



Allocation of Financial Responsibility to Colleges Deficit Policy and Procedure

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BACKGROUND

When closing out sponsored projects, it is expected that the sum of the charges and the amount of the award will reconcile, so that there is a zero (0) balance. Initiating the closeout process ninety days ahead of the project end date gives the Principal Investigator (PI) and administrators an opportunity to carefully review all expenditures and ensure that the project will come to a closure efficiently and that the PI and the administrators jointly ensure compliance with the technical and the financial requirements of the award in a timely manner. At the end of the closeout process, SFSU Fiscal Affairs issues a final status report (FSR) to the funding agency, accounting for the financial status of the project.

As specified in the **Closeout Policy** and the **Closeout Procedure**, the specific deadlines and steps are directly related to the agency's terms and conditions attached to the award. The standard timeline involves initiation of the process 90 days prior to the project end date and submission of the final (financial) status report 90 days after the end-date. If reporting requirements are less than 90 days, the Closeout Procedure takes place in a shorter period of time. Numerous agencies have different reporting requirements specifying shorter reporting periods; the Office of Research and Sponsored Programs (ORSP) notifies PI's of such requirements at the time the award is set-up (its initiation) as well as at the beginning of the closeout process.

In order for Fiscal Affairs to file the final financial reports, all deficits and outstanding commitments must be resolved. Sponsoring agencies may withhold awards and scheduled payments because of delinquent technical or financial reports.

The Grants Administrator and the PI work collaboratively in order to reconcile financial accounting transactions with the award funding and award requirements.

In addition to the outcome in which the expenditures on the project equal the amount of the award, two other outcomes may occur, and each one of them is regulated by a specific policy. The University's practice is to return remaining funds to the awarding agency, unless the agency allows otherwise.

- a. In the event the project ends and has available funds in its accounts, and the award conditions allow it, the Closeout Policy provides a process by which the funds are made available to the College, or to the University.
- b. If the project ends with a deficit, the policy and procedures contained herein apply.

In the event of a deficit, after the financial reconciliation, ORSP and Fiscal Affairs notify the PI and the College Dean, or appropriate administrator, and follow the procedure outlined in this document to ensure that any deficit is covered via a journal entry transfer within 30 days.

POLICY

The Principal Investigator is responsible for ensuring that the project does not incur a deficit which is defined as the total expenditures and outstanding commitments exceeding the total amount budgeted.

When there is a deficit accumulated at the end of a project as a result of system deficiencies or administrative error, ORSP will recommend that the deficit be covered centrally. When the deficit is caused by the PI, it is the responsibility of the College to cover the deficit; in this case, the deficit will be transferred to a College account within 120 days from the end date.

PROCEDURE

- A. Deficits \$100 or less are covered by the University. For amounts \$100 or less, no write-off form is required. The Grants Administrator (GA) notifies the Fiscal Affairs Accountant that the project can be deactivated.
- B. Deficits greater than \$100 are covered centrally or by the College or appropriate administrative unit.
- C. For amounts greater than \$100:
 1. When a deficit is identified, ORSP generates a Deficit Report listing projects that have incurred deficits and provides a copy to the PI and to the College Dean or appropriate administrator.
 2. The GA completes the write-off form and includes an explanation for the deficit. The GA forwards the write-off form to the ORSP Director for approval.
 3. If the deficit is a result of system deficiencies or administrative error, and not caused by the PI, the ORSP Director recommends that the deficit be covered centrally and forwards the write-off recommendation to Fiscal Affairs for approval and processing. If Fiscal Affairs does not approve the write-off recommendation, individual cases will be reviewed by the joint FA-ORSP group.
 4. If the deficit is not a result of system deficiencies or administrative error, the ORSP Director recommends the deficit to be covered by the College or appropriate administrative unit and forwards the write-off recommendation to Fiscal Affairs for approval and processing. At the same time, the Director informs the PI, Department Chair and the College Dean.
 5. When the PI's College or responsible administrative unit covers the deficit, Fiscal Affairs draws funds from the College's indirect cost account, and notifies the PI and the College Dean or appropriate administrator of the transfer of funds to cover the deficit, with a copy to the GA and Post-Award Manager.
- D. The Dean may submit an appeal to the ORSP Director. The Director will review appeals with the AVP for ORSP.

RELATED DOCUMENTS

- [Closeout Policy](#)
- [Closeout Procedure](#)