I. Purpose and Scope

The Grants and Contracts Accounting (GCA) policies & procedures (all 3.25xx, 3.26xx and 3.27xx policies) are designed as a post-award reference tool for all sponsored awards. A sponsored award must come from an external source (outside of Western Kentucky University). Sponsors typically require periodic financial reports and have strict guidelines regarding expenditures. The majority of awards are funded by a federal, state or private agency, either directly or as flow-through from another agency. The policies and procedures will serve as a guide to assist personnel who work with restricted funds. They may be superseded by specific award requirements.

II. Policy

WKU's objective is to allow the Principal Investigator (PI) or Principal Director (PD) to conduct the activity proposed while complying with the associated rules and regulations of the sponsor. Because the PI/PD has the overall responsibility for the technical and fiscal management of the project 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 may be grounds for termination of the project by the agency.

A. Administrative Requirements, Cost Principles, and Audit Requirements

The Office of Management and Budget (OMB), has established uniform administrative requirements, cost principles, and audit requirements for Federal awards to non-Federal
entities at 2 CFR Part 200. This uniform guidance represents minimum requirements which WKU must adhere to in doing business with the federal government, (whether directly or as a pass-through entity. For consistency, 2 CFR Part 200 should be followed for all awards (including State, Local, Private, and International) as part of our university’s policies and procedures.

B. Organizational Relationships

Once an award has been established and becomes operational, its success depends on the PI's/PD's ability to carry out the project and WKU's proper stewardship of the funds. GCA does not act as a control unit, but rather as a support and oversight unit to the project and its PI/PD.

GCA reports to the Director of Accounting & Financial Reporting within the division of Finance and Administration, and is responsible to the University, WKU Research Foundation (WKURF), and to the funding agencies for the financial and regulatory administration of all restricted grants and contracts awarded to WKU/WKURF. The office strives to work closely with the individual PIs, their departments, and the Office of Sponsored Programs (OSP). Although OSP is primarily responsible for pre-award functions, the two offices remain actively involved until the project is closed out.

C. Responsibilities

GCA’s objective is to ensure routine administrative and/or financial matters are completed according to WKU’s policies and procedures as well as the sponsor’s policies. 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. Establishing an index # for a new award and notifying PIs/PDs of their index number;
2. Establishing, communicating, and enforcing policies and procedures consistent with federal, state, sponsor, and University regulations;
3. Facilitating budgetary activities of restricted funds – including the approval of requisitions, payroll forms, inter accounts, procurement card expenses and other feeds based on:
   a. Allocability-A cost is allocable if the goods or services involved are chargeable or assignable to the sponsored award in accordance with the relative benefit received. Was the cost incurred specifically for the sponsored award? If the costs benefited both the sponsored award and the university, is there a reasonable (and documented) method in which to distribute the cost?
   b. Allowability-A cost is allowable if the cost (a) is necessary and reasonable for the performance of the award; (b) conforms to any limitations or exclusions set forth in 2 CFR 200 or the award agreement; (c) is consistent with policies & procedures that apply uniformly to both sponsored and non-sponsored activity within the university; (d) is determined to be in accordance with generally accepted accounting principles (GAAP); (e) is not included as a cost or used to meet matching requirements of any other federally financed program in either the current or prior period; (f) is adequately documented.
   c. Reasonability-A cost is reasonable in nature if it does not exceed that which would be incurred by a prudent person under similar circumstances.
4. Ensuring that commonly unallowed costs are specifically lined out and budgeted for in the approved sponsor budget. Common unallowed costs include, but are not limited to:
   a. Advertising/Promotion (except costs specific to the program),
   b. Alcoholic beverages (never allowed),
   c. Bad debts,
   d. Capital general purpose equipment,
   e. Commencement or convocation costs,
   f. Charitable donations; however, the value of donated services may be used to meet cost sharing or matching obligations,
   g. Commercial air and ground travel in excess of the basic least expensive option,
   h. Development/fundraising costs,
   i. Entertainment costs: (Costs of entertainment, including amusement diversion, and social activities and any costs directly associated with such costs.),
   j. Fines, penalties, damages and other settlements,
   k. Goods or services for personal use (including gifts),
   l. Housing and personal living expenses of employees regardless of whether reported as taxable income,
   m. Lobbying,
   n. Losses on other sponsored agreements or contracts (cost overruns)
   o. Pre-award costs, unless approved by the sponsor,
   p. Student activity costs;

5. Preparing and submitting financial reports and invoices, as stipulated by the sponsor, in a timely manner;

6. Monitoring indexes to prevent overall or account code/pool over expenditure;

7. Following up with sponsors on delinquent payments;

8. Maintaining the federally mandated after-the-fact effort reporting system;

9. Performing Random audits of pro-card receipts;

10. Providing assistance, support, and guidance to PIs/PDs and their office personnel;

11. Closing out expired restricted projects, including submission of final financial reports and disposition of remaining balances

12. Retaining award documentation and financials for required timeframe after closeout. Three years (per, OMB 2 CFR 200) after the fiscal year end the award closed out, or longer, per sponsor guidelines.

13. Assisting with year-end reporting and the financial external University audit.

Responsibilities of the PI/PD include, but are not limited to:

1. Ensuring that all expenditures for the sponsored award are reasonable, allowable, allocable, and timely (see definitions at II.C.3 above);

2. Ensuring that unallowed costs (see II.C.4 above) are not charged to the award unless specifically allowed by the sponsor;

3. Submitting adequate documentation with all requests for payment, including inter accounts;

4. Ensuring compliance with required cost sharing commitments and providing timely documentation of all cost-sharing;

5. Establishing internal procedures to assure timely processing of all personnel actions, expenditures, travel, reimbursements, etc.;
6. Monitoring and maintaining the committed level of effort attributable to the restricted project;
7. Controlling the project’s budget to prevent overages within budgeted account codes/pools and initiate any necessary transfers. This includes working with OSP to request permission from the sponsor before any money is spent in unbudgeted or underfunded account codes/pools;
8. Performing periodic reviews of the charges to the project and promptly notify GCA of any discrepancies;
9. Providing assistance to the GCA staff as needed and requested;
10. Preventing conflict of interest and/or conflict of commitment.

Note: Delegating any duties related to the sponsored award to other personnel does not relieve the PI/PD of his/her responsibilities.

III. Procedure

A. Timing of the Establishment of a Restricted Index

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

2. In order to minimize financial risk of non-funding, a grant index will, typically, not be created in the WKU General Ledger (GL) until a fully executed grant or contract has been received.

3. Circumstances may arise where the actual award documents are delayed in execution and the PI/PD can document a pressing need for a new grant index number. Should this occur, the Associate Provost for Research and Creative Activity will decide if enough documentation exists to cover or minimize the university’s risk.

4. Similarly, a dean may request that a grant index number be established on the basis of that dean’s college assuming the risk associated therewith. The Associate Provost for Research and Creative Activity shall determine whether such a request should be honored.

B. Method of Establishing a Restricted Index

When a grant or contract has been awarded, OSP forwards the pertinent documents to GCA. This may include a fully executed copy of the contract, the sign-off sheet and the budget on the Chart of Accounts (COA). GCA will then perform the following tasks:

1. Complete the Banner data entry sheet.
2. Assign a 6-digit index number, starting with 5XXXXX, based on the award’s original funding source, and corresponding 6XXXXX index if there is cost-share.
3. Enter this information into Banner Finance.
4. Load the budget for the award from the Chart of Accounts (COA).
5. Email a copy of the COA with the new index number and the data entry number to OSP.
6. Complete a Detail Code Request form and submit to Cashier’s Office which establishes the detail code for deposits to the GL of this particular award.
7. Send the PI/PD the New Award Letter and submit a Crosswalk IT Service Request Form granting the PI/PD Banner access to their new index number.
8. Enter information for new award on the Master Grant List for the current fiscal year.
9. Establish a new folder for the award.

C. Control Procedures for Restricted Index

1. The Assistant Director of GCA monitors all awards monthly using Banner Finance Reports and Infoview Reports. The Assistant Director checks for the following:
   a. over expenditures
   b. revenue equal to expenses
   c. percent of expenditure to budget
   d. claim on cash
   e. cost share to make sure claim on cash is equal to budget balance
   f. F&A to make sure actual does not exceed budget

2. Questionable items are given to the grants staff member assigned to the award for follow up. Over expenditures are moved out of the restricted index and into the department connected to that grant.

IV. Reason for Revision

May 2016
Revised to reflect re-organization of the Office of Research and Creative Activity and amended for OMB 2 CFR Part 200.

May 2017
Revised to reflect required policy documentation of allowable and unallowable cost determination, per OMB 2 CFR 200.302(b)7; and various procedural wording.

V. Related Policies

All 3.25xx, 3.26xx and 3.27xx policies