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# Principal Investigator's Handbook

*Managing Your Research Dollars  
Spelman College*

Revised 09.2019

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*.....So you've been awarded a grant...What Next?*

The process of financial management of the sponsored project is a collaborative effort primarily between the Principal Investigator (PI), Controller's Office and Office of Budgets and Contracts. The Controller's Office and Office of Budgets and Contracts are departments within the Division of Business and Financial Affairs. This guide details:

- The process by which an award is received, an account established, and funds expended,
- The relationship between the financial offices of the college and the PI,
- The role of each office involved in financial management of the grant,

It also includes a brief guide to post-award management. Because the Office of Budgets and Contracts has generated this guide, you may notice that more detail has been provided about the role and policies of this office. However, the Controller's Office and several other offices will be mentioned in this guide with a brief description of their functions in the process of post-award management. For further details about these offices, we encourage you to contact the appropriate individuals in each office (see Directory) for clarification.

## The Post Award Fiscal Process

When a proposal is funded, the PI and Office of Sponsored Programs are notified through a “Notice of Grant Award.” This document may include the grant award number, name of the PI, name of sponsoring agency, total amount of award by year, cumulative total, and start and end dates of the current years funding. The Office of Sponsored Programs will forward a copy of the notice award, along with terms and conditions of the award to the PI, Controller’s Office, Provost Office and Office of Budgets and Contracts. The Office of budgets & Contracts will:

- Establish a new grant and fund account which will be activated in the BANNER system
- Generate an electronic file which will include:
  - Budget transfers/adjustments
  - Contract/award notification
  - Any special terms and conditions issued by grantor
  - Financial statements/reports
  - Original proposal
  - Notes to File

Prior to establishing budget codes and the initial budget in BANNER, the Office of Budgets and Contracts will contact the PI to confirm the allocation of awarded monies between line items and release time (if applicable). This confirmation may be submitted via e-mail.

Although a detailed budget is often in the proposal, sometimes an increase or decrease in funding may warrant a revised budget. However, if the budget is to remain exactly the same as the proposed budget, the PI may document this via e-mail to the Office of Budgets and Contracts. In such cases, the Office of Budgets and Contracts will utilize the proposed budget to establish the budget in the BANNER system associated with that award. At this time, the PI will also be contacted to arrange a brief orientation meeting time with Office of Budgets and Contracts to review pertinent financial management issues associated with his/her award. PIs with grant award management experience will be issued a PI handbook for their award via campus mail, and may arrange a meeting with Office of Budgets and Contracts at their discretion. When the budget is established, a copy of it will be forwarded to the PI via e-mail, and he/she may begin to make expenditures against the account via the Purchasing Office (purchase requisitions) and/or the Controller’s Office (check requests). If the PI does not already have BANNER access, the PI should now obtain a BANNER userID and password in order to log onto the BANNER system’s budget module and monitor account activity. PI’s (and anyone that the PI would like to have access to the account information) may apply for a BANNER account through Lotus Notes. Please contact the Senior Business Systems Analyst for more information. The PI and others with access to the budget information may also wish to attend BANNER training. You may contact STS for times, dates and location of these training sessions.

### ***Receiving Payment for Sponsored Projects***

All federal agencies making sponsored program awards are requested to transmit funds directly to the Controller's Office. These funds are generally acquired through an automated drawdown of funds or an invoice to the agency. If the award is a subcontract, usually the College must invoice the contractor in order to receive payment. These invoices are generated in the Office of Budgets and Contracts.

## SPENDING YOUR MONEY

There are several ways to spend money at Spelman College. The method by which purchases/expenditures are made is dependent upon:

- 1) what is being purchased
- 2) reason for incurring expense and,
- 3) vendor's policies for credit/payment.

Typically, supply items are procured through purchase orders and reimbursements and service payments are made through checks. Regardless of the method utilized all expenditures charged against sponsored funding must be deemed reasonable, allowable and allocable.

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

The concepts of allowability, allocability, and reasonableness of costs address directly the legitimacy of a cost charged against a specific sponsored award. Determination of allowability, allocability, and reasonableness of a given expense is based on specific guidelines of the sponsor and according to federal cost principles.

Allowability, allocability, and reasonableness are defined and determined by the Office of Management and Budget (OMB), the sponsor's requirements and/or College policy. Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Programs, states that "The recipient institution is responsible for ensuring that costs charged to a sponsored research agreement are allowable, allocable, and reasonable ..." Each financial transaction charged against a sponsored research award is evaluated against these three concepts.

The Office of Budgets and Contracts monitors and approves costs charged to sponsored awards to ensure allowability, allocability and reasonableness based on the specific guidelines of the sponsoring agency, the approved proposed budget and according to federal cost principles.

The following guidelines around allowability, allocability and reasonableness of costs have been included in the OMB 2 CFR 200 circular governing the administration of federal funds and are applied to the review and approval of all sponsored program expenditures incurred by the College.

### ***Allowability***

***§200.403 Factors affecting allowability of costs.*** (please see appendix A for a list of common unallowable costs)

*Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:*

- (a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.*
- (b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items.*
- (c) Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the non-Federal entity.*
- (d) Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost.*
- (e) Be determined in accordance with generally accepted accounting principles (GAAP), except, for state and local governments and Indian tribes only, as otherwise provided for in this part.*
- (f) Not be included as a cost or used to meet cost sharing or matching requirements of any other federally-financed program in either the current or a prior period. See also §200.306 Cost sharing or matching paragraph (b).*
- (g) Be adequately documented. See also §§200.300 Statutory and national policy requirements through 200.309 Period of performance of this part.*

#### **~~§200.404~~ Reasonable costs.**

*A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost. The question of reasonableness is particularly important when the non-Federal entity is predominantly federally-funded. In determining reasonableness of a given cost, consideration must be given to:*

- (a) Whether the cost is of a type generally recognized as ordinary and necessary for the operation of the non-Federal entity or the proper and efficient performance of the Federal award.*
- (b) The restraints or requirements imposed by such factors as: sound business practices; arm's-length bargaining; Federal, state, local, tribal, and other laws and regulations; and terms and conditions of the Federal award.*
- (c) Market prices for comparable goods or services for the geographic area.*
- (d) Whether the individuals concerned acted with prudence in the circumstances considering their responsibilities to the non-Federal entity, its employees, where applicable its students or membership, the public at large, and the Federal Government.*
- (e) Whether the non-Federal entity significantly deviates from its established practices and policies regarding the incurrence of costs, which may unjustifiably increase the Federal award's cost.*

*[78 FR 78608, Dec. 26, 2013, as amended at 79 FR 75885, Dec. 19, 2014]*

#### **~~§200.405~~ Allocable costs.**

*(a) A cost is allocable to a particular Federal award or other cost objective if the goods or services involved are chargeable or assignable to that Federal award or cost objective in accordance with relative benefits received. This standard is met if the cost:*

- (1) Is incurred specifically for the Federal award;*
- (2) Benefits both the Federal award and other work of the non-Federal entity and can be distributed in proportions that may be approximated using reasonable methods; and*
- (3) Is necessary to the overall operation of the non-Federal entity and is assignable in part to the Federal award in accordance with the principles in this subpart.*



*(b) All activities which benefit from the non-Federal entity's indirect (F&A) cost, including unallowable activities and donated services by the non-Federal entity or third parties, will receive an appropriate allocation of indirect costs.*

*(c) Any cost allocable to a particular Federal award under the principles provided for in this part may not be charged to other Federal awards to overcome fund deficiencies, to avoid restrictions imposed by Federal statutes, regulations, or terms and conditions of the Federal awards, or for other reasons. However, this prohibition would not preclude the non-Federal entity from shifting costs that are allowable under two or more Federal awards in accordance with existing Federal statutes, regulations, or the terms and conditions of the Federal awards.*

*(d) Direct cost allocation principles. If a cost benefits two or more projects or activities in proportions that can be determined without undue effort or cost, the cost must be allocated to the projects based on the proportional benefit. If a cost benefits two or more projects or activities in proportions that cannot be determined because of the interrelationship of the work involved, then, notwithstanding paragraph (c) of this section, the costs may be allocated or transferred to benefitted projects on any reasonable documented basis. Where the purchase of equipment or other capital asset is specifically authorized under a Federal award, the costs are assignable to the Federal award regardless of the use that may be made of the equipment or other capital asset involved when no longer needed for the purpose for which it was originally required. See also §§200.310 Insurance coverage through 200.316 Property trust relationship and 200.439 Equipment and other capital expenditures.*

*(e) If the contract is subject to CAS, costs must be allocated to the contract pursuant to the Cost Accounting Standards. To the extent that CAS is applicable, the allocation of costs in accordance with CAS takes precedence over the allocation provisions in this part.*

*[78 FR 78608, Dec. 26, 2013, as amended at 79 FR 75885, Dec. 19, 2014]*

### ***When to utilize a Purchase Order***

The appropriate and college approved process to purchase all supplies, equipment and services (laboratory, instructional, office, etc.), is to utilize a purchase order. The following are the steps to make purchases utilizing purchase orders:

- 1) Submit an on-line purchase requisition form through the BANNER system. Requisitions will be approved by the PI, Budgets and Contracts (for fiscal compliance, see pgs 5-8), and purchasing, and dependent upon the requisitioned amount (\$3,000 or greater), the requisition may be further approved by the Vice President for Business and Financial Affairs or Associate Vice President for Business and Financial Affairs. Training for this procedure is periodically provided by the Purchasing Department. Employees are notified of the times and dates of these sessions via e-mail.
- 2) Office of Budgets and Contracts will review purchase requests for compliance of grant terms and conditions (allowable vs. disallowable costs, allocable, necessary and reasonable –see pages 7-8) The requisition will include the fund/cost center to which the expense is allocable
- 3) Approved requisitions will be processed as purchase orders by the Purchasing Department.
- 4) The purchase order will be assigned a number and e-mailed, mailed or faxed (according to specifications on requisition) to the vendor and PI.

Most vendors are willing to accept purchase orders from educational institutions, especially if the college has already established an account with the vendor. When you have received your shipment, maintain a copy of the packing slip. An invoice should be received soon after you receive your shipment. The PI/budget manager should sign the invoice and submit it to the Controller's Office for payment. The Controller's Office will generate a check and send it to the vendor. Comprehensive policies, procedures and processes around purchasing are detailed in the Administrative Support Services General Organization and Administrative Policies Manual. This document may be accessed via the Lotus Notes dashboard by clicking Business and Financial Affairs Division on the left and then "Procurement Policies Procedures and Guidelines Manual" on the right.

An additional type of expense incurred on many sponsored awards is Facilities and Administrative Costs (F&A). These are costs that are incurred for common or joint objectives and therefore cannot be identified readily and specifically with a particular sponsored project, an instructional activity, or any other institutional activity. The College negotiates this rate with its cognizant agency every five years based on expenditures incurred by the College during the previous fiscal year. The current negotiated and approved rate is 62% of salaries and wages. In a few instances, the grant award will dictate a rate that is different than the negotiated rate (ie 8% of total direct costs).

F&A costs are budgeted in account 7600 and expenses are automatically booked against allowable payroll expenses or direct costs (as applicable). The PI should not use this account to charge direct costs. The set-up for the booking of F&A is done in Budgets and Contracts during the initial set-up of the fund by the Sr Sponsored Programs Analyst. The expense for each award is monitored and reconciled quarterly by the Sr Sponsored Programs Analyst when the quarterly financial status report is prepared and submitted to the PI and Controller's Office for review. If the F&A expense is inadvertently overdrawn, the Sr Sponsored Programs Analyst prepares a journal voucher (within 30 days of over expense) to be processed by the Controller's Office to

reverse the expense causing the overage. At no time is the grant charged more F&A than was awarded by the agency unless this has been approved by the agency and additional expenses in the base support the additional F&A expense. If you believe that there is an error in the expense charged to your award, please contact Budgets and Contracts or the Office of Sponsored Programs and they will assist you in rectifying any issue.

***Finally, let's not forget salaries and wages...***

Part of spending the money is paying salaries and wages to individuals carrying out the work of the funded project. In order to hire a new staff employee on a sponsored project account, the PI should initially submit a Personnel Requisition to Human Resources. The personnel requisition will include the budget code for which the salary and fringe should be charged. This initial requisition is very important, because it also allows the Office of Budgets and Contracts to confirm that the position to be filled and the activity is allocable to the project. Human Resources and the payroll department will handle additional actions and paperwork. The process for hiring a new faculty member on a sponsored project is the same as that for the staff, except that the requisition should be submitted to the Provost's Office.

Any participation of an existing Spelman faculty employee on a sponsored project (to include: activities of the PI, supplemental duties, replacement and/or release time and summer wages) must be documented in the form of a memo and submitted to the Office of the Provost. This memo should include the employee's name, salary request, employee ID number or social security number, position number, budget code number, period of employment and release or replacement time and description of activity performed. The PI should refer to Faculty and Staff Compensation Policies for additional information. In addition, please refer to the attached glossary to distinguish between release and replacement time. This information will be documented on a Payroll Action Form, electronic Payroll Action Form or contract by the Provost Office and processed in BANNER for payroll processing.

If a PI would like to hire an existing Spelman staff employee to perform supplemental duties on a sponsored project, the PI should consult human resources to determine dual employment policies for Spelman staff employees and the appropriateness of salary request, especially for salaried (exempt) employees. If human resources approves the request, the PI should submit a Supplemental Pay Request Form to human resources. The Office of Budgets and Contracts will additionally review these requests for fiscal compliance (see pgs 5-8).

Student employees (hired under a sponsored project) receiving payment on an hourly basis or for providing a service to the college (i.e. research in the laboratory, etc.) are also paid through payroll. The PI/budget manager must hire students using the Student Employment Database in Lotus Notes. Hiring is subject to the approval of HR and Budgets and Contracts (approval for financial compliance to grant requirements) Please address questions regarding this procedure to payroll.

Please note that this process is applicable to students receiving payment for a service. Students receiving stipends or scholarships should be paid through the Controller's Office. Please contact the Controller's Office for details regarding this process.

All effort performed on grants must be recorded and submitted on a time and effort report. Non-exempt and exempt staff must submit time and effort reports minimally semi-annually to the payroll department. The report must include the percent effort worked on the federal project vs other activities to total 100%, indicated by the percent salary charged to the fund code associated with the activity. This effort report must be certified by the reporting personnel and/or an individual with direct knowledge of the work performed. Faculty members submit time and effort reports following each semester of performance (Fall, Spring and Summer if applicable). The report must be certified by the reporting faculty member and/or an individual with direct knowledge of the work performed. Such effort reports are filled out in the same manner as the staff reports and are submitted and retained in the Office of the Provost.

## **Financial Management of the Award**

The financial management of the grant is shared by the Principal Investigator, the Controller's Office and the Office of Budgets and Contracts.

### ***The Role of the PI/Budget Manager***

The PI/Budget Manager is directly responsible for the approval of expenditures associated with the grant.

- This includes, but is not be limited to, direct purchasing of equipment and supplies, initiating payroll actions, initiating budgetary adjustments, and travel expenditures.
- He/She should also maintain a ledger of all expenditures to assure that funds do not become overdrawn, and all expenditures comply with the approved budget.
- The PI should become familiar with Spelman's automated accounting system (BANNER) (see Section I). This will allow the PI/Budget Manager to regularly reconcile his/her records with the records maintained by the College. If this is done on a monthly basis, any discrepancies between your records and the college's (BANNER) may be recognized and corrected in a timely fashion.

## *The Role of the Controller's Office*

The Controller's Office is responsible for all record keeping functions, account analysis and reports. In addition, the Controller's office also processes payments for all expenditures incurred. All cash drawdowns, check requests, invoices supported by purchase orders, stipends, payroll disbursements, grant sponsored tuition payments, travel reimbursements, and petty cash requests are processed in this office. All payments to be processed that did not originate from an approved purchase requisition by Budgets and Contracts to ensure grant compliance, will be routed to Budgets and Contracts for approval prior to payment by the Controller's Office (i.e. travel reimbursements, stipend payments, etc). All deposits to grant accounts are received and accounted for in this office. In addition, this office also maintains all property records. The Controller's Office also includes the Payroll Office. The following are more specific policies and procedures within the Controller's Office related to fiscal grants management:

### 1. Initiating and recording cash drawdown request

The College is reimbursed for expenditures made for grants through the cash drawdown process. It is the procedure of the College to draw down funds from the federal government related to grant expenditures on a reimbursement basis only. Funds are requested from the federal agency when there is substantiation of allowable, allocable and reasonable expenditures related to the specific grant that have been invoiced and paid by the College. On a monthly basis, the Director of Financial Reporting utilizes the College's general ledger reporting system (Banner) to run the Bank Interfund Account Control Report as support for drawdown requests. This report summarizes total cost owed to the College for grant expenditures incurred during the period. This report is used to request drawdowns from granting agencies monthly. For most agencies, this is an electronic process and the cash is received in 2-3 days. Upon receipt, the Staff Accountant prepares a journal entry to record receipt of cash using the billing details provided by the Director of Financial Reporting. The Principal Investigator is responsible for reviewing their respective receivable account for their grant(s) to ensure that the receivable balances are collected (account 1310 for Federal grants and 1320 for private grants).

### 2. Preparing, submitting, and certifying interim Federal Financial Reports (FFR/SF-425)

Interim reporting of expenditures and cash transactions is required for the majority of Federal grants. The Director of Financial Reporting is responsible for preparing, submitting, and certifying interim Federal Financial Reports (FFR/SF-425) on a quarterly, semi-annual, or annual basis, as directed by the Federal agency. Final FFRs are submitted at the completion of each award either by the Director of Financial Reporting or the Budgets and Contracts Department. The Director of Financial Reporting utilizes the accounting system to generate Grant Inception to Date Reports (cumulative expenditures) and General Ledger Detail Transaction Reports (current period expenditures) to prepare interim FFRs and reconcile cash transactions to expenditures. FFRs are prepared, submitted, and certified through an electronic FFR form provided on the designated Federal Agency website. The Director of

Financial Reporting uses secure login credentials to access all Federal Agency websites. All interim FFRs prepared by the Director of Financial Reporting are filed and stored in the Controller's Office.

### **3. Property Reporting**

Any equipment purchased with grant funds may be property of Federal government (if specifically designated in grant award documents) and subject to Federal reporting guidelines. If necessary, this reporting is performed by the Director of Financial Reporting using the College's Fixed Asset Sub-ledger and submitted to the appropriate Federal agency when directed. Any equipment purchased that is not considered to be Federal property becomes the property of the College and is subject to the same guidelines as other College property. These items are not to be removed from the College without appropriate approval. It is the Principal Investigator's responsibility to track the location of all equipment purchased and to ensure that the equipment is appropriately tagged.

### **4. System for Award Management (SAM)**

The College is registered with the System for Award Management. The Director of Financial Reporting / Director of Financial Reporting is the point of contact. The Director of Financial Reporting renews the registration annually and updates it with the required information, including executive compensation. SAM can be found at: <https://www.sam.gov/portal/SAM/#1>.

Additional policies relating to cash management, asset control, property disposition, etc are outlined within the Controller's Office Policies and Procedure. This document may be obtained from the Controller's Office.

### **Equipment**

All equipment purchased with Federal funds must be necessary and reasonable for proper and efficient accomplishment of project or program objectives. In addition, the Department Head/Principal Investigator is responsible to ensure that duplicate or unnecessary purchases are avoided. Award documents may include clauses that specify both the authorization required for purchasing equipment and with whom the title vests. Contractual agreements governing some grants or contract funds and acquisitions from federal grants require the capitalization of items not meeting the college's property guidelines. In this case, the agreement conditions of the grant will prevail over the college policy.

### **Control Procedures**

In addition to the normal control procedures required for College-owned property, the following controls are required for Federal-owned property:

1. Federal-owned property must be carefully monitored and in many cases reported annually.

2. In addition, Federal property shall be identified, tagged and recorded during the receiving process to indicate federal ownership.
3. Property records systems must contain the prescribed data categories as established by Federal Acquisition Regulation (FAR) 45.505.
4. Movement of Federal property must be documented so that records are updated to show changes in quantities and location.
5. Inventories of Federal property shall be performed at least once per year, based on the requirements of the award documents.

#### **Disposal/Transfer of Federal-Owned Assets**

At the completion of a grant or contract, disposition of all Federal-owned property acquired for the grantor contract must occur. It is possible that the property may be sold, transferred to be used by another grant at the College, or title may be transferred to the College. The appropriate Federal agency personnel must approve any transfer of Federal-owned property before the transfer occurs. In addition, when required, the appropriate transfer forms should be completed. Where the college is authorized or required to sell the equipment, proper sales procedures shall be established which provide competition to the extent practicable and result in the highest possible return to the Government. If the college needs to use the equipment for non-federal contracts, then the college shall reimburse the Federal agency for amounts, as they would pay for non-federal contracts. If the college does not have a need for the equipment, then this shall be reported to the awarding agency. The college may be instructed to ship the equipment to another entity, dispose of the equipment, or transfer title to the federal government or to a third party.

#### ***The Role of the Office of Budgets and Contracts***

The Office of Budgets and Contracts office generally provides technical contractual advice and the financial information necessary to effectively manage sponsored projects. Specific responsibilities of this office include:

- Review of pre and post-award budgets for compliance with grant terms and conditions
- Preparation of the award budget in accordance with the PI's approved budget and the policies of the College; this will include establishing an internal budget code number and separate fund for each award in BANNER
- Review of financial reports at least quarterly and approval of restricted expenditures for compliance with grant terms and conditions
- Preparation of quarterly internal financial status reports to be reviewed by PI for accuracy on a quarterly basis
- Preparation of financial reports as required by grantor

- Review, processing and approval of budget adjustments including transfers of funds between line items
- Request approval of payments for most subcontracts
- Approval of payments to co-participants of sub-contract agreements
- Prepare Facilities and Administrative (F&A) rate and fringe benefit proposal to submit to cognizant agency and re-negotiate rate every 5 years based on audited financial statements

Pursuant to the Federal Funding Accountability and Transparency Act, the Director of the Office of Budgets and Contracts or Sr Sponsored Programs Analyst, is also responsible for the reporting and updating of sub recipients receiving \$25,000 or more in the Federal Subaward Reporting System. Upon full execution of sub awards, the responsible party in the Office of Budgets and Contracts logs into the FSRS and updates any required information.

The Director of Budgets and Contracts and Assistant Director of Budgets and Contracts prepare the indirect cost rate proposal based on the most recent fiscal year audited financial statements every five years. The proposal is prepared in accordance with cost principles in OMB circular 2 CFR 200 to ensure that allowable costs are treated consistently. The proposal is typically submitted to the cognizant agency mid-December and negotiations follow upon cognizant agency review. The VP of Business and Financial Affairs and Treasurer and the Director of Budgets and Contracts are authorized to negotiate the rate. Upon receipt of the F&A approval letter, the Director of Budgets and Contracts or the Budget Analyst updates the rate in BANNER to ensure that F&A expenses are automatically booked based on the approved base (salaries and wages) and rate.

### ***Now that I know what the offices do... How do they work together to manage my money?***

The offices under the larger umbrella of the Division of Business and Financial Affairs cooperatively work to manage and monitor the financial affairs of sponsored projects. However, each office has a specific and separate function that allows for “checks and balances.”

In short, the Office of Budgets and Contracts “opens the account” and provides approvals for expenditures, the Controller’s Office records transactions (expenditures) in BANNER, collects the funds, and processes payments and the PI determines how the money is spent.

The Office of Budgets and Contracts will at no time input any charges into BANNER against an account. Purchase requisitions and check requests submitted to the Controller’s Office and/or the Purchasing Department by the PI are only routed to Office of Budgets and Contracts for approvals.



This review is solely done to ensure compliance of purchase/payment requests to grant terms and conditions. All expenses charged to grants should be allowable, allocable and reasonable. Budgets and Contracts reviews and approves all grant related expenditures to ensure that this is the case. Typically expenses are pre-approved during the requisitioning process, however, travel reimbursements will be forwarded to Budgets and Contracts to ensure that expenses also meet this criteria. Likewise the Controller's Office will not create line items or make other adjustments to any sponsored project budget.

The Office of Budgets and Contracts prepares quarterly financial status reports for sponsored awards. The Office of Budgets and Contracts meets with the Controller's office reconcile grant expenditures with cash drawdowns. Additionally, the reports are sent to the respective P.I.'s, the Office of Sponsored Programs and if required to the respective agencies. The Office of Budgets and Contracts will follow up with the Office of Sponsored Programs and P.I. to ensure that all adjustments/corrections will be made in a timely manner.

Finally the PI should always maintain copies of supporting documents of all expenditures. This will enable the PI to reconcile his/her records with the general ledger maintained in BANNER (see section III). Discrepancies in account item expenditures should be addressed to the appropriate office. A general listing of such is as follows:

In general, if a purchase requisition was generated to make the purchase, any questions about its entry into BANNER should be directed to the purchasing department in the Administrative Support Office. Questions in reference to check requests and payroll entries should be directed to the Controller's Office. Questions regarding budget set-up, budget adjustments and compliance should be addressed to the Office of Budgets and Contracts.

## **Special Circumstances, Costs with Special Conditions and Post-Award Changes**

The extent to which a principal investigator can authorize expenditures that differ from those set forth in the agency approved scope of work and budget varies from agency to agency. In some cases, **any** deviation from the approved scope of work or budget requires prior agency approval. Therefore, it is essential that the principal investigator and department representative understand the terms of each specific contract or grant prior to requesting that any transactions be made that deviate from the originally approved budget. Please note the Federal Government Office of Management and Budget and (OMB) in circular 2 CFR 200, established the policies listed in this guide that are applicable to the management of federal funds at educational institutions.

### ***Where can I find the terms and agreements associated with my grant?***

Pertinent budgeting information including allowable costs, spending and approval policies, budget period, budget transfer policies, and carry-over and extension policies are logged into a database for each individual grant maintained by the Office of Budgets and Contracts. This database will generate a report that will be disbursed to PIs in an orientation to discuss pertinent information about fiscal management. General terms and conditions of the grant are also listed in the “Notice of Grant Award.” Policies and regulations for individual grants may also be found on the grantor’s website. General policies for all federal grant fiscal management may be found on the Office of Management and Budgets (OMB) website ([www.whitehouse.gov/omb/](http://www.whitehouse.gov/omb/)). Listed below are common grantor websites:

National Institutes of Health-[www.nih.gov](http://www.nih.gov)  
National Science Foundation-[www.nsf.gov](http://www.nsf.gov)  
Department of Education-[www.ed.gov](http://www.ed.gov)  
Department of Energy-[www.doe.gov](http://www.doe.gov)  
National Aeronautics and Space Administration-[www.nasa.gov](http://www.nasa.gov)

The Federal government has issued a singular circular governing fiscal management of federally sponsored projects in educational institutions. This circular is the super-circular or 2 CFR 200. All agencies are to govern their awards in accordance with this document.

If you have specific questions pertaining to budgeting and fiscal compliance policies associated with your award please contact the Office of Budgets and Contracts.

### ***Cost Share/Matching***

Cost-sharing is a contribution, mandatory (as required by statute, regulation or written policy) or voluntary (amounts beyond the mandatory levels), of cash or services provided by the grantee institution or of third-party in-kind contributions to the overall costs of a sponsored project. If cost-sharing is required by the funding agency, the level and type of contributed support are generally specified in program guidelines or application instructions. It is the policy of the College that voluntary cost share commitments not be made in a proposal unless required and specified in the program announcement. Contracts do not require cost-sharing. It should be noted that federal funds cannot be used as match commitments.

In cases where cost share is required, the College may allow cost share of unrecovered indirect costs and/or time and effort (salary). The College will not cost share any other types of expense.

In accordance with 2 CFR 200.306 Cost Share must be:

- (1) verifiable from the non-Federal entity's records;*
- (2) not included as contributions for any other Federal award;*
- (3) necessary and reasonable for accomplishment of project or program objectives;*
- (4) allowable under Subpart E—Cost Principles of this part;*
- (5) not paid by the Federal Government under another Federal award, except where the Federal statute authorizing a program specifically provides that Federal funds made available for such program can be applied to matching or cost sharing requirements of other Federal programs;*
- (6) provided for in the approved budget when required by the Federal awarding agency; and*

As such, cost share should be proposed within the proposal budget. Proposers should submit cost share requests on the cost share form available from the Office of Sponsored Programs. This form must include the College (unrestricted budget to which the cost share should be charged, such that if the award is funded, the Office of Budgets and Contracts will budget the matching funds to the proper unrestricted fund and account. Cost share requests must be approved by the Provost, VP of Business and Financial Affairs and/or the Director of Budgets and Contracts prior to submission.

If the award is funded with cost share, upon receipt of the award letter the Office of Budgets and Contracts will allocate the matching dollars in the fund/account specified on the match request form. Budgets and Contracts will notify the PI via e-mail of the budget code to utilize for match expenses (which will be outside of the grant fund). Quarterly the Sr Sponsored Programs Analyst and Director of Budgets and Contracts will review the match expensed for compliance with 2CFR 200.306 (see above) and report on the match within the financial status report provided to the PI. The match will also be reported in the SF 425 by the Controller's Office (Sr Accountant) to the grantor.

### ***Research Participant Incentive Payments***

On occasion, grants may fund incentive payments to participants in research studies. Such research studies/surveys must be pre-approved by the Institutional Review Board, approved by the grantor (if externally funded) and Spelman College. This procedure

addresses the method to disburse cash payments to persons participating in research studies or surveys. These individual payment amounts should not exceed \$100. Participant payments must be detailed in the grantor approved budget, if externally funded. Participants receiving an incentive payment of \$100 or less are not required to provide his/her social security number, unless the Principal Investigator anticipates that the participant will receive subsequent incentive payments that will total \$600 or more during the calendar year.

*Confidentiality Considerations:*

If a study is designed in a manner that restricts information (e.g., a study participant's name and other identifying information) to the Principal Investigator (PI) or to a research team member responsible for disbursing the cash, then proof of disbursement should include any other allowable identifier such as subject number.

*Requesting Funds to Pay Study or Survey Participants*

In order to request the funds to provide participants with a cash payment, please complete a check request form. The check request form must be approved by the PI/Budget Manager and the Principal Investigator/Budget Manager's supervisor.

Additionally, the following information should be included with the check request form:

- Location of research
- date of human research study participant survey, participation, or interview
- amount of each disbursement and number of participants; and
- any other information pertinent to the funding

The Controller's Office must approve the check request form and is responsible for:

- Ensuring the required information and appropriate signatures are included on all forms requesting participant cash payment;
- Ensuring the research study associated with the request has remuneration specified in the budget of the funding source being charged, and approval of the Office of Budgets and Contracts.

The disbursement is considered and treated as an advance to the employee receiving the funds. Each advance for each study must be separately accounted for, monitored, and reconciled. There should not be any commingling of advances among Principal Investigators.

The PI/Budget Manager receiving the funds is responsible for:

- safeguarding the funds until they are distributed;
- not commingling personal funds with the cash disbursed for participant payment
- issuing cash to study participants
- maintaining appropriate supporting documentation verifying participation in the study for each participant's payment (e.g., signature log including amount disbursed and study participants identified to the extent possible)
- timely depositing of unused funds to the Cashier's Office and attaching receipt to the supporting documentation, which is to be submitted to the Accounts Payable Office for reconciliation. Unused funds must be returned to the Cashier's Office within seven business days of the completion of the study.

The Accounts Payable Office will contact PI/Budget Managers to reconcile, clear or close outstanding advances. Only one advance can be outstanding at any given time.

#### *Tax Information*

Payments made to study participant may be considered taxable income to the participant. For non-confidential participants, if the total paid by Spelman College to a U.S. study participant during a calendar year is \$600 or more, the College is required to provide the participant with an Internal Revenue Service (IRS) Form 1099-MISC, Miscellaneous Income. The College is required to report all payments to a participant who is neither a U.S. citizen, U.S. permanent resident or resident alien, on an IRS Form 1042-S, Foreign Person's U.S. Source Income Subject to Withholding; such payments may be subject to federal income tax withholding. Please contact the Controller's Office for information regarding documentation requirements, as well as withholding and reporting for individuals who are neither U.S. citizens, permanent residents or resident aliens.

#### ***Pay Allocation Policy and Procedures:***

It is the policy of the College to allocate pay/salary charges to the fund (cost centers) of the College which are reflective of where the actual work was performed. This includes the allocation of labor charges to grants as appropriate.

Labor related to grant activities is budgeted based on approved grant agreements upon receipt of grant award letters. Upon hiring or the commencement of work related to the approved grant activity, salary dollars earned are allocated based on actual effort performed on the grant. Non-exempt employees record time worked on timesheets as prescribed within the Payroll Procedures in the Controller's Office Policies and Procedures. These timesheets indicate to which cost center the work should be charged based on the activity accomplished. Exempt staff and faculty are not required to submit timesheets and salary allocations are based on initially budgeted positions.

In order to verify that labor charges on sponsored agreements are reasonable and reflect actual work performed, all faculty and staff with salary dollars charged to sponsored agreements must submit effort reports. Effort reporting (labor verification) is a process which ensures that labor charges are properly allocated to cost centers of the College.

Staff are required to submit reports monthly and/or semi-annually and faculty are required to submit reports following the fall, spring and summer sessions. Effort reports reflect the actual % effort worked on each project/area of responsibility. Faculty reports are submitted to the Provost Office and Staff effort reports are submitted to Payroll. These reports are certified by the reporting personnel. Faculty salary charges are then reconciled against certified effort percentages by the Provost Office and PI. Staff salary charges are then reconciled against certified effort percentages by Payroll and/or PI.

If a discrepancy exists between the allocation of salary charges and effort worked, payroll will be notified by the PI or Provost Office and will re-allocate salary charges to the appropriate cost center.

#### ***Pay Allocation Procedures:***

##### ***New Employees***

During the recruitment process, an employee requisition is created by the budget manager/Principal Investigator to request the filling of a vacant position. This form includes the Job title, Location of the incumbent, supervisor of the position, department, funding source, labor distribution, Job Duties and qualification. The requisition is approved by the budget manager /principal investigator, the Vice President or Provost for the division that will house the position, the Office of Budgets & Contracts (confirming the amount budgeted for the position and the labor distribution) and Human Resources.

The Office of Budgets and Contracts specifically reviews the requisition to ensure that the position and its labor distribution, salary range and job duties align with what has been approved by the sponsoring agency or College (based on the funding source).

Upon hire of employees, a Payroll Action form will be generated by Human Resources (staff) or the Provost Office (faculty). Pay will be set-up by Human Resources and Payroll based on the approved requisition and Payroll Action Form, for distribution among appropriate fund-org (program) combinations indicating the pay allocation of employees. The determination of the allocation is initiated during the recruitment process for each position.

### ***Existing Staff and Faculty Pay Allocation***

Anticipated fund distribution for labor charges are established by the Office of Budgets and Contracts during the budgeting process for existing positions prior to the beginning of each fiscal year. This includes positions partially or fully funded by sponsored agreements. The allocation of salary to sponsored agreements is always supported by an approved grant agreement. Salary budgets and salary distributions are uploaded to the BANNER system via Salary Planner. Changes to anticipated fund charges by position, and variations for employees sharing pooled positions, are indicated via the Personnel Action Form (PAF) for each employee and each position, generated by HR and initiated by the PI/budget manager. The "Current Job Labor Distribution" section of the PAF identifies the manner in which the labor expense for a given position is being allocated. The PAF is approved by the PI/Budget Manager, Director of Budgets and Contracts and Human Resources or Provost prior to BANNER input for payroll processing.

### ***Prior Approvals***

Many sponsored project agreements require written approval from the sponsoring agency prior to making substantive or major financial changes to the award budget. Cases requiring prior approval may include transfers between line items classified as not allowable (may vary between awards and agencies), changes in PI or level of effort, and changes in end date (e.g. non-competing extensions).

When prior approval is required, the PI must submit a written request to the granting agency justifying the requested changes. The written request must be forwarded to the Office of Sponsored Programs for review. If the issue is budgetary, Office of Budgets and Contracts will review the request to ensure that any salary changes and/or release times are appropriate and accurate. Following the review, the Office of Sponsored Programs will forward the request to the sponsoring agency.

Changes to the project will not be made until written approval is received from the sponsoring agency. Please note that some awards are classified under expanded authority. In such cases, the college is permitted to approve some of the above-mentioned changes without obtaining prior approval from the sponsoring agency. Please contact the Office of Budgets and Contracts if you have further questions about prior approvals as related to fiscal management.

### ***Pre-Award Costs***

Under certain circumstances, a sponsoring agency will allow the College to incur expenses on a research project prior to the actual start date without that agency's approval. If pre-award spending is a policy of the grantor, generally expenses can be incurred up to 90 days prior to the actual award date. However, this option should be utilized only in extreme cases. Justification to incur pre-award costs include maintaining the continuity of a continuing grant, to obtain necessary start-up equipment or supplies, or to hire staff for planning of activities to be accomplished through the funding. Please note that any pre-award costs must be allowable and should not require prior approval from the sponsoring agency.

It is the responsibility of the PI to request approval for pre-award spending from **Office of Budgets and Contracts**. In order to obtain the College's approval for pre-award spending, the following conditions must be met:

- A firm commitment, in writing, from the funding agency to issue the grant or contract (verbal agreements will not be accepted)
- Documentation of an essential need to advance or commit the funds
- Identification of alternative funding to cover the risk of a delayed start date or failure of an agency to make an anticipated award

### ***Expenditures in Excess of Budget, Deficits and Disallowed Expenses***

The PI must make every effort to monitor that project expenses remain within the limits of the approved budget. If BANNER incorrectly indicates that your account(s) are overdrawn please contact the appropriate office to rectify the discrepancy. However, if an account has been legitimately overdrawn, depending on the account, a budget transfer may be utilized to cover expenditures in that particular account (Please note that federal guidelines may restrict the transfer of funds from certain account lines.) The process to correct an overdrawn account is done by budget transfer request process and is the same process for cost transfers. (See below "Budget Adjustments/Transferring Funds Between Account Line Items" and "Cost Transfers" sections) If salary and wages lines have been legitimately overdrawn please contact the Office of Budgets and Contracts immediately.

In order to avoid overdrafts on an account, the PI should monitor expenditures. The BANNER system has also been coded such that expenditures cannot be processed in cases of insufficient funds. If you have any questions in regards to whether something is an allowable cost or not, please contact the Office of Budgets and Contracts for clarification.

Typically, purchases against grant funds are reviewed by the Office of Budgets and Contracts to ensure allowability, allocability and reasonableness of the purchase. If the expense is deemed unallowable (please see appendix A for a list of common unallowable costs) based on the grant terms and conditions or OMB Circular 2 CFR 200, the expense will be charged to the PI's home department's budget (utilizing College/unrestricted funds).



### ***Absence or Change in Status of the Principal Investigator***

If a PI must discontinue active direction of a project during a continuous period in excess of three months, the approval of the sponsor is required. (See 2 CFR 200). Requests to change the PI must have the approval of the Sponsored Programs Office prior to submission to the sponsoring agency. The PI should also consult the Office of Budgets and Contracts with regards to changes in salary lines (should be commensurate with the salary of new PI) and release time.

### ***Carry Forward of Unobligated Balances and No-Cost Extensions***

Generally, carryover of unobligated funds from one budget period to another requires written prior approval from the sponsoring agency (with the exception of those federally sponsored awards falling under expanded authority). However, sponsoring agencies have different policies regarding funds which are unobligated at the end of the budget periods in multi-year grants or contracts. Please consult Office of Sponsored Programs to determine specific policies relating to your award.

If prior approval from the sponsoring agency is required for carryover of unobligated funds, initial contact must be made to the Office of Sponsored Programs to facilitate the process. Please note that a PI is only able to carryover the unobligated balance as listed in the BANNER general ledger. Therefore, prior to submitting carryover requests, the PI must review the status of his/her account in the BANNER system. If there are discrepancies, please contact the appropriate office so that an accurate total may be reported in the carryover request.

Final reporting of unobligated funds must be submitted with the approval of the Office of Budgets and Contracts; therefore the PI should contact the Office of Budgets and Contracts at least 30 days prior to submission of carryover requests so that the PI can reconcile his/her ledger against the account in the BANNER system. If all funds have not been expended due to circumstances beyond your control, it is then appropriate to request a no-cost extension. A no-cost extension allows the PI to complete the specific aims of the project with no additional funding. The PI should contact his/her program officer at least 10 days prior to the end of the project period end date to make the request. Any correspondence to the program officer should be copied to Office of Sponsored Contracts and Office of Budgets and Contracts. Upon receipt of no cost extension requests, generally, Office of Budgets and Contracts will adjust the end date of the project period, which will allow spending to continue utilizing the most current budget code numbers. However, in cases where funds are being carried forward from several years, a new budget code may be issued to include all consolidated funds to be spent during the extension period. Please contact Office of Budgets and Contracts in regards to your specific grant award and situation.

### ***Budget Adjustments/Transferring Funds Between Account Line Items***

Generally, federal regulations grant some latitude in the area of budget adjustments between direct cost categories. (2 CFR 200.308). Uniform administrative federal guidelines for educational institutions state that “the federal awarding agency may, at its option, restrict the transfer of funds among direct cost categories or programs in which the Federal share of the project exceeds the simplified acquisition threshold and the cumulative amount of such transfers exceeds or is expected to exceed 10 percent of the total budget (2 CFR 200.308.4.e.)” However, many federal agencies (NIH, NSF, etc.) have increased the transfer percentage requiring prior approval to as much as 25% of total costs. Please refer to your individual compliance abstract to note the maximum allowable transfer amount without prior approval.

Although budget transfers are allowable, please note that generally, funds cannot be transferred from trainee lines (i.e. student wages, scholarship, etc.), F&A costs, salary and fringe lines and participant support. Budget revisions for the purpose of funding unallowable activities/expenses will be denied. If a request is submitted to transfer funds from salary and wage lines, please verify that the amount left in the salary lines is enough to cover all personnel salaries during that budget period. Please note that transfer of funds from salary lines is only allowable with restricted funds (sponsored projects). Funds available from unrestricted budgets may not be transferred out of salary and fringe line items.

It is the responsibility of the PI to initiate all budget transfers. In order to request a budget transfer, the PI must submit a Budget Transfer Request Form (see appendix) to the Office of Budgets and Contracts. Please note that the form must be approved by the PI and the Provost and or VP prior to submission to the Office of Budgets and Contracts. Upon receipt of the form, the Office of Budgets and Contracts office will review for compliance to federal guidelines (i.e. exceeding maximum transfer, etc.), approve and make the appropriate adjustments to the budget. If you have additional questions, please contact the Office of Budgets and Contracts.

### ***Cost Transfers***

The policy of the College is not to transfer costs/expenditures between sponsored projects and or unrestricted and restricted funds. There are circumstances in which it may be necessary to transfer expenditures to a sponsored project (i.e. data entry errors, etc.) subsequent to the initial recording of the charge. Those transactions require monitoring for compliance with College policy, Federal regulations, sponsor specific guidelines, and the cost principles that underlie fiscal activities on sponsored projects. To ensure compliance with the allowability and allocability requirements of the Federal Cost Principles, cost transfers between sponsored projects or between unrestricted and restricted budgets must be explained and justified. Cost transfer requests must not

be utilized to expend funds on awards that are ending. When transfers are not adequately justified or are made for inappropriate reasons, the department is responsible for transferring the expenses to a non-sponsored departmental account.

Cost transfer requests must be initiated by the PI with supporting documentation (i.e. original purchase requisition, check request or invoice indicating the accounting string to which the item/service was to be charged). The PI will submit a request in writing to the Office of the Controller to reclassify the expense(s) with the proper justification/evidence. A Cost Transfer Request Form should be submitted. Grant expenditure reclassification requests received by the Office of the Controller are forwarded to the Director of the Office of Budgets and Contracts for review and approval for compliance to federal regulations. Identification of errors must be accomplished within 90 days of the original occurrence of the expense, and within the grant budget period. Expense reclassifications are processed within 7 business days. The Office of the Controller does not reclassify grant expenses between awards without the approval of the Office of Budgets and Contracts which precludes PIs from transferring costs without prior approval. The College has very few instances of these types of requests.

### ***Expanded Authority***

In some instances a sponsoring agency may grant some of the authorities usually retained by the sponsoring agency to the grantee. Grants which often fall under this jurisdiction are research grants (R series), and program project grants (P01). In using these expanded authorities, grantees must ensure that they exercise proper stewardship over Federal funds and that costs charged to the awards are allowable, allocable, reasonable, and consistently applied regardless of the source of funds. Expanded authorities are not provided under awards to individuals. Also certain grantees may also be excluded from expanded authorities. If excluded, the awarding agency will indicate this change from the standard terms and conditions. This may include grants or grantees that require closer project monitoring or technical assistance, such as clinical trials and certain large multi-project grants. Please note that the PI compliance report indicates whether the award is supported under expanded authority. When a grant is under expanded authorities, the grantee may take the following actions without the prior approval of the awarding agency unless one or more of these authorities is overridden by a special term or condition of the award.

- 1) No-Cost Extension- NCE a 12 month period after project end date,
- 2) Carryover of unobligated funds- However, when submitting the SNAP form (progress report submitted to sponsoring agency at the end of each budget period), if the amount to be carried over is greater than 25% of the total costs of the budget, a justification must be submitted to the Office of Sponsored Programs and forwarded to the Office of Budgets and Contracts detailing how this amount will be expended during the next budget period.

## ***Program Income***

Program income is defined as revenue generated and collected in addition to that which is awarded by the grantor. An example of this may be fees collected for attendance to a workshop funded by a federal grant. The treatment of program income may vary dependent upon the terms and conditions set forth by the grantor and outlined in the grant award notification. In some cases, the grantor may stipulate that program income be deducted from the total allowable costs to determine a net allowable cost. As such this reduces the federal share of the award by the amount of the program income generated for the applicable period of funding in which the income was generated. In this scenario, although the total budget will remain unchanged, the federal share of the award will decrease and the program income will offset that reduction. Less cash will be reimbursed by the government. The income must be utilized for the purposes of the program

In accordance with 2 CFR 200.307, “*if the Federal awarding agency does **not** specify in its regulations or the terms and conditions of the Federal award how program income is to be used, program income must be treated as an **addition to the award**.*” As such, the total allowable costs of the program would increase. The income must be used for the purposes and under those conditions of the federal award.

If you intend to collect program income on your award, whether originally proposed or not, please adhere to the following process and procedure to ensure that the cash is properly treated.

- 1) E-mail the Office of Budgets and Contracts (Director of Budgets and Contracts and Sr Sponsored Programs Analyst) **prior** to collecting any income. Include details of the activity which will generate income, the associated program with the fund number, anticipated dates which income will be generated
- 2) Budgets and Contracts will determine whether the income must be treated as an addition or deduction of the award based on grant terms and conditions noted in the award. The Office of Budgets and Contracts will notify you via e-mail whether income is to be treated as an addition or deduction.
- 3) Please e-mail Budgets and Contracts to confirm your agreement to the terms of the collection of income
- 4) Once your statement of agreement is received, the Office of Budgets and Contracts will contact the Director of Financial Reporting and Sr Accountant to alert the Controller’s Office of the anticipated income to be received.
- 5) As you begin to receive the income, cash/income should be taken to the Cashier and deposited to the budget combination of the fund number associated with your grant award applicable to the income and account 1310 (federal grants) or 1320 (private grants). Please provide the Cashier with detail of the date income generated and description of the activity generating income as related to the federal award. The Cashier will provide you a receipt for all deposits.
- 6) Please scan and e-mail all copies of income deposit receipts and detail provided to the Cashier’s office to: the Sr Sponsored Programs Analyst, Director of Budgets and Contracts in the Office of Budgets and Contracts and the Sr Accountant in the Controller’s Office.

- a. If the income is to be treated as an addition to the total award costs (see number 2):**
  - i.** the Office of Budgets and Contracts will **increase** the revenue account (4572 (federal) or 4571(private)) associated with that fund by the amount receipted. The PI should include in the e-mail a budget allocation totaling the amount of income to be allocated between the expense accounts within the fund (ie- 7020 travel, 7010 supplies, etc), for spending. The additional income can only be spent on allowable activities of that program.
  - ii.** The Controller's Office will report the program income on the SF-425 in row n as an addition to the total award amount during the submission of the report on the dates required by the grantor
- b. If the income is to be treated as a deduction to the award (see number 2):**
  - i.** the Office of Budgets and Contracts will **not** increase the total amount of the budget, however, the Controller's Office will report the program income as a deduction on the SF-425. The amount of the **federal share** of the awarded amount will be reduced by the amount of program income collected. The total budget will remain the same because the income collected will offset the reduction in the federal share of the award. As such, the total amount available for drawdown from the federal agency based on expenditures will decrease. The Controller's Office will report the program income on the SF-425 in row m as a deduction to the federal share of the award amount during the submission of the report on the dates required by the grantor. Any income must be spent on allowable activities of that program.

### ***Subcontracts***

With **prior written approval** from the sponsoring agency, the College may issue subcontracts/subawards to an entity funded from the original grant agreement. In accordance with 2 CFR 200.330, a sub-award instrument should be utilized when the College will disburse grantor funds to an entity to provide a significant service to and/or deliver portions of the program. Characteristics which support classification of the entity as a subrecipient (as defined by 2 CFR 200-330) include:

*"(1) Determines who is eligible to receive what Federal assistance; (2) Has its performance measured in relation to whether objectives of a Federal program were met; (3) Has responsibility for programmatic decision making; (4) Is responsible for adherence to applicable Federal program requirements specified in the Federal award; and (5) In accordance with its agreement, uses the Federal funds to carry out a program for a public purpose specified in authorizing statute, as opposed to providing goods or services for the benefit of the pass-through entity."*

The Office of Budgets and Contracts is responsible for drafting subcontracts to be issued on behalf of the College. The subcontract instrument will include the following information:

*(1) Federal Award Identification.*

- (i) Subrecipient name (which must match registered name in DUNS);*
- (ii) Subrecipient's DUNS number (see § 200.32 Data Universal Numbering System (DUNS) number);*
- (iii) Federal Award Identification Number (FAIN);*
- (iv) Federal Award Date (see § 200.39 Federal award date);*
- (v) Subaward Period of Performance Start and End Date;*
- (vi) Amount of Federal Funds Obligated by this action;*
- (vii) Total Amount of Federal Funds Obligated to the subrecipient;*
- (viii) Total Amount of the Federal Award;*
- (ix) Federal award project description, as required to be responsive to the Federal Funding Accountability and Transparency Act*
- (x) Name of Federal awarding agency, pass-through entity, and contact information for awarding official,*
- (xi) CFDA Number and Name;*
- (xii) Identification of whether the award is R&D; and*
- (xiii) Indirect cost rate for the Federal award (including if the de minimis rate is charged per § 200.414 Indirect (F&A) costs).*

- (2) all terms and conditions of the sponsoring agency/entity to be passed on to subrecipient
- (3) invoicing and payment schedule
- (4) reporting requirements and award closeout
- (5) record access and retention clause
- (6) termination clause
- (7) Statement of Work
- (8) Approved Budget Allocation

Upon completion of the draft, Budgets and Contracts will forward document to the Office of Sponsored Programs and OSP will forward to the subrecipient for review and approval. Upon subrecipient approval, the subcontract will be delivered back to the College for the signature/ approval of the contracting agent of the College (VP of Business and Financial Affairs and Treasurer). Upon signature from both entities, the contract will be considered fully binding.

The PI will be notified when the contract has been fully executed and provided a copy of the document. Once the PI has received this document, the PI should contact the Office of Administrative Support Services in order to generate a purchase requisition for the amount of the subcontract. Once the purchase order has been generated, the subrecipient may commence work and quarterly invoicing for reimbursement of expenses.

It is the responsibility of the College to ensure that subrecipients remain compliant with all terms and conditions of the grantor (to include federal award grant guidelines as applicable). As this is the case, the College will perform a risk assessment of all subrecipients prior to subcontracting with the entity. This risk assessment is performed typically during the pre-award phase. The Office of Sponsored Programs will give the proposed subrecipient a “Subrecipient Profile Questionnaire.” This questionnaire will provide the College information regarding the subrecipients existing policies, procedures and audit results. The Office of Budgets and Contracts and VP of Business and Financial Affairs (as necessary) will review completed forms, and determine whether the

risk of non-compliance is too great to enter into a business relationship or whether a plan to mitigate the risk can be developed. Indicators of high risk may include but are not limited to: the presence of audit findings, lack of documented policies and procedures and/or limited experience with grant management. Plans to mitigate risk may include, but are not limited to, initial training meetings with the subrecipient and subsequent on-site review, monitoring and review of policies, procedures and expenditures, as deemed necessary. If the subrecipient is deemed non-compliant at any point during the grant period, the subcontract will be subject to termination.

The PI, Office of Budgets and Contracts and Office of Sponsored Programs will work together to communicate any requirements to the subrecipient.

Subrecipients will also be required to submit audit certification documentation to the College for review.

### ***Record Retention***

As a general rule, to comply with federal regulations, all documentation must be retained for three years after the final report is submitted.

### ***Monthly Detailed Budget Reports***

The PI/Budget Manager is encouraged to review your monthly budget status report on-line through the BANNER system.

### ***Technical and Progress Reports***

The principal investigator should submit progress reports and/or final technical reports to the sponsoring agency. Copies of required reports should also be forwarded to the Office of Sponsored Programs. Such reports are considered separate from financial reports. The Office of Budgets and Contracts and the Controller's Office are responsible for the submission of all financial reports.

Federal Financial Reports include financial status reports (Form 425) Inventory reporting, etc. The federal financial reports are generally due quarterly and final financial status reports are generally due 30 days after the project period end date. Although the financial status reports are prepared and submitted by of the Office of Budgets and Contracts and the Office of the Controller, the PI will be consulted as to the accuracy of expenditures reflected in the BANNER system. If discrepancies are noted, these should

be addressed to the appropriate office (See section IV) and rectified prior to submission of the financial report. Financial Status Reports are approved for submission by the responsible officials designated as the Director of Financial Reporting, Director of Budgets and Contracts or the Sr Sponsored Programs Analyst. A copy of the report will be forwarded to the PI prior to forwarding it to the sponsoring agency.

Financial reporting for funding from private sources is also required. Report due dates for private industry may vary dependent upon the grantor policy. All financial reporting for the private industry grantors is done in the Office of Budgets and Contracts. If you have further questions about financial reporting, please contact the Office of Budgets and Contracts.



## **Appendix A**

### **Common-Unallowable Costs**

Spelman College uses the guidelines of the Uniform Guidance, referencing 2 CFR Part 220 - Section J to determine what is unallowable cost on a Federal Grant. The following are a list of common unallowable costs items we abide by in 2 CFR:

- 1) All advertising and public relations costs other than as specified in subsections J.1c, 1.d and 1.e of 2 CFR - Part 220 - Section J.
- 2) Costs of meetings, conventions, convocations, or other events related to other activities of the institution, including:
  - (a) Costs of displays, demonstrations, and exhibits.
  - (b) Costs of meeting rooms, hospitality suites, and other special facilities used in conjunction with shows and other special events.
  - (c) Salaries and wagers of employees engaged in setting up and displaying exhibits, making demonstrations, and providing briefings.
- 3) Costs of promotional items and memorabilia, including modes, gifts, and souvenirs.
- 4) Costs of advertising and public relations designed solely to promote the institution.
- 5) Costs of alcoholic beverages.
- 6) Costs incurred for, or in support of, alumni/ae activities and similar services.
- 7) Bad debts, including losses (whether actual or estimated) arising from uncollectible accounts and other claims, related collection costs, and related legal costs.
- 8) Commencement and convocation costs are unallowable.
- 9) The portion of the cost of institution-furnished automobiles that relates to personal use by employees (including transportation to and from work).
- 10) Costs incurred in excess of the institution's normal severance pay policy applicable to all persons employed by the institution upon termination of employment.
- 11) Costs of legal, accounting, and consultant services, and related costs, incurred in connection with defense against Federal Government claims or appeals, or the prosecution claims or appeals against the Federal Government.
- 12) Costs of legal, accounting, and consultant services, and related costs, incurred in connection with patent infringement litigation.

- 13) Contributions or donations including cash, property, and services, made by the institution, regardless of the recipient.
- 14) Costs of entertainment, including amusement, diversion, and social activities and any costs directly associated with such costs (such as tickets to shows or sports events, meals, lodging, rentals, transportation, and gratuities).
- 15) Capital expenditures for improvements to land, buildings, or equipment which materially increase their value or useful life.
- 16) Equipment and other capital expenditures.
- 17) Costs of goods or services for personal use of the institution's employees regardless of whether the cost is reported as taxable income to the employees.
- 18) Costs of membership in any civic or community organization.
- 19) Costs of membership in any country club or social or dining club or organization.
- 20) Costs of help wanted advertising, special emoluments, fringe benefits, and salary allowances incurred to attract professional personnel from other institutions that do not meet the test of reasonableness or do not conform with the established practices of the institution.
- 21) Airfare costs in excess of the customary standard commercial airfare (coach or equivalent), Federal Government contract airfare (where authorized and available), or the lowest commercial discount airfare.
- 22) Patent and copyright costs of preparing disclosures, reports, and other documents and of searching the art to the extent necessary to make disclosures not required by the award.
- 23) Any unallowable cost that was inadvertently omitted from 2 CFR- Part 220 - Section J.

## Glossary

**Allocable Cost-** A cost is allocable to a particular cost objective (i.e., a specific function, grant project, service, department, or other activity) in accordance with the relative benefits received. A cost is allocable to a project where it is treated consistently with other costs incurred for the same purpose in like circumstances and

- (1) Is incurred specifically for the award; or
- (2) Benefits both the award and other work and can be distributed in reasonable proportion to the benefits received; or
- (3) Is necessary to the overall operation of the organization.

**Allowable Cost-** A cost incurred by a recipient meeting the following requirements:

- 1) Reasonable for the performance of the award;
- 2) Allocable;
- 3) In conformance with any limitations or exclusions set forth in the federal cost principles applicable to the organization incurring the cost or in the Notice of Grant Award as to types or amount of cost items;
- 4) Consistent with internal regulations, policies and procedures that apply uniformly to both federally-funded and other activities of the organization;
- 5) Accorded consistent treatment;
- 6) Determined in accordance with generally accepted accounting principles; and
- 7) Not included as a cost in any other federally funded grant

**Budget Period-** Dates assigned by the sponsoring agency during which time funds may be expended, usually 1 yr period

**Carryover-** Unobligated and unexpended funds from a previous budget year which are to be expended during the current budget period; see PI handbook for terms and conditions

**Cost Principles-** The principles as set out in applicable statutes, regulations, grantor instructions, Office of Management and Budget Circulars and generally accepted accounting rules used for determining allowability, reasonableness, and allocability of costs applicable to grants, contracts, and other agreements.

**Deficit-** The excess of expenditures over revenues (authorized budget) during an accounting period or award/project period for grants and contracts.

**Direct Costs-** Those costs that can be identified specifically with a particular activity within a sponsored project (i.e. supplies, salaries and wages, travel, etc.)

**Encumbrance-** All monies committed for the purchase of an item or service; these funds have not actually been disbursed yet, however, they cannot be spent. These funds become expenditures when commitments have been paid for.

**Equipment-** Tangible assets acquired through donation, gift, purchase, capital lease, or self-construction with a life expectancy greater than one year and valued over \$5,000.

**Expenditure-** All monies used during the budget period to purchase tangible items in addition to payment of services

**Expanded Authority-** Authority granted to grantees to take certain actions without sponsoring agency prior approval. See PI Handbook for further detail

**Incremental Award-** Additional funding granted to an existing award, also referred to as a supplemental award

**Indirect Cost-** Costs that are incurred for common or joint objectives and therefore cannot be identified readily and specifically with a particular sponsored project, an instructional activity, or any other institutional activity. Also referred to as F&A costs

**Obligated Funds-** Funds that are unexpended but are encumbered at the end of a budget period or project period

**Pre-Award Costs-** Costs incurred prior to the actual start date of the award, see the PI handbook for policies governing these types of costs

**Prior Approval-** Approval issued by the sponsoring agency for certain expenditures and fiscal management issues. See the PI handbook for information regarding prior approval policies

**Project Period-** The period assigned to complete the awarded project, can be between 1 and 5 yrs long

**Purchase Requisition-** Form utilized to generate purchase orders for the purchase of supplies, etc. When utilizing the purchase order expenses become encumbered until invoiced

**Restricted Funds-** Funds for which expenditures must comply with federal government terms and policies.

**Subcontract-** A formal cooperative research relationship with another organization, generally a college or non-profit research center, that is part of a sponsored agreement/proposal accepted by Spelman College and the other organization participating in the research project or provides a required service to complete the research project.

**Supplemental Award-** See incremental award

**Unallowable Cost-** A cost not in compliance with the terms and policies of the awarding agency

**Unexpended Funds-** Funds which are not encumbered nor spent during the life of the award