1. PURPOSE:

This policy establishes procedures for identifying and clearing cost overruns on sponsored agreements. The policy applies only to true overruns, not temporary accounting deficits which may be based on timing differences of payments and expenditures or be due to expenditure credits in transit. These procedures are based on general governmental policies and good audit management practices. If an agreement has different requirements than those in this policy, the most restrictive requirement will be followed. These procedures apply to all sponsored agreements (federal and non-federal).

2. DEFINITION:

An overrun occurs when:

2.1. Total expenditures exceed the total authorized amount for an agreement; or

2.2. Line-item expenditures exceed an authorized amount and there is no institutional rebudgeting authority or written exception approved by the sponsor; or

2.3. The sponsor fails or refuses to make payment for expenditures incurred.

3. RESPONSIBILITIES:

3.1. It is the responsibility of the Principal Investigator (PI) and departmental administrator (DA) to monitor expenditures to authorized budget on a monthly basis.

3.2. It is the responsibility of the PI/DA to adjust expenditures and make necessary accounting corrections, on a timely basis, to assure that overruns do not occur.
3.3. The Office of Grants and Contracts (OGC) may unilaterally clear overruns whenever deficits are not cleared, on a timely basis, in conformance with this policy.

4. **GENERAL POLICY:**

4.1. Accounts (Banner Fund-Org) cannot be maintained in a true deficit status. All true deficit expenditures must be cleared on a timely basis. 90 days is the maximum time period for routine accounting corrections and necessary deficit adjustments. The 90-day period is counted from the month-end in which the deficit first appears. For example: A deficit appearing in the month of September must be cleared by the December month-end Banner accounting statement.

4.2. Overruns may not be funded from other sponsored agreements. Once an overrun has been determined, costs may not be transferred to another sponsored agreement to reduce the deficit.

4.3. OGC may notify the PI/DA to clear deficits in less than 90 days, when discovery of the deficit is related to OGC account review, invoicing, financial reporting (FSR) procedures or deadlines, or based on the termination date of the award.

4.4. The PI/DA must either clear the deficit by transferring costs to another institutional fund or fund the deficit from an appropriate non-sponsored fund. All deficit clearing transactions (cost transfers or fund transfers) must be reviewed/approved by OGC.

4.5. If the deficit is not cleared within the 90-day period (or the OGC notification due date), OGC has the authority to declare the deficit a true overrun and initiate accounting transactions to clear the fund. OGC will work with the PI/DA/Chair to identify an appropriate departmental non-sponsored fund for deficit clearing. The PI/DA/Chair must identify an appropriate fund to use, on a timely basis, so that the deficit clearing accounting transactions can be posted by the next accounting cycle.

4.6. In January 2008, OGC established a “Sponsored Projects Clearing Account” (SPCA-special fund) for each of the colleges. This fund may be used for both deficit clearing and residual fund transfers. When appropriate or timely action is not taken by the PI/Department in clearing a sponsored agreement or when the PI/Department does not have an appropriate non-sponsored fund for the clearing transaction OGC may use the SPCA.

4.6.1. OGC will utilize the SPCA to clear deficits if the PI/Department does not clear the account or provide an appropriate fund for clearing the overrun within 90 days (or the OGC notification due date).

4.6.2. The Dean will coordinate with the PI/Chair for an appropriate internal means of payback when the SPCA is utilized. All deficit clearing transactions whether direct or through payback to the SPCA must be from non-sponsored funds.
4.7. If the overrun is not cleared by the PI/Department within 90 days or the notification due date, OGC will clear the deficit within 120 days utilizing either an appropriate fund identified by the PI/Department or the SPCA.

4.8. Once deficit costs have been cleared, they are considered disallowed costs and cannot be transferred back to the sponsored fund or to another sponsored fund at a later date.

4.9. For Expanded Authorities (EA) and Federal Demonstration Partnership (FDP) agreements, pre-award costs are authorized up to 90 days prior to the start date of the succeeding period. For EA/FDP agreements, these costs may remain on the account and/or be transferred to the successor fund and are not normally treated as overruns.

4.9.1. For EA and FDP agreements, when pre-award expenditures are incurred prior to 90 days from the start date of the succeeding period, the expenditures are treated as an overrun and the cost must be cleared in conformance with this policy unless prior agency approval has been obtained to incur such costs under an extended pre-award period.

4.10. For most other awards, where automatic carryover and pre-award expenditures are not allowed, costs incurred prior to the start date of the successor budget period may not be transferred to the successor fund. Such costs will normally be treated as overruns unless the sponsor has specifically authorized pre-award spending or carryover of expenditures.

4.11. If a pre-award spending request or a supplemental funding request is in process, the costs will not be cleared by OGC; pending response from the agency on the request. There must be documentation of such a request in process. If not already submitted, the PI must request pre-award spending or supplemental funding within 30 days of notification from OGC that an overrun exists. If the request has not been submitted to the sponsor within the 30-day period, OGC may clear the overrun under this policy.

4.12. When line-item overruns occur on agreements where line-item deviations require specific agency authorization, revised budget requests should be submitted to the sponsor as soon as possible. The request must be submitted prior to the budget period termination date. Some sponsors will not approve requests submitted late in the budget period or submitted retroactively.

4.13. If not already submitted, the PI/Department must request the revised budget authorization within 30 days of notification from OGC that a line-item overrun exists (sooner if the budget period termination date is prior to 30 days). If a revised budget request has not been submitted within the 30 day period or prior to the budget period termination date, OGC may clear the line-item overrun under this policy.

4.14. Since the pre-award spending, budget revision, or supplemental request will document that the costs have been incurred for the benefit of the specific sponsored agreement, if the sponsor denies the request the costs may not be transferred to another sponsored
4.14.1. If a request is denied by the sponsor, the PI/Department must clear the costs within 30 days of the denial notification. OGC will utilize the SPCA if the costs are not cleared within 30 days of notification.