

GRANTS AND CONTRACTS POLICIES AND PROCEDURES

INTRODUCTION

Murray State University (the University) has three primary missions: teaching, research, and service. Externally funded projects (grants and contracts) contribute significantly to these missions, especially to research and service. Efforts on the part of faculty and staff for obtaining external funding are encouraged and supported by the University.

It should be noted that grants and contracts which use Murray State University personnel, equipment, or facilities are accepted in the name of the University. Individual faculty or staff members may not apply for or accept grants or contracts in the name of the University. The President, or his/her designee, is the only University official authorized to approve proposals for submission to potential sponsors, accept grants, or sign contracts on behalf of the University.

The most common source of funds for these projects is the federal government. The Office of Management and Budget (OMB) 2 CFR 220 (“Cost Principles for Educational Institutions”) and 2 CFR 200 (“Uniform Administrative Requirements for Grants and Agreements with Higher Education”) require that recipients of federally funded projects establish certain policies and procedures to be applied consistently to all funds (federal, state, local, and private) of the University. These policies and procedures relate to personnel costs, procurement of goods and services, accounting policies and practices, travel, and other matters.

Upon accepting federal grant or contract dollars the recipient institution must establish a financial management system that controls the receipt and expenditure of all funds similarly. By accepting this condition, the institution will be unable to establish separate accounting procedures or practices for funds derived from different sources, which is specifically prohibited by federal funding agencies.

Although the following policies and procedures are designed for the specific purpose of complying with Federal OMB 2 CFR 220 and 2 CFR 200, they must be adhered to consistently, and they must also represent sound personnel and administrative procedures. Therefore, these policies and procedures will receive university-wide application.

Any questions should be directed to the Office of Sponsored Programs or to the Office of Accounting and Financial Services (grants and contracts accountant).

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POLICIES

I. PROPOSALS

Proposals intended to be submitted to any external funding agency must be developed through the coordinated efforts of the proposal writer, department chair/director, dean, Office of Sponsored Programs, and Office of Accounting and Financial Services.

A. PROJECT DESCRIPTION

All formal proposals should include a narrative or project description which includes the need, significance, impact, objective and procedure of the project; the qualifications of the University, specific college and department, and principal investigator/project director (PI/PD) to carry out the project; thorough documentation of proposed in-kind contributions; detailed explanation of how all requested budgeted line-items will be expended; and the evaluation process during and upon completion of the project.

B. PROJECT BUDGET

All formal proposals must include, for internal review, a line-item budget reflecting sources of funds (sponsor, University, or others) whether required by the potential sponsor or not. All direct costs not requested from the sponsor will normally be borne by the PI/PD's department or college.

If the proposal includes creation of a new position, formal approval of the proposed position is not required for internal review of the proposal and proposal submission, but approval of the position is subject to review and approval if the project is funded.

1. INDIRECT COSTS

All proposed budgets will include full indirect costs:

- a. At the rate negotiated between the University and the United States Department of Health and Human Services, or
- b. At the maximum rate allowable by the potential sponsor, if less than (a) above.

Because of the cooperative relationship between the Commonwealth of Kentucky and its local government entities, there is some basis to not request full cost from these sponsors. These sponsors should be informed of the full costs on projects and that requests for funding include 100% of direct costs, plus the allowable portion of the indirect cost rate in 1. above.

Project budgets will not be approved for overload payment unless they include full overhead as defined in the two preceding paragraphs. Exceptions must be specifically approved in writing by the appropriate vice president.

2. TUITION WAIVERS

Tuition will be waived and available as a matching contribution only if the following criteria are met:

- a. The full cost of instructional salaries and benefits are paid by the sponsoring agency.
- b. Full indirect costs, as defined in section I.B.1., are recovered from the sponsoring agency.
- c. Waiver is approved by the vice presidential area submitting the proposal.
- d. Waiver is approved by the Vice President for Finance and Administrative Services.

Mandatory fees will not be waived. These will need to be budgeted as a direct cost of the agreement, paid directly by the student receiving credit, or covered by a University department as part of the match for the agreement.

3. SALARY AND WAGES

Salaries, wages, and fringe benefits should be budgeted based on the criteria in the Grants and Contracts Policies and Procedures and current fringe benefit rates used by the University.

C. INTERNAL ROUTING

All proposals to provide research, instructional service, or other services generally provided by the University to third parties must be routed through specific University administrators as listed in the Grants and Contracts Procedures.

II. PROJECT ADMINISTRATION

A. ESTABLISHING BUDGETS

All funds received from external funding agencies and all funds offered as matching contributions by the University toward grant/contract activities must be budgeted from identifiable sources and accounted for by the University.

B. EARLY PROJECT START-UP

No expenditures, purchase orders, requisitions, or personnel actions should be initiated before a fully executed agreement is received and a formal budget and account number are established. Exceptions to this policy may be approved by the appropriate vice president.

C. UNALLOWABLE EXPENSES

Any expenses or obligations that do not comply with the grant/contract guidelines or that are otherwise disallowed will be charged to the host department account number provided on the initial routing form.

D. FISCAL REPORTS

The Office of Accounting and Financial Services is the only department on campus authorized to submit fiscal reports to sponsors.

E. PROCUREMENT

All funds derived from external sources are deposited in the central accounting system of the University. Upon acceptance of a grant/contract by the University, all internal procedures regarding purchasing become effective. All purchases will be made in accordance with established University policies and procedures and any specific guidelines and requirements of the sponsoring agency.

F. EXPENSES

All expenses on a sponsored project must be approved by the project director.

All expenses on a sponsored project must be incurred during the dates on the formal agreement. Expenses made prior to the agreement start date or after the ending date must be approved in writing by the sponsoring agency, if not provided for in the agency guidelines.

G. COMPENSATION FOR PERSONAL SERVICES

The following summary explains the policies that must be followed when being compensated for personal services on grants/contracts awarded to the University.

a. Assignment Periods for Faculty

Faculty with academic year assignments will be considered as “assigned” from August 15 of one year through May 15 of the following year [nine (9) months]. The “non-assigned” period begins on May 16 and continues through August 14 [three (3) months].

Faculty members with fiscal year appointments are considered as “assigned” from date of employment through the next June 30. In most cases this will be from July 1 of one year through June 30 of the following year (52 weeks).

b. Released Time

It is the policy of the University that, when feasible and appropriate, faculty with grants/contracts will be given released time (as specified in each grant/contract) to perform the agreed upon amount of work.

1. CRITERIA FOR RECEIVING OVERLOAD PAYMENTS

Overload may be paid only when all of the following requirements are met:

If to be paid from sponsored funds, overload payment will only be paid if the project includes the maximum recovery of full indirect costs allowed by sponsor, as defined in this policy.

- a. No qualified person is available to perform the work as part of a full or normal workload.
- b. The work is done in addition to a full workload and cannot be done as part of a full or normal workload.
- c. The additional work will not interfere with the performance of regularly assigned teaching, research, service, administrative, or other duties.
- d. If to be paid from sponsored funds, sponsor approval is required; approval may be shown in the grant proposal or subsequent approval may be obtained in writing after the award has been received but before the service is provided.
- e. The individual and the immediate supervisor for the overload position will be required to certify that the work has been done. The individual's supervisor for the regular position will be required to certify that the regular assigned duties were not affected.
- f. Total overload compensation will not exceed 20% of the base salary during the employee's base contract period. For example, a faculty member on a 9 month contract and a salary of \$45,000 may earn up to \$9,000 from August 15 through May 15. ($\$45,000 \times 20\% = \$9,000$)
- g. The work for overload compensation is approved in advance by the individual's department chair, dean or director and vice president; by the vice president for whom the service is provided if the service is provided outside the employee's area; and the President.
- h. In fairness to employees it will be the policy of the University to arrange, whenever possible, for employees to be released from normal duties to perform specialized work both within and outside the University. Overload pay will be the exception.

2. OVERLOAD PAYMENT

a. Faculty and Exempt Staff

On rare occasions when overload payment to faculty and exempt staff is appropriate and has been formally approved, it will be kept to a minimum and in no case will a combination of outside consulting and overload assignments exceed twenty (20) percent of a faculty or staff member's time.

Fiscal year faculty and exempt staff are considered to be assigned for 52 weeks per year. Therefore, fiscal year employees will have limited opportunity for overload assignments by the University.

b. Non-Exempt Staff

Non-exempt staff is normally those University employees who are employed on an hourly basis. According to their assigned work positions, they may be expected to work either 37.5 or 40 hours per week. Only in exceptional cases will non-exempt staff be allowed to work on special projects and receive overload/overtime compensation.

3. SUMMER COMPENSATION/FACULTY

Academic year faculty not assigned during the summer may work on University projects (externally or internally funded) for a period of time not to exceed three (3) months. During these three (3) months a faculty member may be assigned full-time and be paid at the rate of pay he/she received during the previous academic year. Full-time or part-time summer assignments on externally funded projects have no bearing on a faculty member's regular rotation for receiving a summer teaching assignment, unless a previous agreement has been reached by the department.

Any combination of teaching or other full-time assignments may not exceed full-time plus 20% for faculty members during the three (3) months between the spring and fall semesters. Therefore, academic year faculty may make up to 40 % of the preceding academic year salary during the three (3) month summer period.

The summer salary distribution may not exceed the following percentages of base contract pay for each of the following periods:

<u>Period</u>	<u>Base Pay % per Period</u>
May 16-31	5.55%
June 1-30	11.11%
July 1-31	11.11%
August 1-14	<u>5.56%</u>
Total Summer Base Pay	33.33%

Under no circumstances will the rate of base pay earned for each summer period exceed the above percentages of monthly contract pay.

In addition to the above percentages allowed for summer base pay, an additional 6.67% may be earned as extra compensation and paid between May 16 and August 14. The additional 6.67% extra compensation must be approved by the funding agency during the proposal stage or in writing after the award is made.

The allowable summer base pay of 33.33% and the possible 6.67% of extra compensation provides up to 40% above an academic year contract that may be earned during the three summer months.

4. CONTINUING EDUCATION CLASSES

These policies include faculty and other exempt staff who teach continuing education classes, such as, but not limited to, off-campus classes, correspondence courses, KET courses, evening and weekend classes, non-credit courses, workshops, conferences, and special programs for extra compensation.

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.
- Maintain appropriate communications with sponsoring agencies.
- Serve as Ex-Officio member of the Research Policy Committee.
- Promote growth in the area or 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 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 VPFAS 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 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.
- Act as budget manager for the grant, until the close-out procedure is complete.
- Assist in subrecipient monitoring to ensure compliance and timely payment to subrecipient.

II. PROPOSALS

A. PROJECT BUDGET

In some cases it is advisable to prepare two budgets; a formal proposal budget and a budget for internal review purposes. These budgets should be reconciled and any significant or unusual items should be explained. Proposal budgets for internal review must include 100% of the project costs (direct and indirect), regardless of the amount of support requested from the sponsor. It is highly recommended that the Office of Sponsored Programs be contacted to assist the PI/PD in developing a budget. The PI/PD or a designee usually serves as the account and budget manager, if the proposal is funded, until the close-out procedures of the project are complete.

1. MATCHING CONTRIBUTIONS

Some proposals to federal government agencies will require matching contributions; however, except for mandatory matching contributions, federal sponsors should be expected to pay all costs (direct and indirect). Sources for all matching contributions included in a proposal must be identified by the specific University source, including the account number. This information must be provided on the Proposal Approval Form.

Occasionally, proposal writers become aware that certain agencies, while not requiring matching contributions, will review proposals containing voluntary matching contributions more favorably; however, when these are shown on the formal proposal budget submitted to the sponsor, they become a required match and will be treated the same as mandatory matching contributions. All matching contributions identified in the formal budget submitted to the potential sponsor will be required to be documented if the grant/contract is awarded. This documentation includes any matching commitments, cash and in-kind, from the University and parties external to the University. The in-kind portion of these contributions will need to be converted to dollars if at all possible. Such documentation is called Letters of Commitment and should disclose exactly what the participating organizations will commit to the project if the proposal is funded. Such documentation must be collected by the PI/PD before the proposal is routed for approval. Only in extreme cases will the routing process begin before the appropriate documentation is available. Therefore, it is advisable to not commit matching contributions if written documentation will not be available from the party making the commitment.

Proposal writers are encouraged to check with the Offices of Sponsored Programs before developing a budget showing voluntary matching contributions.

Proposal budgets submitted to the sponsoring agency should not include indirect costs as matching contributions, unless required by the agency.

B. INTERNAL ROUTING

All proposals must be routed through the University, accompanied by a Proposal Approval Form (Attachment II.). PI/PD's should allow at least five (5) working days for the routing of a proposal. Only in extreme circumstances will this schedule be waived.

The proposal must be reviewed and approved by the author's department chair, dean or non-academic administrative director, vice president for the appropriate area, Director of Sponsored Programs, and Director of Accounting and Financial Services.

By signing the Proposal Approval Form, department chairs, deans or non-academic administrative directors and the vice president for the area give complete approval; assume appropriate responsibility; attest to the technical merits of the proposed work and the ability of the faculty member to perform the task; assure the University's upper level management that existing equipment, facilities, and services are adequate for the proposed scope of work; and that no additional funding for equipment, space, or facilities will be required, unless specifically noted and attached to the proposal. Questions relative to this policy will be resolved by the vice president for the appropriate area.

The Director of Sponsored Programs, in signing the proposal routing form, attests that the proposal meets at least the minimum requirements of the potential sponsor and that the budget contained in the proposal, and any budget for internal review only are presented in a manner that will facilitate adequate review by senior administrative officials. In addition, he attests that the personnel costs included in the budget are in accordance with the University's personnel policies and guidelines and that all other expenditures can be made within the University's purchasing and procurement guidelines. That all grants/contracts will comply with all regulations related to hazardous waste, use of human subjects, use of animal subjects, genetic research, and security of material sensitive to national security and security clearances that may apply to the proposed project. The Director of Sponsored Programs, will provide assistance in implementing and maintaining any required compliances.

The Director of Accounting and Financial Services, in signing, indicates that the proposal budget is in agreement with general University budgeting guidelines and that all financial obligations contained in the proposal can be discharged within the University's personnel, purchasing and procurement guidelines and policies.

C. RESEARCH COMPLIANCE

Involvement in research generally requires compliance training or a review of proposed work. If applying for federal funding, training must be completed in the Responsible Conduct of Research (RCR) and Financial Conflict of Interest. The PI/PD must certify that there is no financial conflict of interest associated with the proposal submitted.

Proposals involving human subjects must be routed through the Institutional Review Board BEFORE research can begin. Contact the Institutional Review Board at (270) 809-2916 or msu.irb@murraystate.edu.

Proposals involving live vertebrate animals must be routed through the Institutional Animal Care and Use Committee BEFORE research can begin. Contact the Institutional Animal Care and Use Committee at (270) 809-3534 or kstockdale@murraystate.edu.

Proposals that involve hazardous materials must be routed through the Hazardous Materials Committee BEFORE research can begin. Contact the Hazardous Materials Committee at (270) 809-6896 or mmiller4@murraystate.edu

D. FEDERAL FUNDING ACCOUNTABILITY AND TRANSPARENCY ACT

The Federal Funding Accountability and Transparency Act of 2006 (FFATA), ensures that the public can access information on all entities and organizations receiving federal funds. Any federal grant or contract over \$25,000 is accessible through the federal website. Murray State University is responsible for entering their subaward information into the government system. Therefore, if a PI/PD subcontracts to another entity for over \$25,000 information will be required by the Office of Sponsored Programs to accurately report to the government.

E. PROPOSAL SUBMISSION

All paper and electronic proposal submissions must be coordinated with the Office of Sponsored Programs after the internal routing process is complete. The Office of Sponsored Programs must submit all electronic applications. Final awards may not be accepted by the University if this procedure is not followed.

III. PROJECT ADMINISTRATION

A. CONTRACTS, SUBCONTRACTS, COOPERATIVE AGREEMENTS

Once an award is made all contracts, subcontracts, and cooperative agreements must be sent to the Office of Sponsored Programs for review, routing, and signature. The President, the University's Authorized Organizational Representative (AOR) is the only individual allowed to sign on behalf of the University. The University's Legal Counsel will review before the AOR signs unless the agreement is below \$10,000. All modifications and addendums must also be routed through the Office of Sponsored Programs. Any agreement that subcontracts to another entity must coordinate with the Office of Sponsored Programs. A scope of work, budget, subcontractee technical and administrative contact information, and the latest single audit is required for a subcontract to be developed.

The Office of Sponsored Programs will coordinate all signatures and will send a fully executed copy to the Office of Finance and Administrative Services for an account (FOAPAL) to be established.

B. RESPONSIBLE CONDUCT IN RESEARCH

All students (undergraduate, graduate, or postdoctoral fellows) receiving salary compensation through the National Science Foundation must complete training in Responsible Conduct in Research. Murray State University currently has a subscription to the Collaborative Institutional Training Initiative, www.citiprogram.org. Contact the Office of Sponsored Programs for further instructions.

C. ESTABLISHING BUDGETS

A formal budget with specific FOAPALS 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 Office of Sponsored Programs must be contacted to review the revisions and to coordinate with the Office of Finance and Administrative Services for approval.

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 appropriate Vice President then forwarded to 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 Equal Opportunity 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 Equal Opportunity.

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.

D. 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. All revisions should be reviewed by the financial manager and the Grants and Contracts Accounting Manager. 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. If assistance is needed, please contact Kristi Stockdale in the Office of Sponsored Programs.

E. 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 PI must coordinate with the Office of Sponsored Programs to obtain a guarantee for an early project start-up. 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 (Attachment I.) should be completed and submitted to the Office of Sponsored Programs. Upon receipt of the completed request, it will be sent to the Office of Accounting and Financial Services where a FOAPAL will be assigned and budget established. Expenses will be automatically transferred to the department FOAPAL provided on the start-up form if fully executed agreements are not received within three (3) months after the sponsored project accounts are set up, unless

other arrangements are made with the Office of Accounting and Financial Services.

F. 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 reports before submission. PI/PD will receive copies of all fiscal reports for their files. Electronic report copies will be distributed where feasible, otherwise, paper copies will be sent to the PI/PD.

G. TECHNICAL REPORTS

All interim and final technical reports will be filed as required, based upon funding agency guidelines. It is the responsibility of the PI/PD to ensure all technical reports are submitted to the funding agency according to schedules set by the sponsor. The Office of Sponsored Programs will work closely with PI/PD to ensure all technical reports are completed on a timely basis.

H. EXPENSES

It is the project director's responsibility to insure timely posting of expenses to sponsored projects. Inter-account bills, payment documents, travel documents, 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 expenses. 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.

I. INDIRECT COST ALLOCATION

Actual indirect cost recoveries from sponsors will be allocated as follows: 17.5% to the general fund of the University to offset some of the general overhead costs, 22.5% to the vice president of the host department; 12.5% to the college of the host department and will be under the dean's or administrative director's control; 15% to the host department; 20% to the Office of Sponsored Programs, and 12.5% to the PI. Exceptions to this allocation procedure must be approved in writing by the area in which the exception will affect.

The allocation of indirect costs will be completed by the Office of Accounting and Financial Services monthly. 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.

J. PURCHASING CARDS

Purchasing cards will be permitted on sponsored project accounts only when the operations budget (services and supplies) exceeds \$3,000.00. Exceptions to this limit may be approved by the Directors of Accounting and Financial Services and Procurement Services.

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

Purchasing card reconciliations for general University accounts are not required to be submitted to Accounting and Financial Services on a routine basis, but are included in a spot audit process. However, monthly reconciliations and copies of receipts must be submitted to 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.

K. 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 remain in the host department's account. 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.

Released time funds will be made available to the host department, with the account manager being responsible for the appropriate utilization of these funds.

a. Personnel Action

A notice of Personnel Action (PA) Form is needed for any released time being directly charged to grant/contract funds. 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 2 CFR 220. 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 is 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 T&E report at the end of each month. (Attachment III.) 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.

Individuals who are contributing released time to a grant/contract should complete an in-kind T&E report at the end of each month following their released time period. This report should be initiated by the employee. (Attachment IV.) It is important that these in-kind T&E reports are provided to the Office of Accounting and Financial Services on a timely basis. The information on these reports does affect the financial reports which are provided to the funding agency and can affect funding.

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 2 CFR 220. 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 2 CFR 220, 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.

- 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. (See Attachments IV. and V.)

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 accumulated by the Payroll Office and will be paid on the next monthly payroll. To ensure payment on the supplementary payroll, the forms must be received by the Payroll Offices no later than the 5th of the month. The supplementary payroll is usually prepared and distributed about the 15th of each month.

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.

IV. 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. This report will be made available for the PI/PD to review before submission to the sponsor. 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 COST

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.

V. DEFINITIONS

A. COST SHARING

See Matching Contributions

B. EXTRA COMPENSATION

Extra compensation is payment for services performed in addition to normal

workload and outside regular assignment periods. This includes overtime payments for non-exempt staff, summer compensation for faculty with academic year base assignment periods and overload payments for academic year faculty during the academic year and anytime for faculty with fiscal year assignment periods and other exempt staff and fiscal year base assignments.

Extra compensation is wages for any work done in addition to an employee's base contract salary (academic year or fiscal year). The maximum overload compensation is 20% of the employee's base salary.

C. INDIRECT COSTS

Indirect costs are those costs that are incurred for common or joint objectives and cannot be identified readily and specifically with a particular project or activity. These costs include, but are not limited to: ordinary use allowances for building and equipment, expenses for the operation, maintenance, and protection of the physical facilities, general University administrative support and management. Indirect costs are real costs to the University and each project or activity can reasonably be allocated a portion of these costs. Accordingly, all sponsored program budgets will include full indirect costs. These costs will be allocated using the rate negotiated between the University and the United States Department for Health and Human Services, or the maximum rate allowable by the sponsor if less than the negotiated rate. The Office of Sponsored Programs and Office of Accounting and Financial Services will maintain current information for the indirect cost rate to be used in budgets or sponsored programs.

D. MATCHING CONTRIBUTIONS

On many sponsored projects, contributions by the University or others are required to demonstrate the University's commitment or interest in the project. The portion of project costs not provided by the sponsoring agency may be referred to as:

- Cost Sharing
- In-Kind Contribution
- University
- Contributions Matching
- Funds

Depending on the agency involved, these terms may be interchanged. E. PI/P (Principal Investigator or Project Director)

Principal investigator is the term generally used in research projects to identify the individual responsible for the research.

Project director is the term generally used to identify the individual responsible for

sponsored training and public service projects.

F. IN-KIND FUNDS

See Matching Contributions.

G. OVERLOAD COMPENSATION

See Extra Compensation.

H. RELEASE TIME

The percentage of time and related salary amount paid for by a sponsor for an employee who has been released from his/her regularly assigned duties.

I. RESTRICTED FUNDS

Externally funded projects (grants and contracts) are usually accounted for in the University's restricted fund group. The restricted funds are defined as University funds restricted to a specific program, project, or objective.

By definition, funds from grants/contracts, as well as from most private sources, are University dollars with outside sponsor restrictions. Accordingly, all University personnel policies and procedures, and any additional policies, guidelines or restrictions of the sponsor must be followed. It will be the responsibility of the PI/PD to know those policies, guidelines, and restrictions. NOTE: Program officers assigned by sponsoring agencies may only approve budgetary changes.

All gifts to the University, unrestricted, temporarily restricted, or permanently restricted, should be routed through the Office of Development. These funds will be maintained by the Foundation.

J. SUMMER COMPENSATION

Summer compensation applies only to faculty with academic year assignments and is compensation for work performed during the non-assigned period (May 16 through August 14); and may not exceed 33.33% of the faculty member's academic year salary. An additional 6.67% may be earned in the summer when overload or extra compensation has been approved by the sponsoring agency.

K. UNIVERSITY CONTRIBUTION

See Matching Contributions

L. WORKLOAD/EXEMPT STAFF

Exempt staff is normally employed for a period of twelve (12) months. The University work week is defined as being five (5) days in length (Monday thru Friday) with the workday normally beginning at 8:00 a.m. and ending at 4:30 p.m. each day. However, exempt staff may be expected to work more than the normal University workweek of 37.5 hours per week at their regularly assigned position without receiving overtime pay. On occasion a particular exempt staff member may possess an expertise needed in order for the University to fulfill the objectives of a grant/contract. In such cases, and whenever this needed expertise is to be used outside the regularly assigned work load of the staff member, that staff member may request overload/overtime compensation for the work that is to be performed. In the case of work on a grant or contract the granting agency must be informed and give written approval, by name, for any exempt staff member to receive overload pay. In no case will total overload pay exceed 20% of the staff member's University base rate of pay. (see Extra Compensation) A decision to request and/or allow overload pay for exempt staff members will be the responsibility of the appropriate vice president with final approval by the President.

M. WORKLOAD/FACULTY

Teaching loads vary somewhat throughout the institution. Nine to twelve hours per semester constitutes an average teaching load for the campus. Classroom contact hours vary from twelve to twenty-five depending upon the nature of the course. In addition, the University is funded using the Council of Higher Education formula based on student credit hours taught. Therefore, the relationship of faculty production of student credit hours should be considered in determining workload. The normal workload may be more than 37.5 hours per week.

Twelve semester hours of teaching each semester with the equivalent student credit hour load as defined by the Council of Higher Education formula funding policy will be defined as 80% of the normal faculty load. All other related professional activities will constitute 20% of the normal faculty load. Related professional activities may be defined, but not limited to, student advising, service on departmental, collegiate and University committees, public service, research and creative endeavors, representing the University in a service or consultative role to school, governmental or outside agencies, assisting with the administration of the work of the department or college.

Therefore, all research and administrative responsibilities should be assigned in credit hour equivalents. For example, release from one (1) three (3) hour undergraduate course teaching assignment would normally be 20% for a semester.

On occasion a particular exempt staff member may possess an expertise needed in order for the University to fulfill the objectives of a grant/contract. In such cases, and whenever this needed expertise is to be used outside the regularly assigned work load of

the staff member, that staff member may request overload/overtime compensation for the work that is to be performed. In the case of work on a grant/ contract the granting agency must be informed and give written approval, by name, for any exempt staff member to receive overload pay. In no case will total overload pay exceed 20% of the staff member's university base rate of pay. (see Extra Compensation) A decision to request and/or allow overload pay for exempt staff members will be the responsibility of the appropriate vice president with final approval by the President.

N. WORKLOAD / NON-EXEMPT STAFF

Non-exempt staff is normally employed to work either 37.5 or 40 hours per week. Non-exempt employees are required to report hours worked each week and are paid an hourly rate of pay for all hours worked. The normal workweek for the University is Friday midnight until the following Friday midnight. A non-exempt employee who works more than 40 hours during this work week must be paid an overtime rate of 1.5 times the employee's regular rate of pay.

Only in exceptional cases will non-exempt employees be permitted to work in two positions concurrently. In such cases work performed for a grant/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.

O. GRANT OR CONTRACT

A grant/contract (as distinguished from fees, designated gifts, endowments, etc.) is an agreement with a third party, who provides funds to the University in exchange for a commitment by the University to engage in specific programs or projects or to provide certain goods or services. A grant/contract typically involves an exchange of services or program reporting responsibilities to the sponsor or a third party. A grant or contract should be processed through the Office of Sponsored Programs and post-award fiscal management will be done by the Office of Accounting and Financial Services. University foundations do not accept grants or contracts on behalf of the University.

P. GIFT OR DONATION

A gift or donation (as distinguished from a grant/contract) is the receipt of cash, securities, other personal property, or real property from a donor. Gifts or donations are typically received from individuals, foundations, corporations, or other private entities. Gifts or donations to the University or a University foundation should be processed through the Office of Development. Rarely, will a gift or donation be received from a federal or state agency; however, if this does occur these gifts and donations will be accepted and managed by the University. Gifts or donations will normally not involve an exchange of goods or services or program reporting

responsibilities. Reporting on how the funds were used or on investment activity to a donor is not considered required program reporting.

Q. BASE SALARY (Base Pay)

An employee's base salary is the regular salary that an employee earns from the University for their regular workload assignment, excluding any extra pay from the University for items such as special projects, summer teaching, or grant/contract work.

ATTACHMENTS

Each of the following forms are available on the University's web site.

Form

- I. Early Project Start-Up Form
- II. Proposal Approval Form
- III. Time and Effort Report In-Kind
- IV. Extra Compensation Form-Contract Period
- V. Extra Compensation Form-Summer Work