Re: 2013-14 Fiscal Year-End Balances in Self-Supporting Funds

Budget and Institutional Analysis (BIA) is required to review the year-end financial position of self-supporting activities to evaluate compliance of these activities with university costing policies. Self-supporting activities that are managed as general fund activities (i.e., 199XX fund group) are not included.

The policy and process for this evaluation for balances as of June 30, 2013 has been revised in two significant ways:

1. While the intent for self-supporting funds continues to be a break-even point at year-end (as specified in University BFB A-56), the threshold for reporting to BIA on plans to address excess balances or deficits is now 15% of annual expenditures.

2. DaFIS DS – FIS 193 allows units and BIA to identify those self-supporting funds that have balances outside of this threshold.

The campus has a large number of recharge units that provide service to federally funded programs. Therefore, it is critical that we work together to ensure that university costing practices are followed. Failure to follow our own costing practices could lead to significant compliance problems including additional audits, cost disallowances and penalties. Account balances in self-supporting funds that exceed policy can be a red flag for outside reviewers.

Units should make every effort to eliminate excess surpluses or deficits by the succeeding year-end. However, BIA recognizes that this may not be achievable in all cases. To comply with the policy, we ask that a business plan be provided that addresses the problem within a reasonable period of time. The plan should not exceed recovery beyond three years.

While they are not a part of this review, funds with non-university income only that are in deficit balance must be resolved by modifying rates (as appropriate) or by identifying other appropriate fund sources (e.g., dean’s office funds or department funds).

Please run the FIS 193 report (Self-Supporting Compliance Report) to review the fund balances for your unit’s self-supporting activities as of June 30, 2014. Instructions for using this report are available on BIA’s Recharge Activities and Rates page located at http://budget.ucdavis.edu/rates/documents/instructions_self-supporting_activities_compliance_report_FIS_193.pdf. This report will list funds that had year-end surpluses or deficits that exceeded 15% of the annual expenditures.

At this time, we are asking you to provide a short response regarding your plans to bring recharge activities with fund surpluses or deficits in excess of 15% into compliance with campus policy. Please send your response to Nancy Wilson, BIA Analyst, at njwilson@ucdavis.edu and to your functional analyst at BIA by December 1, 2014.
Further guidance regarding the operation of self-supporting funds and service units can be found in the following reference documents:

- UCD P&P Section 340-25
- UC Business and Finance Bulletin A-47
- UC Business and Finance Bulletin A-56
- UC Business and Finance Bulletin A-59
- UC Business and Finance Bulletin A-60
- Office of Management and Budget Circular A-21, Cost Principles for Educational Institutions (Section J.44, Specialized Service Facilities).

I also would like to take this time to remind units that all recharge questions and submissions should be directed to BIA Analyst Nancy Wilson.

Thank you for your attention in this matter.

Sincerely,

Anissa C. Nachman
Director, Administrative Budget and Budget Operations
Budget and Institutional Analysis

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cc: Associate Accounting Officer Susan Moore
    Senior Associate Vice Chancellor and Interim CFO Kelly Ratliff
    BIA Analysts