

Policy and Procedures for Budget Overdrafts

Policy

A fundamental financial premise is that with budgetary authority comes the responsibility to ensure that spending does not exceed the level authorized through regular, timely and accurate forecasting of planned activities. Overdrafts are a violation of this premise and are defined in this policy as the overspending of a budget or budget category where specific policies warrant (see Budget Guidelines and Graduate Tuition Policy). Overdrafts, if they do occur, are the responsibility of the Portfolio owner, Principal Investigator/Project Director, Center Director or other responsible school/center hereinafter referred to as “owner”. The owner is responsible for finding allowable and appropriate sources of funding to cover the overdraft, from other funds available to the owner, or the Portfolio. Examples of sources that should not be used are a sponsored research grant or restricted gift if the excessive spending does not pertain to or match the restrictions surrounding the use of the funds. If other sources are not available, the Assistant Vice President for Finance & Controller needs to be notified and alternative avenues are to be explored and found in a timely manner.

Purpose

Spending in excess of budgetary authority is prohibited. This policy is to resolve violations of that premise and to establish responsibility and monitoring procedures to be minimized and resolve overdrafts in a timely manner and ensure that funds are being spent in accordance with budget requirements set by Institute policies and guidelines and/or external agencies.

Procedures

Overdrafts will be controlled and monitored using NSF checking and through exception reporting.

1. *NSF checking* as a functionality within Banner will be used on transactions that are directly entered into Banner:
 - a. Purchase requisitions
 - b. Direct Payment vouchers
 - c. Financial Transaction Forms

NSF checking will be set to relay an error message. An error will allow the transaction to be completed, but will hold the transaction in a queue. The queue will be monitored and the owner will be notified via e-mail and given 5 business days to find suitable means to rectify the overdraft. If the overdraft is not resolved within 5 business days, the transaction causing the overdraft will be removed from the system and returned to the owner.

2. *Monitoring* of overdrafts subsequent to the transaction being recorded will be maintained on the remainder of the financial transactions within Banner. The majority of the transactions will be:
 - a. Salary and benefits
 - b. Procurement card purchases
 - c. Procurement card travel expenditures
 - d. Other “fed” transactions

Daily, exception reports will be reviewed for overdrafts. If an overdraft is identified, the owner will be notified via e-mail and given 5 business days to find suitable means to rectify the overdraft. If the overdraft is not resolved within 5 business days, the

overdraft will be automatically charged to the owner's organization up to and including the respective Vice President's organization.

See attached matrix for specific fund type monitoring oversight

Responsible Division

Finance – monitoring; Portfolios – overdrafts.