

Fiscal Responsibility for Sponsored Projects

In most cases, fiscal responsibilities associated with the administration of grants and contracts reside with the department, center, or institute that administers the award. Various circumstances may arise with the fiscal status of sponsored awards, and the following policy addresses the required procedures to be followed in the noted instances: over expenditures, cost transfers, audit disallowances, withholding of final payment, bankruptcy of the sponsor, advance payments, Industry Clinical Trial appropriations, and funding regarding Pre-Spending, Out Year awards and multiple projects., For further information, see the Office of Accounting Services for Research and Sponsored Programs (ASRSP) web site at <https://www.northwestern.edu/asrsp/>.

Expenditures Exceeding Awarded Amount

When required sponsor financial reports are prepared, expenditures are reconciled to the awarded amount. When expenditures exceed the awarded amount, ASRSP contacts the responsible department to identify a non-sponsored chart string with sufficient funds to absorb the overdraft to which excess expenditures will be transferred. This process requires agreement among ASRSP, the PI, and/or the department chair, dean, or center director and the manager of the relevant chart string, if different than any of these individuals. In extreme cases, if a chart string has not been provided within the expected deadline, the excess expenditures may be transferred to a department/ center chart string by ASRSP.

Cost Transfers

Transfers of cost to or from grant-supported projects can be made to correct bookkeeping or clerical errors in original charges. Such transfers must be made promptly after the error is discovered, and conform to the dates established in the Cost Transfer Policy. (Please see <https://www.northwestern.edu/coststudies/docs/cost-transfers-to-sponsored-projects-policy.pdf>)

The transfers must be supported by documentation that contains the explanation of how the error occurred, with transaction numbers and dates and a certification that the transfer will correct the bookkeeping or clerical error.

Any costs allocable to a particular sponsored project chart string may not be shifted to a competing renewal or to other sponsored projects in order to meet deficiencies caused by overruns or other fund considerations. Fundamental reasonableness, allowability, allocability, and consistency of costs must be assured.

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Disallowance of Expenditures Due to Audit

Most sponsored agreements contain provisions that allow the sponsor or its designee to audit relevant University financial records. If an auditor questions or disallows expenditures charged to a sponsored project, the PI will be notified. If the disallowed costs are accepted by the University, such expenditures will be transferred to a non-sponsored chart string agreed upon by ASRSP, the PI, and/or the department chair, dean, or center director and the manager of the relevant chart string, if different than any of these individuals. In extreme cases, if a chart string has not been provided within the expected deadline, the expenditures may be transferred to a department/ center chart string by ASRSP.

Withholding of Final Payment

Many sponsored agreements require submission of interim and/or final deliverables, usually technical reports. Final payments to the University are often tied to receipt of deliverables. When the sponsor has alleged that such deliverables have not met the sponsor's specifications, it is the responsibility of the PI to work closely with the sponsor to make the report or work product acceptable to the sponsor. If the University is not fully reimbursed, the balance of the costs in excess of revenue received on the award will be transferred to a non-sponsored chart string agreed upon by ASRSP, the PI, and/or the department chair, dean, or center director and the manager of the relevant chart string, if different than any of these individuals. In extreme cases, if a chart string has not been provided within the expected deadline, the net balance of the costs may be transferred to a department/ center chart string by ASRSP.

Bankruptcy of Sponsor

If either ASRSP or the PI learns that a sponsor is experiencing financial hardship or may default on payments owed to the University, the other party should be notified immediately. ASRSP will work with the PI and/or the sponsor to collect any outstanding receivables for the sponsored project and evaluate the remedies, including early termination of the award. Responsibility for payment of expenditures incurred on a sponsored project rests with the department, school, or center. Legal assistance may be requested from the University.

In cases of financial hardship, ASRSP will initiate a payment schedule with the sponsor to collect the outstanding balance owed the University. If payment is deemed uncollectable after all efforts are made to collect, the balance of costs in excess of revenue received on the award will be transferred to a non-sponsored chart string agreed upon by ASRSP, the PI, and/or the department chair, dean, or center director and the manager of the relevant chart string, if different than any of these individuals. In extreme cases, if a chart string has not been provided within the expected deadline, the outstanding payment may be transferred to a department/ center chart string by ASRSP.

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Advance Payments

The University reserves the right to seek incremental or total funding in advance, or to decline a project if it believes the financial status of the sponsor is in doubt or if the sponsor is unknown to the University. If the sponsor is unwilling to provide a sufficient advance or incremental funding, the Sponsored Research office (SR) may require that the department, school, or center to provide an at risk pre-spending guarantee.

Industry Clinical Trials

For these awards, the maximum awarded amount is appropriated to the project by SR. Payments are applied to the project based on invoices initiated by the department. Standard templates provided by ASRSP for invoicing should be used to ensure payment is accurately credited. When the trial is completed, reconciliation is completed to ensure all expenses are billed and paid. The residual balance, if less than 25% of the awarded amount, will be transferred (less the Facilities and Administrative (F&A) adjustment) to a department chart string. Residual balances over 25% of the awarded amount require the Chair's approval prior to authorizing the transfer. Expenses in excess of revenue received will be transferred to a nonsponsored chart string agreed upon by ASRSP, the PI, and/or the department chair, dean, or center director and the manager of the relevant chart string, if different than any of these individuals.

Pre-Spending

Principal Investigators may request pre-spending from SR on a sponsored project to begin work on a federal project that is subject to the Research Terms and Conditions (RTC), or to begin a project on the designated start date, but prior to receiving an actual award notice from the sponsor. If, for some reason, the anticipated award is not received, expenditures incurred against the pre-spending sponsored project will be transferred to a non-sponsored chart string agreed upon by ASRSP, the PI, and/or the department chair, dean, or center director and the manager of the relevant chart string, if different than any of these individuals. In extreme cases, if a chart string has not been provided within the expected deadline, the expenditures may be transferred to a department/ center chart string by ASRSP.

Out-year Funding

Out-year funding refers to the year following the first year of funding of a grant's competitive segment, during which a PI applies for a noncompeting continuation award. If, for some reason, the out year is not funded, expenditures exceeding the existing funding will be transferred to a non-sponsored chart string agreed upon by ASRSP, the PI, and/or the department chair, dean, or center director and the manager of the relevant chart string, if different than any of these individuals. In extreme cases, if a chart string has not been provided within the expected deadline, the expenditures may be transferred to a department/ center chart string by ASRSP.

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Awards with Multiple Sub Projects

For awards with multiple sub projects, it is the responsibility of the principal PI authorizing funds to the sub projects to ensure any costs expended over the allocated amounts are resolved by the budget period/project period of the sub project. Expenses in excess of the award will be transferred to a non-sponsored chart string agreed upon by ASRSP, the PI, and/or the department chair, dean, or center director and the manager of the relevant chart string, if different than any of these individuals. In extreme cases, if a chart string has not been provided within the expected deadline, the expenditures may be transferred to a department/ center chart string by ASRSP.