**Assignment 4: Implementingthe Budget**

**Due: MARCH 6, 2013**

Refer the Scenario for Assignments 1–5. Prepare a variance report for the selected agency. Refer to

Table 8.4 in Chapter 8 (page 133).

TABLE 8.4 VARIANCE REPORT FROM THE DEPARTMENT OF TRANSPORTATION, 2007-2008

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  | ACTUALS | | ACTUALS | |
|  | ANNUAL BUDGET | FIRST MONTH | PERCENTAGE SPENT | THIRD MONT | PERCENTAGE SPENT |
|  |
| **REVENUES** | $30,000,000 | $2.000.000 | 8.33 | $6,000,000 | 25.00 |
| Federal aid | 80,000,000 | 8.000.000. |  | 30,000,000 |  |
| State aid | 20,000,000 | 1,700,000 |  | 5,400,000 |  |
| Local aid | $130,000,000 | $11,7000,000 |  | $41,400,000 |  |
| **TOTAL** |  |  |  |  |  |
|  |  |  |  |  |  |
| **EXPENDITURES** |  |  |  |  |  |
| Central fleet maintenance | $2,267,724 | $180,000 |  | $530,000 |  |
| Public works and transportation | 1,606,402 | 130,000 |  | 390,000 |  |
| Public works department | 86,176,802 | 7,300,000 |  | 22,000,000 |  |
| Snow removal | 12,292,072 | 0 |  | 0 |  |
| Transportation department | 27,618,759 | 2,300,000 |  | 2,100,000 |  |
| **TOTAL** | $129,961,759 | $9,910,000 |  | $25,020,000 |  |

Write a three to four (3-4) page paper addressing the criteria below. **(Note:** Change the title of the report

to reflect the selected agency’s name and the years to 2013-2014.)

1. Find the variances for both the revenue and expenditures sides and then discuss two to three (2-

3) problematic areas for the agency. Provide the results of the variances in a table (Excel or

Word).

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | annual budget | monthly budget | actuals | variance |
| Revenues | $30,000,000.00 | $2,500,000.00 | $2,000,000.00 | -20.00% |
| Federal aid | $80,000,000.00 | $6,666,666.67 | $8,000,000.00 | 20.00% |
| State aid | $20,000,000.00 | $1,666,666.67 | $1,700,000.00 | 2.00% |
| Local aid | $130,000,000.00 | $10,833,333.33 | $11,700,000.00 | 8.00% |

As we can see for the monthly variance, revenues were significantly under the projected balance where as everything else exceeded the goals for the first month.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | annual budget | quarterly budget | actuals | variance |
| Revenues | $30,000,000.00 | $7,500,000.00 | $6,000,000.00 | -20.00% |
| Federal aid | $80,000,000.00 | $20,000,000.00 | $30,000,000.00 | 50.00% |
| State aid | $20,000,000.00 | $5,000,000.00 | $5,400,000.00 | 8.00% |
| Local aid | $130,000,000.00 | $32,500,000.00 | $41,400,000.00 | 27.38% |

As we can see here, the revenues have a -20% variance still after three months. Luckily the other aid has been more than projected which can make up for this but the revenues seems to be a problem (addressed in #2).

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | annual budget | monthly budget | actuals | variance |
| central fleet maintenance | $2,267,724.00 | $188,977.00 | $180,000.00 | -4.75% |
| public works and transportation | $1,606,402.00 | $133,866.83 | $130,000.00 | -2.89% |
| public works department | $86,176,802.00 | $7,181,400.17 | $7,300,000.00 | 1.65% |
| snow removal | $12,292,072.00 | $1,024,339.33 | $0.00 | -100.00% |
| transportation department | $27,618,759.00 | $2,301,563.25 | $2,300,000.00 | -0.07% |

This is actually very good. It’s important to note that the variance for snow removal will be skewed because some months (such as this one) may not have any snow but we would need to look at this figure on an annual basis to get a really good idea of how the budget is working for this item. That being said, all of the other expenses are either under or slightly over the budget. This is a good sign that the agency is managing expenses very well.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | annual budget | quarterly budget | actuals | variance |
| central fleet maintenance | $2,267,724.00 | $566,931.00 | $530,000.00 | -6.51% |
| public works and transportation | $1,606,402.00 | $401,600.50 | $390,000.00 | -2.89% |
| public works department | $86,176,802.00 | $21,544,200.50 | $22,000,000.00 | 2.12% |
| snow removal | $12,292,072.00 | $3,073,018.00 | $0.00 | -100.00% |
| transportation department | $27,618,759.00 | $6,904,689.75 | $2,100,000.00 | -69.59% |

During this quarter we still did not have any expense for snow removal. The curious thing with this is that transportation department expense actually decreased from the first month until now. This is questionable and may be an error so this would also be something to investigate (addressed in #2).

2. Recommend two (2) policy actions for each problematic area discussed in criterion 1. Justify the

Recommendations

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When it comes to revenue, this figure keeps being 20% less than the budget. The agency may need to review their current procedures and see if a tax assessment/increase is needed in order to keep up with the budget. Although the aid has been more than expected, this may not be given in the future so it’s important to keep this in mind when reviewing the budget.

Finally, all of the expenses seems fine (note that the snow removal was -100% but that’s okay because they may not have had any snow yet. However transportation expense is expected to have an expense of about $2.3 million each month. The first month we were close to that number but during the quarter we actually lost money in that expense and it seems to be an error. I would review this to make sure everything was okay.