



TEXAS TECH UNIVERSITY

Operating Policy and Procedure

OP 62.39: Fund Deficits

DATE: February 13, 2018

PURPOSE: The purpose of this Operating Policy/Procedure (OP) is to set forth policy for the periodic review of fund balances to identify deficits, establish correct action plans, and ensure compliance with budgetary control provisions set forth in *Regents' Rules* 07.04.f. (2). This policy does not apply to sponsored projects (11E, 12D, 21, 22, 23, funds).

REVIEW: This OP will be reviewed in March of odd-numbered years by the Managing Director of Accounting Services and the Chief Budget Officer, with substantive revisions forwarded to the Assistant Vice President for Financial and Business Services and the Vice President for Administration & Finance and Chief Financial Officer (VPAF/CFO).

POLICY/PROCEDURE

1. Policy Statement

It is the policy of Texas Tech University and Texas Tech University System Administration that all FOPs have a budget established prior to the payment of any expense or the encumbrance of any commitment. An exception is made for agency funds (funds beginning with 81-87), gift funds (funds beginning with 24-25), and scholarships (funds beginning with 15 and 35) that have a requirement of a positive cash position.

Accounting Services will require a default fund, from an allowable source, at the time of setup for each new fund. Restricted funds (funds beginning with 21-28), service center funds (funds beginning with 17), agency funds (funds beginning with 81-87), and plant funds are not allowable sources.

2. Education and General Budgets

- a. Education and general budgets are established during the annual budget process. Cash transfers from the central fund(s) to operating funds are processed by Accounting Services, generally at the beginning of each academic term, consistent with approved budgets.
- b. Budget increases are not allowed to each respective FOP without a corresponding decrease in another FOP. The VPAF/CFO must approve any overall to ensure budget revisions are approved in accordance with the *Regents' Rules*.

3. **Designated and Auxiliary Funds**

- a. Designated and auxiliary FOP budgets are established during the annual process. Cash transfers from the central fund(s) are processed by Accounting Services, generally at the beginning of each academic term, consistent with approved budgets. For funds that operate on revenue, the Budget Office reviews projected revenue for reasonableness.
- b. Requests to increase the overall budget are initiated by the fund financial manager in the Budget Revision System. Designated and auxiliary FOPs must have sufficient budget to cover all expenditures and encumbrances. In addition, these funds require sufficient cash to fund all expenditures by year end.

4. **Payroll Expenditures**

Payroll expenditures will always be processed regardless of budget availability and/or fund balance. Insufficient budget conditions that arise as the result of payroll action will result in:

- a. Budget Office notification to the fund financial manager; and
- b. Funding of the insufficient fund by the fund financial manager within the month of notification. Deficits not cleared within the month of notification will be cleared by the Budget Office from other funds available to the fund financial manager.

5. **Deficit Fund Positions**

- a. Quarterly, Accounting Services notifies fund financial managers of fund deficits. Deficits not cleared within two business days by the fund financial manager will be cleared by Accounting Services, first from the default fund and if necessary, from other funds available to the fund financial manager.
- b. Quarterly, Accounting Services provides a listing of fund deficits of \$100,000 and greater to the VPAF/CFO. Exceptions to carry deficits of this magnitude forward to the next fiscal year must be approved by the VPAF/CFO. In such cases, the financial manager must submit a corrective action plan to the VPAF/CFO and the Managing Director of Accounting Services no later than October 31. The plan must include a reduction in the deficit in the current fiscal year and clearing of full deficit within four years.