and the ‘Current Budget’ amount.

Funds/Cost Centers generating substantial modifications against the approved budget as the fiscal year progress may need to consider whether their budget planning process has been adequate. Such cases can be monitored by the area managers at the end of the fiscal year, or even earlier if warranted through the budget availability reports for their areas.

7.2.1 Overall Budget Transfers & Exception Approvals

Operating Expense Budgets

Any budget transfer to or from commitment item groups (section 6.2.2.2) will require Dean’s approval for academic departments. For non-academic departments the area head approval is required. The Office of Budget & Financial Planning will process the budget transfer upon receiving the approvals. For the remaining supplies & services, budget transfers can be done through the department.

Transfers with amounts exceeding 25% of the line-item budget will be subject to further approval from the VP for Finance & CFO, as well as transfers exceeding $50,000. Transfers in excess of $100,000 warrant the approval of the Board of Trustees as per the Board’s resolution (released 24th February 2018).

In addition, the Office for Budget & Financial Planning will be monitoring the volume and amount of transfers on a monthly basis per department/area. A summary of significant budget movements will be reported to the VP for Finance & CFO and the President.

Capital Budgets

Emergency equipment acquisitions (i.e. items not requested during the annual budget preparation process) require the following steps to be taken before a requisition can be issued:

- Approval must be obtained from the relevant Dean / Area Head. In the case of procuring computing equipment, the IT Assessment Department has to determine the specification.
- The Budget Office issues a WBS element, which is entered on the requisition to enable the PS to take the necessary action.
- Any change/adjustment needed in the WBS quantity (QTY) has to be approved by the Dean / Area Head, even if there are available funds/savings.
The Office of Budget & Financial Planning is authorized to process budget transfers under the following conditions:

1. Receipt of complete & duly approved “Budget Change Request Form” as indicated before.

The following points should be considered:

- The “Budget Change Request Form” for transfer of funds from supplies to capital, or from capital (WBS) to capital (WBS) in case of upward revision of prices QTY must be approved by the Dean / Area Head and VP for Finance and verified by Procurement Services Department (in case of capital WBS transfer).
- The “Budget Change Request Form” for transfer of funds from Capital (WBS) to capital (WBS), in case of upward revision change in the type of asset or QTY, must include justification and the approval of the Dean/Area Head is secured.
- Receipt of a “Budget Change Request Form” from Human Resources to reallocate the salaries budgets or fringe benefits budgets only among Funds/Cost Centers provided that there will be no increase in the overall personnel budget, and the request must include a justification for the required change. Any increase in salaries must bear the approval of the Area Head.

2. Any delegation of authority to sign off a budget transfer request form must be approved by both, the Funds/Cost Center manager and the responsible Area Head.

3. Any change in the approved capital budget from high-value equipment to a low value or to supplies, will have an impact on depreciation and need to be taken into consideration during the preparation of the budget change form.

4. No budget increases can be implemented unless: (1) a corresponding line is reduced within the same major expenditure group, and/or (2) funds are made available from the General Contingency (An exception to this principle may be made when revenue-earning units can demonstrate that annual revenues will exceed the budget). Drawing on the General Contingency normally requires the approval of the VP for Finance & Human Resources.

7.2.2 Budget Carry-forwards and Profit Retention

Eligibility for Profit Retention
The University administration has approved partial profit retention for schools that have major profit-earning entities. The following profit centers have been identified and the proposal will apply to schools associated with these entities:

- Executive Education - School of Business
- School of Continuing Education
- Engineering and Science Services - School of Sciences and Engineering
- Graduate school of Education

Currently, 100% of the profits made by these entities are returned to the AUC central budget. Upon the school’s request, 25% of the excess over-budgeted profit/contribution can be made available for spending in the next year’s budget only.

Unexpended budgets
As mentioned earlier, for annual budget appropriations, unexpended budgets are not available to be carried forward to the following fiscal year. However, if exceptional circumstances warrant, a written application may be made to the VP for Finance & CFO to increase the budget for a subsequent fiscal year by the amount of an
unavoidable under-spending in the base fiscal year. The application has to clearly state the reasons behind the exceptional treatment. The approval budget increase is subject to the VP for Finance & CFO’s approval.

In some cases, the request might be approved if the carry-forward budget will generate an increase in revenue to support the requestor an equal decrease in the next year’s operating budget can be used to support the request.

**Savings on Equipment/Capital Items Prices**

Capital budgets are created to enable Funds/Cost Centers to acquire needed property, plant, and equipment. Acquisition plans may be changed in light of changing circumstances, but the University’s obligation is to purchase the required items, not to provide a fixed level of monetary support regardless of the actual cost of acquiring such items.

A budget overrun on one capital item may be financed by savings on another capital item. However, net savings are normally returned to the University’s general operating funds.

The Office of Budget & Financial Planning and/or the Office of the VP for Finance & CFO may issue other announcements which will be considered as updated regulations periodically especially at the time of budget preparation.