

Guidance on using SOFI Funds to clear deficits

Understanding whether SOFI Funds can and should be used to clear other operating deficits

Background

With the implementation of the Simplified Operating Funds Initiative (SOFI) in FY16/17, most departments across campus now operate with SOFI as their main core operating fund (13991/13992). The current UCSD Financial Deficit Policy specifies that, in general, operating deficits must be examined and corrected at the Financial Unit and Fund level. Questions have surfaced about the appropriateness of consolidating or transferring unrestricted fund balances, particularly from the SOFI fund or other core funds, to clear deficits in other non-SOFI funds simply to comply with the campus deficit policy.

Because SOFI is comprised of various unrestricted resources, including discretionary types of funds such as Opportunity Fund 13050, it may be appropriate, in some cases, to utilize surplus balances in one Financial Unit to cover deficits in another. On the other hand, moving expenses off a self-supporting activity to SOFI may be problematic. It may understate the actual operating cost and distort the net operating results of the activity. In general, the answer for how to clear a deficit balance will largely depend on the nature of the Financial Unit and Fund activity in deficit.

Consider Fund Type

When working to resolve a Financial Unit-Fund in deficit, first consult existing policies and procedures applicable to the type of fund. Selected information and links to relevant resources are provided below:

Gift Funds:

- Per Advancement's UC San Diego Gift Acceptance and Processing Online Handbook: *"Gift funds should never be in deficit"*
- STAR online dashboard provide access to view gift information, including available expendable balances held at UCSD Foundation
- <https://blink.ucsd.edu/sponsor/advancement/advancement-services/stewardship/fund.html>

Sponsored Funds:

- Departments should follow Office of Post Award Financial Services (OPAFS) guidance on financial responsibilities, cost transfers, final award closeout, etc
- <https://blink.ucsd.edu/finance/awards/managing/sponsored/reporting.html>

Self-Supporting Funds:

- Generally, self-supporting activities, including recharges and auxiliary enterprises, are operated on a no-gain/no-loss basis.
- Any surplus or deficit is to be corrected by adjusting rates in the next year to achieve break-even.
- A Renewal & Replacement fund (17000/17001) for inventorial equipment is not allowed to have a deficit balance.

- At the discretion of the activity's VC, unrestricted funds may be used to subsidize an auxiliary enterprise activity.
- <https://blink.ucsd.edu/finance/accounting/SSA/index.html#>
- <https://policy.ucop.edu/doc/3420341/BFB-BUS-72>
- Self-Supporting Graduate Professional Degree programs: UCOP policy provides guidance regarding the handling of deficits using non-disallowed funds.
- https://www.ucop.edu/operating-budget/files/ssgdpd/ssgdpd_policy_7_12_2016.pdf

Other Considerations

- Is the deficit an “accounting” deficit or “true” deficit?
 - An accounting deficit is when a dept/division/unit has a deficit balance in one FinUnit-Fund combination but has available surplus balance in the same Fund color in another FinUnit. A resource transfer or expense transfer can be done between the two to clear the deficit when the functional nature of the Financial Units is the same.
 - A true deficit is when a dept/division/unit does not have any available and unrestricted balances left in a specific Fund type to apply against a Financial Unit in deficit. Also, it is a true deficit when the nature of the activity is self-supporting; even when there are available unrestricted balances, it may not be the best course of action to proceed with realignment using unrestricted sources such as SOFI funds.
- What is the function/purpose of the SOFI allocation? Are there existing commitments on the funds?
- What type of activity does the Financial Unit-Fund in deficit represent?
 - If self-supporting, what type: Academic Support, Service Enterprise, Auxiliary or Other income-producing activity? Are you following current procedures for deficit resolution?
 - In most cases, self-supporting activities must adjust rates rather than subsidizing from unrestricted fund sources
 - If auxiliary enterprise, departments should consult with their VC Office to determine if approval should be sought from the appropriate Vice Chancellor to use unrestricted fund sources to clear auxiliary fund deficits.
 - If deficit represents a timing issue *i.e. funds will be received at a later date* and activity is truly in a positive operating position, departments should work with VC Office to prepare deficit rollover request rather than transferring unrestricted balances to ‘artificially’ clear the deficit
- Does the Financial Unit-Fund represent an inactive activity?
 - Consider proceeding with closeout per applicable policies/procedures to inactivate funds, financial units or other chart elements that will no longer be used by visiting <https://blink.ucsd.edu/finance/accounting/chart/index.html>
 - In some cases, it might be reasonable to move unrestricted money to close out a fund if not expecting to recover any more funding *i.e. outdated service agreements*

Transaction Options to Clear Deficits

Expense Transfer:

Transfer Salary (Direct Retro) or Non-Salary (Cost Transfers) expenses between chart strings

- Review the [Cost Transfer Guide](#) on Services & Support
- Functional nature of the expenses should not change *i.e.* costs properly coded as Academic Support should stay coded as Academic Support (Function 430).

- In some cases, especially those involving non-recharge self-supporting funds where tracking the true cost of an activity is important, it may be more appropriate to clear a deficit by processing a financial journal to transfer fund balance (using a 7xxxxx account code) to clearly identify the transfer as a 'subsidy' to the activity rather than a true expense.

Resource Transfer:

Transfer financial resources between chart strings by submitting a journal with a 7xxxxx transfer account code such as 774009-Fund Balance Transfer.

- To submit a mass journal with multiple lines, contact your VC or Dept Business Office for assistance
- To submit an individual resource transfer, use the [Resource Transfer Request](#) form on Services & Support

Questions

Please consult with your VC and/or Department Business Office on deficit resolution strategies as many fund sources were created for specialized use within a particular VC. If no suitable option is identified, the VC Office may contact CBO to discuss additional options.