

Annual Budget Process Assessment Is Your Budgeting System Helping to Drive Results

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Stepping back once a year to take a high-level assessment of your budget system is a healthy exercise.

There are four important questions related to the assessment process:

1. Are critical users getting the budget-based financial tools they need to be successful?
2. Is budget "Ownership" core to organizational culture?
3. Is budget awareness driving planning and enhancing results?
4. Are budget-based reports telling the "Good Story" effectively benchmarking results and forcing forward-thinking?

Budgeting is a never ending complicated system without a true beginning or ending with recurring fluid cycles of predictable periods such as fiscal year-ends, annual budget assembly and board meetings that are intertwined around random acts of nature and circumstance that can take an organization's programs and activities in the most unpredictable directions.

So when is a good time to do an annual assessment of your budget system? Almost any time will work but the key word here is annual and picking a sustainable annual date is the goal. I believe the ideal time is after the board has approved the budget for next year. This is a good time to look back over your budget systems and assess how we can make it better.

Let's start by exploring Question #1; are critical users getting the budget-based financial tools to be successful?

The key budget users are the core non-financial managers comprising project managers, department heads and senior management. Core non-financial managers are the decision makers on the ground making decisions daily that directly impact the use of the organization's resources. We must get budget reports in their hands that are easy to comprehend and inherently useful to monitoring results.

Make an honest assessment to see if these core non-financial managers are connecting to monthly budget reports. Observe closely if they are interacting with the budget reports and deriving information that assists them directly in their decision making process.

Observe how they refer to their monthly budget reports. Are they connecting in a positive manner to the budget reports or are they avoiding interacting with them. Meet with them individually concentrating on the ones that are struggling to interact with the budget reports and explore ways to eliminate barriers to use. Consider tandem pairing of successful users with new or struggling users so they can get a real-world working sense of how these reports can improve their effectiveness and results. Avoid lecturing from accounting department/CFO perspective. Highlight the program managers' point of view. What you will learn from these interactions will draw you to make changes to the monthly budget reports that will increase their effectiveness which will lead to a higher level of use.

Question #2 is more a reminder than a question. You should always be striving to improve on the "Ownership" factor. Getting a non-financial manager to "Own" his/her budget is no small accomplishment. Pride of ownership always trumps assignment of responsibility. Start by having them directly involved in the budget building process. Next integrate their project management tasks with the budget system so they get use to including financial metrics within program metrics to the point that they are of comparable status. No program can be viewed only by programmatic results (how many people did we serve, how many members were added, etc.) nor can a program only be judged on financial results. What we are looking for is ownership of the gentle balance between programmatic results and financial related outcomes.

Question #3 (Is budget awareness driving planning and enhancing results?) is interesting and best viewed in a group environment whereas questions #1 and #2 are individual based. I experienced budget Nirvana recently when a project manager contacted me on behalf of the other managers at the organization asking for more meetings for budget managers to share progress and results from their individual budget areas and look for more collaboration. Mission accomplished. That single request proved that the organization was doing a good job addressing Question #1 getting budget based tools (monthly budget reports) into users hands and Question #2 ownership of their budget is real to their organizational culture. Organizations forget the main purpose for budgets. It's not about the budget itself but about putting the budget to use to ensure the best possible use of limited resources and improve sustainability of mission and programs.

This brings us full circle and to Question #4, are our budget-based reports telling the "Good Story" effectively benchmarking results and forcing forward-thinking? If I was allowed only one change I would always choose re-engineering budgets reports so they inherently speak to the users. Monthly budget reports generally need to meet the 60 second test where the average project manager should be able to interpret a single page budget report in about 60 seconds observing where they are performing to budget benchmarks and where they are slipping and then use this information to update projections and assess changes they need to make as their project evolves. Improving the project manager's ability to learn from the monthly budget reports and perform at a higher level managing limited resources will directly improve financial results and impact long-term organizational health.

Walking through these four budget process assessment questions once a year will lead to enhancements to your budget systems and reports that will benefit the organization and outcomes and utilization of limited resources.

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