

SJSU Research Foundation Cost Overruns on Sponsored Programs

Office of Sponsored Programs

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1.0 Purpose

To ensure that cost overruns incurred on sponsored projects are minimized to the maximum extent possible, and where they exist, that they are monitored and justified, or funded from alternate resources on a timely basis. Overruns can put San José State University Research Foundation (RF) and San José State University (SJSU) at risk because these costs are not covered by sponsored agreements and cannot be billed or reported to the sponsor.

2.0 Responsibility

This policy applies to all principal investigators (PI), program directors, faculty, and researchers.

3.0 Scope

This policy applies to all:

- Deans, Assistant Deans for Research, and Departmental Chairs
- Office of Sponsored Programs Post-Award Staff
- RF Finance/Self-Support Staff

4.0 Definitions

This table provides definitions for special terms, acronyms, and abbreviations used in this policy.

Terms, Acronyms, or Abbreviations – (Style: Table Heading)	Description of Use– (Style: Table Heading)
Cost Overrun	The fact of spending more money on a project than was planned in the budget.

5.0 Policy

In carrying out sponsored projects, PIs are expected to limit charges to the respective sponsored projects' budget, so the funds awarded by the sponsors of those projects are sufficient to cover all costs. However, where expenditures exceed the available budget awarded by sponsors (hereafter referred to as "cost overruns"), PIs are expected to resolve those cost overruns on a timely basis, in accordance with the process set forth in this Policy.

5.1 More Policy-Specific Content

PIs and those responsible for assisting in financial oversight over sponsored projects are expected to continually monitor expenditures incurred on each individual project so that, wherever possible, cost overruns are avoided. It is recognized, however, that in carrying out sponsored projects, it may sometimes be necessary to incur such cost overruns on a temporary basis, pending identification of alternate resources, in order that the work performed under the sponsored project is not adversely affected by a delay in identifying those alternate resources. The following rules are expectations as to how cost overruns are to be resolved:

- When situations arise where costs are expected to permanently exceed the cumulative anticipated budget for a sponsored project, an overrun should be avoided by charging excess expenditures to an alternate, non-sponsored project upon incurrence of those expenditures.
- If an overrun is incurred, and there is documentation from the sponsor indicating that there will ultimately be sufficient funds to cover the overrun, *and that these funds may be used for the period of incurrence* (e.g., a temporary deficit which arises during a single year of a cumulatively funded, multi-year project that will resolve itself over the remaining life of the project, or a request for supplemental funding), then the temporary overrun may, in most cases, remain charged to the project, pending its clearance.

The determination that the project funding will ultimately be sufficient to cover any short-term overrun must be based on a realistic assessment — as determined by the OSP Post-Award Analyst — of the status of the project and the available resources, and not merely a default judgment that delays resolution of a likely funding gap.

Finally, even where the overrun is expected to be covered by sponsored funding over the life of the project,

RF reserves the right to require a department to provide additional justification regarding the nature of the overrun, or to provide interim funding if the amount of the overrun is considered to be significant, or if the period during which the overrun is expected to remain is deemed to be unreasonable.

- Where an overdraft exists and there is no expectation that there will ultimately be sufficient sponsored funds to cover the overrun, then the overrun must be transferred to a non-sponsored project upon discovery, specifically:

- Where the PI has a self-support or Facilities and Administrative costs (F&A) return account (53), the cost overrun will be transferred to this account.
- Where the PI does not have a self-support or F&A return account, or does not have sufficient funds in the account, the available balance will be used for the cost offset. The remaining balance due will be allocated to the Department self-support or F&A return account.
- If neither the PI self-support account nor the Department self-support account has sufficient funds to offset the overrun, the College self-support will be used for the cost offset.
- The above actions will occur automatically and will be initiated by the Post-Award Analyst.
- Once a project has expired and a final financial report has been prepared and submitted to the sponsor, any remaining overrun must be cleared immediately. When six months have elapsed after the expiration of a project, any remaining overdraft will be transferred by the OSP Post-Award Analyst to the aforementioned respective accounts.
- If the determination is made, then an overrun should be justified. The justification must be provided to the RF OSP Post-Award Analyst. A justified overrun is one in which the PI provides any of the following:
 - Documentation from the sponsor of the forthcoming funding commitment
 - If the Notice of Award does not imply that forthcoming funding permits coverage of the present budget period overrun, prior approval must be obtained from the sponsor
 - Copy of correspondence with the Office of Sponsored Programs (OSP) about a pending budget increase to the project for a cash payment or amendment that has already been received
 - Documentation of another extenuating exception deemed acceptable by the OSP Post-Award Analyst.

If none of the above applies, the overrun must be cleared.

- The method used to clear an overrun depends on how the overrun occurred.
 - Method 1: When the expenses generating the overrun are in support of the sponsored project's goals, the overrun should be cleared via the appropriate self-support account.
 - Method 2: If the overrun is caused by expenses charged to the project in error (i.e., not in support of the project's goals), the PI should submit a request to remove expenses via the mechanism through which they were originally charged to the project (such as an accounts payable 'AP')

journal or a payroll cost transfer). When moving costs to another sponsored project, please note that existing policies on the timing of such transfers apply.

Post-Award / Finance Responsibilities

1. Throughout the year, the OSP Post-Award Analyst or Self-Support Manager (as appropriate) sends a list of all overruns to each PIs to ensure that the responsible parties are aware of the liability. Upon receipt, the PI is expected to review the list and either:
 - a) Justify the overrun and identify if additional, anticipated funding will cover the overrun, or
 - b) Clear the overrun if the overrun is not expected to be covered by the sponsor.
2. Every month, the RF Controller sends an account status notification reminder to PIs with access to their PI Dashboard, so they can review the activity on their award.
3. Deans and Associate Deans of Research (ADRs) will receive notifications from the OSP Post-Award Analyst or Self-Support Manager (as appropriate) for at-risk accounts (when funds drop to 20% or lower of the total budget).

6.0 Related Policy Information

The National Institutes of Health Cost Transfer Policy provides sponsor-specific guidelines that override or take precedence over timelines referenced in this policy.

The Federal government has established policies concerning the assignment of costs to federally sponsored agreements in 2 CFR 200, Section E, and within specific agency policies on cost transfers.

To comply with cost allowability and allocability requirements of 2 CFR 200, Section E, it is necessary to explain and justify transfers of charges onto federal awards from other federal accounts, non-federal accounts, or self-support ("institutional") accounts. Timeliness and completeness of explanation of transfer are important factors in supporting allowability and allocability in accordance with the principles of the Circular.

NIH Grants Policy Statement

*Cost transfers to NIH grants by grantees should be accomplished **within 90 days**...transfers must be supported by documentation that fully explains how the error occurred and a certification of the correctness of the new charge by a responsible organizational official of the grantee...An explanation merely stating that the transfer was made 'to correct error' or 'to transfer to correct project' is not sufficient. Transfers of cost from one project to another or from one competitive segment to the next solely to cover cost overruns are not allowable. Grantees must maintain documentation of cost transfers...and must make it available for audit or other review.*

7.0 Required Forms

This table contains a list of forms and special tools referenced in this document.

Form	Description of Use
Institutional Internal Budget Revision Form	To reallocate or revise the budget.

8.0 References and Related Information

This section lists links, documents, and other information related to this policy.

N/A

9.0 Record Retention

All documents and records are maintained in accordance with SJSU Research Foundation *Record Retention* requirements.

Record	Retention
Grant Records	Three years after the project closes. This document is effective until further revised or updated. Outdated or revised documents will be maintained in accordance with Research Foundation Record Retention requirements. The Research Foundation will maintain the signed original and electronic copies of the approved policy and all updates and replacements.