

Non Sufficient Funds Checking (NSF)



Agenda

- Purpose of NSF checking
- Current and Future state of NSF checking
- How Banner calculates NSF checking
- Transactions subject to NSF checking
- NSF Impact (Budgetary Process, Departmental Processes, Purchasing, Departmental Procedures)
- Common causes of NSF conditions
- NSF approval queue process
- Troubleshooting NSF conditions
- Proactive measures that can be taken to avoid a NSF condition
- Useful reports

Purpose

- NSF Checking is to be used as a tool to assist departments in making management decisions relative to the spending priorities in their units. By preventing the processing of transactions initiated in Banner that would create or increase a department's deficit; NSF checking alerts the department to the situation and requires management decision to determine the best course of action for the unit.
- To assist the department in monitoring and enforcing the budgetary plan the department has chosen to adopt for the current fiscal year.

Current State of Non Sufficient Funds Checking

- Current State
 - NSF checking set to “Reject” status for Instruction & General (I&G) funds at the college level (org level 3), which is composed of all departments within the college.
 - **Pro:** This introduced NSF to campus and allowed refinement of the process while having minimal impact on a department’s ability to spend.
 - **Con:** NSF at org level 3 places departments in a position where one department could overspend their budget at the expense of another department’s budgetary surplus.



Future State of Non Sufficient Funds Checking

- March 6, 2006
 - NSF will be set to a warning status at org level 5 – the department level
 - Documents will not be rejected if a NSF condition is present, the user will be warned instead.
 - This will allow campus to familiarize themselves with the process and prepare for necessary action.
- July 1, 2006
 - NSF will be set to reject status at the org level 5
 - Departments are individually accountable for the management of the budgetary funds allocated to them.
 - Documents with an NSF condition will be rejected and not allowed to move forward within Banner.

How Banner Calculates NSF

Total Accumulated Expense Budget
Less: Fiscal YTD Actuals
Less: Fiscal YTD Commitments
(encumbrances/reservations)
Less: Pending Transactions
= Budget Available for spending

Transactions subject to NSF checking

- Transactions subject to NSF checking are all documents initiated in Banner
 - Journal Vouchers
 - Invoices
 - Requisitions (from LoboMart)
 - Purchase Orders
 - General Encumbrances
 - Pcard reallocations
- Transactions that are not subject to NSF checking:
 - Any feeds into Banner
 - Payroll
 - Pcard feeds
 - Banner tax
 - Telecommunications
 - Bookstore, etc.
 - Though not subject to NSF checking, can place department in deficit if not enough budget to fund transactions posted.

NSF Impact on Budgetary Process

Total Accumulated Expense Budget

Though currently only established for I&G funds, every index should be budgeted for management reasons and to be prepared for future expansion of NSF checking

I&G Funds:

-Main Campus-	2U0224	-Los Alamos-	5U0011
-Health Sciences-	3U0044	-Valencia-	6U0012
-Gallup-	4U0006	-Taos-	7U0006

NSF Impact on Departmental Processes

Less: Fiscal YTD Actuals

Need for **timely reconciliation of indexes** to verify that expenses are complete and accurate

- 80% of most departments expenses are **Salaries**
 - **Verify the accuracy of labor distributions**
 - e-Print - Salary Projections Report (**fme_banp** repository at login screen)
 - Another common expense is telecommunications, please verify that department is being charged properly. (# phone lines, cell phones, pagers, etc)
- If department carries a surplus balance forward from the prior year; need to budget any surplus that the department intends to spend in the current fiscal year.

NSF Impact on Purchasing

Less: Fiscal YTD commitments (encumbrances and reservations)

Examine departmental purchase orders for need and accuracy

Some purchase orders for **service contracts** may span more than one year, causing budgeted funds for the current year to be exhausted prematurely.

- Departments should work with Purchasing to discuss how to best approach multi-year purchase orders

NSF Impact on Departmental Procedures

Less: Pending Transactions

Includes completed but unapproved:

- Invoices
- Purchase Orders
- Requisitions
 - Also includes all journal voucher line items with a status of “P” (postable) for both incomplete and completed but unapproved journal vouchers

All of these transactions effectively encumber the department’s budgeted funds, which reduces the department’s budget available for spending.

Common Causes for NSF Conditions

- **Insufficient Budget**
 - Initiator of document will see an error message while attempting to complete the document if the organization is already in an NSF condition (insufficient budget to fund actual transaction)
 - If the organization spends into a deficit while a document is pending approval, the document will be routed to an NSF approval queue instead of the regular approval queues in Central Accounting.
 - Initiator should track document to ensure it posts (FOAAINP)
 - If document is suspended due to NSF, it will be in the “NSF-Over Budget” queue

Common Causes for NSF Conditions, con't.

- Navigational Errors

- Some documents that are in the NSF queue are there due to navigational errors instead of insufficient budget to fund the transaction.
 - Navigational errors are monitored by Accounts Payable and will be disapproved along with detailed instructions on how to correct
 - Please see website <http://www.unm.edu/~apweb/NSF%20document.pdf>
 - Upon correction, the end-user must contact the original approver for reapproval

NSF Approval Queue Process

- Once a document enters the NSF queue, it is either a true NSF condition or it is a navigational issue.
- A team of approvers have been identified to monitor and help resolve issue in the NSF queue, there are representatives for the following:
 - Main Campus, Branch Campuses, Health Sciences, Accounts Payable, and Purchasing.
- A daily report is generated by Finance Systems Management to identify the documents entering the NSF queue and is emailed to the team of approvers.
- When NSF (true NSF Condition or Navigational) is resolved, user can self-disapprove the document (FOADOCU, and click “deny doc”), change the date to current and re-submit, or the team of approvers will disapprove the document with instructions for the department.

Troubleshooting NSF conditions

- Do I have any negative expense budgeted?
- Am I spending unbudgeted balance forward?
- Do I have PO's that span more than one fiscal year?
- Are my labor distributions current and accurate?
- Are my expenses properly charged?

Proactive measures that can be taken to avoid NSF

- Since salaries comprise about 80% of most budgets, verify labor distribution and reconcile salary charges on a timely basis.
- Process Salary Reallocations and Labor Distribution changes in a timely fashion
- Review outstanding Purchase Orders for need and appropriateness
- Process any necessary PO Modifications in a timely manner
- When possible, renew master Purchase Orders on a fiscal year basis
- Purge any pending transactions from system that were initiated but are no longer intended to be completed
- Budget Balance Forward amounts

Useful Reports

- Operating Ledger Summary
 - Hyperion Report
 - Level 5 Organization Code
 - I&G Fund
- Salary Projections Report
 - e-Print
 - Change repository to fme.banp at login

Useful Reports, con't.

- NSF Report
 - Hyperion
 - Will allow user to drill into detail to pin point transaction detail
- Banner Screens
 - FGIBAVL – Will show budget to actual and availability for a level 5 org (as of 3/6/2006)
 - FGIBDSR – Will show budget to actual and availability in a variety of different ways (by index, fund, org, etc.)

Summary

- NSF checking is a tool provided by Banner to assist departments in adhering to the budgetary plan that they adopted for the current fiscal year.
- NSF checking is not a substitute for timely reconciliation and analysis of department indexes.