

Last Revised: July 1, 2006

B. BUDGET

I. Introduction

This section outlines the general policies and procedures for the annual budget process by Carnegie Institution of Washington and its Departments (hereafter CIW) including:

1. formulation
2. review and approval
3. monitoring

II. Formulation

The formulation of each Department's budget request is the responsibility of the Department Director and should be a reflection of the scientific mission objectives of the Department. The President of CIW and his/her designee(s) may offer guidance during the budget process to the Departments. The proposed budget is based upon future directions planned by the Department which may include:

1. new staffing requirements
2. adjustments to personnel compensation and benefits
3. new projects expected in the next year
4. termination of existing projects
5. equipment requests
6. renovations requests
7. instrumentation requests

The projected revenue from grants and contracts (federal, state, local or private) is developed by the Department Director, Business Manager and designee(s) (as deemed appropriate by the Department Director) based upon the review of the Department's existing and anticipated grant and contract awards.

The budget development process is generally initiated in August each year when instructions, along with the prescribed forms, are sent by CIW's President to the Departments. From August to October the Department develops its budget, seeking input from the appropriate Department staff when necessary. During the first week of October, the Departments submit the budget request and revenue projections on the prescribed form(s) to the President. Departments may submit any additional support and/or documentation of budget request and revenue projections.

Over the course of the next two months, the Budget/Management Analysis Manager consolidates the departments' budget request and revenue projections and prepares appropriate material for decision making by the President.

III. Review and Approval

In the period from early December through January, the President and the Director of Administration and Finance review the Departments' budget requests and revenue projections and the President develops his/her budget recommendations. The President determines whether the budget requests and revenue projections are reasonable and indicates the endowment line items to which funding should be allocated.

The President makes recommendations on amounts that should be included in each Department's budget to cover the projected costs of inflation in the future fiscal year, as well as any programmatic changes. These budget recommendations are conveyed to the Department Directors by the President in a budget letter by the middle of February along with an explanation(s) supporting the recommendations.

The Departments have several weeks in which to review the President's budget recommendations and begin revising the budget request. During this time, the Department Director may discuss any allocations or issues that he/she feels warrant further consideration with the President. A Department Director is generally considered the individual best suited to make the decisions regarding a Department's budget, given his/her knowledge about the direction in which the Department is going.

Once all issues are resolved, the final budget recommendations are presented by the President to the Budget and Operations Committee (hereafter Committee) in March for review and approval. Once the Committee votes its approval (including revisions, if any), the budget recommendations are presented to the Board of Trustees (hereafter Board) by the Committee at the May Board meeting. The proposed budget requires approval by the majority of the Board before implementation. The Board's decision is duly noted in the minutes of the meeting. After the fiscal year begins in July, the new budget is entered into the Institution's financial system.

IV. Monitoring of the Budget by P Street

A monthly report showing year to date expenditures compared to budgeted amounts is printed on a monthly basis (from the general ledger system) and reviewed by:

1. the Director of Finance and Administration
2. other P Street Accounting staff as deemed appropriate

If a Department is over budget in the aggregate, it is asked to provide an explanation and a plan to correct the negative variance. If the over run is only in a particular account (endowment, grant, or private), the expenses are assessed and appropriate amounts are charged to other accounts in accordance with guidelines and procedures (see, for example, Section C --Grants and Awards), by the Department in consultation with P Street.

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The budgets v. actual expenditures are reviewed by the Trustees' Budget and Operations Committee at its September and March meetings and by the full Board at its December and May meetings.

V. Departmental Monitoring of the Budget

Each Department is responsible for periodically monitoring actual expenditures against budgeted amounts. These procedures should ensure, at minimum, the following:

1. periodic comparison of actual performance to budgeted amounts in order to monitor and control day-to-day financial operations
2. all the major elements (both internal and external) influencing budget v. actual performance are considered on a timely basis
3. consideration of short or long term budget adjustments needed to effectively address budget variances

To enable staff members to track expenditures and commitments against their budgets, the Business Office, after consultation with the Director, has established a routine procedure that requires a timely review of financial information from the accounting system, the Institution's official book of record. This information will include both standardized reports and account level detail. In general, this information will be available during the third week of the month and will be distributed to appropriate individuals. The Business Office determines the requirements for the review of this information, and includes those requirements, either in the document or by reference, with the transmittal of the information. Such requirements and information may be sent either electronically or in hard copy. Those receiving the information are responsible for meeting the requirements set by the Business Office. After receiving responses from the appropriate individuals, the Business Office is responsible for assuring that all charges are accurate and appropriate, including making any necessary adjustments.

Please be aware that the Department can only generate complete and accurate monthly reports after all monthly data have been collected and posted. A community effort is required to make the data available in the general ledger in a timely fashion. Among the things that must occur: effort must be collected and forwarded to P Street; information from remote sites must be imported and forwarded to P Street; indirect costs must be calculated and posted; overruns that develop must be cleared; and special consortium entries, supply usage entries, and executive time entries must be posted to the general ledger. All of this must happen before accurate and useful monthly project reports can be generated from the Institution's financial system.