THE UNIVERSITY CORPORATION, SAN FRANCISCO STATE

ALLOCATION OF FINANCIAL RESPONSIBILITY

AND ACCOUNT DEFICIT POLICY FOR UNIVERSITY CORPORATION

Issued: April 2014
Revision: April 2014

BACKGROUND

University Corporation Accounts ("accounts") are created for the benefit of the campus, its students and related activities. Sound business practices dictate that individual accounts and the programs administered by the Corporation should be financially sustainable or, have an appropriate expense plan so as not to rely on the general reserves set aside by the University Corporation. As a general rule, accounts should not have a deficit balance at any point during the year and proper planning and monitoring controls should be in place to prevent deficits from occurring. The purpose of this policy is to provide for procedures related to the disposition of deficits and to articulate the responsibilities of project directors to ensure that accounts are properly monitored to ensure their solvency and to provide guidance for project directors to achieve that goal.

POLICY STATEMENT

Authority to spend funds brings with it the responsibility for effective fiscal management. All programs and other activities should meet operating needs using available balances. For accounts supporting programs that are ongoing in nature, Project Directors should work with the University Corporation finance team to project program financial needs and available resources annually. Project Directors should monitor financial results against projections and make any necessary operational adjustments to avoid deficit spending.

With the exception of scholarships and programs funded by endowment distributions, no expense or transfer shall be processed on an account when the expense or transfer will cause the account to be in deficit, unless that transaction is authorized in writing by the Executive Director of the University Corporation or her/his delegate. For accounts that are in deficit or are projected to be in deficit, the Project Director will be notified to cease activity on the account until such time as the deficit is addressed.

Unless approved in writing in advance by the Executive Director of the University Corporation or her/his delegate, project directors are not authorized to enter into contracts that could legally obligate the University Corporation. Additionally, unless expressly approved by the Executive Director in writing, all contracts executed by project directors or other project representatives which could legally obligate the University Corporation must give the University Corporation the right to terminate the contract without cause on not less than thirty (30) prior written notice.

The Executive Director of the University Corporation may authorize a deficit resolution plan provided that resources to fund any deficits are measurable and available within the current fiscal year. Once a deficit reduction plan is in place, expenditures and transfers made per the authorized plan will be processed provided the account remains in compliance with the plan.

WHO IS AFFECTED BY THIS POLICY?

- Project Directors and Campus Administrative Officials
- Budget and Accounting Officers

WHO ADMINISTERS THIS POLICY?

- Executive Director of the University Corporation
- Director of Finance & Administration of the University Corporation
- Vice Presidents and Deans
- Administrative Officials and their Budget and Accounting Officers

RESPONSIBILITIES

University Corporation Executive Director and Director of Finance

- Maintain a financially sound organization and monitor the financial operations of the unit.
- Review written deficit resolution plans submitted by administrative officials.
- Ensure that deficit resolution plans are carried out as proposed.
- Ensure that support tools (such as the Common Financial System) provide timely information for recognizing fund overdrafts or deficits.
- Monitor adherence to policy.
- Work with administrative officials to implement practices that improve accountability and control for funds that incur a deficit.
- Work with departments to ensure that deficits are resolved in accordance with University Corporation policy and any other policies or conditions that apply.

Administrative Officials, Project Directors and their Budget and Accounting Officers

- Avoidance of account deficits, cost overruns and unallowable cost transfers.
- Identification of sufficient resources to fund accounts.
- Monitor expenditures for funds under their purview to ensure the funds do not incur deficits.
- Take quick action to eliminate overdrafts or deficits.
- Develop deficit resolution plans and submit them to the responsible parties for approval.

PROCEDURES AND GUIDELINES

All funds must be spent in accordance with University Corporation policy. Authority to spend these funds brings with it the responsibility for effective management. Accordingly, Project Directors and Administrative officials should be diligent in financial planning and vigilant in monitoring accounts to prevent deficits from occurring.

ACCOUNT MONITORING

Project Directors and Administrative Officials are principally responsible for monitoring financial activity and reporting deficits to the appropriate administrative officials and University Corporation staff. All campus programs and accounts are expected to operate given the constraints of their available resources. In this regard Project Directors and Administrative officials should monitor University Corporation accounts that are under their care on a regular basis. In addition to reviewing actual results, Project Directors should anticipate revenues and expenditures for the remainder of the fiscal year and ensure that projected expenditures do not exceed projected revenues. Timely and corrective action should be taken to ensure accounts are solvent.

At least quarterly, University Corporation staff should perform an independent monitoring evaluation of accounts to identify accounts that may be at risk of incurring deficits.

At least quarterly, an aggregate deficit report will be presented to the University Corporation Finance Committee.

Account Monitoring Guidelines

- Project Directors should review financial reports made available by University Corporation through the Oracle BI system on a monthly basis to identify actual trends and evaluate performance against previously established financial goals.
- For programs that are ongoing in nature, support salaries or fund operations that are critical to the function of the campus, it is recommended that an appropriate working capital goal be established for the program. Failure to maintain established working capital goals are a strong indicator that an account is at risk of going into deficit. Examples of appropriate working capital goals include three months of payroll for projects with personnel, or an amount equal to three months' of expenditures (based on an average of expenditures over a comparable period.
- Project Directors and Administrative Officials should request support from University Corporation staff if any assistance is needed to create financial goals or access and understand the financial information available.

DEFICIT NOTIFICATION

Project Directors and Administrative Officials should notify University Corporation Director of Finance & Administration in writing as soon as they become aware of any projected deficits. When providing a Deficit Notification, Project Directors should provide an inventory of all outstanding bills, invoices or other future expenses (e.g. payroll or unbilled contractual expenses) that have not been submitted for payment. If Project Directors and Administrative Officials believe that future revenues or outstanding receivables will be available to correct any shortfall, they should indicate their intent to provide a deficit resolution plan in order to continue the operation of the account.

Deficit Notification Guidelines

- The Vice President of Administration and Finance shall be notified of program deficits in excess of $10,000 on a quarterly basis.

DEFICIT REDUCTION PLANS

Project Directors and Administrative Officials should submit deficit reduction plans in writing to the University Corporation Director of Finance & Administration. Deficit Reduction plans should identify in writing the current balance of the Account, anticipated future revenues, anticipated future expenditures and the anticipated balance of the account at the conclusion of the plan. Deficit reduction plans should also identify the funding source to be used to eliminate any deficit balances should the deficit reduction plan fail to achieve the intended result.

If the Director of Finance & Administration agrees with the Deficit Reduction plan, it will then be presented to the Executive Director for approval. Any Deficit Reduction Plan presenting a maximum deficit of $50,000 or more, shall be presented to and approved by the Board of Directors of the University Corporation, the Vice President of Administration and Finance and the University President.

Deficit Reduction Plan Guidelines

- The plan should generally eliminate all deficits within 90 days of their occurrence but not beyond the fiscal year end for that occurrence.
- The plan should identify the maximum deficit amount to be incurred.
- Anticipated Expenditures should be supported by information to indicate whether or not they have already been incurred or, if they are planned to be incurred.
- Anticipated Revenues should supported by information that details the source, timing, restrictions on use and likelihood of receipt.
- The Deficit Reduction Plan should be reviewed and approved by the responsible official having budgetary authority for the Cabinet department overseeing the program or account.

ELIMINATION OF DEFICITS AND ACCOUNT CLOSE OUT

The Executive Director and the Director of Finance & Administration of the Corporation shall act with care to avoid any negative actions against the Corporation's credit rating. Accordingly, certain obligations incurred to accounts may need to be paid prior to the authorization of a deficit reduction plan or decision to close out an account that no longer has sufficient resources.

- For amounts less than $5000.00, the Project Director and University Corporation Director of Finance & Administration shall close the account and perform the necessary accounting procedures to eliminate the deficit using other funds available to the project director. If other funds are not available, the University Corporation Director of Finance & Administration may authorize the use of the general funds of the University Corporation to eliminate the account deficit.
- For amounts greater than $5000.00, the Project Director and University Corporation Director of Finance & Administration shall close the account and perform the necessary accounting procedures to eliminate the deficit using other funds available to the Project Director. If other funds are not available, the University Corporation Chief Financial Officer and Executive Director will engage the Vice President of Administration and Finance and the Provost (or appropriate Vice President) to transfer funds from other unrestricted sources within the Department, Dean's office, or Vice President's office in order to eliminate the account deficit.

The Board of Directors shall be notified of any deficit in excess of $5000.00 that was eliminated using the general reserves of the corporation.

GLOSSARY

Administrative Official: A San Francisco State University employee to whom financial, administrative, or management responsibilities have been delegated, e.g. vice President, dean, department chair, principal investigator, director, or manager.

Campus Unit: A department, office, program, institute, center, project, or other academic or administrative entity that is part of the University.

Deficit: The definition depends on the type of fund involved, but always involves summing the specified chartstrings to the fund, by department. This would not include funds invoiced in arrears as those programs may appear in deficit for work performed but once billed the project would be made whole. Examples of these types of programs are grants and contracts and fee for service.

Discretionary /Unrestricted Fund: A fund that can be used for any purpose within a unit or has no restriction preventing its use to clear a deficit

Working Capital: Calculated as available Balances plus anticipated revenues/receivables less current expenditures/payables.