

**NOVA SOUTHEASTERN UNIVERSITY
OFFICE OF SPONSORED PROGRAMS
POLICIES AND PROCEDURES**

**AWARD MAINTENANCE
RECORDING OF BUDGETS AND ENCUMBRANCES
EFFECTIVE 12-01-08, REVISED 12-26-2014
POLICY #25
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PURPOSE:

To establish policies and procedures for setting up budgets and encumbrances associated with each sponsored account and to describe the utilization of encumbrances.

DEFINITIONS:

Budget: The financial plan for a sponsored project, including the original approved budget and any approved revisions. Revisions may require prior approval by the sponsoring agency for the grant, cooperative agreement or contract. Refer to Office of Sponsored Programs (OSP) Policy No. 39 - *Prior Approval Requirements*.

Budget Period: The interval of time (usually 12 months) into which the project is divided for budgetary and reporting purposes. A period of performance may include multiple budget periods for multi-year awards.

Carryover: Unobligated funds remaining at the end of any budget period that, with the approval of the sponsor or under an automatic authority specified in the award terms and conditions, may be carried forward to another budget period to cover allowable costs of that budget period (whether as an offset or as additional authorization). Obligated, but unliquidated, funds are not considered carryover.

Encumbrance: A mechanism used to commit budget funds for allowable cost items, excluding personnel and travel.

POLICY:

The Principal Investigator/Project Director (PI/PD) is responsible for converting the original budget to the appropriate expense account codes, with the assistance of the OSP, for a sponsored project account, upon receipt and acceptance of the award document. Financial Operations is responsible for entering the budget into the Banner financial system. Encumbrances are created when purchase orders are generated by the Office of Procurement Management.

REFERENCES:

- NSU Accounting & Financial Policies and Procedures Manual, Finance Policy 127 – *Administration of Sponsored Programs/Projects*

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PROCEDURES:

1. Upon receipt and acceptance of the award document, the OSP will develop the Project Digest, which includes a summary of award information, a budget detailing Banner expense codes identified by the PI/PD based on the approved project budget, and award documentation (i.e., notice of award, fully executed agreement, etc.). The Project Digest is distributed by OSP to all appropriate parties, including the PI/PD, the Contracts and Grants Accounting Department (CGA), and the Budget Office.
2. The Budget Office will enter the budget items into the Banner financial system and communicate completion to all parties.
3. The PI/PD is responsible for initiating and carrying out expenditure and encumbrance activity on the award, and informing the OSP when budget revisions are needed by completing a Rebudget Request Form.
4. Upon receipt of a Rebudget Request Form, the OSP will verify whether prior sponsor approval is necessary, work with the PI/PD to obtain sponsor approval if needed, and prepare/distribute a revised Project Digest budget to all parties identified in item 1 (refer also to OSP Policy No. 39 – *Prior Approval Requirements*).
5. Following determination whether carryover funds from the prior budget period are available, allowable, and needed for expenditure in the next budget period, OSP will work with the PI/PD to make necessary budget revisions in accordance with item 4 above, as applicable. In accordance with sponsor requirements, the OSP will obtain prior written sponsor approval, if needed, on behalf of the PI/PD prior to issuing budget revisions for use of carryover funds (refer also to OSP Policy No. 39 – *Prior Approval Requirements*).
6. Upon receipt of the revised Project Digest for budget revisions, the Budget Office will enter all changes to the current budget in the Banner account and confirm completion of changes to all parties.
7. Non-personnel expense transactions will be processed through the Ariba system. OSP will review and approve all check requests, purchase requisitions, and travel reimbursement requests for reasonableness, allowability, and allocability (refer to Policy No. 28 – *Allowable Costs and Expenditure Control*). If OSP determines funding is not available under the award, the expense transaction will be returned to the PI/PD via the Ariba system. Approved purchase requisitions are routed in Ariba to the Office of Procurement Management for processing. Approved check requests and travel reimbursement requests are routed in Ariba to Accounts Payable for processing.
8. Encumbrances are reduced (liquidated) as expenses are incurred.