



Manual of Policy and Procedures

Title POLICY ON GRANTS AND EXTERNAL FUNDING	Number 408	Page 1 of 5
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PURPOSE

Consistent with the Board of Trustees' responsibility for oversight of all VSC finances, the purpose of this policy is to define and establish application, approval, acceptance, and monitoring processes for sponsored projects.

DEFINITION

A sponsored project is an activity with a specific scope of work that is funded externally by public or private sources. These include grants, sponsored contracts, and cooperative agreements.

STATEMENT OF POLICY

The Board of Trustees encourages the submission of proposals that are expected to be of benefit to the VSC and/or the member Institutions. All use of sponsored projects funding shall be in accordance with VSC policies, the terms of the award, and any applicable state or federal laws. Any activity or expense related to federal grants or contracts must comply with 2 CFR 200 – Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. This Policy is to be read consistent with federal and state law. If there is any conflict between this Policy and federal or state law, this Policy is to be interpreted consistent with federal or state law.

I. APPROVAL AND SUBMISSION OF PROPOSALS

Any employee of a VSC Institution or the VSC Chancellor's Office may apply for grants provided that all provisions of the grant are in conformance with this and other VSC policies. Student organizations may apply for grants under the supervision of an advisor.

Prior to submission, all proposals for external funding, regardless of size, require approval of the President (or delegated authority) for member Institutions and of the Chancellor (or delegated authority) for system-wide requests. Each Institution's Office of Sponsored Programs, or

equivalent office, must also perform a budget and compliance review before any proposals can be submitted.

A proposal shall require review and approval by the Finance and Facilities Committee and the Board of Trustees if it:

1. Requests \$1,500,000 or more per fiscal year, or
2. Involves annual matching or cost sharing of \$375,000 or more.

Prior to submitting a proposal for external funding, applicants are required to disclose any potential conflicts of interest to their appropriate administrator, following the procedures outlined in VSC Policy 207: *Trustee and Executive Conflict of Interest* and VSC Policy 210: *Employee Conflict of Interest*. If the proposal involves federal funds, the administrator shall disclose this potential conflict of interest, in writing, to the awarding agency or, in the case of pass-through funds, to the entity that is providing the federal sub-award.

Proposals that involve research require additional approvals prior to submission. To comply with 42 CFR Part 50, Subpart F – Responsibility of Applicants for Promoting Objectivity in Research, applicants proposing to conduct research using federal funding are required to identify significant financial interests. (See VSC Policy 435: *Externally Funded Research*).

II. ACCEPTANCE OF EXTERNAL AWARDS

All agreements for externally funded awards shall be signed by an authorized organizational representative (AOR). Presidents or a delegated AOR shall sign on behalf of their institutions. The Chancellor or a delegated AOR shall sign agreements for awards to the Chancellor's Office. Authorizing officials bear responsibility for reviewing the terms and conditions of awards before they are accepted.

After the President, Chancellor, or delegated AOR has signed an agreement, it must be forwarded to the VSC Shared Services Finance Department along with any applicable forms. Work may not begin on an externally funded project until the VSC Finance Department has received the fully executed agreement and the accounts for the project have been set up.

Any proposals that involve research on human subjects must receive Institutional Review Board (IRB) approval before any expenses can be charged to the award. Each VSC institution maintains a process for reviewing and approving research requests that involve human subjects.

III. MONITORING, REPORTING, AND COMPLIANCE

To ensure that awarded funds are spent according to the requirements of the funding organization, the VSC maintains and follows documented procedures for the areas outlined below.

A. Internal Controls

In accordance with VSC Policy 431: *Internal Controls*, the VSC shall implement internal controls over all sponsored projects so as to provide reasonable assurance that the VSC is compliant with conditions and requirements of each award. The VSC shall follow an established system to evaluate and monitor its compliance with award requirements and will take prompt action when instances of noncompliance are identified in audit findings. The VSC shall take reasonable measures to safeguard personally identifiable information and other information designated as sensitive. (See VSC Policy 312: *Compliance with the Family Educational Rights and Privacy Act* and VSC Policy 627: *VSC Information Sensitivity*.)

B. Procurement Standards

The VSC shall follow VSC Policy 429's *Standards and Procedures: Contracting for Purchases or Leases of Goods, Services and Equipment* for procuring goods and services, in accordance with federal requirements. Additionally, the VSC shall avoid conflicts of interest for employees engaged in selecting, awarding, and administering contracts.

C. Financial Management for Federal Awards

The VSC shall expend and account for federal awards in compliance with federal statutes, regulations, and the terms and conditions of the award. Financial management procedures shall ensure that the following requirements are met for monitoring federal funds, as outlined in 2 CFR 200.302(b):

1. Identification: The VSC financial management system will identify in its accounts all federal awards received and expended and the federal programs under which they were received. This includes the assistance listing title and number, the federal award identification number and year, name of the federal agency, and the name of the pass-through entity, if applicable.
2. Reporting: The financial management system will provide accurate, current, and complete disclosure of the financial results of each federal award.
3. Financial Records: The VSC shall maintain records that identify the source and application of funds for federally funded activities.

4. Accountability: The VSC shall provide effective control over, and accountability for, all federal funds, property, and other assets to ensure funds are used solely for authorized purposes. Accounting records shall be supported by documentation.
 5. Budget Control: The VSC shall compare actual expenditures with budgeted amounts for each federal award.
 6. Cash Management: The VSC shall follow a reimbursement method of payment for federal awards, unless specifically directed otherwise by the granting agency. Whenever advance payment procedures are required, the VSC shall minimize the time elapsing between the transfer of funds from the U.S. Treasury and disbursement. Cash advances shall be limited to the minimum amounts needed and be timed to be in accordance with the actual, immediate cash requirements of the VSC in carrying out the purpose of the approved program or project. The timing and amount of advance payments shall be as close as administratively feasible to the actual disbursements by the VSC for direct program costs and the proportionate share of any allowable indirect costs.
 7. Prohibition of Supplanting: Supplanting occurs when new funds are used to replace existing funds that were previously allocated for a specific purpose. Unless explicitly approved by prior written approval from the funder, funds are strictly prohibited from being used for general expenses not associated with the details or goals of the awarded funds. Federal funds must be used for their intended purpose, as detailed in the award notification letter or as regulated by federal, state and local policy. Grant budgets will be assigned specific GL accounts to avoid co-mingling of funds.
 8. Mandatory Disclosures: The VSC shall maintain procedures to identify and disclose in writing, in a timely manner, to the federal awarding agency or pass-through agency any violations of federal criminal law involving fraud, bribery, or gratuity.
- D. Determining Direct and Indirect (F & A) Costs for Federal Awards
- Direct costs are costs that can be identified specifically with a particular cost objective for a sponsored project or that can be directly assigned to such activities with a high degree of accuracy. Indirect costs (also referred to as Facilities & Administrative costs or F&A) are costs that are incurred for common objectives and can't clearly be identified with a particular project or activity. Examples include rent, utilities, administrative support, and accounting services. Direct and indirect costs shall be determined in compliance with federal regulations, the terms and conditions of the award, and each VSC institution's federally negotiated indirect rate. Costs incurred for the same purpose in like circumstances shall be treated consistently as either direct or indirect.

Recovered indirect funds will, in general, be assumed to compensate the institution for facilities and administrative support, though each VSC Institution may develop its own procedures for allocating these funds internally.

E. Allowability of Costs for Federal Awards:

To ensure that expenses charged to federal awards are allowable, the VSC shall follow the standards outlined in 2 CFR 200, Subpart E.

1. Factors Affecting Allowability: To be considered allowable, costs that involve federal funding must:
 - a) Be necessary and reasonable for the performance of the federal award. This means the purchase must meet an important program objective and that sound business practices are followed in expending the funds. A cost is reasonable if, in its nature and 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.
 - b) Be allocable to the federal award. A cost is allocable to the federal award if the goods or services involved are chargeable to the federal award in accordance with the relative benefits received.
 - c) Conform to any limitations or exclusions set forth as cost principles in CFR Part 200, Subpart E or in the terms and conditions of the award.
 - d) Be consistent with policies and procedures that apply uniformly to both federally financed and other funded activities.
 - e) Be accorded consistent treatment. A cost may not be assigned to a federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated as an indirect cost under another award.
 - f) Be determined in accordance with generally accepted accounting principles.
 - g) Not be included as a match or cost-share for other federally financed programs, unless the specific federal program authorizes federal costs to be treated as such.
 - h) Be adequately documented.
2. Allowability of Selected Items of Cost: 2 CFR Sections 200.421 through 200.475 establish principles to be applied in determining allowability. These principles are in addition to the other general allowability standards and apply whether or not a particular item of cost is properly treated as a direct or indirect cost. Principal

investigators are required to be familiar with these selected items of cost. (See *Appendix A: Allowability of Selected Items of Cost* at the end of this policy.)

The reasonableness and allocability of certain items of cost may be difficult to determine in some cases. To avoid subsequent disallowance or dispute based on unreasonableness or non-allocability, the VSC may require principal investigators to seek written approval from the federal awarding agency in advance of the incurrence of special or unusual costs. Prior written approval should include the time frame, justification of the costs or change in scope of the agreement.

F. Time and Effort Documentation

Employees paid with external funds shall document the time they spend working on sponsored activities, as required by 2 CFR 200.430(i). All salaries and wages charged to an award must be calculated using the employee's Institutional Base Salary. As defined by 2 CFR 200.430(h)(2), Institutional Base Salary means the annual compensation paid by an institution of higher education for an individual's appointment, whether that individual's time is spent on research, instruction, administration, or other activities. The Institutional Base Salary may not be increased as a result of replacing Institutional funds with sponsored projects funds.

Charges for salaries and wages shall be based on records that accurately reflect the work performed. The VSC maintains a system of internal control which provides reasonable after-the-fact assurance that personnel charges to an award are accurate, allowable, and properly allocated. Record of this is incorporated into the official records of the VSC system.

G. Subrecipient Management and Monitoring

When a VSC Institution passes federal funds through to another institution or organization, the Institution shall comply with 2 CFR 200.330 and make a case-by-case determination whether a party receiving pass-through funds is a subrecipient or a contractor, and whether the agreement is a sub-award or a procurement contract. The VSC will retain records to support decisions made about subrecipients and contractors.

VSC Institutions shall perform risk assessments of subrecipients and monitor subrecipients to ensure their compliance with federal, state, and local laws and VSC Board of Trustees' policies and procedures. Subrecipient agreements shall clearly identify the funding as a sub-award and include information required by the funder.

H. Contract Provisions

Contracts issued by the VSC that involve external funding will contain applicable provisions as described in Appendix II to Part 200 – Contract Provisions for Non-Federal Entity Contracts Under Federal Awards.

I. Record Retention

Records relating to federal awards shall be maintained for three years from the final expenditure report's submission date or according to other retention requirement(s) placed by the external sponsor. (See VSC Policy 209: *Records Retention*.)

J. Externally Funded Research

In addition to following the requirements of this policy, individuals conducting research with external funds are required to comply with VSC Policy 435: *Externally Funded Research*.

K. Externally Funded Equipment

Federal regulations (2 CFR 200.1) define equipment as tangible personal property (including information technology systems) having a useful life of more than one year and a per-unit acquisition cost that equals or exceeds the lesser of the capitalization level established by the recipient or subrecipient for financial statement purposes, or \$10,000. Equipment funded by grants or other sponsored projects must be used and managed according to the requirements of the funder. The primary person associated with the implementation of the grant, such as the principal investigator or grant manager, shall manage the equipment. All equipment purchases must follow the established procurement procedures of the VSC as outlined in Policy 429 and its accompanying procedures.

Any hardware or software purchases must follow the approval process outlined in the VSC Hardware and Software Acquisition and Review Policy. If grant funds will be used to purchase technological equipment that is beyond the scope of what is typically supported by institutional Information Technology (IT) departments, the grant manager is required to discuss the supportability of the equipment with the institution's director of IT before purchasing the equipment. (See *Chancellor's Procedures for Implementing Policy 408: Externally Funded Equipment*.)

L. Compensation for Participants Funded by Sponsored Projects

When compensating participants in a sponsored activity, the VSC will ensure the following: it is an allowable cost within the scope of the award; IRS regulations on taxable income are followed; and confidentiality of the participants is maintained. This process is outlined in the accompanying procedures. (See *Chancellor's Procedures for Implementing Policy 408: Participant Compensation*.)

M. Eligibility to Receive Federal Awards

VSC Institutions will maintain their eligibility to receive federal awards by annually updating their registration in the federal System for Award Management (SAM).

N. Use of External Funds for Additional Compensation

If allowed by the funder, external funds may be used to compensate employees outside of their normal, contracted workload. Employee workload is defined by each bargaining unit's agreement, or, if applicable, by the non-bargaining unit personnel handbook. The VSC does not make contributions to the employee's retirement plan for any compensation resulting from additional work beyond the employee's main contract.

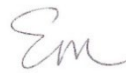
1. Extra Service Pay: Full-time faculty and staff may be compensated for additional assignments that fall outside their job description and usual workload if all the following conditions are met:
 - a) Extra service pay is allowed by the sponsor.
 - b) The supplemental amount is commensurate with the employee's Institutional Base Salary rate of pay and the amount of additional work performed.
 - c) The additional tasks are reasonable; are performed outside the employee's regularly contracted hours; are clearly beyond the employee's job description; and won't interfere with the employee's regular duties.
 - d) The additional work is documented and approved via each institution's established procedures for overload or stipend pay.
2. Summer Pay: Full-time faculty can perform work on sponsored programs outside of their academic year contract. Compensation must be calculated using a faculty member's Institutional Base Salary rate and must not exceed three months of effort, inclusive of all external funding sources. Compensation for work performed by part-time faculty members cannot exceed the regularly paid rate for part-time assignments.
3. Incidental Activities: Supplemental compensation for infrequent, irregular activities beyond an employee's contract are allowable if the activities are specifically provided for in the award, or with prior written approval by the awarding agency. An incidental activity is work that is not part of the employee's regularly compensated activities and is considered too small to warrant effort tracking. Examples include honorariums, eligible professional development, course development, and intra-institution consulting.

O. Sabbatical Leave Costs

Full-time faculty with approved sabbatical pay can receive supplemental pay from a sponsored program. The combination of institutionally-funded sabbatical pay and sponsored program funding can't exceed the employee's regular salary. For example, faculty receiving 75% of their salary as sabbatical pay may have no more than 25% of their salary supplemented by a sponsored program during the term of their approved sabbatical.

The Chancellor shall adopt and from time to time update procedures for the administration of grants. Such procedures shall accompany this policy and shall include the specific forms to be used.

Signed by:



Elizabeth Mauch, Chancellor

Appendix A: Allowability of Selected Items of Cost for Federal Grants

This chart lists selected items of cost contained in 2 CFR Part 200, Subpart E. Since many allowable costs have restrictions, VSC personnel responsible for charging expenses to federal grants should refer to the actual regulation for more guidance on whether a cost is allowable or not.

See <https://www.ecfr.gov/current/title-2/subtitle-A/chapter-II/part-200/subpart-E> for full descriptions of these categories.

CFR Citation	Item of Cost	Allowability
421	Advertising and public relations	Allowable with restrictions.
422	Advisory councils	Unallowable unless authorized by statute or the federal awarding agency.
423	Alcoholic beverages	Unallowable.
424	Alumni activities	Unallowable.
425	Audit services	Allowable with restrictions.
426	Bad debts	Unallowable.
427	Bonding costs	Allowable with restrictions.
428	Collection of improper payments	Allowable.
429	Commencement and convocation costs	Unallowable. However, may be charged as indirect costs as provided for in Appendix III paragraph (B) (9).
430	Compensation-personal services	Allowable with restrictions. Special conditions apply.
431	Compensation-fringe benefits	Allowable with restrictions. Special conditions apply.
432	Conferences	Allowable with restrictions.
433	Contingency provisions	Allowable only if contingency provisions are included in award budgets.

434	Contributions and donations	Unallowable. However, value of goods and services donated to a VSC institution may be included as part of cost sharing/matching.
435	Defense and prosecution	Allowable with restrictions.
436	Depreciation	Allowable with restrictions.
437	Employee health and welfare	Allowable with restrictions.
438	Entertainment	Unallowable unless cost has programmatic purpose and is approved by the federal awarding agency.
439	Equipment & other capital expenditures	Allowable as a direct cost with prior written approval for items with a unit cost of \$10,000 or more.
440	Exchange rates	Allowable with restrictions. Prior approval of federal awarding agency required if change results in need for additional funding.
441	Fines, penalties, damages & other settlements	Unallowable except when incurred as a result of compliance with specific provisions of the award and with prior written approval.
442	Fund raising & investment management costs	Unallowable except for the purpose of meeting federal program objectives. Prior approval must be obtained.
443	Gains and losses on disposition of depreciable assets	Allowable with restrictions.
444	General costs of government	Not specifically addressed for institutions of higher education.
445	Goods or services for personal use	Unallowable, except for housing allowances and personal living expenses with prior approval of federal awarding agency.
446	Idle facilities and idle capacity	Allowable with restrictions.
447	Insurance and indemnification	Allowable with restrictions.
448	Intellectual property	Allowable with restrictions.
449	Interest	Allowable with restrictions.
450	Lobbying	Unallowable unless specifically provided for in the award or prior approval obtained.
451	Losses on other awards or contracts	Unallowable.
452	Maintenance and repair costs	Allowable with restrictions.
453	Materials and supplies cost, including computing devices	Allowable with restrictions.
454	Memberships, subscriptions, & professional activity costs	Allowable with restrictions. Unallowable for lobbying organizations and country club memberships.
455	Organization costs	Unallowable except with prior approval from the federal awarding agency.
456	Participant support costs	Allowable with prior approval from the federal awarding agency.
457	Plant and security costs	Allowable; capital expenditures subject to 200.439.
458	Pre-award costs	Allowable with prior approval from the federal awarding agency.
459	Professional service costs	Allowable with restrictions.
460	Proposal costs	Allowable only as indirect costs.
461	Publication and printing costs	Allowable with restrictions.
462	Rearrangement and reconversion costs	Allowable as indirect costs. If charging as direct, it requires prior approval from the federal awarding agency. Budget justification must explain how facility modifications benefit the project.
463	Recruiting costs	Allowable with restrictions.
464	Relocation costs of employees	Allowable with restrictions.
465	Rental costs of real property and equipment	Allowable with restrictions.
466	Scholarships and student aid costs	Allowable with restrictions.
467	Selling and marketing costs	Unallowable unless prior approval is obtained from the federal awarding agency.
468	Specialized service facilities	Allowable with restrictions.
469	Student activity costs	Unallowable unless specifically provided for in the federal award.
470	Taxes (including Value Added Tax)	Allowable with restrictions.

471	Termination costs	Allowable with restrictions.
472	Training and education costs	Allowable for employee development.
473	Transportation costs	Allowable with restrictions.
474	Travel costs	Allowable with restrictions. Prior approval required for certain types of travel costs.
475	Trustees	Allowable with restrictions.