

## **Cost Overruns on Sponsored Projects**

**Effective Date:** April 1, 2008

**Latest Revision:** July 1, 2012

### **Executive Summary**

In carrying out sponsored projects, Principal Investigators are generally expected to limit charges to sponsored projects so that the funds awarded by the sponsors of those projects are sufficient to cover all costs. However, where expenditures in excess of amounts awarded by sponsors (hereafter referred to as "cost overruns") are incurred, Principal Investigators and those providing administrative assistance are expected to resolve those cost overruns on a timely basis, in accordance with the process set forth in this Policy.

### **Reason(s) for the Policy**

To ensure that cost overruns incurred on sponsored projects are minimized to the maximum extent possible, and where they exist, that they are monitored and funded from alternate resources on a timely basis.

### **Primary Guidance to Which This Policy Responds**

None

### **Responsible University Office & Officer**

Office of the Controller

Mark Hawkins, Vice President, Finance and Controller

### **Contacts**

Deborah Goldberg, Executive Director, SPF  
dg2938@columbia.edu - (212) 851-9447

### **Revision History**

Previous version dated April 1, 2008

### **Who is Governed by This Policy**

Principal Investigators

Departmental Administrators and other departmental staff who initiate, review and/or approve transactions on sponsored projects

### **Who Should Know This Policy**

- All persons governed by this Policy { see above }
- Deans, Directors and Departmental Chairs
- Office of Research Administration staff
- Office of the Controller staff

### **Exclusions & Special Situations**

None.

### **Policy Text**

Principal Investigators and those responsible for assisting in financial oversight over sponsored projects are expected to monitor expenditures incurred on each individual project so that wherever possible, cost overruns are avoided. It is recognized, however, that in carrying out sponsored projects, it may sometimes be necessary to incur such cost overruns on a temporary basis, pending identification of alternate resources, in order that the work performed under the sponsored project is not adversely affected by a delay in identifying those alternate resources. The following rules apply to the University's expectations as to how cost overruns are to be resolved:

- (a) When situations arise where a long term overdraft is *anticipated*, an overdraft should be avoided by charging excess expenditures to an alternate non-sponsored project upon incurrence of those expenditures.
- (b) If an overdraft is incurred as a result of charging expenditures to a sponsored project in excess of the funding provided by the sponsor, and there is a reasonable expectation that there will ultimately be sufficient funds provided by an external sponsor to cover the overdraft (e.g., a temporary deficit which arises during a single year of a multi-year project that will resolve itself over the remaining life of the project, or a request for supplemental funding), then the temporary overdraft may in most cases remain charged to the project pending its clearance.

The determination that the project funding will ultimately be sufficient to cover any short term overdraft must be based on a realistic assessment of the status of the project and the available resources, and not merely a default judgment which merely delays resolution of a likely funding gap.

Finally, even where the overdraft is expected to be covered by sponsored funding over the life of the project, the University reserves the right to require a department to provide interim funding if

the amount of the temporary overdraft is considered to be significant, or if the period during which the overdraft is expected to remain is deemed to be unreasonable.

(c) Where an overdraft exists and there is no expectation that there will ultimately be sufficient sponsored funds to cover that overdraft, then the overdraft must be covered from non-sponsored sources on a timely basis.

(d) Once a project has expired and a financial report is prepared and submitted to the sponsor, any remaining overdraft should be promptly cleared, unless there is an expectation that additional funds from the sponsor will be provided. In any case, 9 months after the expiration of a project, any remaining overdraft will be transferred by the Controller's Office to an unrestricted project owned by the School to which the grant is assigned.

During the year-end closing process, the Controller's Office will send a list of all sponsored project cost overruns to each department to insure that the Chair is aware of the potential liability. Upon receipt, the department is expected to review the list, confirm that sponsored funds are anticipated, and where additional sponsored funds are not anticipated, to provide an alternate source of funds to cover the overdraft. Further, in cases where an overdraft on a sponsored project exceeds \$100,000, the Controller's Office may require the Principal Investigator or designee to confirm the temporary nature of the overdraft, and to explain how it will be covered without adversely affecting the project itself. When requested to do so, the Principal Investigator or designee must be prepared to respond on a timely basis.

If any URL in this PDF document does not open into a webpage, please copy and paste the URL into another web browser window. You may also choose to save the PDF to your computer and open it with the most recent version of Adobe Acrobat: <http://get.adobe.com/reader/>. For further assistance, please call the CUIT Service Desk at 212-854-1919.