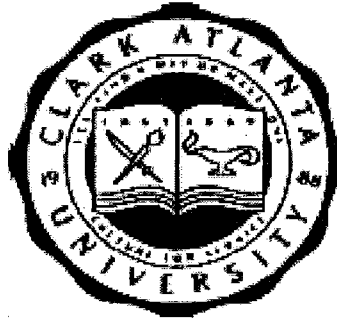


# CLARK ATLANTA UNIVERSITY

## Policy 7.7.5: Budgeting and Expense Monitoring



<b>CLARK ATLANTA UNIVERSITY</b>		
<b>POLICY and PROCEDURE</b>	<b>Subject:</b> Budget and Expense Monitoring	
<b>Department:</b> Finance and Business Services	<b>Review/Revise Date:</b> 10/09	<b>Issued By:</b> Vice-President Finance & Business Services
	<b>Effective Date:</b>	
<b>Distribution:</b> Division of Research and Sponsored Projects, Office of Grants and Contracts Accounting and Principle Investigators, Project Directors, Program Managers, and project faculty and staff members	<b>Required Approval:</b>	<b>No. of Pages:</b>  7
<b>Signature of Approver</b>		<b>Date</b>

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## **1.0 Policy Statement**

All costs incurred related to externally sponsored projects must directly benefit the projects to which they are charged. The Federal Government is the largest sponsor of externally funded activities at the University. As such, the University strictly adheres to the cost principles relating to expenditures on federal awards found in the Office of Management and Budget (OMB) Circular A-21, *The Cost Principles for Institutions of Higher Education*. These cost principles require that any expense charged to a federally sponsored project be reasonable, necessary, allocable, consistently treated, and conform to the limits or exclusions set forth in A-21. Additionally, individual Federal Government agencies or specific awards may include special terms that must be considered when incurring costs.

## **2.0 Procedure Narrative**

### **2.1 Post Award Budget Development**

When an approved award notification from the externally sponsored entity is received by the University, the Principle Investigator (PI)/Project Director (PD) or Program Manager is responsible for submitting a budget to the Office of Research and Sponsored Programs via Form 405 (see Attachment A). The budget must comply with the objectives established by the awarding agency for the particular project funded. The Office of Research and Sponsored Programs (ORSP) is responsible for reviewing the form 405 to ensure adherence and compliance with the terms of the award or initial proposal.

Once OGCA receives the Form 405 with all the necessary approvals, a new, unique fund code is created in the Banner Financial Accounting System. Budget amounts correspondent with the budget line items (i.e., account codes) provided in the Form 405 are entered into Banner. Budgets entered as a part of this process are the basis by which expenditures are to be made throughout the life of the award.

### **2.2 Expenditures Compliance**

All sponsored project expenditures are to be made in accordance with the University's Purchasing Policy (<http://www.cau.edu/CMFiles/Docs/PurchasingPolicy.pdf>). Occasionally, the requirements of a specific award may require unique expenditure management. In those instances wherein those requirements are different from those of the University, the more stringent requirements will govern the purchasing process.

### **2.3 Prior Approvals**

All University expenditures require certain prior approvals in order to be completed. If those expenditures are to be charged to sponsored projects the following parties/departments must approve the transactions.

*Principal Investigator/Project Director* - It is the ultimate responsibility of the PI/PD to ensure that the expenditure is in compliance with the terms of the specific funding agency and award.

*Office of Research and Sponsored Programs (ORSP)* –The responsibility of ORSP is to determine whether the expenditure is allowable under the requirements of OMB Circular A-21, the requirements of the specific agency, the terms of the award or any other applicable rules and regulations.

*Office of Grants and Contracts Accounting (OGCA)* –It is the responsibility of OGCA to review the supporting documentation for an expenditure to determine whether the expenditure is allowable under the University’s policies, OMB Circular A-21, the rules of the specific funding agency and the specific award.

Also, OGCA’s responsibility is to determine whether funds are available for a specific expenditure based on the budget established at the outset of the award and expenditures incurred/encumbered to date. If it is determined that funds are unavailable, the requisition is returned to the PI or program manager to either generate a budget revision or cancel the expenditure request altogether.

## **2.4 Budget Revisions**

When it is determined that a change to the initially planned expenditures is warranted in order to meet the objectives of a specific award, a Budget Revision Form (see Attachment B) is completed and submitted by the PI/PD or program manager. If the requested change requires agency prior approval due to the terms of the award or guidance provided for in the OMB Circulars A-21 and A-110, the PI/PD or ORSP contacts the appropriate agency official and obtains written approval for said change. The written approval is required to be attached to the budget revision in order to be processed by OGCA. When all appropriate approvals have been obtained and submitted, OGCA is responsible for adjusting the budget in Banner to reflect the change.

If a deficit or disallowance occurs or about to occur under a sponsored agreement, grant or contract account, the PI/PD is to advise the OGCA as to the appropriate disposition. Any costs allocable to a particular sponsored agreement, grant, or contract shall not be shifted to other sponsored agreements, grants, etc. in order to meet deficiencies caused by overruns or other fund considerations, to avoid restrictions imposed by law or by terms of the sponsored agreement, or for other reasons of convenience. The request of an after-the-fact transfer of expenditures from one grant or contract account to another for the purpose of only correcting a deficit or disallowance is not allowable. In the absence of specific advice, the PI/PDs department’s unrestricted budget will be charged.

The University shall not budget separate funds for covering sponsored agreements, grant or contract deficits or disallowances so alternative sources must be found by the PI/PD.

## **2.5 Incremental Funding/Periodic Revisions**

Budget increases sometimes known as “Incremental Funding” come as the result of supplements, continuations, renewals, etc. to existing awards. Periodic revisions are due to a need for reallocation of funds by expenditure line item categories. Both types of adjustments to the original budget are accomplished by submitting a Budget Revision Form. All budget revisions

to restricted governmental awards should be reviewed and approved by the ORSP prior to submission to the OGCA for processing. The PI/PD must review expenditure reports to determine if periodic revisions are necessary between line item categories. Re-budgeting of non-personnel funds are also handled through the revision process and in accordance with the award terms and conditions and University policies and procedures. In accordance with OMB Circular A-110 there may be limitations imposed by the federal agency that require prior approval.

## **2.6 Expenditure Monitoring and Sub-Recipient Monitoring**

PI/PD and program managers are required to review and reconcile the expenditures on their awards to what has actually been charged to their specific project fund accounts in the Banner system on a monthly basis. The PI/PD and program managers have access to the Banner systems to generate financial reports and review budgeted and expended costs related to their respective projects. In addition, OGCA meets with each PI/PD or program manager on a quarterly basis to ensure that they are in agreement with expenditures that have been charged to their respective projects. As a part of those meetings, the PI/PD and program managers are provided with financial reports detailing all expenditures on their specific awards. Additionally, if the PI/PD and program managers are not able to generate periodic financial reports from Banner, OGCA will provide them upon request at any time.

After-the-fact transfer of expenditures from one grant or contract account to another for the purpose of only correcting a deficit, overruns or disallowance is not allowable.

### **Sub-Recipient Expenditure Monitoring**

The PI/PDs, ORSP and OGCA shall work together to review and ensure all incurred expenditures, submitted for reimbursements via invoices from sub-recipient institutions are reasonable, allowable, allocable and are consistent with the established scope of work, University's policies and procedures, and external sponsors terms and conditions. A sub-recipient is a third-party educational institution performing a portion of the scope of work on the University's project or program funded by external source.

This monitoring requirement apply only to sub-recipient institutions receiving a re-grant, sub-award, memorandum of understanding, or subcontract and not to vendors receiving a procurement contract (contracted services agreement).

This section of the procedures requires that sub-recipient institution's invoices be submitted in a standard approved format or, if submitted in an alternate format, contain a minimum level of information including but not limited to:

- Name of sub-recipient institution
- Date of invoice
- Invoice number
- Purchase order number (if applicable)
- Period of performance covered by invoice
- Description of services reflected by billings
- Current period costs (with sufficient detail)
- Cumulative project costs as compared to the expense budget

- Sub-recipient institution contact person with respect to the invoice
- Statement that the funds expended are reasonable, allowable, and allocable
- Statement that the costs are in compliance with the terms and conditions of the agreement, grant or contract.

## **2.7 Time and Effort Reporting and Monitoring**

For many projects, personnel/labor costs represent a significant portion of the total expenditures. OGCA generates time and effort reports to be reviewed and corrected by personnel paid who are supported in part or fully by federally funds sponsored projects. Time and Effort reports are generated once after the end of each academic term (Fall, Spring, and Summer) using the **After-the-Fact Effort Certification** process. A notification is sent to all project employees via a university-wide broadcast e-mail from the Provost/VP Academic Affairs or OGCA just prior to the beginning of the next certification period.

The certification period occurs within thirty (30) days from the date of the notification. The PIs/PDs and project personnel are also required to review charges posted for salaries and wages on a monthly basis to ensure effort reports will be accurate after the end of each academic term. When a project employee identifies a discrepancy during the certification process, OGCA will research, and if necessary, process a Change in Payroll Distribution form (signed by the PI/PD in instances where the employee is not the PI/PD) submitted by project administrators within five (5) days of identifying the discrepancy.

A listing of those project individuals who have not reviewed/signed the reports after 30 days following notification by OGCA of the availability of the reports is forwarded to the Vice President for Academic Affairs for follow-up and action. Any PI/PD with delinquent reports after 45 days are subject to having expenditures on their specific awards restricted/suspended until the delinquency is rectified.

This monitoring process also ensures that total effort on a project or across multiple projects does not exceed 100% of an individual's time and that the faculty member's effort does not conflict with and is reasonable within the confines of his or her teaching responsibilities as defined in his or her contractual agreement with the University.

All effort certification documentations are maintained in the OGCA in accordance with the University's record retention policy.

## **2.8 No Additional Budget – No Cost Extensions**

External sponsors expect principal investigators / project directors to complete all requirements of an award by the termination date listed in the award document for research and educational activities. Therefore, many sponsors will provide additional time by approving the PI/PD's request for "no-cost extension." The requirements to apply for a no-cost extension vary with the external sponsor and each investigator should refer to particular external sponsor's policies and guidelines.

In all cases, the notification/request must originate with the PIPD's department with a justifiable reason for the extension. This request should be submitted to ORSP for review before submitting in the sponsor's required format allowing enough time for ORSP to meet the sponsor's deadlines. In no case does a sponsor allow for an extension simply to use up unexpended funds.

## **2.9 Budget Status Report**

The OGCA is required to prepare and submit annually a Budget Status Report to the external sponsored entity. The report is a fiscal year summary report by budget line categories reflecting the balance of the budget from the prior fiscal year and any additional funds that have been added in the current fiscal year, expenditures incurred in the current fiscal year, any commitments (i.e., unpaid purchase orders) and the available balances per line item on an award. The report will be used by PI/PD, OCGA, and ORSP to adequately monitor the spending levels of the various funds from externally funded project.

## **2.10 Cost Sharing/Matching**

See Section 7.10.7 on monitoring cost sharing/matching

## **3.0 Entities Affected By This Policy**

Division of Research and Sponsored Projects, Office of Grants and Contracts Accounting and Principle Investigators, Project Directors, Program Managers, and project faculty and staff members