

Procedure 1310 PR.03

Deficit Fund Balances and Sponsored Agreement Overdrafts

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Overview

A fund balance is the net accumulation of revenues, expenses, and transfers for a particular award since the start date of the award. This procedure covers requirements on resolving deficit fund balances that occur in the following source groups: special programs (SPPRO), endowments (ENDOW), expendable gifts (EXPOP), and designated funds (DESOP). As part of the monthly financial review, departments are required to resolve deficits or provide an acceptable explanation. This procedure provides details on how to resolve these deficits.

This procedure also addresses requirements in resolving sponsored agreement (SPAGR) overdrafts and provides information in addition to Procedure 1305 PR.6, about performing this task. As part of the monthly financial review, departments are required to resolve overdrafts.

Not all resolutions require expenses to be moved from an award, as explained below in this procedure. An example of an acceptable resolution would be an agreement with the budget office to clear the deficit at year end.

Responsibilities

Departments and Schools are responsible for resolving any deficits or overdrafts that exist for their organization(s) and for awards for which they are the award owning organization. Resolutions of overdrafts may require moving expenses out or providing an explanation that is accepted and authorized by the Central Budget Office/YSM Financial Operations or Grants and Contracts Financial Administration. Resolutions of deficit fund balances will require transferring funding in to clear the deficit. Explanations that are acceptable include situations where these offices are aware of a future event that will offset the current overdraft and/or deficit.

The Central Budget Office, including Funds Management, is responsible for:

- obtaining explanations on deficits from departments and schools
- communicating to Central management any significant issues for SPPRO, ENDOW, EXPOP, and DESOP
- distributing certain deficit reports
- relaying Central management concerns/questions back to departments and schools.

Grants and Contracts Financial Administration (GCFA) is responsible for:

- notifying departments about overdrafts in SPAGR awards
- obtaining explanations for these overdrafts.
- communicating to Central management (e.g., Associate VP of Finance, Assistant Provost) all significant overdrafts in SPAGR awards.

The Controller's Office, as part of Central management, is responsible for working with departments and schools to enable them to monitor and analyze deficits and overdrafts. The Controller's Office will obtain explanations from the Central Budget Office (SPPRO, ENDOW, EXPOP, and DESOP) or from GCFA (SPAGR) that were previously provided by the departments; these explanations are needed for both internal and external reporting purposes.

The School of Medicine Financial Operations Office is responsible for working with the Medical School departments to enable them to monitor and analyze deficits and overdrafts. This office will obtain explanations for deficits and overdrafts that exist in Medical School departments.

Fund Balances

Fund balances are calculated in the Oracle system based on the revenue, expense, and transfers that occur in a particular month. Fund balances are updated in the general ledger when General Accounting closes the fiscal period (month end). However, the *Position Plan Report*, the *Review Tool* and the *Summary of Activity with Respect to Fund Balance* all include calculated fund balance numbers based on activity through the previous day. (Note: Fiscal year beginning balances will not include final adjustments from the previous year until the adjustment period closes. Contact GA.Usersupport@yale.edu for further clarifications).

Grant Balances

When a grant is awarded to the University, both the anticipated total award amount and the funded (obligated) amount are entered into Oracle Grants Management (OGM). *The Review Tool* provides a listing of all grant award balances owned by an organizational unit. *Award Summary Report* or *BUG203* can be used to verify the available grant balance compared to the OGM funded amount.

Requirements

Special Programs (SPPRO), Endowment (ENDOW), Expendable Gifts (EXPOP), and Designated Funds (DESOP)

The following procedures should be performed on a monthly basis. If a deficit exists, the department or school needs to transfer out expenses up to the deficit or transfer funds in to cover all appropriate expenses, or provide an adequate explanation.

One method of identifying fund balances is to run the *Review Tool* available on the *Data Warehouse Portal*. Select the *Review Fund Balances* button. If a negative amount appears in the *FYTD Ending Balance column*, then a deficit exists.

An alternative method is to run the fixed format report *Summary of Activity with Respect to Fund Balance*. This must be run on the organization level, with the report option of *By Award, Project, and Task and with No Commitments*. A negative amount in the *Uncommitted Cumulative Balances* column indicates a deficit.

For a closed month one can analyze deficits using Brio by determining if there are negative balances in expenditure types:

- 311301 Unexpended balances for special programs (SPPRO),
- 311201 Unexpended Endow Income (ENDOW),
- 311401 Unexpended operating gifts (EXPOP) and
- 311601 Designated-Operating (DESOP).

Note: Fund balances are only updated at Fiscal Month end. Therefore, one can utilize the Brio Users Group library (BUG 403a, *Calculated Source Balances* for the open period which will have up to date balances on a daily basis).

The Office of Facilities is responsible for clearing any deficits that fall under Facilities Renewal Replacement Funds (FRRF) or Alterations. For any other deficits in building organizations, the Budget Office will determine, in concert with the Provost's Office, who is responsible for resolving any such deficits. Departments and schools are responsible for resolving all other deficits under their organizations.

For SPPRO, departments and schools must resolve any deficits at the project level by either clearing such deficits or adequately explaining the method of resolving any deficits at the project level.

For (ENDOW), (EXPOP) and (DESOP), departments and schools must resolve any deficits at the Award

level. Best practice recommends that deficits be cleared at the lowest level (Project, Task, Award, and Organization).

Each individual endowment (ENDOW), gift (EXPOP), or designated fund (DESOP) is set up with its own award. Each award has an owning organization which is responsible for monitoring the fund balance for all organizations that charge the award.

For ENDOW, EXPOP, and DESOP, on a quarterly basis, departments will be provided with a listing of deficits on all awards for which a department or school is the prime organization. YSM Financial Operations will send Medical School reports and the Central Budget Office will send reports to all other departments. The Central Budget Office will provide "Not My Org/Project" reports to departments and schools on a quarterly basis. Any activity occurring outside of a department or school's hierarchy will appear only on the reports produced by the Central Budget Office

Sponsored Agreements (SPAGR)

Overdrafts exist if the inception-to-date expenses exceed the funded amount of the award.

Departments should monitor spending rates to ensure that they are spending at a rate consistent with the currently obligated funds (current installment) to avoid overdrafts. The University provides various management tools for this activity:

- Review Tool (available on the *Data Warehouse Portal*. Select the *Grant Reports* button. If a negative amount appears in the *ITD Unspent Balance column*, then an overdraft exists.)
- Award Summary Report
- BUG 203 GC Financial Status Report

When it is expected that an overdraft will be cleared by receipt of additional funding, GCFA will confirm that expectation with Grant and Contract Administration (GCA) and classify the overdraft accordingly in Oracle systems. Continuation awards with accelerated overspending will be reviewed by GCFA and GCA to determine appropriate action, which may include placing the Award on hold.

When deficits are not cleared by a continuation award, departments or schools must find an appropriate alternate source of funds to cover the overdraft. These transfers must be performed in accordance with sponsoring agency and University policies.

If no additional funding from the sponsor is anticipated, overdrafts must be cleared within 60 days subsequent to the occurrence of the overdraft. At fiscal year end, these overdrafts must be cleared in period 12 unless there are additional funds anticipated from the sponsor or other adequate explanation on how the overdraft will be cleared. If the departments do not clear these overdrafts in the specified period, the central administration will notify the appropriate school or Provostial official. If any overdraft is \$2000 or less and over 12 months past the award date, the Controller's Office will write off the overdrafted amount against department's general appropriations.

Entries to Clear Deficits and Overdrafts

Deficits and overdrafts are cleared by:

- reduction of expenses in the deficit PTAE0 and increase of expenses in a different PTAE0 (if appropriate), or
- transfer of funds (SPPRO, ENDOW, EXPOP, and DESOP) or with a continuation award (SPAGR) (if appropriate).

Best practices for Accounting transfer have been established and can assist departments in determining the appropriate journal entry depending on prior, current, and future year activity or fund balance. Please refer to the guide listed under GA in the PPDEV website [Reclassifications and Transfer of Funds](#).

At no time should the department or school use the expenditure type that holds the fund balance when creating an adjustment. These expenditure types are:

- 311301 Unexpended balances for special programs (for SPPRO),
- 311201 Unexpended Endow Income (for ENDOW),

- 311401 Unexpended operating gifts (for EXPOP), and
- 311601 Unexpended – Operating (for DESOP).

If an expense is related to labor, the adjustment is to be made through the Labor Distribution Module. Labor transactions that use Journal Staging Area (JSA) are infrequent and require pre-authorization from General Accounting. Labor JSAs involving sponsored awards will not be reflected in effort reports; departments and schools should not make these types of entries without approval from the Controller's Office.

If an expense is related to non-labor, the adjustment is made through the Journal Staging Area. Use the appropriate JSA category when creating the journal entry. Click here for more information about journal categories: [JEFF - Journal Entry Forms Finder](#)

- **YNonGCNonLabTr** – used to move current year non-labor, non-sponsored expenses that have been charged to an incorrect project/task/award/organization combination; the preferred category for all non-sponsored expenditure corrections (category requires detailed information – see JEFF)
- **YExpenseAdjust** - used to move incorrectly recorded revenues to expense accounts or expense to revenue; used to reclassify current year activity
- **YGCIndNonLabTr** is to be used for sponsored agreements
- **YBalShtRevAdj** - used to make corrections to asset, liability and revenue accounts; is the only category used for fund balance transfers and only if the activity relates to prior years and the donor or sponsor does not restrict the expenditure type

For additional questions, please contact Financial Reporting at 436-4182.

The official version of this information will only be maintained in an on-line web format. Any and all printed copies of this material are dated as of the print date. Please make certain to review the material on-line prior to placing reliance on a dated printed version.
