

GRANTS AND CONTRACTS FINANCIAL PROCEDURES

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PROCEDURES

I. ADMINISTRATIVE RESPONSIBILITIES

Certain administrative responsibilities are necessary in the proper conduct of the daily activities of grant and contract administration.

A. VICE PRESIDENT, FINANCE AND ADMINISTRATIVE SERVICES (VPFAS)

It shall be the responsibility of the VPFAS to:

- Approve all tuition waivers included as matching on proposals.
- Approve all program and financial commitments that must be guaranteed to continue after the end of a sponsored project.
- Monitor all responsibilities of the Director of Accounting and Financial Services and the Director of Procurement Services.

B. PROVOST

It shall be the responsibility of the Provost to:

- Approve all academic program and financial commitments that must be guaranteed to continue after the end of a sponsored project.
- Monitor all responsibilities of the Director of Sponsored Programs.

C. DIRECTOR, OFFICE OF SPONSORED PROGRAMS

The Provost has assigned certain responsibilities to the Director of Office of Sponsored Programs. It shall be the duty of the Director to:

- Maintain a current database of potential funding sources and other information related to externally funded projects.
- Coordinate preparation and submission of proposals through normal channels or by electronic means, including editing of proposal narratives, and developing proposal budgets.
- Ensure indirect cost waivers are necessary.
- Negotiate grant and contract awards.
- Ensure the timely completion and submission of interim and final programmatic reports.
- Continually monitor the grant or contract program activity.
- Serve as Ex-Officio member of the Research Policy Committee.
- Manage Faculty Travel Grants program as necessary.
- Promote growth in the area of grant/contract proposals and funding.
- Facilitate the pursuit of collaborative projects, benefiting the University, with other organizations such as but not limited to institutions of higher education, domestically and internationally.
- Evaluate each subrecipient's risk of noncompliance to determine appropriate subrecipient monitoring.

D. DIRECTOR, OFFICE OF ACCOUNTING AND FINANCIAL SERVICES

The VPFAS has assigned certain administrative responsibilities to the Director of Accounting and Financial Services. It shall be the responsibility of the Director to:

- Maintain a library of current federal, state, and University policies and regulations concerning allowable costs, cost sharing requirements and other fiscal matters related to externally funded projects.
- Review proposal budgets.
- Establish accounts and operating budgets in the University accounting system.
- Review budget revisions on sponsored projects for compliance with sponsor and university requirements.
- Submit all fiscal reports (interim and final).
- Review all disbursements of funds from externally funded projects for availability of funds.

- Ensure compliance with sponsor fiscal guidelines and requirements.
- Maintain appropriate communications with sponsoring agencies.
- Implement subrecipient monitoring plan based on risk assessment of noncompliance.

E. DIRECTOR, PROCUREMENT SERVICES

The VPFAAS has assigned certain administrative responsibilities to the Director of Procurement Services. It shall be the responsibility of the Director to:

- Ensure compliance with specific sponsor procurement guidelines and requirements.
- Maintain appropriate inventory records of assets purchased with sponsored project funds.

F. DEPARTMENT CHAIR, DEAN, DIRECTOR

It is the responsibility of the dean and department chair or director to determine: the feasibility of the project, whether the scope of work is within the capability of the department and the college, the amount and source of University matching contributions. It is also the responsibility of these individuals to make sure the project director completes the requirements of the award.

G. PRINCIPAL INVESTIGATOR/PROJECT DIRECTOR (PI/PD)

It is the responsibility of the proposal writer or project director to:

- Notify the department chair and dean of intent to write the proposal and obtain their approval.
- Notify the Office of Sponsored Programs of intent to write the proposal, giving title, funding agency, amount of request, matching requirements, sponsoring agency's allowable amount of indirect costs, submission guidelines, and submission deadline.
- Obtain a written commitment for the required matching funds.
- Coordinate and monitor the entire proposal process with the Office of Sponsored Programs in order to meet submission deadlines (normally, five (5) working days after it leaves the project director to route a proposal).
- Become familiar with and manage all program and financial guidelines and requirements of the sponsoring agency.
- Approve all disbursement of funds and ensure they are required to complete the scope of the project.
- Maintain appropriate communications with sponsoring agencies.
- Assist in subrecipient monitoring to ensure compliance and timely payment to subrecipients.
- Act as budget manager for the grant, until the close-out procedure is complete.

II. PROJECT ADMINISTRATION

The Office of Management and Budget released in the Federal Register new guidance designed to streamline guidance of awards. The guidance will supersede requirements from OMB Circulars A-21, A-110 and A-133 for new awards and for incremental funding awarded on or after 12/26/14. Existing awards that do not receive incremental funding with new terms and conditions will continue to be governed by the Circulars. For all new awards and incremental funding awarded on or after 12/26/14 please refer to Appendix I-Appendix III for additional restrictions related to the Uniform Guidance.

A. ESTABLISHING BUDGETS

A formal budget with specific account numbers will be established for each grant award or contract upon receipt of a fully executed (signed by all parties) copy of the agreement. The budget for the project will be the budget approved by the sponsor, provided there are no significant changes from the proposed budget submitted by the University. In the event a budget is significantly changed by a sponsor, the proposal will be routed to all appropriate University officials for review as if it were a new proposal. Significance in these cases will be determined by the Directors of Sponsored Programs and Accounting and Financial Services.

If the project proposal includes creation of a new position, after notification that the project will be funded, the PI/PD will write a job description, including qualifications, job title and salary range. This information should be forwarded to the Director of Human Resources, who will determine whether the position is to be

categorized as exempt or non-exempt. If the position is determined to be non-exempt, Human Resources will have final approval for establishing the salary rate and position title; if exempt, the PI/PD will need to work with the Offices of Human Resources and Institutional Diversity, Equity and Access to ensure that proper administrative guidelines concerning employment are properly followed. These two departments will make salary recommendations to the appropriate vice president, who will have final approval for these matters. PI/PD should keep in mind that the employment of individuals who will be paid from grant/contract funds will be subject to University policies and procedures established by the Offices of Human Resources and Institutional Diversity, Equity and Access.

Matching contributions may be made from University sources, related foundations, or third parties. The commitment of matching funds from either University or third party dollars must be made in writing before acceptance of an award. Regardless of the source, they must be budgeted and accounted for in the same way.

Almost all funds paid directly to the University from external sources are accounted for through the restricted fund ledger and the FOAPAL structure used is as follows; FXXXXX for federal, SXXXXX for state, PXXXXX for Private, and NXXXXX for Other. The source of all restricted funds are external agencies. Matching contributions provided by the University are accounted for through the unrestricted fund and will have an ORG structure of CSXXXX for cost share.

1. BUDGET REVISIONS

After a program or project has been initiated, it is sometimes necessary or desirable to process budget revisions. The PI/PD is responsible for determining and initiating these revisions. The Director of Accounting and Financial Services will review the revisions for compliance and allowability of the revision by the sponsor. If sponsor approval is required for a budget revision, it is the PI/PD's responsibility to obtain such approval.

B. EARLY PROJECT START-UP

On rare occasions when an individual must begin activity on a sponsored program before a fully executed agreement is received, justifiable need must be demonstrated. The host department chair, dean, and vice president must concur, and agree in writing to absorb, from existing budgets, all expenditures which may be disallowed upon receipt of the fully executed agreement, or in the event the proposal is not funded. An Early Project Start-up Form should be completed and submitted to the Office of Sponsored Programs. Upon receipt of the completed request, the proposal information along with the budget will be submitted to Accounting and Financial Services and a FOAPAL will be assigned. Expenses will be automatically transferred to the department account number provided on the start-up form if fully executed agreements are not received.

If a guarantee is requested near the end of the fiscal year and it is unlikely to receive a fully executed agreement prior to closing the fiscal year, a letter of intent is required to establish a new FOAPAL. The letter of intent must come from the funding agency and at a minimum confirm the start and end date of the grant and the anticipated award amount. This letter of intent must be submitted with the proposal information along with the budget to Accounting and Financial Services. In the event that a fully executed agreement is not received, expenses will be automatically transferred to the department account number provided on the start-up form. Accounting and Financial Services will review and approve these requests on a case by case basis.

C. FISCAL REPORTS

All interim and final fiscal reports will be filed as required, based on funding agency guidelines. PI/PD will be given the opportunity to review final fiscal expenditure amounts before submission. PI/PD will receive electronic copies of all fiscal reports for their files.

D. PAYMENT

All payment requests for grants and contracts will be prepared and submitted by the Office of Accounting and Financial Services. Under the new Uniform Guidance, all payment requests must be signed by an official who is authorized to legally bind the University. Requests should never be initiated by the PI/PD. To minimize the time between the transfer of funds from the federal government to the University and the expenditure of those funds, payments will be requested on a cost reimbursement basis.

1. TYPES OF AWARDS

a. Direct Federal Awards

The Office of Accounting and Financial Services will draw down federal funds on a cost reimbursement basis. To ensure proper cash flows, draw down payments are requested twice a month. There may be certain circumstances that arise that will require additional requests throughout the month. The Office of Accounting and Financial Services will determine if additional requests are necessary. Direct federal awards are monitored regularly by the Office of Accounting and Financial Services to ensure that no positive cash balances exist. If a direct federal award has a positive cash balance, the appropriate steps will be taken to either transfer the excess cash to another grant or contract or to refund the excess cash to the funding agency. The final expenditure amount will be reviewed and verified by the PI/PD before submission of the final draw down request.

b. Fixed Price Awards

Fixed price awards are a type of grant agreement under which the funding agency provides a specific level of support without regard to actual costs incurred under the award. Requests will be made based on the payment schedule included in the contract from the funding agency. Typically these are requested as one payment at the award completion, requested based on a unit price, or requested in several partial payments.

c. All Other Awards

The Office of Accounting and Financial Services will submit payment requests for all other awards on a cost reimbursement basis unless the contract requests a different method. These requests will be sent based on the payment request schedule included in the contract from the funding agency. Typically these are sent monthly, quarterly, or annually. The final expenditure amount will be reviewed and verified by the PI/PD before submission of the final payment request to the agency.

2. MONITORING PAYMENT & COLLECTION

The Office of Accounting and Financial Services will monitor grant and contract receivables to ensure timely collection of payment. Receivables will be reconciled on a monthly basis and appropriate follow up will be performed.

Collection Procedures

At 30 days past due: a second request will be sent to the funding agency.

At 60 days past due: the PI/PD will be made aware of the issue and asked if they are aware of a reason for delay in payment. If not, the funding agency will be contacted by email or phone.

At 90 days past due: the Office of Accounting and Financial Services will work with the PI/PD to determine if the balance is uncollectible. If there is no acceptable response from the funding agency the account may be frozen and no further expenses allowed.

At 120 days or more past due: The department is responsible for covering any uncollectible balances due from the funding agency.

3. RECEIPT OF PAYMENT

If the PI/PD or Department receive a check for a grant or contract, it must be forward directly to the Office of Accounting and Financial Services. At that point the check will be deposited into the correct grant or contract account.

4. INTEREST PAYMENTS

Despite efforts to ensure that funds are not drawn down in advance, the University may receive federal funds for a particular grant or contract prior to the expenditures being incurred. If federal funds are on hand prior to expenditures, an interest liability may accrue. Direct federal awards are monitored regularly by the Office of Accounting and Financial Services to ensure that no positive cash balances exist. If required, interest over the amount of \$500 per year will be remitted to the Department of Health and Human Services.

E. EXPENSES

It is the project director's responsibility to insure timely posting of expenses to sponsored projects. Inter-account bills, payment documents, travel documents, EPAF's and personnel action forms must be routed through the Office of Accounting and Financial Services for approval prior to processing. This procedure helps to ensure expenses are in accordance with project budget and sponsoring agency guidelines.

Expenses charged to non-sponsored project accounts can be transferred to a sponsored project account within 90 days after the expense is incurred. Audit procedures may find expenses not transferred within this length of time as unnecessary expenses for the project and may deem them unallowable. Neglect in monitoring accounts and failure to process transfers in this length of time will not be considered sufficient explanation for late transfers. Transfers not completed within 90 days after occurrence will be charged to the host department account.

The purchase of equipment will not be permitted within the last 90 days of a project, unless justified in writing. Purchases of equipment late in the grant cycle may not be necessary expenses on a project and may be disallowed. Equipment purchased within the last 90 days of the award period must be specifically approved by the appropriate vice president with the approval including the account number that will cover such charges if disallowed. Approval for equipment purchased within the last 90 days of an award may also require approval by the funding agency.

F. SUBRECIPIENT MONITORING

Each subrecipient's risk of noncompliance with Federal statutes, regulations and the terms and conditions of the subaward will be evaluated to determine the appropriate subrecipient monitoring.

The PI/PD should review all invoices for completeness and compliance with Murray State's policies. An invoice should not be entered into Banner for payment until any questionable items are resolved. All subrecipient payments should be made within 30 calendar days after receipt of the invoice, unless the PI/PD or Office of Accounting and Financial Services believes the request to be improper.

The PI/PD, Office of Sponsored Programs and Office of Accounting and Financial Services should document all efforts related to subrecipient monitoring.

At the end of the award, the PI/PD is responsible for ensuring that all documentation related to the project performance is received. Monitoring activities that should be performed at award closeout include verifying that the final invoice is marked "final" and reviewing all technical/financial reports to ensure that all project deliverables are met.

G. INDIRECT COST ALLOCATION

Actual indirect cost recoveries from sponsors will be allocated as follows:

17.5%	General Fund
20.0%	Sponsored Programs
22.5%	Vice President
12.5%	College
15.0%	Department
12.5%	Principal Investigator Fund

The allocation of indirect costs will be completed by the Office of Accounting and Financial Services monthly prior to month end close. Any unexpended budget allocations will normally be carried forward subject to review and approval by the President.

Academic and administrative units receiving monies from the recovery of indirect costs should use those funds primarily for the purpose of advancing the research capability of the college or department, faculty development, equipment purchases, and other non-recurring expenses.

The vice presidents should use indirect cost recovery monies for the promotion and advancement of research efforts, mandatory matching contributions, proposal preparation, and other proposal generating activities.

H. PURCHASING CARDS

Purchasing cards will be permitted on sponsored project accounts only when an operations budget exists in services, supplies or travel.

The project director should complete a purchasing card application and forward it to the Director of Procurement Services. The approved application will be forwarded to the Office of Accounting and Financial Services for processing.

Monthly reconciliations and copies of receipts must be submitted to the Office of Accounting and Financial Services on a monthly basis, by the 15th of the following month, for all purchasing cards on sponsored project accounts. Cards in which reconciliations are not submitted timely will be frozen. Reactivation of the purchasing card will be at the discretion of the Director of Accounting and Financial Services.

Purchasing cards will be deleted at the end of the grant agreement unless a written extension has been received from the sponsoring agency.

Transfers of purchasing card transactions from non-grant accounts must be accompanied by a copy of the itemized receipt. Without this documentation, purchasing card expense transfers will not be processed.

I. COMPENSATION FOR PERSONAL SERVICES

1. RELEASED TIME

Released time may be granted to an employee as part of the University's matching contribution on a project. When this occurs the employee's salary and fringe benefit portion that is being used as a match, will be transferred to a cost share FOAPAL (CSXXXX). However, released time may also be granted to an employee as part of a project budget to be paid by the sponsor. When this occurs, the project account will actually bear the expense for the released time portion of the employee's salary and fringe benefits.

a. Personnel Action

A notice of Personnel Action (PA) Form is needed for any released time being directly charged to grant/contract funds or released time being charged to the cost share FOAPAL. This action is a “before-the-event” authorization for salaries and wages that are a part of an employee’s regularly assigned duties (normal workload) to enable the Payroll Office to charge the correct account(s) in which effort is expected to be directed. It is the responsibility of the PI/PD to initiate these PA Forms.

b. Time and Effort

All salary and wage charges to sponsored projects accounts, including cost-sharing, require an “after-the-fact” certification. This certification is a requirement of Federal OMB Circular A-21 and the Uniform Guidance. The University has developed a system of personnel activity reporting commonly called time and effort (T&E) reporting to fulfill this requirement. It is the responsibility of the PI/PD to see that these reports are filed timely.

The T&E reports discussed in this section relate to the regularly assigned duties (normal workload) for faculty and exempt staff only. After-the-fact certification of effort for extra compensation is discussed in another section of this document.

All individuals employed on a grant/contract are required to complete a T&E report on a monthly basis, except as noted in the following paragraph. This record is to reflect the distribution of effort expended on each activity for the month, regardless if an actual expense is charged to the grant/contract account for the work done that month. This is not only to confirm the portion of service performed in which compensation is to be provided directly from grant/contract funds, but also those services applicable to grant/contracts as University matching contributions. Each activity directed towards a grant/contract, as shown in the approved budget, must be reflected on a T&E report.

These T&E reports are not required from non-exempt staff that are paid directly from grant/contract funds. The employee’s time card must be submitted for time on the grant/contract and will be paid from that account and will provide the necessary after-the-fact certification.

Individuals who are employed on a grant/contract will be sent a payroll generated T&E report at the end of each month. This report will be sent to you by the Office of Accounting and Financial Services. This T&E report should be reviewed for accuracy, corrected if necessary, signed by the employee, and approved by their immediate supervisor. The PI/PD of the grant/contract is responsible for ensuring that all monthly T&E reports are returned to the Office of Accounting and Financial Services.

All T&E reports are to be completed and mailed to the Office of Accounting and Financial Services by the 10th of each following month. Failure to meet this date may result in departmental accounts absorbing unallowable expenditures. Salaries and wages without adequate documentation are unallowable expenditures according to Federal Circular OMB A-21. Also, T&E reports not submitted on a timely basis are rather meaningless and will not be considered adequate documentation of effort devoted to a specific project. Delinquent T&E reports will be turned over to the appropriate dean’s office.

All employees should report only the percentage of time worked on a grant/contract for a particular month, regardless if pay received was for more than a month. The employee and his/her immediate supervisor or a responsible official with first-hand knowledge of the work performed must certify that the distribution of effort, as indicated on the T&E reports, is reasonable and accurate and that the work has been satisfactorily done. Reports are not valid without these two signatures.

The following definitions relate to T&E reports:

- (1). Department Teaching Responsibilities

This classification includes teaching and training activities whether they are offered for credits toward a degree or certificate or on a non-credit basis, and whether they are offered through regular academic departments or separate divisions such as summer school divisions or an extension division. This classification also includes departmental research. Departmental research means all research and development activities that are not separately budgeted and accounted for.

(2). Organized Research

Organized research means all research and development activities of an institution that are separately budgeted and accounted for. It includes research and development activities that are sponsored by Federal and non-Federal agencies and organizations as well as those separately budgeted by an institution under an internal allocation of institutional funds. It also includes mandatory matching contributions for research and development on grants/contracts.

(3). Academic Department Administration:

Activities incurred for administrative and supporting services that benefit common or joint departmental activities or objectives in academic deans' offices, academic departments and divisions, organized research institutes, study and research centers.

(4). General University Administration:

Activity for the general executive and administrative offices of educational institutions and other expenses of a general character which do not relate solely to any major function of the institution; i.e., solely to (1) instruction, (2) organized research, (3) other sponsored activities or (4) other institutional activities.

(5). Other Institutional Activities:

All other activities which do not fit into above categories. The activity must be specified.

2. RATE OF PAY

This section specifies how rates of pay for work performed on grants/contracts are determined:

a. Rate of Pay/Non-Exempt Staff

The rate of pay that non-exempt staff receive for work performed on sponsored programs will follow the federal wage and hour laws. Specifically, the individual will be paid at his/her regular hourly pay rate for the first 40 hours worked each week and will be paid at a rate of 1 and ½ times his/her regular pay rate for all hours over 40.

On rare occasions when a non-exempt employee is doing work which significantly differs from his/her normal duties, the PI/PD will write a job description for the additional duties, including rate of pay. Human Resources will have final approval of the additional duties and rate.

b. Rate of Pay/Exempt Staff

In keeping with OMB A-21 and the Uniform Guidance, an exempt employee will not be paid at a higher rate for work performed on externally sponsored activities than he/she is paid for regular workload (base salary). Extra pay rate for faculty and exempt staff will be calculated as follows:

(1). Academic Year Faculty

Monthly Rate of Pay

Academic year base salary divided by nine (9).

Daily Rate of Pay
Monthly rate divided by 21.75(Average number of work days in a month).

Hourly Rate of Pay
Daily rate divided by 7.5 (Normal MSU workday).
(2). Fiscal Year Faculty and Exempt Staff

Monthly Rate of Pay
Fiscal year base salary divided by twelve (12).

Daily Rate of Pay
Monthly rate divided by 21.75.

Hourly Rate of Pay
Daily rate divided by 7.5.

3. EXTRA PAY PROCEDURES

The criteria for extra compensation, as listed in the Grants and Contracts Policies, apply to all faculty and professional staff receiving extra compensation. The extra pay procedures below apply to the actual payment of the extra compensation. In some rare cases it may be necessary to begin the work or service for extra compensation before written approval can be obtained. For example, a last minute decision to split or add another section of a course in high demand, or last minute resignation of a faculty member or adjunct. In these cases, verbal authorization from the Provost must be given and written approval as outlined in 1.a. and b. below must be obtained as soon as possible thereafter. In no circumstances will payment be made before written approval is obtained and the work or service has been provided. Each vice president is responsible for ensuring extra pay to employees does not exceed the maximum established in the Grants and Contracts Policy. All extra compensation pay on Sponsored Projects must be approved in writing by the funding agency.

- a. Faculty and Exempt Staff – Non-credit instruction, other professional and scholarly services and non-summer credit course instruction. (Includes non-teaching summer pay)

When all of the criteria listed in the Grants & Contract Policy is met and a faculty or exempt staff member is to receive extra compensation, the following procedures are to be used:

- (1). Department chairs or activity heads should submit the appropriate Extra Compensation Form to receive extra compensation in advance of performing any work.

The Extra Compensation Form submitted by the department should be routed sequentially to the department chair, dean or non-academic director, vice president and president, who will make the final determination. At each level of approval, the reasons for supporting the request must be stated. If more than one department, college or vice presidential area is affected, department chairs, deans or non-academic directors and vice presidents (as applicable) must approve the request.

- (2). The Extra Compensation Form must be routed to all appropriate University officials and approved before work is commenced.
- (3). After approval is obtained and work is complete, a PA Form should be submitted for the actual work performed. This form should clearly indicate that this is extra compensation. This may be done no more often than monthly, but may be done at any time, provided that work has been performed. The PA Form must be accompanied by a copy of the approved Extra Compensation Form.

- (4). By signing the PA Form the individual's supervisor (department chair, dean or director) certifies that the work has been satisfactorily performed and that regularly assigned duties have not been neglected.
- (5). The PA Forms will be processed for payment by the Payroll Office.

By authorizing extra compensation work in advance and payment being made only after the work is performed, the documentation of personal service charges as required for grants/contracts will be satisfied.

b. Summer Teaching Compensation – General University Funds

Payment for regularly scheduled summer teaching will not require advance approval but will be paid as follows:

- (1). Department chairs and deans determine summer teaching assignments.
- (2). Personnel Action Forms are prepared and forwarded for approval.
- (3). Payroll is prepared and distributed after the summer term is completed.
- (4). Summer teaching will be applied to the 33.33% of allowable summer compensation first, before the application of any grant/contract funded payments. (See Grants and Contract Policy II.G.4.)

Please note that this procedure may be used only for teaching in regular departments during the summer.

c. Non-Exempt Staff

Only in exceptional cases will non-exempt employees be permitted to work in two positions concurrently. In such cases work performed for a grant or contract may not result in the payment of overtime. Work on grants/contract should be done during normal working hours, with the appropriate portion of the time charged to the sponsored agreement.

In circumstances where non-exempt staff cannot be employed to fulfill the grant requirements at regular pay and overtime is required of existing staff, non-exempt staff members may be approved to work overtime on a grant/contract or an account other than his regular account. The following procedures should be followed:

- (1). A PA Form should be initiated and routed to authorize the overtime on these accounts. This form should clearly indicate that this is extra compensation. This form must be routed and approved before any time is devoted to the project.
- (2). After the PA Form is approved; the Payroll Office will issue time cards for individuals performing work on grants/contracts. These time cards are to be completed and returned to the Payroll Office in the same manner as all other time cards are submitted. Payment of non-exempt employees will be made bi-weekly.

III. PROJECT CLOSE-OUT

The close-out of a grant agreement is the process by which the sponsoring agency determines that all grant conditions have been completed.

A. COMPLETION DATE

The completion date is the date on which all work under the grant/contract agreement should be completed, or the date on the agreement on which sponsorship ends.

All expenditures must meet a reasonable and necessary test to be allowable charges. It is extremely difficult to defend large or numerous expenditures in the final weeks of a project. Many times such costs are disallowed because the PI/PD was trying to “spend all the money”. At times, written justification may be required for large expenses incurred or requested during the final weeks of a project.

B. REPORTS

Final reports, as required by the agreement, will be filed within 90 days of the completion date. This will include performance, financial, and any other reports specifically required. The financial report will be prepared by the Office of Accounting and Financial Services. The final expenditure amount will be reviewed and verified by the PI/PD before submission of the final report to the agency. Technical reports are the responsibility of the PI/PD. The PI/PD is requested to notify the Office of Sponsored Programs when this report is completed and submitted.

Before a grant is closed out of the University’s accounting system, a Grant Closing informational email will be sent to the project director, chair, and dean. This email will include the project description, FOAPAL, ending date, amount of award, total expenditures, and unexpended balance of the award. The accounting office will wait 5 days and if there are no issues from the PI, chair or dean, then the grant/contract FOAPAL will be deleted from Banner and will not be available for future activity.

Some federal sponsors allow certain obligations to be included in final financial reports. Any unliquidated obligations at the end of the project will be transferred to the host department unless the PI/PD has made other arrangements with the Office of Accounting and Financial Services prior to the ending date of the agreement.

C. AUDIT AND DISALLOWED COSTS

The sponsoring agency retains the right to recover an appropriate amount of funds should any costs be questioned as disallowable in the course of the audit of the grant/contract by either an independent accountant or sponsoring agency. All disallowed costs will be borne by the host department account number provided on the initial Proposal Approval Form.

Appendix I

Murray State University Principal Investigator Quick Guide Proposal Development Reference Guide

The Office of Management and Budget (OMB) has combined many federal circulars into a single guidance document (known as Uniform Guidance, or 2 CFR 200) that must be used by all agencies. The new regulations will become effective December 26, 2014. This quick guide highlights changes that you should consider as you prepare proposal budgets for federal sponsors.

Administrative and Clerical Salaries – Uniform Guidance (UG) Section 200.413

In general, administrative and clerical salaries should normally be treated as indirect (F&A) costs. However, direct charging of these costs may be appropriate only if *all* of the following conditions are met:

1. Administrative or clerical services are integral* to a project or activity;
2. Individuals involved can be specifically identified with the project or activity;
3. Such costs are explicitly included in the budget or have the prior written approval of the Federal awarding agency; and
4. The costs are not also recovered as indirect costs.

*Murray State University has determined that integral means: (1) the services are essential to the project or activity; AND (2) a minimum of 15% FTE is budgeted in the grant's budget year.

Prior written approval from the awarding agency must be obtained. If all of these requirements are met, PI's should add a new justification statement to proposals to facilitate the required agency approval. The budget justification must include a narrative that explains how these services are integral to the project.

Computing Devices - Uniform Guidance (UG) 200.33, 200.48, 200.439, 200.453C

Computing devices under \$5,000 per unit may be direct charged to the project or activity under the following circumstances:

- The device is essential* and allocable to the project in that they are necessary to acquire, store, analyze, process, and publish data and other information electronically, including accessories (or "peripherals") for printing, transmitting and receiving, or storing electronic information.
- The project does not have reasonable access to other devices or equipment that can achieve the same purpose; devices may not be purchased for reasons of convenience or preference.
- Items costing more than \$5,000 per unit are considered equipment and following federal equipment rules for when they can be direct charged.

* PI's are responsible for determining whether or not the device is "essential" and to what extent the cost of the device is allocable to the sponsored project. PI's and departments should maintain documentation that describes how the proposed computing device meets the above requirements. Computing devices should be included under the budget category "Materials and Supplies" in proposals.

Participant Support Costs – Uniform Guidance (UG) Sections 200.75, 200.456

Participant support costs are direct costs for items such as stipends or subsistence allowances, travel allowances, and registration fees paid to or on behalf of participants or trainees (but not

employees) in connection with conference or training projects. These costs must be accepted by agencies as allowable costs, but still require agency prior approval. These costs should be explicitly listed in the proposal budget or approved by the funding agency after the award has been made. These costs must be excluded when calculating the Modified Total Direct Costs (MTDC) to determine the project's F&A costs. Participant support costs require agency approval to re-budget for other purposes.

F&A on Subawards – Uniform Guidance (UG) Section 200.332

A subrecipient's negotiated F&A rate or an alternative rate as described as follows *must* be used for all subawards included in competitive proposals. If a federal program has a published statutory F&A cap, that rate must be used by both Murray State and all of its subrecipients. For all other federal programs, if a subrecipient has a federally negotiated F&A rate, it must be used. If the entity does not have a negotiated F&A rate, a 10% de minimis F&A rate must be used instead. PI's may not negotiate or agree to lower rates with their subrecipients.

Fixed Price Subawards – Uniform Guidance (UG) Section 200.332

Agency prior approval is required to enter into a fixed amount subaward rather than a cost-reimbursement subaward, and the total value of each fixed amount subaward may not exceed \$150K. To expedite agency approval, PI's should add a new justification statement to a proposal contemplating a fixed amount subaward which addresses why it is appropriate to use this funding mechanism. A statement is not needed for cost reimbursement subawards.

Voluntary Committed Cost Sharing – Uniform Guidance (UG) Section 200.306

Funding agencies are prohibited from considering voluntary committed cost sharing in the merit review process. Murray State University strongly discourages including voluntary committed cost sharing in proposal budgets, except where required by a funding agency. Once voluntary committed cost sharing is included in a proposal, if awarded, it must be tracked and is auditable. Since federal agencies cannot consider voluntary committed cost sharing in assessing a proposal's merit, it will not increase the likelihood of being awarded.

Prior Written Approval – Uniform Guidance (UG) Section 200.407

PI's may seek prior written approval of the Federal awarding agency in advance of the incurrence of special or unusual costs. Prior written approval should include the timeframe or scope of the agreement. Some items generally requiring prior approval according to the Uniform Guidance include:

- 200.308 - Revision of budget and program plans – changes in scope, key person, disengagement from the project for more than three months or 25% reduction in time by the PI, inclusion of costs that require prior approval, transfer of funds budgeted for participant support, sub awarding and changes in cost sharing all require written prior approval;
- 200.430 - Compensation- personal services (h) – Charges for work representing additional compensation above IBS (Overload);
- 200.456 – Participant support costs – any change in participant support costs;
- 200.458 – Pre-award costs – allowable only to the extent that they would have been allowable if incurred after the date of the award and only with written approval of the Federal agency;
- 200.438 – Entertainment costs – typically unallowable unless they are considered to have a programmatic purpose and are either in the budget/budget narrative or prior written approval is received.

To see the complete list of items requiring prior written approval see **Section 200.407**.

Appendix II

Murray State University Subrecipient Monitoring Guide

Murray State University is responsible for monitoring the financial and programmatic activities of its subrecipients in order to ensure proper stewardship of sponsor funds. This guide addresses institutional responsibilities and assists PI/PD's and staff to ensure that subrecipients comply with Federal laws and regulations. Subawards may also be subject to agency regulations and/or conditions that are established by the prime sponsor.

OMB Uniform Guidance, sections 200.330 and 200.331, requires prime recipients of federal funds to monitor subawards and to ensure subrecipients meet the audit requirements in Subpart F and use funds in accordance with applicable laws, regulations and terms of the award. This subrecipient monitoring guide applies to all subawards issued regardless to the primary funding source.

Roles and Responsibilities

Office of Sponsored Programs – Assist in ensuring that the University's subrecipient monitoring policies and procedures comply with federal and other applicable regulations and are applied consistently. Perform risk assessment to determine appropriate subrecipient monitoring.

PI/PD's – Monitor subrecipient's progress and ensure compliance with Federal regulations and both prime and subrecipient award terms and conditions.

Office of Accounting and Financial Services – Assist in ensuring that the University's subrecipient monitoring policies and procedures comply with federal and other applicable regulations and are applied consistently. Regularly reviews subrecipient risk assessments, assists in developing monitoring plans and reviews results of subrecipient findings, corrective action plans and any other issues. Follows up to ensure that the subrecipient has taken timely and appropriate action on all deficiencies pertaining to the award that was detected through audits. Issues a management decision on subrecipient's audit findings within six months after receipt of the audit results and ensures the subrecipient takes appropriate and timely corrective action.

Initial Award Stage

A risk assessment will be performed to assess the potential risk level of the subrecipient. A questionnaire that relates to the organization's financial and management strength will be sent to the subrecipient. Based on the results of the questionnaire, a risk analysis will be prepared that determines whether they will be classified as low, medium or high risk. The results of this assessment will be used to determine the frequency and scope of the subrecipient monitoring required. The questionnaire shall be completed by the subrecipient and submitted to Murray State prior to the issuance of the subcontract/subaward to the subrecipient. If special conditions are determined appropriate to monitor the financial and programmatic activities of any subrecipient, such additional terms shall be noted to Sponsored Programs for inclusion in the subcontract.

If it is determined that additional specific award conditions are required, Murray State will notify the subrecipient as to:

1. The nature of the additional requirements;
2. The reason why the additional requirements are being imposed;
3. The nature of the action needed to remove the additional requirements, if applicable;
4. The time allowed for completing the actions if applicable; and
5. The method for requesting reconsideration of the additional requirements imposed.

Subrecipient Monitoring Plans

Based on the results from the risk assessment, MSU will implement the following subrecipient monitoring plans.

PI/PD's, Sponsored Programs and Accounting and Financial Services should document all efforts related to subrecipient monitoring.

Low Risk

- Review Single Audit results
 - Through the Federal Audit Clearinghouse
 - Or the annual Subrecipient Monitoring Compliance Form
- Review invoices to ensure:
 - Timeliness, completeness and accuracy
 - PI approval
 - Work is performed within the period of performance
 - Expenditures fall within approved budget lines
 - If required, supporting receipts/detail for all expenditures is provided
 - If supporting receipts/detail is not required when invoicing, a random audit will be performed annually
 - Compliance with any special terms associated with prime sponsor
- Review programmatic reports

Medium Risk

Review all steps in "Low Risk" section in addition to the following:

- Request and monitor invoices more frequently
- Request and review financial and programmatic reports more frequently

High Risk

Review all steps in the "Low Risk" and "Medium Risk" sections in addition to the following:

- Consider performing on-site review or audit
- Consider imposing additional specific award conditions

Award Closeout

At the end of the award, the PI/PD is responsible for ensuring that all documentation related to the project performance is received. Monitoring activities that should be performed at award closeout include verifying that the final invoice is marked “final” and reviewing all technical/financial reports to ensure all project deliverables are met.

Subrecipient Monitoring Invoice Checklist

This checklist provides questions for PI/PD's and the Office of Accounting and Financial Services to consider when monitoring invoices for completeness and compliance with Murray State's policies. If there are any questions on the invoices, do not approve until all items are appropriately resolved.

<i>Invoice Monitoring Checklist</i>	<i>Yes</i>	<i>No</i>
Are the expenses allowable per the subaward and the prime award? The prime award requirements and budget restrictions flow down to the sub-recipient.		
Are the invoiced expenses included in the subaward budget? The subrecipient should only invoice for approved expenses per the subaward or ask for approval of budget changes when necessary.		
Were the expenses in the agreement within the subaward start and end dates?		
Are the cumulative expenses within the overall approved budget amount?		
Has the subrecipient provided proper backup documentation for expenses?		
Does the invoice total correctly?		
Are the Facilities & Administration (F&A) costs calculated correctly with the correct and agreed upon rate?		
Is cost sharing required? If so, has this been documented and met?		

Subrecipient Risk Analysis - High/Low Risk Entities

Subrecipient Name: _____
Prime Sponsor: _____
Subaward/Subcontract #: _____

Date: _____
Score: _____ 0

Instructions: Assign a Score (0 or 1) for each Criteria listed below in the top section. Assign a Score (0, 1, or 2) for each Criteria listed below in the bottom section. Add up all of the Scores from both sections to calculate the Total Score.

Criteria	Lower Risk	Higher Risk	Weight	Score	
				0 = Low 1 = High	Weighted Score
Foreign or Domestic	Domestic	Foreign	7	0	0
Location of Work	At subrecipient's facility	International	7	0	0
Organization Type	University or non-profit	Industry	5	0	0
Prime award type	Grant	Contract or Subcontract	5	0	0
Total Amount of Subaward	Total cost is <\$49,999	Total cost is >\$50K	5	0	0
Percentage of Award Subawarded/Subcontracted	Total cost is <48.9%	Total cost is >49%	5	0	0
Compliance (human, animals, stem cells, etc.)	No	Yes	5	0	0
Relationship of Subrecipient to PI and potential for Conflict of Interest	No existing or former relationship to PI	PI's relative	5	0	0
Procurement Systems	Approved	Not Approved / Ad hoc	4	0	0
Negotiated Indirect Cost Rate Agreement	Yes	No	4	0	0
Audit Report	A-133	No Audit Report	4	0	0
Frequency of Reporting	Frequent Reporting or easily assessed progress based on milestones or outcomes	No reporting until the end of the project	4	0	0

Sub \$ **Prime \$**
 \$ - \$ -
 0% of Total

Criteria	Lower Risk	Higher Risk	Weight	Score	
				0 = low 1 = med 2 = high	Weighted Score
Difficulty of Scope of Work & Deliverables	Report only	Tangible items; pivotal to success of project	5	0	0
Maturity of Subrecipient's Organization	Mature	Start-up	4	0	0
Accounting Systems Established	Yes	No	4	0	0
Prior experience working with Murray State?	Previous positive experience	New Subrecipient, or previous negative experience	4	0	0
Cost Sharing	Subrecipient has not made commitment to share costs	Subrecipient has committed to fund substantial project costs	3	0	0

Low = 0 - 45
Medium = 46-75

High = 76-100

Total Risk Score: 0

NOTES: _____