

Policies and Procedures Manual - for Grants & Contract Accounts
(A.k.a. Restricted "11" Accounts)

**Office of Accounting & Budgetary Control
Morehead State University
Morehead, KY 40351**

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List of Abbreviations

A&BC	Office of Accounting & Budgetary Control 207 Howell-McDowell Admin. Bldg. 783-2019
FA	Office of Financial Aid 305 Howell-McDowell Admin. Bldg. 783-2011
F&A	Facilities & Administrative Cost (formerly called Indirect Cost)
G/L	MSU's General Ledger
GCA	Grants and Contracts Accountant – in A&BC Currently: Stephanie Stringer 783-2115
GSA	Accountant I (Grants and Contracts) - in A&BC Currently: Letitia Damron 783-2132
MSU	Morehead State University
OHR	Office of Human Resources 101 Howell-McDowell Admin. Bldg. 783-2097
OSS	Office of Support Services Support Services Complex 783-2018
PAR	Personnel Action Request
PI	Principal Investigator, also called Project Director (The MSU representative responsible for carrying out the objectives of the project and accordingly named in the grant/contract documents.)
PO	Payroll Office 111 Howell-McDowell Admin. Bldg. 783-2145
R,G&C	Office of Research, Grants, & Contracts 901 Ginger Hall 783-2010

Introduction

Purpose

The **Policies & Procedures Manual for Grants & Contracts** was written by F.D. Donaldson, CPA, former Senior Accountant, Morehead State University, Office of Accounting and Budgetary Control (A&BC). It was designed as a post-award reference tool for all sponsored and/or restricted principal investigators, project directors and staff. To be correctly classified as a restricted project (a) the funding must come from an external source, not Morehead State University (MSU) and (b) the funding agency must restrict the use of their money. Normally, these agencies require periodic financial reports, have strict guidelines regarding expenditures, etc. The majority of these projects are funded by a federal or state agency. Restricted projects are classified in MSU's official financial statements as a fund 11 and thus are commonly referred to as "an 11 account."

This manual will serve as a guide to assist personnel who work with restricted projects - whether that be the project director, secretary, or accountant. It is not a substitute for specific grant award requirements. Neither is it intended to override any federal regulation or Morehead State University policy, but it is an elaboration upon these existing policies and procedures as related to this function.

Objectives

It is imperative that institutions of higher education make those who have grant/contract responsibilities (i.e., the PI and staff) aware of both the institution's and the funding agency's policies and procedures. The primary objective of the **Policies & Procedures Manual for Grants and Contracts** is post-award administration. More specifically, the manual addresses the following components:

- (1) Provide information regarding the functions and responsibilities of the Office of Accounting & Budgetary Control;
- (2) Provide guidelines and procedures related to various accounting aspects, both in the restricted departments and A&BC;
- (3) Provide regulatory guidelines and give assurance of compliance; and
- (4) Comply with federal regulations regarding written policies & procedures.

Organizational Relationships

Once a grant (project) is established and operational, its success depends on the project director's ability to carry out the project and MSU's proper stewardship of the funds received.

Therefore, the Office of Accounting & Budgetary Control is not acting as a control unit, but rather as a supporting unit to the project and its director.

A&BC, an office in the Division of Administration & Fiscal Services, is responsible to the university and to the funding agencies for the financial and regulatory administration of all restricted grants and contracts awarded to MSU. The office strives to work closely and in harmony with the individual project directors, their departments, and the Office of Research, Grants & Contracts (R,G&C), which is an office within the Division of Academic Services. Although R,G&C is primarily responsible for pre-award, the office remains actively involved until the project is closed out.

According to *A Guide to Managing Federal Grants for Colleges and Universities*, there is a tendency on the part of the principal investigators (project directors) to claim ownership of the agreements. Normally, the PI is in a position to make purchases, incur costs, obtain prior approvals, etc., which if not properly coordinated or channeled through an institutional system could result in problems. The sponsored program or restricted project administrators should view their roles relative to program personnel as serving to advance the project's mission.

Responsibilities

A&BC's objective is to ensure routine administrative or financial matters are completed according to MSU's policies and procedures. The office's responsibilities, as related to the day-to-day management of a project's finances include, but are not limited to, the following tasks:

- (1) Reviewing proposal budgets for financial accuracy and compliance with university practices prior to being submitted to an external funding source;
- (2) Establishing a new grant/contract account on the general ledger and/or financial system and notifying project directors of account numbers;
- (6) Establishing, communicating, and enforcing policies and procedures consistent with federal, state, sponsor, and university regulations;
- (7) Facilitating budgetary activities of restricted funds - including the approval of purchase orders, check requests, personnel action requests, budget transfers, and institutional workstudy requests;
- (5) Preparing and submitting financial reports and invoices, as stipulated by the sponsor, in a timely manner;
- (6) Making timely deposits for restricted funds and following up with sponsors on delinquent payments;
- (8) Maintaining the federally mandated time & effort reporting system;
- (9) Developing and negotiating the university's facilities & administrative cost rate;

- (9) Assisting with the development of the university's fringe benefits rate on an annual basis;
- (10) Providing assistance, support, and guidance to project directors and their personnel; and
- (11) Closing out expired restricted projects, including submission of final reports and disposition of remaining balances.

MSU's objective is to allow the principal investigator/project director to conduct the activity proposed. Because the PI has the overall responsibility for the technical and fiscal management of the project, including managing the project with the funding limitations and notifying the sponsor of any significant change, he/she should be thoroughly familiar with the agency regulations applicable to each project under his/her control. Failure to comply with the terms and conditions of a grant or contract is grounds for project termination by the agency.

Some of the responsibilities that lie with the PI, especially in relation to compliance or pre-audit functions, include but are not limited to the following activities:

- (1) Ensure that all expenditures, and any adjustment to expenditures, for the restricted account are reasonable, allowable, allocable, timely and non-personal;
- (2) Submit adequate documentation with all requests for payment, including reimbursements to the home or other departments;
- (3) Ensure compliance with required cost sharing commitments, and provide timely documentation of all cost-sharing in an acceptable format;
- (4) Establish internal procedures to assure timely processing of all personnel actions, expenditures, travel, reimbursements, etc.;
- (5) Monitor and maintain the committed level of effort on behalf of the restricted project;
- (6) Control the project's budget, prevent any overdrafts (i.e., "red" accounts), and initiate any necessary transfers. This includes getting permission from the funding agency, if required, prior to the transfer;
- (7) Perform periodic review of charges to the project, as reflected on the university's Bud.View module, and promptly notify A&BC of any discrepancies;
- (8) Prepare all progress and narrative type reports as required by the sponsor, and submit such according to the time schedule outlined;
- (9) Provide assistance to the accounting staff as needed and requested; and Prevent conflict of interest and/or conflict of commitment.

Delegating any duties related to the restricted project to other personnel does no relieve the PI of his/her responsibilities.

Standards

Although the responsibility for designing the internal control of a university rests with its administration, the federal government has provided a set of standards through the issuance of circulars. These standards are a minimum set of requirements which MSU must adhere to in doing business with the federal government (whether via direct contract or via a flow-through contract). Circular A-21 requires institutions to employ sound management practices. If these standards represent "sound management" to the extent they are a requirement for federal contracts, then the same standards should be followed consistently across the board as part of our university's policies and procedures regardless of the funding source.

Establishing a Restricted Account

Statement

Each individual restricted project (sponsored grant/contract) is budgeted and accounted for separately in MSU's financial system.

Policy

It is A&BC's policy not to establish an account on the MSU General Ledger (G/L) until the appropriate grant or contract notice has been fully executed and signed by all parties. Until then there is no definite written commitment and the university is at-risk of losing funds should the contract not materialize.

There are circumstances when the actual award documents are delayed in being signed and/or sent to A&BC and the PI either needs new account numbers or needs the budget established on the G/L. In these instances, the Grants and Contracts Accountant (GCA) will decide on a case by case basis if enough documentation exists to cover or minimize the university's risk - such as a written notice from the agency verifying the grant/contract award or a written notice from an university vice-president promising to cover the costs should the contract fail to materialize.

Procedure

When a grant or contract has been awarded, R,G&C forwards pertinent documents to A&BC: the award notification(s), a signed and fully executed copy of the contract, the internal routing form, and a project budget. The GCA then performs the following tasks:

- (1) Completes an attribute sheet, which contains essential data necessary to properly administer the project;
- (2) Assigns each project its own 6-digit unit number based upon the purpose or function of the project (i.e., instructional, public service, student services, research, etc.);
- (3) Assigns each project its own 5-digit revenue number based upon the original source of funding (i.e., federal, state, or private), including flow-throughs;
- (4) Creates all account numbers and object code numbers on the university financial system for the new project;
- (5) Posts the initial budget on the G/L through journal entry, by debiting each expense line item and crediting the revenue number;
- (6) Notifies other offices:
 - Support Services (currently Bonnie Ray)– who establishes an approval path for on-line requisitions and on-line budget transfers;
 - Human Resources (currently Phyllis Dehart and Suzanne Hogge) – who establishes an approval path for PAR's;
 - Payroll (currently Dana Baldrige) – in case of any pending PAR's; and
 - Network Services (currently Amy Moore)– who tracks the telephone charges;
- (7) Establishes the new account on the Bud.View program, using coordinates associated with the PI or home department;
- (8) Completes a “Restricted Account Number Assignment and Initial Budget” form and forwards the original to the PI; **
- (9) Updates the due dates on the internal calendar spreadsheet to ensure timely preparation and filing of required financial reports; and
- (10) Establishes a new project folder.

** When the PI receives the new assignment sheet, he/she should compare each proposal or grant budgeted category to the G/L object code and amount on the assignment sheet. This will help reduce errors occurring where an expense is coded to the wrong object code or line item (example: supplies may be either: #50310 office supplies, #50330 general supplies or #50365 educational supplies).

Once all steps have been completed to properly establish a new project, the folder and documentation are forwarded to the GSA. All restricted project folders are maintained in the GSA's office.

Contract or Grant Modification

Statement

The budget is the financial expression of the project or program as approved during the award process. If the sponsoring agency has done an adequate job of scrutinizing the budget, it will have identified those aspects that it deems to be unallowable or nonbeneficial and excluded them from the budget. Major modifications to an original or proposed budget require formal contract or grant modification either from the funding agency and/or the R,G&C office. Some funding agencies require formal notification of any modification to the original or proposed budget.

Policy

It is the PI's responsibility to adhere to the funding agency's requirements regarding budget changes, including obtaining prior approval for specific situations. Circular A-110 lists the following types of changes that generally require official modification and approval:

- (1) Change in the scope or the objective of the project;
- (2) Change in key person specified in the application or award document;
- (3) Absence of the project director for more than three months, or a 25% reduction in time devoted to the project by the director;
- (4) Need for increased funding;
- (5) Transfer of funds allotted for training allowances to other expenses;
- (7) Transfer of contracting out of any work (i.e., subcontracts);
- (8) Extensions or early termination of the project; and
- (9) Other actions cited by federal or state authorities, or the sponsor.

Procedure

The PI is to communicate and work closely with R,G&C on matters requiring official notifications. R,G&C will send A&BC any revised budget modifications, or other changes affecting the financial administration of the project. If required, the GSA will adjust the G/L budget and attribute sheets accordingly.

Budget Viewing

Statement

MSU has a computer program that enables faculty/staff to view his/her departmental unrestricted and restricted accounts - including encumbrance, budgetary, and actual activity. This function is entitled "Budget Viewing" (Bud.View).

At the time a new restricted or unrestricted unit is established, it is placed under one or more "coordinates" - a two digit locator number. The first number represents the major unit or division and the second number represents the department. Any authorized user to a particular coordinate (such as "08..05") has accessibility to all units and accounts listed under that coordinate (such as unit #10-110835, 10-450835, 11-323286, 11-323287) not just one unit (such as #11-323286).

Policy

A&BC authorizes all accesses to the Bud.View module and the Office of User Services implements the approved accesses. Coordinates beginning with the number "10" entitled "Restricted Projects" only require A&BC's authorization. A coordinate beginning with any other number that contains both unrestricted and restricted accounts requires the department chair's written authorization. It is the PI's responsibility to assure he/she is an authorized user of the Bud.View module and of the coordinates where the restricted grant/contract account is located.

The PI should keep abreast of his/her project's financial status by routinely reviewing all transactions. Any unexplained or questionable transaction should be brought to the GSA's attention immediately.

Procedure

Each time a new grant/contract is established and assigned a unit number, the GCA selects a Bud.View coordinate. The coordinate is chosen based a combination of several factors such as prior experience, other PI projects, the PI's home department, the PI's preference, etc. Using the maintenance program that is part of the G/L Utilities module, the GCA adds the new project. The coordinates are noted on both the project's attribute sheet and the Restricted Account Number Assignment and Initial Budget form (*see section on Establishing An Account*).

Once the accounts have been added to the Bud.View module, the Data Base Analyst in the Office of User Services (currently Sheri White) implements the PI's computer access.

Budget Transfers

Statement

At the time a new grant or contract is awarded, the GCA records the initial operating budget on MSU's G/L system that excludes any expenses the federal government or funding agency has identified as unallowable. This budget should agree both with the amounts supplied to the funding agency and those internally developed jointly by the PI and R,G&C. Since this is just an estimate of what the PI feels it will cost to provide the service or to abide by other terms of the contract, in the majority of cases, the budget will likely be amended before the project is completed.

Policy

Before initiating a transfer, the PI must have the approval of the funding agency to move funds from one line item to another. Many agencies give the PI written authority to make decisions regarding the project's costing and waive the prior approval requirement. If the agency does not provide the PI with this waiver, the PI must obtain proper authorization prior to initiating a transfer. The PI is responsible for the allowability of all budget transfers whether they be minor or major. In the past, federal auditors have scrutinized this process.

The PI should routinely monitor fund availability on Bud.View so as to anticipate necessary transfers, prevent overdrafts, and control spending. The PI should be able to provide written justification for the transfer. Budget transfers are only permitted between object codes within the same project. Funds cannot be transferred between two or more restricted accounts, or between an unrestricted account and a restricted account. The object code #50780 "Facilities & Administrative Costs" cannot be re-budgeted without approval from the GSA.

According to OMB A-21, costs allocable to a particular sponsored agreement may not be shifted to another sponsored agreement in order to meet deficiencies, to avoid restrictions, or for convenience sake. Some auditing agencies tend to question or disallow cost transfers in cases where they are frequent, tardy, unexplained, inadequately explained, etc. Such activity can raise serious questions about the overall reliability of the university's accounting system and internal controls.

Procedure

When a transfer is deemed necessary, the PI initiates the request via MSU's "On-Line Budget Transfer" program. This will increase the available funds in one or more object codes (line

items), and decrease the same amount of available funds in other object codes. If there are insufficient funds available to cover the request, the program will not allow the transfer. The transfer will follow an approval path, initially established by the Support Services office, and will be routed through the GSA.

The GSA, looking for correct unit and object numbers, approves or denies budget transfers on a daily basis according to the sponsor's authorization. If approved, a printout of the transfer is placed in the project's folder.

Overdrafts

Statement

Despite MSU's internal control procedures, sometimes a PI will overspend a particular line item and/or the restricted project overall.

Policy

As stated throughout this manual, the PI should routinely monitor the financial status of the restricted project via the Bud.View program. The PI is responsible for carrying out the goals and objectives of the project within the funding agency's fiscal constraints or budget. Expenditures in excess of awarded funds are unallowable.

To help prevent overdrafts, the GCA periodically generates a report of "red" accounts (i.e., line items that have exceeded the established budget). This identifies potential problems with overspending, for which the PI should be aware and take preventive and/or corrective action. Sometimes the GSA will discover an overdrawn account while preparing financial reports or doing other work for a restricted project.

Immediately upon realizing a project is totally overdrawn (not just a line item), the GSA or GCA will notify the PI. The PI will then review all transactions posted to the restricted project (to detect errors such as improper expense codings) and resolve the issue as quickly as possible. If the project is totally overspent, the PI is responsible for obtaining the additional funding - whether from the funding agency (i.e., an increase in the grant/contract) or from the PI's department. If at the end of the project year it remains overdrawn and additional funding is not available from the agency, the PI has 60 days to identify MSU unrestricted funds and a specific line item which will cover the excess expenses. If the PI does not respond, A&BC will automatically charge the PI's base or home department with the excess expenditures.

Any overdrafts will not be written off by A&BC as a bad debt expense or adjusted through the F&A cost recovery category.

Procedure

Throughout the year, but no less than quarterly, the GCA generates a listing of “red” accounts and reviews each one carefully. For overdrafts caused by internal accounting procedures (such as classification of the various line items within the fringe category, telephone expense versus telecom charges, equipment versus supplies, or technology versus equipment), the SA will automatically prepare the necessary adjusting budget entry without notifying the PI. For other overdrafts, the SA notifies the PI via E-mail, asking him/her to review the project and initiate an on-line budget transfer (as permitted by the funding agency) to cover the deficiency. The GCA follows this same process when an overdrawn account is detected.

While reviewing overdrawn accounts, if A&BC realizes an expense was coded to the wrong project year or to the wrong restricted project, the necessary reclassification entry will be made without notifying the PI. A copy of the entry is placed in the corresponding project(s) folder.

In the case of an overdraft of a restricted project overall (i.e., the entire project’s budget has been exceeded), the PI determines the MSU unrestricted unit and object code number which is going to absorb the overdraft. A written notification, containing the unrestricted department chair or dean’s authorization, is forwarded to A&BC within 60 days. A&BC prepares a reclassification entry that increases the PI’s departmental expenses and decreases the restricted project’s expenses. A copy of the authorization and entry is placed in the project’s folder. If a notification is not received from the PI within the 60 days, A&BC will proceed by preparing an entry which moves the project’s excess expenses to the PI’s home department.

Carry Forward of Unobligated Funds

Statement

Many restricted projects have a beginning and ending date different from MSU's fiscal year, i.e., July 1st - June 30th. When a project crosses fiscal years, the remaining budgets must be manually brought forward. This same procedure applies when a PI has written permission to continue spending from a project beyond June 30th.

Policy

In the normal course of a project, if it crosses fiscal years, no special permission to carry forward remaining funds is necessary. The GCA or GSA will automatically complete the process.

(For example, a project operating on a October 1 - September 30 schedule.) However, carrying forward unspent funds beyond the project's closing date for the purposes of spending the allocation requires sponsor approval.

It is the PI's responsibility to request an extension and/or obtain written permission from the funding agency prior to continued spending. This authorization must be forwarded to the GSA. Spending will not be permitted after a project has closed without this written authorization.

In some cases, there is a continuation of the same project on a year-to-year basis whereby the sponsor allows any remaining funds allocated for one particular year to be added to the next contract year's allocation. In these cases, this carry-forward allowance should be stated in the contract. If not, it is the PI's responsibility to obtain written authorization prior to the transfer.

Procedure

In late July or early August, when A&BC does not allow any further transactions to be posted to the prior fiscal year's general ledger, the GSA will:

- (1) Generate a budget status report as of the preceding fiscal year end (i.e., G/L 20);
- (2) Make a budget journal entry, dated 7/1 of the new year, for these amounts and post it to the G/L; and
- (3) Place a copy of both documents in the project's folder.

When the carryover is to be applied to the next year's allocation that is being established as a new project budget unit, this is in essence additional revenue or an amended budget. The GSA will:

- (1) Generate a budget status report as of the preceding fiscal year end or whenever the transfer is being made (i.e., G/L 20);
- (2) Make a budget journal entry for these amounts and post it to the G/L - using the new project's unit number;
- (3) Make a budget journal entry to zero out the old unit number, and freeze those numbers to assure nothing accidentally gets coded to that contract;
- (4) Make a journal entry to reclassify the excess revenue from the prior project to the new project; and
- (5) Place a copy of all these documents in both the old project's folder and the new project's folder.

Personnel Policies

Statement

Associated with nearly every restricted project is a personnel cost category, which includes salaries and wages, fringe benefits, student wages, and/or consultants. This category often constitutes a large percentage of the total funding.

Policy

MSU does not discriminate in its hiring and compensation of restricted project personnel versus unrestricted personnel. All salary and wage categories and job classifications for restricted project personnel are the same as those established for regular MSU employees. Salaries can only be charged to restricted projects at the same rates persons would receive within their respective payroll category at MSU regardless whether or not sponsored dollars are involved. The receipt of grant funds is not an opportunity to increase salaries of personnel.

MSU administers its policies and programs without regard to race, age, color, sex, religion, national origin, marital status, disability, or veteran status. The University ensures equal employment opportunity and affirmative action. The Office of Human Resources (OHR) publishes official guidelines regarding the various personnel issues. The guidelines can be found on MSU's on-line system, in the personnel handbook, and in the library. The PI is responsible for knowing and adhering to these policies.

When completing the various forms necessary to hire and pay an individual, it is the PI's responsibility to ensure the correct restricted project(s) G/L number is used. If the employee is working for more than one department or project, the percentage of pay is to be properly pro-rated between them (such as 50/50).

MSU gives annual raises on July 1st of each year to all employees (restricted or non-restricted) in accordance with its policies and procedures.

Exempt employees are issued checks by the Payroll Office (PO) on the semi-monthly schedule of the 15th and 30th and are paid current through the check release date. Non-exempt employees are issued checks by the PO on a bi-weekly schedule and the pay is held back one period. (e.g., If a period ended on Saturday 8/2, those checks would be issued on Friday 8/15.) Actual hours worked by non-exempt personnel must be reported to the PO in a timely manner.

The PI is responsible for ensuring all personnel related cost (including any administrative and clerical salaries) is approved by the funding agency as an allowable cost and that sufficient funding

exists. To ensure employees are paid timely, the PI should anticipate the upcoming payment of personnel and allow ample time for all MSU policies and procedures to be carried out.

Personnel - Employees ***(Non-students)***

Statement

One of the largest direct expenses or costs to restricted accounts is full-time and/or part-time employees.

Policy

For every official personnel action taken, a Personnel Action Request (PAR) form must be completed via the on-line computerized system. An employee will not be paid without a fully approved PAR. All PARs are to be properly and timely initiated by the PI.

Circumstances for which PARs are to be generated include, but are not limited to, the following events:

- (a) The initial hiring of an individual;
- (b) The completion of a probationary period;
- (c) Salary adjustments, such as annual raises;
- (d) Position reclassifications or job title changes;
- (e) Termination, discharge, resignation, retirement, etc.; or
- (f) The issuance of a new contract.

It is the PI's responsibility to assure all employment is expressly approved by the funding source, positions can be specifically identified within the project, and that sufficient funds are available to pay the employee's salary and fringes (*see section on fringe benefits*). The PI should anticipate the project's personnel needs and allow ample time for the on-line PAR process to be completed. Salaries and wages must be charged to the project year in which the employee actually worked or performed the service.

Once a PAR has been fully approved and executed for an employee, the PO will issue the employee a paycheck in accordance to MSU's payroll system.

Procedure

For each necessary action, the PI initiates the on-line PAR following the procedures issued by OHR. For regular full-time employees who will receive full benefits, or for supplemental pay, the object code "50101" entitled "salaries & wages" should be used. For part-time or temporary employees who are not eligible for full benefits, the object code "50106" entitled "temporary employees" should be used.

During the approval process (established by OHR when A&BC set-up the project) the PAR is routed to the GSA. If allowed by the funding agency, the GSA verifies (a) the beginning and ending dates, (b) the correct departmental name or unit, (c) the correct object code, and (d) fund availability. If everything is satisfactory, the GSA types a "RE" under line item #20 and approves it. If not, the GSA enters appropriate comments and kicks it back to the OHR. The GSA prints a copy of each approved PAR and places it in the restricted project's folder.

For nonexempt employees, the PI reports the hours worked the previous pay period using MSU's on-line electronic time card program following the official schedule published by the PO. For exempt employees, the checks will be automatically issued based on the semi-monthly schedule.

Personnel - Students

Statement

Many of the restricted projects employ MSU students to help carry out their mission. These may be currently enrolled students (such as during the fall and spring semesters) which are referred to as workstudy students. Sometimes student employees are not currently enrolled (such as during the summer months). The procedure for enrolled versus non-enrolled students differs.

This section also applies to Graduate Assistants, who have been awarded a Graduate Assistantship by MSU.

Policy

MSU has an official administrative regulation entitled "Student Employment" - #300.03. This applies to all student employment, whether paid from unrestricted or restricted funds. It is the PI's responsibility to be familiar with and adhere fully to this regulation.

This regulation helps determine whether the student is to be paid via (1) the student payroll/workstudy system that flows through the Office of Financial Aid (FA) or (2) the PAR process that flows through the OHR and MSU's normal bi-weekly payroll system. If the student is currently

enrolled, he/she is considered to be a workstudy student and should follow the student payroll system (which does not have any corresponding fringe benefits rate). Any exception to this policy must be initiated by the PI and contain the written approval of both offices, using the appropriate approval form. If the student is not currently enrolled, he/she may be considered a temporary employee (which will have a corresponding fringe benefits rate) and follow the bi-weekly payroll system. Graduate Assistants are always considered employees and follow the PAR process.

For student employees paid through the institutional workstudy program, the PI is responsible for reporting the hours the student worked the previous pay period within the time frames established by the PO.

It is the PI's responsibility to ensure all student employee costs are allowable by the funding agency and that sufficient funds exist to cover student wages and fringes (*see section on fringe benefits*). All wages will be charged to the project year in which the student actually worked and performed the duties.

Procedure - For a Workstudy Student

The PI obtains an institutional workstudy form from FA, completes all requested data, and returns it to FA. The object code "50107" entitled "student wages" should be used.

After verifying the student is eligible, FA sends the form to the GSA in A&BC. If student wages are allowed by the funding agency, the GSA verifies the correct departmental unit number, object code, and fund availability before approving it. If it cannot be approved for some reason, the GSA attaches appropriate notation. A copy of each approved workstudy form is placed in the project's folder and the original is returned to FA.

The PI reports the hours worked the prior pay period, according to the bi-weekly schedule published by the PO, using the on-line electronic time card system. Manual time sheets may only be used for back pay.

Procedure - Using a PAR

The PI initiates the PAR using MSU's on-line system following the OHR's guidelines. The object code "50106" entitled "temporary wages" should be used. For graduate assistants, object code "50103" should be used.

Through the approval process, the PAR is routed to the GSA. If allowed by the funding agency, the GSA verifies the correct departmental unit number, object code, and fund availability before approving it. If the PAR cannot be approved, the GSA enters appropriate comments and kicks it back to OHR. A printout of each approved PAR is placed in the project's folder.

If the type of position in which the student employee is working is considered by OHR to be non-exempt, the PI must report the hours worked the prior pay period according to the bi-weekly schedule published by the PO using the on-line electronic time card system. If the position is classified as exempt, the PO will pay the student on the semi-monthly schedule with other exempt employees.

Fringe Benefits

Statement

Associated with all salaries and wages paid to employees is a fringe benefit cost. This is the cost the university incurs for medical coverage, workers compensation, retirement, etc., which is not directly paid for by the employee and withheld from his/her paycheck.

Policy

Restricted project personnel receive the same benefits as unrestricted personnel of the same classification. Once a year, a committee representing the Office of Research, Grants and Contracts, Office of Human Resources, Office of Budgets and Management, and the Office of Accounting and Budgetary Control meets to establish new fringe rates (usually effective on July 1). These rates are published and routed to the various vice-presidents, deans, and PI's and become MSU's official rates for the year. A copy of the most recent rates may be obtained from R,G&C and/or A&BC. The rates vary based upon the employees appointment status as determined by the OHR - for example, a full-time exempt position employee is a Fixed Term I and receives full benefits. In some cases the rates will vary based upon the employee's personal preference of specific coverage.

A&BC will actually access or charge the project the fringe rates in effect on the projects beginning date. These same rates will be used through the life of that project, even if new ones are published before the end of the project year. The fringes will be charged to the same project year as the employee's salary.

It is the PI's responsibility to ensure sufficient funds exist in the restricted project's budget to cover the fringe costs. In cases where the actual fringe rates are higher than those stated in the original or proposed budget, it is the PI's responsibility to obtain additional funding or transfer funds from another line item. In cases where a funding agency will not agree to reimburse MSU a higher fringe benefit rate than what was stated in the proposal, MSU will accept those proposed rates for the life of that contract. A written statement to this effect must be either in the contract or received directly from the funding agency and given to A&BC.

Procedure

Each month or quarter while preparing financial reports and invoices for the project, the GSA adjusts the fringes. The salary paid to each employee is multiplied by his/her fringe benefit rate to yield a total fringe benefits amount for the project. Actual direct fringe charges to the project already posted to the general ledger are subtracted from the grand total of all employees' fringes. The GSA makes an adjusting entry for the difference, which increases the project's fringe benefits expense and transfers it to MSU's unrestricted fringe recovery account (#10-679801-50122).

For those projects not requiring pre-specified reports, the GSA will review and adjust the accounts periodically throughout the fiscal year as the need dictates.

Terminal Vacation Pay

Statement

All full-time Standing I, Standing II, and Fixed Term I employees accrue vacation days in accordance with university policy. Currently, an employee can accrue up to 30 days and any accrued vacation time is paid to them at the time they leave MSU's employment.

Policy

A component of the fringe benefit rates established each year is terminal vacation pay. When an employee is paid terminal vacation, A&BC must manually prepare a reclassification entry from the salary line item to the fringe benefit recovery line item. This avoids double charging and budget overruns.

Procedure

When the PI realizes an employee is leaving and will be issued terminal vacation pay, the GSA is to be notified. Once the PO has issued the vacation time check, the GSA prepares an adjusting entry. This entry removes the terminal vacation pay as a direct expense of the project and transfers it to MSU's unrestricted fringe benefit recovery account (#10-679801-50122).

The exiting employee's fringes are adjusted through the normal fringe benefit calculation described in the previous section.

Subcontracts

Statement

To fulfill a project's mission, sometimes a consultant needs to be hired. A consultant is defined as someone who does not meet the employer-employee relationship as defined by law. Normally, these are non-MSU employees and hence are considered independent contractors.

Policy

Procedure

Time and Effort Reports

Statement

Personnel costs are only an allowable cost of a restricted project only to the extent the charges represent work performed directly on the project. Salary charged must be supported by appropriate documentation showing the employees' level of effort. MSU uses an after-the-fact "Personnel Activity Report" form, for what is commonly known as "time and effort". There is one form for an employee's regular base contract position (constituting 100% of their effort) and a second form for any supplemental work.

Policy

MSU implemented personnel policy # PAC-15 entitled "Time and Effort Reporting" which requires all personnel associated with externally funded projects to complete the appropriate Personnel Activity Report.

Any employee who devotes effort directly toward a restricted project must periodically complete an activity report. This is for all project-related employees regardless if the funding agency is paying all or part of their salary, or if MSU is paying the salary. Any cost incurred on behalf of a project that is not funded by that same project is considered to be cost-sharing (*see section on Cost-Sharing*). Voluntary services provided to MSU on behalf of a restricted project must be documented and supported by the same methods as paid employees.

Employees performing incidental work (i.e., in excess of what is normal for the employee), for which supplemental compensation is being paid by an unrestricted account under MSU's institutional policy, does not need to show this supplemental work on his/her activity reports. However if an external agency or restricted project is funding the supplemental wages, an activity report is required.

According to Circular A-21, section J (8), professors or other professional staff must file a report for each academic term (but not less than every six months). MSU requires exempt employees to complete one for the Fall semester, one for the Spring semester, one for Summer I, and one for Summer II for a total of four (4) per year. A-21 requires all other employees are to file reports no less frequently than monthly. MSU requires non-exempt employees to file one for each calendar month for a total of twelve (12) per year. All reports are due within 10 days after the close of each period.

The payroll expense accessed to the period must be based upon the effort actually expended during that project period, regardless of the budgeted dollar line item for payroll expensed or budgeted percentage of effort. Any charges initially made to the restricted project on the basis of estimates or budget will be promptly adjusted if significant differences are indicated on the activity reports. Short-term fluctuations between workload categories need not be adjusted as long as the distribution is reasonable over the longer term (such as the academic term).

It is the PI's responsibility to see that all employees involved with a particular project complete the Personnel Activity Report properly and timely and that such reports are submitted to the appropriate offices. Once the PI or appropriate official certifies the level of activity, retroactive changes to the reports will not be allowed.

Procedure

When a new restricted project is established on the university system, a supply of Personnel Activity Reports (regular and supplemental) will be sent to the PI along with a cover letter or memorandum. At the same time, the GCA will update the tracking spreadsheet which lists each project, each employee, and the report due dates. The GSA and the GCA work together throughout the year in coordinating information for the time and effort monitoring system, such as the hire of a new employee or the resignation of another.

At the end of each month or academic term, each individual employee completes the activity report(s) for the prior reporting period and forwards it to their immediate supervisor (usually the PI) or responsible official having firsthand knowledge of the work performed. The supervisor/PI reviews, approves, and dates the form. The original copy is sent to the OHR, the yellow copy is sent to A&BC, and the pink copy returned to the employee.

Each month the GSA monitors this requirement by updating a tracking spreadsheet and recording the effort percentages listed by the employee. If a report is missing, the GSA will contact the PI immediately. The yellow copy is filed in the project's folder.

As the GSA prepares the required financial reports, any significant long-term difference between the amounts originally charged to the project versus what is shown on the activity report will be appropriately adjusted.

Purchasing Policies

Statement

Associated with nearly every restricted project is the procurement of goods. There are several ways to purchase and/or pay for goods and services such as via a check request, an on-line requisition program, a purchasing card, and the on-campus transaction form. (*See the following sections on each.*)

Policy

According to *A Guide to Managing Federal Grants for Colleges and Universities*, items of supplies and other expendable property are expected to be used in accordance with the terms and conditions of the award. The fact that a budget has been provided for supplies does not, in and of itself, require an institution to acquire all those assets which are authorized. Acquired amounts must be reasonable. If the project can be accomplished without fully utilizing all the authorized or budgeted levels, that approach is recommended. Auditors, federal in particular, are very sensitive to stockpiling. Regulations prohibit the purchasing of unnecessary and duplicative items, or incurring unnecessary or unreasonable expense.

Regardless of the method used to procure goods or services, there are certain general policies that apply.

- (1) All restricted accounts must follow university guidelines just as the unrestricted accounts do.
- (2) All charges are to be coded to the correct G/L line item (object code) based on its function.
- (3) The expense must be identified in the sponsor approved budget (supplies, postage, equipment, etc.). For example, if the sponsor did not approve telephone costs, then telephone cannot be charged to the project. No expense may be charged to the restricted account that violates a sponsor- specified restriction.

- (4) Services are to be paid out of the project grant/contract year in which the services are rendered.
- (5) Goods are to be paid out of the project grant/contract year in which the goods are received - unless written permission from the funding agency to the contrary is given to the GSA. To allow time for items to be received, the PI should request the items needed in accordance with the following timetable (unless superseded by other official university notification):
 - (a) 2 weeks prior to project year end for on-campus transactions,
 - (b) 3 weeks prior to project year end for small purchases from off-campus vendors, and
 - (c) 60 days prior to project year end for larger or capital purchases such as equipment or furniture.

The PI should consult the vendor and/or OSS if there is any doubt whether an item will arrive by the project's year end and should monitor its arrival.

- (6) Travel is to be paid out of the project grant/contract year in which the trip occurs.
- (7) MSU is a tax-exempt organization. Therefore no Kentucky sales tax will be paid to vendors.

Regulation # 34 CFR 74.2 Definitions defines "accrued expenditures" as "the charges incurred by the recipients during a given period requiring the provision of funds for – (1) goods and other tangible property received." OMB Circular A-110 (A)(2) also defines "expenditures" as the charges incurred by the recipient during a given period for goods and other tangible property received. OMB Circular A-21 (J)(27) states "all material costs charged to a project should only include those supplies actually used in the performance of the agreement". If an item does not arrive until after the agreement has expired, then it could not possibly have been used in its performance. Also as a state institution, MSU is required to allocate the costs of goods to the fiscal year in which they are received and services to the year they are rendered. A restricted account's fiscal year would be its project year. Since MSU has adopted these into its official policy, should there be a discrepancy between our policy and the provision of a specific restricted agreement, the terms of the specific agreement will govern.

The PI is responsible for determining the reasonableness, allocability, and allowability of costs in accordance with the provisions of all applicable regulations and the terms and conditions of each award. The PI must ensure all expenditures charged to restricted accounts comply with applicable federal, state, university, and sponsor regulations. To be allowable, an expenditure must be:

- (a) Justifiable - necessary to meet the goals and objectives of the project;

- (b) Reasonable - cost efficient; defined as the action a prudent person would take under same circumstances;
- (c) Allocable - identifiable with the project incurred solely to advance its work;
- (d) Timely - needs to be paid as soon as expense occurs; and
- (e) Non-personal - must be business related.

If the PI wants to spend prior project year allocated funds in the following project award year, it is his/her responsibility to obtain written permission and forward it to the GSA prior to spending those funds.

Off-Campus Purchases

- Via a Check Request

Statement

In order to purchase or pay for certain expenditures, it is necessary for the PI or staff to initiate a "Check Request". *(See the following section for "Off-Campus Purchases - via the On-Line Purchase Requisition Program.")*

Policy

According to official university guidelines published by the OSS, the following expenditures are examples of what is to be paid via a check request. None of these relate to the obtaining or receipt of goods.

- Membership
- Registration Fees
- Utilities
- Postage
- Sport Officials
- Honoraria/Stipends
- Candidates/Recruiting Expenses
- Professional Dues
- Reimbursements (no Ky. sales tax)
- Advertisements

It is the PI's responsibility to sign all check requests although they may be actually prepared by a staff member. A&BC will not approve any check request that is not signed by the PI, that is not fully completed, or that does not have support documentation attached.

Reimbursements to other units should be kept to an absolute minimum and used only in cases of emergencies where there is not ample time to follow the on-line requisition procedures. All

purchasing must follow university policies and procedures, which involves the encumbering of funds prior to the actual purchase.

A&BC writes vendor checks twice a week, usually on Tuesdays and Fridays.

Procedure

The PI or staff member initiates the process by completing one of MSU's official Check Request forms. All the requested items (vendor, account number, description, price, etc.) must be provided and signed by the project director before forwarding the check request to A&BC.

A&BC's receptionist gives all check requests whose unit number starts with an "11" to the GSA for approval or denial. The GSA verifies the following items:

- (1) The proper way to pay this expense is via a check request, and not via the on-line purchasing program;
- (2) No sales tax, if applicable, is being claimed;
- (3) The request contains the correct unit name and object line item;
- (4) Adequate support documentation is attached to the request; and
- (5) The PI has signed the request.

If anything is wrong or is missing, the GSA returns the request to the PI for correction. If okay, the GSA verifies fund availability by either using MSU's Bud.Check program or by looking on Bud.View. In the case of insufficient funds, the GSA returns the check request to the PI with an explanation.

Otherwise the GSA approves the request by signing or initialing on the appropriate line and forwarding the approved check request to the Accounts Payable personnel for payment.

Vendor checks are written twice a week (usually on Tuesdays and Fridays) and are mailed directly to the vendor, unless a notation is made on the section entitled "special handling".

Off-Campus Purchases - Via the On-Line Requisitions Program

Statement

In order to purchase most goods and/or services, it is necessary for the PI or staff to initiate the process by using MSU's computer program called "On-Line Requisitions". (See *previous section for "Off-Campus Purchases - via a Check Request"*.)

Policy

According to official university guidelines published by the OSS, the following expenditures are examples of what is to be paid via the on-line requisition program (pertaining to the procurement of goods):

- All purchases from external vendors
- Subscriptions (magazine, etc.)
- Books (except University Store and MSU Library)
- Admission tickets/fees
- Personal Service Contracts (*see section consultants*)
- Institutional food lab purchases
- Off-campus food purchases (grocery stores, etc.)
- Medical expenses
- Student insurance
- Maintenance/Service agreements

It is the PI's responsibility to follow the purchasing guidelines and to initiate the process by using this computer program. All requisitions should be prepared in advance (i.e., prior to the obtaining of goods and services) following MSU's encumbrance system to ensure fund availability. However, it may be done after-the-fact in cases where the expense was unexpected (ex: medical expenses). The PI should anticipate the project's needs and expenditures and allow ample time for the on-line program to follow the approval path (established by OSS when the project was set-up) and for OSS to process the requisition.

If case of insufficient funds, the requisition will be placed on hold. The PI should prepare an on-line budget transfer, as permitted by the sponsor (*see section on Budget Transfers*) and re-submit the requisition once the transfer is complete.

Procedure

The PI and/or staff initiate the requisition by following the computer program. Once entered, the program follows the approval path that has been established by OSS - which includes the GSA. On a daily or as-needed basis, the GSA:

- (1) Verifies the project's unit number and line item object code; and
- (2) Approves the requisition, or kicks it back for correction with appropriate comments.

On-Campus Purchases

Statement

It is possible and convenient to obtain some goods and/or services on campus such as the university store, printing, food services, maintenance, etc. To do so, MSU has an official form called "On-Campus Transaction".

Policy

Just like any other purchase, it is the PI's responsibility to ensure compliance with federal, state, sponsor, and university guidelines. The PI must sign the transaction form as the departmental authorizing signature. Transactions between two university departments are to be via the "On-Campus Transaction". No checks or check requests will be issued whereby one department is obtaining goods or services from another department.

If the expected request is \$100 or more, the transaction must be approved by A&BC prior to the purchase. If the request is less than \$100, the PI may take the transaction form directly to the on-campus vendor.

Procedure

The PI or staff initiate the purchase by completing (1) department name – i.e., the restricted project's G/L name, (2) the specific restricted account number and object code to which the expense will be charged, (3) the department from which the purchase is being made, such as university store, (4) brief description and estimated amount of the transaction, and (5) an authorizing signature.

If the request is greater than \$100, it is forwarded to A&BC. The Accounts Payable personnel approves or denies the request based upon fund availability and encumbers the transaction. When completed, the request may be picked up at the receptionist's desk and taken to the appropriate on-campus vendor department.

On-campus vendors will periodically forward all completed purchases to A&BC for payment.

Pro Card

Statement

The purpose of the Morehead State University Purchasing Card Service is to establish a more efficient cost-effective method of purchasing and paying for all small dollar-value transactions within established usage limits.

The Purchasing Card Services is designed to replace small dollar value purchases and prepayment orders currently created by on-line requisitions.

Use your purchasing card over the phone, around town, on the internet, for subscriptions, supplies, etc. You'll find the entire procurement process takes less time and fewer people are involved in the purchase, which saves the University time and therefore, money.

Policy

The purchasing card may be used with any vendor that accepts MasterCard with the exception of commodities as noted in the Purchasing Card Service User Manual.

Listed below are a few tips to keep in mind when using your card:

[TOP](#)

- MSU is tax exempt - don't pay tax!
- Don't let anyone else use your card!
- Be sure to complete the monthly transaction form!
- You must have an invoice/receipt for every transaction!
- If you have a purchasing card on an 11 account, be sure to contact Paige McDaniel any time you transfer money into the account so your credit limit may also be increased!
- Continue to use established price contracts, including our office supply contract with Cardinal Office Systems!
- Don't split orders - if what you need exceeds your single purchase limit, just enter an on-line requisition!

The following links are available in relation to the Purchasing Card Service Program:

[Purchasing Card Application](#)

[Purchasing Card Users Manual](#)

For more information, contact [Paige McDaniel](#) at 3-2007.

Interdepartmental Transfers

Statement

Sometimes an expense is charged to one department although in reality another department incurred the expense. In such cases, it is necessary to prepare a manual journal entry to transfer the costs.

Policy

Transfers should not be made into or out of a restricted project unless the original recording of the expense was in error. It is the PI's responsibility to ensure all costs related to a specific project are properly coded to the project at the time of initial recording (such as on the purchase order, travel voucher, PAR, etc.). When one person or department is placing a large order for several units, the initial order should be properly divided between each unit.

In cases where a restricted project needs to reimburse another project for materials used (such as office supplies or postage), the PI must make the request in writing and attach documentation or explanation sufficient for an auditor to realize it as a legitimate project cost. Journal entries do not suffice as documentation. The transferred cost must be allowable and applicable to the project. Such requests must be kept to a minimum and filed with A&BC in a timely manner (i.e., as soon as the situation has occurred).

Sometimes there is the situation of “closely-related” work, whereby a particular mission is supported by more than one funding agency and involves more than one restricted project. A cost transfer between these projects can be made under these circumstances, if the following conditions exist: (a) the cost is proper and allocable, (b) justification for transfer is documented by the PI and retained for audit purposes, and (c) the transfer is requested in a timely manner.

Federal regulations prohibit the shifting of funds from one project to another in order to meet deficiencies or overruns, avoid sponsor restrictions, or for convenience.

Procedure

When an error has occurred or a reimbursement is required, the PI initiates a correcting journal entry using MSU’s “On-Campus Transaction” form. The account number to which the expense should be posted (charged) is debited and the wrong account number from which it was originally paid is credited. Sufficient documentation supporting the entry must be attached and forwarded to the GSA.

The GSA reviews the entry and documentation, completes the due to/from account numbers, and posts it to the G/L. A copy of the journal entry and documentation is filed in the project’s folder.

A&BC reserves the right to deny a transfer which was not submitted in a timely manner and/or for which agency reports have already been filed.

Travel

Statement

Many of the restricted projects have an allowance for professional development or other business-related travel. Associated with university travel are two forms: the “Travel Request” which is to be filed prior to the trip and the “Travel Expense Voucher” which is filed after the trip.

Policy

MSU has an official travel regulations manual, which is updated on as-needed basis and published by A&BC. All restricted projects must adhere to these official travel regulations, just like unrestricted departments do. Circular A-21 states that all costs incurred by employees shall be considered reasonable and allowable only to the extent such costs do not exceed charges normally charged by the institution in its regular operations as a result of an institutional policy.

The PI is responsible for complying with these guidelines and for ensuring the travel is authorized by the funding agency. The per-diem reimbursement for meals and transportation will be

according to current university regulations existent during the time the travel occurred, regardless of the project's budgeted per-diem rates. The forms must include a sufficient explanation or support documentation, including the purpose of the travel as it relates to the scope of the work for which the restricted project was awarded. The PI must sign both the travel request and the travel expense voucher.

All travel related expenses, including registration fees, must be charged to the project grant/contract year in which the travel occurred.

Procedure

For detailed instructions on how to properly complete the necessary forms, consult MSU's Travel Manual.

Once signed by the PI, all related forms are forwarded to A&BC for processing.

Equipment

Statement

Sometimes a funding agency will authorize a large piece of equipment to be purchased from restricted funds. Often the agency requires a special property management accounting system for proper tracking of equipment and sometimes there is the question of who retains title to that equipment, the agency or MSU.

Policy

Current MSU policy requires any item (excluding software) with a cost of \$500 or more to be coded to the object number "50990" for equipment or "51000" for technology purchases. Any item over \$500 is also subject to capitalization. For federal reporting purposes, Circular A-110 defines equipment as "tangible personal property having a useful life of more than one year and a unit acquisition cost of \$5,000 or more per unit." Items costing between \$500 and \$5,000 will be considered expendable supplies for reporting purposes but be subject to MSU's property management standards (unless stipulated otherwise by the sponsor).

The PI is responsible for adhering to both the sponsor (federal, state, or private) cited conditions contained in the grant/contract document and MSU's guidelines in the purchasing, maintaining, safeguarding, and disposal of equipment purchased from restricted funds. The funding agency must specifically approve the purchase of an item costing \$5,000 or more, although there may be sufficient budgeted funds to cover its cost. A&BC reserves the right to disapprove an

equipment purchase within the last 60 days of the project period unless written approval from the funding agency is provided.

Generally speaking, title to equipment obtained through restricted funds remains with MSU. The majority of our federal sponsors have exempted or excluded properties acquired from federal funds and have vested complete title to the institution without any further obligations to the government. If the award document has contrary language, the PI is responsible for obtaining prior written approval from the agency prior to disposal of the equipment.

Procedure

For complete details on MSU's property management system, contact the OSS. That office is responsible for all inventories.

Facilities & Administrative Costs ***(Formerly called Indirect Costs)***

Statement

The University incurs costs in the conduct of a project that cannot be specifically identified or readily assigned to a particular restricted project. These are support or common cost, such as utilities, space usage, library usage, administrators, etc. The federal government has accepted the development of a negotiated facilities & administrative "F&A" rate as an expeditious means of recognizing these additional costs. This is a very regulated, detailed, complex, and time-consuming procedure involving a comparison of total allocable indirect costs to total direct costs, the ratio of which is expressed as a percentage.

MSU is considered to be a "short-form" school (i.e., one which has less than \$10 million in federal funding during a fiscal year), thereby only the following costs were included in our indirect pool: library, plant operation, depreciation, 20% of the dean's and/or department chairs' salary, and administrative or institutional support. No departmental administrative assistants' salaries, office supplies, postage, telephone, or memberships were included in the indirect cost pool.

MSU's current negotiated rate with the Department of Health & Human Services is 39% of gross salaries and wages (excluding fringe benefits) for on campus programs and 16.2 % for off campus Programs. These rates will remain in effect until June 30, 2005.

Policy

[TOP](#)

All restricted projects containing salaries are automatically subject to F&A costs and MSU will access the current negotiated rate of 39%. However not all funding agencies will allow the use of this rate. Many agencies restrict the university's recovery to 8% of total direct costs while other agencies will not approve F&A recovery at all.

A full or partial waiver may be granted by R,G&C during grant/contract negotiation if: (a) the funding agency will not reimburse F&A costs, (b) the funding agency will only approve a rate less than our official rate, or (c) extraordinary circumstances exist in which MSU's best interest may be jeopardized. The PI, along with R,G&C, is responsible for providing A&BC sufficient documentation justifying any full or partial waivers. The unbillable or unrecoverable portion of our F&A is considered to be "cost-sharing" on MSU's part.

MSU will not access the restricted project F&A costs in excess of the budgeted amounts unless an amended award is received from the funding agency nor will F&A costs be used to fund or recover direct cost overruns. If MSU's official F&A rate changes during the life of a project, the rate in effect the day the awarded project began will be used throughout its life (or competitive segment).

Each year as part of MSU's budget development process, the President designates a certain dollar amount of the F&A recovery to be returned to the various academic departments. This usually ranges from \$25,000 - \$45,000, and may increase as the recovery increases.

Procedure

Each month or quarter while preparing financial reports and invoices for the project, the GSA adjusts the F&A line item – object code #50780. The recovery base (salaries or direct cost) is multiplied by the agreed upon percentage, resulting in an adjusting figure. The GSA prepares the corresponding entry that (a) accesses the restricted project this amount as an expense and (b) recognizes the same as income on MSU's unrestricted ledger (#10-000000-40502).

For those projects not requiring pre-specified reports, the GSA will review and adjust the account periodically throughout the project year as the need indicates.

In the fall of each year, R,G&C personnel, along with A&BC, meet and prepare a summary schedule of the F&A recovery for the prior year. The President's allocation is pro-rated among the departments based upon the total earned. The departments are notified of their share, and the Office of Budgets and Management Information increases these departmental budgets accordingly.

Cost Sharing

Statement

Many funding agencies require and/or encourage an institution to contribute funds towards a restricted project during the application and/or negotiation process. This is called matching or cost-sharing and may either be in the form of reallocated or unallocated cash. "Reallocated" means a department agrees to spend part of its established budget on behalf of the restricted project (such as a faculty member's release time, office supplies, telephone, etc.).

"Unallocated cash" is a MSU contribution of unbudgeted cash specifically for that project. This is also known as a cash match.

Cost sharing is not to be confused with the term "third-party in-kind contribution." This is donated services, supplies, equipment, space, etc. received by MSU that does not involve a direct cash outlay by MSU.

Policy

For projects involving a MSU commitment of an unallocated or a special cash match, the GCA establishes a separate account on the G/L at the time the project is established. A separate G/L account is not established for reallocated cost-sharing. *Note: A&BC plans to formalize the accumulating and reporting of cost-sharing in upcoming months.*

Because of potential audit vulnerability that MSU could face in the area of cost sharing and matching, it is critical that documentation supporting all cost-sharing be maintained. The PI is responsible for ensuring all cost-sharing commitment is tracked, kept current, and documented in an auditable format once the project has been awarded. In cases where MSU must match a specific percentage (such as 20/80), the PI is to monitor all activity to ensure this requirement is being met and MSU does not face disallowance of costs recoverable through the funding agency.

All cost-sharing requires evidence of direct contribution to the project, and must meet the following general criteria:

- (1) Be verifiable from the accounting records;
- (2) Not be included as contributions for any other restricted project;
- (3) Must be necessary and reasonable for proper and efficient accomplishment of the project;
- (4) Must be an allowable cost, and reflected in the project's budget; and
- (5) Cannot be used or reported more than one time.

Procedure

A&BC has not yet developed a standard form for tracking mandated cost-sharing due to the variety of recognizable categories or items and very specific sponsor requirements. Until a formal cost-sharing system is implemented, A&BC will assist the PI with this process on as-needed basis.

Revenues - Recording & Receiving

Statement

Associated with every restricted account is revenue identified from one of three sources - federal, state, or private. Each project is assigned its own revenue number at the time the grant/contract is established on MSU's financial system. The revenue is recorded in the G/L (budgeted and actual), tracked on a receivable spreadsheet, and recorded on the trial balance.

Policy

A&BC's Grants and Contracts Accountant is in charge of the restricted revenues. The GCA records or books the revenue at the time some type of invoice is sent to the funding agency and also notes when it is received. It is the GCA's responsibility to follow-up on outstanding receivables that are not paid timely.

If a sponsor is unable to pay (such as bankruptcy) or refuses to pay, the GCA will notify the PI. It is the PI's responsibility to obtain funding to cover all direct costs within 60 days from the date notification was sent. In such cases, the F&A costs, if any, will not have to be reimbursed but will be absorbed by the university.

Procedure

When the GSA prepares a financial report or invoice requesting funds (as either a reimbursement or as an advance), a copy of such is given to the GCA who:

- (1) Prepares and posts a journal entry that increases both the grants receivable account (#11-000000-10224) and the project's revenue account;
- (2) Places a copy of this journal entry in the project's folder; and
- (3) Records the invoice on the Restricted Receivable spreadsheet (maintained on
- (4) Excel software) - showing the date sent, amount, project, funding source, and revenue number.

It is dependent upon the manner in which the funding agency elects to pay MSU, as to how the GCA records the revenue upon receipt:

(A) By check -

Prepares a deposit slip as described in the following section. (If the check is a result of a bill sent by A&BC which has been recorded on the Restricted Receivable spreadsheet, the cash code is "RAR". If not, the cash code is "RES"); hand carries the deposit slip and check to one of the university's cashiers who deposits the money and records the receipt number, date, and by whom the deposit is made; and places the white deposit slip and blue-colored cash receipt into the project's folder, attaching any documentation.

(B) By direct deposit -

Prepares and posts a journal entry that (1) increases the Restricted Funds cash account (#11-00000-10130) and (2) either reduces the Grants Receivable-Billed account (#11-000000-10224) or increases the project's revenue account.

In all three cases, the GCA updates the Restricted Receivable spreadsheet on Excel by recording the date paid, amount, cash receipt or report number, etc. In cases (B) a copy of the journal entry is placed in the project's folder.

Periodically the GCA will review any outstanding bills or invoices. For those who have not paid timely, the GCA will investigate by calling or writing the sponsor. If additional financial information is needed before a bill can be paid, the GCA will see that this information is prepared and submitted to the appropriate party.

Cash Deposits

Statement

Associated with every restricted account is revenue that is generally thought of as cash. However not all sponsors send MSU a check, but rather elect to pay through the direct deposit, wire transfer, etc.

Policy

All cash deposits (currency and/or checks) are to be made by the GCA in A&BC. If the PI or someone in that office receives money, it must be hand delivered to the GCA. Project personnel, without the prior approval of the GCA, should not take deposits directly to the Cashier Window.

All deposits are made in full into the project's pre-assigned revenue number. The deposit is only recorded as a credit or reduction to an expense line item when it is a direct reimbursement of an expense previously paid by the project (ex. a vendor check due to the return of an item).

Procedure

When the GCA receives a check, a deposit slip called "Morehead State University, Daily Report for Cash Receipts" is prepared including the date, cash code ("RAR" for billed receivables or "RES" for all other items), revenue account number, dollar amount, description, and name of depositor. It is hand carried to one of the university's cashiers, who deposits the money and records the receipt number, date, and by whom the deposit was made.

The GCA places the white deposit slip and blue-colored cash receipt in the project's folder. If there is a check stub or other accompanying documents, they are stapled to the receipts for filing as a group.

Unless specifically requested by the PI, a duplicate or copy of the receipt is not given to the PI.

Drawdowns

Statement

Some federal agencies, such as the U. S. Department of Education, allows MSU to request funds electronically via a process called GAPS (Grant Administration and Payment System) or PMS (Payment Management System). This process is commonly known as a drawdown.

Policy

For those accounts funded directly by the U.S. Dept. of Education (grant/contract accounts and student financial aid programs), A&BC periodically requests funds on as-need basis. The funds requested can be on a cost reimbursement basis and/or an advance payment. However no funds can be requested and held by MSU in excess of what will be utilized within three (3) business days of its receipt.

Procedure

The GCA runs a printout of the expenditures for these restricted programs as needed, but no less frequently than twice a month, and up-dates a pre-designed Excel worksheet with the new

expended figures and cash drawdowns. This worksheet computes the amount of actual cost reimbursement needed. In addition, the GCA can estimate usage for the upcoming three (3) days based upon average expenditures and/or the program current activity level.

The Accountant I (1) prepares a written request and actually makes the drawdown via the telephone or internet (2) prepares and posts a journal entry which increases the grants receivable and the program's revenue account and (3) updates the Excel receivable spreadsheet in the same manner an invoice would be updated.

When the government makes the transfer into MSU's bank account, the Accountant I makes a journal entry to record the deposit.

Financial Reports

Statement

The vast majority of restricted or sponsored projects require periodic financial reports, which are to be filed within the timeframes established by the funding agency.

Policy

Not only is late or inaccurate reporting a compliance violation, but it undercuts MSU's ability to demonstrate the workings of our financial systems. Oversights can result in a loss of confidence in MSU's accounting system by the funding agency, which jeopardizes future awards. Late reporting can be legal grounds for the interruption or withholding of sponsor payments.

It is the GSA's responsibility to prepare and submit all financial reports or invoices according to the terms of the contract. If the sponsor does not specify a due date, all monthly or quarterly reports will be filed within 30 days and all final reports within 90 days after the close of each period. The GSA is to file the report in the format specified (such as invoice, forms, etc.) and attach all required support documentation.

In cases where the PI is required to file a technical, progress or narrative type report (such as cost-sharing documentation, reason for travel, etc.), it is his/her responsibility to do so according to the sponsor's schedule. If the financial report requires the PI's signature, it is his/her responsibility to coordinate their schedule with the GSA's to avoid any delays in filing the report on time.

Procedure

When a new restricted account requiring periodic reports is established, the GCA posts this information on a master calendar. The calendar shows the frequency, the due date, the name of the project, and the G/L unit number.

Each month the calendar is printed and given to the GSA for planning and schedule coordination. The reports due for that particular month are highlighted or otherwise marked. As the reports are completed, the GSA initials and dates the calendar. At the end of each month when all reports are completed, the GSA returns the calendar to the GCA for review and filing.

Note: Although the GSA is responsible for filing all financial reports, it is necessary for the SA to assist during certain times of the year (such as audit time, fiscal year end, and Business Days) due to the heavy demands and the time consuming nature of this function.

Records and Retention

Statement

When a grant/contract is awarded, MSU becomes a steward of another agency's funds. One of the foremost criteria for proper stewardship is to provide good sound financial management relating to the receipt and expenditure of restricted funds.

Policy

In accordance to federal stipulations, MSU provides financial systems and policies and procedures that ensure compliance with the following requirements:

- (1) Accurate, current, and complete disclosure of financial results of each sponsored program in a manner that allows MSU to file required reports;
- (2) Records that identify adequately the source and application of restricted funds;
- (3) Effective control over and accountability for all funds, property, and other assets so that they are adequately safeguarded and used for only authorized purposes;
- (4) Budgetary control through comparison of outlays with budgeted amounts for each award;
- (5) Written procedures to minimize the time elapsing between the transfer of federal funds from the Treasury to the issuance of payments by MSU for the restricted program;
- (6) Written procedures for determining the reasonableness, allocability, and allowability of costs in accordance with the terms and conditions of the award; and
- (7) Accounting records that are supported by source documentation.

Retention: In the absence of contract language to the contrary, MSU will maintain all financial records, supporting documentation, and any other records pertinent to a restricted project

for at least five years from the date the final expenditure report was filed. (Most funding agencies only require records to be maintained for three years.) If legal action, claim, or audit is started prior to the expiration of this retention period, MSU will maintain all records until final action has been taken and the matter resolved. As a matter of historical practice, A&BC maintains grant/contract records in paper format and does not destroy them until they are 5-7 years old.

The restricted accounts are incorporated into MSU's G/L and financial statements. These records are kept permanently, either in a hardcopy or CD format.

Procedure

Each of the above financial system requirements is discussed in more detail throughout this manual. Please refer to the various sections for these procedures.

Retention: When a restricted project has been closed out, the project folder is (1) removed from the active filing cabinets located in the GSA's office (2) earmarked on the outside that is in closed and the fiscal year in which the closure occurred and (3) moved to the designated inactive cabinets. Each year as space becomes tight, the GSA (1) removes the oldest folders from the inactive cabinets (2) makes a master listing containing the project name, unit number, revenue number, and operation dates (3) boxes the folders according to fiscal year (4) labels the box and (5) sends it to A&BC's storage area in the Academic-Athletic Center. One copy of the master listing is placed inside the box, with the original being kept by the GSA for easy reference and retrieval. Once the retention period has expired, the project folders are destroyed.

Trial Balance

Statement

As part of A&BC's financial reporting process, and for external audit purposes, the GCA maintains a trial balance on all open restricted projects.

Policy

At the end of each fiscal quarter, the trial balance spreadsheet is updated and an adjusting entry is made on the financial statements. This entry recognizes an accounts receivable equal to the amount of all restricted accounts for which either MSU has not billed and/or received sufficient funds from the sponsor to cover related expenses. This entry also recognizes a unearned (deferred) revenue and a liability equal to the amount of all restricted accounts for which MSU is yet to spend all the funds received from the sponsor (i.e., excess revenue).

The trial balance is divided into three main categories based upon the original source of revenue - federal, state, and private. Each of those categories is divided further by individual funding agency, including notations of any flow-through agencies.

Each quarter the GCA reviews the trial balance carefully to detect obvious coding errors, to refund agencies for overpayment, to assure a zero balance on expired projects, etc.

Procedure

Approximately 4-6 weeks after a fiscal quarter is complete, when A&BC is preparing quarterly financial statements, the GCA runs two printouts using the G/L 20 menu: (1) a listing of all restricted revenues and (2) a summary of all restricted project expenses. These amounts are carried forward to the trial balance via an Excel spreadsheet. Any new projects beginning that quarter are added to the spreadsheet and all formulas consistently carried throughout.

The GCA prepares a journal entry to adjust the unearned revenue (#11-000000-20301) and the unbilled receivables (#11-000000-10230) to their new balance. The differences are adjusted to each revenue category (#11-000000-41500 federal, #11-000000-41200 state, #11-000000-41700 private).

The GCSA reviews each project account balance for reasonableness, accuracy, etc. Any suspicious balances are immediately investigated and resolved.

Audits

Statement

All restricted sponsored projects are subject to audit at any time, whether by a federal or state agency, or MSU's internal auditor or independent audit firm. MSU is subject to OMB Circular A-133 for "Audits of Institutions of Higher Education and Other Nonprofit Institutions".

These audit standards require auditors to obtain reasonable assurance about whether the financial statements of the university are free of material misstatement and to prepare a Schedule of Expenditures of Federal Awards. Highlights of the A-133 include:

- Using a "risk-based" approach to determine which programs are major, instead of basing the decision on the dollar amount;
- Identifying federal awards made by title, CFDA number, award number, year, agency, etc.;

- Monitoring activities to ensure federal awards are used for authorized purposes in compliance with laws, regulations and the provisions of the grant agreements and that performance goals are achieved;
- Studying the internal control structure established for the accounting of federal programs; and
- Following-up on corrective action taken in response to a prior audit finding.

Policy

A&BC is primarily responsible for coordinating and responding to all financial audits of restricted projects. The PI is responsible for technical and performance type audits. In either case, there should be a joint effort between R,G&C, A&BC, and the PI.

MSU is audited each year by an independent firm that is selected via the sealed bid process every five years. Currently the contract is awarded to Crowe, Chizek & Company, LLP in Louisville, Kentucky.

Many federal and state funding agencies require a copy of MSU's annual audit as part of the contract. MSU's independent audit firm sends several copies of our annual audit report to the Single Audit Clearinghouse for further distribution.

Procedure

When either office receives notification of a restricted project or sponsor audit, it is to be communicated to the other parties. All involved parties will work together to meet the needs of the audit team.

For MSU's annual independent audit each August, the GCA prepares and makes ready the following schedules:

- (1) The fiscal year Excel trial balance;
- (2) A detail printout of the unearned revenue account (11-000000-20301), the billed receivable account (11-00000-10224), and the unbilled receivable account (11-00000-10230);
- (3) A printout of all 11 revenue account balances (G/L 20);
- (4) A printout of all 11 units expenditures (G/L 20); and
- (5) The fiscal year's billed receivables Excel spreadsheet.

If an audit finding related to restricted accounts is cited, the GCA will take necessary steps to correct the issue, which may include the involvement of the PI and R,G&C.

Each year by the time the official audit report is issued by the independent auditors, the GCA gives the Director of A&BC a list of various funding agencies who want MSU's report and the required due date. The Director will co-ordinate the mailing of these audit reports with the external auditors.

Cost Accounting Standards

Statement

Effective July 1, 1996, the Office of Federal Management and its Office of Management and Budget (OMB) revised Circular A-21 that establishes principles for determining costs applicable to grants, contracts, and other agreements with educational institutions. The main revisions deal with the implementation of "cost accounting standards". There are four specific standards for which all institutions that receive \$1.00 or more in federal funds must comply with:

- #501 Consistency in estimating, accumulating, and reporting costs
- #502 Consistency in allocating costs incurred for the same purpose
- #505 Accounting for unallowable costs
- #506 Cost accounting period

In addition, any institution that receives a total of \$25 million or more in sponsored agreements during their most recent fiscal year, must file a formal Disclosure Statement (DS-2). MSU's level of funding is much less than \$25 million, thus are exempt from filing the DS-2.

Since these cost accounting standards are relatively new to institutions like MSU, A&BC is compelled to continually review its costing policies and implement any needed policies or procedures to ensure compliance. Common compliance findings thus far include: (a) budgeting for one cost category but charging another, (b) lack of clear distinctions in classifying costs consistently, (c) like costs being charged both directly and indirectly, (d) inconsistent or inappropriate methods for direct charging shared departmental support costs, (e) problems with time and effort reporting, and (f) no clear definitions and accounting for cost sharing.

R,G&C, A&BC, and each PI should continually strive to comply fully with each and every category.

#501 Consistency in estimating, accumulating, and reporting costs

Statement

“An educational institution’s practices used in estimating costs in pricing a proposal shall be consistent with the educational institution’s cost accounting practices used in accumulating and reporting costs. An educational institution’s practices used in accumulating and reporting costs for a sponsored agreement shall be consistent with the educational institution’s practices used in estimating costs in pricing the related proposal or application.”

This section also states that grouping of homogenous costs in the estimation process is not deemed to be an inconsistent application if such actual costs are accumulated and reported in greater detail than what was used in estimating.

Policy

When the PI and R,G&C are preparing a proposal, the costing practices used for estimation are the same costing practices used by A&BC for the actual accumulation and reporting of project costs - whether incurred via direct costing or by cost-sharing:

- Salaries & wages - payroll records and the Personnel Activity Reports
- Fringe benefits - official rates established each year for the employment category determined by the OHR on the PAR
- Travel - mileage and meals: per diem basis, according to MSU’s current official rates; Other travel costs: actual expenses based upon receipts
- Operational expenses and equipment - actual invoice price
- F&A - current negotiated rate, unless waived or reduced during the award process

Actual costs determined according to these practices are charged to the restricted account, regardless of the previously budgeted amount for that cost category. For example, if an employee is actually paid \$15,000 but that position was budgeted at \$14,000, the full \$15,000 (supported by time & effort reporting) will still be assessed to that project.

At the time the GCA establishes a newly awarded restricted account on the G/L, each various expense category reflected on the proposed budget is assigned its own object code to the fullest extent possible. For example, travel may be subdivided between general travel #50220, special travel #50222, field travel #50223, or instructional travel #50221. This helps the PI and A&BC separately identify and accumulate costs in at least as much detail as was originally identified in the proposed budget.

All costs charged to a project must be supported by sufficient documentation to serve as a justifiable audit trail.

Note: Until such time as MSU formalizes the cost-sharing accounting process and starts recording these expenses in a specialized format and manner on the G/L, the PI is responsible for tracking and maintaining all cost-sharing.

#502 Consistency in allocating costs incurred for the same purpose

Statement

“All costs incurred for the same purpose, in like circumstances, are either direct costs only or F&A costs only with respect to final cost objectives. No final cost objective shall have allocated to it as a cost any cost, if other costs incurred for the same purpose, in like circumstances, have been included as a direct cost of that or any other final cost objective. Further, no final cost objective shall have allocated to it as a direct cost any cost, if other costs incurred for the same purpose, in like circumstances, have been included in any F&A cost pool to be allocated to that or any other final cost objective.”

Policy

MSU charges all expenses authorized for reimbursement by the funding agency as direct costs to that restricted project. Any expense category not authorized for reimbursement by the funding agency will not be directly charged to the restricted project. This means one type of expense or object code may be or may not be directly charged.

Example: If the Workforce Development Cabinet authorizes telephone charges for one of its projects, then telephone costs will be directly assessed to that project. If the Kentucky Department of Education does not authorize telephone charges for one of its projects, then any telephone costs incurred by that project will not be directly assessed to that project but will remain with its department. If permitted by the funding agency, any such costs may be recognized as cost-sharing on MSU's part.

MSU is a “short-form” institution for indirect or F&A cost purposes. Included in our F&A cost pool were actual departments (such as public service, the library, institutional support, and plant operation) and 20% of the dean and department chair's salary, as opposed to individual object codes or line item expenses (such as postage, telephone, promotional activities, etc.). This prevents one

type of expense, incurred for the same purpose, in like circumstance, to be both a direct and an indirect cost.

#505 Accounting for unallowable costs

Statement

“Costs expressly unallowable or mutually agreed to be unallowable, including costs mutually agreed to be unallowable directly associated costs, shall be identified and excluded from any billing, claim, application, or proposal applicable to a sponsored agreement.”

This section further states the costs of any work project not contractually authorized by a sponsored agreement, whether or not related to the performance of a proposal or existing agreement, shall be accounted for and separated from the costs of authorized work.

Policy

For complete listing of specific allowable vs. unallowable costs, the PI should refer to the A-21, Section J. Any cost, which cannot be proven as necessary, reasonable, allocable, and non-personal in nature, is unallowable. A funding agency has the right to disallow any charge that was not processed timely, although it may have been allocable to the project. Unless there is written funding agency approval to the contrary, MSU recognizes the following expenses as being unallowable:

- certain advertising & public relation costs - such as convocations and related events, costs of promotional items and memorabilia, costs designed solely to promote MSU, etc.
- alcoholic beverages
- alumni activities
- commencement & convocation costs
- bad debts
- contingency provisions
- donations & contributions
- entertainment costs
- housing & personal living expenses
- fund raising
- lobbying
- personal or civic memberships
- trustees
- fines & penalties
- goods/services for personal use
- pre-award costs
- excess cost over a per-diem
- losses/cost overruns on other projects

- any other cost specifically identified as unallowable in A-21 and/or sponsor agreement

Before submitting any expense for payment, it is the PI's responsibility to ensure the expenditure charged to the restricted project is an allowable cost and does not fall into any of these unallowable categories or any specifically unallowable category named by the funding agency. A&BC reserves the right to deny the payment of any item believed to be generally or specifically unallowable until such time funding agency approval is obtained.

#506 Cost Accounting Period

Statement

“Educational institutions shall use their fiscal year as their cost accounting period, except that. An educational institution shall follow consistent practices in the selection of the cost accounting period or periods in which any types of expense and any types of adjustment to expense are accumulated and allocated.”

Policy

For direct costing purposes, MSU uses the grant/contract's award year as its cost accounting period. For indirect costing (F&A) purposes, MSU uses its fiscal year of July 1 through June 30 as the cost accounting period.

In the spring of each year, the Director of A&BC issues official closing procedures for the upcoming fiscal year end applicable to both unrestricted and restricted projects. For those restricted projects which crosses MSU's fiscal year (such as an October 1 through September 30 contract) all direct costs are still charged to the project year in which the services were rendered or goods were received. However these official closing procedures will determine in which MSU fiscal year (old or new) these costs will be recognized.

Close Out Procedures

Statement

Each individual grant/contract that was budgeted and established in the “11” series of accounts must be closed out upon its conclusion.

Policy

It is the PI's responsibility to ensure all objectives and the mission of the project are carried out as agreed upon and within the time frames established between MSU and the funding agency. The PI is to oversee a proper close out by (a) being aware of all upcoming closure dates, (b) properly preparing for the closing out, and (c) ensuring that all project related expenses are incurred and paid according to MSU's policies and procedures outlined in this manual and/or as stipulated by the funding agency.

The PI is to prepare any technical, narrative or progress type reports. It is A&BC's responsibility to file all financial type reports showing budgeted figures, actual expenses, etc., within the time frames established by the funding agency. If the funding agency does not stipulate a final due date or language to the contrary, A&BC will file the final report within 90 days following project end.

Procedure

- (1) The PI submits all expenses for payment in accordance to the guidelines issued in this manual;
- (2) Approximately 30-45 days after a project's ending date, as soon as the last payroll and encumbrances have been cleared, the GSA or GCA will "freeze" the expired project's G/L accounts. This will help keep new year expenses from being incorrectly posted to a project that is over;
- (3) The GSA will make any final adjusting entries to fringes and/or F&A costs and file remaining financial reports in accordance to the schedule stipulated by the funding agency;
- (4) In cases of an advance or estimated payment, the GCA will refund any unspent funds to the agency as soon as no other expenses are to be posted, but no later than 90 days after the project's ending date;
- (5) In cases of reimbursements, the GCA will monitor the outstanding receivables to ensure timely payment of the final bill;
- (6) The GCA will remove the expired account from the Bud.View program;
- (10) The project's folder will be earmarked closed and removed from the active drawers; and
- (11) The GCA will ensure a zero balance is reflected on the trial balance (i.e., after all funds have been received and any necessary adjustments have been made).

Authority and Reference Materials

- [Federal OMB Circular A-21](#)
(Determines allowable costs)
- [Federal OMB Circular A-110](#)
(Establishes uniform administration requirements)
- [Federal OMB Circular A-133](#)
(Establishes audit procedures for higher education)

These three documents are located in A&BC, 207 Howell-McDowell, and are available from the Office of Management and Budget in Washington, DC. They can also be located on the Internet and downloaded.

- A Guide to Managing Federal Grants for Colleges and Universities
(Provides practical guidelines for regulatory compliance)

This publication is located in A&BC, 207 Howell-McDowell, and can also be purchased through the National Association of College and University Business Officers (NACUBO).

- Morehead State University's official written policies & procedures
- Other college and universities policies & procedure manuals

These were located through contacts with other schools, and were downloaded from the Internet.