

## EX.030.012 – BUDGET CHECKING EXPENSE TRANS OVERVIEW

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| <b>Purpose</b>                   | <ul style="list-style-type: none"> <li>• To define Budget Checking.</li> <li>• To define Commitment Control.</li> <li>• To define Encumbrance Accounting.</li> <li>• To identify which expense transactions are budget checked.</li> <li>• To identify how budget checking is performed.</li> <li>• To identify the status of a transaction that has passed budget checking.</li> <li>• To define Budget Check Exceptions.</li> <li>• To identify the differences between a budget check warning and error.</li> <li>• To identify the reasons transactions may fail budget checking.</li> </ul> |
| <b>Description</b>               | <p>This topic provides an overview of the Budget Checking functionality used in the Expenses Module. Budget Checking is the comparison of a pending transaction amount against the budget it is set to be charged to.</p>                                                                                                                                                                                                                                                                                                                                                                        |
| <b>Security Role</b>             | <b>BOR_EX_PROCESSING</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| <b>Dependencies/ Constraints</b> | None                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| <b>Additional Information</b>    | <p>A simplified version of this topic is available to Self-Service Expenses users. For more information, see <a href="#">EX.030.013. - Budget Checking Expense Transaction Overview</a></p>                                                                                                                                                                                                                                                                                                                                                                                                      |

## **Procedure**

Below are step by step instructions on how to utilize Budget Checking functionality used in the Expenses Module.

| <b>Step</b> | <b>Action</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
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| 1.          | <p>Commitment Control is a system process that creates Travel Authorization and Expense Report encumbrances using the Budget Checking Process.</p> <p>Budget Checking is the comparison of a pending transaction amount against the budget it is set to be charged to. This ensures that a budget has been adequately set up and that there are sufficient funds to post the pending transaction before the transaction is actually posted.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| 2.          | <p>Commitment Control performs several functions: It checks for spending availability. If available, it reserves or expends funds. Budget Checking also validates transactions to ensure adherence to budgeting guidelines. Travel Authorizations reserve (encumber) funds in anticipation of a future expenditure. An Expense Report is a realization of that expense.</p> <p>Both Expense Reports and Travel Authorizations are budget checked (not cash advances). Only transactions charging expense accounts reduce spending activity. The following expense events require budget check: Travel Authorizations, Travel Authorization changes, Travel Authorization cancellations, Expense Reports, Expense Report changes and Expense Report cancellations.</p> <p>When an expense report is associated with a Travel Authorization and successfully budget checked, the encumbrance will be reversed and replaced with an expense. Finalization of the Expense Report will relieve any remaining encumbrance balances on Travel Authorizations not fully liquidated.</p> |

| Step | Action                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
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| 3.   | <p>Encumbrance accounting allows you to reserve funds for an anticipated expense. Travel Authorizations reserve (encumber) funds in anticipation of a future expenditure. An expense report is a realization of that expense. Budget checking records encumbrances, or the reservation of funds, in the commitment control budget and then reverses the encumbrances when actual expenses are recorded.</p> <p>Budget checking journal expense reports will reflect changes made to posted accounting distributions in the commitment control budget.</p> <p>Expenses delivers additional options for budget checking activity of expense transactions. Commitment control options supported in Expenses are the ability to cancel or close unused travel authorizations and reverse the associated encumbrances.</p>                                           |
| 4.   | <p>Budget checking exceptions are transactions that fail budget checking validations. These exceptions may be errors or warnings. Errors prevent the system from recording the transaction; warnings allow the system to record the transaction but inform you of the exception conditions. You may view these exceptions to determine the cause of the failure through Expenses or through the Commitment Control menu.</p> <p>Expense transactions may fail budget checking for a variety of reasons and they may fail against one or more budget ledgers. They may fail because:</p> <ul style="list-style-type: none"> <li>•The ChartFields in the accounting distributions are incorrect.</li> <li>•There are insufficient funds to support the expense.</li> <li>•The budget is permanently or temporarily closed.</li> <li>•No budget exists.</li> </ul> |
| 5.   | <p>If an expense transaction fails budget checking, or if warning conditions exist for an expense transaction, the budget processor marks the transaction as an error or warning exception. You can view these exceptions and override some error exceptions (with proper authority) on the budget exception pages. You can access errors and warnings through Expenses or the Commitment Control menu.</p> <p>Some exception conditions may be eligible for override that allows an authorized user to force the transaction to record in the ledger. You must handle some exception conditions using the Expenses transaction pages. Check with your Commitment Control administrator to understand the control rules and authorizations associated with budget checking in Expenses.</p>                                                                     |

| Step | Action                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
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| 6.   | <p>OIIT has delivered a model that requires Expense Reports and Travel Authorizations to be budget checked prior to their initial approval. This means that before the Department Manager 1 can approve any expense report or travel authorization, it must have a budget status of Valid.</p> <p>This setting should not be altered, as transactions that are not budget checked before approval could be paid without ever passing budget checking.</p> <p>If an approver modifies any of the accounting details, budget checking is required again to reflect the changes.</p>                                                                                                                               |
| 7.   | <p>You can budget check expense transactions individually online or in batch through the budget checking run control.</p> <p>Any approver has the option to perform on-line budget checking in the Self-Service Portal. Batch budget checking is only available in the Core Application to authorized users.</p>                                                                                                                                                                                                                                                                                                                                                                                                |
| 8.   | <p>The budget date determines the budget period that is used to record or liquidate encumbrances. Expenses uses the following rules to determine what budget date to use for travel authorizations and expense reports:</p> <ul style="list-style-type: none"> <li>• Budget date in the travel authorization defaults to the accounting date, which you typically set to the system date.</li> <li>• Budget date in the expense report defaults to the expense report accounting date.</li> </ul>                                                                                                                                                                                                               |
| 9.   | <p>The accounting date determines the fiscal year and accounting period that is recorded. When you liquidate travel authorizations through the expense report budget checking process, the system records the liquidations in the fiscal year and accounting period derived from the accounting date of the expense report. When you cancel travel authorizations, there are two ways in which the system records the encumbrance reversals, based on the <b>Reversal Date Option</b> on the <b>Installation Options - Installed Products</b> page.</p>                                                                                                                                                         |
| 10.  | <p>OIIT has set the <b>Reversal Date Option</b> to <b>Current Date</b>. Therefore the Travel Authorization Cancellation run control prompts you for an accounting date. This allows you to control the period in which you record reversals. If you do not enter a date, the system defaults to the system date. The system updates the accounting date on the travel authorization prior to budget checking and moves the original accounting date to a different field.</p> <p>If you set the <b>Reversal Date Option</b> to <b>Current Date</b>, and you cancel a travel authorization on the <b>Cancel Approved Travel Authorization</b> page, the accounting date defaults to the current system date.</p> |

| Step | Action                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
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| 11.  | The <b>Reversal Date Option</b> applies to the fiscal year and accounting period; it does not affect the budget date or budget period.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| 12.  | <p>The rule for determining when a travel authorization, expense report, or journal expense report is eligible for budget checking is based on several factors. When any of these transactions are eligible for budget checking, Expenses sets the budget status to <b>N</b> to indicate that the transaction requires budget checking. Transactions are eligible for budget checking if:</p> <ul style="list-style-type: none"> <li>• The transaction was previously budget checked but is now being cancelled or denied.</li> <li>• The amounts or distribution information were previously budget checked but were changed.</li> <li>• The transaction was previously budget checked but is now being returned to the originator for revisions.</li> <li>• The payment for an expense report is cancelled and voided (not to be reissued).</li> </ul> |
| 13.  | <p>Online liquidation of travel authorization encumbrances occurs when you associate a travel authorization with an expense report. The following rules apply to online liquidation of travel authorizations:</p> <p>1. If you create an expense report by copying from a travel authorization and accept all the expense transaction lines, then the system liquidates the entire amount of the travel authorization. (cont'd on next page)</p>                                                                                                                                                                                                                                                                                                                                                                                                         |
| 14.  | <p>2. If you create an expense report by copying from a travel authorization and delete some of the lines, the system liquidates the lines that are matched in the expense report; however, the system does not liquidate lines that you deleted before the expense report was budget checked. In this case, the system sets a flag for the travel authorization that indicates to the Budget Processor to fully liquidate the remaining encumbrances during the next batch budget check.</p>                                                                                                                                                                                                                                                                                                                                                            |
| 15.  | <p>3. The system liquidates amounts based on the original travel authorization encumbrance amount.</p> <p>If you add new lines on an expense report, it will not have any effect on liquidation of travel authorization encumbrances.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| 16.  | <p>4. If an approver, project manager, or AP/Accounting department sends back, or denies an expense report at any point in the approval process, the system restores encumbrances for the associated travel authorization. If you delete an expense report, Expenses restores the travel authorization and makes it available for another expense report.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |

| Step | Action                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
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| 17.  | <p>5. When an approver makes changes to a distribution or expense transaction line, Expenses tracks the change activity and displays the Budget Options link when budget checking is required.</p> <p>The system inactivates the approval action buttons until the transaction is successfully budget checked.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| 18.  | A traveler (or his/her delegate) can cancel his/her travel authorization(s) through the Cancel Approved Travel Authorization page using the Employee Self-Service navigation. See business process EX.020.200 for information on this topic.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| 19.  | An EX/AP administrator can cancel one or more travel authorizations through the <b>Cancel Travel Authorizations</b> page using the Travel and Expense menu navigation in the Core Application. See business process EX.020.209 for information on this topic.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| 20.  | <p>When an approver denies a travel authorization or expense report, the system automatically budget checks the transactions to reverse out the recorded ledger amounts.</p> <p>When there are multiple approvers and one approver denies the transaction, the other approvers cannot reverse the denied status by approving it.</p> <p>When an approver denies an expense report that the employee created from a travel authorization, the system reinstates the encumbrances for the travel authorization. The system reinstates the travel authorization, making it available for the employee to use on a different expense report. In order to liquidate the encumbrances, you must cancel the travel authorization.</p>                                                               |
| 21.  | When an approver or AP/Accounting department prepayment auditor encounters a budget exception that requires changes to distribution ChartFields or transaction line amounts, they can access the accounting distribution lines to make the change (if authorized).                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| 22.  | <p>The commitment control source transaction governs some of the interaction between the budget processor and any defined expense transactions. The source transaction identifies eligible transactions for the budget processor based on specific fields and their values. For example, the definition for travel authorizations may identify transactions with a status of Submitted as the only transactions eligible for the budget processor.</p> <p>If you make changes to the delivered source transaction definitions for Expenses, you may also need to implement customized code to handle the change. Expenses only supports functionality based on the delivered source transaction definitions. Changes to source transactions must be done by an authorized administrator.</p> |

| Step | Action                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
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| 23.  | <p>Institutions may need to modify the distribution ChartFields or transaction line amounts that have already been recorded in the commitment control budget ledgers.</p> <p>An approver can have the authority to change the accounting distributions or amounts that have already been budget checked. If they make any changes, the transaction must be budget checked again to reflect those changes. If they are not successfully budget checked, Expenses does not allow you to post the liabilities for these transactions.</p> <p>When authorized, the prepayment auditor can make changes to accounting distributions or amounts that have already been budget checked and recorded in the commitment control budget ledgers.</p> |