Budget to Projection Part I

The Financial Process from beginning to end.
Types of Budgets

- Funded Projects
  - Research and Training
  - Discretionary
  - Special Projects

- Operating
  - Department
Budget Development

- **Research and Training**
  - Detailed budget
  - Funds must be spent in accordance with the budget

- **Discretionary**
  - Bottom line budget
  - Funds can be spent at discretion of Project Director

- **Special Projects**
  - Can have either detailed or bottom line budget
  - How funds are spent is dependent on funding agency
Budget Development

- Operating
  - Detailed budget
  - Funds do not have to be spent based on budget, but must stay within bottom line total
  - Annual budget – no carry over, do not have to spend by end of year
  - Funds used for day-to-day operations
Budget Development Process

- Income estimates developed by Admin Services with assistance from other departments
  - Tuition
  - Annual Fund
  - Overhead Recovery
  - Unrestricted Endowment
Budget Development Process

- Expense estimates based on various components
  - Available Income
  - Department Director Requests
  - Historical Trends in Spending

- Departments can receive additional funds based on requests
  - Restructuring of Activities
  - New Plans and Innovations
  - Strategic Plan of School
Budget Management

- Director or PI is responsible for Department or Project budget management
  - Expense transactions
  - Staying within budget guidelines

- Admin Services provides support, assistance, and tools to assist director/PI in managing their budget
  - Processing transactions
  - Reviewing and approving transactions
  - Projections
  - Forecast notes – trends, areas of concern
Sponsored Projects

Pre-Award Activities
Sponsored Projects

Project Cycle

- Pre-Award – funding search, proposal/budget preparation
- Receipt of Award – account set up
- Post Award – project accounting/transaction review
- Project Close-Out – terminate and submit final reports
- Audit – compliance with terms and conditions, especially Federal Regulations
Sponsored Projects

Federal Clearing House

Grants.gov
Stewardship and Compliance
Stewardship and Compliance

- The effective management of public funds to maximize research outcomes
- The avoidance of cases of fraud, institutional mismanagement or poor management of federal AND sponsor funds
Stewardship and Compliance

OMB Circular A-21

“Cost Principles for Educational Institutions”
Stewardship and Compliance

Budget preparation
Direct costs – costs that can be identified specifically with a particular sponsored project.

Examples – Salary of Research Assistants, supplies used exclusively for the benefit of the project
Stewardship and Compliance

- Expenses that are allowable and allocable should be reviewed with Admin. Services staff to ensure the accurate direct costs are included.
- All proposals and associated budgets need to be reviewed by Admin. Services staff PRIOR to submission.
Stewardship and Compliance

Indirect Cost – costs that are incurred for common or joint objectives, and therefore cannot be identified with a particular sponsored activity

Examples – Salary of Department Administrator, building utility and maintenance costs, President, Provost and CFO offices
Stewardship and Compliance

Total cost of sponsored project =

Allowable direct costs +

Allocable indirect cost

(at Case, 54.5% of direct costs)
Stewardship and Compliance

What does “Allowable” Mean?

- **Reasonable** – a prudent person would have purchased this item at this price
- **Allocable** – it can be assigned to the project on a reasonable basis, project benefits
- **Consistently Treated** – like costs must be treated the same in like circumstances.

If a cost can not meet the criteria, it is unallowable
Stewardship and Compliance

Allowable vs Unallowable

- Meal expense on campus, no receipt, no documentation
  Unallowable – need detailed receipts and documentation of the purpose of the expense

- Travel expense of Employee and spouse
  Legitimate travel expense of employee allowable
  Spouse - Unallowable

- Alcohol served at a business function
  No – Never – Not Allowed – Unallowable!
Stewardship and Compliance

Allowable vs Unallowable

- Membership in an airline courtesy club
  Unallowable – & in most cases, first class travel as well
- General PR and Alum activities
  Unallowable
- Memorabilia, Promotional Materials
  Generally unallowable, although there are exceptions; advertising for subjects, items to improve staff morale
Stewardship and Compliance

Allocability of costs-

- Travel by PI to a conference
  allocable to grant if conference related to grant
- Salary of research assistant
  allocable if a method exists to document effort on the grant
- Salary of department assistant
  Generally, not allocable; work on many different projects, many not grant funded. Activities not allocable
Stewardship and Compliance

Allocability of costs-

- Proposal preparation costs
  Not allocable to existing direct cost of a current project
- Move expenses because other grant has more money
  No – Never – Definitely not allocable
Stewardship and Compliance

Allocability of costs-

Cost Accounting Standards

- Consistently allocate costs incurred for the same purpose, in like circumstances
- Identify and exclude unallowable costs from proposals
- Use same accounting principles when estimating costs (proposals) as reporting costs
Stewardship and Compliance

A-21 Section J

General Provisions for selected Items of Cost

Sub-Sections 1-54 provide principles that are applied in establishing the allowability of items in determining cost
Stewardship and Compliance

Charging of expenses must be accurate and timely

Audit – compliance with terms and conditions, especially Federal Regulations
Stewardship and Compliance

Charging of expenses must be accurate and timely

**Yale** – Reimburse DHHS for unallowable costs. Inadequate justification of cost transfer, altered documentation, PI transferring funds, inaccurate effort reports.

**George Washington** - $1.8m. Theft of federal funds, embezzlement, tuition scholarship for employee spouses

**Florida International** - $11.5m. Cost transfers after close-out, incomplete documentation, discrepancies in effort promised/reported

**Harvard** - $2.4m. Unrelated salaries charged to Federal Awards – researchers did not meet citizenship requirements

**John Hopkins** - $2.6m. Time and effort overstated, charged more than 100%
Independent Contactors

@ Case

For further information, please contact John Kane at 368-8540 or via e-mail at indcontractor@case.edu.
Q: What are my options if I need an employee or contractor for my project?

A: There are several options:

1. Full Time Employee- More than 37.5 hours per week.
2. Part Time Employee- Less than 37.5 hours per week, for a duration longer than 12 months.
3. Term Employee- Can be full or part time, for a duration longer than 12 months, but less than 3 years.
4. Temp Employee- Can be used for any period less than 12 months.
5. Independent Contractor
Independent Contractors @ Case

- **Contracts for Services**
  - A new contract is **required** every time an external vendor provides a service to the University.
  - Everything requires a written agreement to be in place prior to the work starting. These external vendors are commonly known as independent contractors.
Independent contractors at Case Western Reserve University are individuals or companies that provide specialized services in a particular discipline. The use of independent contractors allows Case to tap their unique expertise necessary to project-specific work, recognize the contractors' desire for independence, and to save on benefit and administrative costs.
Q: How can I tell the difference between an independent contractor and an employee?
A: The IRS looks at 3 sets of criteria when evaluating worker status which focus primarily on which party controls the *method* and the *means* of completing the task:
The first focus is on *behavioral control* of a worker, which is the method portion of the test. If explicit, detailed instructions on how to complete the task are given to the worker, it shows that the organization retains control over the method. This tends to indicate that the worker is an employee of the organization. If the organization provides training to the worker, that is even stronger evidence of employee status. Further examples of behavioral control include work hours set by the organization, and organizational dictation of where the work is to be conducted.
Independent Contractors @ Case

The second focus is **financial control**. If a worker has a significant investment in the tools used to complete the work, it tends to indicate that they are a contractor rather than an employee. If a worker does not receive reimbursement for business expenses such as materials, supplies, or travel, then it tends to indicated contractor status. If the worker has an opportunity to realize a profit or loss from their relationship with the organization using their services, it is an indicator of contract status.
Independent Contractors @ Case

Finally, the *relationship* between the parties is examined. If an organization pays benefits to a worker, it is a strong indication that they are an employee. If a contract exists between the parties, it usually explicitly states that the worker is an independent contractor. While this is evidence that the worker actually is a contractor, this can be overshadowed by the conduct of the parties if it is more in line with an employer/employee relationship.
IF..... an independent contractor is appropriate for the project, the following steps need to be taken:

1. Fill out the independent contractor information form completely.
   - [Independent Contractor Form](#)

2. Check PeopleSoft to find out if the service provider is already an existing vendor. If they are not, then provide both a completed supplier form and IRS form W-9.
   a. [Supplier Form](#)
   b. [IRS Form W-9](#)
Independent Contractors @ Case

3. Enter requisition for vendor payment into PeopleSoft. Payment request forms are not acceptable for any contract processed after 11/01/2005.

4. *Procurement creates and mails two signed copies of the contract to the vendor.*

5. Vendor signs one copy, which they return to Procurement, and retains one copy for their files.

6. Procurement receives the fully executed contract back from the vendor and scans it into electronic format.
Independent Contractors @ Case

7. Procurement e-mails a copy of the contract to those persons listed on the Web Form as copy recipients.
8. Procurement generates a purchase order.
9. Vendor submits invoice for services per instructions in contract Exhibit A.
10. Accounts Payable pays vendor.

All paperwork must be filled out completely, and the contract between Case and the vendor must be properly signed by both parties before any work can begin.