



COMMUNICATION FROM THE CHAIR OF THE TASK FORCE TO REVIEW FACULTY REIMBURSEMENT OF GRANT COST OVERRUNS

Elizabeth Boyd, PhD, Chair

February 25, 2008

David Gardner, MD
Chair, UCSF Academic Senate
Campus Box 0764

RE: Task Force to Review Faculty Reimbursement of Grant Cost OVERRUNS

Dear Chair Gardner,

At your request, in October of 2007, this task force was convened and charged to investigate campus and departmental policies related to faculty overspending of contracts or of grants awarded to principal investigators. This report summarizes the findings from the investigation of this task force.

Context

The problem of contract and grant cost overruns is one that can negatively impact individual investigators as well as departments, divisions, and/or schools. The issue was first brought before the Committee on Academic Freedom (CAF) in October, 2006 when a member of the committee asked if there were a policy that addressed the issue of UCSF responsibility and authority as it related to Principal Investigator over-expenditure. This incident involved an Investigator who was told by the Department Chair that the overrun would be forgiven if he left the University. Another incident in the form of an anonymous report was regarding a non-Ladder Rank, junior faculty member who had over-spent the grant accounts and who had, apparently, been told to repay the overrun from personal funds. Neither case was brought forth as a formal complaint before the Committee on Academic Freedom, but several of the Committee members recalled other anecdotes that echoed these incidents, including rumors that Principal Investigators had been forced to take unpaid vacation time to offset overruns, to transfer money from other federal grants to "cover" these losses (which is a violation of the terms of most federal grants), or to write a check to the department out of personal bank accounts.

After conducting a preliminary investigation into written University policies related to cost overruns, CAF concluded that there appeared to be a lack of clear and concise policies on appropriate procedures for faculty who overspend grant accounts and that each department or division seemed to handle such incidents differently. *Contracts and Grants policy 300-19, III. A.4* states that "in the case of cost overrun, the PI is responsible for the transfer of such overrun out of the project," and policy *300-19, III. B.4.* states that if an overdraft is not cleared by the PI in a timely manner, the accounting office has the authority to transfer the over-expenditures to other funds. Neither policy defines timeliness or what happens if there are not other funds upon which to legally draw.

In discussion with the Coordinating Committee, a number of questions emerged, including: Who has ultimate responsibility for cost overruns (the PI or the department)? How frequently do such overruns occur? When does an

overdraft shift from being accidental/incidental to negligent? At what point may disciplinary action be taken? May a faculty member be forced to pay out-of-pocket for overruns? What recourse does a faculty member have once disciplinary action has been taken? Is there a statute of limitations on overdrafts? If the department chair is ultimately responsible for managing overruns, is the process clearly defined, equitable and fair to all investigators, regardless of series and rank?

Process

The Task Force to Review Faculty Reimbursement of Grant Cost Overruns met in late November to formulate a questionnaire to survey Department Chairs, Division Chiefs, and Deans regarding policies and procedures for handling grant cost overruns.

Department Chairs, Division Chiefs, and Deans were emailed a short set of questions and a sample scenario for response. The questionnaire was sent twice, once in December 2007 and again in January 2008. The questionnaire asked:

- 1) Does your department or division have a specific policy in place for addressing faculty who incur cost overruns on their grants?
- 2) In your estimation, how often do you encounter faculty with cost overruns?
- 3) A sample scenario was presented in which an investigator has an overrun of \$5,250. The situation involved inadequate funds to cover PI salary, a mandated pay increase for project staff, and unexpected laboratory expenditures.
 - a) Whose problem is the overrun?
 - b) How can the overrun be addressed?
 - c) Is this negligence on the part of the Investigator?
 - d) How could this have been avoided?
 - e) Who should be monitoring the budget?
 - f) How do junior faculty get trained in running studies and avoiding such overruns?
 - g) Should a portion (1%) of the F&A costs be set aside as a reserve that could be applied for in the event of justifiable, non-negligent cost overruns?
 - h) How should repeated overruns be handled?
 - i) Would you handle this differently if the faculty member were Ladder Rank?

Response rate to the Task Force's inquiry was extremely low – just 8 respondents replied out of a total of 32 Deans and Department Chairs to whom the e-mail survey was sent, although one response reported that they had conducted a survey of all departments in the school and were presenting summary findings. The School of Pharmacy and the School of Dentistry did not submit responses. Of the responses received from the School of Medicine and the School of Nursing, most of the responses were selective, answering some but not all of the questions posed.

Because of the extremely low response rate to our inquiry, the Task Force viewed the results as suggestive, and the information gathered could not be generalized to apply to all departments or schools. Nevertheless, the responses were thoughtful and provide insight into the lack of direction many investigators appear to face when confronted with overruns.

Discussion of Findings

Of the responding units, five said they had a defined (though not necessarily written) policy for managing cost overruns. One department's policy states that "no more than 25% of the current direct cost budget may be overspent and if overruns are projected, the PI must designate cuts or savings." Another division returns 40% of indirect costs (IDC) to faculty to offset unanticipated overruns. Other units described processes in place which regularly forecast budget shortfalls and schedule regular meetings between faculty and Research Service Analysts (RSAs) to discuss projections and make adjustments before overruns occur.

Three respondents said their units did not have any policies in place to address cost overruns and left it up to individual faculty members to negotiate a solution to the overdraft with the Department Chair. One department reported a zero tolerance for overspent accounts, although the response did not describe if or how a negligent faculty member would be disciplined.

Responses ranged from “almost never” to “all the time.” The five respondents from departments with specific procedures to forecast budget overruns reported fewer problems than those reporting from departments with no policies in place. Only one department provided an exact figure for FY2007, reporting that 20.6% of their current grants currently had cost overruns.

Most respondents pointed out that it is not only the responsibility of the PI to understand his/her budgets, but the obligation of the department to provide monthly or at a minimum bimonthly, updates from the RSA so that faculty can plan for budget changes. Overruns are a shared problem and faculty cannot be solely responsible if current financial information is not provided regularly. Early intervention will prevent most cost overruns.

Several respondents mentioned the need for faculty to be trained in budget management, either through formal programs, such as the new CTSI Mentoring Program, or informally, through departmental mentors or RSA training. Faculty must have support and training to understand and manage budgets.

Most who responded to the questionnaire pointed out the absolute necessity of providing up-to-date financial information to faculty on a regular basis. Successful departments reported meeting monthly or bimonthly with PIs in order to review budget forecasts, identify problems before they grow large, and intervening with a call from the Chair early in the process to work out a specific plan.

Most who responded to the questionnaire agreed that faculty who consistently and repeatedly ran into overdrafts were not just having bad luck, but were becoming negligent and would likely require intervention by the Department Chair. One department called for a clear and specific policy to address repeat offenders, define appropriate disciplinary action, and put into process a means to tie this negligence to promotion and tenure decisions. No respondent detailed any disciplinary policies, procedures, or practices in place to manage negligent faculty.

No respondents indicated that there is to be a difference in how Ladder Rank faculty have been or would be treated, even though non-Ladder Rank faculty may not have additional resources such as discretionary funds. Several respondents reported that the department would cover any faculty member who did not have discretionary funds to cover the gap. Other respondents said that the more important distinction was senior-versus-junior faculty—as senior faculty are expected “to know better” than junior faculty.

The Task Force heard no specific incidents of overruns, no indication of specific disciplinary actions taken, and no indication of how a Chair might actually negotiate a repayment from an investigator.

Summary of Findings

The occurrence of grant cost overruns is not infrequent, although it is difficult to get a specific estimate from most departments or divisions. Even among the small number of responding departments and divisions, there appears to be great variation in how well-developed policies are. Few policies seem well-formulated and articulated to faculty, but most are implicit or non-existent. Thus, there is likely great variation and inconsistency in how cost overruns are managed, both across departments and schools and perhaps within as well. This leaves open the possibility that Chairs may differentially support or punish individual faculty members with overruns, without oversight or opportunity for recourse by the faculty member. Furthermore, it remains unclear what sort of disciplinary actions are

deemed appropriate, what recourse investigators have in the face of such actions, and whether such actions are fair, equitable, and permissible under P&T guidelines and policies.

The importance of clear, consistent, and timely sharing of financial information with faculty cannot be over-emphasized. Overruns must be seen as the shared responsibility of both departments and faculty.

Finally, the task force members agree that it seems unreasonable that any faculty member should be required to pay out-of-pocket for cost overruns. If a faculty member has clearly been negligent and has not responded to requests to slow down or to stop charging expenses to grants that are in danger of running into a cost overrun, he or she should be subject to appropriate disciplinary action. If the cost overrun is a result of lack of timely financial and/or accurate reporting, and there are no discretionary funds to draw upon, it should be the responsibility of the division, department, or school to cover the overrun.

Recommendations

The Task Force recommends the following:

1. The establishment of clear, written campus-wide policies detailing process and management of grant cost overruns;
2. The establishment of clear, written campus-wide policies on types of disciplinary actions to which faculty may be subject and steps for faculty who dispute such actions;
3. All policies must emphasize the shared nature of the responsibility and recognize that Departments who do not provide timely information to investigators cannot hold investigators solely responsible for overruns.
4. The appointment of a special task force or committee to draft and circulate these policies. This committee should include representatives from all academic series (including the Adjunct and Clinical series) and should include both senior and junior faculty members.

Respectfully submitted,

The Task Force to Review Faculty Reimbursement of Grant Cost Overruns

Elizabeth Boyd, PhD, Chair, Committee on Academic Freedom
Deborah Adey, MD, Committee on Academic Planning and Budget
Al Burlingame, PhD, School of Pharmacy Faculty Council
Jacque Duncan, MD, Committee on Faculty Welfare
Steve Kaye, PhD, School of Nursing Faculty Council
Phil Rosenthal, MD, Delegate from the School of Medicine Council
Lenore Pereira, PhD, School of Dentistry Faculty Council