

# FA01 Fund Balance Overdraft Policy

Effective 15 Jul 2002

Last Revised

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## Who Should Read This Policy

Department Heads & Unit Administrators, Business/Office Managers, Financial Managers who are responsible for university funds.

## Background & Purpose

The University of Oregon, as well as other institutions within the Oregon University System, operates in an increasingly decentralized environment. In an effort to increase efficiency in our financial reporting system we have a system of controls and procedures that rely largely on implied approvals of transactions and on delegation of financial management responsibilities to unit administrators. This has created a need for improved financial monitoring at an institutional level.

With the understanding that it is a good business practice to maintain positive fund balances, the purpose of this policy is to:

- Establish responsibility at the Unit Administrator level to monitor and minimize fund balance deficits.
- Establish monitoring procedures at the institutional level to minimize the number and duration of fund balance deficits.

## Policy

Unit Administrators are responsible for maintaining positive or zero balance fund balances for funds that are under their control. Business Affairs shall monitor for fund balance overdrafts. It is acknowledged that some fund activities are cyclical in nature and at certain times overdrafts will exist. The intent is to ensure any overdraft will not be continual and that a long-term plan exists to address any deficits that do occur. The institution will not incur overdrafts in individual funds that are not currently offset by other institutional funds.

## Authority

The Director of Business Affairs has authority for administering this policy and has delegated its implementation to the BAO Fiscal Analyst.

## References

IMD 6.320 Budgeting for Auxiliary Enterprise Activities  
<http://www.ous.edu/board/imd.htm#manage>

FASOM 01.26.C Accounting for Building Use Credit – Overdrafts in the Building Use Credit Account

FASOM 09.02.C02 Budgeting For Auxiliary Enterprises – Emergency Debt Service Reserve

FASOM 09.02.C.03 Budgeting for Auxiliary Enterprises – Overdrafts in Auxiliary Activity Operating Accounts

FA02 BAO Service Center Fiscal Operating Policy  
<http://baowww.uoregon.edu/Policy/fa02.pdf>

## **Related Procedures (If Applicable)**

### Business Affairs Monitoring Procedure

1. Identification

On a periodic basis the BAO Fiscal Analyst (or designee) will identify all funds that are in an overdraft position.

2. Analysis

For funds with negative balances in excess of \$10,000 notification of the deficit will be sent directly to the department head requesting explanation for deficit or a documented plan to reduce deficit if applicable.

If there is not a timely response to the first notification, and the fund is still in deficit, a second letter will be sent with a copy to the Vice President of Administration and others as deemed necessary.

3. Follow up

The BAO Fiscal Analyst (or designee) will monitor departmental plans already in place to determine if goals for deficit reduction have been met.

## **Q&A**

### **Will the BAO hold an invoice (not pay it) if my fund balance is in overdraft?**

No. In the interest of maintaining good vendor relations for the University of Oregon as a whole, the BAO will not hold invoices for departments that have a negative fund balance. It is the responsibility of the unit administrator to monitor this and ensure the deficit is corrected in a timely manner.

### **Can I ever have a negative fund balance?**

Yes. It will happen if your expenses generally happen before your income is posted or if your operations are cyclical in nature.

### **Are there any situations where it may be a good business practice to have an overdrafted fund?**

It may be appropriate if a program is in the developmental stages, other instructional funds offset the deficit, or if the program provides an invaluable community service and there is no other funding available at present. In all cases a long-term plan should be in place to ensure that the overdraft will not be indefinite. In no case will the institution

incur overdrafts in individual funds that are not currently offset by other institutional funds.

**All of the financial reports I get are organized by index not by fund. Is there some way to find out which indexes make up a fund under my control?**

Use Banner report **FTMACCI**. Enter the fund in question and execute the query. If there is more than one index associated with the fund you can scroll through them by clicking on the gray bar to the right of the index listed.

## **Compliance Examples**

Department A is not fully operational during the summer months. Although revenue streams slow, the department continues to incur significant cost causing overdrafts during July and August. The income that is anticipated in September offsets these expenses.

Examples of such cost include,

- Routine maintenance such as painting and cleaning
- Minor and major repairs to equipment
- Payroll expense

After the close of period 1, the department receives a memo from the Director of Business Affairs questioning the overdraft. The Department Head drafts a memo back to the Director of Business Affairs providing the above explanation. The Business Affairs Office files the documents and follows up if the deficit is not eliminated within the timeframe given.

## **Contact**

BAO Fiscal Analyst at 6-1116

## **Definitions (If Applicable)**

### **Fund Overdraft**

If the expenditures within a fund exceed the funding sources a deficit or overdraft occurs.

### **Unit Administrators**

Appointed by the president. They include: Vice Presidents; Provost; Vice Provosts; Deans; Directors; Division and Department heads; as well as other managers authorized to determine and assign duties to University employees. Authority and responsibility for management of financial matters is vested in Unit Administrators.

### **University of Oregon Funds**

All funds available to the university for use received from internal or external sources, including funds held at the University of Oregon Foundation funds and excluding agency funds.