

 <b>The University of British Columbia Board of Governors</b>	<b>Policy No.:</b>  <b>FM4</b>
<b>Long Title:</b> Over-Expenditure on Research and Specific Purpose Trust Project/Grants	
<b>Short Title:</b> <p style="text-align: center;"><b>Research Over-Expenditure Policy</b></p>	

**Background & Purposes:**

The University administers large volumes of funds for research and other University purposes. Over-expenditures can result in potential loss of University funds, administrative effort to resolve issues and risk of non-compliance with external funding source requirements. Over-expenditures are not permitted unless prior approval is obtained. For example, temporary Over-expenditures may be approved to accommodate timing of payments for new, multi-year grants or renewal grants.

The purpose of this Policy is to set out the responsibilities for effective fiscal management of funds administered by the University and to outline the procedures relating to Over-expenditure on research and specific purpose trust project/grant accounts.

**1. Researcher Responsibilities**

- 1.1 Researchers are accountable for all PG’s for which they have been granted signing authority. Researchers are not permitted to overspend such PGs unless they have obtained prior approval pursuant to Section 2.2.
- 1.2 Researchers must designate an alternative PG for Committed Payroll Expenses. Notwithstanding Section 1.1, where a Committed Payroll Expense would cause an Over-expenditure in a PG and the Researcher has not designated an alternative PG with sufficient funds to meet the Committed Payroll Expense, RTA will transfer to the PG an amount equal to the Committed Payroll Expense from the GPOF PG of the relevant Head of Unit so that the Committed Payroll Expense can be met from the PG.
- 1.3 Where funds have been transferred from the GPOF PG of a Researcher’s Head of Unit, the Researcher must reimburse the GPOF PG of his or her Head of Unit on a timely basis and in any event no later than 90 days from the date of transfer, unless the Head of Unit has approved a longer period for reimbursement.
- 1.4 Researchers shall:
  - 1.4.1 ensure that all expenditures charged to the PG are eligible costs in accordance with the requirements set forth in a grant or contract signed by the sponsor;

- 1.4.2 review their monthly PG reports on a timely basis;
  - 1.4.3 advise Financial Services of any errors, omissions or duplications in expenses or budget on a timely basis; and
  - 1.4.4 request inactivation of the PG upon completion of the research project.
- 1.5 Where a Researcher anticipates a renewal or other source of funding beyond the designated “end date” of the PG, the Researcher shall notify the Office of Research Services, the University-Industry Liaison Office and RTA prior to such end date.

## **2. Head of Unit Responsibilities**

- 2.1 A Head of Unit:
- 2.1.1 is responsible on an overall basis for investigating and monitoring Over-expenditures within his or her unit;
  - 2.1.2 may refuse a request from a Researcher in his or her unit for approval for the establishment of new PGs if a Researcher has an unresolved Over-expenditure;
  - 2.1.3 shall review his or her monthly unit roll-up reports and investigate temporary Over-expenditures and transfers of Committed Payroll Expenses;
  - 2.1.4 shall review with Researchers in his or her unit any PGs included on the Over-expenditure Listing to encourage a timely resolution of the Over-expenditure; and
  - 2.1.5 is responsible for controlling and reconciling all aspects of his or her GPOF PG.
- 2.2 A Head of Unit may grant approval for temporary Over-expenditures in Non-Contract Research PGs within his or her unit where future budget will be allocated to that PG (e.g. new, multi-year, or renewal grants).
- 2.3 Any decision on whether to approve a temporary Over-expenditure pursuant to Section 2.2 is entirely at the discretion of the Head of Unit. If a Head of Unit approves a temporary Over-expenditure, the Head of Unit becomes responsible for resolving the temporary Over-expenditure with the Researcher, failing which the temporary Over-expenditure will be resolved by RTA pursuant to Section 3.2.

## **3. Research and Trust Accounting Responsibilities**

- 3.1 RTA shall:
- 3.1.1 provide PG reports to Researchers and unit roll-up reports to Heads of Unit on a timely basis and in any event not less than monthly;

- 3.1.2 provide timely notice to a Researcher when his or her expenditures and commitments approach a \$0 balance;
  - 3.1.3 inform Researchers and Heads of Unit when sponsor funding becomes questionable;
  - 3.1.4 provide Over-expenditure Listings to Heads of Unit on a timely basis and in any event not less than quarterly;
  - 3.1.5 provide timely customer service to Researchers and Heads of Unit to assist them in resolving queries raised in respect of their PGs;
  - 3.1.6 reject/disallow new commitments or expenditures (other than Committed Payroll Expenses) that would result in an Over-expenditure in a PG;
  - 3.1.7 inactivating any over-expended PGs that are not resolved within 60 days after notification of Over-expenditure to the responsible Researcher; and
  - 3.1.8 inactivate expired PGs on a timely basis where there is inactivity for a specified period and where the final balance is insignificant.
- 3.2 Where a temporary Over-expenditure that has been approved pursuant to Section 2.2 has not been resolved within 90 days of the date the Over-expenditure was approved, RTA shall transfer the Over-expenditure to the GPOF PG of the Head of Unit who approved the Over-expenditure.

#### **4. Detailed considerations**

- 4.1 Unrealised cash – Sponsor obligations not met: Provided that a grant or contract signed by the sponsor is in place, researchers are not responsible for ensuring that funding is received from the sponsor. An under-realisation of cash may result from a sponsor experiencing financial difficulties or refusing to pay. Provided that expenditures up to that time were within the originally allocated budget, and further provided that the research deliverables required by that date have been met under the contract, Researchers and Heads of Unit will only be held responsible for expenses incurred after the Head of Unit or Researcher has been notified that future funding is in doubt.
- 4.2 Unrealised cash – Researcher obligations not met: An under-realisation of cash may also result when funding is withheld due to Researchers failing to meet their obligations. Specific situations include non-submission (or late submission) of progress or final reports, and unsatisfactory deliverables. A further example in this category would be costs incurred by a Researcher that are subsequently rejected by the sponsor as being ineligible costs under that award. Budgets may be reduced in line with the actual amount received and the Researcher is responsible for resolving any Over-expenditure that may be caused by such budget reductions.
- 4.3 Death of a Researcher: Where a Researcher is deceased, the responsibility for resolving Over-expenditures is assumed by his or her Head of Unit. The financial burden of any under-realised cash resulting from an inability to deliver a final report will be resolved on a case-by-case basis. Deans must liaise with RTA in such cases to negotiate a settlement from the sponsor.

- 4.4 Correction of errors: If a PG is erroneously credited with revenue, cost reductions or budget allocation, or erroneously charged, the error can be corrected at any time.
- 4.5 Extraordinary Expenses: Refer to the Contract Employees Fund Policy for details on the treatment of extraordinary salary and benefit costs related to grant and contract-funded employees. Note that the insurance fund contemplated under the Contract Employees Fund Policy will not cover a shortfall in salary and benefit costs where the Over-expenditure is a result of excessive spending in other cost categories.

## 5. Definitions

- 5.1 **“Committed Payroll Expense”** means an expenditure that must be made to satisfy a salary or other payroll commitment that has already been entered into and that would, if not made, expose the University to legal liability.
- 5.2 **“Head of Unit”** means a Dean of a faculty, Director of a centre, institute or school, Head of a department, Chair of a division or the equivalent.
- 5.3 **“GPOF PG”** means the PG over which a Head of Unit has authority and which contains monies from the General Purpose Operating Fund. Where no such PG exists, the Head of Unit may designate another PG over which he or she has authority and that PG shall be deemed to be the GPOF PG for the purpose of this Policy.
- 5.4 **“Over-expenditure”** means when commitments and actual expenditures exceed the budget available for the PG in question.
- 5.5 **“Over-expenditure Listing”** means a report containing details of PGs: (1) to which amounts have been transferred to cover Committed Payroll Expenses pursuant to Section 1.2 unless such amounts have been reimbursed pursuant to Section 1.3; or (2) that are in an over-expended position.
- 5.6 **“PG”** means a trust account administered by RTA.
- 5.7 **“Research PG”** means a PG (designated with the fund code Rxxxx) for a research purpose. Research PGs can be classified into Contract Research PGs and Non-contract Research PGs. **“Contract Research PGs”** are typically funded by industry while **“Non-contract Research PGs”** are typically funded by government agencies and related organizations.
- 5.8 **“Researcher”** means the individual responsible for each PG (usually the lead principal investigator in the case of Research PGs, or other named individual in the case of Specific Purpose Trust PGs).
- 5.9 **“RTA”** means Research and Trust Accounting.
- 5.10 **“Specific Purpose Trust PG”** means a PG (designated with the fund code Sxxxx) for all purposes not related to research.



## EXPLANATORY NOTES REGARDING THE RESEARCH OVER-EXPENDITURE POLICY AND ASSOCIATED PROCEDURES

**Issued July 2019 by the Office of the University Counsel**

*The OUC has prepared these Explanatory Notes to provide context and background regarding the Research Over-Expenditure Policy. These Explanatory Notes do not replace or supersede the content of the Research Over-Expenditure Policy and its Procedures.*

<b>Policy Long Title:</b>	Over-Expenditure on Research and Specific Purpose Trust Project/Grants
<b>Policy Short Title:</b>	Research Over-Expenditure Policy
<b>Policy Number:</b>	FM4
<b>Responsible Executive:</b>	Vice-President, Finance and Operations Vice-President, Research and Innovation
<b>Responsible Board Committee:</b>	Finance Committee
<b>Related Policies:</b>	FM7 - Contract Employees Fund Policy
<b>History:</b>	<ul style="list-style-type: none"><li>• The Research Over-Expenditure Policy was first approved by the Board of Governors in November 1991;</li><li>• The Research Over-Expenditure Policy was revised in June 2005;</li><li>• The Research Over-Expenditure Policy was updated in July 2019 to reflect a new policy identification system; it is currently identified as the Research Over-Expenditure Policy, its long title is Over-Expenditure on Research and Specific Purpose Trust Project/Grants, and its number is FM4. The previous identification number for this policy was #90.</li></ul>
<b>Related Legislation:</b>	N/A