Saint Mary's College of California
Financial Post-award Procedures for External Grants, Including Internal Controls, Time and Effort, and Closeout Procedures

Responsible Officer	Senior Vice President for Finance and Administration; Senior Vice President for Academic Affairs and Provost
Responsible Office	Business Office; Academic Affairs
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Applicability	These procedures apply to Saint Mary's administrators, faculty, and other employees who apply for or participate in a grant or contract that is awarded to Saint Mary's College of California by an external sponsor or grantor.

INTRODUCTION

The following procedures are used for financial management of externally sponsored grants at Saint Mary's College of California (SMC). The procedures accord with Uniform Guidance 2 CFR § 200.302(b), which indicates that the recipient's and subrecipient's financial management system must provide for the following:

- Identification of all Federal awards received and expended and the Federal programs under which they were received. Federal program and Federal award identification must include, as applicable, the Assistance Listings title and number, Federal award identification number, year the Federal award was issued, and name of the Federal agency or pass-through entity;
- Written procedures for determining the allowability of costs in accordance with subpart E and the terms and conditions of the Federal award;
- Maintaining records that sufficiently identify the amount, source, and expenditure of Federal funds for Federal awards. These records must contain information necessary to identify Federal awards, authorizations, financial obligations, unobligated balances, as well as assets, expenditures, income, and interest. All records must be supported by source documentation;
- Effective control over and accountability for all funds, property, and assets as noted in 2 CFR § 200.303;
- Comparison of expenditures with budget amounts for each Federal award;
- Written procedures to implement the requirements of 2 CFR § 200.305;
- Accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements in 2 CFR § 200.328 and 2 CFR § 200.329; and
- Procedures to implement federal closeout requirements under 2 CFR § 200.344.

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PROCEDURES

A. Record Keeping and Identification of Federal Awards

In accordance with record-keeping requirements in 2 CFR 200.302(b)(1), the Office of Research maintains a pre-award sponsored projects database that includes a record of each sponsored grant proposal that is submitted by SMC.

Upon receipt of a Notice of Award, the awarded project is transitioned to the post-award phase and pre-award records are expanded to include required post-award information. All grant records are supported by source documentation.

The following information is kept for each grant request and subsequent award:

Grant Records, Pre-award Phase	**Additional Grant Records in Post-award**
● Identification of the Federal award	● The corresponding Federal award received
● Proposed term of the grant	● Term of the award
● The name of the Federal program under which the grant was requested, including, as applicable: ○ Assistance Listings title and number ○ SMC-specific grant title ○ Date of the grant request ○ Name of Federal agency or pass-through entity for the proposed grant	● The name of the Federal program under which the grant was received, including, as applicable: ○ Assistance Listings title and number ○ Federal award identification number ○ Year the Federal award was issued ○ Name of Federal agency or pass-through entity for the award
● The amount of the requested grant	● The amount of the award and information on: ○ authorizations; ○ financial obligations; ○ expenditures; and, ○ as applicable: unobligated balances, assets, income, and interest.

B. Creation of a General Ledger Number

The Grant Accountant will create a General Ledger Number (GL) for external grant awards accepted by SMC. The PI will use this GL number for approved expenditures in the grant budget.

Advance accounts are not typical at SMC. Projects with compliance restrictions (e.g. human or animal subjects, RECR mandated training, biohazards etc.) will not be allowed to spend grant funds on activities until institutional approvals are received and/or compliance obligations are met.

C. Determining the Allowability of Costs

SMC uses applicable Federal Cost Principles in 2 CFR Part 200 Subpart E to determine the allowability, reasonableness and allocability of costs applicable to federal grants.

Allowable expenses are defined as follows:

- **Reasonable**
  A cost is **reasonable** if, in its nature or amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost.
- **Allowable**
  The cost must be permitted as a cost within general federal regulations or the terms of specific award. An **allowable** cost is one that:
  - Follows the agreed upon budget and grant agreement;
  - Is necessary and reasonable for proper and efficient performance and administration of the grant;
  - Conforms to any limitations or exclusions set forth in the Federal Cost Principles or in the award as to types or amounts of cost items;
  - Is consistent with SMC's policies and procedures that apply both to federal awards and other activities of the organization;
  - Is treated consistently as a direct or indirect cost;
  - Is determined in accordance with generally accepted accounting principles (GAAP);
  - Is not included as a cost or used to meet cost sharing or matching requirements of any other federally-financed program in either the current or a prior period, unless specifically permitted by federal law or regulation;
  - Is adequately documented;
  - Is authorized or not prohibited under federal, state or local laws or regulations.
- **Allocable**
  Only those costs that specifically benefit a project may be charged (allocated) to that project. A cost is **allocable** to a particular federal grant if the goods, services or other activity involved are chargeable or assignable to the federal grant in accordance with the relative benefits received.
- **Consistently Treated**
  Costs that are charged to the grant must be handled consistently by the grantee – i.e. by SMC.

SMC uses the following documents to ensure that activities are allowable and allocable to the grant:

- Approved Grant Budget;
- Grant Award Notification, including Terms and Conditions;
- Federal Uniform Guidance in 2 CFR Part 200 Subpart E;
- Saint Mary's College of California policies and procedures.

Other considerations:

- Should any cost deviate from the approved budget, the Grant Accountant makes the final determination regarding the allowability and allocability of the cost based on the principles articulated in this section.
- If there is a conflict between the grant terms and conditions and SMC policies and procedures, the conflict will be addressed on a case-by-case basis.
- Please see SMC's *Unallowable Costs Procedures* for information on costs that may be disallowed.

D. Responsibilities for Grant Budget Administration

The Primary Investigator / Project Director (PI/PD); the PI/PD's school or unit; the Office of Research; and the Business Office at SMC share responsibility for administering the budget of the grant in post-award. ***The primary responsibility is assigned to the PI/PD.***

- In the pre-award phase, the Office of Research is responsible to work with the Grant Accountant, the PI/PD, and the PI/PD's dean or supervisor to ensure that the project budget is developed and submitted to sponsors in accordance with sponsor guidelines and federal and College policies.
- In post-award, the PI/PD, their dean or supervisor, the Business Office, and the Office of Research will administer the budget.
    - At the transition to post-award, the budget and records of all proposal documents from pre-award are shared by the Office of Research with the PI/PD; their dean or supervisor; the Grant Accountant; and any other administrators who will participate in the administration of the grant.
- Responsibilities of the PI/PD and Their Supervisor
    - The PI/PD and their dean or administrative supervisor are provided with a Notice of Award that outlines the budgeted expenses, budget limitations, and prior approvals for a given award. The Notice of Award is project specific.
    - The PI/PD spends against the approved sponsor budget. It is the responsibility of the PI/PD and their supervisor to review proposed expenditures relative to the awarded budget and the cost principles in section C of these procedures prior to expending the funds to ensure that all costs are allowable, reasonable and allocable to the grant.
    - The PI/PD is responsible to submit grant expenditures first to their school or unit for approval, and then to the Grant Accountant for final approval.
    - The PI/PD's dean or supervisor or their designee is responsible to approve grant-related expenditures prior to forwarding them to the Grant Accountant for approval.
    - To submit grant-related expenses, the PI/PD uses SMC's standard procedures for incurring costs and expenditures as posted on the Accounts Payable site (www.stmarys-ca.edu/offices-services/business-office/accounts-payable-and-purchasing).
    - All expenses must be incurred within the period of the grant award. Pre-award expenses are not customarily allowable without written sponsor approval.
    - The PI / PD is responsible for reviewing monthly budgetary reports prepared by the Grant Accountant to ensure expenses are appropriate and in line with the approved sponsor budget.
- Grant Accountant and/or Business Office Responsibilities
    - The Grant Accountant has the final authority to approve expenditures on sponsored projects to ensure the costs are allowable, reasonable, allocable, and consistently treated.
    - The Grant Accountant prepares monthly budget reports that are distributed to the PI/PD, their school or unit, and Academic Affairs and/or the Office of Research.
    - The Grant Accountant is responsible to ensure drawdown of funds.

E. Time and Effort Reporting for Sponsored Grants

Adherence to SMC's Time and Effort Reporting procedures for sponsored grants is necessary to prevent cost disallowances and penalties by the federal government and other sponsoring agencies.

The correct allocation of personnel charges to the appropriate activity/account is important in the management of SMC's resources and is especially significant to SMC's compliance with federal

guidelines. As a condition of receiving funding from the federal government, SMC is required to maintain and certify the percentage of effort that SMC employees devote to externally-sponsored projects. SMC's effort reporting system is an after-the- fact confirmation requiring the completion of a Time and Effort Report.

The Time and Effort Reporting is distributed and collected by the Grant Accountant. All SMC employees who are funded through federal grants are responsible for completing their Time and Effort Report at least three times per year (end of fall semester, end of spring semester, and end of the summer). Employees must record all of their time spent on grant activities. Time and Effort Reports must be an after-the-fact reflection of the actual activity of each employee.

The Time and Effort Report shall:

- reasonably reflect the percentage distribution of time and effort expended by employees involved in externally-sponsored projects;
- be completed and signed by each employee working on an externally-sponsored project;
- be confirmed by the countersignature of a person having firsthand knowledge of the employee's activities;
- be held with the official post-award grant files.

Time and Effort Reports must be completed no later than thirty (30) days following the end of the reporting period. Employees will sign their Time and Effort Reports via DocuSign, which will then be routed to their supervisor for review and approval.

F. Invoicing of Grants and Drawdown of Funds

The Business Office invoices sponsors for approved direct and indirect costs incurred on grants. Invoicing is conducted in accordance with the given sponsor agreement.

In the case of subawards, the Business Office receives and pays invoices related to subawards after determining the service/good was received and acceptable per the PI.

Drawdown procedures for invoicing are:

- To obtain reimbursement amounts for drawdowns of funds, the Grant Accountant will perform a budget to actual (B2A) for a given period, and will reconcile the B2A to the general ledger. Any costs that have been posted to the GL or have been accrued are requested through the reimbursement process of the grant.
- After the B2A is complete, the Grant Accountant updates Business Office grants records indicating the date that the B2A was reconciled, and who reconciled it. The Grant Accountant and one other SMC accountant (Accounting Manager or Controller) together review the Active Grants Spreadsheet on a regular basis to go over the grants that need to be reconciled, and drawn down, and will work together to ensure timely reconciliation, and reimbursement requests are being performed.
- The Accounting Manager or Controller will review the work of the Grant Accountant. A reconciled budget to actual is also provided to the Principal Investigators (PI) to review the financial progress of the grant, which includes the total incurred costs to date, details of purchases made, outstanding balances due, remaining available funds, and the need to resolve any over budget amounts. The PI will meet with the Grant Accountant(s) to go over any

questions. Additionally, Grant Accountant(s) always alerts the PIs of any budget discrepancies, such as overspent lines, budget modifications, etc.

G. Period of Availability of Funds

The availability of funds is during the budget period. Funds can only be spent based on the budget period (as defined in the *Acronyms and Definitions* section of 2 CFR Part 200), once the budget period has been opened and approved by the funding agency. Funds cannot be spent on a future budget even if the grant is for a multi-year period. Unspent funds from a prior budget cannot be spent unless a carryover request has been approved by the funding agency.

While grants awarded to SMC are most typically paid on the basis of invoices for work that has already been completed, SMC will comply with the requirements in 2 CFR § 200.305(b) in cases where grant funds are paid in advance. In such cases, SMC will adhere to the requirement that it employ payment methods that minimize the time elapsing between the transfer of funds from the Federal agency or the pass-through entity and the disbursement of funds by SMC or by SMC's subrecipient.

H. Internal Controls

In accordance with requirements in 2 CFR 200.303 related to the establishment of internal controls, SMC establishes, documents, and maintains effective internal control over the Federal award that provides reasonable assurance that the recipient or subrecipient is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls align with the guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control-Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Specifically:

- SMC complies with the U.S. Constitution, Federal statutes, regulations, and the terms and conditions of the Federal award.
- SMC evaluates and monitors the recipient's or subrecipient's compliance with statutes, regulations, and the terms and conditions of Federal awards.
- SMC will take prompt action when instances of noncompliance are identified.
- SMC takes reasonable cybersecurity and other measures to safeguard information including protected personally identifiable information (PII) and other types of information. This also includes information the Federal agency or pass-through entity designates as sensitive or other information the recipient or subrecipient considers sensitive and is consistent with applicable Federal, State, local, and tribal laws regarding privacy and responsibility over confidentiality**.**

I. Re-budgeting

Different sponsors have varying rules and regulations related to re-budgeting grants. Prior approval from the sponsor is often required for re-budgeting. The PI/PD, along with the Grant Accountant and/or the Office of Research, will make requests for re-budgeting to the sponsor as necessary and share sponsor approval with the Business Office.

J. Cost Transfers

A cost transfer is a transfer of expenditure from one project to another project. Although it is ultimately the responsibility of the PI / PD to ensure the fiscal and programmatic management of an award or contract, the Grant Accountant facilitates this endeavor by providing timely, comprehensive and accurate fiscal reports of all awards and contracts. Errors should be identified by the PI as soon as possible.

Cost transfers should occur within 90 days from the original charge with written justification. Should the identification of an error exceed 90 days additional justification may be required. The 90 day cost transfer time limit applies when transferring expenses TO a sponsored grant or contract. No time limit exists for REMOVING expenditures from a federally sponsored grant or contract. If inappropriate expenditures are discovered on federal projects, they must be removed without regard to time limits.

K. No-cost Extensions

An extension is needed to an agreement to spend beyond the end date of a grant. In many cases a sponsor may grant a no-cost extension, which extends the project's length without additional funds added. A PI or PD should alert the Office of Research and/or the Grant Accountant at least 60 days prior to the end date of an award when a no cost extension will be needed. The request for a no-cost extension must include the scientific/programmatic reasons for the delay in project completion. Simply having funds left and available in the budget is not a sufficient reason to request a no-cost extension. The Office of Research or the Grant Accountant will request extensions from the sponsor.

Purchases in the final months of a grant period
Purchases may not be made simply to use unobligated funds at the end of the grant period. In particular, equipment purchases during the last 6 months of a project are discouraged. If proposed, such purchases will require additional justification from the PI. This may include:

- Confirmation of whether the PI will be requesting an extension.
- Expected receipt date of equipment.
- A programmatic justification as to why the equipment was not necessary until the last six months of the award.

L. Requirements for Vendors Paid with Federal Funds

Vendors paid with federal funds must not be debarred or suspended from receiving federal funds. SMC will check the Excluded Parties List System (EPLS) prior to authorizing purchases.

M. Travel on Grants

All travel must follow SMC's normal travel policies and procedures. In addition to those policies, those with federal awards must adhere to the "Fly America" act and ensure all international travel is purchased through an American flag carrier, even if it costs more money. Alcohol is not an allowable expense to be charged to a federal award when reimbursing the cost of meals.

N. Financial and Project Reporting

In accordance with the reporting and monitoring requirements in 2 CFR § 200.302(b)(2), 2 CFR § 200.328, and 2 CFR § 200.329 related to accurate, current, and complete disclosure of the financial results of each Federal award or program, the PI/PD, Business Office, and Office of Research are responsible for timely progress reporting and financial reporting on the sponsored agreement.

- PI/PD responsibilities include:
  - timely, allowable, and accurate expenditure of grant funds;
  - coordination with the PI/PD's school or unit and the Business Office to ensure the Business Office has access to complete financial records related to the award;
  - timely preparation and submission of annual progress reports and final reports;
  - for grants that include subawards, monitoring of the subrecipient's activities to ensure they are compliant with all requirements and meet performance expectations, in accordance with 2 CFR § 200.329 and SMC's subrecipient monitoring policy;
  - submission of completed reports to the Business Office and the Office of Research;
  - retention of grant project records and any data generated as a result of the project for the period specified in the award terms and conditions.
- Grant Accountant and/or Business Office responsibilities include:
  - final approval of costs charged to grants;
  - timely invoicing of sponsors and drawdown of funds;
  - timely preparation and submission of financial reports to the sponsor; and
  - retention of financial records related to the grant for the period specified in the award terms and conditions.
- Office of Research responsibilities include:
  - review of progress reports prior to their submission;
  - serve as the authorized submitter or signing official in cases where progress reports must be submitted electronically through an agency electronic portal; and
  - maintain grant project records and any data for the period specified in the award terms and conditions.

Additional notes and requirements for PI/PDs, the Business Office, and the Office of Research:

- A PI or PD who fails to meet reporting requirements by the sponsor may be prohibited by the Director of the Office of Research from submitting new proposals.
- All report preparers should note the requirements in 2 CFR § 200.329(b) that:
  - SMC and any subrecipient(s) must relate financial data and project or program accomplishments to the performance goals and objectives of the Federal award; and
  - SMC and any subrecipient(s) must provide cost information to demonstrate cost-effective practices when required by the terms and conditions of the Federal award.
- In cases where progress and financial reporting must be coordinated between the PI/PD, the Business Office, and/or the Office of Research, the PI is responsible to coordinate with the other offices for timely submission of the report.
- As specified in 2 CFR § 200.329(e), when a significant development that could impact the Federal award occurs between performance reporting due dates, SMC and any subrecipient(s) must notify the Federal agency or pass-through entity.
- A copy of the progress report should be submitted to the Office of Research and to the Business Office upon completion, as auditors often request to see documentation of timely project reporting of federal funds.

O. Records Retention

In accordance with the records retention provisions in 2 CFR § 200.334, 2 CFR § 200.335, and 2 CFR § 200.337, SMC's Business Office retains financial records of the accounting of every sponsored agreement for the minimum required by the sponsor or three years from the project's completion, whichever is longer. In addition, the PI/PD and/or their school or unit must retain data and project records for inspection by the sponsors for the same length of time. When practicable, SMC will collect, transmit, and store Federal award information in open and machine-readable formats, in accordance with 2 CFR § 200.336.

P. Financial Close-out Procedures

The PI / PD, along with the Office of Research and the Business Office, complies with federal closeout requirements under 2 CFR § 200.344.

Large, unjustified expenditures during the final month of a grant are often red flags for auditors. In order to facilitate the capture of all direct and indirect costs associated with an award or contract, PIs are expected to review monthly financial reports on a timely basis throughout the award period. All materials and services needed for the conduct of the project must be received and accounted for prior to the end date of the award. When the project is complete, a final financial report will be prepared according to the timeline and specification of the particular sponsor. Any remaining or unspent funds will be remitted to the sponsor, unless otherwise indicated in a sponsor agreement or communication.