UNIVERSITY OF MIAMI
SPONSORED PROGRAMS POLICIES AND PROCEDURES

Section E: Account Maintenance
Policy E6: Expenditure Control

PURPOSE:

To define the process of review for expenditures incurred on sponsored projects, and the procedures to be employed by those university personnel responsible for ensuring the university complies with agency guidelines. This policy will also define the period of time in which project expenditures are allowed.

DEFINITIONS:

Obligation: The incurrence of a liability as defined in accordance with generally accepted accounting principles. A purchase order constitutes an encumbrance, not an obligation, but the receipt of goods or services does constitute an obligation.

Project: The identified activity approved for support by the sponsor.

Project Costs: The direct and facilities and administrative costs (formerly indirect costs) incurred to carry out a sponsored project. Only project costs incurred during the budget period indicated on the award notice are allowable, unless specific approval to include other costs is given by the sponsor.

Budget: The financial expenditure plan to carry out the purposes of the project. The budget encompasses both the sponsor and non-sponsor share of the proposed plan. It also includes both direct and facilities and administrative costs (formerly indirect costs).

Project Period: The time period as established in the awarding instrument and subsequent amendments for which a project is approved for support.

Budget Period: The interval of time (usually 12 months) into which the project is divided for budgetary and reporting purposes.

POLICY:

All sponsored expenditures will be monitored through Sponsored Programs (SP)-Expenditure Compliance to ensure the following:
the expenditure is necessary for the purpose of the award/project;
- the expenditure is within the limitations and policies of both the sponsor and the university;
- the expenditure is allowable under government/agency guidelines (see Sponsored Programs Policy/Procedure F1, “Direct and Indirect Costs - Allowable vs. Unallowable”);
- the amount of the expenditure will be covered by the budget remaining on the award; and
- the necessary and proper authorizations have been obtained.

Any expenditure rejected because it does not meet the above criteria will be returned to the initiating department.

The university will limit expenses on award to those expenditures made or obligations incurred during the designated project period. The project period will begin with the effective date of the award as indicated on the award notice (unless pre-award expenditures have been approved, see Policy/Procedure E5, “Pre-Award Expenditure Requests”). The period will continue until the completion date, as indicated on the award notice, including approved extensions.

REFERENCES:

*PHS Grants Policy Statement*

*NSF Grants Policy Manual*

PROCEDURES:

1. The principal investigator (PI) is responsible for ensuring that expenditures are allowable and obligations are incurred only during the project period of the award.

The university has assigned expenditure control authority to the Sponsored Programs (SP) - Expenditure Compliance Office. SP Expenditure Compliance will monitor and review encumbrances and charges against sponsored accounts, including expenditures that may be incurred prior to the project period or after the project period ends.

Propriety of those expenditures incurred on sponsored accounts is the primary responsibility of the PI and the individual(s) initiating the charge. The offices assigned to the expenditure control function reserve the right to a final propriety review. These offices may question, request justification, or deny any expenditure they judge to be inconsistent with a use restriction or one which exhibits possible conflict with sponsor or university policy.

2. Expenditure control is the aggregate of the functions listed in step 3. These control functions are a supplement to, and are not to conflict with, the basic policy that designates the responsibility for the management of university funds as resting with the Vice President for
Business and Finance, who may delegate the responsibility to subordinate levels, but who is ultimately held accountable. The expenditure control function is also segregated between each campus.

The signatory of each account bears the responsibility of determining if funds are available in the account when expenditures are made. The signatories will also bear the responsibility for the resolution of any overdrafts or audit disallowances, except those resulting from system-wide deficiencies that result in unauthorized charges to their accounts or audit disallowances (see Sponsored Programs Policy/Procedure G3, “Audit of Sponsored Programs”).

3. University employees in the designated SP Expenditure Compliance offices perform the following functions:
   - challenge propriety of expenditures or commitments that appear to conflict with government, sponsor, or university policy;
   - check for adequate supporting documentation;
   - ascertain a close approximation of account balances at any given time;
   - check for a positive balance available prior to processing a source document that will generate an encumbrance or expenditure, and to reject further processing of transactions due to a negative balance available;
   - advise departments when a transaction will result in an overdraft situation;
   - check each transaction for appropriate approval signatures;
   - process documents in a manner that will allow timely payment and preparation of accurate and up-to-date financial reports.

4. When a commitment or expenditure is in conflict with government, sponsor, or university policy, the item will be rejected by SP Expenditure Compliance and returned to the initiator with an explanation.

5. When an expenditure will cause an overdraft in the sponsored account, SP Expenditure Compliance will return the unprocessed source document to the initiator, indicating that the item will create or increase the overdraft. The initiator will be advised of possible actions:
   - discuss and review the accounting records to ensure their accuracy;
   - reprocess the item to an acceptable alternate account; and
   - pursue a budget amendment process for additional funds (see Sponsored Programs Policy/Procedure F8).

6. When a sponsored award is anticipating a renewal (i.e., additional funding or a no-cost extension), an expenditure may be processed if it is accompanied by one of the following:
   - a copy of a document giving evidence of the renewal; or
- a statement from the initiating department guaranteeing the expenditure against an unrestricted departmental account should the renewal not materialize.

7. Some federal sponsoring agencies award grants in multi-year projects. These awards are funded by the sponsor in annual increments called budget periods. Funds that are surplus in one budget year may be available for use in the next budget period with the approval of the sponsoring agency. The expenditure control process is applied to the budget periods within the project period of these multi-year grants as if they were annual grant awards.

Fixed price projects without sponsor restrictions may be extended for a maximum of four years after the project ending date with the approval of the Vice Provost for Research.