



Category
GRANT ACCOUNTING PROCEDURES – 4:02:01:00
Approval
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Responsible Party: Vice President for Finance & Administration

I. PURPOSE

This policy establishes College practices and procedures for determining the allowability, allocability, and reasonableness of costs for grant projects. Federal regulations that govern this determination are contained in the Office of Management and Budget (OMB) Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards – more commonly known as the “OMB Uniform Guidance” (codified at 2 CFR Part 200). Additionally, this policy describes the grant accounting dealing with cash management including cash drawdown’s, payment of invoices, and accrual basis of accounting for month-end processing.

II. DETERMINATION FACTORS

When incurring costs for a grant, the academic unit administering the project must determine three factors regarding the cost prior to processing financial paperwork. These three factors are allowability of costs, allocability of costs, and reasonableness of costs.

- A. Allowability of Costs – This factor determines whether or not the cost being considered would be authorized for payment under the terms of the awarded grant made by the awarding agency. The tests of allowability of costs are:
 - 1. must be reasonable;
 - 2. must be allocable to the awarded grant under the principles and methods provided;
 - 3. must be consistent treatment through application of generally accepted accounting principles; and
 - 4. must conform to any limitations or exclusions set forth in the OMB Uniform Guidance and the award document.

- B. Allocability of Costs - A cost is allocable to a particular cost objective if the goods or services involved are chargeable or assignable to such cost objective in accordance with relative benefits received or other equitable relationship. Subject to the foregoing, a cost is allocable to a sponsored project if:
 - 1. it is incurred solely to advance the work under the sponsored project;
 - 2. it benefits both the sponsored project and other work of the institution, in proportions that can be approximated through use of reasonable methods; or
 - 3. it is necessary to the overall operation of the institution and, in light of the principles provided in the OMB Uniform Guidance, it deemed to be assignable in part to sponsored projects.

- C. Reasonableness of Costs – A cost may be considered reasonable if the nature of the goods or services acquired or applied, and the amount involved therefore, reflects the action that a prudent person would have taken under the circumstances prevailing at the time decision to incur the cost was made. The basic question here is, “Is the expense reasonable?”

Major considerations involved in the determination of the reasonableness of a cost are:

1. whether or not the cost is of a type generally recognized as necessary for the operation of the awarded grant;
2. the requirements imposed by such factors as arm's-length bargaining, Federal and State laws and regulations, grant agreement terms and conditions, or agency guidelines;
3. whether or not the individuals concerned acted with due prudence in the circumstances, considering their responsibilities to the institution, its employees, its students, the Government, and the public at large;
4. the extent to which the actions taken with respect to the incurrence of the cost are consistent with established institutional policies and practices applicable to the work of the institution; and
5. whether or not purchased items will be consumed/used within the specified project period.

III. REVIEW STRATEGY/DOCUMENTS

- A. Approved Grant Budget – The allowability of a cost is first determined by examining the budget that the appropriate agency approved for the grant. Is the proposed expense reflected under a line item of the budget? If the item does not appear in the budget, a determination needs to be made if a budget adjustment needs to be made and sent to the appropriate authorities for approval. Once written approval is granted, the expense can be incurred. A source document used in conjunction with the approved budget and Statement of Work is the OMB Uniform Guidance.
- B. Award Document or Contract – Allowability of certain costs may be addressed within the award document or the contract/agreement issued for the grant. For example, grant awards may identify certain costs that are specifically unallowed by the agency based upon recommendations from the peer review system.
- C. Agency Guidelines – Even if the type of expense proposed appears in the budget, the specific expense may not be allowable. Most Federal agencies have guidelines for administering grants. These guidelines give direction on the allowability of certain costs. For example, travel costs may appear in the budget, but the cost of international travel may require prior approval according to the guidelines of the specific sponsoring agency.
- D. OMB Uniform Guidance – The primary governing regulations for determining the reasonableness, allocability, and allowability of costs on Federal grants, contracts, and cooperative agreements is the Office of Management and Budget (OMB) Uniform Guidance, "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards." The OMB Uniform Guidance identifies the allowability of costs and also gives guidance on how allowable costs are to be charged as either direct charges to a sponsored project or allocated as facilities and administrative (F & A or indirect costs). The College has an approved F & A rate.

IV. ACCOUNTING & CASH MANAGEMENT

- A. Grant Expenditures - Expenditures are approved in accordance with the College's signatory authority. Appropriate documentation is submitted for expenditures in accordance with TBR Purchasing Policy 4-02-10-00. Travel is submitted in accordance with TBR General Travel Policy 4-03-03-00. Departments review expenditures through the use of Banner Self Service. On a quarterly basis, the Comptroller compares the actual expenditures to the grant budget.
- B. Leveraged Resources - Leveraged Resources are not defined in regulation or any related administrative requirements. However, Federal agencies use the term "leveraged resources" and for Employment and Training Administration programs, the term has been defined to mean all resources used by the grantee to support grant activity and outcomes, whether or not those resources meet the standards required for match. All leveraged resources must be expended on costs that are allowable under the OMB Uniform Guidance and used to further grant activity and outcomes.
- C. Cash Draw Downs – The College is reimbursed for grant expenditures. The College's practice is to drawdown funds on a monthly basis. For example, funds for May expenditures are drawn down by the close of business in June.

- D. Accrual Basis of Accounting – The College practices the accrual basis of accounting for grant reporting. Each month, expenses are recorded in the appropriate month. The appropriate accounting entries are made as necessary into the Banner Finance system.
- E. Time and Effort Reporting – The College maintains an accurate system for reporting the percentage of effort that employees devote to federally sponsored projects. The time sheets are prepared by appropriate personnel on a monthly basis and the time spent on grant work and non-grant work is identified. Employees being charged to the grant and employees considered as leveraged resources are required to do time and effort reporting. Program and administrative time is also tracked on the time sheets. These time sheets are approved by the appropriate supervisors. The Comptroller allocates the appropriate salary and benefits cost based on the percentage of time spent on the grant from the time sheets. The appropriate accounting entries are prepared on a monthly basis.
- F. Closeout Procedures – The College will adhere to the Grant Closeout System End-User Manual; and within 90 days after the expiration of the grant, the College will submit all financial performance and other reports as required by the grant agreement.
- G. Audits – The College has biennial audits conducted by the State Comptroller’s Office – Division of State Audit. As a part of the audit, the audit requirements of the OMB Uniform Guidance are performed. Any corrective action required by the audit will be implemented immediately by management.