Research Project Overspending
What is a Deficit?

Overspending

Overspending results when commitments for future expenses (e.g. salary contracts, purchase orders, overhead, outstanding advances) together with actual expenses incurred exceed the approved budget in a research project.
The Surplus/Deficit is calculated as follows:

\[
\text{Budget} - \text{Expenses} - \text{Commitments} = \text{Surplus/Deficit}
\]

Queen’s allows researchers to spend to budget, regardless of when the cash is received.

Once the Surplus/Deficit has a negative value (deficit) the Research Project Over-Spending Procedure will apply.
Research Project Over-Spending Procedure

• **Month 1:** If a project goes into deficit >$1K in Month 1, an email is sent to PI, authorized delegates and Dept. Head

• **Months 2 & 3:** PI has Month 2 and Month 3 to resolve the issue before the project is inactivated

• **Month 3:** Project is inactivated and email is sent to the PI, authorized delegates and Dept. Head notifying of the deactivation

**Note:** At this time, any salary being expensed to the project will be diverted to the departmental operating fund.
Month 7:

• Once a project has been in a deficit for 7 consecutive months, the excess of expenses over revenue is recoded to the department operating fund regardless of the deficit amount.

• A preliminary email is sent to the Faculty Business Officer at Month 6 notifying them of the impending recode to operating.

• **Program Code 10253** (Overspend from Research) is used to identify transactions recoded from research to the department operating fund.
Month 7 (Cont’d):

It is important to note when recoding the deficit of a project, the amount to be recoded is calculated as **REVENUE** less **EXPENSES**, not Budget less Expenses.

\[ \text{REVENUE} - \text{EXPENSES} = \]

**RECODE TO DEPARTMENT OPERATING FUND**

Once the **7 month continuous deficit** has been recoded, the project will be **Closed**.
Options for Resolving Research Project Deficits:

1. Overdraft Request Form
   One way of resolving “timing” issues (i.e. spending ahead of budget) is to obtain Overdraft Protection.

2. Recoding of Eligible Expenses
   Eligible expenses may be recoded from one project to another in order to resolve deficits.

3. Additional Funding
   In some cases additional funding may be obtained from the original source of funds.
Overdrafts

An Overdraft is essentially “borrowing” funding from another source on a temporary basis. The ChartField provided to secure the overdraft is a guarantee to ensure the deficit will be covered.

If the deficit is not resolved at the end of the overdraft period, the expenses will be recoded to the ChartField provided.

Note: In some cases PIs may choose to use their Special Research Project (SRP) to secure an overdraft. SRPs are the only allowable research projects that can be used to secure overdraft.
The Research Project Overdraft Request and Approval Form is available on the Financial Services website under the Forms tab.
The **Research Project Overdraft Request and Approval Form**:

- Must be fully completed
- Approved by the Department Head
- Cannot exceed one year in length
- Cannot extend beyond the Project Spending Deadline of the research project
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