

## Deficits Procedure Write-Offs on Sponsored Awards

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### Overview

Throughout the life of a sponsored award, invoice payments may fall behind total posted expenses and create a deficit balance. While cost proposals should be estimated on a cost basis consistent with UMass Boston grant budgeting procedures, this cash deficit may accrue due to inefficiencies of work creating over expense postings, disallowed expense, or inability to collect on invoicing, among others. Whenever possible, these balances will attempt to be resolved with the sponsor, however, these will require offset against other available funds during the award close.

### Purpose

This policy is to direct the appropriate processing of deficit balances on sponsored awards after the end of project.

### Scope

This policy applies to all University of Massachusetts Boston sponsored awards.

### Definitions

**Cost Reimbursement Award:** A sponsored agreement that is subject to an upward or downward adjustment of funds based on actual costs incurred. Payments are often based on invoicing of posted expenses. In some cases, payments are made in advance of work performance, but are reconciled to actual posted expenses at the end of the award.

**Fixed Price Award:** A sponsored agreement that is not subject to an upward or downward adjustment of funds based on actual costs incurred. Payments are predetermined as a lump sum or scheduled payments commonly based on negotiated fixed unit prices for specific services or a percentage of project completion.

**Time & Material Award:** A sponsored agreement that is subject to an upward or downward adjustment of funds based on actual costs incurred. Payments are based on invoicing of actual posted non-payroll expenses and predetermined payroll hourly rates times actual posted labor hours.

**Unbilled:** Expenses posted to a sponsored agreement that have not been invoiced to the sponsor.

**Open AR:** Invoices sent to the sponsor that have not been paid. Depending on the type of award, an invoice may represent posted expenses, or completed deliverables, etc.

**Sponsored Project:** An externally funded project with a defined scope of work and set of objectives performed by a Principal Investigator.

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### Procedure

When a sponsored award reaches its end date, work is fulfilled, and all deliverables and collections are completed, the financial balances (cash received less award expenses) on the award are identified as either a deficit or excess cash status (see Excess Cash Procedure) during the closeout process. The resolution of the deficit will depend on the nature of the deficit, such as the type of expense. Deficits will be the responsibility of the award's home department and college Research Trust Fund, or other appropriate funding sources as available.

### Department Funded Scenarios:

- Expenses posted in excess of the sponsor approved budget (over expense)
- Expenses incurred outside the period of performance, either before the start date or after the end date
- Expenses posted after the final invoice submission to the sponsor
  - Expenses not included in a manual final invoice
    - e.g. incorrect estimate
  - Previously uncommunicated expenses posted after PI/Dept notified of submission
- Unallowable expenses, either by award terms, OMB Guidance, or University policy
- Disallowed expenses, either by sponsor decision or audit
  - e.g. prior approval of expense required but not obtained
- Award specific fees, such as wire fees or foreign exchange rate losses
- PI/Dept instructs ORSP to cease collections on Open AR
- PI/Dept instructs ORSP to invoice a lesser amount than the sponsor approved award

### Potential Vice Provost for Research Funded Scenarios:

- Scenarios not listed under Department Funded Scenarios
- Expenses posted within budget and within period of performance, but due to internal ORSP failing were not invoiced in a collectible manner

In all cases, ORSP and the Department will collaborate to determine the best resolution.

Throughout the award life, ORSP will take steps to reduce the potential deficit by meeting regularly with the department grants contact to ensure that all parties are aware of the status of their awards. Prior to sending the final invoice, ORSP will communicate with the department grants contact and the Principal Investigator to ensure that all final expenses are appropriately captured on the invoice. Furthermore, if ORSP is sending the final invoice electronically, they will cc the PI and department grants contact, or otherwise communicate that the final invoice has been sent. Once sent, ORSP will perform due diligence in collections. Should payment not be forthcoming, ORSP will collaborate with the PI and department to reach out to their contacts to collect. Should the invoice be determined to be uncollectible, ORSP will reduce the invoicing total to match posted expenses, if able, to reduce the total deficit to be written off.

If the deficit to be written off includes expenses posted over the budget, after the final invoice submission, incurred outside the period of performance, or otherwise listed in the department funded scenarios, ORSP will create the journal entry, or epaf (as appropriate), to remove them from the award.

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If the deficit to be written off includes expenses posted within the budget, prior to the submission of the final invoice, and incurred with the period of performance, ORSP shall post an invoice to process the expenses out onto the Open AR. These expenses are considered valid revenue and are to remain on the project.

Open AR deemed uncollectible will be written off via the Write-Off Request Form. ORSP will fill out this form explaining what the invoice is, why collections failed, and the funding source. ORSP will submit this form to the PI for confirmation and signature. The PI will review this form, add any comments as necessary, and forward the form to the funding source signatory. The signatory will sign and return the form to ORSP. ORSP will take the appropriate actions in the grants module to remove the Open AR and submit the form to the Assistant Director for final processing.