

Memo to: All UH-Downtown/PS Holders
From: Max Castillo, President
Subject: Deficit Account Balance Control Policy

UH-Downtown/PS 05.A.10
Issue No. 2
Effective date: 11/19/99
Page 1 of 1

1. PURPOSE

This PS specifies procedures to control the carryover of deficit fund balances within accounts and/or within ledgers as part of the year-end closeout process. This operation shall apply to all fund groups.

2. POLICY/PROCEDURES

2.1 Budget authorities for University of Houston - Downtown (UHD) financial accounts are responsible for maintaining positive account balances. Each account should be reviewed and verified on a monthly basis to prevent accounts from developing deficit fund balances. Refer to PS 05.A.14, Verification of Account Activity Policy, for additional details.

2.2 Individual accounts with negative fund balances in the general ledger shall have expenditure or funds transferred to cover the deficit balance. If funds are to be transferred, a Transfer of Funds Request (Exhibit A) shall be forwarded to the Budget and Planning Office for preparation of a journal entry. Journal entries are submitted to the Accounting Office for final approval and entry.

2.3 All expenditure and fund transfers must comply with the restrictions of the accounts involved. For example, transfers cannot be made freely between state-appropriated funds, restricted funds and other fund groups. See PS 05.A.12, Expenditure Allocations and Adjustments Policy, for additional information.

2.4 If the budget authority is unable to cover all deficits within his/her area of responsibility, the next higher level of authority must intervene by assessing the situation and determining the necessary transfers to fund the deficits.

2.4.1 Deficits at the departmental level will be addressed by the appropriate dean;

2.4.2 Deficits at the dean's level will be handled by the Vice President for Academic Affairs (VPAA);

2.4.3 Deficits at the VPAA's level will be referred to the Vice President for Administration (VPA); and

2.4.4 Deficits in areas not reporting to the VPAA will be addressed by the VPA.

2.5 If the deficit balance cannot be cleared within the fiscal year in which it was incurred and all higher authority levels have been consulted, an exception may be granted by the Vice President for Administration provided two conditions are met:

2.5.1 Submission of a plan which outlines how the deficit account will be returned to a non-deficit status during the subsequent fiscal year. This plan will be kept on file in the VPA's office; and

2.5.2 Sufficient funds from other accounts within the ledger of the deficit account shall be kept in reserve to fund the deficit.

2.6 If there is a net negative fund balance among all accounts within an entire fund group at the University level, sufficient funds from accounts with transferable balances shall be moved to cover the deficit ledger(s). If sufficient funds do not exist to cover the deficit ledger(s), the Vice

President for Administration will notify the University of Houston System Vice Chancellor for Administration and Finance.

2.7 Exceptions to the above procedures may be made for the following sources of funds:

2.7.1 Agency Fund Accounts shall not be allowed to move into a deficit balance at any time. Should a deficit situation occur, every effort will be made to contact the owner of the account and have sufficient funds deposited into the account. Normally, university funds will not be used to cover deficits within agency accounts.

2.7.2 Sponsored Project Accounts may be exempted from the above procedures if a deficit fund balance is caused by the timing of the award funding. If the deficit is caused for other reasons, it must be funded as outlined in sections 2.1 through 2.5 above.

2.8 The Assistant Vice President for Business Affairs and Vice President for Administration shall coordinate with the Accounting Department to insure that all transactions to clear deficit fund balances are accomplished in a timely manner prior to the final year end closing.

3. REVIEW AND RESPONSIBILITIES

Responsible Party (Reviewer): Vice President for Administration

Review: Biennial

President

Policy History

Issue #1: 05/16/94

UNIVERSITY OF HOUSTON - DOWNTOWN
TRANSFER OF FUNDS REQUEST

TO: Budget and Planning Office
Suite 935-S

FROM: _____

Please transfer funds as indicated below:

From Account: _____ Amount \$ _____ To Account: _____

From Account: _____ Amount \$ _____ To Account: _____

From Account: _____ Amount \$ _____ To Account: _____

From Account: _____ Amount \$ _____ To Account: _____

Justification: _____

Approvals:

Account Manager _____ Date: _____

Budget Office Manager _____ Date: _____

Distribution:

Top four copies: Budget and Planning Office (Once transfer has been approved by the Budget Office Manager, copies will be distributed as follows:

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| Second copy | General Accounting |
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