

## ***PI ARTICLE: The Problems with Overspending on Sponsored Awards***

Overspending occurs when expenses exceed the approved budget on sponsored awards. This issue often arises when:

- There are funds currently in the budget and the assumption is that the sponsor will grant an extension and spending can continue. Please note that this is not always the case and charges that are incurred during gaps in sponsor funding for an award are unallowable per federal regulations.
- Salary distributions for individual employees are appropriately allocated to worktags (sponsored and/or non-sponsored) as part of the payroll distribution process, but those salary dollars continue to be charged to those funding sources even after there is no remaining budget.
- Awards are not being managed by the award PI and unit administrators on a monthly basis to ensure that funds will be available to cover expenses as they come due.

### *The following complications arise with awards that are overspent:*

- Fixing overspending situations result in an increase in the number of EDRs (a.k.a. salary cost transfers) and other non-salary cost transfers. Cost transfers are always an area of high audit scrutiny.
- When spending exceeds the budget and additional sponsor funds are not forthcoming, this is a risk in that we have expenditures which can't be reimbursed - with the department on the hook to cover the overages.
- GT and GTRC automatically record receivables not supported by sponsored contracts. These are dollars the institute must cover and do not represent true receivables.
- Workday records expenses via an algorithm such that as salary is charged, fringe, tuition remission, and F&A are automatically applied. When charges exceed budget, our office will bill the sponsor up to the *funded amount*\*. However, the algorithm used to calculate salary, fringe, tuition, and F&A breaks down and cannot be reconciled. This leads to sponsor questions regarding calculations and rejected invoices.
- Delaying the transmission of invoices to sponsors until the overrun is cleared may be necessary depending on the individual sponsor. This leads to late billing, rejected invoices, and sponsor complaints which have in the past gone to executive levels of the institute and have suggested withholding future funding from PIs. This unnecessarily puts the relationship between the sponsor and the PI/Institute at risk.
- Overruns are often over-corrected, resulting in cumulative expenses lower than what has already been billed/collected. Refunds are then due to the sponsor.
- Financial reporting is often delayed and inaccurate as a result of manual revisions needed to correct overspends. Sponsors rely on the accuracy of certified financial reports and invoices to show progress towards meeting the goals of the award, so it is important for these to be correct upon initial submission.
- Overspending and the time spent making subsequent corrections add non-value added work to already stretched departmental and central financial staff.

### *The following actions should be taken to prevent overspending on sponsored awards:*

- Take immediate action based on the award, grant, and cost share exception reports sent out by Grants and Contracts at the beginning of every month.
- Monitor activity at the award level on a monthly basis, using the exception reports noted above.
- Set up individual payroll allocations for the next six months to a year, with awareness of award end dates.
- Be mindful that most contracts and many flow-through grants do not provide automatic carryforward – and may not allow it at all.
- Please review the PI article: <https://grants.gatech.edu/pi-article-02> (Sponsored Award Management - Timeline and Tasks) as a reminder of actions that should be taken over the life of an award.

If you have any questions, please contact Josh Rosenberg at [josh.rosenberg@business.gatech.edu](mailto:josh.rosenberg@business.gatech.edu). Please also review the Grants and Contracts policy for Unbillable Sponsored Costs (<https://policylibrary.gatech.edu/business-finance/unbillable-sponsored-costs-cost-overruns-sponsored-project-exceptions>).

*\*Note that the funded amount may differ from the contract value amount. A \$150,000, 3-year incrementally funded award has a contract value of \$150,000. But the funded amount for Year 1 would only be \$50,000.*