10 Steps TO IMPLEMENTING BUDGET CONTROLS

Budget controls establish clear spending boundaries, ensuring that a government doesn't spend more than the amount legally appropriated by its governing body—which promotes accountability and bolsters trust throughout the organization. Budget controls should be applied to all parts of the budget, including non-personnel, personnel, and capital budgets. Here's how.

1 **Determine the level.** The level of control should coincide with a segment of your chart of accounts. Options include fund, department, division, program, object, and/or project.

2 **Decide on hard or soft budget controls, or a mix of both.** A hard budget control doesn't allow an individual financial transaction (such as paying an invoice) to proceed if the budget doesn't have sufficient funds available to cover it. A soft budget control does allow the transaction to proceed, often with an alert to the requestor or a requirement for an additional level of approval.

3 **Use purchase requisitions to pre-encumber funds in your financial system.** Pre-encumbering funds helps ensure that budgeted funds will be available to pay for the goods or services being procured. Once approved, the requisition converts to a purchase order that encumbers the funds. Every purchase should either begin with a purchase requisition, or use a purchasing card.

4 **Implement position control policies and procedures.** Establish and maintain one list of budgeted positions for the entire organization that is updated regularly to indicate which positions are vacant and which are filled.

5 **Require Finance/Budget approval to post vacant positions and/or hire new employees.** This ensures that the organization is sharing position information and that funds are available to cover the salaries and wages of any new hires.

6 **Prohibit over-filling vacant positions.** Only hire one FTE into a vacant position.

7 **Require advance approval by a manager for non-emergency overtime.**

8 **Limit the accrual of vacation and/or comp time.** Unplanned payouts can have a significant impact on your budget, so limit the number of hours that employees can accrue.

9 **Use project budgeting functionality in your financial system to track capital project spending.** Your ability to track spending on these projects is essential to keeping them from going over budget—and if they do, to identify where the additional funding will come from.

10 **Implement capital construction contract policies and procedures.** Require competitive procurement for all capital construction contracts and establish change order procedures. To put any unspent funds to the best use after the project is complete, also implement project close-out policies and procedures.