

## **Responsibility for Unrecoverable Costs Resulting From Sponsored Agreements**

Sponsored research is conducted as a college and department function. The department and college are responsible if a sponsored agreement results in unrecoverable costs. Unrecovered costs may be a result of:

- Project overexpenditures
- Disallowed costs
- Sponsor non-payment

The Principal Investigator (PI) is responsible for the proper fiscal management and technical conduct of the research effort. The PI is also responsible for compliance with the terms and conditions of a sponsored agreement, for managing project funds within approved budgets, and for completing the research effort in a diligent and professional manner.

The Research Foundation is responsible for:

- providing accounting, purchasing, and other administrative services to assist the PIs in monitoring the fiscal status of their sponsored projects and obtaining the necessary goods, services, and personnel to conduct the research effort.
- providing a financial accounting of sponsored projects to sponsors
- administering project funds in accordance with federal cost principles and audit requirements
- maintaining detailed fiscal records of all sponsored projects in accordance with the requirements of the appropriate sponsored agreement
- collecting payment from sponsoring agencies
- monitoring and minimizing the amount of overdue or uncollectible sponsor payments.

The Research Foundation's PI Portal provides summary and detailed financial information to each PI giving the current status of project funds. This information is updated nightly, or as soon as information is available as a feed from the campus' financial and human resources systems. The PI should review the financial status of his/her projects regularly to ensure the information is accurate. Any inconsistencies or apparent errors can be reported by the PI to the RF using the e- mail function on the PI Portal.

### ***Project Overexpenditures***

The PI is responsible for determining that expenditures are appropriate on their sponsored project, and for monitoring project expenditures and commitments to prevent them from exceeding the budget. While the PI may authorize other persons to initiate and sign for project purchases, the PI retains responsibility for ensuring that the project is conducted within the total budget. In case of an overexpenditure, the Foundation charges the direct cost portion of the overexpenditure to department release time funds.

When a PI needs to make commitments or expenditures before a sponsored agreement is accepted by the Foundation, a preliminary project can be established. Commitments and charges on a preliminary project, or in excess of obligated funds, can be authorized by the PI's department chair or college dean (or equivalent). The form OGC-005 allows for department authorization for both of these situations where the department is willing to assume the risk for these costs in the event that sponsor funds are not forthcoming.

It is not allowable to place charges against one sponsored project in anticipation of another sponsored project with the intent of transferring those charges once the new award is made. Even where projects are related, sponsor approval may still be required in order to expend funds in this manner.

In order to minimize the possibility of an overexpenditure in the last month of a project, PIs should limit the submission of requisitions for items that are not available for immediate delivery. The PI must further review open commitments at the end of the project to determine whether they are still valid or should be canceled. Also, internal orders from University Stores which are received at the Foundation after a project has ended can cause project overexpenditures. When ordering supplies from OSU Stores near project end, PIs should ensure that all items ordered are available for immediate delivery and are not on back order. The following charges are processed at month end and may not show up until at least one month after the charges are incurred:

- Payroll charges placed after the University cut-off date for a month
- Telephone (UNITS)
- OSU Internal Orders
- Report printing
- Animal per diems (ULAR charges)
- Other interdepartmental billings

The Foundation will advise the PI when a project ends in an overexpenditure. Any unresolved overexpenditures are charged to department release time funds within 30 days after the project has been fiscally closed.

### ***Disallowed Costs***

Once a sponsored agreement is accepted, the Foundation assigns a project number. The project number is used by the PI to properly place, allocate, and record charges for the work performed under the agreement. No costs may be incurred outside of the specified period of performance of the awarded agreement without prior written sponsor approval. Project funds should normally be expended within the sponsor approved budget categories (for example, Salaries & Wages, Material & Supplies, Equipment, Travel). If the PI needs to shift significant amounts of funds among categories, the PI should contact the Foundation to determine whether or not re-budgeting requires sponsor approval. Unauthorized transfer of funds between budget categories may result in costs being disallowed.

Sponsors that pay on a cost-reimbursement basis may require that expenditures be limited to approved budget categories (usually with some flexibility between certain line items). When expenditures are incurred outside of sponsor approved categories, the sponsor has the right to disallow costs by removing this cost from the amount requested for payment. If the Foundation, in cooperation with the PI, is unable to justify these expenditures, the department is responsible for covering such disallowed costs. Maintaining a good relationship with the sponsor by meeting all administrative requirements in a timely manner can be as valuable in obtaining future support for sponsored programs as the results of the research effort itself.

## *Sponsor Non-Payment*

There are numerous reasons that sponsors may not make payments as specified in a sponsored agreement. In accounting terms, a 'receivable' is the total of scheduled sponsor payments anticipated under an agreement. The PI's department will be notified by the Foundation's Accounting Department that a problem receivable exists three months after the original billing date. If a receivable on an active sponsored project remains unpaid for more than five months from the original billing date for reasons outside the Foundation's control, the Foundation will charge interest to the department at a rate equivalent to the interest rate earned on Research Foundation accounts by the Treasurer's Office. If a receivable remains unpaid after seven months from the original billing date, the unpaid balance will be transferred to the department.

If a final invoice or payment due remains unpaid six months after the date when a sponsored project would normally be closed, the unpaid balance and any interest will be transferred to the department. The Foundation may, on a case-by-case basis, waive the interest or extend the date for transferring past due balances to the department. The department may advise the Foundation at any time that it wishes to suspend further expenditures on a sponsored agreement. The Office of Grants & Contracts will assist the department in the orderly termination or suspension of sponsored agreements in accordance with the terms of the agreement.

A sponsor may withhold payment pending submission or acceptance of technical progress reports or a final technical report. The PI is responsible for preparing and reporting the technical results of the research effort in accordance with the terms of the agreement. The Foundation should be notified by the PI when technical reports are submitted to the sponsor. This is especially important where sponsor payment is contingent on submission of technical progress or final reports.

Closing projects is an essential part of the overall research management process. PIs are expected to cooperate with the Accounting Department and their Sponsored Program Officer to ensure that all closeout requirements are accomplished on schedule. Some sponsors will withhold final payment pending the receipt of required final reports and, in some cases, may not pay at all if a technical report is overdue. Future awards from a sponsor could depend on properly meeting sponsor closeout requirements.