CONTROLLER’S OFFICE GRANT ACCOUNTING
POLICIES AND PROCEDURES

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CONTROLLER’S OFFICE GRANT ACCOUNTING
POLICIES AND PROCEDURES

DEFINITIONS
Account Code – the third element of a FOAP accounting string used to identify specific financial transactions. Account codes define the type of activity (ex: salaries, supplies, travel).

Allocable Costs – goods or services that are chargeable or assignable to a particular project.

Allowable Costs – costs that are allocable to that project, reasonable, consistently treated like other similar costs, and allowable under the terms of general federal cost principles set forth in the Uniform Grants Guidance, the guidelines of the funding agency and the specific grant terms and conditions.

Award – funds provided from an external sponsor for support of a project. This term is used for both original awards and supplements.

CFDA# - A unique number assigned to federal agency programs in the Catalog of Federal Domestic Assistance.


Closeout – the process by which the agency or pass-through entity determines that all applicable administrative actions and all required work of the award have been completed. This includes completing the reporting and financial requirements of a sponsored award (deliverables, technical reporting and financial reporting).

Cost-Reimbursement Grants and Contracts – the sponsor will reimburse the College for any actual, approved project costs, within whatever variances the funding agency allows.

Cost Transfer – an adjustment or transfer of expenditures to or from an externally funded project.

Cost Overrun – costs that are incurred for the project that are greater than what was authorized by the sponsor for reimbursement.

Cost Sharing – The portion of project costs not paid by the sponsor. Cost sharing may be mandatory or voluntary, depending on the terms of the award or contract.

Direct Costs – costs that can be identified specifically with a particular project, or can be assigned to the project relatively easily with a high degree of accuracy.

Encumbrance – a reservation of funds for a specific purpose within a fund. Encumbrances can be established for travel, personal service contracts, equipment, or other expenditures.

Federal Flow-through – a non-Federal entity that provides a Federal award to a subrecipient or subaward to carry out a Federal program.
FOAP – acronym for the accounting distribution code fields in the Banner Financial System. These fields are Fund/Organization/Account/Program.

Grant Ledger (FRIGITD) – grants and contracts may be in operation for multiple years. These funds are tracked on Banner grant ledger screens in the financial system, which are not limited to current fiscal year activity only.

Improper Payment – any payment that should not have been made or that was made in an incorrect amount (including overpayments and underpayments) under statutory, contractual, administrative, or other legally applicable requirements. Also, any payment to an ineligible party, any payment for an ineligible good or service, any duplicate payment, any payment for a good or service not received, any payment that does not account for credit for applicable discounts, and any payment where insufficient or lack of documentation prevents a reviewer from discerning whether a payment was proper.

Index – a code that combines the appropriate Fund, Org and Program Codes.

Indirect Costs – costs incurred for common or joint objectives and cannot be identified readily and specifically with a particular sponsored project.

In-Kind Contribution – a non-cash contribution to a sponsored project or program provided by a party other than the primary sponsoring agency. In-kind contributions may be in the form of real property, equipment, supplies, or services directly benefiting and specifically designated for the project or program.

Matching – a type of cost sharing, wherein a contribution to a sponsored project or program is pledged to match some portion of funds provided by the primary sponsor.

Modified Total Direct Cost (MTDC) – all direct salaries and wages, applicable fringe benefits, materials and supplies, services, travel, and up to the first $25,000 of each subaward. MTDC excludes equipment, capital expenditures, charges for patient care, rental costs, tuition remission, scholarships and fellowships, participant support costs and the portion of each subaward in excess of $25,000. Specific costs within MTDC are determined by the federally-negotiated indirect cost rate procedure.

Memorandum of Agreement (MOA) – an agreement sometimes used between public agencies or with private organizations.

No-Cost Extension – for most federal agencies, a one-time no-cost extension of time to complete a sponsored project may be requested. As a member of the Federal Demonstration Partnership, the College of Charleston can exercise one-time no-cost extensions without prior approval from many federal agencies.

Participant Support – direct costs for items such as stipends or subsistence allowances, travel allowances, and registration fees paid to or on behalf of participants or trainees (but not employees) in connection with conferences, or training projects.

Period of Performance – the time during which the non-Federal entity may incur new obligations to carry out the work authorized under the Federal award.
Personally Identifiable Information (PII) – information that can be used to distinguish or trace an individual’s identity, either alone or when combined with other personal or identifying information that is linked or linkable to a specific individual.

Prior Approval Requirements – a federal agency’s requirement that certain changes relating to a sponsored project have to be pre-approved by the sponsoring agency.

Questioned Cost – a cost that is questioned by the auditor because of an audit finding. Questioned costs include those that are not supported by adequate documentation, that appear unreasonable and do not reflect the actions a prudent person would take in the circumstances, or those that resulted from a violation or possible violation of a state, regulation, or the terms and conditions of a Federal award, including for funds used to match Federal funds.

Reasonable Costs – a prudent person would have purchased the same item at the same price.

Sponsor – the government agency or private entity that sponsors a project and provides funding or other resources toward project completion.

Subcontract/Subaward – an award provided by a pass-through entity to a subrecipient for the subrecipient to carry out part of an award received by the pass-through entity. It does not include payments to a contractor or payments to an individual that is a beneficiary of a Federal/State program.

Supplies – all tangible personal property that fall below the prescribed threshold for equipment.

Total Project Costs – direct costs plus indirect costs.

Unallowable Costs – expenses that may be permitted under College policy and may be entirely valid and appropriate for the project, but they cannot be claimed as direct or indirect costs on sponsored projects. Certain expenses are unallowable for reimbursement by the federal government or under the terms of a specific award or sponsor.

COST PRINCIPLES

Code of Federal Regulations 2 CFR 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards sets forth the general criteria for determining the allowability of direct costs on government sponsored projects. In addition to those guidelines, many Federal and non-Federal agencies often publish agency specific guidelines.

In general, direct costs are those that can be identified specifically with a particular cost objective or award or that can be directly assigned to such activities relatively easily with a high degree of accuracy.

Direct costs must adhere to the following criteria:

- The costs must be allowable and not specifically designated as unallowable by a regulation or specific award guidelines. The costs must be necessary and reasonable for the performance of the award and consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the College.
• The costs must be reasonable. A cost is reasonable if it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost. Consideration must be given to whether the cost is of a type generally recognized as ordinary and necessary; the restraints or requirements imposed by such factors as sound business practices, federal and state regulations; award terms and conditions; market prices for comparable goods and services; and other factors.

• The costs must be allocable to a project. A cost is allocable to a specific project if the goods or services involved are chargeable or assignable to the project in accordance with relative benefits received. This standard is met if the cost is incurred specifically for the award or if the costs benefit the project and other work of the institution in proportions that can be approximated using reasonable methods.

Direct costs must be supported with sufficient documentation. This may include invoices, statements, or receipts. In some cases, a detailed explanation of the charge may be required.

Typically allowable as direct costs:

• Salaries and fringe benefits of faculty, technicians, post docs, graduate research assistants and other personnel directly engaged in performing sponsored project's scope of work
• Laboratory supplies and materials necessary for performing sponsored project's scope of work
• Other costs such as travel, subcontracts, scientific/specialty equipment repairs and maintenance, long distance telephone expenses, and other directly related costs necessary for performing sponsored project's specific scope of work
• Capital equipment that is approved by the sponsor (or internally approved if allowed by the sponsor)
• Service/maintenance agreements on capital equipment approved by the sponsor (or internally approved if allowed by the sponsor)
• Identification with the sponsored award (i.e., the scope of work) rather than the nature of the goods or services is the determining factor in determining direct costs.

Typically unallowable on federal awards:

1. Advertising for general promotion of the University, including printed materials, promotional items, memorabilia, gifts, and souvenirs
2. Advertising for recruitment purposes that includes color or is excessive in size
3. Alcoholic beverages
4. Alumni or fund-raising activities
5. Antiques
6. Bad debt write-offs
7. Donations or Contributions
8. Commencement expenses
9. Cost Overruns; any costs allocable to a particular sponsored project may not be shifted to other sponsored projects in order to meet deficiencies caused by overruns or other fund considerations, to avoid restrictions imposed by law or by terms of the sponsored project, or for other reasons of convenience.
10. Costs on Industry, Foreign Government or Other Non-Government Grants/Contracts; any costs allocable to activities sponsored by industry, foreign governments or other sponsors may not be shifted to federally-sponsored projects.

11. Decorative objects for private offices

12. Entertainment

13. Fine/original art

14. Fines and penalties

15. First-class/business-class air travel differentials

16. Flowers

17. Gifts, prizes, and awards

18. Goods or services for personal use

19. Lobbying

20. Memberships in airline travel clubs

21. Memberships in civic, social, community organizations or country clubs

22. Faculty and exempt staff salary in excess of base rates paid by the institution. Refer to 25 below for additional guidance.

23. Selling or marketing products or services of the University

24. Social events

Classification of costs – There is no universal rule for classifying certain costs as either direct or indirect under every accounting system. A cost may be direct with respect to some service or function, but indirect with respect to the federal award. Therefore, it is essential that each item of cost incurred for the same purpose be treated consistently in like circumstances as either a direct cost or an indirect cost in order to avoid possible double-charging of federal awards.

COST TRANSFERS
Cost transfers occur when an expenditure is moved from one fund/account to another. The sponsored award may be the one receiving the charge or the one from which the charge is being removed. Cost transfers may be necessary to correct errors in original charges or to transfer costs that benefit more than one project. All cost transfers must be properly documented, processed within a reasonable period of time, and include appropriate approvals. The cost being transferred must be allowable and have been incurred within the award performance period.

See the College’s cost transfer request form at http://controller.cofc.edu/grants-and-contracts/index.php.

PROCUREMENT
All purchases and disbursements related to sponsored funds are made in accordance with existing College purchasing guidelines and policies, disbursement policies and guidelines, specific terms and conditions, the sponsor’s policies, and if Federally funded, OMB Circulars, A-21, A-110, and A-133. The College has elected to delay the implementation of the new procurement requirements under 2 CFR 200 to June 1, 2017. Please refer to Procurement and Supply Services for current policies and procedures http://procurement.cofc.edu/.
TRAVEL
Travel is allowable as a direct cost when such travel will provide direct benefit to the award. If federally funded, sponsored projects are subject to certain federal laws and the guidelines set forth in the OMB Uniform Guidance. All awards are subject to specific agency restrictions, as well as College of Charleston’s policies and procedures, located at: http://controller.cofc.edu/documents/policies-and-procedures/travel-policy.pdf. The terms and conditions of the individual agreement should be reviewed prior to incurring and/or submitting any travel cost for reimbursement. When there is a conflict between College policy and award requirements, the more restrictive policy applies. Sponsored travel must be justified, well documented, in compliance with the sponsor requirements, and incurred within the period of the award. Sufficient documentation provides clarity so that anyone reviewing the transaction can verify that it is allowable, allocable and reasonable.

Air Travel
Airfare other than lowest economy (ex. business or economy upgrade) is not allowable on Federally sponsored projects unless an exception is met and documented. Federal regulations (2 CFR §200.474.3(d)) require that airfare costs in excess of the lowest economy fare class are unallowable except when the latter would:

- Require circuitous routing;
- Require travel during unreasonable hours;
- Excessively prolong travel;
- Result in additional costs that would offset the transportation savings; or
- Offer accommodations not reasonably adequate for the traveler's medical needs.

Exceptions for business-class or upgraded economy airfare must meet one of these criteria and be justified and documented to be allowable on a federal award.

Fly America Act – The Federal Travel Regulations requires international flights to be on U.S. flag air carriers whenever possible, which is accomplished when code sharing is present. Code sharing occurs when two or more airlines “code” the same flight as if it was their own. Therefore, international flight may be on a foreign air carrier’s plane, but is considered the same as one operated by a U.S flag air carrier. http://www.gsa.gov/portal/content/103191

Open Skies Agreement - Qualifying travelers, whose travel is supported by federal funds, may travel on U.S. Flag Air Carriers, or European Union airlines as long as they touch down in an EU country. Travelers with Department of Defense funding are not allowed to take advantage of this agreement. List of current member countries: http://europa.eu/about-eu/countries/index_en.htm

EQUIPMENT
Equipment acquired with Federal funding is managed in accordance with Federal regulations, sponsor requirements and College policies. Equipment can be acquired through purchase, fabrication, donation or transfer from another institution.
The PI will ensure College policies and procedures are followed. Procurement and Supply Services oversees the equipment and property administration function including writing policies, implementing processes, conducting physical inventory and maintaining the official equipment and property records. Related policies and procedures are located at: [http://procurement.cofc.edu/procurement-manual/types-of-purchases.php](http://procurement.cofc.edu/procurement-manual/types-of-purchases.php) and [http://procurement.cofc.edu/inventory-control-procedures/index.php](http://procurement.cofc.edu/inventory-control-procedures/index.php) Any staff, faculty or student using equipment acquired with Federal funding must provide accurate, timely and complete information regarding equipment/property status and use, and maintain the assets in a responsible manner, including taking security precautions to discourage loss and theft of assets. The PI must report any loss, damage or theft of equipment acquired with Federal funding to Procurement and Supply Services, ORGA and the Controller’s Office.

INDIRECT COST RECOVERIES
Indirect costs, or overhead costs, are those expenditures incurred for common objectives of the College, and therefore are costs that cannot be readily identified with a particular award. Indirect costs are applied as a percentage/ rate against the direct costs of a proposal budget and actual expenditures.

Indirect cost recoveries from sponsors will normally be allocated as follows: 50% to the general fund of the College to offset some of the College’s general overhead costs, 40% to the originating School/ College Dean to be used at the Dean’s discretion, and 10% to the Office of the Provost. Exceptions to the allocation must be approved in writing by the area in which the exception will affect.


RE-BUDGETING AND PRIOR APPROVALS
During the course of a funded project, a Principal Investigator (PI) may want to make changes to the budget or to modify other aspects of the project. In some cases, such changes may require approval of the sponsor prior to the change. Re-budgeting and Prior Approvals policies vary from sponsoring agency to sponsoring agency, and it is the responsibility of the PI to contact the Office of Research & Grants Administration (ORGA) about potential changes to their projects and project budgets far enough in advance to allow for processing requests.

Most sponsors will require obtaining their approval prior to the following changes:

- Change in the objectives or scope of the project
- Absence of or significant change of PI and/or other key personnel effort
- Need for additional funding
- Addition of a subaward or otherwise contracting out a “significant” portion of the project effort
- Transfer of Participant Support costs to another budget category
- Using funds for Equipment purchases not included in the proposal
- Pre-award spending more than 90 days prior to the award start date
- “Significant” re-budgeting for some projects, which is often defined as transferring over 10% of the award among direct cost categories (e.g., SC Sea Grant/NOAA/USGS-funded projects)
The above constitutes some general rules. As policies do vary from sponsor to sponsor and are amended from time to time, PIs are ultimately responsible for contacting ORGA with any questions or concerns about potential changes to their projects.

Re-Budgeting and Prior Approval Procedures

All re-budgeting and prior approvals requests must (1) occur prior to any changes or actions and (2) be submitted through the Office of Research & Grants Administration (ORGA).

- All requests should be emailed to ORGA with a description of the change requested including a justification for the change. ORGA will advise the PI as to next steps in obtaining approvals.
- When sponsor approval is required, ORGA will work with the PI to create the request. In most cases, ORGA will contact the sponsor with the request.
- When approval is obtained, ORGA will prepare the appropriate documentation for the Controller’s Office to make any changes and to place in the official file.

SUB-RECIPIENT MONITORING

As a prime recipient of Federal awards, the College is responsible for ensuring that all awarded project activity, including that of its sub-recipients, is compliant with award terms and conditions and applicable federal regulations. The Office of Management and Budget’s (OMB) Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (2 CFR 200) (Uniform Grants Guidance) requires the College to make a case-by-case determination of whether each agreement to disburse Federal funds casts the party receiving the funds in the role of a sub-recipient or contractor.

Sub-recipients are subject to monitoring requirements set forth in 2 CFR 200, while contractors are subject to the College’s standard procurement policies and procedures. It is the College’s policy to evaluate each sub-recipient’s risk of non-compliance with Federal statutes, regulations, and the terms and conditions of the sub-award, and to determine the appropriate monitoring procedures based on that assessment. The College may also include in sub-award agreements any specific sub-award conditions determined appropriate based on the risk assessment.

Ongoing financial monitoring of sub-awardees includes ensuring that:

- Each sub-recipient is audited when expenditures equal or exceed the threshold set forth in the Uniform Grants Guidance
- The College has in place a fully executed sub-agreement before any payments are made to the sub-recipient
- Invoices are for expenditures that occurred within the period of performance
- Indirect costs are calculated correctly
- Committed cost share is included on the invoice
- Each invoice is signed by sub-recipient officials and includes a statement certifying that costs are in compliance with Federal costing principles and/ or sponsor requirements
- The PI has approved invoices for payment, verifying that the sub-recipient is performing as expected
- Invoices are paid in a timely manner
CLOSEOUTS

It is the policy of the College of Charleston to comply with the requirements of Federal Regulation 2 CFR 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, for the financial management of sponsored projects, including the timely and accurate close-out of awards.

All Federal projects will be closed in accordance with 2 CFR 200. All other awards will be closed as soon as possible after the award end date to ensure that all expenses posted to the project are allowable, no additional charges are posted, all payments are received, and all required reports are submitted.

As a project nears completion, Principal Investigators (PI’s) should ensure that all costs have been appropriately charged to the project. It is important to review all costs and remove those that are unallowable. The grant accountant will work with the PI to clear any open items remaining on the project. The grant accountant confirms that all pending adjustments have posted to the account and are reflected in the College’s general ledger. All outstanding deficits should be resolved and/or transferred before close-out.

Funds may not be obligated after the termination date of the award. Any purchase orders for supplies, or other materials or services must be purchased and received prior to the last day of the award performance period and be authorized, allowable, and necessary for the completion of the project. Unless the Federal awarding agency or pass-through entity authorizes an extension, all obligations under Federal awards must be liquidated not later than 90 calendar days after the end date of the period of performance as specified in the terms and conditions of the Federal award.

Proper award close out includes completion and submission of all technical, financial, and administrative deliverables and collection of all accounts receivable. Financial reports are prepared by the Controller’s office and will be made available for PI review before submission to the awarding agency. Technical reports are the responsibility of the PI. For all fixed price grants with residual balances, please refer to the closeout procedures at http://www.orga.cofc.edu/pub/grants_admin_pol-proc_closoutfixedaccount.shtml.

The sponsoring agency retains the right, after an award had been closed, to recover funds should any questioned costs be disallowed during the course of an audit. All disallowed costs will be borne by the host department.

AUDITS

The College is subject to an annual single audit of internal controls as required by 2 CFR 200, Federal Regulations. The College is also subject to pre-award audits and claimed costs audits by Federal agencies/ sponsors, audits from other entities who provide flow-through funding to the College, an annual financial statement audit, and internal audits conducted by members of the College of Charleston internal audit department.
DATA SECURITY
The College of Charleston controls the access to data in several ways. Access to the financial system is limited to functions necessary to perform required job responsibilities, and must be requested and approved by the department head, the Vice President of Fiscal Services, internal audit, and the Controller’s Office. Related forms are located on the Controller’s website: http://controller.cofc.edu/accounting-forms/index.php

In addition, all employees must adhere to College-wide policies, which include the following policies in regards to the protection of data:

Privacy policy: http://www.cofc.edu/policies/privacypolicy/


Records pertaining to certain awards that have closed are stored in an off-campus secure warehouse location and maintained according to the retention policy. The warehouse has limited access by a small number of employees and utilizes a 24/7 security monitoring system.

RECORD RETENTION

The College follows all Federal and State regulations related to record retention for sponsored programs. Specific record retention schedules are located at: http://policy.cofc.edu/policy.php#records (11.4 Retention and Destruction of Records).