Grants Accounting Procedure Manual

The purpose of this manual is to provide links to guidelines and information about the treatment of costs of sponsored program funds. Post-Award Administration must comply with College and State policies and procedures as well as the requirements of OMB (Office of Management and Budget) Circular A-21 and the related Cost Accounting Standards.

For questions or comments, send an email to jmfelice@hagerstowncc.edu

Introduction

The College conducts sponsored research, teaching, and other projects funded by sponsors outside the College. To ensure that funds provided from these external sources are administered in accordance with College policies, as well as those of the sponsor, all externally sponsored projects for research or other purposes will be administered through the Assistant Director of Finance, a division of the Office of Administration and Finance, in accordance with established College policies and procedures. External sources include both governmental and private organizations.

Purpose of the Manual

The Grants and Special Projects Accounting Manual was designed to be used with the HCC Policies and Procedures Manual, Datatel Resources and Training Manuals, and any other related resource, policy, procedure and/or regulation. Many forms required for grant and contract transactions are included on the HCC Website.

This manual is intended to document post-award policies and procedures for externally sponsored agreements. It is organized around the post-award activities of a sponsored agreement beginning with procedures for award acceptance and setting up the Grant Code and Fund in Datatel, to monitoring active agreements and finally their closeout and final financial reporting.

The GAP Manual is maintained by the Assistant Director of Finance located within the Office of Administration and Finance. We are interested in your comments and suggestions as users of the manual. Please send your questions, problems you have encountered using the manual, topics you would like included in the future, or other comments to the Assistant Director of Finance at jmfelice@hagerstowncc.edu or call 240-500-2638.

The federal government provides detailed regulations in the Office of Management and Budget (OMB) Circular A-21 and OMB Circular A-110. This Manual provides a summary of both the
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applicable federal regulations and College financial policies, in addition to links to resources providing more details, and contact information for individuals who can also be of assistance.

The GAP Manual assists in accomplishing several important tasks:

- Ensure the proper administration of sponsored agreements.
- Ensure compliance with all applicable state and federal regulations.
- Properly identify costs for reporting and Facilities & Administrative rate determination.
- Properly report all funds received by HCC.
- Provide financial monitoring and reporting for sponsored agreements.
- Prepare required financial reports and invoices for receipt of sponsored funds.
- All sponsored agreements are set up in Datatel. The degree of deviation allowed by the granting agency varies widely from complete discretion by the project director to requiring agency approval for all changes. The reporting of expenditures also varies in the amount of detail required and the frequency of the reports.

Because website addresses frequently change, the Finance Office will make every attempt to keep these links current, but users should feel free to call the office if a web link is in error. Additionally, the Finance Office expects to complete or revise topics and sections throughout the year, so users are encouraged to refer to the manual often for the most current and thorough information.

While every attempt is made to keep the materials herein timely, ultimately the most current information will be found in specific sponsor documentation and award documents. Please consult the Assistant Director of Finance homepage for updates, pending changes and for access to the most current Facilities and Administrative and Fringe Benefit rates.

In the event of an inconsistency or conflict, applicable law and MHEC policies supersede College policies and College policies supersede college, department or lower unit bylaws, policies, or guidelines.

The College reserves the right to add, amend, or revoke any of the contained rules, policies, regulations, and instructions or incorporate additional ones, with or without notice, as circumstances or the good of the College community may require.

Administration of Sponsored Projects

To clarify general policy guidelines and ensure that funds provided from external sources to support research and other projects are administered in accordance with College policies as well as those of the sponsor. External sources include both governmental and private organizations.

The policies and procedures provided herein apply to all Hagerstown Community College faculty and staff.
All sponsored projects for research, training, and technical assistance undertaken by faculty or staff using College resources and funded by external sources must be processed through the Planning and Institutional Effectiveness (PIE) Grants Office in collaboration with the Office of Administration and Finance Assistant Director of Finance and in accordance with established College policies and procedures. Faculty and staff are not authorized to commit the institution through proposal submission or contract or grant acceptance. Only the President is authorized to accept grants on behalf of the College, and all grant submissions must be accompanied by a signature form signed by executive officers and the Director of Grants Development.

For additional information, please consult the Grant Administration Guidelines located on the Hagerstown Community College Grants Office website (available through PIE).

The financial policies, guidelines, and procedures concerning purchases, payroll, and other business processes and practices as stated in the MHEC Community College Accounting Manual, HCC internal manuals and other administrative releases apply to grant and contract funds unless otherwise noted or unless otherwise provided for in the agreement with the grantor.

The Assistant Director of Finance is charged with providing guidance and support to the College community in its research efforts while creating an administrative environment, which fosters the creative process while ensuring that the College financial and contractual obligations are protected.

The Finance Office being responsible for the proper financial administration of grants and contracts awarded to Hagerstown Community College works with the Grants Office, a division of PIE; the granting agency; the principal investigator and/or project director; and departmental staff to manage sponsored project funds.

**Pre-Award Administration**

The Grants Office handles all proposals submitted to external sponsors. It implements HCC research-related policies including Conflict of Commitment and Interest, Intellectual Property, and Academic Integrity in Research and Publications; coordinates the review of projects involving human and/or animal subjects in research; and provides information for those activities that involve finding funding, negotiating and accepting an award. All proposals to external funders must be submitted through the Grants Office. HCC staff is encouraged to check with that office well in advance of proposal deadlines to be certain they have correct guidelines and are following proper procedure for proposal submission. The Grants Office has ongoing contact with funding agencies and can serve as the liaison to agencies when questions arise.

The Grants Office is in the Advanced Technology Center (ATC), Room 125F (240-500-2557).
Post-Award Administration

The Finance Office is a central administrative department within the Office of Administration and Finance that reports to the HCC Vice President of Administration and Finance. Grants Accounting provides post-award financial administrative services to the Hagerstown Community College researchers, administrative offices and external sponsors. Grants Accounting offers the following services:

- Establish fund codes
- Collect funds from the majority of sponsors
- Approve payments to subcontractors
- Advise on sponsor regulations and fiscal allowability
- Provide training on post award administration
- Verify cost sharing
- Monitors compliance with federal, state, College and sponsor requirements
- Closes sponsored project funds

Award documents are forwarded from the Departmental Unit and the Grants Office to the Grants Accounting Office for grant and fund code assignments and post award final processing.

The Finance Office in the Administration and Student Affairs (ASA) Building, Room 302 (240-500-2638).

Assistant Director of Finance Post Award Administration

The Finance Office is responsible for maintaining the accounting records of all sponsored projects and for preparing various financial reports related to sponsored projects. Datatel constitutes the official accounting records of the College. Although the primary responsibility for control of expenditures rests with the principal investigator, the Grants and Special Projects Accounting Office reviews selected charges against sponsored projects to ensure College compliance with applicable regulations and restrictions.

Under the general supervision of the HCC Vice President of Administration and Finance, the Assistant Director of Finance manages the post-award financial administration to ensure compliance with institutional policies and procedures, state and/or federal laws, and contractual obligations. This position provides grant and contract technical instruction and other services to managers of sponsored projects, and is responsible for analyzing sponsored project cash disbursements and balances to determine the cash needs of the College to ensure cash balances are within sponsor guidelines. Performs post-award administrative duties related to sponsored projects, with special emphasis on maintaining the data necessary for compliance with institutional policies and procedures, state and/or federal laws, and contractual obligations. Assists with preparation of financial reports and performs a variety of other duties related to integrating College policies with applicable sponsor policies and procedures.
In addition, the Grants and Special Projects Accounting Office will:

- Establish grant, index and fund codes, monitor the operation, prepare financial entries as necessary and terminate grant codes and funds for the accounting system.
- For some grants or contracts, prepare billings, all letter of credit transactions and financial reports as needed.
- Enforce all sponsor rules, regulations, and College policies governing the financial administration of sponsored projects.
- Establish policies and procedures to ensure compliance with sponsored project agreements, regulations, or other requirements relative to the funding of expenditures and financial reporting.
- Establish and maintain procedures regarding the collection of funds from the sponsoring agency.
- Assist in the preparation of HCC’s Facilities and Administrative (Indirect Cost) Report, and monitor the allocation of indirect costs recovered according to current College policy.
- Monitoring requisitions and expenditure vouchers as required;
- Close fund(s) upon completion of project;
- Prepare special reports for sponsors and College, as required;
- Record and/or monitor cost sharing and time and effort reporting; and
- Review and approve financial details of proposals.

**Expanded Authorities**

To identify the processing of budget changes, pre-award costs, and no-cost extensions for sponsored programs funded by various federal agencies.

Applies to grants and cooperative agreements, but does not apply to contracts. Note: Other grant types are not covered under expanded authority.

Several federal agencies have adopted expanded authority policies that are intended to reduce overhead costs, increase research productivity, and reduce paperwork.

**Expanded Authority**

The authority granted to the College that waives the prior approval requirements by a sponsoring agency. Expanded authority is used only for changes that are necessary for the completion of the project within its original scope and original total budget.

**Prior Approval Requirements**
A Sponsoring Agency’s requirement that the Agency approve changes prior to the change occurring.

**Budget Changes & Pre-Award Costs**

In circumstances when principal investigators or project directors wish to make a change in a project’s budget, staff, scope of work or dates, it may require the sponsor’s explicit approval. The PI (or their unit’s support staff) is to prepare the request (at least 90 days before the project end date) to the sponsor, providing necessary justification, obtain unit approval, and submit the request to the Finance Office before the change occurs. The Assistant Director of Finance will review the request to make sure the content and justification are suitable, and then forward it to the sponsor, or pass-through entity, in cases where Hagerstown Community College is a sub-awardee. Since either the sponsor may reply directly to the principal investigator/project director, the unit, or the Assistant Director of Finance, each should inform the other when they receive a reply from the sponsor.

Departments may only request changes when:

- Multiple-year projects can carry-forward unexpended funds to subsequent budget periods.
- Sponsors can allow budget transfers among direct cost categories, rebudgeting of direct to F&A costs and vice versa, and transfer of funds allotted for training allowances to other categories. National Science Foundation (NSF) excluded.
- Pre-Award setup and costs limited to 90 days prior to the expected start date of a new grant or cooperative agreement. Advance funding must be necessary for the effective and economical conduct of the project. **Pre-award costs will not be approved unless a Department Head/Chair or a Dean/Director agrees to cover anticipated cost from non-grant departmental funds in the event the grant or cooperative agreement is not received.**
- One-time only, No-cost Extension up to one year for eligible federal grants, provided it notifies the sponsor that it has elected to take such an extension, explains why the extension is needed, and provides this notification at least ninety days before the expiration date specified in the award.

Examples of changes **not** covered under expanded authority (written agency approval is required to do any of the following):

- Change the scope or the objective of the project or program
- Change a key person specified in the application or award document
- Absence of the project director/principal investigator for more than three months
- Reduction in time devoted to a federal project by 25% or more
- Change in circumstances whereby additional Federal funding is needed to complete the project.
Revisions are permitted only if necessary for the completion of the project within its original scope and budget. Per agency guidelines and award agreements, there may be other limitations to reallocation of budget line items.

a. **Budget Revisions**

There is considerable variation in sponsor policies relative to approval authorities for budget revisions. Accordingly, sponsor agency guidelines and award terms must be consulted when revisions are contemplated. Budget revisions should be based upon the financial plan and cost trends for the award budget period involved. To the extent possible, budget revisions should reflect all necessary reallocations of resources that are foreseen through the end of the budget period. Revisions solely for the purpose of coping with near-term problems (e.g., a $35.00 overdraft in the supplies category) should be avoided. If resources in all categories are already substantially committed to known requirements, a budget revision can only serve to defer, not resolve, a financial problem. In such cases, reduction of the project scope and effort may be the only viable solution. Another, but less likely, possibility may be additional funding by the sponsor.

If prior sponsor approval is required for a budget revision, the Grants Office will draft a letter to the sponsor. A draft of the letter to the sponsor will be emailed by the Grants Office to the Principal Investigator for review prior to release to the sponsor. Budget requests not requiring sponsor approval are normally processed within a few days of receipt by the Grants Office. Complete the Request for Change in Grant-Funded Project form located on the Grants website. To determine if budget revisions require sponsor approval, consult your grant terms and follow up with the Grants Office for additional guidance.

b. **Carryover of Unobligated Funds**

Carryover should be requested to support one-time activities that align with the grantee’s existing goals and objectives. For awards not subject to expanded authority, recipients must request carryover of unobligated funds from one budget period to the next. When requesting a carryover, keep the following in mind:

- The carryover request should be completed only after the Grants Office has determined the unobligated balance for the applicable budget year.
- The carryover request must be submitted at least 120 days before the end of the program year in which the funds are being requested.
- Approved carryover funds must be obligated in the year in which they are awarded.
- Carryover funds are intended to cover only prospective costs, not costs already incurred by the recipient.
- Funds support one-time activities. Approval for one-time activities does not constitute automatic approval for funding these activities in the future.

Required Documentation:

- Overall budget table indicating current funding levels for each budget category (personnel, fringe, travel, etc.) and carryover funds requested for each category
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- Budget request and detailed justification outlining the activities that will be completed using carryover funds, how the activities relate to the existing and approved work plan, and a cost breakdown for each activity (ex. Unit cost per item X number of items needed = total cost). Budgets should be rounded to the nearest dollar; do not include cents. Ensure that all columns sum correctly.

Cost Policies

The purpose of the cost policy is to provide guidelines and information about the treatment of costs for sponsored project funds. There are two types of costs; direct and indirect, that is associated with all sponsored agreements.

The College must comply with the requirements of OMB Circular A-21 and the related Cost Accounting Standards. Cost Accounting Standards are applied to educational institutions through OMB Circular A-21.

OMB Circular A-21 is the Office of Management and Budget (OMB) circular of Cost Principles for Educational Institutions. It establishes principles for determining costs applicable to grants, contracts, and other agreements with educational institutions. The principles are designed to provide that the Federal government bear its fair share of total costs, determined in accordance with generally accepted accounting principles, except where restricted or prohibited by law.

All allowable costs will be determined by OMB Circulars A-21, A-110, FARs, and/or by the granting entity through grant manuals or award terms and conditions.

For Federally Sponsored awards, allowable costs generally fall with these guidelines:

- Cost must be **reasonable**. This is defined as the action that a prudent person would take under the circumstances.
- Costs must be **allocable** to federally sponsored agreements under the principles and methods described in OMB A-21. (See OMB Circular A-21; Unallowable Costs).
- Costs must be given **consistent treatment** through application of Generally Accepted Accounting Principles (GAAP) appropriate to the circumstances as dictated by Cost Accounting Standards (CAS). This includes the use of account codes for cost classification.
- Costs must **conform** to any limitations or exclusions set forth in OMB Circular A-21 or in the sponsored agreement as to types or amounts of cost items.

The four Cost Accounting Standards to which universities are subject to through OMB Circular A-21 are the following:

- **Consistency in estimating, accumulating, and reporting costs.** The purpose of this standard is to ensure that each educational institution’s practices used in estimating costs
for a proposal are consistent with cost accounting practices used by the educational institution in accumulating and reporting costs. This means that proposed budgets should not include costs at a lower level of aggregation for which the University’s financial accounting system can account.

- **Consistency in allocating costs incurred for the same purpose in like circumstances.** The purpose of this standard is to require that each type of cost is allocated only once and on only one basis to any contract or other cost objective.

- **Accounting for unallowable Costs.** The purpose of this standard is to facilitate the negotiation, audit, administration and settlement of contracts by establishing guidelines covering:
  - Identification of costs specifically described as unallowable, at the time such costs first become defined or authoritatively designated as unallowable.
  - The cost accounting treatment to be accorded such identified unallowable costs in order to promote the consistent application of sound cost accounting principles covering all incurred costs.

- **Cost Accounting Period.** The purpose of this standard is to provide criteria for the selection of the time periods to be used as cost accounting periods for the contract cost estimating, accumulating and reporting. The College’s fiscal year is July 1 through June 30.

All sponsored projects are set up on a budget. The degree of deviation allowed by the granting agency varies widely from complete discretion by the project director to requiring agency approval for all changes. The reporting of expenditures also varies in the amount of detail required and the frequency of the reports.

**Cost Classification: Assigning Account Codes**

Once a fund has been established and budgeted, project expenditures can be made. The administration of a contract or grant project involves identifying all costs associated with it. Cost information is needed both to manage the internal affairs of the college and to satisfy external requirements. An account code is assigned to each cost to classify the expenditure according to goods or services received. The principal investigator should assure that the charges made to the project fund each month are accurate, reasonable and allowable under the terms of the award. The Assistant Director of Finance will review all account codes listed on check requests and purchase orders to ensure accuracy.

**Allowable Direct Costs**

Direct costs are expenditures associated with grants, contracts, and cooperative agreements that are necessary for and can be identified with the performance of a specific sponsored project. Direct costs of a sponsored project include all personnel costs charged to the project; applicable payroll assessments, expenditures for supplies and equipment, travel expenses, printing, other service department charges, and any other expenses specifically identified with the project.
Principal Investigators should refer to the award document for requirements or restrictions specific to the project. Unapproved deviations from the budget may result in a disallowance by the sponsor requiring transfer of the disallowed expenditure to department/school or other College funds.

**Unallowable Costs**

Unallowable functions, such as lobbying, public relations, and fund raising, are groups of cost that due to the nature of the function will make the expenditure unallowable. For example, salaries and wages are generally allowable costs; however, those same salaries and wages incurred for the benefit of a fundraiser are unallowable. Therefore, the function makes the expenditure unallowable.

Some unallowable costs, such as alcoholic beverages, are types of expenditures that are specifically unallowable by law, regulations and/or contract terms. See OMB Circular A-21, Section J. Both unallowable cost and expenses connected with unallowable functions must not be direct charged to sponsored agreements.

Other costs, such as utilities and building maintenance are unallowable as a direct cost unless approved in the proposal process and by the sponsor.

**As discussed throughout this manual, all check requests and purchase orders are reviewed by the Assistant Director of Finance prior to processing through the Finance Office.**

**Facilities and Administrative Costs (Indirect Costs)**

Facilities and Administrative (F&A) costs are expenditures associated with a grant, contract, or cooperative agreement that cannot be directly charged to nor specifically identified with individual sponsored projects. These costs include maintenance and use of physical facilities, library services, administrative services, and departmental administration. In general, F&A costs involve expenditures necessary for the development and maintenance of an environment conducive to research and other sponsored projects.

Most grants and contracts provide for the recovery of F&A costs incurred in their executions and management. The recovery is based upon negotiated rates and assessed to individual projects on a percentage basis. The rates for the Hagerstown Community College are negotiated with the Department of Health and Human Resources (DHHR). The negotiation is based on a review of the College’s costs and assessment of the reasonableness of the charges.

- F&A cost are charged based upon the rate and base in the approved award, up to the federally negotiated rate.
The current F&A rates are available at the HCC Grants and Special Projects Accounting Office

**Electronic Receipt of Grant Funds**

Several federal agencies have granted permission to the College to electronically request funds in payment for expenditures made on grants and cooperative agreements. This allows for prompt reimbursement (typically the next day after the request is submitted). Only selected individuals in the Office of Administration and Finance are given authority to make these draws, and considerable password security has been established.

**Monitoring Receipt of Scheduled Payments**

The Assistant Director of Finance is responsible for ensuring that all payments are received on time. The Principal Investigator is responsible for completing all project requirements of the agreement so the sponsor will make the task or scheduled payments according to the award terms.

Most awards are made on a "cost-reimbursable" basis and the College is reimbursed for actual expenses incurred, usually on a quarterly basis, by billing the sponsor or by drawing against a sponsor's letter of credit account. Some awards, usually from private sponsors, are funded by a payment schedule, which typically includes some advance payment.

Should the principal investigator receive a sponsor check, s/he should take it to his/her Finance Office for deposit, identifying the grant and cost center that should receive the deposit.

**Invoicing Grants and Contracts**

The Assistant Director of Finance is responsible for preparing and submitting the billings for the restricted funds. When the Assistant Director submits an invoice for a sponsored project, departmental assistance may be required in cases where the sponsor requires documentation that is extensive or unavailable him/her. The basic sources of information used to prepare these billings are the official College accounting records and the cost sharing commitments.

Invoices are prepared by the Assistant Director of Finance, unless otherwise noted, from financial data that is supported in Datatel. The invoice is prepared according to grantor instructions. This includes the timing of the invoice and any required supporting documentation. Billings are usually required on a quarterly basis for cost reimbursement projects, unless the terms of the award provide otherwise. Other projects may require billings based on a fixed schedule or technical progress. It is important that units provide the Assistant Director of Finance any "milestone" or progress information necessary to trigger a bill or financial report, to avoid any possible lapse of funds.
Request for Expenditures for Grant Funds

All purchase orders and check requests that are funded by grants or contracts are routed to Grants Accounting for review and approval prior to going to the College Payables office for approval and processing.

Travel

Grants Accounting must authorize all travel on grant funds in advance. See the current FY Annual Plan and Budget document for institutional travel guidelines.

Cost Overrun

A cost overrun is the excess of expenditures over funding for a given project after:

- All corrections are made,
- All unallowable costs are removed, and
- All costs (except final report costs) incurred after the project termination date are removed.

Educational institutions receiving grants and contracts are no longer exempt from the Cost Accounting Standards (CAS) issued by the Cost Accounting Standards Board (CASB). This change requires that universities adhere to certain Cost Accounting Standards. Major universities, including the College of Illinois, are subject to disclosure requirements. This two-fold requirement necessitates that cost accounting practices for grants and contracts comply with the applicable Cost Accounting Standards, and that such accounting practices be disclosed in a certified Cost Accounting Standards Board Disclosure Statement.

It is the responsibility of the department head, fiscal administrator, principal investigator and/or responsible person to ensure that adequate funds are available for expenditure transactions, including payroll disbursements.

The unit is responsible for clearing cost overruns within 90 days after the project has terminated. The write-off of overruns remaining at termination of federally sponsored projects to appropriate institutional funds must be identifiable in the financial accounting records.

Overdrafts and Disallowances

Departments are only permitted to spend up to the authorized award amount as stipulated in the grant or contract during the award period. Departments exceeding the authorized spending
amount will be liable for all excess spending amounts. Failure to comply with the terms of the grant or contract may result in the disapproval of all future grant or contract expenditures related to this project.

**Overdrafts** are comprised of salary and/or other direct cost expenditures, which exceed the authorized total award amount. In certain instances, the overdraft may consist of the amount of the expenditure, which exceeds an approved, but restricted, individual line item award amount.

**Disallowances** are salary or other costs charged to a project fund that are deemed to be unallowable by either: a) Federal regulations, i.e. A-21 provisions; terms of Federal and private contracts or agreements; b) costs incurred and submitted to the project sponsor for reimbursement but directly denied as reimbursable by that sponsor; or c) costs that are disallowed as the result of an audit.

Grant and contract available balances are reviewed on a quarterly basis. The authorized award amount may not be exceeded at any time during the budget period.

- Grants and contracts that have multiple year funding may be budgeted in different ways depending on the award document.
  - If the agency commits funding for the entire project period, the grant budget will be entered for the entire authorized amount of the award.
  - If the agency commits funding incrementally, the grant budget will be entered for that increment’s authorized amount only.
- It is never appropriate to spend increments before they are awarded by the agency or before the start date of the budget period.
  - Some agencies have expanded authority, which allows HCC to approve pre-award cost 90 days before the award or budget-period start date.
- Cost overdrafts must be transferred via journal voucher to a funding source other than a sponsored program.
- Disallowances that are specifically deemed not reimbursable by the sponsor, or specifically deemed to be unallowable by the provisions of OMB Circular A-21, shall not be charged to a sponsored program fund.

**Cost Transfers/Redistribution**

A **cost transfer** is an expense that is transferred from one account to another after the expense was initially recorded in the financial accounting system.

External sponsors expect that costs are charged appropriately at the time incurred and that significant adjustments should not be required if adequate financial management practices and policies exist.
The Federal government has established policies, concerning the assignment of costs to federally sponsored agreements, in OMB Circular A-21 and within specific agency policies on cost transfers.

To comply with cost allowability and allocability requirements of OMB Circular A-21, it is necessary to explain and justify transfers of charges onto federal awards from other federal accounts, nonfederal accounts or University accounts. Timeliness and completeness of explanation of transfer are important factors in supporting allowability and allocability in accordance with the principles of the Circular.

Cost transfers that are made only for the intention of spending down sponsored project funds or as a matter of convenience are not allowed. Expenses transferred on to a sponsored project account are very prone to audit and must be clearly supportable. Transferring costs because of a deficit or other reasons of convenience is not appropriate. Any shared costs should be pro-rated among the applicable accounts at the time the costs are incurred to the maximum extent possible. Charging costs to one sponsored project with the intention of repaying that sponsored project when an award is received is also not appropriate.

Please contact the Assistant Director of Finance if you need to request a cost transfer. The Assistant Director of Finance will review the request to determine its compliance with the required regulations.

**Effort Reporting**

To comply with the federal Office of Management and Budgets Circular A-21 (Cost Principles for Educational Institutions) and other sponsor requirements for certifying that effort expended on a project is at least commensurate with the salary charged against the sponsored project. To provide an overview of effort reporting, including an explanation of why such a process is necessary and the minimum requirements for the process.

Persons in HCC departments who work with financial aspects of sponsored projects—principal investigators, project directors, accountants, and others.

The federal government requires an effort report when an individual is compensated by or has agreed to contribute time to a federally sponsored project. All faculty and staff who serve as principal investigators on sponsored agreements are personally responsible to certify the amount of effort that they and their employees spent on sponsored activities.

Currently, the College fulfills the effort-reporting requirement using the Effort Documentation Form. The College is in the process of developing a more detailed effort reporting system to be used by all individuals who work on research grants and contracts to promote increased accuracy, accountability, and compliance with federal regulations.
Under Hagerstown Community College procedures, the Finance Office is required to maintain records that accurately reflect the effort contributed by personnel to sponsored projects. HCC utilizes an after-the-fact activity records method to account for the effort of the following categories of College employees:

- Faculty and all administrative and professional employees paid on sponsored projects

These requirements apply to employees whose salaries are charged directly, in whole or part, to Sponsored Project Funds or are used to meet cost-sharing or matching requirements on Sponsored Project Funds.

**Effort** is defined as the amount of time spent on a particular activity. It includes the time spent working on a sponsored project, to which salary is directly charged or contributed (cost-shared effort).

Individual effort is expressed as a percentage of the total amount of time spent on work-related activities (instruction, research, administration, etc.) for which the College compensates an individual.

**Percent of Effort** by definition, “100 percent” is the total effort expended by an individual for the institution in relation to the amount of time he or she is employed. In all cases, effort for any individual must always total 100 percent, even if his or her FTE status is less than 100 percent. Thus, a half-time employee (.5 FTE) will always report 100 percent effort.

**Effort reporting** is the mandated method of certifying to the granting agencies that the effort charged or cost shared to each award has actually been completed.

**Certifying Effort Reports** The process of reviewing Effort Reports for accuracy, making any appropriate changes to reflect effort accurately, and signing the Effort Report to certify its accuracy.

**Certifiable Activities** - Only specific employee activities have to be certified on an effort report under A-21 regulations. **Activities** that are always **certifiable** are the direct activities of Sponsored Research, Sponsored Instruction, Other Sponsored Activities, and associated cost sharing. When an individual has a pay distribution during the twelve-month certification period from a HCC fund classified as one of those certifiable activities, then an Effort Report will be printed for that individual. The Effort Report will include 100% of the individual’s effort related to the base salary for which HCC compensates the individual. It is recognized that teaching, research, and public service are intricately intermingled and specific activities cannot be measured with a high degree of precision. Reliance, therefore, is placed on reasonably accurate approximation.
A responsible party with suitable means of verification must certify Effort Reports. HCC departments and Principal Investigators are responsible for ensuring all Effort Reports comply with this policy.

The Office of Management and Budget’s (OMB) Circular A-21 “Cost Principles for Educational Institutions” is the federal governments’ cost principles for colleges and universities. It defines what costs are allowable and allocable to federal grants and other “assistance” agreements.

OMB Circular A-21 (Section J.8) sets forth criteria for acceptable methods of charging salaries and wages to federally sponsored projects. A-21 requires a payroll distribution system that directly charges salaries to appropriate projects.

In addition, Circular A-21 requires that institutions develop a mechanism to determine or confirm how individuals actually expend effort during a specified time period. These effort reports must be performed on a regular schedule and must be certified by individuals who have first-hand knowledge of 100 percent of the employees’ compensated activities. In most cases, that would be the employee or the employee’s direct supervisor.

The Finance Office is responsible for the initiation of the effort report forms, and the monitoring of all effort reporting activity. It will make individually reported data available only to authorized auditors. Any other use of this information will be in accordance with advice and consent of appropriate faculty members with due regard for individual confidentiality.

Department responsible administrators and/or principal investigators are required to complete appropriately certified effort report forms within 60 days of availability of the forms.

Department Chairs are responsible and accountable for the timely completion of effort reports by their faculty and staff.

Cost disallowances on sponsored projects resulting from a department’s failure to complete effort report forms or the certification of inaccurate effort report forms to Grants and Contracts may be charged to the department’s unrestricted fund.

**OMB Circular A-133 Audits**

The A-133 single audit is intended to provide a cost-effective audit. Efficiencies can be considerable when an organization-wide audit, or single audit, is conducted in lieu of multiple audits of individual Federal programs.

Any Non-Federal Entity that expends $500,000 or more in Federal awards in its fiscal year is required to have a single audit. Hagerstown Community College meets these criteria.
**Rights to Audit**

Hagerstown Community College employs a public accounting firm to annually audit federally funded sponsored project expenditures. This audit is conducted in accordance with the provisions of OMB Circular A-133 "Audits of Institutions of Higher Education and Other Non-Profit Institutions." Moreover, federal and non-federal sponsors, if permitted by the terms of their awards to the College, may conduct or have conducted on their behalf, audits or "reviews" of expenditures and/or compliance issues related to their awards.

**Audit Coordination and Results**

The annual audit of federal expenditures, conducted in accordance with OMB Circular A-133, is coordinated through the Office of Administration and Finance. Audit fieldwork generally begins in April and concludes in October. Business managers, investigators and staff are expected to cooperate with the Office of Administration and Finance audit liaison to address auditor requests.

Sponsors occasionally request a program specific audit, expenditure review or other monitoring activity. Such requests should be referred to the Director of Grants Development Office and the Assistant Director of Finance. These offices will coordinate these types of activities, including the participation of the department and the PI.

In all cases of audits or "reviews" of sponsored projects, the Director of Grants Development Office and the Assistant Director of Finance are the official liaisons between the auditors and any College unit. These offices will contact appropriate departmental personnel if an auditor wishes to visit a department to obtain information. Units should alert the Director of Grants Development Office and the Assistant Director of Finance immediately, preferably before providing any information, if contacted directly by an auditor engaged in any of the above-mentioned audits or any other audit connected to sponsored projects.

Findings resulting from audits and monitoring activities can influence the College’s ability to obtain future state and federal funding. It is imperative that the units and investigators actively participate in addressing audit recommendations. Disputed and disallowed costs resulting from an audit or review must be removed from the sponsored project fund immediately and transferred to other appropriate College funds.

**Record Retention**

**Record Retention Requirements**

State and Federal awards—financial, technical, and other records pertinent to the project must be retained for three years following submission of the final financial report, unless the terms of the award provide for a different period. Electronic or copied paper versions of records may be used in place of the original records.
Record retention for other sponsors is as specified in the award or in sponsor policy.

If litigation commences within three years of the end of the project or project period, records must be retained until the litigation reaches its final outcome.

**Access to Records**

When responding to a federal Freedom of Information Act (FOIA) request for research data relating to published research findings produced under an award that was used by the Federal Government in developing an agency action that has the force and effect of law, the College must provide, within a reasonable time, the research data so that they can be made available to the public through the procedures established under the FOIA.

**Purchasing Procedures**

Purchases made from Sponsored Agreement Funds must be in compliance with both College and Sponsor Guidelines.

Purchases for a specific sponsored fund must identify the grant cost center on the invoice, requisition, and purchase order or other payment document.

Once the budget period has started, the principal investigator may request the purchase of items or services based on College purchasing procedures. The principal investigator should consult the HCC Procurement Manual for the various authorized purchasing procedures.

**Accounts Payable**

The College pays invoices related to purchase orders electronically.

All invoices requiring a Datatel transaction must be paid through the Finance Office, a division of the Administration and Finance Office.
HCC Grants Accounting Procedure Manual

**Glossary**

**Allocable**- A cost that can be incurred for a specific project in accordance with the relative benefits received and treated consistently with other costs incurred for a similar purpose.

**Allowable**- A cost that can be charged to a specific project that is in accordance with the sponsor’s guidelines.

**Datatel**- The Hagerstown Community College financial system.

**Budget Period**- A budget period is an interval of time, usually 12 months or less but not more than 18 months, into which the project period is divided for budgetary and funding purposes.

**Carry Forward**- The ability to use grant funds from one budget period the next.

**Conflict of Interest**- Arises when an academic staff member is in a position to influence either directly or indirectly College business, research, or other decisions in ways that could lead to gain for the academic staff member, the staff member’s family, or others to the detriment of the College’s integrity and its missions of teaching, research, and public service.

**Copyright**- Legal protection for original written work, which prevents unauthorized use. Ideas, concepts, and fact are not copyrightable; only the mode of expression can be protected.

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

**Direct Costs**- Direct costs are those costs that can be specifically identified with a particular project or program, such as salaries and benefits of project personnel, travel, equipment, services, and supplies.

**Equipment**- Under state regulations, equipment is defined as an article of tangible personal property that has a useful life of more than 1 year and an acquisition cost of $500 or more.

**Fringe Benefits**- Fringe benefits are direct costs associated with salaries and wages and include the following items: FICA (Social Security); retirement; insurance for medical, dental, life, unemployment, long-term disability coverage; worker's compensation.
Facilities & Administrative Costs (F & A)-Facilities and Administrative costs, previously referred to as Indirect Costs, are those expenses related to research that cannot be easily identified with a particular sponsored project, instructional activity, or any other institutional activity. These costs are classified under two broad categories: Facilities (depreciation and use allowances, equipment, operation and maintenance, and library expenses) and Administrative (general, sponsored projects, and departmental administration, and student administration and services).

Fiscal Year (FY)-A 12-month period for which annual accounts are kept. HCC's FY is July 1 to June 30. The federal government's FY is October 1 through September 30.

Grant/Contract Officer-A sponsor's designated official responsible for the business management of the award, including negotiation, award and administration of a grant or contract. Changes to an award are usually not official unless endorsed by the sponsor's grant or contract officer. The College's authorized official who has been delegated responsibilities as contracting officer (several professional staff in GAO serve in this role) under authority of the State Board of Higher Education.

Key Personnel-Individuals who contribute in a substantive way to the scientific development or execution of a project; whether or not they receive compensation from the grant supporting that project. The PI is always included in this category. Key personnel are usually named in the proposal, specified in an award or agreement, and committed to the level of effort proposed.

Level of Effort-A reasonable estimate of the percentage of time (not number of hours) devoted by professorial and professional staff and other salaried personnel to activities--to include instructional, administrative, research, and service activities--whether paid for by a grant or contract, state or other funds, and not to exceed 100% for all activities combined during a reporting period (quarterly, semi-annually, annually, calendar year, etc.). The percentage distribution or level of effort for key personnel is usually specified in a proposal and becomes part of the award. In compliance with OMB Circular A-21, effort levels must be reported and documented by the institution and are subject to audit.

Matching Funds-The grantee institution may be required by statute to contribute a specified percentage of program or project costs in order to be eligible for the sponsor's funding. This requirement may be stated either as a specified or minimum percentage of total allowable costs or as a maximum sponsor percentage of participation in such costs. (Examples: Applicant must provide an amount equal to the sponsor's funds-a 50% or 1-1 match; Applicant must provide 20% of total project costs; Sponsor will provide funds not to exceed 80% of total project costs).

Modified Total Direct Costs (MTDC)-Modified total direct costs include all direct costs, excluding 1) capital expenditures (alterations, renovations, and equipment), 2) student support and participant costs (tuition, fees, stipends, fellowships and scholarships), 3) patient care costs, 4) rental costs for space, and 5) that portion of a sub grant or subcontract in excess of $25,000,
regardless of the period covered by the sub award. MTDC forms the base for applying the negotiated F&A cost rate in proposal budgets.

Notice of Award- Official document received from the funding agency highlighting the awards terms and conditions and award amount.

Office of Management and Budget (OMB) A-21, Cost Principles for Educational Institutions- Applies to grants, contracts, and other agreements with educational institutions and provides principles for determining costs applicable to federal sponsored agreements. (Note that A-21 applies to contracts and to sub-recipients performing work under federal awards.)

Office of Management and Budget (OMB) A-110, Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals and Other Non-Profit Organizations- Applies to grants and cooperative agreements and provides guidance in such areas as property standards, procurement standards, reports and records. (Note that federal contracts are subject to Federal Acquisition Regulations rather than A-110.) Individual agencies implement this Circular in the Code of Federal Relations, which is typically the same as their grant regulation documents.

Office of Management and Budget (OMB) A-133, Audits of States, Local Governments and Non-Profit Organizations- Provides uniform requirements for audits of Federal awards. The College of Illinois is audited annually to ensure compliance with laws and regulations and maintenance of adequate internal controls.

Principal Investigator/Project Director (PI or PD)- An individual designated by the grantee institution to direct the project or activity being supported by the grant and who is responsible and accountable to the institution for the proper conduct of the work.

Program/Project Officer- A sponsor's designated official responsible for the technical, scientific or programmatic aspects of the award, including monitoring progress and working with PIs on project-related issues.

Project Period- The total time approved by the funding agency for a supported project, including any extensions approved by the institution or the funding agency. The project period consists of one or more budget periods, which are usually 12 months each.

Reasonable Cost- A cost is reasonable if, in its nature or amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the costs.

Scope of Work- Description or statement of work to be performed and completed, by the prime grantee or sub awardee, on a sponsored project. Changes in the scope of work on a sponsored project require College endorsement and prior approval from most sponsors.
Stipend—A payment made to an individual under a fellowship or training grant in accordance with pre-established levels to provide for the individual's living expenses during the period of training. A stipend is not considered compensation (salary and wages) for the services expected of an employee.

Guidelines and Regulations

Federal Government

Office of Management and Budget Circulars:
OMB A-110, Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals and Other Non-Profit Organizations.
OMB A-133 Audits of States, Local Governments and Non-Profit Organizations
OMB A-21 Cost Principles for Educational Institutions

Policy Manuals, handbooks, and general grant conditions documents

Deviations from either College or sponsor policy must be explicitly negotiated and approved by authorized officials of the College and the sponsor.

CFDA: Catalog of Federal Domestic Assistance
http://www.cfda.gov/

The Catalog of Federal Domestic Assistance (CFDA) is a government-wide compendium of federal programs, projects, services, and activities, which provide assistance or benefits to the American public. It contains financial and non-financial assistance programs administered by departments and establishments of the federal government. Federal contracts, by PL-95-224, are Procurement, not Assistance; therefore, there are never any CFDA numbers issued for contracts. A grant from the United States Agency for International Development (AID) or other US State Department activities for foreign assistance will also not have CFDA numbers.

CFR: The Code of Federal Regulations


The CFR is divided into 50 titles, which represent broad areas subject to Federal regulation. Each title is divided into chapters, which usually bear the name of the issuing agency. (See:
Alphabetical List of Agencies Appearing in the CFR-- extracted from the January 1, 1998, revision of the CFR Index and Finding Aids -- pp. 1001-1009.) Each chapter is further subdivided into parts covering specific regulatory areas. Large parts may be subdivided into subparts. All parts are organized in sections, and most citations to the CFR will be provided at the section level.

**OMB Circulars**

http://www.whitehouse.gov/OMB/circulars/index.html

The Office of Management and Budget (OMB), working cooperatively with federal agencies and non-federal parties, establishes government-wide grants management policies and guidelines through circulars and common rules. These policies are adopted by each grantmaking agency and inserted into their federal regulations. Relevant circulars include:

- A-21, "Cost Principles for Educational Institutions" (dated 5/19/98) [http://www.whitehouse.gov/OMB/circulars/a021/a021.html](http://www.whitehouse.gov/OMB/circulars/a021/a021.html)


- A-122, "Cost Principles for Non-Profit Organizations" (dated 5/19/98) [http://www.whitehouse.gov/OMB/circulars/a122/a122.html](http://www.whitehouse.gov/OMB/circulars/a122/a122.html)

- A-102, "Grants and Cooperative Agreements with State and Local Governments" (dated 10/7/94, amended 8/29/97) [http://www.whitehouse.gov/OMB/circulars/a102/a102.html](http://www.whitehouse.gov/OMB/circulars/a102/a102.html)

- A-110, "Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations" (dated 11/19/93, amended 8/29/97) [http://www.whitehouse.gov/OMB/circulars/a110/a110.html](http://www.whitehouse.gov/OMB/circulars/a110/a110.html)

- A-133, "Audits of States, Local Governments, and Non-Profit Organizations" (dated 6/24/97) [http://www.whitehouse.gov/OMB/circulars/a133/a133.html](http://www.whitehouse.gov/OMB/circulars/a133/a133.html)