Overdrafts

RESPONSIBILITY

Budget administrators are responsible for ensuring that total expenditures remain within budgeted amounts. If expenditures exceed budgeted amounts, budget administrators are responsible for promptly initiating procedures to clear overdrafts.

Each department chair is responsible for establishing internal departmental policy for resolving overdrafts. Departmental policy is to conform to University overdraft policies and procedures included in this section.

Prevention

Overdrafts can be prevented or minimized by careful account monitoring. See BPPM 30.07 for guidelines on how to use monitor account balances. See BPPM 85.33 for instructions on how to obtain access to online financial information.

PROCEDURES

Differing overdraft procedures apply to various types of WSU accounts. Review the section below that applies to the account in question.

Programs 01-10

The following applies to accounts in programs 01-10.

The area administrator (usually a dean) has the responsibility of ensuring that the area as a whole is not overdrawn.

A budget administrator (usually a chair) who is faced with a potential overdraft is responsible for consulting with their area administrator.

Clearing Overdrafts

The area administrator has at least two options for dealing with overdrawn accounts:

- The budget administrator may be told to cease all expenditures on the account.

- The area administrator may reallocate funds from an appropriate account under their jurisdiction by initiating an allocation transfer request to the Budget Office. The allocation transfer request includes the following:

  Account coding of both accounts

  Signature of an area administrator or designee who has expenditure authority for both accounts.
Clearing Overdrafts (cont.)

NOTE: Both accounts must be within the same fund and subfund. In most cases both accounts must be within the same program. Consult with the Budget Office before making transfers between programs.

Plan and Timeline

The area administrator may work with the unit on a plan and timeline to clear the overdraft. The responsible dean and the Provost must approve of the plan and timeline prior to implementation.

The dean sends a copy of the approved plan and timeline to the Executive Budget Director.

Sponsored Accounts

The following applies to sponsored accounts in programs 11-14.

The principal investigator and department chair are responsible for ensuring that expenditures on a sponsored account do not exceed the amount awarded by the sponsor at the time the grant is closed.

Conditions

Occasionally an account is overdrawn because the department or principal investigator has initiated or expects one of the following conditions. (This list is not all inclusive.)

- Receipt of supplemental funding
- An expenditure transfer to clear an overdraft on a terminated account
- An expenditure transfer to transfer a charge from a home account to a sub-account or from a sub-account to a home account
- An Advance Expenditure Authorization (see BPPM 40.23)

When one of the above conditions occurs, the condition meets acceptable standards of internal controls and accountability if corrected within 60 days of the end of the month. (NOTE: A sponsor’s deadline may require earlier correction.)
Overdrafts

Classes of Sponsored Accounts
Within the scope and context of this section, short-term overdrafts (up to 90 days) may occur in the following types of sponsored accounts. Sponsored Programs Services (SPS) monitors the following classes of sponsored accounts and issues overdraft notices when appropriate:

- Accounts with open-ended termination dates, i.e., 99/99/99
- Accounts for which the initial award is pending (see BPPM 40.23)
- Accounts supported by intermittent funding when receipts automatically allocate
- Accounts with a GAR Exception Code (Guarantee Account when funding is pending)

Other Conditions
The University Controller or authorized designee may approve other short-term overdrafts caused by unique conditions.

Expenditure Transfer
Upon discovery of an overdraft, the department chair identifies an appropriate alternate account to absorb the excess expenditures.

NOTE: Some departments have established special grant overdraft clearing accounts.

Expenditures are not transferred to another sponsored account unless specifically permitted. See expenditure transfer procedures in BPPM 30.25.

Periodic Review
Sponsored Programs Services periodically reviews the status of all sponsored accounts. Overdrafts on active sponsored accounts should be guaranteed.

Overdrafts on sponsored accounts are considered to be guaranteed when area administrators designate accounts that assume the expenditures when awards have not occurred. Such designated accounts are referred to as guarantee accounts (see BPPM 40.23).

Sponsored Programs Services sends notices to department chairs regarding overdraft sponsored accounts that have been terminated for more than 60 days. The notice states the departments must cease making expenditures on the overdraft accounts or notify SPS of the designated guarantee accounts.
Overdrafts

Periodic Review (cont.) The department chair and/or principal investigator identifies an alternative source of funding and transfers excess expenditures (see BPPM 30.25).

Response Due Date The overdraft notice sent to the department chair includes a response due date for clearing the overdraft. Sponsored Programs Services usually requests a response from the department chair within two weeks.

Occasionally, circumstances prohibit a department or principal investigator from clearing an overdraft by the response due date. The principal investigator may submit a written extension request explaining the circumstances to the SPS Director or an authorized designee.

If the department fails to take action by the response due date and does not submit a written extension request to SPS; SPS transfers the overdraft to the department's clearing account. If the department does not have an overdraft clearing account, SPS works with the applicable area administrator to determine the appropriate source of funding to resolve the overdraft.

If the account is not cleared or a funding plan is not in place within 30 days of the response due date, SPS notifies the Executive Budget Director and the Provost. The Provost works with the applicable area administrator to determine the appropriate source of funding to resolve the overdraft.

Exclusion Terminated accounts with an overdraft of $25.00 or less (allowable costs only) are excluded from overdraft review and correction. When there are sub-accounts for an award, the overdraft amount is the total of all sub-accounts and the home account.

Other Accounts The following applies to other accounts in programs 15 and above.

Budget administrators are responsible for ensuring that such accounts do not become overdraft. If an overdraft occurs (or is anticipated), the administrator may request that the Controller transfer expenditures or revenues.

Expenditure Transfer The budget administrator may transfer expenditure(s) from the overdraft account. See BPPM 30.25 for procedures.

Revenue Transfer The budget administrator may transfer revenue into the overdraft account.
Overdrafts

Revenue Transfer (cont.)

NOTE: Monies from state-supported accounts (programs 01-10) may not be transferred to accounts in programs 15 and above.

The administrator routes a memorandum to the Controller indicating the following:

- Names and coding of both accounts
- Reason for the transfer

An administrator with authority over both accounts signs the request memorandum.

NOTE: The administrator may submit the request memorandum by e-mail message from their own e-mail account.

The transaction is initiated after Controller's Office personnel determine that the transfer is appropriate.

Periodic Review

The General Accounting Section of the Controller's Office periodically reviews the status of accounts in programs 15 and above.

The General Accounting Section sends notifications to administrators of overdraft accounts. Administrators are responsible for immediately clearing the overdraft by revenue or expenditure transfer as described above.

If the administrator does not correct the overdraft within two weeks of the first notification, the Controller sends a second notice of overdraft with a copy to the responsible dean.