North Carolina School of Science and Mathematics
Contracts and Grants Procedure
Effective July 1, 2009

1. General

NCSSM encourages the involvement of NCSSM personnel in seeking both federal and non-federal funds for sponsored research, training, and public service projects. These projects provide an opportunity for the faculty to extend themselves beyond the classroom and gain experience that can be utilized in their teaching and writing. This policy is consistent with NCSSM's goal to seek opportunities consistent with NCSSM teaching, creative expression, and research standards; to serve the people of the state; and to promote understanding of the resulting mutual benefits.

2. Budget Manager – Contracts and Grants

The Budget Manager provides assistance with the fiscal matters dealing with project administration. This includes providing budgetary advice during proposal preparation, as well as, the financial management of the funds awarded to NCSSM to insure compliance with direct and indirect costing directives of the sponsoring agency. Permanent files maintained include: interim and final financial statements filed with the agency; copies of the original budget and any budget revisions; prior approval notices from the agency where applicable; and any other correspondence relative to the fiscal management of the grant.

The Budget Manager coordinates with the Principal Investigators (PI) to ensure that expenditures are made within the regulations and policies of NCSSM, the State of North Carolina, and the Federal Government. In addition, the Budget Manager advises Principal Investigators of any special regulations which may be imposed by the granting agency.

3. General UNC System Guidelines

The basic guidelines for the administration of grants and contracts within the University of North Carolina are set forth in The University of North Carolina Policy Manual, Chapter 500.4 {R}, Regulations on Administering Sponsored Programs. The University of North Carolina Policy Manual, Chapter 500.4 {R}, Regulations on Administering Sponsored Programs states "All sponsored programs which are carried out by constituent institutions or other agencies of the University or on University-controlled premises or under the direction of faculty or staff members of constituent institutions or other agencies of the University, shall be subject to review and approval with respect to funding arrangements by the President of the University of North Carolina or by the Chancellor or other persons who have been specifically designated by the President. All formal applications to donors and sponsors for support of

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sponsored programs shall be submitted to donors and sponsors through the President and reviewed under such instructions and guidelines as the President may deem necessary."

In actual practice, "Applications for grants and contracts may be submitted by the Chancellor or designated representative as approved in advance by the President directly to a funding authority, without prior approval by the President, with the following exceptions:

- Those under which NCSSM assumes an express or implied responsibility to continue the program or activity beyond the life of the grant or to retain personnel initially employed under the grant or contract.
- Those involving the creation of a new organizational unit (a department, center, institute, school, etc.) within NCSSM or a constituent institution.
- Those involving the planning or establishment of a new degree program or program track.
- Those requiring matching funds or contributions that cannot be provided from current institutional resource levels.

4. Initiation of Proposals

Contracts or grants are normally awarded only after submission of a proposal to a funding source. The proposal describes a task to be performed or a project to be undertaken by NCSSM or an agent of NCSSM. It includes a budget statement clearly defining the total costs of the proposed project and the amount of funds requested from the funding source or agency. Proposals are prepared by the person who directs or is responsible for the proposed project within NCSSM. This person is referred to as the Principal Investigator. Before beginning the proposal writing process, a Principal Investigator should contact the Institutional Advancement's Grants Writer. A potential Principal Investigator should check with the appropriate Department Dean and Vice Chancellor to determine the appropriateness of the project or program to be proposed before the proposal writing process begins. If it appears that a grant proposal will be made, the basic information and preliminary budget will be provided to the Budget Manager for review.

5. Proposal Preparation and Processing

After obtaining approvals from the Department Dean or Director, Vice Chancellor, and Institutional Advancement, the Principal Investigator will submit the grant proposal to the Chancellor's Direct Reports for approval. The Vice Chancellor of the Principal Investigator is responsible for the administrative coordination of review, approval and reporting of proposals for external funding involving NCSSM. All contracts must be reviewed and approved by the Office of the Chancellor.

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6. **Budgetary Review**

The Budget Manager is responsible for the budgetary review and approval of the proposal for the Chief Financial Officer. The budgetary review can be brief or require an extensive review depending on the package.

In order to expedite the processing of the proposal, please be sure that the following matters are addressed:

- If the proposal is being submitted to a funding source that does not pay facilities and administrative (indirect) costs, please provide an e-mail, a letter or an official statement, such as their program announcement, from the sponsor.

- If less than full facilities and administrative costs are being requested from a sponsor that will pay these costs, a request for waiver or partial waiver must be submitted to the Budget Manager for approval by the Vice Chancellor for Finance and Operations based on the recommendation of the Vice Chancellor for Academic Programs.

- If the proposal is being submitted to a funding source that does not pay fringe benefits (if requesting salary), please provide an e-mail, a letter or an official statement, such as their program announcement from the sponsor. You will need to obtain an "internal funding source other than general fund monies" from your department and/or dean to cover these costs.

- If you have other entities performing part of the work on your project, they need to provide a separate budget and budget narrative along with a letter of support from their organization. If they include facilities and administrative (indirect) costs as part of their budget, they also need to provide NCSSM with a copy of their latest federally negotiated facilities and administrative cost rate.

- If you declare that your proposal will involve matching/cost sharing, there must be a detailed budget that validates this commitment. In addition to this fact, the same restrictions apply to matching/cost sharing funds. More specifically, if the sponsor will not pay for equipment, or foreign travel, matching/cost sharing funds cannot be used for this purpose.

- All NCSSM employees involved on a project should be specifically named, if known.

- Unless specifically required by the sponsor, NCSSM’s composite fringe benefit rate should be used. Special approval will be required for deviations from this composite rate.

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7. Proposal Budget

The following items should be included in the budget estimates:

- **Salary**: This line item should list all positions taking part in the project, the salary figure and the percentage of time each is expected to devote to the project and their names if known.

- **Fringe Benefits**: Normally the sponsor requires these costs to be budgeted separately.

- **Permanent equipment**: Is defined as non-expendable property that costs $5,000 or more (including installation charges and freight), has a useful life of more than a year, is of non-expendable material and is not consumed.

- **Travel**: Note foreign travel normally requires agency approval and thereby needs to be specifically declared.

- **Other direct costs**: Food expenses are generally not an allowable use of federal funds.

- **Trainee costs**: These can include a subset of costs such as stipend fees, travel, per diem, etc.

- **Subcontractors**: A letter of commitment and a detailed budget is needed for each subcontractor, as well as a copy of their negotiated indirect cost rate.

- **Facilities and Administrative (F & A) Costs** used to be referred to as Indirect Costs. NCSSM's Indirect Cost Rate is 25%. In cases where the sponsor or specific program does not allow F & A costs, an appropriate source document such as a copy of program guidelines or an e-mail or a letter from the sponsor stating that they are not allowable is needed as part of the proposal package. In those instances where full recovery for F & A is not being proposed, authorization for a waiver must be obtained in advance. A request for waiver of F & A costs must be submitted to the Budget Manager for approval by the Vice Chancellor for Finance and Operations based upon the recommendation of the Vice Chancellor for Academic Programs.

8. Grant Cost Principles

Most NCSSM sponsored research and training effort is accomplished on a cost-reimbursement basis. Whether a contract instrument or grant instrument is used, NCSSM is entitled to reimbursement only for costs allowable under provisions of Office of Management and Budget Circular A-21, Cost Principles for Educational Institutions, provided such costs are reasonable, clearly allocable and relevant, and have been accorded consistent accounting treatment. Research and training awards made to NCSSM are subject to audit to confirm that expenditures were consistent with the purpose and time period of the award as well as other specified limitations. Failure to demonstrate

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compliance and provide sufficient documentation can result in audit disallowances. Award funds must be utilized solely for the purpose of the award and residual funds handled in accordance with sponsor requirements.

Once a proposal is submitted by NCSSM to a sponsor, the only likely adjustment in funding requirements in subsequent negotiations is downward. Sponsoring agencies of all types, confronted with budgetary problems, consistently try to pare down the resources requested for research, training, or public service projects. It is essential that initial proposals incorporate realistic budgetary data for both immediate and future years of a project. If inflation, salary and wage increases, fringe benefits, travel costs, etc. are not adequately considered at the outset, there is little likelihood of additional funds being made available by the sponsor. This requires a reduction of effort in other areas and can be detrimental to the project.

9. **Assignment of Contract and Grant Fund Numbers**

The Budget Manager will coordinate with the Director of Finance and Budget to establish the grant in the North Carolina Accounting System (NCAS). Information needed to establish the budget code and center includes: copy of award letter, and grant proposal submitted to the granting organization.

The Budget Manager will provide the Principal Investigator the Grant Management Checklist (Appendix 1).

It is not anticipated that NCSSM will receive grants with sub-awards or sub-recipients. However, all documentation concerning sub-awards or sub-recipients must be provided to the Budget Manager at the beginning of the project including any documents signed by the Principal Investigator for sub-awards or sub-recipients. Risk assessments will be made on any sub-recipients by the Budget Manager.

The grant award file, including the final reports, will be retained in the Business Office for 3 years after the close out of the grant, including clearance from all audits. Afterwards, the file will be transferred to NCSSM archives to ensure compliance with the UNC System general records retention and disposition schedule.

10. **Budget and Expenditure Report**

The Budget Manager will provide the Principal Investigator the monthly financial reports produced by the North Carolina Accounting System (NCAS) standard reports. The Budget Manager reviews each invoice presented by the Principal Investigator to be sure it is appropriate and complies with the grant award, including a review of year-to-date expenses by the vendor. The Budget Manager reviews the expenditures of each grant on at least a bi-monthly basis. The Budget Manager reviews high risk expenditures with the Director of Finance and Budget before processing these expenditures.

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The Budget Manager makes draw downs of grant funds each month and follows federal or other grant regulations. Normally the draw downs are completed within three days and there are no receivables that are 30 days or older. If there are any receivables older than 90 days, the Budget Manager will consult with the Principal Investigator and Director of Finance and Budget.

The Budget Manager meets with the Principal Investigator of each grant at least once per quarter. The Budget Manager will reconcile the salary and wage expenditures each month based on time and effort time sheets. Any cost transfers must be reviewed and approved by the Budget Manager within 90 days of incurring the expenditure.

The Budget Manager conducts A-133 certification annually. A review will also be made of high-risk transaction areas for multi-year if any sub-awards are made.

11. Budget Revisions

The Principal Investigator will coordinate with the Budget Manager in advance to discuss potential budget revisions to the grant. Salary reallocations must be approved in advance by the Budget Manager after consulting with the Director of Finance and Budget. Granting agencies have specific procedures to make budget revisions. Budget revisions must be approved by the sponsoring Vice Chancellor.

When agency approval is received, the budget revision will be entered into the Financial Accounting System by the Budget Manager and the Principal Investigator so notified.

12. Time and Effort Reporting

General

Compensation for personal services covers all amounts paid currently or accrued by the institution for services of employees rendered during the period of performance under sponsored agreements. Such amounts include salaries, wages, and fringe benefits. These costs are allowable to the extent that total compensation to individual employees conforms to the established policies of the institution, consistently applied and provided that the charges for work performed directly on sponsored agreements is charged at the same rate as other sources. Charges to sponsored agreements may include reasonable amounts for activities contributing and intimately related to work under the agreements.

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Purpose

Office of Management and Budget Circular A-21 requires effort certification for payroll distribution purposes for all payroll charges to federal contracts and grants of professorial, professional, or support staff. These Time and Effort Reports account for 100% of each individual’s effort even if he/she is part-time. Charges for work performed on sponsored agreements by faculty members during the academic year will be based on the individual faculty member’s regular compensation for the continuous period which, under the policy of the institution concerned, constitutes the basis of his salary. Charges for work performed on sponsored agreements during all or any portion of such period are allowable at the base salary rate. In no event will charges to sponsored agreements, irrespective of the basis of computation, exceed the proportionate share of the base salary for that period. This principle applies to all members of the faculty at an institution.

Time and Effort Reporting

OMB Circular A-21 requires that the payroll distribution system (time and effort reporting) will (i) be incorporated into the official records of the institution, (ii) reasonably reflect the activity for which the employee is compensated by the institution, and (iii) encompass both sponsored and all other activities on an integrated basis. The Budget Manager is responsible for distributing, collecting, reviewing, and maintaining the official file of time and effort reports. The NCSSM has elected to use a system of after-the-fact activity confirmation reports for all employees paid partially or in full by one or more sponsored agreements. The percentages reflected on the time and effort reports are based upon the amounts charged to contract and grant accounts in the NCSSM BEACON payroll system, which may not reflect actual effort expended. The percentages must be changed to reflect the actual activity expended before they are certified.

A time and effort report is created each quarter for every NCSSM payroll which includes faculty, staff, graduate assistant, student or temporary salaries charged to sponsored agreements. The distribution of salaries and wages is based on payrolls documented in accordance with the general accepted practices of colleges and universities. The reports are sorted by department, based on the department to which the sponsored agreement is awarded. Certification of the effort requires that the person signing the time and effort report, whether it be the Principal Investigator, department head, or dean, have first-hand knowledge of all the employee’s activities during the reporting period. The information certified by departments, on a quarterly basis, for pay periods reflects the actual activity of each employee as well as it can be measured, not the budgeted activity. The reports confirm, on a best-judgment basis, that the percentage distribution of effort for the period reported produce an equitable distribution of charges for employee’s activities and serve to substantiate the distribution of costs on a consistent basis so that federal

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agencies are charged at the same rate as other sources for the same faculty/staff time.

**Distribution and Signature**

The Budget Manager distributes Certification of Effort reports to the departments at the first of each quarter for the prior three months payrolls, to be certified and returned within ten (10) days after receipt. It is required that the certification be an original signature of the persons required to sign. The certification signifies that the signer has firsthand knowledge or sufficient verification of the services performed on each funding source. Usually the Principal Investigator will certify all work performed on his/her contract or grant. The department head or dean should certify the effort of the Principal Investigator. It is imperative that the Principal Investigators check the reports closely to verify that the persons listed did, in fact, work on that particular project.

**Effecting Changes**

Corrections to the Certification of Effort reports should be made on the report before returning them to the Budget Manager. The percentages indicated on the Certification of Effort reports are based on the payroll system and reflect the percentage salary charged to each fund. These percentages do not always correctly reflect effort. One example is ten-month employees are paid in 12 installments. During the summer they are not working on the ten-month contract, but are being paid. If they are also being paid for summer research, that effort should be 100% rather than the split based on the payroll charges.

If the payroll charges are incorrect, rather than a correction of effort distribution, changes should be indicated on the Certification of Effort report and formalized through the submission of the appropriate personnel action form(s). Necessary changes are required to be promptly effected, normally within thirty (30) days.

**Retroactive Changes**

Retroactive changes must give full consideration to previous certifications on file, and must be documented and explained in a manner which unequivocally substantiates the propriety of the adjustment.

Changes of distribution of workload may not normally be made for any prior pay period. In the following exceptional situations, however, retroactive changes may be warranted:

- When necessary to correct clerical and data entry errors.
- When subsequent information is received indicating an incorrect original entry.

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• When required to properly charge non-federal funds for costs incurred in connection with an award that fails to materialize.

• When closely related work is supported by more than one funding source, costs may be transferred from the originally charged fund to another fund, provided the cost is a proper and allowable charge to the receiving account and the inter-relationship between the accounts is fully explained in the request. If an over-expenditure is being transferred to another project, especially strong supporting evidence is required for approval.

Unacceptable Changes

• When the change is for the purpose of utilizing unexpended funds of a federal award.

• When the change is for the purpose of circumventing award restrictions.

• When the change is for the purpose of avoiding a cost overrun by charging another, unrelated federal agreement.

• When explanation merely states "to correct error", "to transfer to correct project" or other similar insufficient reasons.

• When a change unrelated to sponsored agreements applies to a closed fiscal year.

13. Financial Reporting to Sponsoring Agencies

General Requirements

With few exceptions, agencies or organizations sponsoring NCSSM research or training projects require some form of financial and technical reporting. Reporting requirements vary in frequency, format, due dates, and detail. The Budget Manager complies with all financial reporting requirements once a contract or grant is accepted, and monitors compliance with technical reporting requirements.

Interim Reports

Some sponsors require interim reports, such as monthly or quarterly, for purposes of tracking the financial status of the project and for handling reimbursements due NCSSM. The Budget Manager normally handles these interim billings or reports without requiring input from the P.I. or department unless matching is involved. The terms of the agreement will govern how frequently matching information must be gathered. If the terms of the award require matching that is not reportable, the Principal Investigator will be required to provide matching information as requested.

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Final Expenditure Report

NCSSM is required to submit a final report of expenditures generally 60 to 90 days subsequent to the termination of an award. All authorized expenditures and outstanding obligations must be determined and considered in preparation of this report. Accurate, timely, and complete input from the PI and department is essential to prepare this report.

Responsibility of the Principal Investigator

The Principal Investigator should maintain detailed financial records for the sponsored project. These records are to be utilized when reviewing NCSSM Monthly Financial Reports, and when performing any other required administrative duty.

The Principal Investigator is responsible for the timely submission of all required documentation during the grant period, e.g., Cost Sharing and Matching Funds and Effort Certification Reports.

The Principal Investigator is required to handle any problems associated with the grant within thirty to forty-five (30-45) days of termination. The Budget Manager assists in any way possible, but the main responsibility for internal problem solving resides with the Principal Investigators. Examples of problems which might occur are: payment of outstanding obligations; overdrafts in expenditure lines; expenditures charged to incorrect lines; and preparation and approvals of budget revisions. In addition, there are occasional problems unique to a fund which must be resolved prior to close-out.

14. Close Out Process (Appendix 2)

A Grant Close Out Checklist (Appendix 2) is forwarded to the Principal Investigator 60 days prior to termination of a contract or grant budget period. After receipt, the Principal Investigator must bring to a close all expenditures for the budget period; and correct all problems associated with the grant, so that the final report of expenditures may be completed with minimum complication.

The Budget Manager monitors all of the grants on a monthly basis and identifies any grants that are ending in the next 90 days. The Budget Manager sends an e-mail to the Principal Investigator of the impending end date including a determination by the PI whether a no-cost extension or Human Resources actions are needed. The Budget Manager uses the Grant Close Out Checklist to close out the grant by coordinating with the Principal Investigator:

- Review grant account balance and monthly expenditure report to verify the

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changes posted to the grant near the end of the grant are reasonable.

- Communicate with Principal Investigator at award end date
- Obtain PI's certification approximately 60 days after end date
- Complete Grant Close Out Checklist with Principal Investigator's input
- Reconcile revenue, billings, and expenditures
- Review inactive funds

- Review the retention and handling of files after the three-year retention period has ended, including clearance from all audits. Afterwards, the file will be transferred to NCSSM archives to ensure compliance with the UNC System general records retention and disposition schedule.

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