



Standard Operating Procedures

► Overdrafts

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PURPOSE

- To establish guidelines to resolve overdrafts and unallowable expense from sponsored research accounts.

POLICY STATEMENT

- Financial Policy Manual: 2106 Financial Responsibility <http://www.finance.upenn.edu/vpfinance/fpm/2100/index.shtml>
- Financial Policy Manual: 2113 Cost Transfers and Payroll Reallocations <http://www.finance.upenn.edu/vpfinance/fpm/2100/index.shtml>
- Financial Policy Manual: 2129 Write-off of Overdrafts and Disallowances <http://www.finance.upenn.edu/vpfinance/fpm/2100/index.shtml>

REASON FOR PROCEDURE

- To reconcile accounts prior to financial reporting to funding agencies
- To report cost sharing amounts for reasonable and allocable costs which exceed the authorized total award amount

WHO SHOULD BE KNOW THIS PROCEDURE

- Deans
- Office of the Comptroller
- Center and Institute Directors
- Department Chairs
- School of Medicine Administration
- School of Medicine Faculty/Investigators
- Departmental Administrators
- Office of Research Support Services
- Penn Research Services

GENERAL INSTRUCTIONS

- Principal Investigators and Business Administrators should review accounts for overdrafts on a monthly basis. **Refer to Monthly Reconciliation of Accounts SOP.**
- The Principal Investigator and Business Administrator should resolve the correct account

- combination for any cost transfers. Care should be taken when determining an account to which costs will be transferred. Research programs must directly benefit from the cost being transferred,
- Any costs being transferred to sponsored project accounts must be allowable, allocable, and reasonable.
 - The transfer of an overdraft or any direct cost items incurred in the conduct of one sponsored project may not be transferred to another sponsored project account merely for the sake of resolving a deficit or an allowability issue.
 - Once the Principal Investigator has approved the charge, the appropriate cost transfer can be completed. Transfers must be supported by documentation which contains a full explanation of how the error occurred and show how the charge benefits the project or is related to the project to which the transfer is being made.
 - When cost sharing an overdraft at the time of the close of the award, have your research accountant enter the transaction and write it off to the appropriate designated fund identified and supplied by your department/center/institute. Refer to Cost Sharing SOP.
 - If the account is frozen, contact ORSS (orss@mail.med.upenn.edu) with a detailed worksheet of costs to be transferred to have the account unfrozen. **Refer to [Unfreeze SOP](#).**
 - The Business Administrator should contact Research Services to check the final resolution of the account, and to have the fund disabled.

PROCEDURES

- Each month, Business Administrators need to identify funds that are in deficit. **Refer to Reports SOP** for appropriate reports.
- Determine if overrun costs are appropriate for the fund.
 - o If so, Business Administrator with the Principal Investigator and appropriate departmental administrative personnel should identify the account that will cost share the charges. Prepare and enter manual journal entry for cost sharing after approval of written documentation by the Principal Investigator
 - o If not, Business Administrator should identify the appropriate fund for the cost transfers with Principal Investigator. The charges must be allowable, allocable, and reasonable to the project to which the expenses are being transferred.

· **Entering the journal entry into FinMIS for cost transfers**

G/L Journal Entry - General Responsibility

1. Select: \ Navigate Journals Enter
2. Batch Zone
 - >Follow the batch naming convention in the FinMIS Reference Manual. Be sure to begin with the ORG, use three capital initials and include the year. For example:
4000.ABC.12/12/00.01
3. Journal Entry Zone: Enter the Name (same as in Batch Zone)
4. Select Category "07" Grant and Contract Adjustments
5. Description of the entry is cost sharing for EBs, for e.g.
6. Press Tab through the Journal Entry Zone until you reach the Context field.
7. Context field: Use Quick Pick and select Cost Sharing.

8. Type of Adjustment field: Use Quick Pick and select Correction of Previous Transaction.
9. Reason field: explain whether voluntary or mandatory cost sharing.
10. Additional Comments: Complete only if necessary to adequately explain the entry.
11. In the Journal Entry Lines Zone: Complete the Accounting Flexfield
12. Enter the appropriate debits and credits
13. When you have completed all necessary fields, press [Ctrl S]. Check and Reserve the funds.

- If the project is ongoing, Business Administrators should not approve any additional transactions while account is in deficit. To avoid any further deficit, the Business Administrator should freeze the account until the next budget increment is received.
- Once overdraft is resolved and if the budget period ended and the final report submitted, Business Administrators should monitor the account to ensure it was disabled (check one time weekly).

Helpful hint:

If a non-competing segment is anticipated, consider completing an Account Continuation Request Form authorizing expenditures up to 25% of the next budget segment. Forms are available at <http://www.upenn.edu/researchservices/rs/forms.html>

CONTACTS

- Departmental Business Administrators
- Department Chairs
- Office of Research Support Services
- Penn Research Services
- Office of the Comptroller

FORMS AND ATTACHMENTS

Manual journal entry template <http://www.med.upenn.edu/research/penn/formag.htm>

MISCELLANEOUS

- Agency policy should be reviewed before any cost transfers are completed to ensure that all transfers are proper and allowable to the project.
- The FinMIS 115 (Grant Fund Summary Report) shows the actual unallowable or overdraft amounts relative to the actual awarded amount (rather than the FinMIS budget amount).
- Run a 103 (Summary Grant & Contract Report) to verify appropriate cost sharing entries have been completed. An undefined (0000) CREF will be used for cost sharing and you will have a negative BBA in a fund that no longer exists.
- All transfers should be made promptly. Any delay over 90 days must include an adequate explanation of why there was a delay in correcting the error/overdraft.
- Failure to resolve overdrafts will result in the transfer of the charges by Research Services to the unrestricted operating budget of the responsible ORG.

Financial Policy Manual <http://www.finance.upenn.edu/fpm>

Guidelines for Cost Transfers <http://www.upenn.edu/researchservices/spmanual/cost.html>

OMB Circular A21

[Refer to Cost Transfers SOP](#)

[Refer to Wayward Transactions SOP](#)

Refer to Reports SOP

Refer to Cost Sharing SOP

Refer to Monthly Reconciliation of Accounts SOP

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