



SUBJECT: Policy on Unreimbursed Costs on Contracts and Grants	Effective Date: 01/25/13	Policy Number: 10.5.18	
	Supersedes: 02/18/10 11/01/08	Page 1	Of 3
	Responsible Authorities: Vice President, Research Director, Research Accounting		

APPLICABILITY

This policy is applicable to all members of the university community, including all students, administrators, faculty, and staff.

BACKGROUND

Implementation of this policy will improve oversight and accountability for uncollectable costs by ensuring that all costs incurred in connection with the conduct of a sponsored project are managed by the responsible units. Timely movement of uncollectable costs will lead to more accurate and complete financial information, and increased compliance with sponsor regulations regarding costs and cash management.

POLICY

Costs charged to sponsored projects that will not be collected from the sponsor for reasons of unallowability, unallocability, dispute with or bankruptcy of the sponsor, or for other reasons, must be paid for with University funds. There is no available source of funds asset aside to cover such over-expenditures, audit disallowances, or other costs that are not paid by the sponsor. These costs must be covered by the department, college institute or center responsible for the project. It is permissible to transfer an expense to the budgetary unit's current Educational and General (E&G) funds or returned overhead. The expense must be written against current year funds for active projects.

Sponsored agreements typically operate on a cost reimbursement basis with the Division of Research being responsible for recovering the funds. There may be instances in which the

sponsor is unwilling or unable to reimburse the University for the expenses incurred. When this happens, the resulting cash deficit must be handled internally.

When the sponsor does not pay the amount due for the following reasons, the department will be responsible for covering the direct cost portion of the deficit, including, but not limited to:

- The sponsor went out of business.
- The department/college performing the work failed to complete the project to the sponsor's satisfaction.
- The department/college began the work prior to receiving the award, and then the award was not made.

Uncollectable costs will be moved to a non-sponsored departmental account promptly after the determination is made by the Division of Research, or the responsible department that the costs will not be reimbursed. If the uncollectable funds (or portion thereof) are subsequently collected from the sponsor the collected amount will be applied proportionately to direct and F&A costs.

To facilitate the close out of contract/grant accounts that have been in deficit for more than 90 days after the account expiration, the Research Accounting Office will process expenditure transfers to the Dean's overhead account for all such uncollectables. These costs will remain on the Dean's overhead or other restricted account.

If the Division of Research is culpable in creating the budget deficit by not properly invoicing the sponsor, the Division must bear a share of the financial burden based on discussions with the Dean of the College.

DEFINITIONS

Research Accounting (RA)

The unit within the Division of Research that is responsible for financial aspects of post-award administration. Responsibilities of this unit include, but are not limited to: Financial reporting, invoicing, collecting on sponsored accounts, and coordination of external audits of sponsored projects.

Unallocable Costs

Costs that are allowable but are not assignable to a sponsored project because they do not provide relative benefit to the project, or were otherwise not allocable under sponsor guidelines or the specific sponsor agreement. Example - late charges (charges for goods or services that are allowable but incurred after the project end date).

Unallowable Costs

Costs that cannot be charged to a project per the sponsor's guidelines.

Any other costs specified by the Office of Management and Budget (OMB) Circular A-21 that cannot be included either in the development of the indirect cost rate charged, as a direct cost to a federally sponsored project, or in the University recharge rates.

Uncollectable Accounts Receivable

Any costs charged to a sponsored project that have been billed to the sponsor, but subsequent to the billing are determined to be uncollectable from the sponsor.

Uncollectable Costs

Any costs charged to a sponsored project that will not be reimbursed by the sponsor. They include, but not limited to:

- Budget overruns;
- Unallowable costs;
- Unallocable costs; and
- Other uncollectable costs that do not meet any of the above criteria, but that the sponsor is otherwise unwilling or unable to pay, (e.g., amounts that are disputed by the sponsor, or amounts deemed uncollectable due to sponsor bankruptcy).

Unit

Any organizational entity within the University that has budgetary authority. Includes, but is not limited to colleges, departments, centers, institutes, etc.

Annual Review of Procedures Manual

The Policy on Unreimbursed Costs on Contracts and Grants will be reviewed annually.

POLICY APPROVAL

Initiating Authority

Signature: Barry T. Rosson Date: 1/25/13

Barry T. Rosson, Vice President for Research
