



POLICY ON THE TREATMENT OF DEFICITS IN RESEARCH ACCOUNTS

Effective Date: December 14, 1998 **Originating Office:** Office of Vice-President, Finance
Supersedes /Amends Policy dated: March 27, 1995 **Policy Number:** CFO-6

SCOPE

This policy applies to all research account-holders.

PURPOSE

The purpose of this policy is to ensure the orderly treatment of deficits in research accounts.

POLICY

1. Deficits in research accounts are the responsibility of the individual possessing signing authority on an account, usually the Principal Investigator (PI). As confirmed by recent jurisprudence, a deficit constitutes a loan to the PI from the University.
2. The Research Funds unit of Financial Services shall send a letter to all PIs who incur a deficit in any account under their responsibility. A copy of this letter shall be sent to the relevant Dean. The letter shall contain the following information:
 - the amount of the deficit;
 - a directive that the PI must submit a proposal for eliminating the deficit to his or her Dean within three weeks from receipt of the letter. An additional three weeks shall be allotted for discussions of the proposal. The PI will have, therefore, a total of six weeks to reach an agreement with his or her Dean as to the means for the elimination of the deficit;
 - notification that no new financial commitments against the account will be permitted until the deficit proposal outlining how these as well as well as any future anticipated commitments will be met is accepted. Previous commitments shall continue to be honoured.
3. As a general rule, a deficit existing in an account with a high probability of being credited with funds from a future installment or a new award, may be reduced by a maximum of twenty percent of the value of the future installment or new award. In other cases, the deficit shall be repaid using funds that have been generated by the personal activities of the PI (e.g. honoraria, overhead, administrative stipends, etc.) The Dean may decide to pursue alternate arrangements given variations in past history and practices.



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4. Before accepting a proposal, the Dean shall confirm that the proposal is acceptable in the context of the granting agency's rules, if applicable.
5. If the proposal is accepted, a copy of the plan shall be sent by the Dean to the Research Funds unit who shall be responsible for ensuring that the plan is, in fact, implemented. Upon acceptance of the plan, the freeze on new financial commitments shall be lifted.
6. If a proposal is not accepted after the six week period, the freeze on new commitments shall continue. If no agreement is reached after a total of sixteen weeks from the receipt of the notification letter by the PI, the Research Funds unit shall notify the PI that it is recommending to the Vice-President, Finance that the amounts owing be deducted from the PI's salary. This measure will be used only as a last resort and will be taken only after all concerned parties have been consulted and all other avenues have been exhausted.
7. In the case of research contracts which are not accompanied by a payment that precedes the onset of research activity, contract accounts shall be credited at their opening with an advance equal to the amount of the first installment expected. This amount will not be considered to constitute a deficit throughout the lifetime of the contract.