

<b>Issuing Department</b>	Research Accounting Services
<b>Title</b>	Budget Monitoring
<b>Effective Date</b>	December 26, 2014

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## **Policy Statement**

Externally sponsored awards require regular monitoring to ensure that funds are responsibly used and managed. Temple University must ensure that processes for charging costs to sponsored projects are in compliance with federal agency terms and conditions, applicable standards of other sponsors, and University policies.

Temple University has established this policy and associated procedures for monitoring sponsored projects to provide for internal control and responsible stewardship of sponsor and university funds.

Externally sponsored awards require a routine analysis to ensure that funds are utilized properly. The PI and business administrator in the respective school or college are responsible for monitoring the:

1. Allocability, allowability and reasonableness of project charges,
2. Proper release of encumbrances, and
3. Oversight of the grant spending rate.

Regular monitoring helps ensure that a project only bear the costs which directly benefit the project. If charges are identified that do not benefit a project, timely action should be taken to transfer those costs off the project consistent with the University's Cost Transfer Policy. Regular review and timely action reduces the likelihood of late cost transfers.

Regular monitoring also helps ensure that encumbrances which may require liquidation are addressed in a timely manner to ensure that the awarded funds can be used to support the goals and objectives of the project.

Finally, regular monitoring also helps prevent incurrence of expenditures which exceed a project's awarded budget. Overages require redirection of unrestricted funds and have implications for the University's Facilities and Administrative Cost rate. When an overage occurs it is expected that the respective college or school will resolve the overage.

For most projects a consistent rate of expenditure is considered a reflection of programmatic progress. At times sponsors will inquire about the variance in the project timeline and the expenditure rate; regular monitoring supports programmatic progress and can support the foundation for responding to variance inquires.

## **Applicability**

This policy applies to all sponsored projects administered by Temple University.

## **Requirements**

Procedures for this requirement include:

1. Regular review of the project budget in relation to expenditures;
2. Monitoring of expenditures to prevent overages;
3. Review of expenditures for allocability, allowability and reasonableness; and
4. Review of open encumbrances that may need to be liquidated.

If an overage occurs the PI, assisted by their business administrator, is responsible for resolving the overage.

If charges are identified which do not meet the requirements for allowability, allocability, and reasonableness the PI, assisted by their business administrator, is responsible for transfer of the costs consistent with the University's Cost Transfer Policy.

If encumbrances are identified that need to be liquidated the PI, with the assistance of their business administrator, is responsible for notifying purchasing regarding the closure of the encumbrance.

### **Who Must Comply**

The PI, assisted by their business administrator at the respective school or college managing the award is responsible to monitor the grant spending to ensure that it is consistent with the awarded budget and project requirements.

All individuals involved with the administration and conduct of sponsored activities, including Temple Grants Management, Research Accounting Services, Principal Investigators and Business Administrators must comply with the requirements of this policy to ensure the University maintains an effective internal control environment.

### **Definitions**

**Allowability:** The determination of whether or not costs can be charged to a sponsored project.

**Allowable Costs:** Allowable costs are those costs that are necessary and reasonable; conform to any limitations or exclusions in the terms of the award, consistently treated, and adequately documented. These general criteria are used to determine whether or not costs can be charged to a sponsored project by an authorized individual.

**Allocability:** A cost is allocable to a particular sponsored project, if the goods or services involved are chargeable or assignable in accordance with relative benefits received.

**Cost Transfer:** A cost transfer is the reassignment of an expense to a sponsored project after the expense was initially charged to another project or non sponsored project FOAPAL.

**Encumbrance:** An Encumbrance is the name given to funds that have been reserved when a purchase requisition is finalized, or when personnel is committed to the project. When a requisition is processed, funds are placed aside for that transaction. Those funds are no longer available for use in other transactions, but also have not been included in the actual Inception-to-Date Reporting because a payment has not yet been generated and the funds have not physically left the university. The purpose and main benefit of encumbrance accounting is avoiding budget overspending.

**Late Cost Transfer:** A cost transfer requested greater than 90 days after the original transaction posting date.

**Reasonableness:** A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost.

**Regular Review of Transactions:** A review conducted on a regular basis, but no less frequently than monthly.

**Exhibit Listing**

Appendix I: Cost Transfer Procedures for Overages

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### **PROCEDURE APPENDIX I to Budget Monitoring Policy**

#### **Overages**

After identifying an overage situation, the business administrator should work towards a timely resolution, which should include informing the Principal Investigator and Grant Analyst of the issue/status and the actions to be taken to resolve it going forward.

The Principal Investigator should routinely review the financial information associated with their awards. Where necessary, they should work with their school or college's business administrator and grant analyst to resolve the overage or provide explanations. Principal investigators automatically receive access to the referenced tools below because of their role in the project.

The Business Administrator or department administrator can utilize the following reports and systems to access information necessary to determine if a grant is in an overage position. The following list describes the tools available and a brief description of each:

***1) Cognos Report: Cost Center Summary (Grants) – GL214***

The Cost Center Summary Report (Grants) – GL214, provides the ability to query on one or more than one grant as of a specific fiscal year and period. The report allows you to drill through to transaction detail for both payroll and non-payroll expenditures. The university community is notified each month via an email from the Controller's Office when each period is closed. This email serves as a reminder to departments to review their financial reports.

***2) Cognos Report: Cost Center Summary (Revenue and Expenses) - GL 212***

The Revenue and Expenses Cost Center Report is used for capitated clinical trials. As expenditures and revenues are accounted for a fiscal year basis, rather than Inception-to-Date, this report provides the proper detail. Again, this report allows you to drill through to transaction detail for both payroll and non-payroll expenditures.

***3) Cognos Report: Overage Report – Subtotals by Analyst and Grant***

The Overage Report is based on the user's FUND-ORG security and will provide a listing of any grant that they have access to that are in an overage position. This report allows the user to prompt for a specific fiscal year and period. Current or prior (closed) periods can be selected. The report can be saved in a PDF or Excel format.

***4) Self-Service Banner***

Business Administrators can also run queries in Self-Service Banner to determine the up-to-the-minute balance in a grant. They can obtain information about a current or prior (closed) period. The resulting queries provide drill-through capabilities for both payroll and non-payroll expenditures. Where applicable, the user can also access the image of the document that the transaction stems from. This information can be downloaded for analysis into Excel and is available 24/7.

The Grant Analyst acts as the point of contact in resolving overage issues. Grant analysts are required to review overages on the awards to which they are assigned and reach out to the departments not less than quarterly. If a timely resolution is not made, the grant analyst has the right to prepare a cost transfer moving the overage anon-sponsored program FOAPAL. In these situations, the business administrator and /or Principal Investigator will be notified that corrective action is to be taken.

### **Additional Funding Anticipated**

When it is expected that an overage will be cleared as a result of additional funding, the business administrator should provide documentation and related explanations to their designated Grant Analyst. They should also ensure that this information is shared with the appropriate contacts in Temple Grants Management. If the additional funding does not occur, the department is responsible for covering the overage.

### **No Additional Funding Anticipated**

During the fiscal year, if an overage is identified and no additional funding from the sponsor is anticipated, the overage must be cleared within 45 days or fiscal year end.

### **Fiscal Year End (June 30<sup>th</sup>)**

At the end of the University's fiscal year, it is a requirement that any and all overages be adequately explained or transferred back to the department responsible for the award. Typically, the grant analyst will determine from the business administrator the situation and document cases where funding is expected. In those cases, the overage remains until the official award documents are received at which time a budget entry will be made to the general ledger.

In situations where additional funding cannot be documented, the Grant Analyst will prepare a cost transfer to transfer the funds from the grant to a non-grant FOAPAL.

### **Close-Outs**

The grant analyst will work with departments during the preparation of the final report of expenditures (usually 60-90 days after the project end date) to ensure grants are fully reconciled in a timely manner.

### **Billing**

The Grants Billing Module of Banner has mechanisms in place to prevent bills from being generated when an overage position exists. Given that, grant analysts are provided with a monthly Grant Overage Report indicating which award is not able to be billed as a result of an overage. The analysts are expected to review this report and coordinate with business managers to correct the overage positions in order to allow the bill to produce on the next billing cycle.