December 6, 2013

ASSISTANT DEANS
CHIEF OPERATING OFFICERS
CHIEF FINANCIAL OFFICERS

Re: 2012-13 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 (up from 8.33%). Campus rate policy has been revised to reflect this change.

2. There is a new report available on DaFIS DS – FIS 193 – that 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, 2013. Instructions for using this report are attached and are also available on BIA’s Recharge Activities and Rates page located at http://budget.ucdavis.edu/rates/index.html.

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 February 3, 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)

Thank you for your attention in this matter.

Sincerely,

[Signature]

Christopher W. Carter
Director, Administrative Budget and Budget Operations
Budget and Institutional Analysis

/dk

Attachment: FIS 193 training document

cc: Associate Accounting Officer Susan Moore
    Associate Vice Chancellor Kelly Ratliff
    BIA Analysts
Instructions: Self-Supporting Activities – Compliance Report (FIS 193)

What is the Self-Supporting Compliance Report?

This report will identify the funds that are not in compliance with the requirement that recharge activities must operate on a break-even basis. Units must make every effort to ensure that a recharge activity does not generate a year-end deficit or surplus in excess of 15% of annual expenditures. The ratio is developed by dividing the net income or loss by the total expenditures (example below). Two ratios are included for your review, one for year-to-date and one for accumulated balance. The accumulated balance percentage is what will be reviewed by BIA for compliance reporting. The year-to-date figure is shown to see if the problem is from previous years or is continuing with the current year.

Reference: Detailed Guidelines for Recharge Activities and Rates (Section IV-D)

Why do we need to run this report?

The office of Budget and Institutional Analysis (BIA) must annually review the overall performance of all recharge activities. The purpose of the review is to identify activities that demonstrate signs of non-compliance and whose risk profile may have changed. BIA will focus on activities that have significant year-end surplus or deficit balances.

This report will identify those activities. This must be done annually as part of the campus review process. However, this is also a useful report that can be used by the activities to monitor their balances.

How do I run this report?

This report can be found under Self-Supporting Unit Reports-Stmt of Operations-Self-Supp Compliance or FIS193.

FIS193 has two report modes. A separate FAQ is available from Accounting and Financial Services for the Statement of Operations report. For information on self-supporting activities, choose Self-Supporting Compliance Report mode. Below are explanations of the parameters to use:

Organization/UC Fund: This report can be run by organization or by specific UC fund(s).

UC Fund Totaling: “Total Across UC Funds” will give you one summary of all funds. For this report you will want to choose “Report UC Funds individually” to get the correct information by fund.

Self-supporting Income Type: For the Self-Supporting Compliance Report, select “Recharge Income Only”. The results will not bring back data for income-only accounts. Units with recharges are required to be within the surplus/deficit threshold. Income-only accounts do not have this limitation. Choose “All Income” when you want to review all of your revenue generating accounts. This should be run once a year to identify revenue accounts that are in deficit regardless of type.

Minimum Under/Over Percent: For the Self-Supporting Compliance Report, enter “15” in this field if it does not default to the 15% threshold. Funds that are in compliance will not show on this report. If you would like to see all of your funds then enter “0” (zero) in this field.
### Example Report

**PDQ198**  
Stmt of Operations-Self-Supp Compliance - Calculation Example

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<thead>
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<th>Objects</th>
<th>Description</th>
<th>Amounts</th>
<th>Calc Ref.</th>
</tr>
</thead>
<tbody>
<tr>
<td>'0100</td>
<td>CURRENT FUND BEGINNING BALANCE</td>
<td>35,384.69</td>
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</tr>
<tr>
<td></td>
<td>Adjusted Accumulated Balance</td>
<td>35,384.69</td>
<td>(a)</td>
</tr>
<tr>
<td>'SU89</td>
<td>RECHARGES</td>
<td>(283,855.76)</td>
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<tr>
<td></td>
<td>Total Income and Recharges</td>
<td>(283,855.76)</td>
<td>(b)</td>
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<tr>
<td>'SU85</td>
<td>STAFF SALARIES</td>
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<tr>
<td>'SB28</td>
<td>LEAVE ASSESSMENT &amp; USAGE</td>
<td>(388.44)</td>
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<td>SUPPLIES AND EXPENSE</td>
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<td>EMPLOYEE BENEFITS</td>
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<td>Net Income Or Loss Year To Date</td>
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<td>(d) = (b)+(c)</td>
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<td>Surplus/Deficit Ratio</td>
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<tr>
<td></td>
<td>Ending Accumulated Balance</td>
<td>33,101.50</td>
<td>(e) = (d)+(a)</td>
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<tr>
<td></td>
<td>Surplus/Deficit Ratio</td>
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