

## Overspending on Sponsored Programs

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### 1. Overview

Principal Investigators (PI) and their department personnel are responsible for implementing a framework of sound fiscal management, in collaboration with Research Financial Services (RFS), to ensure sponsored projects remain within the sponsor-approved budget by monitoring spending rates, expenses, and obligations.

Overspending, when total expenses exceed the sponsor's award commitment, is not permitted on sponsored projects. Rare instances of temporary and minor overspending to allow continuity of research activities will be considered on a case-by-case basis and must be approved by a RFS Executive Director or Assistant Director. Examples of acceptable cases include Federal contracts with pending work order approvals, clinical trials with pending continuations, and other pending modifications.

In the event of overspending, the PI is responsible for resolving the deficit and/or submitting a resolution plan to RFS for approval. Deficits must be resolved within 90 days, before the sponsor mandated closeout date, or by fiscal year end (June 30), whichever comes first. In the event deficits are not resolved following this timeline, they will be offset by funds from the PI's non-sponsored (discretionary) project. In the event a PI does not have sufficient discretionary funds to clear a deficit, they should work with their Chair, Dean and/or Chancellor to request support from their non-sponsored (operating) project.

### 2. Purpose

To provide guidelines for the prevention, communication, and resolution of unauthorized overspending on sponsored projects. Proper project management will limit overspending and allow PIs and RFS to file timely, accurate and compliant financial reports in accordance with university and sponsor policies.

### 3. Who Must Comply

Department Personnel  
Research Financial Services  
Principal Investigators

### 4. Definitions

**Overspending (Deficit):** The amount by which total project expenses exceed the sponsor's approved budget, as determined by total funds awarded or cash received for per unit billing (e.g. clinical trials with a per patient enrollment fee).

### 5. Procedures

#### Award Monitoring

Throughout the life of the project, the PI and/or designee shall ensure that project spending is consistent with the awarded budget and spending plan of the award. University financial reports shall be reconciled on a monthly basis to ensure project costs are appropriate and within budget.

In the event that the PI or designee is notified of a sponsor’s intent to withhold payment (e.g. due to a contested deliverable, lack of performance, or questionable invoiced expense), they shall alert RFS immediately so appropriate action can be taken to recover balances due, in accordance with the RFS Procedure - *Accounts Receivable Management on Sponsored Projects*. Dependent upon discussions with the sponsor, PIs may be required to cease project spending until payment issues are resolved.

Resolving Deficits

The PI is responsible for resolving award deficits and is expected to outline a corrective action plan within 30 days of notification by RFS through the following:

- Ensuring all project costs are charged to the appropriate sponsored projects. (The major cause of overspending is salary run-on after project end.)
- Transferring costs, in accordance with RFS Procedure - *Cost Transfers on Sponsored Projects*
- Removing all outstanding commitments against the project (e.g. salary, purchase orders)

If the sponsored award is pending a modification (including a continuation), the PI should indicate that in the corrective action plan.

Transferring deficit costs to another sponsored project is generally not allowed and is only permitted in rare instances. In such cases, the PI must comply with the RFS Procedure - *Cost Transfers on Sponsored Projects*.

As deficits are typically cleared to non-sponsored projects, all deficits are expected to be resolved prior to fiscal year end (June 30). This ensures that activities moved to non-sponsored projects are tracked and accounted for within the correct fiscal year, and enables the University and its leaders to generate, analyze and distribute accurate financial reports.

**6. Roles and Responsibilities**

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| <b>Department Chairs /<br/>School Deans /<br/>Chancellors</b> | <ul style="list-style-type: none"> <li>• Identify and approve funding source to resolve sponsored project deficits in instances when PIs are unable to resolve themselves</li> </ul>  |
| <b>Department<br/>Personnel</b>                               | <ul style="list-style-type: none"> <li>• Provide sound fiscal management of all projects in department portfolio</li> <li>• Assist PIs in resolving deficits within 90 days of identification, or by sponsor mandated closeout date, whichever comes first</li> <li>• Review all project expenses on a monthly basis</li> </ul> |
| <b>Research Financial<br/>Services</b>                        | <ul style="list-style-type: none"> <li>• Track award deficits on a monthly basis and follow through to satisfactory resolution</li> <li>• Provide guidance and training to department personnel to facilitate active grant management and deficit resolution</li> </ul>   |
| <b>Principal<br/>Investigators</b>                            | <ul style="list-style-type: none"> <li>• Provide sound fiscal management of all projects in their portfolio</li> <li>• Resolve deficits within 90 days of identification, or by sponsor mandated closeout date, whichever comes first</li> <li>• Notify RFS of sponsor intent to withhold payment</li> </ul>                    |

**7. Resources**

## Related Policies

- Sponsored Projects Closeout Procedure
- Cost Transfers on Sponsored Projects Procedure
- Allowable Costs on Sponsored Projects Procedure
- Accounts Receivable Management on Sponsored Projects

## Federal Regulations

- Uniform Guidance (UG) §200.405. Allocable Costs
- NIH Grants Policy Statement 7.5 Cost Transfers, Overruns, and Accelerated and Delayed Expenditures