



Fiscal Responsibilities

Of Principal Investigators

New Mexico Tech Business Office
Last modified August 25, 2011

The purpose of this document is to clarify University policy as to fiscal responsibilities of Principal Investigators on sponsored agreements.

This document is continually being updated. We would appreciate any information and/or insight which would help us develop stronger policies for NMIMT's research community.

Table of Contents

- I. Introduction 3**
- II. Preparation and Submission of Proposed Budgets 4**
- III. Management of Project Expenditures 5**
- IV. Expenditure Review and Certification..... 6**
- V. Prior Approval Notifications 7**
 - A. Budget Revisions7
 - B. No-Cost Extensions8
 - C. Pre-Award Expenditures8
 - D. Purchases Contrary to Original Award8
- VI. References..... 9**

I. Introduction

Grants and contracts are awarded to NMIMT; not to individual Principal Investigators (PIs) or departments. Acceptance of a grant or contract by NMIMT signifies the institution's obligation to assume responsibility for the administration of the funds in accordance with the terms specified by the awarding agency.

Every university employee has a responsibility to ensure that university and research funds are used in an appropriate manner. While the PI may delegate some of the duties associated with financial management of the account, the PI assumes full responsibility for all activity on the project.

II. Preparation and Submission of Proposed Budgets

It is the responsibility of the PI to develop the statement of work and the cost proposal using the information provided in [Budgeting, Pricing and Charging Sponsored Agreements](#) as a pricing guide. The cost proposal represents the financial expression of the project and must be as accurate as possible. The [Sponsored Projects Administration](#) (SPA) office is always available for consultation.

Cost sharing, if applicable, must be clearly identified as such. Approval must be granted by NMIMT prior to submission of the proposal. For more information, refer to NMIMT's [Cost Sharing Policy](#). Subrecipients, if applicable, must be identified and clearly justified in the budget justification. For more information, refer to NMIMT's Subrecipient Policy.

The proposal routing process is performed through the Research and Economic Development Department (R&ED). For more information, see NMIMT's [Proposal Routing Procedure](#).

III. Management of Project Expenditures

The PI for a project must authorize the expenditure of funds to be charged directly to sponsored agreements. The PI must ensure that the following guidelines are met:

- The expenditure is allowable per the terms of the award. Check with the financial administrator of the award for any restrictions.
- The expenditure must be allocable to the project, (i.e., is necessary and directly benefits the project).
- The charge must be reasonable, that is, reflecting the actions a prudent person would take under the given circumstances
- The charge must be consistently coded to the correct FUND and account code. Refer to NMIMT's [Financial Transaction Review](#) for more information.
- Expenditures comply with university expenditure policies for [allowable and unallowable costs](#), as well as state and federal laws and regulations.
- Justification for the expenditure must be documented and attached to the source document, (e.g., travel request, purchase order, direct payment, etc.).
- For all expenditures, adequate explanation and documentation for all project charges must be maintained for three years after submission of the final expenditure report.
- The funding agency may deny expenses in cases where documentation cannot be provided illustrating the allowability, allocability and reasonableness of the expense.
- The funding agency may deny expenses incurred late in the project period.
- The charge must be processed through the appropriate NMIMT department, (e.g., the Travel Department for travel expenses, Payroll Department for labor expenses, etc.).

In addition to negotiating terms and conditions of a research agreement, the [SPA office](#) establishes necessary accounting and budget codes in NMIMT's financial system in order to monitor certain types of grant-related transactions to assure compliance with sponsor requirements and NMIMT policies.

SPA prepares and submits agency financial reports and invoices as required according to the terms of the sponsored agreement.

Note: Contact the financial administrator assigned to the award for information about any special terms, conditions or limitations that apply to each grant or contract agreement.

The financial administrator is also available for consultation about specific questions or concerns regarding the propriety of a given expenditure, on budget monitoring techniques, and other research administration matters.

IV. Expenditure Review and Certification

NMIMT's General Accounting Office issues monthly expenditure statements, available online, which represent the institution's official record of project expenses. These statements constitute the basis for all direct and indirect cost reimbursements to NMIMT.

These statements must be reviewed each month by the PI, (or a designee with appropriate means of verification), so that adjustments, if applicable, can be made in a timely manner. In addition, the PI should monitor the rate of expenditure to ensure that deficits do not occur. Responsibility for clearing overexpenditures on sponsored projects accounts belongs to the PI.

Proper expenditure review is evidenced by the PI's signature on the certification page, which can be found at the end of the monthly expenditure statement. The PI's certification assures that all expenses charged to the account are allowable, allocable to the project and reasonable. The certification is to be returned to the Business Office in accordance with instructions on the certification page.

Any questionable charges must be brought to the attention of the financial administrator of the award in order for any corrections, if necessary, to be made. Adjustments with appropriate documentation should be initiated for (or within two months of) the month during which the charges were originally recorded in BANNER. The process will follow NMIMT's [Cost Transfer Policy](#).

Transfers initiated after this cutoff date are considered non-current and require additional justification explaining why the adjustments were not made in a timely manner. Transfer requests may be disallowed.

It should be noted that frequent errors in the recording of costs may indicate the need for improvements in the departmental accounting system and/or internal controls. Therefore, where such errors occur, PIs are encouraged, and may be required, to evaluate the need for improvements so the issue can be resolved.

Adhering to these guidelines should prevent audit disallowances.

V. Prior Approval Notifications

Funding agencies have delegated to grantee organizations authority to approve certain administrative actions. These agencies require a grantee to assure that there are adequate institutional reviews and approvals of decisions affecting the management of federally funded projects. The purpose of the review and approval of individual actions will assure that the proposed action :

- 1) is necessary to achieve the project objectives supported by the grant
- 2) is consistent with the grant terms and conditions
- 3) is consistent with the policies of the funding agency
- 4) represents effective utilization of institutional resources
- 5) does not constitute a change in scope

Types of actions requiring review and approval are as follows

A. Budget Revisions

2 CFR part 215 establishes that the approved budget represents the financial expression of the project. While agencies normally allow some flexibility with respect to revising the budget, some agencies are line-item sensitive and require prior written approval for deviations from direct cost categories –check with the financial administrator of the award to determine agency requirements.

Where appropriate, request for a budget revision along with justification for doing so must be made in writing to the financial administrator before Sponsored Projects will initiate the revision in BANNER.

Modifications to the scope of effort that differ from those originally proposed always require prior written approval from the project sponsor. Indicators of a change in scope include significant expenditures beyond the amount originally authorized. In the event that the scope of work has been expanded, evaluate whether it can be accomplished within the amount originally budgeted or if the budget should be renegotiated.

Funding agencies also have requirements regarding prior approval or notification of changes in availability of the PI. Examples include a reduction in time devoted to the project by 25% or more of the proposed or awarded level, or an absence from the project of more than three months. For federal contracts and non-federal projects, the terms and conditions of the particular agreement will govern. For federal grants, OMB *Circular A-110* governs – check with the financial administrator of the award to determine the award requirements.

B. No-Cost Extensions

PIs may request a no-cost extension if additional time is required to complete a project and there is an unexpended balance. This action does not increase the value of the award from the agency. Contact the financial administrator of the award for agency-specific requirements.

C. Pre-Award Expenditures

Pre-award costs are costs incurred prior to the start date of a sponsored research award. These costs are typically only allowable with prior approval from the sponsor. When a sponsor allows pre-award costs, the PI must secure bridge funding from R&ED and/or Administration before a FUND can be assigned in the financial system.

Approval to establish bridge funding should identify monetary cap, time frame and acknowledgement that in the event the award does not materialize the authorizing individual will cover the costs from discretionary monies.

D. Purchases Contrary to Original Award

While cost proposals represent best guesstimates, the budget plan is the financial expression of the project or program and the basis on which agencies decide to fund a project.

Consequently, major deviations from originally proposed items such as equipment may in fact require prior approval from the agency before alternate items are purchased. Check with the financial administrator of the award to determine agency requirements.

VI. References

Code of Federal Regulations (CFR), 2 CFR Part 215, OMB Circular A-110, "Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations."