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Document Objective

This document focuses on several key areas related to department budget and financial management. It will assist Business Officers in effectively developing a financial plan, reviewing budgets and actuals, preparing forecasts to monitor and communicate financial performance, and ensuring compliance to UofT and UTM policies and procedures.

This document also includes various policies, procedures, processes, resources and training material available for Business Officers and will supplement the Budget Management Document for Chairs, available on the UTM Budget, Planning & Finance (BP&F) website.
Department Budget Management

Effective and efficient budget management is key to successful department operation. It requires planning, commitment and discipline to effectively use financial resources for department operations.

Develop a Financial Plan

Identify department goals, priorities and objectives for the upcoming fiscal year, in collaboration with the Chair and develop a financial plan to achieve them. This includes thoroughly understanding department’s available funding sources and funding needs, preparing funding proposals to meet objectives of the department and providing financial insight to department faculty re: initiatives/priorities to pursue.

Review Base Budgets

Review department annual base budgets (operating, summer and TA) prepared by BP&F to ensure accuracy and completeness. Provide feedback and re-allocate line item budgets if required. Contact your assigned Financial Officer at BP&F for any issues or questions.

Monitoring Budgets and Actuals

When the budget is implemented, monthly reviews should be performed to verify the actual expenditures are in conformity to estimated amounts, and take the necessary steps to decrease the variance between the estimated and actual costs. This gives you the opportunity to make adjustments and prevents incurring unnecessary expenses and mistakes that are detrimental to achieving objectives during the fiscal year.

Prepare and submit quarterly forecasts to BP&F to identify and minimize forecasted negative variances, as well as utilizing favorable variances for other departmental purposes.

Awareness

Business Officers should develop, communicate and review both financial and non-financial reports/plans with the department Chair to assist in the Chair’s understanding of the department’s financial status and revise plans as necessary.

Compliance

Ensure compliance to University and UTM policies, procedures and agreements.
Develop a Financial Plan

Developing a department financial plan includes the following steps:

1. **Establish Department Goals**

   Goal-setting is perhaps one of the most important parts of financial planning, and allows a Business Officer to determine the most suitable course of action to be taken to meet the department’s financial needs.

   Identify department goals, priorities and objectives, in collaboration with the chair. These can be organised by short-term vs long-term goals and by priority.

2. **Review and Evaluate Funding Summary**

   Introduced in 2019, at the beginning of each fiscal year, BP&F will provide the unit with a Funding Summary, a document that provides a summary of unit’s base budget (operating, TA, and summer), carryforwards, trust accounts, GEF and PI accounts. The purpose is to gather up all the pieces that can be used to help plan budget allocations or that need monitoring (such as research accounts which the unit could be responsible for if there is overspending).

3. **Develop a Financial Plan**

   Once the department has their Funding Summary, they should proceed to make a Financial Plan for the year, which includes all pieces. With special consideration to which parts have restrictions (e.g. trust accounts, GEF) and which ones can be used for any purpose. It is key to list out what the Chair intends to spend each piece of funding on. This exercise ensures the Chair is aware how much can be spent on various priorities and that funds do not build up.

   BP&F will provide a ‘Financial Plan’ template, which can aid in developing a financial plan for discretionary funding available to the academic unit.

4. **Monitor and Review**

   As departments undergo a continuous series of changes; increase/decrease in enrolments, new programs, unforeseen expenses – all of these may result in changes to the unit’s goals. Hence, it is important that the financial planning process is not undertaken only once a year, but you should constantly monitor and review your financial status vis-à-vis your department goals to ensure the former is on track – and suitable – to meet the latter.
Review Base Budgets

At the end of April each year the base budget for the upcoming fiscal year is communicated to the unit from BP&F. The communication includes a detailed file outlining all changes and calculations. This file is sent to the Business Officer and the Chair.

Review base budget files to ensure accuracy and completeness. Provide feedback and re-allocate line item budgets if required.

Unit Budget Allocations

There are two types of budget allocations:

Base Budgets

The University of Toronto budget/fiscal year is May 1 to April 30. On May 1st each year, the department/unit receives a base budget allocation for the year. Academic budgets at UTM are allocated using an incremental budget approach. This means that the department/unit receives the previous year’s base budget plus any increases or decreases.

The base budget is comprised of:

- Base budget from the previous fiscal year
- Plus any established base budget changes for UTM operating budgets, such as:
  - ATB and PTR changes to salaries for existing faculty
  - Salary increases for appointed staff
  - Benefit increases established by U of T
- Any other base budget changes that have been approved by the Dean (more on this process below)
Base Budget Types

Most academic departments/units have at least three different base budgets:

1. **Operating budget**
   - Includes funding for all appointed faculty and staff salaries and benefits
   - Includes Non-compensation budget:
     - Office supplies, telephones, travel, etc.
     - Autonomy Funds (see annual reporting requirements below)
   - Research budget

**Autonomy Funds**

Effective May 1, 2019, the budget for autonomy funds was established for each unit. A new cost centre has been created for your unit for this funding to easily track expenses for reporting and analytical purposes.

Academic units are encouraged to use Autonomy Funds to pursue initiatives that enhance the quality of education and the overall student experience of undergraduate students. Units are encouraged to pursue initiatives designed to challenge student thinking, performance and growth.

**Planning**

As part of the Financial Plan, discussed earlier, Chairs should make a plan at the beginning of the year as to how the Autonomy funds will be spent.

**Annual Reporting**

A brief report outlining initiatives pursued and their outcome must be submitted to the Dean on an annual basis - no later than April 30th of each year. Academic units are expected to track expenses and enclose these reports in the annual submission.

[2019-20 Autonomy Funds Document](#)
[2019-20 Autonomy Funds Reporting Template](#)
Research budget

Each department/unit receives $1,000 per full-time tenure stream faculty per year, in base. This funding is distributed in a manner decided by the Chair and made available to complement other research funding opportunities, including those available through the UTM Vice Principal, Research:

Internal Funding Competitions

Work-Study Budget

Each year, academic units receive a base budget allocation for costs related to the work-study program for undergraduate teaching needs.

Work-Study Budget Surplus

Any savings in the Work Study budget are NOT available to be spent on other costs. By end of every fiscal year, work study budget surplus (if any) will be transferred out of the unit. Transfers will be done as per UTM internal year-end deadlines set to facilitate University wide year-end deadlines and procedures.

Work-study program costs charged to the academic unit for the prior fiscal year after year-end procedures are completed, will be returned to the academic unit on an OTO basis, but will be limited to the amount recovered from the unit before year end. Business Officers should contact their respective Financial Officers with the supporting documentation necessary to request this transfer.

Work Study Budget Deficit

Departments are expected to use operating funds (including carryforward) to cover any overspending. Business Officers are recommended to proactively plan, monitor and submit any necessary approval requests to the Dean’s office to avoid overspending.
2. TA Budget

Includes TA base budget for fall and winter.

**TA Hours allocation and funding process**

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**Base Budget**

- Based on Approved Rationale as provided by the Academic Unit / Dean’s Office
- Prior Year Enrollment Data Used
  - F Course: Sept 1st, Oct 1st, Nov 1st, Dec 1st
  - S Course: Jan 1st, Feb 1st, Mar 1st, Apr 1st

**Fall Top-Up (Occurs in December)**

- Only F courses are topped up (HSF & YSF)
- Current Year Enrollment Data Used
  - F Course: Sept 1st, Oct 1st, Nov 1st, Dec 1st

**Spring Top-Up (Occurs in April)**

- S & Y courses are topped up (HSY, YSY & YSY)
- Current Year Enrollment Data Used (as of Apr 01)
  - S Course: Jan 1st, Feb 1st, Mar 1st, Apr 1st
  - Y Course: Full year

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Please refer to the [TA Hours Funding & Allocation Process](#) document for more details on new course approval process, course change approval process and deadlines for approval requests.

**Budget adjustments for enrolment increases**

Departments/units do not need to request funds for approved TA ratios which are due to enrolment changes. These funds will be automatically transferred once enrolment is known.

**Unspent TA budget**

Unspent TA budget is transferred out of the department/unit at the end of April.

**TA Budget Deficit**

Departments are expected to use operating funds to cover any overspending that is not due to increased enrolments, except for any specific funding approvals from the Dean’s office. Business Officers are recommended to proactively plan, monitor and submit any necessary approval requests to the Dean’s office to avoid overspending.
3. **Summer budget**

Includes sessional and TA budget for all summer sessions, if there are any.

- **May**
  - Base budget is provided to the department/unit.

- **August**
  - Department/unit to submit a quarterly forecast to BP&F, as of July 31st.
  - Department/unit to advise of any hiring changes with regards to sessional lecturers which deviates from the summer base budget.
  - BP&F to update TA Hours allocation with live enrolment data; top up funding as required.

- **September**
  - Department/unit to ensure all outstanding expenditures have been posted to the account; confirm to BP&F once complete.
  - Any unspent funds is transferred out and used for other campus needs

**Summer Budget Deficit**

Departments are expected to use operating funds to cover any overspending that is not due to increased enrolments, except for any specific funding approvals from the Dean’s office. Business Officers are recommended to proactively plan, monitor and submit any necessary approval requests to the Dean’s office to avoid overspending.
OTO Budget

In addition to the base budget, units may receive OTO budget allocations throughout the year for items such as:

- Project funding from the Dean or Provost
- TA budget top-up, normally as a result of enrolment growth over the previous year
- Priority funding
- Sessional funding
- Other specific arrangements that are short term in nature

**Sessional Budget** - academic departments/units require both appointed faculty and limited term appointments to meet course demands. Every year, each department/unit finalizes a course timetable and requests funding for courses that are not taught on load by appointed faculty as a part of the departmental workload policy. Departments/Units complete the “Sessional Lecturer Funding Request” template found here:

[Sessional Lecturer Funding Request Template](#)

Savings from faculty leaves (including research/study, phased retirements, maternity/paternity, medical or unpaid) are netted against funding for sessional lecturer hires. The department/unit is required to provide approval for all course releases and special arrangements outside of the departmental workload policy. This information is submitted to Budget, Planning & Finance by the 3rd working day of August.

**UTM Office of the Dean - Annual Funding Opportunities**

The link below outlines all funding opportunities available through the Office of the Dean.

[Annual Funding Opportunities](#)

**Budget Request Process (Base Funding and OTO)**

The information in the link below outlines the process by which Academic Departments/Units may request additional funding; as outlined in the process documentation, all requests must be sent to the following contacts:

- **Ciaran Graham**
  - Director of Strategic Initiatives
  - Office of the Dean, Academic
  - [ciaran.graham@utoronto.ca](mailto:ciaran.graham@utoronto.ca)
  - 416-571-6513

- **Farzana Reburiano**
  - Assistant Director, Academic Financial Operations
  - Budget, Planning & Finance
  - [f.reburiano@utoronto.ca](mailto:f.reburiano@utoronto.ca)
  - (905) 301-7594

**UTM Budget Request Process**

You will also find reference material that outline the types of budget requests and frequently asked questions.

**Friendly reminder:** Academic Units/Departments are expected to fully utilize their carryforward funding, autonomy funding, etc. before requesting additional funding.
Carryforward

Departments/Units may have unspent budget from the previous year or “carryforward” (sometimes referred to as Operating Reserve).

Effective April 2020, UTM Dean’s Office implemented a Carryforward Limit Policy for all Academic Units to plan for the new institutional policy on carryforwards. Please see link to the new Carryforward Limit Policy for Academic Units below:

Carryforward Limit Policy: Academic Units

Monitoring Budgets and Actuals:

Monthly Reconciliation

Each month, the Business Officer is responsible for:

1. **Reconciling the Statement of Accounts (ZFTR106)**

   The statement of accounts is a report that can be requested from the Financial Information System (FIS) that shows both a summary of revenues and expenses for the month plus each transaction that was made for the month, by general ledger codes (shows summary of academic salaries, administrative salaries, benefits, telephone, travel, etc.). The Business Officer reviews the transactions and ensures:

   i. **Accuracy** – the transaction was made in the correct amount
   ii. **Completeness** – there are no transactions missing (not recorded or posted to the wrong account) and all transactions recorded match existing source documents held in the department/unit
   iii. **Adherence to policy** – this is normally done before the transaction is entered into the Financial Information System (FIS)

2. **Reviewing the Payroll Distribution Report (ZHJR_ZHJR004)**

   This report lists all employees who were paid during the month. The report can be obtained from the Financial Information System (FIS) and should be reviewed to ensure each employee was paid correctly and in a timely manner. The payroll distribution report should be compared to the following:

   - Source document (e.g. offer letter and/or monthly/biweekly time sheet)
   - Revised budget:
     - To ensure we stay within budget
     - To ensure correct transfers were received for each employee and
     - To identify and address any variances

3. **Reviewing the following Management Reports**

   a. **Financial Transaction Exception Report (ZFTR075)**

      This report shows the details of all non-payroll transactions for a given account (the departmental operating account) and all the accounts, which are subordinate to that account (including all research accounts for the department/unit). Vendors that do not seem familiar, numbered companies and
vendors that were paid a number of times or large amounts that are not recognizable should be investigated. The report allows the user to set a threshold dollar amount so that only larger transactions will be listed.

b. **New Hire/Termination Report (ZHMR_ZHMR042T)**

This report shows all employees hired or terminated during the month. Should be reviewed to identify any employees who do not belong to the department/unit and any other errors.

c. **List of Payments (ZFPR004)**

This is a list of vendors (including staff and faculty), with all payments to each vendor for the month.

d. **Payroll Exception Report (ZHJR_ZHMR048)**

This report shows any pay changes, which are greater or less than a specified percentage. The limit for reporting variance defaults to 10%.

e. **Cheques Payable to Person Processing Payment (ZFTR076)**

This report provides information on any cheque that was produced by the same person who processed the transaction (writing cheques to themselves)

**The Business Officer should also review the following reports with the Chair for PI accounts:**

f. **Monthly Principal Investigator Report (ZFTR091)**

This report provides a summary of all financial activity in a Principal Investigator's research grant account along with supporting details.

g. **Status PI Monthly Review by PI (ZFTR101)**

This report is used to verify which Principal Investigators are reviewing their monthly statements on My Research On-Line.

**Note:** The monthly review of the statement of accounts, payroll distribution report and management reports should be completed by placing a signature or initial on the report along with the date of review by both the **Business Officer and Chair.**
Forecasting

An essential element of strong financial management at the departmental level is the ongoing monitoring of revenues and expenses.

- Prepare department forecast, three times annually, using UTM-wide template and instructions provided by BP&F and review with Chair.
- Identify funding issues or possible errors and provide details and analysis to BP&F as required.

**Purpose:**

1. To project Revenues & Expenses for the fiscal year and estimating an accurate financial position for the department as at year end.
2. To review Actuals against Budget and identify variances.
3. To make optimum use of funds available while avoiding deficits during the fiscal year.
4. To address areas of negative variances and improve departmental efficiency.

**Components:**

1. **Compensation:** This is the primary component of the unit’s base budget, therefore Business Officers should complete a **Payroll Reconciliation** prior to preparing the forecast to ensure correct funding is provided as well as confirming charges and commitments to the account are correct.

   Template for Payroll Reconciliation can be found here: [Payroll Reconciliation Template](#)

2. **Non-Compensation:** Ensure that all planned/expected expenses have been captured in Actuals, Commitments or have been forecasted. This will enable the Business Officer, as well as Department Chair, to review the accounts and identify areas of over/under spend and also paint a clear picture to review and question any of the budget lines.

**Savings throughout the Year**

Operating budgets may experience savings, some of which are available to the department/unit, to be used for other purposes, depending on the source:

**Savings from academic compensation**

These savings resulting from research/study, phased retirements, maternity/paternity, medical or unpaid leaves are netted against the request for sessionals (i.e. they are used to provide the department/unit with sessional funding) so they are NOT available to be spent on other costs.

**Savings from administrative compensation**

These savings are left in the department/unit to fund replacements or overtime costs that may be incurred in the absence of an employee. If the saving is not required for these purposes, it is available to be spent for other purposes.

**Savings from non-compensation expenses**

These savings are normally left in the department/unit to be used for other purposes with some exceptions.
Forecast Timelines:

Departmental forecasts are completed for Q1, Q2 and Q3 with the deadline for submission to BP&F being 10 business days following the month-end.

<table>
<thead>
<tr>
<th>Deadlines</th>
<th>Q1 – July 31st</th>
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<tbody>
<tr>
<td></td>
<td>Operating &amp; Summer accounts to be submitted</td>
</tr>
<tr>
<td></td>
<td>Due 10 business days following month end (approximately 15th August)</td>
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| Q2 – October 31st | Operating & TA accounts to be submitted                                          |
|                   | Due 10 business days following month end (approximately 15th November)         |

| Q3 – January 31st | Operating & TA accounts to be submitted                                          |
|                   | Due 10 business days following month end (approximately 15th February)          |

It is essential for Business Officers to monitor the accounts on a regular basis outside of the forecast period to ensure accuracy and completeness. This will make the forecast cleaner as well as allow the department to assess the accounts throughout the year and identify areas where additional funding is required (through submission of proposals) or reallocation of budgets in the plan.

Upon Department forecast submission, BP&F will perform the following:

- Review submitted forecasts for accuracy and completeness
- Request department for additional details, supporting documentation, and analysis as required
- Provide feedback to Business Officer and Chair. This is usually sent out within 10 business days from the deadline set for Business Officers, approximately 28th of the following month
Awareness

Business Officers should develop, communicate and review the following with the department Chair to assist in the Chair’s understanding of the department’s financial status and revise plans as necessary.

Yearly:
- Establish department plans and goals
- Review Base Budgets and Funding Summary
- Develop Financial Plan

Quarterly:
- Review department Forecast
- Review/revise department plans and goals
- Review Financial Plan

Monthly:
- Review Statement of Accounts
- Review Payroll Distribution Report
- Review Management reports

Policies, Processes & Procedures

- UofT Guide to Financial Management
- Month-End Reports
- Management Reports
- UTM Budget Request Process

Training Material

- Reconciling & Reviewing Month End Statements
- Basic Funds Management Reporting
- Monthly Cost Centre/Internal Order to Funds Centre reconciliations
- Finding CC/IO, FC mismatched postings