

## Unreimbursed and Disallowed Costs Policy

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### Responsibility

Responsible McCormick Official: Senior Associate Dean Richard M. Lueptow

Responsible Office: McCormick Office of Research Administration

Last Updated: September 25, 2020

### Policy Overview

From time to time, sponsors disallow or otherwise decline to reimburse originally-committed costs on research awards. While not common, this may occur on any sponsored project as a result of inadequate effort reporting, audit findings such as inappropriately assigned or timed expenses, insufficient payment from the sponsor to NU, federal budget cutbacks, and a variety of other situations.

The responsibility for proper financial administration of a sponsored project lies primarily with the Principal Investigator (PI). Department and McCormick administrative staff support the PI in this responsibility. When a PI spends more on a sponsored project than is ultimately reimbursed or allowed by the sponsor, the University expects repayment of the direct costs from appropriate non-sponsored funding source(s). The University (central administration) typically absorbs the indirect cost portion of the over-commitment.

Consequently, it is the policy of the McCormick School of Engineering and Applied Science that unreimbursed or disallowed direct costs are repaid to the University using non-sponsored funding sources with one-third covered by the PI and two-thirds covered by McCormick Administration.

The PI should notify the Office of the Dean of his or her plans for covering their one-third contribution. If the PI's one-third contribution to cover the direct expenses takes the PI's discretionary account(s) into deficit, further spending from the discretionary account(s) beyond the contribution will not be allowed. In this case, the PI must work with the department and the Office of the Dean to prepare a repayment plan. The first strategy should be for the PI to charge academic year salary on current or future grants rather than summer salary until funds recovered by the PI are sufficient to cover the deficit. If this strategy is insufficient to fully resolve the deficit promptly, the repayment plan may be expanded to include other discretionary sources such as professorship stipends, startup or retention funds, discretionary fund allocations for administrative roles, and converting pre-doctoral or post-doctoral fellowship quarters provided by McCormick to a cash equivalent.