

## BUDGET DEVELOPMENT PROCEDURE

# Budget Development: Operational Procedure

### Procedure Sections

**Last Revised:** August 2014

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### Reason for Procedure

This procedure outlines the processes and expectations for the regular reconciliation and review of sponsored project accounts by the Finance Manager (Administrative Staff), in conjunction with the review of reconciled reports by the PI, to monitor the availability of funds, to ensure that the rate of expenditure is in line with project performance and to ensure that any necessary account adjustments are made in a timely manner.

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### Who Should Know This Procedure

- Principal Investigators
  - Administrative Staff
  - Winter Conference/Summer Workshop Organizers
  - Proposal Committee
  - Officers
  - Trustees
  - General Members
  - Other: \_\_\_\_\_
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### Contacts

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| <b>Subject</b>               | <b>Contact</b>   |
|------------------------------|--|
| Budget Development Questions | Finance Manager<br>Administrative Vice President<br>Treasurer<br>Principal Investigators |

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## Applicable ACP Policies

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- Direct & Indirect Charging of Sponsored Projects: Policy & Operational Procedure
  - Allowable Costs on Sponsored Projects: Policy & Operational Procedure
  - Participant Support Costs: Policy & Operational Procedure
  - Sponsored Project Program Income: Policy & Operational Procedure
  - Sponsored Project Cost Transfers: Policy & Operational Procedure
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## Budget Development at ACP

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### Developing a Budget

The budget should list all cost details for the year or other appropriate period of time. It should include salaries, wages, fringe benefits, operating services, supplies, equipment, publications, travel, other direct expenses, and any facility and administrative costs. A brief outline for developing a budget is included in Aspen Center for Physics's policies and procedures manual.

### Budget Considerations:

- Direct Costs—Costs that can be specifically linked to your project.
- Fringe Benefits—Compensations made to an employee beyond the regular benefit of being paid for their work. At Aspen Center for Physics, these are charged to a sponsored account using an approved pooled rate.
- Indirect Costs—Costs that cannot be attributed to a specific project.
- Cost Sharing and Matching—Funds provided by the Center or a source other than the main sponsor.
- Allowable and Unallowable Costs—Funds provided by the Center or a source other than the main sponsor.

Subawards—When funds are being paid to an organization outside of Aspen Center for Physics (university or other non-profit entity) to conduct a portion of the sponsored project activity.



## Direct Costs

Direct Costs can be specifically linked to each sponsored project. See a complete list of allowable and unallowable direct costs in the Allowable and Unallowable Cost section below. In summary, direct costs include:

- Salaries/Wages—List personnel by name, salary rate, and percentage of their time they will devote to the project..
- Employee fringe benefits—This includes the Center's contribution toward insurance, retirement and similar items.
- Equipment—Provide itemized costs for equipment purchases, including any necessary accessories, installation, delivery, software, or other related items. Provide justification concerning how equipment purchases will benefit the project (or are necessary to the project). General purpose equipment (computers or printers, for example) must be clearly explained in this justification.
- Travel—Include necessary travel expenses as direct costs. Estimate travel using Aspen Center for Physics' current domestic per diem and international per diem rates.
- Materials and Supplies—Identify and justify consumable (or expendable) materials and supplies for the research project. Office supplies are typically included in Facilities and Administration (F&A), which are indirect costs.
- Consultant or Professional Services—Request funds for any necessary outside services for the project. Aspen Center for Physics employees may not serve as consultants on sponsored projects awarded to Aspen Center for Physics.
- Report and publication costs.

## Indirect Costs

Indirect costs cannot be attributed to a particular project. Examples include utilities, facilities maintenance, library support and general administration.

## Cost Sharing and Matching:

Cost sharing and matching include all costs that are not paid by the sponsor. Cost shares and matching funds must be available during the same time period as the sponsor contract. These funds may include:

- Institutional matches—These may include matching funds or the university providing a portion of salaries or benefits to project team members.
- External matching and cost sharing—Cash or in-kind support from other organizations must include a written commitment from the provider. The period in which the match is available



must coincide with the project.

- Required—Some agencies require cost sharing as part of the project. In such cases, the PI should contact the Center to develop a cost-sharing agreement.

Center contributions to cost sharing, other than release time or matching funds, must receive approval from Treasurer. The Treasurer must also approve proposals and contracts containing provisions for reduced overhead rates, financial contributions not covered by the sponsored project, or implied commitment of Center equipment or facility for which the Center is not adequately compensated.

#### **Allowable and Unallowable Direct Costs:**

- In addition to being allowable, direct costs must follow the usual guidelines of being reasonable, allocable, applicable, and consistently treated and must comply with Center policy.
- Please note that awarding agency guidelines and Center policy may be more rigid than the guidelines listed here.

| <b>A-122 Ref</b> | <b>Allowable and Unallowable Direct Costs</b> | <b>Allowable as a direct cost</b>  | <b>Unallowable as a direct cost</b>  |
|------------------|---|--|--|
| <b>B1</b>        | Advertising and Public Relations              | Allowable for costs of communicating with and notifying the public pertaining to public lectures | Unallowable for promotional items and memorabilia, including models, gifts and souvenirs |
| <b>B2</b>        | Advisory Councils                             | Allowable for costs incurred by councils or committees when authorized by the awarding agency    | <i>See allowable column</i>  |
| <b>B3</b>        | Alcoholic Beverages                           | Unallowable  | Unallowable  |
| <b>B4</b>        | Audit Costs and Related Services              | Allowable if specifically required and approved by the awarding agency                           | <i>See allowable column</i>  |
| <b>B5</b>        | Bad Debt                                      | Unallowable  | Unallowable  |
| <b>B6</b>        | Bonding Costs                                 | Allowable when bonding is required pursuant to the terms of the award                            | <i>See Manual A-122, sec.B6</i>  |



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| <b>B7</b>  | Communication Costs  | Allowable for telephone services, local and long distance telephone calls, telegrams, postage, messenger, electronic or computer transmittal services | <i>See allowable column</i>                      |
| <b>B8</b>  | Compensation for Personal Services   | Certain Allowances<br>See Manual A-122, Sec. B8   | See Manual A-122, Sec. B8                        |
| <b>B9</b>  | Contingency Provisions   | Unallowable   | Unallowable                                      |
| <b>B10</b> | Defense and Prosecution of Criminal and Civil Proceedings, Claims, Appeals and Patent Infringement | Certain Allowances<br>See Manual A-122, Sec. B10  | See Manual A-122, Sec. B10                       |
| <b>B11</b> | Depreciation and Use Allowances  | Certain Allowances<br>See Manual A-122, Sec. B11  | See Manual A-122, Sec. B11                       |
| <b>B12</b> | Donations and Contributions  | Certain Allowances<br>See Manual A-122, Sec. B12  | Certain Allowances<br>See Manual A-122, Sec. B12 |
| <b>B13</b> | Employee Morale, Health, and Welfare Costs   | Allowable   | <i>See allowable column</i>                      |
| <b>B14</b> | Entertainment Costs  | Unallowable   | Unallowable                                      |
| <b>B15</b> | Equipment and other Capital Expenditures   | Certain Allowances<br>See Manual A-122, Sec. B15  | See Manual A-122, Sec. B15                       |
| <b>B16</b> | Fines and Penalties  | Unallowable except when incurred as a result of compliance with specific provisions of an   | <i>See allowable column</i>                      |



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|            |   | award or instructions in writing form the awarding agency   |   |
| <b>B17</b> | Fund Raising and Investment Costs                 | Unallowable   | Unallowable                                       |
| <b>B18</b> | Gain and Losses on Depreciable Assets             | See Manual A-122, Sec. B18  | See Manual A-122, Sec. B18                        |
| <b>B19</b> | Goods or Services for Personal Use                | Unallowable   | Unallowable                                       |
| <b>B20</b> | Housing and Personal Living Expenses              | Allowable only as direct costs to sponsored award when necessary for the performance of the award and approved by awarding agencies   | <i>See allowable column</i>                       |
| <b>B21</b> | Idle Facilities and Idle Capacity                 | Certain Allowances;<br>See Manual A-122, Sec. B21   | See Manual A-122, Sec. B21                        |
| <b>B22</b> | Insurance and Indemnification                     | Allowable if related to and necessary for the performance of the sponsored project<br>See Manual A-122, Sec. B22  | See Manual A-122, Sec. B22                        |
| <b>B23</b> | Interest  | Certain Allowances;<br>See Manual A-122, Sec. B23   | See Manual A-122, Sec. B23                        |
| <b>B24</b> | Labor Relations Costs                             | Allowable for costs incurred in maintaining satisfactory relations between the organization and its employees, including costs of labor management committees, employee publications and other related activities | <i>See allowable column</i>                       |
| <b>B25</b> | Lobbying  | Certain Allowances;<br>See Manual A-122, Sec. B25   | Certain Allowances;<br>See Manual A-122, Sec. B25 |
| <b>B26</b> | Losses on Other Sponsored Agreements or Contracts | Unallowable   | Unallowable                                       |



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| <b>B27</b> | Maintenance and Repair Costs                               | Allowable for maintenance, repair, and upkeep of buildings and equipment to keep them in efficient operating order  | Unallowable for improvements that add to the permanent value or prolong intended life of equipment. |
| <b>B28</b> | Material and Supplies Costs                                | Allowable for materials, supplies, and fabricated parts necessary to carry out a Federal award  | <i>See allowable column</i>   |
| <b>B29</b> | Meetings and Conferences                                   | Allowable when the primary purpose is the dissemination of technical information directly related to the project. This includes costs of meals, transportation, rental of facilities, speakers' fees, and other items incidental to such meetings or conferences, excluding entertainment costs | <i>Refer to Manual A-122, Sec. B14, Entertainment Costs and Sec. B33, Participant Support Costs</i> |
| <b>B30</b> | Memberships, Subscriptions and Professional Activity Costs | Allowable for membership in business, technical, and professional orgs. Subscriptions to business, professional and tech periodicals. Membership to civic or community orgs with prior approval   | Unallowable for country club or dining clubs  |
| <b>B31</b> | Organization Costs   | Allowable only with prior approval of awarding agency   | <i>See allowable column</i>   |
| <b>B32</b> | Page Charges in Professional Journals                      | Allowable as necessary part of research costs   | <i>See allowable column</i>   |
| <b>B33</b> | Participant Support Costs                                  | Allowable for stipends, subsistence allowances, travel, and registration fees in connection with meetings, conferences, symposia, or training projects with prior approval  | Unallowable for employees   |
| <b>B34</b> | Patent Costs   | Allowable if required by the sponsored agreement  | Unallowable for foreign patents   |



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| <b>B35</b> | Plant and Homeland Security Costs       | Allowable to protect facilities, personnel, and work projects   | <i>See allowable column</i>                            |
| <b>B36</b> | Pre-agreement Costs                     | Allowable with prior approval from the awarding agency  | <i>See allowable column</i>                            |
| <b>B37</b> | Professional Service Costs              | Allowable when in accordance with Manual A-122, Sec. B37  | Manual A-122, Sec. B37                                 |
| <b>B38</b> | Publication and Printing Costs          | Allowable if the costs can be identified with a specific project  | <i>See allowable column</i>                            |
| <b>B39</b> | Rearrangement and Alteration Costs      | Allowable   | <i>See allowable column</i>                            |
| <b>B40</b> | Reconversion Costs                      | Allowable for costs incurred in the restoration or rehabilitation of the institution's facilities to approximately the same condition existing prior to commencement of Federal awards, less costs related to normal wear | <i>See allowable column</i>                            |
| <b>B41</b> | Recruiting Costs                        | Allowable when related to and necessary for the project and if reasonable (color ads are not considered reasonable)   | <i>See allowable column and Manual A-122, Sec. B41</i> |
| <b>B42</b> | Relocation Costs                        | Allowable for circumstances in accordance with Manual A-122, Sec. B42   | <i>See Manual A-122, Sec. B42</i>                      |
| <b>B43</b> | Rental Costs of Buildings and Equipment | Allowable but subject to the limitations given in Manual A-122, Sec. B43  | Manual A-122, Sec, B43                                 |





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| <b>B44</b> | Royalties and Other Costs for Use of Patents         | Allowable when necessary for the proper performance of the award   | Unallowable when the Federal Government has a license or the right to free use of the patent or copyright; or when the patent or copyright has been adjudicated to be invalid, has been administratively determined to be invalid, is considered to be unenforceable, or has expired |
| <b>B45</b> | Selling and Marketing                                | Allowable with prior approval from Awarding Agency   | Unallowable without prior approval of Awarding Agency  |
| <b>B46</b> | Specialized Service Facilities                       | Allowable, but rates must comply with Manual A-122, Sec. B46   | Manual A-122, Sec. B46   |
| <b>B47</b> | Taxes  | Allowable under certain circumstances; See Manual A-122, Sec. B47  | Manual A-122, Sec. B47   |
| <b>B48</b> | Termination Costs Applicable to Sponsored Agreements | Allowable for costs that would not have arisen had the sponsored agreement not been terminated, see detail Manual A-122 Sec. B48 | Manual A-122 Sec. B48  |
| <b>B49</b> | Training Costs                                       | Allowable for specific circumstances, see Manual A-122, Sec. B49   | Manual A-122, Sec. B49   |
| <b>B50</b> | Transportation Costs                                 | Allowable  | <i>See allowable column</i>  |



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| <b>B51</b> | Travel Costs | Allowable for transportation, lodging, subsistence and related items for employees who are in travel status on official business, subject to Manual A-122, Sec. B51 | Manual A-122, Sec. B51  |
| <b>B52</b> | Trustees     | Allowable for travel and subsistence costs of trustees or members   | Restrictions regarding lodging, subsistence and air travel costs See Manual A-122, Sec. B51 |

## Budget Preparation

### BUDGETING PROCESS

The Aspen Center for Physics maintains two types of budgets.

#### The Institutional Budget:

The Administrative VP, the Finance Manager and the Treasurer shall be responsible for presenting to the Finance Committee and other Board Committees an annual operating budget draft.

The Finance Committee shall review and approve the recommended fiscal year budget revenues, expenditures and cash flow, and submit them for approval to the Board of Trustees.

#### Budgets for Sponsored Projects:

The Finance Manager, the Administrative Vice President, and the Treasurer shall prepare a preliminary budget based on the above guidelines in accordance with the funding agency's guidelines. The PI and the ACP President shall review the budget and make changes as needed to resubmit to the Finance Manager for final presentation format.



## **Budget and Expenditure Monitoring**

**Policy:** The Principal Investigator and ACP staff both monitor the budget and expenditures of a project grant.

**Procedure:** Although the ACP staff will assist the Principal Investigator with the day-to-day administration of all grants and contracts. The PI is responsible for all awards.

**Monitoring of Funds:** The PI is responsible for the ongoing management of award projects, including regular monitoring against the budget.

For all awards, the Administrative Vice President is responsible for approving all expenditures: Salary, purchasing, travel, etc. all need to be approved as described in the Allowable Costs policy and procedure section.

**Quarterly Review of Projects Expenditures.** Quarterly Project Summary reports are prepared by the Finance Manager and sent to the PI for review so that the expenditures can be monitored to assure availability of funds and expense transfers can be made in a timely manner if any errors are detected. Regular monitoring of sponsored project funds helps to:

- Confirm the availability of project funds
- Ensure that costs are consistent with the project reports and are incurred within the period of performance of the project
- Discover errors in the sponsored project budget, encumbrances, or expenditures
- Avoid overspending
- Provide a high degree of confidence that the project complies with the sponsor's spending terms and conditions
- Verify that cost transfers and corrections are processed in a timely manner
- Maintain a clear audit trail

### **Resolving Budget or Expense Issues:**

After review of the quarterly reports, if the PI has questions on the remaining budget or any expenses that were charged to the grant, the Finance Manager should be contacted.

### **Clearing an Overdraft :**

If an account is in overdraft upon expiration of the project's performance period, and additional funds are not available from the sponsor, the Principal Investigator, in consultation with the Finance Manager, must clear the overdraft by transferring charges to an appropriate fund account. The Center is responsible for the clearing of any unfunded expenditures.



## Budget Revisions

**Policy:** Sponsor terms and conditions, as well as ACP policies and Federal regulations, are followed for budget revisions.

**Procedures:** The PI and/or the Financial Manager, in consultation with the Treasurer, prepare a Budget Revision. The PI will then submit the Budget Revision to the sponsored-project agency

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## Roles & Responsibilities

**Principal Investigator:** Responsible for reviewing the financial status of sponsored accounts (expenditures, revenue, and budget). This review must take place at least quarterly.

**Administrative Staff:** Responsible for financially reconciling all sponsored project funds and providing reports and documentation to the PI for review. Responsible for processing entries to correct any errors identified during the review and reconciliation process.

**Designated Officers:** Responsible for supervising the Administrative Staff and, as needed, supplementing the review of reconciled accounts

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## Appendix: Applicable Federal Regulations & Criteria

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Citation of NSF AAG Manual 2014 section II-5 for rule:

### C. Changes in Grant Budget

#### 1. OMB Directions

Section .25 of OMB Circular A-110 (2 CFR §215.25) contains optional requirements regarding budgetary revisions. NSF elects NOT to impose the following requirements on its grantees:

- a. Prior approval requirements for appropriate transfer between direct and indirect cost categories of the grant budget; and
- b. Restrictions in transfers of funds among direct cost categories for grants in which the Federal share exceeds \$100,000.

#### 2. Grant Changes and Approvals

- a. If required in furtherance of the project, the grantee is authorized to transfer funds from one budget category to another for allowable expenditures. AAG Exhibit II-1, however, highlights



certain budget changes that may require prior NSF approval.

b. When a change requires NSF approval, the request must be submitted electronically via use of the Notification and Request module in FastLane. The request should clearly state which budget items, if any, are to be changed and by what amounts, and should explain the reasons for any changes.

c. Whenever the amount of Federal funds authorized by an NSF grant is expected to exceed the requirements of the project, as outlined in the approved proposal, by more than \$5,000 or 5 percent of the grant amount, whichever is greater, the grantee will promptly notify the NSF Program Officer.

