



# UC San Diego

## Policy & Procedure Manual

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### ACCOUNTING PROCEDURES – GENERAL

#### Section: 300 - 2

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## FINANCIAL DEFICIT POLICY

### SCOPE

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This document establishes UC San Diego's Financial Deficit policy and applies to Administrative Officials, defined herein, over financial resources. This Policy does not apply to employees of UC San Diego Medical Center.

### POLICY SUMMARY

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This policy defines management responsibilities for the monitoring, reporting, and timely resolution of Financial Deficits across UC San Diego excluding the Medical Center.

### DEFINITIONS

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**Administrative Official** – For this policy, the term Administrative Official refers to any UC San Diego employee who holds a position with delegated financial, administrative, or management responsibility as detailed in [Administrative Responsibilities Handbook](#).

**Financial Deficit** – The situation that exists when a Financial Unit spends more than is authorized or available in a particular Fund source. Financial Deficits may be measured by testing balances at any level within the accounting hierarchy; the appropriate level depends on the nature of the Funds and is typically identified by funding source limitations. **The measurement of a Financial Deficit largely depends on the financial activity within a particular fund. Financial Deficits should first be identified by Financial Unit and Fund. However, to effectively and consistently identify and remediate Financial Deficits, balances must in some cases be measured by the Project segment** of the [new Chart of Accounts](#), which captures business categories such as Sponsored Research Project Awards, Capital Construction Projects and General Projects (including operating Recharge Activities, Auxiliaries, Service Agreements, Faculty start-up and portfolio, among others).

**Carryforward Balance** – The cumulative Net Position at the close of the prior fiscal year, and represented as the beginning balance as of July 1 of the current fiscal year. This balance is found in account 300000 and is referred to as the **beginning balance**. In Oracle, this balance is determined at the Entity Fund Financial Unit Project level (where Project exists).

**Net Position** – Also referred to as **ending balance**, it is a measure of available expendable financial resources and represents the accumulation of total resources and revenues minus total expenses since inception. It is calculated as the July 1 beginning balance plus the YTD Net Surplus/(Loss).

**Financial Unit** – Represents a business unit with an ongoing business mission, with a responsible individual with fiscal authority over budget, resources and expenses, an identifiable group of employees, and generally physical space.

**Fund** – The Fund is the high-level classification of the source of funds for a transaction and tracks restrictions and designations.

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**Project** – A segment of the [new Chart of Accounts](#) chart string used in Oracle which tracks ‘a body of financial activity’ with a start date, and in some cases an end date, spanning multiple fiscal years. Examples include Sponsored Awards, Capital Projects and other activities. In some cases, this segment captures index from old chart of accounts in IFIS.

**Project Portfolio Management Module** – The Project Portfolio Management module is a sub-ledger in the Oracle Financial Cloud (OFC) system which manages Projects that are designated as either: Sponsored Research, Capital Construction, or General Projects. Each Project in the Project Portfolio Management module is auto-assigned a unique number by the system, and each Project has a distinct set of characteristics identified at the point of setup (including unique Financial Unit association and Project Manager such as Principal Investigator or Administrative Official). This number becomes part of the accounting chart string in the General Ledger.

### POLICY STATEMENT

UC San Diego receives financial support from a number of external stakeholders and has a stewardship responsibility to its students, patients, and donors, as well as federal, state and private funding agencies, and the public. That stewardship includes prudent financial management of resources entrusted to the University and the Administrative Officials in each Financial Unit.

All Financial Units are expected to meet their financial needs within their overall available funding. This may be accomplished by (1) regularly monitoring financial activities, (2) avoiding cost over-runs relative to approved resources, (3) avoiding unallowable or unreasonable costs against various Fund sources, (4) avoiding unauthorized cost-transfers or expenditures, (5) immediately resolving improper charges and any deficit by properly moving expenses or redistributing resources, or (6) a proactive and timely pursuit of additional funding. Financial Deficits should not occur and must be remedied immediately when they do occur. The appropriate resolution will differ by Fund and circumstance.

Units will not be permitted to carry over Financial Deficits exceeding \$25,000 without a deficit resolution plan that is approved by the Department Chair/Designee and Dean/Vice Chancellor.

Financial Deficits should first be identified by Financial Unit and Fund. However, in some cases, balances must be measured by including the Project segment that captures business categories. Deficits for Sponsored Research Project Awards, Capital Construction Projects and General Projects (including operating Recharge Activities, Auxiliaries, Service Agreements, Faculty start-up and portfolio, among others) will be measured at the Project segment.

### RESPONSIBILITIES

<b>A. Principal Investigator (PI) or Fund Manager</b>	<b>B. Department Chair and Department Business Officer (or Equivalent Officer)</b>
<p>a. For Sponsored Projects, the person(s) named as the PI, manager, or director in an award of a contract or grant accepted by UC San Diego, has primary responsibility for adherence to the conditions of the award and for ensuring that expenditures made are appropriate, allowable, and within the budgetary limitations of the award.</p> <p>b. For Projects other than Sponsored Projects, the Fund Manager is responsible for avoiding Financial Deficits, promptly resolving any Financial Deficits when they occur, or developing and implementing written action plans to eliminate.</p>	<p>a. Identify, avoid and resolve Financial Deficits</p> <p>b. Ensure that sponsored Projects’ expenses do not exceed the cumulative amount of the award, allocation or budget and, if Financial Deficits do occur, ensure that corrective action is taken. With Financial Deficits that remain 120 days after a sponsored Project’s end date and are moved by OPAPS to a consolidated Sponsored Research Deficit Fund, ensure that available, unrestricted PI and/or department resources are applied to clear the deficit before fiscal year end.</p> <p>c. Ensure that PI or Fund Managers develop a written plan under which Financial Deficits larger than \$25,000 will be eliminated before year-end. Any longer period for deficit resolution must be approved by the appropriate Vice Chancellor or Dean and by the Campus VC - CFO (see Procedures below).</p>

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<p><b>C. Vice Chancellors and Deans</b></p> <p>For the Financial Units under their purview, the Deans or Vice Chancellors are responsible for ensuring that:</p> <ol style="list-style-type: none"> <li>a. Financial Deficits are routinely monitored at the level of the Department Chairs and Business Officers;</li> <li>b. Written plans to resolve deficits are prepared and submitted to the Department Chair/Designee and Dean/Vice Chancellor for review and approval when deficit balances are larger than \$25,000;</li> <li>c. Actions specified in approved deficit resolution plans are effective and acted on for timely resolution of Financial Deficits before end of current fiscal year; and</li> <li>d. Financial Deficits that cannot be resolved by fiscal year-end are rare. In such rare cases, forward written and well justified requests to roll over deficit to the next fiscal year to the VC-CFO via the Campus Budget Office. All such requests shall be submitted before March 31.</li> </ol>	<p><b>D. Campus Budget Office (CBO)</b></p> <p>The Campus Budget Office is responsible for ensuring that prompt and final resolution of deficits is effectively achieved. Responsibilities include:</p> <ol style="list-style-type: none"> <li>a. Developing system reports that provide timely information for monitoring and remedying deficits.</li> <li>b. Partnering with the appropriate Administrative Official(s) to ensure that they have written resolution plans and that corrective actions are progressing for deficits that remain unresolved after June 30 of each fiscal year.</li> <li>c. Reviewing deficit rollover requests from Vice Chancellors to make a recommendation for approval or disapproval to the VC-CFO as part of the annual budget development reviews for the upcoming budget year.</li> </ol>
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**PROCEDURES**

**A. Deficit Monitoring and Reporting**

When working to resolve a Financial Unit – Fund – Project chart string in Financial Deficit, first consult existing policies and procedures applicable to select type of activity provided below:

<b>Recharge Operations</b>	Recharge activities are operated on a no-gain/no-loss basis. Any surplus or deficit occurring in any one year shall be corrected by timely management of expenses or adjustment of rates in the succeeding year to achieve a break-even balance at the succeeding year end. See <b>SSA</b> link in <b>Related Information</b> section.
<b>Gift Funding</b>	Per Advancement's UC San Diego Gift Acceptance and Processing Online Handbook: "Gift funds should never be in deficit". The STAR online dashboard provides access to view gift information, including available expendable balances held at UCSD Foundation. See <b>Gifts</b> link in <b>Related Information</b> section.
<b>Sponsored Projects</b>	Departments should follow Office of Post Award Financial Services (OPAFS) guidance. See <b>Sponsored Research</b> link in <b>Related Information</b> section.

An Oracle-based Financial Deficit report will be available to help Administrative Officials meet their Fund management responsibilities. It will provide a view of current deficits by Vice Chancellor area with drill-down capabilities to the various levels of the Financial Unit, Fund and Project hierarchies (where applicable). It will be an effective report for monitoring current deficits. As such, Administrative Officials, Fund Managers, and Principal Investigators will be required to make appropriate use of it.

**B. Timely Resolution and Roll Overs**

Financial Deficits must be resolved within the fiscal year, i.e., before June 30<sup>th</sup>. However, Financial Deficits may be carried over to the next fiscal year when (1) there are extenuating circumstances, (2) the Chief Financial Officer (CFO) approves the carry over, (3) an authorized resolution plan is in place, and (4) the Financial Unit is in compliance with the plan and with campus policies.

- a. All approved deficit resolution plans must be in place before the end of the third quarter of the fiscal year in order to be carried forward to the next fiscal year. All rollovers plans must be

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formally submitted by March 31 to the Campus Budget Office for initial review and approved by the CFO.

- b. Requests and approvals to carry forward deficits to the next fiscal year are expected to be rare and will be approved only under exceptional circumstances. Approved deficit resolution plans should resolve overspending by the end of the third quarter or for deficits remaining or accumulating in the last quarter, by the fiscal year-end.
- c. Any Financial Deficits remaining or accumulating in the last quarter of the fiscal year must be resolved by fiscal year end. Vice Chancellors should consolidate all such Fund deficits and apply their available unrestricted Funds to resolve them before fiscal year end.
- d. If Financial Deficits are not resolved within the department by fiscal year end, by direction of the CFO, a Vice Chancellor Office may transfer Funds and/or expenses from unrestricted Fund sources within the department/unit or cognizant Vice Chancellor area and/or the Campus Budget Office may withhold future funding allocations until successful resolution.

### FORMS

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None

### RELATED INFORMATION

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- A. [University of California – Policy BFB BUS-10 Principles of Accountability with Respect to Financial Transactions](#)
- B. [UCOP Contract and Grant Manual 6-400 Responsibility for Financial Management and Control of Project Funds](#)
- C. [Academic Personnel Manual](#)
- D. [UC San Diego Administrative Responsibilities Handbook](#)
- E. [Overview of Sales and Service Activities](#)
- F. [UC San Diego Gift Acceptance and Processing Online Handbook](#)
- G. [OPAFS Sponsored Research Deficit Procedures](#)
- H. [UC San Diego Chart of Accounts User Guide](#)
- I. [UC San Diego Project Portfolio Management User Guide](#)

### FREQUENTLY ASKED QUESTIONS (FAQs)

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Additional implementation guidance, report access, templates, and Frequently Asked Questions (FAQs) will be updated periodically at <https://blink.ucsd.edu/finance/budget/deficit-policy-and-monitoring.html>

### REVISION HISTORY

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| 2021-01-01 | Second revision with Issuing office and policy renaming changes, new and updated business processes and definitions due to transition to Oracle Financial Cloud and shift in responsibility from Business and Financial Services (BFS) to Campus Budget Office (CBO). |
| 2017-09-19 | First revision regarding administrative actions and accountability for overdraft resolution.  |
| 2017-02-23 | New Policy published.   |