POLICY:  Cost overruns on external grant fund accounts

DATE:  March 2, 2023

I.  Purpose

In accordance with University of South Carolina Policies (FINA 9.10 Cost Accounting Standards), all costs charged to external or federally sponsored projects must be allocable, allowable, reasonable and necessary per the guidance in 2 CFR 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Where project costs may exceed recognized ceilings, total costs will continue to be identified specifically with the project for which they were incurred. The University will not shift or otherwise transfer costs in order to meet deficiencies caused by overruns or other fund restrictions, to avoid restrictions imposed by law or contract terms, or other reasons of convenience (FINA 3.35 Grants and Funds Management – Cost Transfer Policy). The University cannot resolve overspending of one external project by transferring expenses to another external project.

The individual listed as the project’s Principal Investigator (PI) is responsible for ensuring that costs incurred on their external projects fall within the budgeted amounts and are incurred within the eligible period covered by the external award. The CAS Grants Office provides monthly fund status reports on all externally sponsored awards. The Office can also work with the PI or designated staff to forecast future expenses that are not reflected in the reports (e.g., personnel, planned equipment purchases). Notably, subcontracts and contractual agreements should be encumbered on the reports provided – if a subcontract commitment or encumbrance is not reflected in your budget report, please immediately alert the CAS Grants Office and your Sponsored Awards Management (SAM) unit contact of this error.

This document establishes a policy for when a PI overspends an extramural grant/fellowship award budget resulting in a deficit or cost overrun.

II.  Management of Account Overruns

An overrun results from expenditures exceeding available funds during the funding period.

In accordance with University of South Carolina Policy FINA 3.19 (Contracts and Grants – Elimination of Account Overdrafts), units will be notified when they have contract and grant accounts in an overrun state and will be required to take appropriate, immediate action to eliminate the overrun. Possible sources for covering overruns include:
A. Other (non-grant) fund sources including the PI’s N account (derived from IDC Distributions or Salary Savings from the faculty) or the PI’s university Education Foundation accounts (if available) may be utilized to cover the cost overrun.

B. With approval of chair/director and dean, unit funds may be utilized to cover overruns provided there is a clear written and signed agreement in place detailing how and when the deficit will be covered from future revenue in the PI’s N account.

III. Consequences for not repaying grant deficit or cost overrun

The unit chair/school director, Dean, or SAM office may choose to not approve future grant applications submitted by any PI who has recently or repeatedly allowed a grant fund to go into an overrun state. Future applications may be approved, at the discretion of unit chair/school director, Dean or SAM office, when a PI has a current, executed agreement in place to manage an active deficit due to overspending a grant budget.