Overdraft PPM

I. References

A. The Regents of the University of California Bylaws & Standing Orders

Standing Order 100.4 (n) & (o) - Duties of the President of the University
http://www.ucop.edu/regents/bylaws/so1004.html

B. Academic Personnel Manual

Section 245, Appendix A - Duties of Department Chairpersons
(or Equivalent Officers)
http://www.ucop.edu/acadadv/acadpers/apm/apm-245.pdf

C. UCOP Accounting Manual, Chapter D-224-17, Delegation of Authority--Signature Authorization, Section II. B., Responsibility Attendant to Delegated Authority
http://www.ucop.edu/ucophome/policies/acctman/d-224-17.pdf

D. UC Business and Finance Bulletin

A-60, Short-Term Investment Pool (STIP)-Distribution of Income
http://www.ucop.edu/ucophome/policies/bfb/a60.html

E. UCOP Contract and Grant Manual

6-440 Responsibilities of The Principal Investigator
http://www.ucop.edu/raohome/cgmanual/chap06.html#6-440

6-450 Responsibilities of Department Chair (or Equivalent Officers)
http://www.ucop.edu/raohome/cgmanual/chap06.html#6-450

6-460 Responsibilities of Campus Accounting Officers
http://www.ucop.edu/raohome/cgmanual/chap06.html#6-460

F. UCSD Policy and Procedure Manual (PPM)

150-36 Responsibilities and Acceptance of Contracts and Grants
(Contact Office of Contracts & Grants if department paper copy is not available.)

300-40 Guidelines for Recharge and Other Income Producing Activities
http://adminrecords.ucsd.edu/PPM/docs/300-40.HTML

395-4.3 Time Keeping Review of Charges – Section E, Payroll Expense Transfers
http://adminrecords.ucsd.edu/PPM/docs/395-4-3.HTML
G. UCSD Administrative Responsibilities Handbook
http://www-bfs.ucsd.edu/oc/arh/arh_index.html

H. UCSD Short-Term Investment Pool (STIP) Distribution of Income
http://www-bfs.ucsd.edu/gen/services/stipact1.htm

I. Letter from Chancellor Atkinson, dated May 7, 1993, subject: Policy Covering Disposition of Overdrafts on Terminated Contract and Grant Awards
(Contact Office of Post Award Financial Services if department paper copy is not available.)

II Policy

A. Universal Policy Applicable to All Funds

UCSD’s policies and principles concerning accountability and financial management are set forth in the UCSD Administrative Responsibilities Handbook. As promulgated in this document, the Chancellor has delegated the authority and accountability for the management of UCSD resources to the administrative officials responsible for the operation of their departments or business units. Administrative officials are charged with the responsibility of implementing policies and procedures that ensure the University is well managed and in sound financial condition.

The Chancellor’s delegation passes from the cognizant Vice Chancellor through the Dean of each division and school and the Director of the Medical Center to equivalent management personnel.

1. Administrative official

For this policy, the term administrative official refers to any UCSD employee or faculty member who holds one of the following positions with delegated financial, administrative, or management responsibility:

Associate & Assistant Vice Chancellor
Dean
Department Business Officer
Department Chair
Director
Manager
Principal Investigator
Provost
Unit/Department Head
Vice Chancellor
2. Responsibilities of administrative officials

Administrative officials retain responsibility for the maintenance of a sound financial condition, good business practices, and establishment of an effective system of internal control which is consistent with the Principles of Accountability and Regulatory Compliance as defined in the UCSD Administrative Responsibilities Handbook.

For the purposes of this policy, “overdraft” is defined as a negative financial position caused generally by spending in excess of an authorized or available funding and represents an unacceptable financial condition. The authorized funding limit is reflected in the "budget" balance contained in the campus accounting system.

If an overdraft occurs, administrative officials, or their designees, need to determine the cause, evaluate the activity, and take corrective action. An Administrative Official may delegate responsibility for: (1) establishing and executing overdraft resolution plans, (2) establishing monitoring and reporting procedures to avoid or resolve overdrafts for all funds; and (3) managing the department in compliance with the University’s fiscal policies and procedures, and the terms and conditions of gifts, grants and contracts.

Note: Administrative officials may delegate many of their responsibilities, but they may not delegate accountability.

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

Department/unit administrative duties include the implementation of a budgetary process to avoid and, if necessary, to resolve overdrafts that ensures:

1) sponsored projects operate within award, allocation or budget;

2) corrective action is initiated in a timely manner to eliminate overdrafts for expenditures exceeding the related allocation/budget;

3) a written plan is developed for the removal of overdraft balances requiring an extended period of time to resolve - usually over 60 days and $10,000 in excess; and

4) department personnel resolve overdrafts in accord with the written plans approved by the cognizant Vice Chancellor or Dean.

Note: This process is described in - Overdraft Resolution Guidelines, Attachment I.
b. Responsibilities of Vice Chancellors and Deans

The Vice Chancellors/Deans are responsible for establishing and monitoring overdraft review and resolution guidelines for the departments and administrative units under their purview to ensure 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 designated administrative official for review and approval when they exceed exception limits listed in the Guidelines for dollar amount or duration; and

3) actions specified in approved overdraft resolution plans are effective and result in the resolution of the targeted overdraft.

c. Responsibilities of the Controller

The Office of the Controller was established to provide leadership and to strengthen support for sound management practices at every administrative level. While the Controller has final authority to establish campus financial policies and procedures, the Controller's role is to provide leadership and to partner with Administrative Officials to design and implement programs and practices that establish an ethical environment and improve accountability and control at UCSD.

If overdrafts occur, the Controller is responsible to ensure that final resolution is effectively achieved. As such, the Controller’s duties include monitoring financial and budget data for overdraft activity as described in the Overdraft Resolution Guidelines, Attachment I, to ensure that:

1) system support tools are providing timely information required to effectively report and remedy overdrafts,

2) the overdraft process satisfies the University’s policy requirements and the sponsors’ terms and conditions when applicable,

3) issues involving overdraft balances of significant dollar amounts or of unusual durations are resolved by partnering with administrative officials to invoke the needed corrective actions, and

4) overdraft policies are maintained to incorporate current regulations and support operating requirements.
3. Overdrafts

Overdrafts as defined in this policy are negative financial positions caused generally by spending in excess of an authorized or available funding and represent unacceptable financial conditions. The authorized funding limit is reflected in the "budget" balance contained in the campus accounting system.

Overdrafts can be measured at several levels within the accounting system. Levels and related compositions are described in Overdrafts Defined, Attachment III.

It is in the best interest of the campus for the department/division to remedy the circumstances creating an overdraft and prevent a misuse of resources. This policy is structured to:

a. define overdrafts and management responsibilities for resolution,

b. facilitate the operating unit’s efforts to remedy circumstances creating an overdraft, and

c. provide assistance by the Vice Chancellor, Deans and Controller in resolving an overdraft as circumstances warrant.

It is a good business practice to avoid overspending your budget/award allocation. The dollar amount exceeding the allocation incurs a Short Term Investment Pool (STIP) negative interest charge and becomes the responsibility of the cognizant Vice Chancellor. As such, these costs may be reallocated at the Vice Chancellor’s discretion to the applicable department or responsible fund.

The Overdraft Resolution Guidelines, Attachment I, defines the process to be used in addressing overdraft conditions. The STIP process is described in Blink, Short-Term Investment Pool (STIP) Distribution of Income.

http://www-bfs.ucsd.edu/gen/SERVICES/stipact1.htm

B. Policy Applicable to Sponsored Projects

1. Governing regulations

Sponsored project funds are to be expended in accord with University policy, the terms of the award, the budget for the project as approved by the sponsor, and any applicable sponsor requirements. Authority to expend these funds bears with it the delegated responsibility and accountability for effective management of these resources. The following are included in the delegated responsibilities:

a. avoidance of cost over-runs and unallowable cost-transfers;

b. identification of the need for additional funds; and
c. development of written action plans to discharge deficit balances when circumstances warrant as set forth in the Overdraft Resolution Guidelines, Attachment I.

2. Responsibility

The person(s) named as the Principal Investigator, manager or director in an award of a contract, grant or gift accepted by UCSD, has primary responsibility for adherence to the conditions of the award and for ensuring that expenditures made are appropriate, allowable, and within budgetary limitations of the award.

The Principal Investigator named in the award is the primary person responsible for financial management and the control of project funds in accordance with University and sponsor policies and procedures. Thus, the Principal Investigator is accountable for ensuring that project expenditures do not exceed project budget allocations thereby avoiding a fund overdraft. If an overdraft occurs, the responsible Principal Investigator or designee should follow the Overdraft Resolution Guidelines, Attachment I.

3. Consequences

Sponsored project funds that are in overdraft at the end of the project period have proven to be problematic in the past. Until the fund’s expenditures are reduced to a level that eliminates the overdraft condition, the closing expenditure reports for the agency could be delayed. Delinquent reporting can jeopardize UCSD’s ability to receive future awards and may delay final payment.

III Overdraft Reporting Process

An electronic overdraft balance reporting system has been developed to help Administrative Officials meet their fund management responsibilities. It provides overdraft monitoring and reporting capabilities for various levels of accounting and organizational hierarchies. Although the use of the system is discretionary, it is considered to be an effective management tool for monitoring overdrafts. As such, responsible officials are urged to make appropriate use of it.

The overdraft reporting feature requires that users establish a personal "user profile" containing the reporting parameters selected for electronic notification of overdraft conditions to the user. Descriptions of the system’s features are provided in the Overdraft Reporting Process, Attachment II.
OVERDRAFT RESOLUTION GUIDELINES

The following guidelines establish the minimum responsibility criteria for overdraft resolution by administrative officials. The Vice Chancellor/Dean may alter these criteria by submitting revised guidelines to the Controller for review and approval.

1. Financial Manager
The unit financial manager (usually a position reporting to a department business officer or chief administrative officer) is responsible for monitoring the unit’s financial activity and reporting overdraft conditions to the responsible administrative official(s) for action.

2. Principal Investigator or Fund Manager
The Principal Investigator or Manager for a fund in overdraft (expenditures exceed award/budget allocation) ensures that:

   a. corrective actions are taken to prevent or resolve overdraft conditions,

   b. expenditures to extramural funds in an overdraft condition exceeding 60 days and $10,000 in amount are in accord with the associated resolution plans approved by the Department Chair and Vice Chancellor/Dean as required,

   c. a written plan with a timeline to discharge an overdraft exceeding 60 days in duration and $10,000 in amount are submitted to the Department Chair/Designee and Vice Chancellor/Dean when applicable, and

   d. the necessary action is effected for approved overdraft resolution plans.

3. Department Chair/Chief Administrative Officer
To meet their administrative responsibilities related to overdrafts, the responsible Department Chair/Chief Administrative Officer:

   a. monitors funds under their purview for overdraft balances exceeding 60 days in duration,

   b. ensures that written plans with a timeline to eliminate overdraft amounts exceeding 60 days and $10,000 in amount are submitted to the Vice Chancellor/Dean for approval, and

   c. monitors fund/activity balances related to approved overdraft plans and ensures that resolution is achieved.

Note: The operations of recharge units are usually reviewed on an annual basis. The rates are adjusted to recover deficit (overdraft) or surplus amounts in the following year as prescribed by the Guidelines for Recharge and Other Income Producing Activities, PPM 300-40. Recharge units with deficit balances that are in excess of an average two months of their operating costs for the last twelve months are considered exceptions and require written resolutions plans. The planned recovery of deficit balances for these units should indicate how the projected increased revenues from a rate revision would
eliminate their annual operating deficit. For labor clearing accounts, any deficit balance becomes an exception when it exceeds the monthly average of operating costs for the last twelve months. Responsible units will need to monitor these accounts and prepare written resolution plans when these exceptions occur.

4. **Vice Chancellor’s/Dean’s representative**  
To meet administrative responsibilities related to overdrafts, the cognizant Vice Chancellor/Dean’s representative:

   a. establishes a process requiring the submission and approval of written plans with timelines to resolve overdraft balances exceeding 60 days in duration and $10,000 in amount,

   b. monitors financial activities of departments within the Vice Chancellor’s/Dean’s organization for overdraft balances exceeding 90 days and $25,000 in amount, and

   c. ensures that the appropriate corrective action is taken by units within their organization to remedy reported overdraft exceptions.

5. **Controller**  
To meet the oversight responsibilities related to overdrafts, the Controller:

   a. monitors campus funds for overdraft balances that exceed 120 days in duration and $50,000 in amount,

   b. informs the cognizant Vice Chancellor(s) of overdrafts exceeding these criteria, and

   c. partners with the Vice Chancellor to invoke corrective action on overdraft funds as required.
The Overdraft Reporting System (ORS) is intended to provide the following capabilities:

- Monthly notification via e-mail of overdraft conditions based upon a user specified set of evaluation criteria.
- The ability to document and classify overdraft conditions as described in Attachment III – Overdrafts Defined.
- The ability to monitor and resolve overdraft conditions through summary and detail reports that present accurate and up-to-date information.
- The ability to easily establish and maintain overdraft evaluation criteria.

The ORS is accessible through the Tools segment of FinancialLink under the caption Reconciliation

https://www-act.ucsd.edu/cgi-bin/financiallink.pl/1/Node77327

To access the ORS, the user is required to provide their User ID and Password for FinancialLink plus a Group Identifier. If help is needed in obtaining access rights, the user should contact their Department Security Administrator (DSA)

Overdraft Reporting System descriptions and support documentation are available on Blink at http://Blink.ucsd.edu/go/overdraft

Please refer to this Web site for answers to questions and further information regarding the overdraft system process.
OVERDRAFTS DEFINED

I. Overdraft definition
Overdrafts occur when financial activity (primarily expenditures) exceeds an approved budget or appropriation. Overdrafts may be measured by testing balances at several levels within the accounting hierarchy. These include:

- Index level
- Department or programmatic level (Fund/Organization/Program)
- Award or Fund level

II. Options to test financial balances for a budget overdraft
The following criteria define the options available to test financial balances within a selected level of the accounting hierarchy for overdrafts. The system calculates an overdraft by subtracting the financial balance from the budget balance for each accounting category within the test option selected. When the financial balances exceed related budget balances for the selected categories, the net amount is reported as the overdraft balance.

A. General Overdraft Test

This test includes the following account categories (*):
- Revenues (500000 account series)
- Expenses (600000 account series)
- Transfers (700000 account series)
- Indirect Costs (823800 & 823801 account)

B. Expenditure Overdraft Test

This test includes the following account categories (*):
- Expenses (600000 account series)
- Transfers (700000 account series)
- Indirect Costs (823800 & 823801 account)

C. Expenditure Overdraft Without Transfers Test

This test includes the following account categories (*):
- Expenses (600000 account series)
- Indirect Costs (823800 & 823801 accounts)

(*) Detail listings of accounts for revenues, expenses and transfers within specific account categories are available at General Accounting’s web site under section “A”:

http://www-bfs.ucsd.edu/gen/services/svc_list.htm
III. Overdraft Reporting Options

The Overdraft Reporting System (ORS) in FinancialLink will provide several reporting options for a user to select in their profile. For reporting purposes, the user may select from one of the three methods available for calculating the overdraft balance that will appear on the Overdraft Summary Report.

For the purposes of this document the following options identify the most likely selection criteria for the accounting hierarchies.

A. Index Level

The Index provides the lowest level to monitor overdraft balances within a fund. When analyzing balances at this level, the “Expenditure Overdraft” test is recommended. This test derives the net Index balance from the account categories - expenditures, transfers, and indirect cost.

Using the data in the box below as an example, the reported balances for each of the test methodologies are provided.

Sample Data for An Index Number

<table>
<thead>
<tr>
<th>Account Category Balances</th>
<th>Budget</th>
<th>Financial</th>
<th>Budget Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Revenue</td>
<td>------</td>
<td>Not applicable at the Index Level------</td>
<td></td>
</tr>
<tr>
<td>(2) Expenditures</td>
<td>($6,000)</td>
<td>$8,000</td>
<td>$2,000</td>
</tr>
<tr>
<td>(3) Transfers</td>
<td>(2,000)</td>
<td>1,000</td>
<td>(1,000)</td>
</tr>
<tr>
<td>(4) Indirect cost</td>
<td>(4,000)</td>
<td>4,500</td>
<td>500</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>($12,000)</td>
<td>$13,500</td>
<td>$1,500</td>
</tr>
</tbody>
</table>

Overdraft balances reported by test selection:

1. General Overdraft
   \[(1) + (2) + (3) + (4)\] $1,500

2. Expenditure Overdraft
   \[(2) + (3) + (4)\] $1,500

3. Expenditure Overdraft without Transfers
   \[(2) + (4)\] $2,500

B. Fund Level – Departments

The Fund Level provides the most comprehensive means for testing the account categories for overdrafts. A specific Fund Level (1 – 5) and Organization Code (level 1 – 7) are selected from FinancialLink’s Chart Hierarchy List, https://www-act.ucsd.edu/cgi-bin/financiallink.pl/1/Node03243 to meet the desired levels of balance reporting for a department user. These two elements give the user the ability to broadly or narrowly define fund and organization levels in meeting overdraft balance reporting needs.
A Department - User Profile Selection For Overdraft Reporting Chart (see Excel spreadsheets) in Attachment III - 1 provides a matrix of the available options with the recommended selections (R) for a reporting presentation and the balance test method. After establishing initial profiles by using the recommended selections for a specific type of fund, department users may enter additional profiles for other reporting options and balance tests to meet specific needs.

Using the data in the box below as an example, the reported balances for each of the test methodologies at the fund level are provided.

Sample Data for a Fund Number

<table>
<thead>
<tr>
<th>Account Category</th>
<th>Budget</th>
<th>Financial</th>
<th>Budget Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balances</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(1) Revenue</td>
<td>$12,000</td>
<td>($11,800)</td>
<td>$200</td>
</tr>
<tr>
<td>(2) Expenditures</td>
<td>(6,000)</td>
<td>8,000</td>
<td>2,000</td>
</tr>
<tr>
<td>(3) Transfers</td>
<td>(2,000)</td>
<td>1,000</td>
<td>(1,000)</td>
</tr>
<tr>
<td>(4) Indirect cost</td>
<td>(4,000)</td>
<td>4,500</td>
<td>500</td>
</tr>
<tr>
<td>Total</td>
<td>0</td>
<td>$1,700</td>
<td>$1,700</td>
</tr>
</tbody>
</table>

Overdraft balances reported by test selection:

1. General Overdraft
   \((1) + (2) + (3) + (4)\) \((1,700)\)

2. Expenditure Overdraft
   \((2) + (3) + (4)\) \((1,500)\)

3. Expenditure Overdraft without Transfers
   \((2) + (4)\) \((2,500)\)

C. Fund Level – Management

Management’s overdraft balance reporting needs are at broader organizational levels than users within a department. As such their fund level and organization level selections in their user profile will be at higher levels. Initially management will set their user profiles to report overdraft balances at the Fund/Organization level. As an example, a Vice Chancellor would use an organization level “1” from FinancialLink’s Chart Hierarchy List for their respective organizations in their selection criteria. Any fund with an overdraft balance will be reported provided the other user selection criteria of minimum balance and length in overdraft status are also met.

Since selection options are numerous, a matrix chart for Management - User Profile Selection For Overdraft Reporting (see Excel spreadsheets) is provided in Attachment III - 2. The recommended selections (R) are provided to establish initial user profiles. Additional profiles may be included to meet more specific needs.

Overdraft tests for Fund Level balance reporting use the same methodology previously described for the Fund Level, except the test is applied on account category balances for funds within the specified organizational level.