

Memo to: All UH-Downtown/PS Holders UH-Downtown/PS 05.A.10
Issue No. 4
From: Juan Sanchez Muñoz, President Effective date: 03/19/2018
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Subject: Deficit Cost Center Balance Control Policy

1. PURPOSE

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

2. DEFINITIONS

There are no definitions associated with this policy.

3. POLICY

- 3.1 Budget authorities for University of Houston - Downtown (UHD) financial cost centers are responsible for maintaining positive cost center balances. Each cost center should be reviewed and verified on a monthly basis to prevent cost centers from developing deficit fund balances at year end. Refer to [PS 05.A.14, Verification of Cost Center Activity](#), for additional details.
- 3.2 Individual cost centers with negative fund balances at year end 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](#) shall be forwarded to the Budget Office for preparation of a journal entry. Journal entries are submitted to the Accounting Office for final approval and entry.
- 3.3 All expenditure and fund transfers must comply with the restrictions of the cost centers 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 Adjustment Policy](#), for additional information including the [Transaction Correction Request](#).
- 3.4 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.
 - 3.4.1 Deficits at the departmental level will be addressed by the appropriate dean;
 - 3.4.2 Deficits at the dean's level will be handled by the Senior VP for Academic and Student Affairs & Provost (SVPASA) or the Division Business Administrator;

- 3.4.3 Deficits at the SVPASA's level will be referred to the Vice President for Administration & Finance (VPAF); and
- 3.4.4 Deficits in areas not reporting to the SVPASA will be addressed by the VP of the division or the Division Business Administrator. Any outstanding deficits at the VP level will be referred to the VPAF.
- 3.5 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 VPAF provided two conditions are met:
 - 3.5.1 Submission of a plan which outlines how the deficit cost center will be returned to a non-deficit status during the subsequent fiscal year. This plan will be kept on file in the VPAF's office or the Budget Office; and
 - 3.5.2 Sufficient funds from other cost centers within the ledger of the deficit account shall be kept in reserve to fund the deficit.
- 3.6 If there is a net negative fund balance among all cost centers within an entire fund group at the University level, sufficient funds from cost centers 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 VPAF will notify the University of Houston System Executive Vice Chancellor for Administration and Finance.
- 3.7 Exceptions to the above procedures may be made for the following sources of funds:
 - 3.7.1 Agency Fund Cost Centers 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 cost center and have sufficient funds deposited into the cost center. Normally, university funds will not be used to cover deficits within agency cost centers.
 - 3.7.2 Sponsored Project Cost Centers 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 3.1 through 3.5 above.
- 3.8 The Executive Director, Budget, Procurement & Contracts and VPAF shall coordinate with Business Affairs to ensure that all transactions to clear deficit fund balances are accomplished in a timely manner prior to the final year end closing.

4. PROCEDURES

There are no procedures associated with this policy.

5. EXHIBITS

There are no exhibits associated with this policy.

6. REVIEW AND RESPONSIBILITIES

Responsible Party (Reviewer): Vice President for Administration and Finance

Review: Every three years on or before June 1st.

Signed original on file in Employment Services and Operations.

7. POLICY HISTORY

Issue #1: 05/16/94

Issue #2: 11/19/99

Issue #3: 10/10/13

8. REFERENCES

[UH System Administrative Memorandum 03.G.01](#)

[PS 05.A.14](#)

[PS 05.A.12](#)