

PROCEDURAL STATEMENT

Procedural Statement Title: Sponsored Project Budget Deviations & Revisions

Functional Area: Research Administration

Related Policy:	Cost Principles Policy; 2 CFR 200
Effective Date:	May 1, 2019
Approved by:	Denitta Ward, Assistant Vice Chancellor for Research & Director (OCG) and Laura Ragin, Campus Controller (CCO)
Responsible Office:	Office of Contracts & Grants (OCG) and Campus Controller's Office (CCO)
Procedural Statement Contact:	Ron Matteson, Assistant Director, Grants Management
Last Reviewed/Updated:	November 23, 2020

I. PROCEDURAL STATEMENT

This procedural statement describes how budget deviations, budget revisions and budget reallocations are reviewed and processed at CU Boulder. Specifically, this procedural statement sets forth procedures for both budget deviations that require prior approval from the sponsor and budget deviations that do not require prior approval from the sponsor. It also distinguishes between sponsor approved budget revisions, budget deviations and budget reallocations. This procedural statement is consistent with Title 2 of the Code of Federal Regulations, Part 200 – Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (2 CFR 200), which requires that costs be adequately documented and that the institution maintains effective internal controls. FAR Subpart 31.3 – Contracts with Education Institutions refers to the the 2 CFR 200 Subpart E and Appendix III for Cost Principles for the same requirements.

Note that prior approval may be required for the following changes that may be included as part of a budget deviation or a budget revision:

1. Change in scope or objective of the project.
2. Change in key personnel.
3. The disengagement of more than three months, or a 25 percent reduction in time by the principal investigator.
4. The inclusion, unless waived by the Federal awarding agency, of costs that require prior approval in accordance with 2 CFR 200, Subpart E–Cost Principles or 45 CFR Appendix IX.
5. The transfer of funds budgeted for participant support costs as defined in 2 CFR 200.1.
6. Subawarding, transferring or contracting out any work under a Federal award.
7. Changes in the approved cost share or matching.
8. The need arises for additional Federal funds to complete the scope or objective of the project.

Refer to CU Boulder's [Cost Principles Policy and Procedural Statements](#) for specific guidance on whether certain types of expenditures are allowed on sponsored awards.

II. DEFINITIONS

CU Boulder uses the following definitions:

- Proposal Budget: submitted to the sponsor indicating that we have considered costs associated with the Scope of Work (SOW) and have a basis for the amount we are requesting.
- Budget Justification: narrative to support Proposal Budget and SOW.

- Awarded Budget: approved by the sponsor and incorporated in the award document, either directly or through reference. This budget is loaded into InfoEd and PeopleSoft.
- Budget Deviation: actual expenditures that differ from the awarded budget. No change is made to the awarded budget in InfoEd or PeopleSoft.
- Budget Revision: sponsor requires and approves a revised budget and issues an amendment to the award. The awarded budget is changed in InfoEd and PeopleSoft.
- Budget Reallocation: the budget entered into InfoEd and PeopleSoft is changed, as a result of changes in amounts budgeted for subrecipient and/or participant support costs.

III. PROCEDURES FOR BUDGET DEVIATIONS

A budget deviation occurs when actual expenditures differ from the awarded budget. No change is made to the awarded budget in InfoEd or in PeopleSoft. Department administrators and Principal Investigators (PI) should check the award terms and conditions for any applicable restrictions on budget deviations and may contact their OCG Contract or Grant Officer for guidance on sponsor requirements. Note that any unbudgeted costs must be allowable, allocable, reasonable, and necessary. Contact your CCO Area Accountant if clarification on costs is needed.

A. For budget deviations that require sponsor approval:

1. Prior to incurring the costs, the department contacts their OCG Contract or Grant Officer to obtain sponsor approval. OCG needs a description and amount of the deviation(s), a description of the other budget categories that are being reduced in order to accommodate the deviation, and an explanation for why the deviation is necessary.
2. The OCG Contract or Grant Officer submits the formal request for sponsor approval to the sponsor and includes information provided by the department.
3. The sponsor provides one of the following in response to the request for approval:
 - a. If sponsor approval is issued through correspondence and not an official amendment to the award, it is considered a *spending authorization to deviate* from the awarded budget.
 - i. OCG saves the correspondence, including attachments, as documentation of sponsor approval to the InfoEd award record and notifies the department and CCO.
 - ii. No changes are made to the award budget in InfoEd or PeopleSoft.
 - b. If approval is issued through an official amendment to the award it is considered a *sponsor approved budget revision*.
 - i. See procedures for **Budget Revisions** in Section IV.
 - c. If the sponsor denies the request, OCG documents the denial in the InfoEd award record and notifies the department and CCO.

B. For budget deviations that **do not** require sponsor approval:

CU Boulder may not be required to request sponsor approval for certain budget deviations; however, CU Boulder is expected to have procedures and documentation in place that guarantee award funds are spent in accordance with the expectations of the sponsor. Therefore, the following steps should be followed for budget deviations that do not require sponsor approval.

1. Deviations at or above 25% of the total amount awarded (see FAQ below for instructions) must be documented within the department and include a statement from the PI (or other programmatic lead with formally delegated authority) that addresses any impact on the scope of work. (*Scope of work changes almost always require sponsor approval*). The intent for obtaining a PI statement is to capture the programmatic reason for the deviation. The PI statement may be requested at closeout and department administrators may choose to request a PI statement for budget deviations at any time during the award period of performance and for any audits after closure.
2. Deviations below 25% of the total amount awarded do not require a PI statement, unless specifically requested by the sponsor. The CCO Financial Analyst may request additional information from the department when budget deviations occur. Please be aware that costs associated with equipment and travel have a high probability of being questioned by auditors.

3. If deviations are questioned by a sponsor upon receipt of a financial report or invoice, the CCO Financial Analyst works with the department administrator to obtain the requested documentation.
4. This is consistent with 2 CFR 200.403(g) which states that all factors affecting the allowability of costs be adequately documented.

IV. PROCEDURES FOR SUBRECIPIENT AND PARTICIPANT SUPPORT BUDGET REALLOCATIONS

A budget reallocation occurs when the budget entered into PeopleSoft requires a change, either as a result of CU financial system requirements or for award management purposes (as determined by the department or principal investigator). Budget reallocations that involve subrecipient projects or participant support projects are often required to be reviewed and processed by OCG and CCO; these budget reallocations require a modification in InfoEd and PeopleSoft, even when sponsor approval may not be required. For all other budget reallocations, including those for otherwise unrestricted awards and fixed price contracts, the department administrator or PI should process a [Budget Journal Entry](#) (BJE). For help with BJE's, contact your CCO Area Accountant.

For budget reallocations that involve subrecipient projects or participant support projects:

1. The department administrator or PI completes the [Subaward and Participant Support Reallocation Form](#) and submits it to ocg@colorado.edu.
2. OCG assesses whether sponsor approval is required. If a subrecipient or participant support reallocation is necessary, OCG processes a modification in InfoEd.
3. The modification is routed for review and set-up through OCG and CCO.
4. The CCO Project Set-Up Accountant makes the changes to the budgets in PeopleSoft.

V. PROCEDURES FOR BUDGET REVISIONS

A budget revision occurs when the sponsor requires and approves a revised budget; the sponsor issues an authorized approval and the awarded budget is updated in InfoEd and PeopleSoft. Department administrators and PIs should contact their OCG Contract or Grant Officer for guidance on whether a budget revision is required for an award.

For budget revisions:

1. The department administrator or PI contacts their OCG Contract or Grant Officer to request sponsor approval for a revised budget. The department administrator or PI provides the revised budget to their OCG Officer, with same level of budget detail that is in the awarded budget and includes a justification for the changes.
2. The OCG Officer submits the revised budget request to the sponsor for review and approval.
3. The sponsor provides one of the following in response to the request for approval:
 - a. If sponsor approval is issued through correspondence and not an official amendment to the award, it is considered a *pending authorization to deviate* from the awarded budget.
 - i. The OCG Officer saves the correspondence including attachments as documentation of the sponsor's approval to the InfoEd award record and notifies the department and CCO.
 - ii. No changes are made to the budget in InfoEd or PeopleSoft.
 - b. If sponsor approval is issued by the sponsor through an official amendment to the award it is considered a sponsor approved budget revision.
 - i. OCG creates an award modification in InfoEd.
 - ii. The modification is routed for review and set-up through OCG and CCO.
 - iii. The CCO Project Set-Up Accountant makes the changes to the budget in PeopleSoft.

VI. FREQUENTLY ASKED QUESTIONS

Question: How do I know whether sponsor approval is required for certain budget deviations?

Answer: Prior approval requirements are listed in the award terms and conditions and agency award

management guidelines. When possible, OCG will indicate prior approval requirements in the Terms and Conditions folder of the InfoEd award record. If you have a question on whether prior approval from the sponsor is required for a budget deviation, contact your OCG Contract or Grant Officer.

Question: If there is an error when the budget is setup in PeopleSoft, does the department need to follow the procedures in the procedural statement to correct the error?

Answer: No, if it is simply a data entry error during OCG processing or CCO set-up you do not need to follow this procedure. Contact [CCO Project Set Up](#) directly to address the discrepancy.

Question: If the sponsor approves a budget deviation, will the awarded budget be revised? Will the budget in PeopleSoft be revised?

Answer: When a sponsor approves a budget deviation they are granting authorization to spend differently than what is indicated in the awarded budget. PeopleSoft is not updated when a sponsor approves a budget deviation (unless the department or PI [processes a BJE](#)). If the sponsor revises the awarded budget by issuing a modification with the change, it becomes a budget revision and the InfoEd and PeopleSoft budgets will be revised.

Question: If we have submitted a full revised budget and the sponsor approves the revised budget via email, does my PeopleSoft budget change?

Answer: No. When the sponsor grants approval for a revised budget via email, they are granting authorization to spend differently than what is indicated in the budget of record. The PeopleSoft budget is not changed when this kind of approval is received from the sponsor (unless the department or [PI processes a BJE](#)). If the sponsor grants approval of the revised budget and issues an award modification, the PeopleSoft budget will also be revised.

Question: Are the definitions referenced in Section II of the Procedural Statement standard throughout research administration?

Answer: No. The definitions in Section II of the Procedural Statement are the definitions used by CU Boulder. While certain agencies or sponsors may have certain criteria for defining budget deviations or revisions on a particular award, there are not standard definitions for budget deviations, budget revisions or budget reallocations.

Question: How will I know whether a deviation from my budget needs to be documented?

Answer: The threshold for documenting budget deviations that do not require prior approval from the sponsor is twenty-five percent of the total amount awarded to-date. See example calculation below:

$$\text{\$300,000 (Total Amount Awarded To-Date)} \quad \times \quad .25 \quad = \quad \text{\$75,000}$$

In the example calculation, an unbudgeted expenditure or the cumulative variations of expenditures from budgeted cost categories in excess of \$75,000 needs to be formally documented. Deviations less than 25% may also need to be documented in the event the deviation is questioned by the sponsor.

Question: Is the Subaward and Participant Support Reallocation Form necessary if sponsor approval is required?

Answer: If sponsor approval was given for a budget deviation, the form would be required. This ensures that the necessary information is provided to complete the necessary reallocations. If sponsor approval is given through an official award amendment (budget revision), then the revised

budget that was included in the request and awarded may provide the necessary information. The OCG Officer may still require the form, if more information is needed.

Question: Should the process for a budget reallocations be followed, if the sponsor approves a budget deviation or a budget revision?

Answer: The only part of the budget reallocation process that may be necessary, when sponsor approval is provided, is the Subaward and Participant Support Reallocation Form. This would only be the case if the approval includes changes to either subrecipient or participant support categories. The OCG Officer will be able to help make this determination.

Question: How do I find my OCG Officer or CCO Area Accountant?

Answer: Your OCG Officer can be found in the [OCG Directory](#). Your CCO Area Accountant can be found in the [Area Accountant Directory](#).

Question: I am trying to purchase equipment that does not require sponsor approval and the deviation is less than 25%. Why am I being asked for additional information?

Answer: OCG needs a justification for equipment purchases that we approve in Marketplace. If the equipment is not in the budget justification, you may be asked for additional information.

VII. HISTORY

Changes	Date	Approved By
Adopted	5/1/2019	Denitta Ward and Laura Ragin
Revised to new format, added procedural statement contact and history table, updated 2 CFR 200 references	11/23/2020	No substantial changes