



Restricted Funds – Deficit Resolution Administrative Procedure

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Administrative Procedure Statement

As noted in the Cost Principles, Audit, and Administrative Requirements for Sponsored Research Policy, the University conducts research that is sponsored by the federal and state government as well as private sponsors. Sponsored research grants and contracts are an essential element in creating a collegiate university and providing outside funding to support the academic mission and research function of the University. As a recipient of federal, state and privately sponsored grants and contracts, the University is required to comply with all policies and regulations set forth by the federal and state government and private sponsors, including compliance with the Office of Management and Budget (OMB) Uniform Guidance (Uniform Guidance). Uniform Guidance identifies the costs principles, audit and administrative requirements for Sponsored Research.

All University faculty, staff, and students who are responsible for administering federal and state sponsored grants should be familiar with these principles as well as other requirements of a granting agency or authority to mitigate risk associated with noncompliance.

To mitigate risk associated in noncompliance with the above policy, it is the policy of the University to not allow unfunded research without prior approval by the Office of Research and Sponsored Program (ORSP) and Financial Services (FS).

Purpose

To establish a consistent procedure and provide guidelines to support the University’s deficit resolution procedures for restricted funds in accordance with overarching federal / sponsoring agency guidelines (Uniform Guidance) and U.S. Generally Accepted Accounting Principles (GAAP).

Responsibilities

University Office or Officer:

- Associate Provost for Research
- Associate Vice President for Finance & Controller

Areas that are governed by this Administrative Procedure:

- University Office of Sponsored Research
- Finance Division
- Campus Community

Areas who should know this Administrative Procedure:

- Research and Sponsored Programs Division
- Finance Division administrators and staff
- Campus Community

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Overview

The financial management of sponsored projects resides with the Principal Investigator(s)/Project Director and their respective department(s). It is incumbent on the faculty and/or staff who manage projects to:

1. Understand the budget as awarded and planned;
2. Monitor the financial activities on a timely basis; and,
3. Know the costing/budget policies associated with their programs.

Sponsored accounts are budgeted for the amount of funds authorized by the awarding sponsor agency. The authorizations come in the forms of grants, contracts or other types of agreements and identify the maximum reimbursement the University can expect. A single program may have periodic, e.g. annual, authorizations or be funded entirely at the initial award stage. Regardless of the award mechanism, the ORSP and FS departments will establish the project within the University financial system for the level of funding authorized. However, overspending and collectability issues arise periodically and this procedure addresses the process for resolution of the resulting deficits.

The procedure described in this document applies to all circumstances under which costs incurred by a project are not reimbursed by the sponsor. For the purpose of this procedure, these costs are referred to as “deficits”. As discussed below, there are many different scenarios wherein costs are not reimbursed. This procedure addresses each of these separately, providing for a resolution strategy based on the situation.

Handling of Indirect Costs Associated with Deficit

It is the policy of the University to exclude indirect account charges associated with the deficit amounts. When deficits are incurred, only the direct portion of the deficit is subject to resolution. Additionally, the University will not consider as a deficit any over expenditure in the indirect account budget line that occurs as a result of an indirect account rate change or re-budgeting. If the deficit is the result of non-payment of an invoice or other reimbursable amount, the indirect account on all unrecovered amounts will be absorbed internally and not made a part of any deficit resolution.

Deficit Resolution Guidelines

There are a number of scenarios under which costs may not be reimbursed. This situation may come to be known at any time throughout the life of a project. More often than not, this situation occurs at the financial closeout of a project. In order to timely assess the reasons and potential resolution of any deficit, it is critical that the financial closeout activity occur between 30-60 days, depending on the sponsoring agency, and prior to the closeout period, as defined by the sponsoring agency for the project in question.

Throughout the process, it is critical that communication between ORSP, the Principal Investigator (PI) and department administrators (Deans, Chairs, Departmental Administrators and Financial Services) be both timely and consistent.

As noted above, there are different reasons and scenarios for why costs are not recovered. Each of these are identified below and the standard procedures for resolution are described.

Budget Deficit

A *budget deficit* occurs when the direct expenditures of a project exceed the authorization. These are normally identified at the end of a project during the final financial reconciliation or at interim financial reporting. For all deficits, the PI indirect accounts must be used first, then departmental unrestricted funds must be used. If separate budget allocations and accounts were established for Co-Investigators, they and their respective departments will be held responsible for those deficits.

Unallowable Costs

Unallowable or disallowed costs occur when it is determined that expenses charged to a sponsored account are not in compliance with the sponsor spending/costing principles. This situation may arise from a specific cost that is not allowable under the award principles or when cumulative costs in a single budget category exceeds the maximum amount that can be reimbursed. For example, a sponsor may place a budgetary restriction indicating that costs in any given category cannot exceed 10% of the approved budget. Even though the costs may be reasonable and each individual item is considered allowable, the total amount may not be reimbursed, if this situation occurs, ORSP can assist in obtaining sponsor approval. The determination that unallowable costs have occurred may be performed by Financial Services or by an internal or outside auditor(s) and can occur at any time throughout or after the end of a project. Deficits resulting from unallowable costs can be split equally between the lead PI and his / her department's respective indirect account. If separate budget allocations and funds were established for Co-Investigators, they and their respective departments will be held responsible for those deficits in those funds.

Uncollectible Invoices – Non-performance

If a deficit results from a disagreement with the sponsor regarding the scope or performance of work, then the deficit is to be borne by the PI.

To mitigate the deficit, the following escalation procedures apply:

- PI's, his/ her department chair and the Associate Provost for Research will be notified by FS when any single invoice is more than 60 days past due. It will then be the responsibility of the PI, his/her department chair and the Associate Provost for Research either to stop work or to proceed at risk.

If the decision is to continue the project, the PI and his/her department will become wholly responsible for any additional deficit occurred after that determination. The funding should occur within 30 days.

Appeal Process

The guidelines noted above define the standard practice for the University. In any of these scenarios, one of the parties may feel that they were unfairly impacted. If this occurs, that party should appeal the process to the Associate Provost for Research who will make a final determination. **Due to the nature of the conditions surrounding the situation, the Associate Provost for Research may seek advice from the Provost and / or the Associate Vice President for Finance & Controller.**

Contact(s)

For any questions please contact the following individuals:

Lori Messer, Director, Office of Sponsored Research, messerlj@wfu.edu

Debbie Hellman, Manager, Financial Services, grants@wfu.edu

Web Address for Policy

<http://finance.wfu.edu/policies-and-procedures>

Related Documents

Account Code Dictionary (<http://finance.wfu.edu/faculty-staff/financial-reporting>)

Business Expense Policy (<http://finance.wfu.edu/policies-and-procedures>)

Unallowable Costs Administrative Policy (<http://finance.wfu.edu/policies-and-procedures>)

Unallowable Costs Administrative Procedure (<http://finance.wfu.edu/policies-and-procedures>)

Cost Transfer Explanation Form (<http://finance.wfu.edu/forms>)

Expenditure Voucher Form (<http://finance.wfu.edu/forms>)

Travel, Meals and Entertainment Policy (<http://finance.wfu.edu/policies-and-procedures>)