



# Business at Penn Overview Knowledge Building

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# Business at Penn - Objectives

- Understand how business is conducted at Penn and your responsibility to be a 'good steward'
- Understand that Schools/Centers have been given authority to operate as their own 'business unit'
  - This is known as 'Responsibility Center Management' (RCM)
- Understand the financial and accounting structures that underlie RCM
- Understand the features of the BEN system at a high level and the terminology used at Penn

# Business at Penn Overview

**What is 'Stewardship' and  
Why is it Important?**

# Principles of Responsible Conduct

- Everyone at Penn has an explicit obligation to adhere to the Principles of Responsible Conduct
  - These principles set the tone for expected behavior
  - Serve as the underpinning of important University policies and regulations
- To ensure that we maintain the highest ethical and compliance standards, the University provides a hotline and website where you can:
  - Raise questions or concerns if you suspect violations of policy or legal requirements
  - Anonymously report violations of Penn policies at the P-COMPLY hotline

# Stewardship Responsibility

- Penn believes in conducting its financial affairs in a spirit of **transparency**
  - Penn's financial reports provide information about how resources are being acquired and used
- Who wants to know how Penn acquires and uses resources?
  - Lenders
  - Donors
  - Government Agencies
  - Penn Board of Trustees
  - Penn Management
  - Students
  - Parents



## Stewardship Responsibility (cont'd)

- Penn's reputation as a **good steward** is its most important asset
- It's in everyone's long-term interest to manage Penn's resources wisely, because:
  - More funds will be available to help Penn achieve its goals
  - Penn will be better prepared to meet rapidly changing financial conditions, for example:
    - Changes in the state appropriation
    - Uncertain investment returns
    - Greater demands for student aid
  - Penn will be better able to fulfill its mission well into the future

## Stewardship Responsibility (cont'd)

- You give Penn the ability to fulfill its stewardship responsibilities
  - You have the **authority** to originate financial transactions
  - You also have the **responsibility** to safeguard Penn's resources and record financial activity correctly
    - You will be held accountable to get it right
- Effective job performance and 'doing it right' the first time is important because:
  - It saves time and money
  - It eliminates rework and wasted effort
  - It provides good quality data for planning and management purposes

# Business at Penn Overview

**What is Penn's Financial  
Accounting System?  
- BEN Financials**



# BEN System Components

- The ***Business Enterprise Network (BEN)*** is the network of financial systems used by Penn, its components are:
  - BEN Financials
    - BEN Assets (Property Management)
    - BEN Balances (General Ledger)
    - BEN Buys (Purchasing)
    - BEN Pays (Accounts Payable)
  - BEN Deposits (Cash deposits)

# BEN System Components

- BEN has been in use since 2002
  - BEN experiences a high level of stability
  - Periodic upgrades keep BEN current with business needs and software advances
- BEN training is conducted on an on-going basis via Trainer led workshops and web-based training
- Help Desk support via 6-HELP (6-4357) and the web-based 'BEN Knows' provide reliable support and problem resolution



# **Business at Penn Overview**

## **How does Penn Structure its Accounting 'Books'?**

# Accounting Periods

- Funds (i.e. monies) are designated, and financial transactions recorded according into a **Fiscal Year** or a **Project Period** structure
- Each accounting period is defined as **one calendar month** (e.g. March, April, May, etc.)
- Accounting periods are either **OPEN** or **CLOSED**
  - You cannot process ‘actual’ financial transactions to a closed period
  - This applies to both Fiscal Year and Project Period transactions

# Accounting Periods – Fiscal Year Funds

- Accounting periods for **Fiscal Year** funds begin on July 1 and end on June 30
  - The Fiscal Year consists of 13 accounting periods
    - The Fiscal Year accounting periods are the 12 standard months and a short adjustment period at the end of the Fiscal Year (designated as 'ADJ-YY')
  - Fiscal Year accounting periods are either **OPEN** or **CLOSED**
    - You cannot process 'actual' financial transactions to a closed period



# Accounting Periods –Project Period

- Accounting periods can also be defined according to a **Project Period** structure
  - Project start and end dates are defined by the Sponsor of the project (e.g. NIH, DOD, etc.) for reporting
  - Start and end dates may cross Fiscal Years and even run for durations greater than 12 months
  - Project Period accounting periods are either OPEN or CLOSED
    - You cannot record ‘actual’ financial transactions to a closed period



# **Business at Penn Overview**

## **What is a Budget and How are Budgets Handled at Penn?**

# Budgets

- Before any money can be spent, a **budget** must be established
  - Budgets function as planning tools which document how resources (i.e. money) are acquired and spent
  - Budgets plan for both revenues and expenses
- Budgets span a period of time, either:
  - Fiscal Year or Project Periods
- Once approved, budgets provide authority to acquire goods or services, and make payments

# Budgets – School and Center Responsibility

- Each School/Center is responsible for managing a predetermined amount of University money, known as a **Fund**
- Each School/Center may have a variety of Funds to work with
  - A School/Center subdivides the funds among its organizations (i.e. departments)
  - Funds are further divided by **general funds, endowments, gifts, and grants and contracts**
    - Some funds have restrictions on when and how the fund can be used

# Budgets – System Tools

- Fiscal Year operating budgets are prepared and entered in the Budget Planning System (Hyperion) annually, and finalized around May/June of each year
  - These budgets are subsequently uploaded into BEN Financials on the first day of the new Fiscal Year
- Capital budgets, grants and contracts, and new gifts are entered directly into BEN Financials via a Budget Journal Entry, as needed, at any time of the year
- BEN Financials is used to track and manage budget performance throughout the course of the Fiscal Year or Project Period



# Budgets – Tracking and Management

- In order to avoid budget deficits, the BEN Financials system allows you to perform ‘funds checking’ before spending from your budget
  - ‘Budget balances available’ are updated, real-time, in BEN through the use of an **encumbrance**, and reflect the next day in **General Ledger** reports
    - An encumbrance reserves money that will be paid at some point in the future
- Financial reports and on-line tools allow you to track the progress of your actual financial performance against the budget plan in the **General Ledger**

# **Business at Penn Overview**

**How are Goods and Services  
Purchased and Paid For?**

- BEN Buys**
- BEN Pays**

# Purchasing - BEN Buys

- Following the RCM philosophy, the purchasing function is decentralized to the department level
  - This allows you, at the departmental level, to select the most appropriate Supplier for the goods and/or services you require
  - It also allows Penn's Purchasing Services Department to concentrate its efforts on securing the best overall prices and terms from Penn's Suppliers
- Using the BEN Buys application, users create **Requisitions** which, when approved, generate **Purchase Orders (POs)**

# Purchasing - BEN Buys Requisitions

- Requisitions are created via BEN Buys
  - A Requisition is an internal, electronic document used for initiating and managing your requests for goods & services
  - **Requisitions** can be created in BEN Buys either by a ‘Requisitioner’ or a ‘PO Manager’
  - Requisitions are created from
    - **The Penn Marketplace** (web based supply catalogs)
    - Create **Non-Marketplace Requests** (e.g. catering)
  - **Requisitions** become **Purchase Orders** when they are approved by a ‘PO Manager’

# Purchasing - BEN Buys Purchase Orders

- Approved Requisitions become Purchase Orders (PO)
  - Purchase Orders are legally binding documents to secure goods and services from an external Supplier
  - Purchase Orders are generated by first creating a Requisition, and then having it appropriately approved by a PO Manager
  - Upon approval a Purchase Order will be
    - Sent to the Supplier if it is within a PO Manager's approval authority or
    - If the dollar value of the Purchase Order is greater than the PO Manager's authority
      - The Purchase Order is moved electronically through an established approval hierarchy before being sent to the Supplier



# Purchasing - BEN Buys Approval Hierarchy

- Following the RCM philosophy, a hierarchy of approvers is established at the School/Center level
  - This provides an internal control in Penn's decentralized purchasing environment
  - This serves as an additional review of purchases to ensure that they are appropriate for the department
  - Approval hierarchies are based on spending authorization limits for each individual PO Manager within the hierarchy
    - Each School/Center establishes their own approval hierarchy

# Purchasing - BEN Buys Funding Your PO

- All purchases must indicate the source of funding
  - At the time a requisition is created, a Requisitioner or PO Manager enters one or more budgeted account numbers into BEN Buys
  - BEN Buys automatically ‘checks funds’ to see if enough money is available for the amount of the requisition
    - $\text{Funds Available} = \text{Total Budget} - \text{Actual \$ Spent} - \text{Encumbrances}$
    - This ‘funds checking’ looks at the money available across all expense dollars budgeted, not just the specific expense category for the item(s) being purchased

# Purchasing - BEN Buys Funds Checking

- BEN Buys checks the General Ledger fund(s) being used for the purchase, and if not enough money is available:
  - You get a warning, and you should:
    - Find another source of funding, if appropriate
    - Don't make the purchase and spend the money
    - Adjust the budget in the General Ledger (GL) as appropriate
- If money is available for the requisition, the **Requisitioner** is authorized to 'submit' the requisition for approval

# Purchasing - BEN Buys Dollar Limit Rule

- BEN Buys has a built in 'Dollar Limit' rule
  - If the dollar amount of the purchase exceeds the requestor's approval authority, BEN Buys routes the requisition to a 'Default Approver'
    - A person who has only the 'Requisitioner' responsibility has no spending authority
    - Each PO Manager has a spending limit defined by their School/Center
  - Spending limit and Default Approver information is established by your School/Center when completing your [BEN Financials Access Request eForm](#)

## Purchasing - BEN Buys PO's \$5,000 and Up

- Purchase Orders approved through the School/Center approval hierarchy are sent to the Supplier, except:
  - Purchase Orders of \$5,000 or greater are additionally routed to Purchasing Services for approval
- Once fully approved, BEN Buys sends Purchase Orders to the Supplier via:
  - Electronically via data interchange (EDI)
  - Via fax
  - Via hard copy US mail
- Information about a Purchase Orders routing history is seen via BEN Buys



# Purchasing - BEN Buys Business Owner

- **Purchasing Services** is the business process owner for all of Penn's procurement programs, and maintains:
  - Supplier lists
  - Penn Marketplace information
  - Deliver-to locations
  - Approval hierarchies
- Review the Purchasing Services web site for more information such as Purchasing Policies, Commodity Buying Tips, Suppliers, and other important purchasing information

# Paying Invoices – BEN Pays

- **Accounts Payable** enters invoices into BEN Pays
  - Invoices are scanned and matched to a Purchase Order
  - Discrepancies are routed to the PO Manager for resolution
- Invoice amounts are posted to the General Ledger
  - Purchase Order encumbrances are relieved and actual expenses recorded
- Payment is made to Supplier
  - Note: For PO's \$5,000 and greater, acknowledgment of the receipt of goods must be entered in BEN Buys before payment will be made



# **Business at Penn Overview**

**What is the General Ledger?**  
**– BEN Balances**

# General Ledger - BEN Balances

- The General Ledger (G/L) is the repository for all accounting transactions – referred to as ‘journals’
  - Journals come from a variety of sources:
    - Manual Journals – adjustments and corrections
    - Service Center charges
    - Feeder Systems (Payroll, Mail, Phone, etc.)
    - Budget Journals – new gifts, grants, budget reallocations

# General Ledger - Manual Journals

- Manual Journals are entered via the Manual Journal Entry Responsibility
  - Manual Journals are used for entering:
    - Error corrections
    - Cost reallocations
    - Service Center billings
    - Resource transfers
  - Posting Journals
    - Journals are posted automatically every night
    - You can change your journal entries up until the time they are posted
    - Once a journal is posted, it cannot be changed



# General Ledger - Budget Journals

- Budget Journals are entered via BEN Budget Journal Entry
  - Budget Journals are used for entering:
    - Capital budgets
    - Grants and contracts
    - New gifts
    - Budget reallocations
    - Budget increases/decreases
  - Posting Journals
    - Journals are posted automatically every night
    - You can change your journal entries up until the time they are posted
    - Once a journal is posted, it cannot be changed

# General Ledger - Feeder System Journals

- Feeder System Journals post to the General Ledger via BEN Balances from a variety of source systems:
  - Payroll
  - Central Gifts
  - Student Billing (SFS/BSR)
  - University Services, for example:
    - Telephone
    - Mail
    - Physical Plant
    - Network Charges (ISC)

# General Ledger – Salary Management

- The **Salary Management** system consolidates payroll amounts and sends summary Payroll data to the G/L via BEN Balances
  - Detailed payroll data is **not** available in the General Ledger through BEN Balances
  - **Salary Management** acts as an interface between the Payroll System and the General Ledger, and it:
    - Creates salary encumbrances for BEN Balances
    - Provides on-line inquiry and reporting of salary details by person or account
    - Is used for payroll reallocations
    - Is used for effort reporting on grants and contracts



# **Business at Penn Overview**

**What is Financial Reporting?**

# Financial Reporting - Overview

- Penn operates a decentralized financial management model which is referred to as Responsibility Center Management (RCM)
- Penn is the umbrella framework that combines all academic, administrative, and research units
- Centrally, Penn provides planning, operations services, and oversight; for example:
  - Budget Management
  - Comptroller and Treasurer
  - Security and Facilities
  - Audit and Compliance
  - Telecommunications and Informational Systems



# Financial Reporting - Overview

- Under RCM, business units are given the authority and ability to plan and administer business themselves
- This is helpful as many of the business units differ in terms of:
  - The work that they do
  - Their goals and priorities
- This allows each unit to develop plans that maximize its own business, which in turn helps Penn grow in a smart and efficient manner
- RCM also allows Penn to coordinate the many competing interests of the individual business units so that the activities of one unit will not act as a detriment to the others

# Financial Reporting - Overview

- Penn uses Responsibility Center Management (RCM) as its managerial framework for internal budgeting and financial reporting activities
  - However, to comply with external reporting requirements, Penn's financial performance is reported in accordance with Generally Accepted Accounting Principles (GAAP)
  - There are some differences between RCM and GAAP reporting in areas that include:
    - Student Aid
    - Contributions
    - Investment Income
    - Current Expense

# Financial Reporting - Overview

- The University's financial systems record and report on business transactions in such a way that both RCM and GAAP requirements are accommodated
  - Each transaction contains a variety of data that embeds accounting information facilitating reporting for both RCM and GAAP
  - Each transaction also indicates if the transaction is a debit or a credit
- To facilitate recording and reporting, transactions are grouped into **'accounts'**
  - The grouping of accounts is called the **Chart of Accounts (COA)**

# Financial Reporting – Chart of Accounts

- Accounts are necessary in order to budget and report financial activity
- Accounts allow for the standard accounting classifications of:
  - Assets - what we own
  - Liabilities - what we owe
  - Net Assets - what we own (assets) minus what we owe (liabilities)
  - Revenues - incoming funds
  - Expenses - outgoing funds

# Financial Reporting - Statements

- Financial statements summarize activity in the various financial accounts and include:
  - Statement of Financial Position
    - A summary of Assets, Liabilities, and Net Assets – this tells us about our financial position at a point in time
  - Statement of Activities
    - Summary of revenues and expenses – this tells us about our financial performance over a period of time (e.g. fiscal year)
    - Identifies the amount of money coming into and going out from the University



# Financial Reporting – A Complex Structure

- If the University conducted business as a single entity then a relatively simple COA might suffice
- This is not the case
  - At Penn, there are multiple Schools and Centers with a wide range of activities
  - Schools and Centers are further divided into
    - Academic Departments
    - Research Institutes/Centers
    - Service Centers

# Financial Reporting – Levels of Reporting

- The RCM model requires each School/Center to run as a separate business unit with its own set of financial responsibilities and reports
  - The sum of financial activities for a particular School/Center reflects the overall financial position and performance of that School/Center
- The sum of the financial activities for all of the Schools/Centers reflects the overall financial position and performance of the University as a whole

# Financial Reporting – COA Flexibility

- The COA facilitates reporting from a variety of different ‘views’, and allows Penn to:
  - Record and measure the financial activities of various Schools/Centers and their individual units (departments)
  - Track activities that cross School and organizational boundaries
  - Aggregate or ‘roll up’ these diverse financial activities at progressively higher organizational levels
  - Categorize all financial transactions as Assets, Liabilities, Revenues or Expenses

# Business at Penn Overview – Quiz Instructions

- Ready to begin the quiz?
  - In order to receive credit for completing this course, you must successfully complete the quiz with a score of 100%
  - If you would like to review the material before proceeding, navigate to a specific topic and review the material
  - You may retake the quiz as needed by clicking on **[Retry Quiz]**
  - Important! Be sure to click on **[Finish]** when you have successfully completed the quiz

Penn records its financial transactions according to a (select all that apply).....

- Fiscal Year structure
- Mixed Period structure
- Calendar Year structure
- Concurrent Year structure
- Project Period structure

## PROPERTIES

On passing, 'Finish' button:

On failing, 'Finish' button:

Allow user to leave quiz:

User may view slides after quiz:

User may attempt quiz:

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