

## **GRANTS AND CONTRACTS**

**Purpose:** This section outlines the procedures needed for the fiscal management of grants and contracts.

**Scope:** These procedures cover the Vice President, Administrative Services area which includes the Human Resources, Purchasing, and Accounting departments.

**Responsibility:** Individuals seeking/obtaining grants and/or contracts are responsible for the management of the grant or contract. These individuals and the Associate Vice President, Community Initiatives and Special Programs are responsible for following all the rules and regulations specific to the grant.

### **PROCEDURES:**

#### **Grant Funding Sources:**

Grant funding may be provided by federal, state, and non-governmental sources.

#### **Grant Intent Form and Grant Proposal:**

To prevent any unauthorized commitments of institutional resources the grant proposal must be submitted to the Vice President, Administrative Services and the President for review and approval. Part of this review process is a written explanation as to the purpose of the grant proposal, the benefit to Temple College, the need for usage of institutional facilities, equipment, matching funds, and any other current or future costs to Temple College. Proposals should be submitted in the name of Temple College. In accepting a grant or contract, the College assumes responsibility for fulfilling Federal, State, and/or local requirements. These requirements may be specifically contained in the agreement or in related guidelines.

#### **Grant Approval Received Before the Annual Budget Is Approved:**

Follow the same process as requests for non-grant budgets (See General Operational Procedures).

#### **Grant Approval Received After the Annual Budget Is Approved:**

After the notification of the award of a grant, the grant administrator should contact the Director of GL Accounting Services to discuss the accounts needed. The grant administrator must submit a budget revision form to add the new grant to the College institutional budget. A copy of the NOA (notice of award) or grant approval must be included with the budget revision. Once all necessary signatures (Grant administrator and Associate Vice President, Community Initiatives and Special Programs) have been obtained, the budget revision must be submitted to the GL Accounting Office. The GL Accounting Office will verify that the grant amounts match the created budget and assign a Temple College Budget number. Then the revision will be forwarded to the

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Vice President, Administrative Services and the President for their approval. Upon approval the budget revision will be entered into the accounting system by the GL Accounting Office. The budget should contain all the expenditure line items the grant authorizes as expendable categories. Separate budgets must be set up for each type of salary account and each type of benefit. These line items cannot be combined as one under a single line item even if these are grouped together on the NOA.

### **Purchasing:**

Once the budget revision process is complete, the grant administrator may begin using the grant funds as long as the expenditure is made within the approved grant period. Refer to the Purchasing Department for purchasing and travel details. Usage of the special grant check request form and the grant purchase requisition form are required. These forms contain a certification statement that reads as follows: "As director of a state or federal grant, I certify that this expenditure has met the conditions of the grant and is an allowable expense under the grant rules and regulations." This certification is signed by the grant administrator and the Associate Vice President, Community Initiatives and Special Programs. If the grant rules and regulations are not the same as the established Temple College policies and procedures, the grant administrator must notify the Purchasing Department.

### **Grant Procurement Policies – Uniform Guidance 2CFR 200**

The College has elected to accept the two-year grace period, and delay implementation of the new procurement standards in the OMB Uniform Guidance as codified in 2 CFR Part 200. The College will delay implementation of the new procurement rules until September 1, 2017 and in the interim will follow the guidance of the old standards, which are in compliance with OMB Circular A-110.

### **Travel:**

Faculty and staff occasionally travel in support of sponsored activities. The College reimburses these travelers for necessary and reasonable business expenses incurred while traveling. Reimbursable expenses must conform to college policy, federal and state law, and the restrictions placed upon each sponsored project. Costs must be allowable, reasonable, and allocable, and must be well documented.

Travel is allowable as a direct cost when such travel will provide direct benefit to the project. Federally sponsored projects are subject to certain federal guidelines set forth in the Office of Management and Budget (OMB) Uniform Grant Guidance, specific agency restrictions, as well as the College's travel policy. The terms and conditions of the individual agreement should be reviewed prior to incurring and/or processing any travel cost. When there is a conflict between college policy and award requirements the most restrictive policy applies.

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Please refer to the College's Travel Policy for more information on specific travel costs.

Hotel expenses may be charged directly to federally sponsored projects, provided they are: reasonable; incurred as part of a federally funded project, within the stated period of availability for that project; and would be permitted under the College's general travel policy. All travelers should refer to the specific award agreement for each project, as some federal agencies have travel policies that are more restrictive than the College's travel policy. It is the responsibility of the traveler and the grant administrator to ensure that all travel conforms to the more restrictive of the policies.

In addition to standard evidence of actual expense incurred (i.e., receipts), the documentation provided to the College must justify:

- That participation of the traveler is necessary to the completion of the federally sponsored project; and
- That the costs are reasonable and consistent with the College's general travel policy.

Auditors carefully review travel charges that are split between two or more projects so as to be sure that charges are properly allocated. When preparing your travel report it is important to be clear about how the trip specifically benefited each project respectively. Charges split between more than one project must be split on the basis of proportional benefit or other reasonable method.

The following questions should be considered when reviewing and approving travel reimbursements on sponsored projects:

- Is there justification to how the trip specifically benefited the project?
- If the charges are split between more than one grant is there justification supporting the basis of proportional benefit or other reasonable method?
- Is the travel allowable, allocable, reasonable, and necessary?
- Was the traveler paid from the sponsored project(s) charged?
- Does the sponsor require prior approval for travel?
- Are the invoices and/or receipts attached or, if applicable, is the correct per diem rate being utilized?
- Was no alcohol charged?
- Does the travel occur within the period of performance of award?
- Does the award budget include funds for the travel?

### **Human Resources:**

The grant administrator must follow all of the Human Resources procedures concerning personnel issues and notify HR of the account numbers to be used for payroll. If the grant rules and regulations are not the same as the established Temple College policies and procedures the grant administrator must notify the HR Department.

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### **Benefits for Grants/Contracts:**

Refer to the HR department for details concerning salaries and benefits. Matching social security and retirement costs will be charged to the grant or contract since these costs are based on the amount of salary.

If an employee already is receiving health and life insurance benefits as a part of his or her regular position and there is no change in coverage due to the additional payment from a grant or contract, then the health and life insurance benefit cost will remain with the employee's regular position. If the additional payments from grants or contracts now entitle the employee to health and life insurance benefits, these additional costs will be charged to the grant or contract.

### **Inventory and Labeling of Grant-Funded Items:**

The grant administrator is responsible for assuring all purchases are made in accordance with the allowability, reasonableness, and allocability rules set forth in the Uniform Grant Guidance.

When grant-funded items are received, the grant administrator must contact the Business Office to let it be known that inventoriable items have been received. The Business Office will, as soon as feasible, label items with a value of \$500 or more, so indicating that the item was purchased with grant dollars. If an item is valued at \$5000 or more, it will also receive a Fixed Asset tag.

The inventory labels will be used by the grant administrator to track the location of all grant funded items and their current use. The grant administrator will keep a list of such items that will be updated at least annually, preferably more often. A copy of this list is to be submitted to the Business Office every August 31<sup>st</sup>.

Items that were tagged as Fixed Assets will also be tracked by the Business Office, in the College's financial system. It is the responsibility of the grant administrator to inform the Business Office of any changes in status, location, use, etc. of all grant-funded items.

When grant-funded items are disposed of, the grant administrator, Business Office, and other College personnel must adhere to the Uniform Grant Guidance rules for disposition. See the Disposal of Surplus Property policy for more information.

The grant administrator is responsible for maintaining control over smaller/consumable items that are not labeled and/or tagged to ensure that no fraud, waste, or abuse occurs in relation to these items.

### **Disposal of Surplus Property:**

Please refer to the College Policy Manual for policies on disposing of property.

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## **Financial Reporting Procedures:**

Unique account numbers are created for each grant. Some granting agencies require monthly reports, thus the reimbursement of expenditures is submitted monthly. Other expenditure reports are only submitted quarterly or semi-annually and the request for reimbursement is made at that time. Most of the financial reporting is submitted electronically via the Vice President, Administrative Services' Administrative Assistant under his approval. In other cases the grant administrator may submit the financial report if the process of reporting financial and program information is combined. In this latter case, the GL Accounting Office will provide a summary and detailed expenditure report for the grant administrator to use for the financial report. All requests for reimbursement should be based on the actual expenditures. Each grant has a specified reporting frame. Once the reports are approved by the granting agency, the agency will remit the funds to one of the college's accounts. The GL Accounting Office will record these payments.

## **Cash Management Procedures:**

Section 200.305 (b) of the Uniform Grant Guidance allows for three different methods for payment requests:

- Reimbursement: when federal grant funds are provided on a reimbursement basis, program costs must be fully paid for with College funds before reimbursement is requested.
- Advance: when grant funds are advanced, the College must follow procedures to minimize the time elapsing between the transfer of funds from the U.S. Treasury (or other awarding agency) and their disbursement by Temple College, and should be limited to the amount needed to meet immediate cash needs.
- Working Capital Advance: should only be used when the reimbursement or advance method are not feasible; the amount requested should be based upon a reasonably estimated disbursement need.

### Drawdown of Federal Funds

Temple College generally draws federal funds from either the federal government (G5) on an advance payment basis, or from the State (CEDR) on a reimbursement basis.

The following is an overview of the cash management procedures for grants managed on a reimbursement basis:

- Grant directors and the Business Office approve all allowable grant expenditures. The College pays for the approved expenditures through the College's established payables and payroll processes.
- Grant expenditures are coded with unique General Ledger account codes that separate them from other College expenditures.

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- A budget to actual expenditure report is prepared by Business Office and reviewed by the grant administrator at the end of each month.
- Based on the expenditures on the report, the amount of the drawdown is calculated. The support for cash reimbursement is reviewed by the CFO for accuracy of calculation, completeness, and general adherence to grant restrictions. When the support is deemed sufficient for the request, the CFO will sign the required certification statement, and that will give the Business Office the authority to actually draw down cash in the system(s). The CFO will authorize drawdown requests in those systems that require separate authorization from the employee requesting funds.
- Cash drawn down is transferred to College funds for costs incurred.

The following is an overview of the cash management procedures for grants managed on an advance payment basis:

If grant funds are drawn down in advance of anticipated expenditures, the College should be willing to demonstrate:

- The ability to minimize the time between transfer of funds and the disbursement of those funds for grant-related expenditures. This means the College adheres to the three-day rule, which requires the expenditure of funds within three days of receipt of such funds. Excess cash balances must be returned to the sponsoring agency after the allowed three days have expired.
- The College will deposit all federal funds in an interest bearing account.
- The College may keep up to \$500 of interest earned each year for the cost of maintaining the account. Any additional interest is returned to the sponsoring agency annually.

### **Period of Availability:**

Grant expenditures must comply with the beginning and ending dates of each grant. The grant administrator and the Associate Vice President, Community Initiatives and Special Programs must be watchful of these dates. The GL Accounting Office activates the new account numbers after the beginning date and codes these accounts as inactive at the end of grant. The process of coding account numbers as inactive prevents any expenditures from being charged to the grant.

### **Budget Revisions and Changes:**

Grants budgets are based upon the initial approval. In reviewing the budget, the grant administrator may need to move funds from various cost categories. The method used is dependent upon grant restrictions. If the grant requires a budget approval from the granting agency, then the grant administrator must follow those procedures. Once the approval is received, the grant administrator must submit a Temple College budget revision form and attach a copy of the agency's approval with it. If the grant allows a

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certain percentage adjustment to the original award, then the grant administrator must only submit a Temple College budget revision form and make a notification that “No Agency Approval Is Necessary.”

### **Budget Tracking:**

The grant administrator and the Associate Vice President, Community Initiatives and Special Programs will have access to the My Budget System. The My Budget System allows access to the budget, purchase orders, expenditures paid, and available balances of each budget line item. The grant administrator is responsible for monitoring spending and verifying the accuracy of payments. My Budget gives the supervisors “real time” information.

### **Correction of Entries:**

If corrections are necessary for expenditures already paid, the grant administrator must submit a memo or e-mail to the Associate Vice President, Community Initiatives, and Special Programs for approval. Then the Associate Vice President will forward the e-mail to the GL Accounting Office so that journal entries can be made to record corrections. If payment has not been made, the grant administrator must contact the Purchasing Department. Issues regarding errors in payroll must be addressed to the HR Department. The HR Department will calculate the needed corrections (based upon the grant administrator’s instructions) and submit a journal entry to the GL Accounting Office. Periodically the GL Accounting Office reviews the summary budget and detailed budget reports to check available balances, overages, etc. If discrepancies are found the GL Accounting Office contacts the grant administrator to see why these issues are occurring.

### **Suspension and Debarment:**

Temple College follows the rules and regulations as required by U.S. Office of Management and Budget 2 CFR 200 – Uniform Guidance and the State of Texas Single Audit Circular.

### **Allowable, Allocable, and Reasonable Costs:**

The College receives federal funding for numerous activities, including public service, instructional, and training projects. Although the College has established policies relating to allowable expenditures, the federal government has additional requirements and limitations. This policy outlines the federal regulations that govern accounting for costs associated with federally sponsored programs and describes policies and procedures designed to ensure compliance with the regulations. In some instances federal regulations for allowable costs are more stringent than the College's criteria for allowable expenditures; the more stringent rules should be followed, regardless of source.

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For awards sponsored by non-federal sources, the College's policies on allowable expenditures will apply unless the awarding agency has additional requirements or limitations.

Regulations issued by the federal government and its agencies define cost principles to be applied and set limits on the costs that may be charged to the government under federally sponsored agreements. Listed below are the federal regulations that govern the administration of these costs.

The Office of Management and Budget in Subpart E ("Cost Principles") of 2 CFR Part 200 ("Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards") (Uniform Guidance) defines cost principles for entities that receive federal funds, in the form of grants, cooperative agreements, and contracts. These cost principles explain the factors that determine the allowability, allocability, and reasonableness of costs. Each financial transaction charged against a sponsored award is evaluated against these three concepts.

**Allowable Costs:** According to the Uniform Guidance, a cost is allowable if it meets all of the following criteria:

- Reasonable,
- Allocable,
- Adequately documented,
- In conformance with Federal and sponsor regulations and institutional policies and procedures,
- Treated consistently regardless of the source of funds, and
- Not included as a cost in any other federally supported award (unless specifically authorized by statute).

**Reasonable Costs:** A cost should reflect an action that a prudent person would take under similar circumstances at the time of purchase. In addition, costs are considered to be reasonable if they are:

- Necessary,
- Consistent with established College policies, and
- Comply with established business practices, Federal award terms and other laws and regulations.

**Allocable:** A cost is considered to be allocable to a sponsored award if it is:

- Incurred specifically for the performance of a sponsored award,
- Necessary to carry out the award, and
- Assignable in part to the award and proportional benefits to the award and other programs can be reasonably approximated.

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## Selected Items of Cost

Subpart E of the Uniform Guidance defines principles to be applied in determining the allowability or unallowability of certain types of costs. Sections 200.421 through 200.475 of Subpart E of the Uniform Guidance describe selected items of cost. When there is disagreement between the Uniform Guidance provisions and the provisions of a specific award, the terms of the award apply. Refer to Sections 200.421 through 200.475 of Subpart E of the Uniform Guidance for full detailed information on the allowability or unallowability of cost items.

The following cost items are unallowable according to the Uniform Guidance, although these expenditures may be allowable under College policy. Please contact the Director of Purchasing if you have questions on the allowability of any of the items listed below.

- Alcoholic beverages
- Alumni activities
- Bad debts
- Commencement and convocation costs
- Contingency reserves
- Donations and contributions
- Entertainment costs
- Fund raising costs
- Goods and services for personal use
- Lobbying costs
- Losses on other sponsored agreements
- Membership in country clubs, or social or dining clubs or organizations
- Selling and marketing costs
- Student activity costs

### **Grant Closure and Year End Procedures:**

The ending dates of the grants vary. For grants ending at Temple College's fiscal year end, expenditures must be paid by August 31st. The grant administrator is responsible for follow-up on outstanding purchase orders to ensure that the merchandise is received prior to August 31st and that payment is made by that date. For grants not ending at August 31st, the grant administrator must make sure that invoices for merchandise received and not paid by August 31st are submitted to the accounts payable department so that these will be recorded as payable items. The GL Accounting Office will make the necessary entries to record the accounts receivable and income. This will ensure that grant funds expended are completely offset by grant income earned. At the ending date of the grant, the GL Accounting Office codes the account numbers as inactive, this prevents any additional entries.

### **Grant Audits – Monitoring Visits:**

Grants are subject to audit by the external auditors. The Federal and State grants are included on Schedule E and F of the Annual Audit Report. Periodically there are

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monitoring visits or audits by the Grant Funding Agency. The Associate Vice President, Community Initiatives and Special Programs will serve as the liaison. The liaison is responsible for contacting all parties involved (the Granting Agency, the grant administrator, Accounting, Purchasing, and HR) holding meetings, collecting information from the various College offices, and responding to questions or findings of the granting agency.

Materials: N/A References: Temple College Personnel Handbook, U.S. Office of Management and Budget 2 CFR 200 – Uniform Guidance, and the State of Texas Single Audit Circular.

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