



University of Pittsburgh

Overdrafts on Sponsored Projects *(Revised August 2022)*

FINANCIAL GUIDELINE

I. Guideline Background

Sponsored project overdrafts or deficits occur when costs recorded on the sponsored project exceed the total budgeted costs per the Notice of Award (NOA) and as adjusted for end-of-term close-out. Since the University cannot invoice the sponsoring agency for costs in excess of the total sponsored project budget or not-to-exceed limitation, the overdraft on the award represents a cost to the University and must be moved in a timely fashion to an operating and/or discretionary account or offset by modifications increasing funding on the existing award.

II. Scope

Overdrafts are generally the result of one of the following conditions:

- Pending modifications on continuing awards in the form of amendments, supplements, etc. requiring a revised NOA.
- Untimely or incorrect labor distribution (effort reporting)
- Incorrect distribution/allocation of costs to the project
- Completion of sponsored project scope of work incurring more costs than originally awarded

It is the responsibility of the Principal Investigator/Project Director (PI/PD) and Research/Grant Administrator(s) to ensure these overdrafts are cleared in a timely manner. Overdrafts on an award that has ended should be cleared within 120 days post-termination/closure and in conjunction with the submitted Closing Memo. Overdrafts on awards pending modification require no immediate action but the department is at-risk for any cumulative unrecovered expense distributions. Action not taken by the department within six months of closing will be initiated by Sponsored Projects Accounting (SPA) to the corresponding 02 account string.

A notice appears on the first page of the Department's RPAR 001 report notifying the Research/Grant Administrator that a particular sponsored project is overspent and therefore is in overdraft. The RPAR 007S report summarizes sponsored projects that are in overdraft by area/department. This report is distributed monthly to departments through the COGNOS report distribution system.



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III. Guideline

Resolution of overdrafts throughout the life of the sponsored project can occur through any of the following Sponsored Project Accounting (SPA) administrative mechanisms:

- Timely receipt of sponsor NOA, amendment/modification, or internal Budget Modification Request (BMR) that clears the overdraft condition on the continuing project account
- Labor redistribution (effort reporting adjustment through the SPAR system) to correct an erroneous or untimely labor distribution
- Non-salary cost transfer (Department initiated)
- Expenditure write-off (SPA initiated) to an operating or other discretionary account

In situations where there are master and subaccount(s) relationships, the Research/Grant Administrator of each account is responsible for clearing the respective overdraft in a timely manner. **Note: The letter-of-credit process calculates the drawdown of funds at the project account level and not the billing (master) account level thus funds are not drawn down on master or subaccounts that are in overdraft. As a result, carryover requests can be artificially deflated if master and subaccounts are not adequately funded in a timely manner.**

For F&A Cost Rate Proposal calculation and cost pool allocation purposes, projects should be fully costed throughout the life of the award. Overdrafts will be transferred or written off using subcode 8000 by SPA during six months after the termination of an award or award budget period if adjustments are not posted by the department during the closing process. Corrections of accounting errors for unallowable, unallocable, or unreasonable costs should be addressed immediately as identified. **Do not transfer costs that represent overdrafts due to overspending prior to the end of the project. SPA can process overspending adjustments to subcode 8000 during the life of the project by request. If subcode 8000 is not used for write-offs of this nature, the University is noncompliant with the F&A Cost Rate Agreement negotiated with the federal government.**



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The PI/PD and Research/Grant Administrator should work with contracting officers, the Office of Sponsored Programs (OSP), SPA and other University departments to justify and ultimately resolve overdrafts as soon as practical to ensure responsible and timely financial stewardship of the funds. Overdrafts reconciled at time of closing can be charged to a non-sponsored account identified by the performing department in the comments section of the Closing Memo. If a write-off string is not provided to SPA, a write-off will be initiated by SPA six months following the end of the award/award period to 02.xxxxx.8000.0.0.0.0 with a journal line description indicating the department and project number followed by "write-off". The department will be solely responsible for moving the costs off the 02-account string to an alternative non-sponsored funding source as deemed necessary and appropriate.