



**University of Rochester
Guidance Document
For Budget and Expenditure Monitoring, Including Budget Revisions
May 2023**

Overview

This guidance document discusses recommended budget and expenditure monitoring of sponsored programs, including identification of circumstances that require prior approval from the sponsor. The guidance focuses on federal awards. However, the principles outlined in this document should be considered for all sponsored funding. Some sponsors, such as contracts awarded from New York State, may impose even more strict requirements regarding deviations from the approved budget.

Sponsor Approval for Deviations from Budget

The approved budget for the award summarizes the financial aspects of the project/program as approved during the award process. Some sponsors are sensitive to substantive changes from the original budget, as such changes might indicate a change in the scope of work.

For non-construction awards, prior approval must be obtained from federal sponsors prior to any of the following situations¹:

- Deviation from the project scope or objective, regardless of any potential associated budgetary changes
- Regarding key persons: (a) change of key person; (b) disengagement from the project for more than 3 months; or (c) a 25% or greater reduction in effort devoted to the project
- Transfer of funds originally budgeted for participant support costs to another cost category
- The subawarding, transferring or contracting of any portion of the scope of work to an external entity (unless such external entity was included in the original proposal which was funded)
- Change in the amount of cost sharing or matching to be contributed
- Incur any cost requiring prior approval according to 2 CFR 200 Subpart E
- Need for additional funds

¹ 2 CFR 200.308

Several situations generally do NOT require prior approval, particularly if the award is granted Expanded Authority². Should the award not grant Expanded Authority, then approval will be necessary. The situations are as follows:

- Projects costs incurred up to 90 days before the start date of the award
- Carry forward of unobligated balances to subsequent periods of performance
- One time extension of the period of performance, up to 12 months

Regarding the last item, prior approval of extensions is needed if: (a) the terms and conditions of the award prohibit the extension; (b) the extension requires additional funds; (c) the extension involves a change in the approved scope of work; (d) the requested extension is greater than 12 months; or (e) the extension is not the first extension requested.

Please note that – despite the above guidance - 2 CFR 200.308e does contain a caveat that individual awards might have special award terms or conditions that restrict the transfer of funds among direct cost categories in which the sponsor share exceeds the Simplified Acquisition Threshold (\$25,000) and the cumulative amount of the transfers exceed (or is expected to exceed) 10 percent of the total budget.

For construction awards, prior approval must be obtained prior to any of the following situations:

- Deviation from the scope of work
- Need for additional funds
- Incur any cost requiring prior approval according to 2 CFR 200 Subpart E

If sponsor approval is needed for a budget revision, the request should be made using the same budget format as in the original application, unless the federal agency indicates it will accept a letter of request instead.

Budget and Expenditure Monitoring

Regular budget and expenditure monitoring will help identify circumstances – if any – requiring sponsor approval.

Financial Analysis is an internal control activity that includes an overall assessment of the financial position related to a specific Financial Activity Object (FAO). This analysis generally includes a comparison of actual to budget activity for all revenue and expenses. Financial Analysis is a byproduct of the FAO Financial Review and Reconciliation Process. The Review and Reconciliation Process is described in detail in the FINANCIAL MANAGEMENT AND INTERNAL CONTROLS document on Office of University Audit's web [page](#).³

To perform Financial Analysis, spreadsheets using data from UR Financials (or shadow accounting systems, if such systems are reconciled to UR Financials) are used to compare actual monthly amounts by revenue/expense category (categories vary by sponsor) against established budgets. Large variances between actual and budget might be indicative of deviation from the project scope or objective and

² https://www.nsf.gov/bfa/dias/policy/fedrtc/appendix_a.pdf

³ Financial Management and [Internal](#) Controls

thus, need to be investigated to determine if such circumstance exists and then to inform the sponsor. Monthly and annual trends are analyzed and discrepancies are investigated.

Deficit revenue/expense categories, or those revenue/expense categories approaching deficit, should be immediately investigated. Deficits on individual expense categories – or expenses categories with actual charges but a zero budget – might be the result of a transfer of funds that were originally budgeted as participant support costs or incurrence of a cost that might be disallowed for the specific project or that is disallowed by [2 CFR 200 Subpart E](#). Reference should be made to the original Notice of Award to determine any expenses specifically disallowed or that require sponsor approval.

If a total project deficit is real, a discussion should occur with the Principal Investigator regarding whether a request for consideration of additional funding needs to be made to the sponsor, and if lack of additional funding would compromise the project.

If the total project reflects a relatively large surplus position, and there are less than six months remaining in the project period, discuss with the Principal Investigator whether a No Cost Extension is needed. If the award is under Expanded Authority, request ORPA to notify the sponsor of the revised end date (not more than 12 months from the original end date). If the award is not under Expanded Authority, request ORPA to send the sponsor a request for an extension of the end date. Guidance regarding No Cost Extensions can be found on ORPA's web [page](#).

If payments are made to subawardees, it is important to ensure such subawardees were included in the original proposal. If not in the original proposal, documentation should exist of sponsor approval, if necessary, of said subawardee subsequent to award execution.

It is recommended that a schedule be maintained for each project, with names and percent of effort of each research staff budgeted to work on the project each month. Each month, the schedule can be updated to reflect actual personnel with effort charged to the program. This will allow for identification of variances from plan and to identify circumstances that potentially require communication to/approval from the sponsor such as a change in project scope. Maintenance of this schedule should also provide insight regarding potential disengagement from the project a key person or a 25% or greater reduction in effort by a key person which requires sponsor approval. A practice aid to assist with this personnel analysis is available in the [CLASP toolbox](#).

If the project involves cost sharing, the financial analysis needs to address whether such cost share amounts are being/have been achieved. Cost share tracking must be done outside of UR Financials, through use of a spreadsheet or shadow accounting system. The amount of obligated cost sharing should be noted on the spreadsheet. The review and reconciliation of a sponsored project's FAO which has a cost sharing commitment should include updating the cost sharing spreadsheet to note actual amounts incurred towards the cost share obligation. Cost share achievement that is lagging from expectation should be brought to the PI's attention. If it is expected that overall cost share achievement might be less than the cost share obligation, communication with the sponsor will be needed.

Summary

Routine FAO reconciliation, review and analysis should assist with identification of circumstances requiring sponsor approval. It is important to complete the FAO analysis timely, to ensure sponsor approvals (if any) are requested as soon as the circumstances requiring such approval occur. It is imperative to know the award requirements, know the sponsor requirements, and perform timely and frequent reviews with the award Principal Investigator.