

SEATTLE CHILDREN'S HOSPITAL RESEARCH INSTITUTE
Seattle, Washington

OPERATING POLICIES / PROCEDURES

DEPARTMENT: Office of Sponsored Research
POLICY NUMBER: OSR- 20
REPLACES: N/A
EFFECTIVE DATE: 02/29/08
REVISION DATE: N/A

POLICY TITLE: Deficit Monitoring on Sponsored Awards

POLICY:

A fundamental financial premise is that with the acceptance of sponsored awards comes the responsibility to ensure that spending does not exceed the sponsor's authorized budget. This is monitored by regular review and reconciliation, as well as timely and accurate forecasting of planned spending. Deficits are a direct violation of this premise, are not permitted on sponsored awards.

Overspending on awards can put Children's at risk because, by definition, these costs are not covered by sponsored agreements and cannot be billed or reported to the sponsor. Campus administrative officials, including central administration, Center Directors, Center Business Managers, and Principal Investigators, and any staff who are involved with the administration of sponsored agreements have a responsibility to follow Children's policies and procedures, and should be familiar with this policy. This includes maintaining programs in sound fiscal condition.

It is the responsibility of the Principal Investigator (PI) and the Center Business Manager (CBM) to review and reconcile the sponsored awards under their care, as well as, produce timely and accurate forecasting of planned spending. If a deficit occurs, it is the responsibility of the PI and CBM to quickly identify alternative sources of funding to cover the deficit. The costs being transferred must meet the criteria of being allowable, appropriate, and reasonable to be transferred to the new source(s). While the PI may delegate authority to execute activity to the CBM, the PI remains ultimately responsible and accountable for all transactions.

Definition of a Deficit

A deficit occurs on a sponsored award when the expenditures incurred by the Principal Investigator (PI), plus open commitments, exceed the authorized budget provided by the sponsoring agency.

The goals of this policy are to:

- Establish the responsibility and monitoring procedures to minimize the risk of and resolve deficits in a timely manner.
- Establish the expectation that sponsored research funds are being spent in accordance with budget requirements set by CHRMC policies and guidelines and/or external agency regulations.
- Establish an escalation process for notification to research institute leadership in the event of noncompliance by PI's and/or CBM's.

PROCEDURE:

1.1 Monthly, after the month-end close, the responsible ORF Accountant will use Lawson to generate a list of activities in deficit status that meet the criteria for preparing notification letters. Spending in excess of budgetary authority is prohibited.

1.1.1 Because ORF recognizes that the CBM's will be working closely with the PIs and reviewing detailed expenditure reports on a monthly basis, ORF will not issue notifications if the deficit is less than the appropriate tolerance level (see table below).

Award Type	Deficit notifications will be sent to the PI when:						
Cost Reimbursable Awards	Expenses	+	Commitments	>	Budget	by	\$1,000
Clinical Trial/Milestone Awards	Expenses	+	Commitments	>	Revenue	by	\$15,000
Internal Awards	Expenses	+	Commitments	>	Budget	by	\$0
External Gifts/Endowment Income	Expenses	+	Commitments	>	Revenue	by	\$0

1.1.2 Once deficit activities are identified, notification will be sent to the PI, CBM, and Center Director requesting immediate action to resolve the deficit.

1.1.2.1 The expectation will be that within 30 calendar days, which is approximately by the next month-end close, the deficit will be resolved, or that an appropriate resolution plan (including cost transfers to non-sponsored, center discretionary, or other appropriate sources) will be in place and reported to the OSR Director.

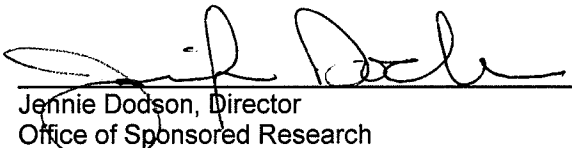
1.1.2.2 Summary reports, prepared by the ORF Accountant and based on the query results, will be provided to the Office of Sponsored Research (OSR) Director and ORF Director for their records.


1.1.2.3 Copies of the deficit notifications will be filed in the award folder. An electronic version of the summary report will be saved to the deficit reporting folder located on the shared drive.

2.1 The next month, a new list will be generated from Lawson showing activities in deficit status. The ORF Accountant will compare this list to prior month's summary report (saved on the shared drive) to identify any activity that remained in deficit status.

- 2.1.1 If there are activities that are still in deficit status and unless confirmation has been received that a resolution plan is in place or cost transfers are in process, but have not posted, the ORF Accountant will alert the ORF Supervisor, ORF Director, OSR Director, Chief of Research Operations and the Vice President of Research.
 - 2.1.2 The Chief of Research Operations will contact the PI and CBM to reinforce the expectation that deficits will be resolved quickly and that continued deficit spending is not permissible.
 - 2.1.3 Chief of Research Operations will provide summary report to VP, Research Operations and President, Research Institute.
 - 2.1.4 Failure to resolve the deficit will ultimately result in suspension of expenditures and transfer of the deficit balance to the PI's or Center Director's Clinical Trial Surplus Account (CTSA), or the centers discretionary account.
- 3.1 The responsible ORF Accountant will rerun the deficit reports 15 calendar days after the Chief of Research Operations' notification to the PI and CBM, which will be approximately 45 calendar days after the original notification was issue by ORF.
- 3.1.1 If deficit elimination is not possible by this time point, CBM and PI must prepare a Resolution Plan, which must be presented to the Chief of Research Operations. Chief of Research Operations presents the Resolution Plan to VP, Research Operations for approval. VP, Research Operations will obtain President, Research Institute, concurrence, if threshold for VP approval is exceeded.
 - 3.1.2 If the activity is still in deficit status and no appropriate (approved by the VP for Research and Center Director) Resolution Plan is in place, the ORF Accountant will update Lawson to prevent additional spending, and process a cost transfer to remove the deficit. The cost transfer will move the deficit to the PI or Center Director's Clinical Trial Surplus Account (CTSA) or discretionary fund. If this activity is an advance set-up, the debit will be directed to the assurance account provided at the time of set-up.

Approved by:

 _____ Date 3/5/08
Jennie Dodson, Director
Office of Sponsored Research

 _____ Date 3/5/08
Patrick Bassett, Director
Office of Research Finance