University of Colorado
Colorado Springs

Monitoring and Managing Burn Rate

OVERVIEW

Burn rates are used to measure the rate at which a project is expending its budget by measuring the project's rate of spending across each budget category and over the life of the award. These measures are useful for the purposes of forecasting as well as to highlight any spending inconsistencies (e.g., spikes or valleys) that result in an unusual burn rate.

- High burn rate results from spending a greater percent of your award's budget than time has passed on the award. This can be due to a spending spike which is a large or unusual expenditure posting such as the purchase of a large piece of equipment, paying out a major deliverable to a subcontractor, summer salary for senior personnel. It can also be due to simply spending the award's budget at a faster rate than its life over time. This can either be anticipated (based on the project plan) or a cause for concern.
- Low burn rate results from spending a lower percent of your award's budget than time has passed on the award. This can be due to a spending valley which is the result of expenditures not posting to the project as expected usually due to supply chain disruptions, vendor payment delays, hiring delays, personnel turnover, or other challenges to objective performance. It can also be due to simply spending the award's budget at a slower rate than its life over time. This can either be anticipated (based on the project plan) or a cause for concern.

While some spending inconsistencies are appropriate (such as those which result from the project plan and when purchasing a large piece of equipment, paying out a large deliverable to a subcontractor, or allocating summer salary to a project, etc.), significant inconsistencies in spending rates can result in additional sponsor scrutiny, budget reductions, challenges with completing the award's objectives/deliverables on schedule, and delayed closeouts.

Monitoring project spending and managing project expenditures is the core of post-award administration. Over the life of a sponsored project: Department/Grant administrators, Principal Investigators (PI), and Sponsored Projects Accounting (SPA) each play a role in tracking project spending, ensuring only allowable/allocable costs are applied to the project, and reviewing burn rates.

Department/Grant Administrators Responsibilities

Department/Grant Administrators have the primary responsibility for monitoring the burn rate of the projects they support, as best practices indicate they should be reviewing m-Fin/financial reports and expenditures monthly with their PIs. This regular review process should already include a comparison of a project's Budget to their Actuals as well as confirmation that:

- All posted expenditures are allowable on the project
- All expenditures that should be on the project ST are correctly allocated
- No incorrect/unallocable expenditures have been improperly allocated to the project
- Personnel expenses are only being applied to the project ST for those employees whose effort directly benefited the award's objectives and who should be paid by the project ST
- No personnel expenses are absent from the project ST for those employees (including faculty, university/classified staff, and student employees) who should be paid on the project ST

By regularly reviewing project spending as well as reviewing/approving project expenditures in Marketplace, Concur, HCM, and through JEs: department/grant administrators are best suited to identify absent expenditures and determine whether a spending inconsistency is expected or cause for concern.

If a concerning spending inconsistency is identified: department/grant administrators should immediately reach out to the project's Sponsored Projects Accountant to identify appropriate next steps.

Department/Grant Administrators should also work closely with their PIs to develop a spending strategy at the start of each award and regularly check in to ensure spending is happening on scheduled. Project spending plans should be updated at least quarterly to account for any supply chain disruptions, personnel turnover, effort changes, or other project changes.

If assistance is required with forecasting or developing a spending strategy: Department/Grant Administrators should immediately reach out to the project's Sponsored Projects Accountant.

Principal Investigators (PI) Responsibilities

Principal Investigators (PI) are responsible for managing their project's burn rate by participating in regular financial review of their projects with their Department/Grant Administrator as well as communicating any upcoming expenditures and changes to expected project spending.

When participating in the regular financial review with the Department/Grant Administrator, PIs should confirm that:
- Spending (budget to actuals) is proceeding as expected
- All expenditures are allocated appropriately
- No invalid expenditures have been applied to the project
- Personnel expenses match the employees' effort applied to the project (i.e., effort directly benefited the award's objectives) and have been expensed appropriately to the project ST
- No personnel expenses are absent from the project ST for those employees (including faculty, university/classified staff, and student employees) who should be paid on the project ST

Communicating with their Department/Grant Administrator in regards to any planned expenditures (e.g., equipment to be purchased, travel expected in the near future, new employees to be hired/moved to the project, etc.) is vital to properly monitoring a project's burn rate. This information not only helps improve the project's spending strategy (allowing for adjustments to be made as needed) but also allows the Department/Grant Administrator to more easily determine whether a spending inconsistency is expected/appropriate or cause for concern.

If a spending inconsistency or any concerns about the burn rate do arise, PIs are expected to promptly address any questions from the Department/Grant Administrator, Sponsored Projects Accounting, and/or the sponsor pertaining to the spending inconsistency.

Sponsored Projects Accounting (SPA) Responsibilities

Sponsored Projects Accounting (SPA) is responsible for monitoring burn rates for all sponsored projects by conducting a burn rate overview of all projects quarterly using m-Fin reports to compare budgets to actuals.

If spending inconsistencies are identified, the SPA accountant for the affected project will review the contract terms, budget justification, and proposed project plan to initially determine whether the inconsistency is expected based on the project scope and the contract documents.

If upon initial review of the spending inconsistency the SPA accountant cannot determine whether a spending inconsistency is expected/appropriate using the contract documents, then the SPA accountant will reach out directly to the Department/Grant Administrator and the PI(s).

- If the Department/Grant Administrator and the PI(s) confirm the spending inconsistency is expected/appropriate, then the SPA accountant will save the relevant correspondence in the project's file for record-keeping purposes and make a note for the next burn rate review cycle.
- If the Department/Grant Administrator and the PI(s) acknowledge that the spending inconsistency is a cause for concern, then the SPA accountant will help to address the issue by:
  - Meeting with Department/Grant Administrator and PI(s) to discuss next steps
  - Performing a detailed review of all project expenditures
  - Working with the Department/Grant Administrator to seek out missing project expenditures
  - Escalating contact with parties who have caused payment delays (e.g., vendors, subcontractors, AP, Student Employment, etc.)