Purpose

Campus administrative officials, including vice chancellors, deans, department chairs and principal investigators, have a fiscal responsibility to monitor financial results of departments or programs under their control, ensuring that sufficient revenue, allocations, or reserves are available to support their activities. All monies must be spent in accordance with University policy and sponsors' terms and conditions. Administrative officials in charge of gifts, contracts, and grants may have additional terms and conditions with which they must comply. This policy outlines responsibilities for monitoring deficits and identifies types of corrective action administrative officials should take to resolve deficits.

Definitions

Administrative Official

A UCSF employee to whom financial, administrative, or management responsibilities have been delegated, e.g. vice chancellor, provost, dean, department chair, principal investigator, director, or manager.

Deficit

A deficit is defined as a negative financial net position at the close of the fiscal year. Net position-end of period is calculated as the net position-beginning of period plus revenues minus expenses plus other changes. For purposes of this policy, not including sponsored research activity, deficits are identified as the net position by fund and the Level 2 Department ID.

Level 2 Department

A department or unit that reports directly to a control point (Level 1).

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.

Overdraft

An overdraft is defined as spending in excess of the authorized budget for a contract or grant. Overdrafts, which related to the authorized budget, are distinct from deficits, which related to the actual revenue received.

Principal Investigator (PI)

The individual ultimately responsible for the appropriate scientific and financial conduct of a sponsored research project. On occasion, co-principal investigators who share responsibility for a project.

Sponsored Project

Programs, both research and scholarly activity, supported by an external source that has a defined scope of work or set of objectives, which provides a basis for sponsor expectations. This includes research, demonstration, professional development, instruction, training, curriculum development, community and public service, or other scholarly activity involving funds, materials, other forms of compensation, or exchanges of in-kind efforts under awards or agreements. A deficit on a sponsored project represents the amount that total expense exceeds total revenue at the award level at any point in the life cycle of the project.

Policy

A. Non-sponsored Activity

All deficits, defined at the fund and Level 2 Department ID level, in current, loan, and plant funds for non-sponsored activities should be addressed throughout the year and must be resolved by the close of the fiscal year. Administrative officials remain accountable for the funds entrusted to them even if they have delegated budget and accounting responsibilities to another individual. All units have a responsibility to maintain a positive net position, and deficits, when they occur, must be resolved.

Deficits may be carried forward to the next fiscal year for non-sponsored project funds only in the following circumstances:

1. An authorized deficit resolution business plan is in place and the unit is in compliance with the plan.
2. If the deficit occurs on a non-restricted fund in the fund range 500C Sales & Services, is not an approved recharge and the aggregate balance of the fund at the Level 2 Department ID is not in deficit, then a written deficit resolution business plan may be
3. If the deficit occurs on a recharge fund and the unit is in compliance with campus recharge policy.

Deficit resolution business plans are first approved by the control point and then are submitted for approval to the Associate Vice Chancellor, Budget and Resource Management who will review the plan(s) on behalf of the Chancellor. The need for deficit resolution plans is expected to be rare and approval will be on an exceptional basis. As a best practice, deficits should be resolved by the fiscal year end.

B. Sponsored Activity

Principal Investigators must incur expenditures within the project period as outlined in the award document. Expenditures in excess of the award budget which result in overdrafts must be resolved at the end of the award period and any deficits resulting from expenditures in excess of revenue received must be resolved as outlined in Administrative Policy 300-19 (Expenditures of Extramural Funds).

In some instances, deficits are generated on sponsored projects due to a timing issue, when billing/revenue recognition lags behind recording expenditures. Billing and revenue recognition is dictated by the terms and conditions detailed in the award document and resulting deficits are permitted during the life of the award.

Responsibilities

The following groups of individuals are directly affected by this policy:

- Administrative Officials (includes but not limited to department chairs, principal investigators, vice chancellors, deans, directors, managers and business officers)
- Budget and Accounting Officers

Vice Chancellors and Deans (Control Point):

- Maintain a financially sound organization and monitor the financial operations of the unit.
- Ensure budgets are established and spending is within authorized budget levels.
- Review and approve written deficit resolution business plans submitted by administrative officials.
- Ensure deficit resolution plans are submitted and approved by the BRM.
- Ensure that deficit resolution business plans are executed as proposed.
- Collaborate with Administrative Officials to retire significant deficits or develop solutions for deficits that require an extended period of time to resolve.

Administrative Officials (includes but not limited to: directors, department chairs, principal investigators, managers, and business/accounting officers):

- Monitor financial activity for funds under their purview to ensure the funds do not incur deficits.
- Take prompt action to eliminate overdrafts or deficits.
- Develop deficit resolution business plans and submit them to the appropriate control point for approval if unforeseen issues (e.g. regulatory changes, changes in the control environment, etc.) result in a significant deficit that cannot be resolved in the current period.
- Resolve deficits in accordance with approved written plans.

**Budget and Resource Management:**

- Monitor adherence to policy.
- Collaborate with Administrative Officials and control points to ensure that deficits are resolved in accordance with University policy and any other policies or conditions that apply.
- Review deficit resolution business plans and approve on behalf of the Chancellor.
- Monitor long-term deficit resolution business plan progress.

**Controller's Office:**

- Monitor deficits on Sponsored Projects to determine if deficit is the result of an accounting or billing problem which must be addressed.
- Monitor overdrafts on Sponsored Projects, working with the department to transfer overdrafts off sponsored awards.

**Related Policies**

- 250-11 - Sales & Service Center(s) Recharges, External Sales & Services of Education Related Activities, & Common Cost Allocations [3]
- 300-12 - Agency Funds [4]
- 300-19 - Expenditures of Extramural Funds [5]
- 300-22 - Cost Transfers (Expenditure Adjustments) [6]

**References**

- Deficit Procedures [7]