

UNIVERSITY OF ROCHESTER

Policy on the Transfer of Surplus/Deficit Balances on Ledger 5 Accounts Reissued July 15, 1999

The following summarizes the University's current policies of transferring surplus or deficit balances of sponsored research (ledger 5) accounts. Our policies are influenced by those of our external sponsors and differ not only among agencies and sponsors, but also between continuation (non-competing) years and renewal (competing) years. We hope that the following provides overall clarification; individual agency guidelines should be consulted in addition to the information provided below.

Surplus Balances (Carry-forward)

Not all sponsors allow for the carry-forward of unexpended funds. In general, if a project is assigned a new University account number each year, carry-forward of the annual balance requires sponsor approval. Of those sponsors that do allow transfer of surplus balances, some require specific notification of the carry forward. There may be limits set on the amount that can be carried forward without sponsor notification. For example, NSF and DOE require that the Principal Investigator (PI) indicate and justify in the progress report any carry-forward that exceeds 20% or 10%, respectively, of the current budget period. And while PHS allows automatic carry-forward for the majority of "R" series awards between continuation years and consecutive project periods, most NIH institutes require justification for carry-forward that exceeds 25% of the budget period within the progress report or in a separate letter.

It should be noted that no agency is under obligation to approve excess or ill-justified carry-forward. Accounts should be reviewed well before the end of the budget period to ensure that all appropriate expenses are charged.

Deficit Balances

Ledger 5 accounts should be administered in a manner that avoids deficit balances. Rarely do sponsors allow for the transfer of a deficit balance to a new period. Under very unusual circumstances, and with adequate justification, some agencies will allow institutions to transfer a deficit balance from one budget period to the next, within the project period only. In these situations, the estimated deficit carry forward must be stated in the PI's progress report or continuation application.

Most federal sponsors provide for the charging of "pre-award" costs on grants, provided the costs meet certain criteria. Generally, "pre-award" costs must be allocable to the time period of the forthcoming new or competing award and must be incurred within 90 days of the beginning date of the award or budget period. As well, pre-award costs must be adequately justified to indicate that advanced funding is necessary for the effective and economical conduct of the project and must be allowable under the terms of the forthcoming grant. Any unallowed pre-award costs will be the responsibility of the department.

The following are unallowable:

- The transfer of individual costs from one federally-funded ledger 5 account to another where the sole purpose is to offset over-expenditures. Transfers must be justified as to their relatedness to the project to which the charge is being moved.
- **Lump sum deficit balances cannot be transferred from one ledger 5 account to another ledger 5 account. This includes clinical trial accounts.**

By policy, deficit balances should be resolved within 45 days. Those balances are the responsibility of the PI and his/her department and should be written off to unrestricted accounts, typically ledger 2 or 3 accounts. Occasionally, it may be possible to write off a deficit balance to a ledger 6. For this to occur, the purpose of the ledger 6 must either support the same activities as were supported by the ledger 5 or be completely unrestricted. **If departments do not respond in a timely manner to deficit notices issued by Sponsored Programs Accounting, Sponsored Programs Accounting will, in accordance with University policy, automatically write-off the deficit to the related departmental account.**

Cost Transfers

Finally, the following guidelines apply to all transfers, regardless of type:

- PI's should review ledgers monthly. They have the ultimate responsibility even though detail review is often delegated to an administrator or technician.
- Account ledgers must be reviewed monthly for accuracy in order that incorrect charges can be adjusted promptly.
- Transfers of individual charges to correct bookkeeping or clerical errors are allowable provided they are adequately explained. The accuracy of the corrected charge must be certified by an individual authorized to administer the account. Note that the signatures of the Department Chair and Dean may also be required depending upon the timeliness of the request to transfer costs. **Requests to transfer costs 60-90 days after initially appearing on the ledger require review and authorization by the Chair, while those in excess of 90 days require the signature of both the Department Chair and Dean.**
- Lump sum transfers are not allowable.

Should you have any questions regarding any of the transfer policies outlined above, please call either ORPA or Sponsored Programs Accounting.