FIN-003

Management of Sponsored Program Awards in a Budget Deficit

Effective Date Wednesday, June 23, 2004

Status Final

Last Revised Friday, July 25, 2025

Policy Type University

Contact Office Sponsored Programs (Office of)

Oversight Executive
Vice President for Research

Applies To Academic Division and the College at Wise.

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Reason for Policy

A budget deficit on a sponsored program may put the University at risk because these costs are not covered by sponsored agreements and cannot be billed or reported to the sponsor. This policy sets forth corrective action to be taken for timely resolution of budget deficits in sponsored programs.

Definition of Terms

Deficit

Description

An award where expenditures and outstanding commitments have exceeded the total amount of the sponsor authorized budget.

Sponsored Program

Description

Any externally funded research, public service, or scholarly activity (including hosting or attending conferences) at the University that has a defined scope of work often including a set of specific programmatic objectives and/or deliverables, and line-item-based budget, providing the basis for sponsor expectations and awardee accountability (i.e., a reciprocal transfer of something of value). Sponsored programs are funded through grants, agreements, and contracts that include terms and conditions for the disposition of tangible properties and

outcomes (e.g., equipment, records, specified technical reports, theses, or dissertations) or intangible properties and outcomes (e.g., rights in data, copyrights, and inventions). **Note:** The terms *sponsored program*, *sponsored project*, s*ponsored award*, and/or *sponsored activity* are often used interchangeably.

Policy Statement

Sponsored program awards are created as the result of an agreement with a funding agency. The budget is established at a high level according to sponsor requirements. The Office of Sponsored Programs (OSP) collects payment on expenditures in an amount not to exceed the authorized budget. Sponsored program awards are unique, where the state allows the University to incur expenses before cash is received. However, the University must use other resources to fund sponsored program expenditures until the actual payments are received from the sponsor. Since overcharges/overruns cannot be billed to the sponsoring agency, awards that are in deficit place additional constraints on already limited University resources.

The Office of Sponsored Programs prepares and submits financial reports required by the sponsoring agencies. In general, federal reports are due 90 days after the completion date of the sponsored program award. The reports cannot be filed when a deficit exists or the award contains outstanding commitments. Many sponsoring agencies may delay issuing awards or withhold scheduled payments because of delinquent financial, progress, or technical reports. It is not possible to submit an invoice to the sponsoring agency until the deficit on a sponsored program is cleared.

The principal investigator (PI) is responsible for not exceeding the budget on the Sponsored Program award.

OSP will facilitate corrective action on sponsored program awards that are in deficit in collaboration with the departments responsible for managing the awards. The PI and departmental administrators have access to financial reports for use in tracking the financial status of sponsored program awards. Departments and PIs must have a plan for corrective action and the plan must be implemented within 70 days before the end date of the sponsored program award, failing which OSP may be required to transfer the deficit to the department’s account that receives the revenue from facilities and administration charged on sponsored program awards.

Compliance with Policy:
Failure to comply with the requirements of this policy may result in disciplinary action up to and including termination or expulsion in accordance with relevant University policies. In addition, failure to comply with the requirements of this policy and its related procedures may result in the University withholding other sponsored awards to the PI.

Direct questions about this policy to the Office of Sponsored Programs.

Procedures

Sponsored Programs Budget Deficits

Major Category Finance and Business Operations

Next Scheduled Review Tuesday, July 25, 2028

Revision History

Confirmed/minor word edits 7/25/25; Added defn of Sponsored Program, minor word edits 8/9/22; Minor edit to Policy Statement 1/6/22; Added Compliance Section 1/4/22; Confirmed 3/19/21; Updated links 3/8/19; 1/11/19; Added OE/VPR 4/2/18; Updated 10/15/09.

Category Cross Reference
Research Administration

Supercedes Policy Text
VIII.C.2 Budget Deficit.

Approved By Policy Review Committee

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