

**UNIVERSITY OF HOUSTON SYSTEM
ADMINISTRATIVE MEMORANDUM**

SECTION: Fiscal Affairs

NUMBER: 03.G.01

AREA: General Accounting

SUBJECT: Year End Closeout Procedures for Deficit Balances

1. PURPOSE

While it is desirable to prevent deficit fund equity balances, it is not always operationally possible to do so. This document sets forth the procedures to control the carry forward of deficit fund equity balances within fund groups for a division and deficit fund equity balances within fund groups for a component university as a part of the year end closeout procedures. These procedures shall apply to all fund groups.

2. POLICY

2.1. Budget authorities at the appropriate level at each component university and the System Administration shall review all cost centers in their respective area as a part of the annual closeout procedure to determine the extent of deficit fund equity balances and which deficit balances need to be corrected. Any fund group (1xxx, 2xxx, etc.) for a division with a deficit fund equity balance shall have expenditures transferred from the fund group and/or sufficient fund equity or revenue moved to the fund group to bring the fund equity balance to at least zero. All such expenditure, fund equity, and revenue transfers must comply with the restrictions of the cost center involved. For example, transfers cannot be freely made between restricted or state-appropriated funds and other fund groups. If the budget authority is unable to cover all deficits within their area of responsibility, then the component university Chief Financial Officer shall make the necessary transfers to fund the deficits. The component university Chief Financial Officer may grant a written exception to this funding requirement if the following two conditions are met:

- a. A plan must be on file in the office of the Chief Financial Officer as to how the deficit fund group for a division will be returned to a non-deficit position during the subsequent fiscal year; and
- b. The overall fund equity balance of the fund group for the component university must not be in deficit.

2.2. If a fund group for the entire component university has an overall deficit fund equity balance, then sufficient money from cost centers with transferable balances shall be moved from fund group 2xxx designated funds or fund group 3xxx auxiliary funds to cover the deficit fund group. If sufficient monies do not exist to

cover the deficit fund group, then the component university Chief Financial Officer shall notify the Senior Vice Chancellor for Administration and Finance.

- 2.3. An exception to Section 2.1 and Section 2.2 above shall be made for agency fund cost centers. Individual agency fund cost centers should not be allowed to move into a deficit balance at any time. However, should a deficit situation occur, every effort should be made to contact the owner of the cost center and have sufficient money deposited into the cost center. Component university funds will not be used to cover deficits within agency cost centers. In addition, fund group 5xxx sponsored project funds may be exempted from Section 2.1 and Section 2.2 if a deficit fund equity balance is caused by the timing of the award funding. If the deficit is caused by other reasons, then it must be funded as outlined in Section 2.1 and Section 2.2.
- 2.4. The budget authorities at each component university shall coordinate with general accounting to ensure that all transactions to clear deficit fund equity balances shall be accomplished in a timely manner prior to the final year-end closing.

3. REVIEW AND RESPONSIBILITIES

Responsible Party: Senior Associate Vice Chancellor for Finance

Review: Every three years on or before March 1

4. APPROVAL

Approved: Jim McShan
Senior Vice Chancellor for Administration and Finance

Renu Khator
Chancellor

Date: February 14, 2018

REVISION LOG

Revision Number	Approval Date	Description of Changes
1	05/07/1993	Initial version
2	07/12/2002	Applied revised SAM template to meet current documentation standards. Added “funds groups” to “ledgers” throughout text. Changed “FRS accounts” to “cost centers” throughout text. In Section 2.1, the exceptions to funding requirements were separated as bulleted text. In Section 2.2, added fund group 3xxx auxiliary funds. Changed the responsible party from the VC for Administration and Finance to the AVC for Finance. Changed review period from even numbered years on or before March 1 st to every three years on or before March 1 st . Added VC for Administration and Finance to approval process
3	06/16/2004	Applied revised SAM template to meet current operating requirements. Removed “ledgers” throughout text. Added fund groups 1xxx, 2xxx, etc. to Section 2.1. Changed Section 2.1.b to indicate that the overall fund equity balance must not be in deficit. Added fund group 5xxx (sponsored project funds) as exempted from Section 2.1 and Section 2.2 requirements in Section 2.3.
4	06/12/2015	Applied revised SAM template and added new Revision Log. Corrected title of Vice Chancellor for Administration and Finance throughout text. Changed “department” to “division” in Sections 2.1 and 2.1.a. Removed “normally” qualifier from the sentence in Section 2.3 on component universities not covering deficits within agency cost centers. Removed Section 5, Indexing terms
5	09/25/2015	Changed “department” to “division” in Section 1. No additional changes were made by the Subject Matter Expert (SME)
6	02/14/2018	Changes to titles to reflect current operating requirements. No additional changes were made by the Subject Matter Expert (SME)