Funds Management (Overdraft) Policy

I. Scope

All employees at UC San Diego, excluding Medical Center employees.

II. Policy Summary

This policy defines Overdrafts and management responsibilities for resolving and reporting Overdrafts across the UC San Diego campus.

III. Definitions

**Administrative Official** - For this policy, the term Administrative Official refers to any UC San Diego employee or faculty member who holds one of the following positions with delegated financial, administrative, or management responsibility, also see [Administrative Responsibilities Handbook](#):

- Associate Chancellor
- Assistant Chancellor
- Associate & Assistant Vice Chancellors
- Chief of Staff
- Deans
- Department Business Officers
- Department Chairs
- Directors
- Managers
- Principal Investigators
- Provosts
- Unit/Department Heads
- Vice Chancellors

**Fund** – A source of funding for a transaction or expenditure identified by a specific code used in the Integrated Financial Information System. For further detail, please see [Fund Overview](#).

**Organization** - A department or functional unit within a department identified by a specific Organization Code in the Integrated Financial Information System. For further detail, please see [Organization Codes](#).

**Overdraft** - A deficit in a Fund caused when an Organization spends more than is authorized or available.

Overdrafts may be measured by testing balances at any of several levels 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 deficit largely depends on the financial activity...
within a particular fund. To effectively and consistently identify and remediate fund deficits, fund balances are measured in three business practice categories: General Campus, Sponsored Project Awards, and Self-Supporting Funds.

IV. POLICY STATEMENT

It is in the best interest of the campus for Administrative Officials to identify and remedy the circumstances creating an Overdraft and to prevent a misuse of resources. This policy is structured to:

- Define Overdrafts and management responsibilities for their resolution, and
- Facilitate Administrative Officials’ efforts to remedy circumstances creating an Overdraft.

V. RESPONSIBILITIES

A. Principal Investigators or Fund Managers

1. For sponsored projects, the person(s) named as the Principal Investigator, 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. Thus, the Principal Investigator is responsible for:

   a. Avoiding Overdrafts, cost over-runs, and unallowable, unreasonable, or unauthorized cost-transfers or expenditures;

   b. Identifying the need for additional funds;

   c. Immediately resolving any Overdraft or developing and implementing a written action plan to eliminate the Overdraft within the current fiscal year when the Fund’s cumulative expenses exceed the authorized funding from the sponsor for longer than 30 days.

2. For Funds other than sponsored projects’ Funds and Recharge Activities (see Procedures below), the Fund Manager is responsible for:

   a. Avoiding Overdrafts, cost over-runs, and unallowable, unreasonable, or unauthorized cost transfers or expenditures;

   b. Identifying the need for additional funds;

   c. Immediately resolving any Overdraft or developing and implementing written action plans to eliminate Overdrafts larger than $25,000 or five percent of the Fund’s fiscal year budget, whichever is more within the current fiscal year.

B. Responsibilities of Department Chair and Department Business Officer (or Equivalent Officers)

   Department Chairs, Department Business Officers, and Equivalent Business Officers shall:

   1. Identify, avoid and, if necessary, resolve Overdrafts.

   2. Ensure that sponsored projects’ expenses do not exceed the cumulative amount of the award, allocation, or budget and, if Overdrafts do occur, ensure that corrective action is taken to eliminate the Overdraft. In the case of Overdrafts lasting over 30 days, ensure that an overdraft resolution plan is in place to resolve the Overdraft before the end of the current fiscal year or before the award’s end date, whichever is sooner.
3. Ensure that Principal Investigators or Fund Managers develop a written plan under which Overdrafts larger than $25,000 or five percent of the Fund’s fiscal year budget, whichever is more, will be eliminated within six months of approval of the written plan or before the fiscal year end, whichever is sooner. Any longer period for resolution of an Overdraft must be approved by the appropriate Vice Chancellor or Dean and any rollover of an Overdraft to the next fiscal year must be approved by the Chief Financial Officer (see Procedures below).

C. Responsibilities of Vice Chancellors and Deans

For the Organizations under their purview, the Vice Chancellors/Deans are responsible for ensuring that:

1. Overdrafts are routinely monitored at the level of the Department Chairs and Business Officers;

2. Written plans to resolve Overdrafts are prepared and submitted to the Department Chair/Designee and Vice Chancellor/Dean for review and approval when deficit balances are larger than $25,000 or five percent of the funds fiscal year budget, whichever is more;

3. Actions specified in approved overdraft resolution plans are realistic and effective towards timely resolution of the targeted Overdraft within the current fiscal year.

4. If any Overdraft cannot be resolved by fiscal year end, forward written requests to roll over deficits to the next fiscal year to the CFO through the Controller. All such requests shall be submitted before March 31 and shall include justification for the roll over.

D. Responsibilities of the Controller

If an Overdraft occurs, the Controller is responsible for ensuring that prompt and final resolution is effectively achieved. As such, the Controller’s duties include monitoring financial and budget data for Overdrafts to ensure that:

1. System support tools are providing timely information required to effectively report and remedy Overdrafts;

2. The Overdraft remediation process satisfies the University’s policy requirements and the sponsors’ terms and conditions when applicable;

3. There is support for the development of written action plans to discharge Overdrafts when they are larger than $25,000 or five percent of the Fund’s fiscal year budget, whichever is more;

4. For Overdrafts that remain unresolved for more than 180 days or after March 31, the Controller shall partner with the appropriate Administrative Official(s) to ensure that appropriate corrective actions are taken; and

5. The Controller shall also:

   i. Review requests to roll over Overdrafts to the next fiscal year from Vice Chancellors and/or Deans and make a recommendation for approval or disapproval to the CFO; and

   ii. Ensure that this policy is maintained to incorporate current regulations and support operating requirements.
VI. PROCEDURES

A. Timely Resolution and Roll Overs

i. Overdrafts typically must be resolved within the fiscal year, i.e., before June 30th. Under extenuating circumstances and with the approval of the Chief Financial Officer (CFO), fund Overdrafts may be carried forward to the next fiscal year if an authorized Overdraft resolution plan is in place and the unit is in compliance with the plan or if the unit is in compliance with the campus recharge policy.

ii. All approved Overdraft 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 of Overdrafts to the next fiscal year must be formally submitted to the Controller for initial review and approved by the CFO.

iii. Requests and approvals to carry forward Overdrafts to the next fiscal year are expected to be rare and will be approved only under exceptional circumstances. Approved Overdraft 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.

iv. Any Overdrafts remaining or accumulating in the last quarter of the fiscal year must be resolved by fiscal year end. Vice Chancellors will consolidate all such fund Overdrafts and apply their available unrestricted funds to resolve them before fiscal year end.

v. If Overdrafts are not resolved within the department by fiscal year end, by direction of the CFO, the Campus Budget Office will transfer funds and/or expenses from unrestricted funds sources within the department/unit or cognizant Vice Chancellor area and will withhold future budget appropriations from the Vice Chancellor to clear the Overdraft.

B. Recharge Activities

i. 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. Every effort should be made to ensure that year-end surpluses do not exceed two months of the recharging unit's activity. The adjustment of rates will generally be based on estimates since actual performance data for the year will not be available prior to the development and publication of the succeeding year's recharge rates. In exceptional cases when such an adjustment would create a severe fluctuation in rates from one year to the next, achievement of a break-even balance can be extended for a reasonable period beyond the succeeding year upon approval by the local campus recharge review committee. The local campus recharge review committee may also approve the maintenance of surpluses in excess of two months of the recharging unit's activity when appropriate.

C. Electronic Deficit Reporting System

i. An electronic deficit reporting system is available to help administrative officials meet their fund management responsibilities. It provides a view of current overdrafts by Vice Chancellor with drill-down capabilities for various levels of accounting and organizational hierarchies. Although the use of the report is discretionary, it is an effective report for monitoring current overdrafts. As such, Administrative Officials, Fund Managers, and Principal Investigators are urged to make appropriate use of it. The deficit report can be accessed on Blink.
VII. FORMS

None.

VIII. RELATED INFORMATION

A. Board of Regents Standing Order 100. Officers of the University
   100.1 Designation and To Whom Responsible
   100.4 Duties of the President of the University

B. Academic Personnel Manual

C. UCOP Accounting Manual, D-224-17, Delegation of Authority-Signature Authorization, Section II.B., Responsibility Attendant to Delegated Authority

D. UCOP Contract and Grant Manual
   6-440 Responsibilities of the Principal Investigator
   6-450 Responsibilities of Department Chair (or Equivalent Officers)
   6-460 Responsibilities of Campus Controllers

E. UC San Diego Administrative Responsibilities Handbook

IX. FREQUENTLY ASKED QUESTIONS (FAQ’S)

See blink: Deficit Balance Analytics

X. REVISION HISTORY

2017-09-19 First revision regarding administrative actions and accountability for overdraft resolution..

2017-02-23 New Policy published.