



Budget and Expenditure Monitoring for Sponsored Research Programs

Office of Research
Policy Number: 3.5

Effective Date: September 1, 2020
Last Update: September 1, 2020

I. Policy Summary

The university is committed to effective budget and expenditure monitoring. Ongoing budget oversight is provided to ensure that expenditures are in conformity with the budget. Responsibility for budget and expenditure monitoring lies primarily with the Principal Investigator (PI) with support from the department administrators, Pre-Award Services and Post-Award Management units.

II. Policy Purpose

Through monitoring of resources and expenditures throughout the life of the grant award, the grant administrators can proactively and effectively manage the program to ensure financial stewardship and compliance with the grant agreement and other regulatory guidelines.

The purpose of this policy is to:

- Ensure proper financial accounting, reporting and compliance with applicable federal and non-federal Sponsor policies and guidelines for budget revisions and expense monitoring.
- Provide specific guidance on the timeliness, accountability, allowability, documentation and authorization requirements for budget transfers at NJIT.

By appropriately managing the financial outlook for the grant accounts, changes can be anticipated and, if needed, appropriate corrective action taken prospectively. Regular monitoring of sponsored project funds helps to:

- i. Confirm the availability of the project fund.
- ii. Ensure that cost are consistent with the project schedule and incurred between the start and end dates of the project
- iii. Discover errors in the sponsored project budget, encumbrances or expenditure.
- iv. Avoid overspending
- v. Provide high degree of confidence that the project complies with the sponsor's spending terms and conditions
- vi. Obtain sponsor pre-approval when required
- vii. Verify that cost transfers and corrections are processed in a timely manner
- viii. Maintain a clear audit trail

III. Policy Scope and Applicability

This policy applies to all sponsored research projects conducted at or under the auspices of NJIT. While significant attention is placed upon transfers directed to federally-funded Sponsored Projects, this policy will be administered consistently across all sponsored project funds and project accounts.

IV. Definitions

A. “NJIT” includes all NJIT Colleges, Departments, Centers and all entities that are controlled by any of them, except where specifically excluded.

B. “Budget Transfer” means a reallocation or movement of budgeted items by line category within a Sponsored Project.

C. “Facilities and Administrative Costs” or “F&A Costs” or “Indirect Costs”, as defined in NJIT’s *Policy on Charging Direct Costs to Sponsored Research Programs*, means those costs that are incurred for common or joint objectives and therefore cannot be identified readily and specifically with a particular Sponsored Project, instructional activity or other institutional activity. Examples of F&A Costs include costs associated with the depreciation of NJIT’s buildings and equipment, operational expenses, maintenance expenses, general administration expenses, and departmental administration expenses.

D. “NJIT Award” means a formal written grant, contract or agreement made between NJIT and a Sponsor to perform a Sponsored Project. The NJIT Award provides important guidance for managing the Sponsored Project and must be closely reviewed by the principal investigator, the administrator, and personnel in the Office of Research.

E. “OMB Uniform Guidance” means The Office of Management and Budget (OMB) Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (also known as the Uniform Guidance), 2 CFR 1, Chapter II, Part 200, et al.

F. “Principal Investigator or PI” means NJIT’s principal project lead on the Sponsored Project.

G. “Sponsor” means a federal, state or local government agency, foundation, or private organization that is providing financial support of a Sponsored Project.

H. “Sponsored Project” means an externally funded activity conducted at or under the auspices of NJIT that is governed by specific terms and conditions. Sponsored Projects are usually separately budgeted and accounted for. Sponsored Projects may include projects funded for research, training, education, and other NJIT purposes.

V. Policy Statement

A. Budget Monitoring

The budget plan is the financial expression of the project or program as approved during the award process. Most awarding agencies will allow the university to depart from the original budget provided that:

- expenditures are necessary for the successful completion of the project,
- expenditures are allowable under the governing cost principles and agency specific policies.

It is important that the budget established at the time of the award reflect as closely as possible the required expenditures to complete the project. Once established, expenditures within each category must remain within the budgeted amount unless a budget revision is made. The Principal Investigator and supporting administrator is responsible for monitoring grant activity to ensure that expenditures are in alignment with the approved budget. Further information regarding

direct cost expenses on the grant, please refer to the *Policy on Charging Direct Costs on Sponsored Research Programs*.

Budget revisions are based upon the financial plan and cost trends for the designated award budget period. To the extent possible, budget revisions must reflect all necessary reallocations of resources foreseeable to the end of the budget period in order to support the programmatic needs of the award to achieve the required scope of work and project aims. The budget should be reviewed monthly, or at least quarterly to determine if any adjustments are needed to support these resources based on projected expenditures to the end of the project period.

B. Expense Monitoring

The PI is responsible for controlling and monitoring the project budget and expenditures by submitting transactional requests through applicable financial systems.

Through proper management, the PI can ensure that:

- i. Year-to-Date expenditures are occurring in a manner consistent with the project budget
- ii. Expenditure overruns are identified as early as possible to avoid deficits and take corrective action
- iii. Maintain regular reconciliation to ensure all expected expenses have posted and are accurate
- iv. Maintain proper documentation

Monitoring grant funds monthly, or at least quarterly, can prevent potential problems and minimize risks in future audits or avoid funding shortfalls.

C. Timeliness. All budget transfers across Sponsored Projects, must be done in a timely way based on regular monitoring from the principal investigator and identification of project needs prospectively through the end of the grant.

Because the university is legally bound to operate within the term and conditions of each award accepted, budget revisions must be submitted prior to incurring the expenses.

D. General Principles. To be an allowable and justifiable, the transfers **must be**:

- Managed in a timely manner
- In conformity with NJIT and Sponsor allowability standards
- Fully documented, and
- Authorized by the designated officials and sponsor, if applicable

E. Prior Approval

The following are situations that normally will give rise to a NJIT Award requirement to obtain prior approval from the Sponsor or provide prior notice to the Sponsor. This list is **not** all-inclusive for any particular type of NJIT Award. The Principal Investigators and others responsible for post-award compliance must be familiar with the NJIT Award terms applicable to their Sponsored Projects and its obligations for obtaining prior approvals from and/or providing prior notices to the Sponsor.

Some examples of activities or expenditures that may require prior approval from the Sponsor or prior notice to the Sponsor are:

- i. Substantial Changes in Sponsored Project Activities – Any changes in scope, objectives or project aims that may have a significant change to the grant outcomes may need sponsor approval. This can also include changes in methodology employed in the sponsored project or any changes to time schedules outlined in the original proposal.
- ii. Change in Principal Investigator / Key Personnel. NJIT generally needs a Sponsor-approval if the Principal Investigator on a Sponsored Project or any senior or key personnel specifically named in the NJIT Award for a Sponsored Project is no longer involved or the level of effort on the project has changed.
- iii. Absence of the Principal Investigator / Key Personnel. – If the PI/Key personnel will have a short-term or long-term absence on the program, interim oversight of the program
 - a. *Short-Term Absence of the Principal Investigator and Key Personnel*. If a Principal Investigator or an individual designated in the NJIT Award as senior or key personnel will be absent from the Sponsored Project for a period of time less than three months, arrangements for interim oversight of the Sponsored Project may be required but neither notice to nor approval from the Sponsor is usually required.
 - b. *Long-Term Absence of the Principal Investigator and Key Personnel*. If the Principal Investigator or any senior or key personnel specifically named in the NJIT Award (including a Notice of Grant Award) for a Sponsored Project will be away from the Sponsored Project for a period longer than three months, arrangements for interim oversight of the Sponsored Project should be made and a request for approval sent to the Sponsor. This information must be provided to the Office of Research and the Sponsor as far in advance as possible.
- iv. Equipment Not in the Original Budget. Sponsor-approval is generally necessary when the Principal Investigator wishes to purchase a large equipment item costing more than \$3,000 with a useful life of more than one year not originally identified in NJIT Award budget. Prior approval is generally not required for a change of vendor or model for research and technical equipment included in the approved budget, or for a change of 25% or less in the acquisition price of approved equipment.
- v. Subawards Not in the Original Award/Budget. In general, Sponsors must approve foreign subawards not identified in the original NJIT Award or budget, but in many instances sponsors require the approval of new domestic subawards as well.

F. Documentation/Explanation

1. All Budget Transfer requests forms can be submitted by the Principal Investigator or Administrator (or designee) but MUST be approved by the Principal Investigator. The budget transfer request must contain a full explanation and justification for the Budget Transfer.
2. The Principal Investigator for a Sponsored Project and the Department Administrator (or designee) should engage in regular monitoring and reconciliation of Sponsored Projects on a monthly (no less than quarterly) basis to ensure all anticipated projected budget needs on the sponsored project are being managed prospectively. Exceptions for retroactive budget transfers for expenditures already incurred and to be reallocated to the grants should be rare

and will need proper justification as follows:

If a budget transfer is needed to cover expenses that have already been incurred retroactively and are going to be reallocated to the sponsored project, a cost transfer form will have to be submitted along with the budget transfer form. These cost transfers must comply with the *Policy on Cost Transfer to Sponsored Research Programs*.

G. Authorization/Approval

1. The Principal Investigator for a Sponsored Project must approve each Budget Transfer affecting the Sponsored Project.
2. The following Budget Transfers require additional levels of approval:
 - If the Budget Transfer request results in a change to the overhead cost allocation, these may require further approval by Senior Vice Provost, Chair and Dean for the College.
 - If the Budget Transfer request results in a change to student stipend and/or tuition and/or academic release time, this will require approvals by Chair and Dean.
 - Any budget transfer request that meet the criteria as outlined in Section IV. C. will be submitted to SRA for review and submission to the sponsor as applicable.

VI. Roles & Responsibilities

- A. Principal Investigator (or designee)** – Initiates the Budget Transfer request and detailed explanation for the Budget Transfer and provisions of the documentation contemplated by Section IV.C.&D. above. PI must approve each request for Budget Transfers. If needed as Cost Transfer Form must also be initiated and approved as indicated in Section IV.D.2.
- B. Post Award Management** – Responsible for review and approval of Budget Transfers and for processing necessary entries to satisfy each Budget Transfer request.
- C. Pre Award Services** – If applicable, responsible for final approval of Budget Transfers if meets criteria outlined in Section IV.C. and/or if sponsor approval is required. Assist with grant expenditure questions.

VIII. Authority and Responsibility

The Office of Research has institutional authority for the matters addressed in this policy. Questions related to this policy are to be directed to the executive director, sponsored research programs administration.

Related Policies and Regulations

Policy on Charging Direct Costs to Sponsored Research Programs

Policy on Effort Reporting for Sponsored Research Programs

Policy on Cost Transfer to Sponsored Research Programs

Budget Transfer Request Form

Cost Transfer Request Form

OMB Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (also commonly called the Uniform Guidance)

https://www.ecfr.gov/cgi-bin/text-idx?tpl=/ecfrbrowse/Title02/2cfr200_main_02.tpl

NIH Grant Policy Statement, Part II-35

<https://grants.nih.gov/policy/nihgps/index.htm>

NSF Grant Policy Statement, Chapter III, Section 320

https://www.nsf.gov/pubs/manuals/gpm05_131/index.jsp