

# Deficit Departmental Fund Balances Policy

<b>Approved by:</b> Northeastern State University Executive Cabinet	<b>History:</b> Revised – April 14, 2015
<b>Responsible Official:</b> Business Affairs Sue Catron <a href="mailto:catrons@nsuok.edu">catrons@nsuok.edu</a> (918) 444-2187	<b>Related Policies:</b>  <b>Additional References:</b>

## PURPOSE

This policy pertains to departmental funds that overdraw their cash balance and provides guidance in resolving overdrafts to support the financial integrity of the University.

## DISCLOSURE STATEMENT

Departmental funds are established to provide institutional managers the ability to control and monitor the receipt and outflow of resources related to specifically identified activities. These specific activities are intended to be self-supporting and/or profitable. Overdrafts within a fund create a drain upon the other resources of the University and impact the management of institutional resources.

Funds are essentially bank accounts. All are intended to maintain a positive balance – whether through profitable activities or through transfer of money from other bank accounts.

Prudent financial management of institutional resources requires instances of internal fund overdrafts be limited both in duration and in scope.

## SPECIAL WORDING

A departmental fund is considered to be in a deficit or overdraft status when the Claim on Cash account has a credit balance.

Claim on Cash is the name of the account within Banner which represents the accumulation of cash transactions within a fund.

## SECTION I

Departments and Colleges are responsible for resolving any deficits or overdrafts that exist for their departmental funds.

The NSU Controller's Office is responsible for assisting departments and colleges to enable them to monitor and analyze their financial records related to deficits or overdrafts.

## SECTION II

Units must provide a plan or explanation of how they will resolve an overdraft. This plan is approved by the NSU Controller's offices.

Resolution of an overdraft may require a plan or explanation that is accepted and authorized by the NSU Controller's office provided by the Department or College. Explanations that are acceptable include situations where the Department or College is aware of a future event that will offset the current overdraft or deficit.

Departmental funds that remain in an unauthorized deficit status for more than three months may be inactivated to prevent further use. Should this happen, the department or college's unit's Vice President or University Cabinet member will be asked to identify resources to return the fund to a zero or positive Claim on Cash account balance.

Should appropriate resources not be identified, the Vice President for Business and Finance may modify current or future budgets or appropriations or limit future expenditures within that department or college unit in order to eliminate the deficit.

## PROCEDURE(S)

### Purpose

This procedure explains how deficit departmental fund balances will be identified and addressed.

### Procedure

Following the close of each month, the NSU Controller's Office staff will produce a report identifying the Claim on Cash account balance at month end. Those funds with a credit balance will be extracted for further review. Notice of an overdraft will be emailed to the Account Sponsor. Cabinet members may request to be included in the distribution of the negative Claim on Cash report for their respective areas, via a written request to the Controller.

Funds that have maintained a negative Claim on Cash balance for each of three consecutive months will be identified as falling under the Deficit

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Departmental Fund Balances policy. As such time, the Controller's Office staff will communicate with the Account Sponsor, informing them of the continuing deficit and ask the Account Sponsor to assist with identifying a resolution.

Within a thirty-day period following communication by the Controller's Office, departments or colleges must resolve the deficit situation or adequately explain the method by which any deficit will be cleared and the related time frame for this to take place.

The Controller's Office will assist in posting transaction corrections identified before the close of the following month. If the Controller's Office accepts an explanation for a deficit to continue, that explanation and acceptance will be documented in written form. A copy of that written agreement will be provided to the Account Sponsor and to the appropriate Cabinet member.

Should there be a default upon an agreement, the Vice President for Administration and Finance and the related Cabinet member will be contacted by the Controller's Office staff to request that a resolution returning the fund to a zero or positive balance be identified.