



POLICY NAME	OVER-EXPENDITURE POLICY IN RESEARCH FUNDS
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PURPOSE AND SCOPE

Spending in excess of amounts available is undesirable in that it represents a significant risk to the University of loss of funds. In addition, over-expenditures often result in non-compliance with the requirements of external funding sources. The efforts required to resolve this negative situation are also disruptive to all units concerned.

The purpose of this policy is to provide the framework and requirements in addressing the risk and administrative effort relating to research fund over-expenditures.

Refer to the Procedures for details regarding the implementation and interpretation of the following policies.

POLICY

P1. to P5.

- P1.** The Fund Financial Manager has primary fiduciary responsibility for carrying out research within the funding limits and in accordance with the terms and conditions of all grants and contracts under their responsibility.
- P2.** Salary and other expenditures and commitments exceeding a research fund's budget allocation is deemed an 'over-expenditure' and is not permitted except when the Fund Financial Manager (i.e. Principal Investigator) has received advance written approval from the Unit Head.
- P3.** The Unit to whom the Fund Financial Manager reports is responsible for the resolution of any unresolved or uncollected over-expenditures.
- P4.** The University provides all Fund Financial Managers and Unit Heads with access to monthly financial statements for each fund and will advise Fund Financial Managers and their Units of all over-expenditures in research grants in accordance with the Procedures.
- P5.** The University may pursue all legal avenues to recover such amounts, as well as disciplinary actions up to and including termination of employment, where violation of these policies is deemed to have been willful or due to overt negligence.

PROCEDURES

PR1. Administrative Responsibility

PR1.1 The administration of research funds, including the monitoring of over-expenditures, is under the responsibility of the Research Financial Management Services (RFMS).

PR1.2. All over-expenditures are reviewed by the RFMS Fund Administrators and reported to the RFMS Management Team (Supervisors, Associate Director, Senior Director) and the Associate Vice-President (Financial Services) on a monthly basis.

PR2. Administrative Process

PR2.1. Unauthorized over-expenditures

System controls are in place to prevent certain transactions from causing over-expenditures. For example, 'Budget availability checking' is performed dynamically for any financial document originated online using Banner, Minerva or the McGill MarketPlace, and the document cannot be posted if there are insufficient funds to cover its face value.

In some cases, the automatic verification of budget is not available, for example, salary appointments where a contractual obligation exists. It is therefore imperative that the Fund Financial Manager periodically reviews their balances to ensure over-expenditures do not occur.

In the event that a fund becomes overspent, the following process applies.

- a) At the close of each month, any fund in an overspent position is reviewed by the fund administrator and a notice of over-expenditure is sent to the Fund Financial Manager when required.
- b) If after thirty (30) days the over-expenditure is not addressed with an appropriate plan for resolution, a second notice is addressed to the FFM with a copy to the Unit Head, and the Faculty Finance Officer.
- c) Thirty (30) days after the second notice date, the fund will be frozen if no appropriate response and plan of action is received. In the event that there are no other alternatives, the over-expenditure is cleared by charging it to an operating fund and will be considered in the overall surplus/deficit of that unit. Appropriate documentation will be sent to the Unit Head.

PR2.2. Authorized over-expenditures

The University recognizes that occasionally there may be circumstances which might justify a temporary over-expenditure (e.g. the result of a timing lag in new or renewal funding). Interim financing may be provided in situations deemed appropriate by the Department or Faculty.

The Unit authorizes a temporary over-expenditure using a [Letter of Guarantee](#) signed/approved by the Unit Head which must specify the following information:

- a) A funding source (6-digit fund code) to be used as collateral; this funding source cannot be another research fund
- b) The amount of the guarantee, normally not exceeding 20% of the expected grant renewal;

Once reviewed and approved by Financial Services, a temporary budget will be set-up in account code 700679 (entitled 'letter of guarantee') in the amount requested, to provide the spending power required in anticipation of the renewal of funding. This budget will be reversed at the time the guarantee expires or when the over-expenditure is otherwise resolved.

Under no circumstance may an over-expenditure grace period be extended past the completion (closure) date set by the funding source.

Under no circumstance may an over-expenditure reside in a fund where there is no renewal funding anticipated, as this will negatively impact compliance with financial reporting requirements imposed by the funding source.

PR2.3. Other Considerations**PR2.3.1. Funds Not Received – Sponsor obligations not met**

Provided that a grant or contract signed by the sponsor is in place, the Fund Financial Manager is not responsible for ensuring that funding is received from the sponsor. An under-realization of cash may result from the sponsor experiencing financial difficulties or refusing to pay. Provided that expenditures up to that time were within the original allocated budget, and further provided that the research deliverables required by that date have been met under the contract, the Fund Financial Manager and Unit Head will only be held responsible for expenses incurred following official notification from the funding source that future funding is in doubt.

PR2.3.2. Funds not Received– Researcher obligations not met

Under-realization of cash may also result when funding is withheld due to Fund Financial Managers failing to meet their obligations. Specific situations include non-submission or late submission of progress/final reports, and unsatisfactory deliverables. Another example is costs incurred by a Fund Financial Manager that are subsequently disallowed by the sponsor.

Budgets may be reduced in line with the actual cash received, and the Fund Financial Manager and Unit Head are responsible for resolving any over-expenditure that may result from such budget reductions.

PR2.3.3. Force Majeure

The Fund Financial Manager is not considered responsible for over-expenditures arising where an extraordinary event or circumstance beyond their control prevents them from fulfilling their fiduciary responsibilities, if it is demonstrated that:

- Reasonable steps were taken to minimize damages caused by foreseeable events;
- All non-excused obligations were substantially fulfilled
- All parties were notified on a timely basis of the likelihood or actual occurrence, so that other prudent precautions could be contemplated.

PR3. Roles and Responsibilities

PR3.1. Fund Financial Manager (Principal Investigator/Grantee/Researcher)

- PR3.1.1.** Responsibilities are outlined in the [Fund Financial Manager Policy](#), and include ensuring that no deficit exists as well as compliance with restrictions imposed by fund contributors.
- PR3.1.2.** Review monthly fund financial statements. Delegation of the monthly fund review does not release the fund holder from responsibility of over-expenditures.
- PR3.1.3.** If an over-expenditure is anticipated, requests for interim financing must be made in writing (in advance of an over-expenditure) to the Chair/Dean. Supporting documentation such as any letters of intent, commitments from funding sources, etc should be provided to help determine if a portion of a renewal can be advanced temporarily.

PR3.2. Unit Head (Chair/Dean)

- PR3.2.1.** Ensure the monitoring of balances on a regular basis and develop an appropriate action plan for any over-expenditure.
- PR3.2.2.** Review requests from a Fund Financial Manager for interim financing, and provide authorization (when deemed appropriate, and as defined in procedure PR2.2) to Financial Services so that temporary budget is provided to the fund.
- PR3.2.3.** Determine the appropriate action(s) on non-authorized over-expenditures:
 - a) Secure a payment settlement agreement with the Fund Financial Manager.
 - b) Take appropriate steps to clear outstanding commitments (e.g. staff appointments).
 - c) Document all actions to demonstrate the effort expended to resolve the over-expenditure.
- PR3.2.4.** Absorb any unresolved or uncollected over-expenditures using departmental/faculty funds

PR3.3. Financial Services

PR3.3.1.

Make available monthly financial reports for each research grant/contract, within the secured Minerva Fund Administration menu, to Principal Investigators (FFM) so that financial activity and status may be monitored.

PR3.3.2.

Provide systematic and manual verification of budget availability, and prevent new expenditures against funds/grants with insufficient funds.

PR3.3.3.

Wherever possible, encumber firm financial commitments (e.g. salary appointments plus benefits, purchase orders) to assist with an accurate calculation of budget availability.

PR3.3.4.

Process the temporary budget equal to a Letter of Guarantee from the Department/Faculty.

PR3.3.5.

Provide over-expenditure summary reports to Senior Director and Management team, RFMS.

PR3.3.6.

Freeze over-expended funds for which a Letter of Guarantee has not been provided by the Department/Faculty. A significant unauthorized over-expenditure may result in the freezing of all funds under the responsibility of the Fund Financial Manager.

PR3.3.7.

When the prescribed time has elapsed, and following the appropriate notification/consultation with the Department Chair and Faculty Dean, Financial Services will clear the over-expenditure by writing it off to the departmental/faculty operating fund.

PR4. Glossary of Terms

Fund Financial Manager

Also known as the FFM, Fund Holder or Principal Investigator (in the case of research grants). The academic, researcher, or administrative staff responsible and accountable for the financial operations encompassed by a McGill fund.

Unit Head

The individual responsible for a McGill unit, also deemed to be the 'Organization Financial Manager'; usually the Chairperson or Director of a department or unit, or the Dean of a Faculty.

Over-expenditure (O/E, overspent, NSF)

Over-spending; a negative free balance. In other words, the actual and committed expenditures are in excess of the budget allocated.

PR5. Links to Related Documentation

[Fund Financial Manager Policy & Guidelines](#)