

DEFICIT SPENDING & CASH BALANCE REVIEW FOR SPONSORED PROJECTS (TULANE UNIVERSITY POLICY)

Responsible University Official:	Director, Grants and Contracts Accounting (“GCA”); Director, Sponsored Projects Administration (“SPA”)
Responsible Office:	GCA and SPA
Coordinating Departments:	Academic Departments; Financial Services; Budget Office; Provost’s Office and all academic departments participating in research
Issued Date: July 1, 2011	Effective Date: July 1, 2011
Last Reviewed Date: July 1, 2011	Next Review Date: July 1, 2014
WHO NEEDS TO KNOW THIS POLICY:	Deans, Department Chairs, Faculty and staff participating in sponsored activity
WEBSITE FOR THIS POLICY:	Tulane University - Research Policies and Information

I. Background: This document establishes a policy for advances by Tulane University (“University” or “Institution”) to ensure: (a) the timely start-up or uninterrupted continuation of externally-funded projects at the Institution before a fully executed agreement or amendment is received; and (b) that ongoing project costs are paid, either by the sponsor on a cost reimbursement basis or by the University with subsequent sponsor reimbursement. Adherence to this policy is intended to limit University liability for work performed “out-of-contract” by the University, including related monies owed by the University to non-employees and subcontractors.

II. Definitions

- A. “**Budget Deficit**”: an over-expenditure of funds committed by the sponsor;
- B. “**Cash Deficit**” or “**Deficit Spending**”: spending prior to actual receipt of cash by Tulane from sponsor;
- C. “**Cost Reimbursement Contract**”: award mechanism where expenditures are reimbursed after they are incurred;
- D. “**Fixed Price Contract**”: award mechanism where the sponsor allocates funds at the beginning of the award period or periodically (e.g. based on milestones or deliverables) as a firm, predetermined price;
- E. “**Pre-Award Spending Period**”: the spending that occurs before issuance of notice of an award; and
- F. “**90-Day Pre-Award Spending Period**”: the 90 day grace period allowed by certain sponsors prior to the official project start date during which costs can be incurred and considered allowable.

III. Policy

- A. This policy is applicable to all externally-funded projects (e.g., those that are (i) approved for funding but a final award document is pending; (ii) funded and operating pursuant to

- an award document; (iii) extended for which fully-executed award amendments have not been received; (iv) cost reimbursement awards; (v) awards that receive incremental payments, clinical trials and other Fixed Price Contracts).
- B. In general, if the University does not have a fully-executed award, no work should be initiated and subcontractors cannot be authorized to start work without an advance authorized by Sponsored Projects Administration (“[SPA](#)”) through the use of the **Authorization for a New Account or Extension of an Existing Account** form. With the exception of IRB fees, costs incurred prior to SPA approval of an advance cannot be charged or transferred to the anticipated new or continuation project budget, or any other sponsored Project with such costs being borne by the PI’s department. For additional information see the policy entitled “**Establishing Sponsored Project Accounts**”.
 - C. For ongoing sponsored projects that are funded and an award agreement is in place, administration usually occurs on a cost reimbursement basis, which practice requires the University to work in a “deficit spending” mode (“[Deficit Spending](#)”). While deficit spending is permitted, this policy establishes safeguards to ensure that full reimbursement to the University is received for cost outlays. The PI is responsible for ensuring that all deficit spending on the account is reasonable for the activities that have occurred and is consistent with the sponsor’s commitment to pay such costs.
 - D. It is the ultimate responsibility of the PI to ensure that an award fund is not in Budget Deficit at any time during the project period. The PI’s department will be held liable for all Budget Deficits that are not approved in this policy.

IV. Pre-Award Deficit Spending Procedures

- A. If a formal award has not been issued and/or the sponsor has not approved expenditures during the 90-Day Pre-Award Spending Period, then pre-award spending is prohibited.
- B. During the Pre-Award Spending Period, spending is prohibited unless an **Authorization for a New Account or Extension of Existing Account** has been completed and approved. The policy on “Establishing Sponsored Project Accounts” should be consulted for instructions on completing the **Authorization for a New Account or Extension of Existing Account** form (see links at the end of this policy).
- C. Exception: Certain awards allow the University to authorize the expenditure of pre-award costs (costs to be incurred within the 90-day period before the official start date).

V. Post-Award Deficit Spending Procedures

- A. **Criteria for Authorization of Deficit Spending:** The University allows spending (i.e., a “Cash Deficit”) without having cash on hand once the terms of the contract have been verbally agreed to with the sponsor, the contract has been signed by Tulane University and the IRB has approved the study protocol, provided that such expenses are consistent with the award’s terms and conditions.
- B. **Monitoring for Budget Deficits for Sponsored Projects:**
 - 1. In general, Budget Deficits are not allowed on sponsored projects. The PI is responsible for ensuring that an award is not in a deficit at any time during the grant

period. The PI should not contract for goods and services beyond the amount awarded by the sponsor except for mandatory cost sharing.

2. At no time should the total expenses in the award exceed the total financial commitment of the sponsor.
3. The PI's department shall assume the risk of the direct costs incurred as a result of Budget Deficits.
4. The PI is responsible for ensuring that contract deliverables are submitted on time and meet the standards expected by the sponsor. If the sponsor is withholding payment because of a disagreement over deliverables, the PI is responsible for submitting or revising the deliverables and negotiating a revised reporting schedule.

VI. Responsibilities

- A. Where a Budget Deficit could result without an approved Account Authorization Form, the PI is responsible for ensuring that work is not initiated or project costs are not incurred, including not authorizing subcontract work.
- B. The PI's department is ultimately responsible for ensuring the following:
 1. That all charges are proper, allocable, and allowable;
 2. That charges are absolutely essential and cannot be deferred until the fully-executed award is received from the sponsor;
 3. That close contact is maintained with SPA and the sponsor to insure the timely processing and receipt of the award or amendment.
 4. The PI's department is solely at risk for costs incurred during the pre-award or extension period without an award.
- C. SPA, in conjunction with the PI, shall be responsible for the coordination, monitoring, and follow-up with external sponsors to insure the timely processing and receipt of the fully-executed award or amendment.

VII. Sponsors in Arrears

- A. Where it has been determined that a sponsor is in arrears, GCA will notify SPA, the Dean and/or Director. All parties will determine how to deal with the problem sponsor, including but not limited to possible referral for collections.
- B. If it is determined that the project should be terminated, the PI's department will cover the amount of the Budget Deficit.

VII. Collections Monitoring: GCA is responsible for monitoring spending with regard to sponsored research accounts, preparing periodic summary reports, coordinating collection efforts, etc. GCA monitoring includes the following activity:

A. Monthly

1. The TAMS Cash Position Report is a list run by GCA at the close of each fiscal month.
2. The list is sorted by department and is emailed to the financial administrators in the various Dean's Offices and the applicable Department. The Department

Administrators should review this list. Any problems that are found should be reported to the GCA office.

3. The list is sorted by cash balance. Accounts that are in deficit by more than \$30K are reviewed by the GCA accountants. Any open issues are addressed at the time of review. This may include any of the following:
 - a. Contacting the funding source to inquire about the payment of outstanding invoice(s).
 - b. Contacting the department (PI and/or administrator) to request copies of departmentally issued invoices.
 - c. Contacting the department to cover deficits that exceed the funded amount.
 - d. Contacting the department concerning any other issues that may be preventing Tulane from being paid for allocated expenditures.
 - e. Preparing an entry to fulfill a cost sharing commitment.
 - f. Preparing an entry to make an indirect cost (F&A) adjustment.

B. Annually

1. An analysis of all awards with balances (surplus and deficit) of more than \$1,000 is conducted on an annual basis. This is done using the balances from the period ending March 31. The purpose is to identify the deficit balances that are believed to be uncollectible and the surplus balances that may require reimbursement to the sponsoring agency. Every account is reviewed and if there has been no action to collect or clear a deficit during the year, action is taken. That action includes the items listed under the monthly review.
2. Upon the conclusion of the clinical trial, the PI's department must reimburse GCA for any remaining deficit on the account for that clinical trial within 30 days of the close of the clinical trial.

IX. Project Conclusion: Upon the conclusion of a sponsored project, the PI's department must reimburse GCA for any remaining deficit on the account for that project within 30 days of the close of the clinical trial.

X. Related Policies

- A. [Establishing Sponsored Project Accounts](#)

XI. Related Forms

- A. [Authorization for a New Account or Extension of Existing Account Form](#) and [instructions](#).