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	Deficit Policy
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Purpose

To establish guidelines to prevent, monitor, and resolve financial shortfalls on sponsored projects, ensuring fiscal responsibility and compliance with institutional and sponsor requirements. This helps protect the university from financial risk and promotes timely corrective action.

Policy

Deficits within sponsored project funds are not permitted.

Deficits due to overspending will require a departmental/PI fund to offset the deficit before the grant is closed. If the offset fund is not supplied within 30 days from the award's budget period expiration date. Grant and Contract Accounting (GCA) will automatically charge any deficit expense to the Principal Investigator's department.

Awards that are not terminating but are in deficit will have until the end of the fiscal year to be resolved, whichever is sooner.

Surpluses from fixed price awards will also be held until the deficit is resolved. ***Exception: Multi-year awards may be carried forward with a deficit if the guidelines per the award have been followed and new funds will be forthcoming.***

Definitions

Deficit: a situation where total expenditures on a grant exceed the authorized award amount, specifically, where the "project to date" available balance is less than zero.

Advanced Expenditure Authorization: Establishes pre-award spending (usually 90 days prior to the projected start date of the award) as well as securing a backup account if the award is not made or unallowable expenses are charged during the pre-award period.

No-Cost Extension: an extension of the project or budget period of a grant, allowing recipients additional time to complete their work without requiring extra funding from the grantor.

Procedures

Terminating a Grant in Deficit:

1. GCA and Research Administrative Services (RAS) receive a weekly Cognos report listing which grants are in deficit.
2. RAS works with the responsible PI and/or College/Department administrative staff to identify the cause of the deficit and to determine how it will be resolved. If it is discovered that the expense is related to a system error or should have been charged to a different fund, a cost transfer form will be submitted. (See cost transfer form under “Required Forms”.)
3. If the deficit is not related to a system error, PIs are expected to supply RAS with a fund to which the deficit will be charged. GCA will then charge the supplied account and officially close the sponsored project account.
4. If an offset fund is not supplied by the grant's expiration date, RAS will send a final notice to resolve the deficit.
5. If no fund information is submitted to resolve the deficit within **30 days** after the budget period expiration date for the award, then GCA will automatically charge the responsible PI's department fund.

Grants *Not* Terminating, but in Deficit:

1. RAS reviews a weekly *Cognos Grants in Deficit* report.
2. RAS will forward a letter to the responsible individual and/or PI regarding the deficit and request the submission of an offset account by the end of the fiscal year.
3. If an account has not been provided to GCA two weeks prior to the end of the fiscal year, a final notice will be sent out as a last attempt to resolve the deficit.
4. If there has been no response from the responsible individual, GCA will charge the outstanding deficit to the department account at fiscal year end.

Guidelines

NA

References

Cost Transfer/Reallocation Policy

(See Grant Policies and Procedures: <https://www.iit.edu/ras/policies-and-procedures>)

Responsibilities

Grant funds must be reviewed monthly by Principal Investigators/or PI designee to ensure that deficits do not occur. Principal Investigators are responsible for management of grants awarded to them.

Required Forms

Cost transfer Form

<https://www.iit.edu/sites/default/files/2021-08/gca-cost-transfer-form.xls>