



Allocation of Financial Responsibility Deficit Policy and Procedure

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BACKGROUND

When closing out a sponsored project, the ideal situation is for the sum of the project's expenditures and the total amount of the award to be equal (e.g. the project ends with a zero (0) balance). In addition to the outcome in which the project's expenditures equal the amount of the award, the two following outcomes may occur:

1. The project ends with a surplus. A surplus is defined as a cash balance where revenue is greater than expenditures for the project. This scenario is not the same as a "budget surplus," which is when a project is underspent (relative to the awarded amount). When there is a surplus greater than \$100, the University's policy is to return remaining funds to the awarding agency unless the agency allows otherwise.
2. The project ends with a deficit. This occurs when the project's total expenditures and outstanding commitments exceed the total amount awarded. In such a scenario, the procedures documented herein apply. When there is an unresolvable deficit on a sponsored project, ORSP and Fiscal Affairs shall notify the PI and the College Dean, or other fiscally-responsible administrator, and follow the procedures outlined below.

Please note that specific details for proceeding in each of these situations are specified in the ORSP *Procedure for Processing Deficits and Surpluses* document.

POLICY

The Principal Investigator (PI) is ultimately responsible for ensuring that their project does not incur a deficit. The ORSP Grant Administrator (GA) assists the PI and/or their administrative staff in administering their project and monitors the project for various aspects of compliance with federal regulations as well as any specific award/contract terms and conditions. The GA and the PI shall work collaboratively on an ongoing basis to reconcile financial and personnel transactions and to adhere to the sponsor's guidelines, but the closeout process allows ORSP and the PI an opportunity to more closely review project expenditures and evaluate the project's current status.

ORSP initiates the closeout process ninety days prior to a project's end date. This process is designed to ensure that the project will close in a timely manner, to flag and alleviate any potential issues, and to ensure collaborative compliance with the sponsor's technical and financial requirements.

When there is a deficit remaining at the end of a project that is the result of system deficiencies or administrative error, the deficit is typically covered by a central account. When the deficit is caused by the PI, it is typically the responsibility of the College (or other administrative unit identified by the PI) to cover

the deficit. In this case, ORSP will coordinate with the unit responsible for the deficit and Fiscal Affairs to transfer the deficit amount to an identified chartfield account within 120 days of the project's end date.

PROCEDURE

1. For deficit amounts \$10 or less, no write-off form is required. The GA notifies the Fiscal Affairs Accountant via email that the project can be deactivated. The GA continues to monitor the project in BI to verify that the project has been inactivated.
2. Deficits \$10.01-\$100 are covered by the University. The write-off will be charged to a central fund and processed according to current procedure. The GA continues to monitor the project in BI to verify that the transfer of funds has been made, at which time they will request that the project be inactivated.
3. For deficit amounts greater than \$100:
 - a) The GA works with the PI or their administrative staff to identify the source of the deficit and to determine if there are any correctable actions that can be taken prior to proceeding. If they are unable to resolve the deficit, the GA determines who will be held fiscally responsible for the deficit, consulting with their Sponsored Programs Manager as needed.
 - b) The GA completes a *Request for Write-off of Deficits/Receivables* form ("Write-off form") for the project and includes a brief explanation for the deficit. The GA forwards the Write-off form for all required approvals, as indicated on the form.
 - i. If it is determined that the deficit is a result of system deficiencies or administrative error, and not caused by the PI, the ORSP Director recommends (via their approval on the Write-off form) that the deficit be covered centrally. ORSP forwards the Write-off form for approval and processing.
 - ii. If it is determined that the deficit is not a result of system deficiencies or administrative error, the ORSP Director recommends (via their approval on the Write-off form) that the deficit be covered by the PI's College, Department, or another appropriate administrative unit. ORSP forwards the Write-off form for further approval and processing.
 - c) The GSC sends an email to inform the PI, the College Dean, Department Chair, or other appropriate administrative representative of the deficit amount and includes project details
 - d) The GA will coordinate with the unit assuming financial responsibility for the deficit to obtain the chartfield to be charged for the deficit
 - e) Fiscal Affairs draws funds to cover the deficit amount from the provided chartfield, and notifies the PI and the College Dean, Department Chair, or other appropriate administrator via email of any transfer of funds to cover the deficit if the chartfield is under their jurisdiction.
 - f) The GA continues to monitor the project in BI until the transfer of funds has been made, at which time they will request that the project be inactivated.