



Policy for Projecting and Resolving  
Over-expenditures on Sponsored Projects

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**I. Summary**

The FAS does not allow over-expenditures on sponsored awards, and Principal Investigators (PIs) are responsible for ensuring that spending beyond the amount of available funding does not occur. This Policy provides guidance for monitoring grants to prevent over-expenditures, and outlines protocols for communication among the Principal Investigator, the Department Chair, the Head Administrator, and the FAS Administration to resolve any over-expenditures. The purpose of the Policy is to ensure sound business practice, timely identification of problems, and a clear understanding of responsibilities regarding grant over-expenditures.

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**II. Background**

Overspent grants are a concern because they suggest a lack of control. In addition, there are:

- Cost-transfer implications of moving charges to other federal grants long after the original charges were incurred
- Effort-reporting implications of moving personnel costs to other sources of funds after salary certifications have been signed
- Serious financial implications for the FAS because non-sponsored funds are often required to erase deficits.
- Cost-sharing implications of using non-sponsored sources to erase deficits.

Many grant over-expenditures occur because of inadequate or overly optimistic planning. It is not acceptable, for example, to invoke anticipated future funding to rationalize overspending on current awards. A variety of financial reports are available to PIs and their administrators that show snapshots of financial performance and commitments, including expenditures to date, expenditures relative to budgets, current appointees, etc. Current snapshots are not sufficient, however, and expenses must be projected out to the end of the current funding period. The Projection Summary report in FASSPAR can be used effectively for individual grants.

### **III. Roles & Responsibilities**

- **The Principal Investigator (PI)** is responsible for managing expenditures on his/her grants and for reviewing financial reports and budget projections for each award on a monthly basis. If potential over-expenditures are identified, the PI is responsible for working with the Head Administrator or his/her designee to adjust spending to avoid any deficits and for submitting a remediation plan to the Department Chair and the Head Administrator within two weeks. The PI should consult with the Chair and/or the Head Administrator on any questions about the Policy.
- **The Head Administrator (Laboratory Director, Executive Director, Department Administrator, as appropriate)** is responsible for overseeing grant expenditures and budget projections, and for ensuring that each PI receives monthly financial and budget projection reports. He or she is also responsible for working with the PI, in the event of a projected over-expenditure, to get spending back on track and, if necessary, to develop a formal remediation plan. The Head Administrator, with the Department Chair or Center Director, is responsible for alerting the FAS Financial Office, the FAS Sponsored Programs Administration, and the Divisional Dean's Office to potential over-expenditures, and for submitting plans to resolve them.
- **The FAS Financial Office and the FAS Sponsored Programs Administration are** responsible for ensuring that all parties are aware of the Policy and that processes are in place to implement it. These Offices can provide assistance with additional analysis, as necessary. Upon receipt of a remediation plan from a research unit, the Financial Office is responsible for approving that plan and ensuring that it is carried out by the PI and the research unit, in collaboration with the Divisional Dean, the Executive Dean, and the Dean of the FAS.

#### IV. Procedures for Implementing the Policy

1. The Head Administrator of the research unit must ensure that grants in his/her unit are monitored by projecting expenditures out to the ends of their respective funded periods. Current “burn rates” should be used, with corrections for known personnel changes, travel, and equipment purchases to project balances at the end of the next period for which funds have been awarded. The FAS Financial Office will be developing one or more new reports to assist with these projections.

2. Each PI will include these projections in his/her monthly grant portfolio review. **The PI must discuss any projected deficits with the Head Administrator.** If a portfolio does not have a projected deficit, but one or more individual grants does, steps must be taken to ensure that no grant will end its current funding period in the red. Support for personnel must be consistent with effort expended, so realignment of pay may require (at least temporarily) changes in research priorities. Retroactive reallocation of support for personnel after monthly salary certifications have been signed is almost always inappropriate.

3. If an entire portfolio has a projected deficit that cannot be resolved within 60 days by transferring previously-incurred expenses, the PI must submit to the Head Administrator of the research unit, within two weeks, a written plan for deficit reduction. Methods that have been used in the past include:

- Dedicating to deficit reduction all current and future gift funds that are not earmarked for specific purchases;
- Requiring graduate students and post-docs to apply aggressively for outside fellowships;
- Encouraging graduate students to obtain more of their support from teaching fellowships;
- Reducing staff by not replacing departing post-docs, not taking new graduate students, and not hiring new staff;
- Deferring equipment purchases and travel to future award periods;
- Removing current deficits by transferring expenses to startup or gift funds;
- Returning summer salary paid in the current grant period.

4. Many deficit-reduction plans will be adequate (see #5 below), and no involvement of central FAS offices will be necessary. Departments should be wary, however, of plans that depend on advance accounts with spending periods longer than 90 days, or promises of non-sponsored funding arriving in the future.

**5. In the event that an award in a PI's portfolio is already in deficit, or if a remediation plan submitted to the Head Administrator and the Department Chair will not remove a projected deficit before the end of the current funded period, the Head Administrator and the Chair MUST alert FAS Finance, FAS Sponsored Programs Administration, and their Divisional Dean immediately. Those entities may require the Head Administrator and the Chair to mandate specific deficit-reduction techniques, including layoffs, spending freezes, immediate transfers of charges to startup, or other mitigations.**

6. Until recently, FAS has paid the interest charges assessed monthly by the Central Administration on deficits in active and expired sponsored accounts. Starting January 1, 2007, these charges will be passed on to individual PIs. At the discretion of Head Administrators, interest charges may be paid by the department or center.

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## **V. Contacts**

For questions about the Policy:

- Alan Long, Assistant Dean for Research Finances and Systems, [aklong@fas.harvard.edu](mailto:aklong@fas.harvard.edu), 6-2491

For submission of remediation plans:

FAS Financial Office:

- Alan Long, Assistant Dean for Research Finances and Systems, [aklong@fas.harvard.edu](mailto:aklong@fas.harvard.edu), 6-2491

or

- Deena Giancotti, Associate Dean for Finance, [dgiancot@fas.harvard.edu](mailto:dgiancot@fas.harvard.edu), 6-3127

FAS Sponsored Programs Administration:

- Alan Long, Assistant Dean for Research Finances and Systems, [aklong@fas.harvard.edu](mailto:aklong@fas.harvard.edu), 6-2491

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- Pat Fitzgerald, Associate Dean for Research, [pwf@fas.harvard.edu](mailto:pwf@fas.harvard.edu), 5-4083.

Divisional Dean for the Life Sciences:

- Russ Porter, Executive Director of the Life Sciences Division, [russ\\_porter@harvard.edu](mailto:russ_porter@harvard.edu), 6-1542

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- Prof. Jeremy Bloxham, Dean for the Physical Sciences, [bloxham@eps.harvard.edu](mailto:bloxham@eps.harvard.edu), 5-9517

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