SECTION 7 - BUDGET MONITORING AND OVER-EXPENDITURE PREVENTION

7.1 Purpose

This section establishes procedures to:

- Monitor grant budgets
- Prevent over-expenditure
- Monitor administrative cost caps
- Track burn rate
- Forecast funding sufficiency
- Protect against disallowed costs

This section applies to all funding streams.

7.2 Budget Authority

Only the Executive Director may:

- Approve official budget modifications
- Approve transfer of funds
- Approve reallocation across categories (where permitted)
- Approve corrective spending adjustments

The Finance Manager monitors and recommends.

The Program Manager monitors program-level spending.

7.3 Monthly Budget Monitoring Process

Each month, the following review layers occur:

7.3.1 Fiscal Agent Provides

- Budget-to-actual report by funding stream
- Administrative cost summary

- Accounts payable and receivable report
- General ledger detail

7.3.2 Finance Manager Review

Finance Manager must review:

☐ Total expenditures by funding stream
☐ Remaining balance
☐ Administrative percentage utilized
☐ Spending pace (burn rate)
☐ Large or unusual expenditures
☐ Obligation alignment
☐ Projected exhaustion date

Finance Manager documents review.

7.3.3 Program Manager Review

Program Manager must review:

☐ Participant-level spending trends
☐ Enrollment projections
☐ Training commitments
☐ Risk of over-commitment
☐ Subrecipient spending pace

Program Manager alerts Finance Manager of projected risks.

7.3.4 Accounting Technician Verification

Accounting Technician must:

☐ Reconcile obligation spreadsheet to ledger
☐ Verify match tracking
☐ Confirm budget category coding

7.3.5 Executive Director Oversight

Executive Director reviews summary monthly and signs off quarterly.

7.4 Burn Rate Monitoring

Finance Manager shall calculate:

Burn Rate = Total Expended ÷ Months Elapsed

Projected Remaining Months = Remaining Funds ÷ Average Monthly Spend

If projected exhaustion date precedes grant end date:

- Spending adjustments must be implemented.
- Budget modification may be initiated.
- Transfer of funds considered.

If spending pace is too slow:

- Acceleration plan developed.
- Program Manager notified.

7.5 Over-Expenditure Prevention Controls

Before approving any new obligation:

Finance Manager must verify:

Available Balance =
Total Award
– Total Expenditures
– Total Obligations

No commitment may exceed available balance.

System of control:

- Obligation spreadsheet verification
- Budget-to-actual verification
- Administrative cap calculation

7.6 Administrative Cap Monitoring

For capped funding streams:

- Administrative expenditures tracked separately.

- Percentage calculated monthly.
- Reviewed monthly by Finance Manager.
- Reviewed quarterly by Executive Director.

If administrative rate reaches 90%:

- Spending freeze on administrative costs.
- Immediate review required.

7.7 Corrective Action for Budget Risk

If over-expenditure risk is identified:

1. Finance Manager documents risk.
2. Executive Director notified.
3. Immediate mitigation plan developed.
4. New commitments paused if necessary.
5. Budget modification initiated if allowed.
6. Transfer of funds considered where permitted.
7. Documentation retained.

7.8 Quarterly Financial Forecast Review

Quarterly review must include:

- Total award
- Total expended
- Total obligated
- Remaining balance
- Projected exhaustion date
- Administrative percentage
- Match status
- Subrecipient performance

Executive Director signs off on quarterly financial forecast.

7.9 Internal Control Statement

Budget monitoring integrates:

Ledger review → Obligation reconciliation → Program review → Executive oversight

This layered approach ensures compliance with 2 CFR §200.303 and prevents disallowed costs.