GRANTS MANAGEMENT HANDBOOK
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INTRODUCTION

Congratulations! You have applied for a grant and it has been funded. All the hard work and time you spent in preparing the grant application has paid off. You are about to begin an exciting and rewarding process. It is time to bring the project to life!

Although implementing a grant-funded project is exciting, it can seem overwhelming. You may have many questions such as:

How do I set-up the project budget?

How do I purchase equipment?

What records do I need to keep?

What is cost sharing or matching?

How can I revise the project budget?

How do I prepare for an audit?

If you are a new principal investigator (PI), these and other questions probably concern you. “What do I do first? Who can I call for help?” In response to these questions this *Grants Management Handbook* has been prepared to help you successfully implement and manage your project.

The activities you undertake in the first few weeks of your project are crucial to its success. These activities will, in large measure, set the tone of your project and determine whether or not the project will be a success. Are you on target to meet your goals? Will you expend all of the funds awarded to you? Will your grant pass an audit? The likelihood of success is greatest when your project gets off to a good start.
Your grant proposal, the award letter and terms of your grant, the *Grants Management Handbook* combined provide you with the information you need to implement and manage your project. You must read all of these documents. Your grant proposal includes a list of objectives and a timetable for implementation. The terms of the grant are the specific laws and/or rules which you must follow in the implementation and management of your project. These laws, rules and regulations are specific to the funding agency and the grant program, whether they are federal, state or private.

Please take time to familiarize yourself with these documents and applicable regulations—knowing what you can and cannot do, and how you must do it will save you many headaches in the future, and protects you and the college. Congratulations and good luck!
AWARD NOTIFICATION

The document issued to notify the grantee that an award has been made varies among agencies. Grantors might use a Notice of Grant Award (NGA), a Notice of Award (NOA), an Award Letter or possibly even a contract, to name a few. All pertinent information regarding the award is often found in this document and includes the following:

- Grant Identification Number
- Grantor Name
- Name of the Principal Investigator
- Project Name
- Approved Project Period (start and end dates)
- Amount of Funds Authorized
- Applicable Terms and Conditions

It is imperative that any conditions necessary to implement acceptance be completed as detailed in the instructions. The initial NGA provides funds for the project during the first budget period. Budget periods usually are twelve months long; however, longer or shorter budget periods may be stated. Amounts shown for subsequent years represent projections of future funding levels and are contingent upon satisfactory progress, the availability of funds and the continued interest of the grantor. They are not guarantees!

Forward the official notification along with a budget breakdown by Banner accounts to the Grants Accountant. This budget breakdown should detail by account, how the dollars are to be entered into the Banner system. Please note that the source of
the funds must be provided to the Grants Accountant. If the source is Federal
(Department of Education, National Science Foundation, Department of Justice, etc.) the
Catalog of Federal Domestic Assistance (CFDA) number must be provided. This
information is required for completion of the Schedule of Expenditures of Federal
Awards in the college’s Comprehensive Annual Financial Report (CAFR).
SETTING UP THE GRANT BUDGET

Once written notification of the approved, or signed, grant award has been received by the Grants Accountant, a Banner Fund and Program are assigned and provided to the PI indicating grant funds may now be spent. Please use this Fund for all costs (payroll, requisitions, check requests, etc.) applicable to this project. Also required is the Organization # 700000, which is the same for all grants. The PI will be provided with a Grants Management Handbook to serve as a written resource on grant-related issues.

When reviewing the project budget, the PI must remember that direct costs are those that can be specifically identified with a particular cost or service, while indirect cost are those that are incurred for common or joint objectives and cannot be readily identified with a particular cost or service (indirect costs generally are allocated to the college to cover overhead expenses). All grant budgets include direct costs, but not all include indirect costs.

The PI is responsible for all activity incurred on behalf of his/her project. These expenditures must be allowable, reasonable and allocable according to the terms of the granting agency. The following standards apply:

- **Allowable Costs.** To be allowable under an award, costs must meet the following general criteria:
  - Be reasonable for the performance of the award
  - Be consistent with policies and procedures that apply uniformly to both federal finances and other activities of the College
  - Be in accordance with generally accepted accounting principles
  - Not be 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
  - Be adequately documented
Reasonable Costs. 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.

Allocable Costs. A cost is allocable to particular cost objectives, such as a grant, project, service or other activity, in accordance with the relative benefits received. A cost is allocable if it is incurred specifically for the award, benefits the award and can be distributed in reasonable proportion to the benefits received or is necessary to the overall operation, although a direct relationship to any particular cost objective cannot be shown.

The PI is responsible for tracking all expenditures charged to grant projects for purposes of accounting and audit. The grant accountant also reviews all expenditures charged to the project budget including those for personnel, equipment, supplies and travel. Approval of all grant expenditures and documentation of all expenditures and matching (including personnel costs) for the project is the responsibility of the PI. While project staff may assist, the ultimate responsibility rests with the PI to maintain documentation and authorize grant expenditures.

Most grant proposals include an evaluation plan which serves as the blueprint for the project’s evaluation. This plan outlines the general methods and standards to be used to measure the success of the project. This evaluation plan should include a description of what will be evaluated, when the evaluation will take place, instruments to be used for measurement, which individual will perform the evaluation, and how the information gathered will be used to determine the project’s success. Establishing a solid and detailed evaluation plan at the onset reduces the likelihood of confusion in the future.

After the grant award notification is received, the PI should review the objectives, activities and outcomes of the proposal and develop a preliminary list of baseline data and possible assessment instruments needed in order to measure different aspects of
project progress and success. A recordkeeping process that addresses, at a minimum, the establishment of electronic databases; the physical location and organization of electronic and paper files; processes to ensure the consistency, completeness and accuracy of electronic and paper files; and methodology to document progress, including the ongoing status of any project partnerships.

Many projects use an external evaluator who is familiar with the field of study and the type of program to be implemented. If the grant specifies the use of an external evaluator but did not designate one by name in the grant proposal, it is important to identify the evaluator as early in the project as possible. The evaluator should sign a Consultant Agreement with the college in advance of performing the work. The external evaluator should receive information about the project on a regular basis and should assist in the development of the evaluation format. Any reports generated by an external evaluator should be submitted to the PI.
SPENDING GRANT FUNDS

One of the PI’s major responsibilities is to manage the project budget within the terms of the grant. Careful and realistic construction of the budget when the proposal was developed means that adequate funds should be included to cover project costs and personnel expenses. The proposal budget serves as the project director’s spending plan.

It is the PI’s responsibility to monitor and authorize all project expenditures and to make certain that all funds are expended, in accordance with the approved budget and the grant project timeline, before the grant expires.

The terms of most government grants include a requirement that the college ensure that grant funds are not used to supplant (i.e., replace) funds normally available to the college for its operating expenses. For this reason, grant dollars are maintained under a separate Fund, and all expenditures are scrutinized individually to make certain that they are part of the approved grant budget.

Expenditures should be reviewed on at least a monthly basis, with more comprehensive reviews at the midpoint and three-quarter point of the budget period. The PI should develop revised spending plans at the midpoint and three-quarter point to ensure that any necessary budget changes are submitted on a timely basis prior to the end of the budget period. Last minute change requests are typically not acted upon favorably by funding officials.

The initial proposal budget, along with any revised budgets developed by the project director, should incorporate plans to expend all grant funds each grant year. Carryover of unobligated grant funds into a new grant year is not viewed favorably by
funding agencies or by the college and should not be considered except in extreme circumstances.

All purchases should be made by requisition or petty cash procedures. Requisitions are completed and processed electronically via a Banner Requisition. When spending grant funds, the electronic requisition is routed through a “Grant” path for approval before it is submitted to the Purchasing Office. However, examples of exceptions to the use of requisitions include ordering or renewing subscriptions, memberships, employee reimbursements, requirement by the supplier of a check with purchase, etc. The PI must ensure that any equipment items purchased using grant funds are specifically approved by the funding agency and are tagged and inventoried in accordance with college policies and procedures. Disposition of this equipment during or at the end of the grant period must be in accordance with funding agency and college guidelines.

PIs and staff should never instruct a supplier to deliver goods or begin any services until an authorized Purchase Order has been generated. Any such instructions to a supplier may become the personal financial liability of the requesting individual. When the purchase of an item (or group of items) exceeds $25,000, the Purchasing Office must obtain formal bids before requesting approval for the purchase from the District Board of Trustees in their monthly meeting. Please keep this timeframe in mind when conducting business.

Some grant budgets have funds allocated for the purchase of sub-recipient services, contracted services and/or consultants. The most typical situation where sub-recipient services are needed is when grant funds need to be shared with other
organizations operating as project partners. Contracts may be needed to purchase
services. Consultants may be needed to serve as speakers, or to provide expertise in a
particular area. A consultant is an individual retained to provide professional advice or
services for a fee but usually not as an employee of the College. The College has a
standard contract form for your use. Once the agreement has been signed by all parties,
an on-line requisition should be completed.

College policy requires that only the President or his designee is authorized
to sign, on behalf of the District, all agreements, contracts, grants and other
documents. College employees must be specifically authorized by the President, in
writing, to obligate the college to any contractual or financial agreement. A copy of that
delegation should be on file in the Business Office.

For Federal grants, promotional items are also referred to as memorabilia, which
are considered advertising and public relations costs, and thus are unallowable.
RECORDKEEPING

Any activities undertaken during the project and all expenditures incurred become part of the records, or documentation. In evaluating the project, the funding source will want to know exactly what was done, when and how it was done, and how much money it cost. Accurate and complete records are a must; these records will support the college during a monitoring visit from funding agency representatives, in the evaluation of the project, during the college’s regular annual financial audit, or a funding agency audit. The following are some of the records that must be maintained as part of the project:

Time and Effort Documentation

Payroll records must be maintained including forms documenting who worked on the project, how much time they spent on the project and how much they were paid. In addition to the college’s regular payroll records, time and effort for grant-related full-time and part-time staff must be documented on the Personnel Activity Report. This reporting form is generated by the Grants Accountant and forwarded to the PI. It requires the name and signature of the employee, the salary or percentage of time the employee worked during a given pay period, the activities performed by the employee during the period and the name and signature of the employee’s supervisor. Please ensure that 100% of the employee’s time is accounted for.

DO NOT CERTIFY A MONTH UNLESS THE TIME AND EFFORT IS APPROPRIATE. Once you have certified a payroll, you have verified that the time worked is correct. Cost transfers will not be made on a certified payroll except under unusual conditions, unless the request to correct is attached to the certification.
Cost Sharing or Matching

Cost sharing or matching means that portion of the project or program cost that is not borne by the Federal Government or awarding agency. Cost sharing must be verifiable, necessary and reasonable, allowable and not included in any other Federal sponsored project. In other words, funds committed on one project/grant cannot be used as a cost share or match on another project/grant. The PI must maintain records documenting the amount of matching in the approved budget for the project, either in-kind or cash. In-kind match represents the value of non-cash contributions in services or property to the project. It is recommended that departments contributing in-kind matching (via a non-grant employee’s services) maintain a record of that employee’s activities with timesheets.

The terms of the grant will stipulate the length of time for which grant records must be maintained. For consistency, Collin College retains single and multi-year grant records for five years after the end of an award. However, if the grant award and terms and conditions stipulate a longer retention period, it must be followed.

Cost Transfers

It is the responsibility of each PI to review each of his/her projects to ensure the accuracy of these accounts. Consistent with this practice, such review should include the monitoring of expenditures. The continuous monitoring of expenditures will lessen the possibility and probability of having to transfer costs between projects.

A cost transfer is an after-the-fact reallocation of the cost associated with a transaction from one project to another. Although it is preferable to charge costs to the correct project when they are incurred, cost transfers are occasionally necessary. To be
allowable, cost transfers must (1) be timely (costs incurred beyond 90 days prior to the requested date of transfer will not be considered as timely), (2) have benefited the project to which the charges are to be transferred, (3) be allowable to the specific project, (4) have sufficient funds available prior to the transfer, (5) be incurred during the budget period of the project and (6) have appropriate authorizing signatures by the PI. All requests for transfers that are determined to be for convenience, or merely because funds are available will be rejected. After the final report has been submitted to the granting agency, cost transfers cannot be processed unless a cost has been charged to the closed project that did not benefit the project or is unallowable.

Cost transfers occur for several reasons. For example, personnel may not be appropriately paid from one project and will require a transfer of the cost to the appropriate project where the effort was expended. Errors and omissions are also responsible for problems encountered in the daily administration of projects. Transfer of costs that represent corrections of clerical or bookkeeping error must be made promptly after the error is discovered. The transfer must be supported by documentation that contains a full explanation of how the error occurred and a justification of the charge to the receiving project by the PI of the project. An explanation which merely states that the transfer was made “to correct error” or “to transfer to correct project” is not sufficient.

Audits

Each year, Collin College’s records are audited by an independent, external audit firm. Also, Collin College’s internal auditor may elect to audit the project. Additionally, certain funding agencies maintain the right to audit the grant records. All financial records must be maintained in order to facilitate any audit that may include a review of
the project. In the event of notification of an impending funding agency audit, the PI must contact the Controller immediately after receiving any verbal or written communication from the funding agency regarding a site visit, program review or audit.

As a result of an audit, a program monitoring action, or post award management of the grant, it may be necessary to question or disallow a charge to a grant. This could necessitate a repayment to the funding agency. The PI should make every effort to ensure that this does not happen. The most common audit findings include lack of time records to support salary costs charged to awards, lack of consulting agreements and invoices to support that services were related to the award and that the charges were reasonable, amounts were expended in unapproved or other cost categories without required prior written approval from the funding agency and adequate supporting documentation was not provided.

**Project Evaluation and Reports**

As stated earlier, evaluation is an important component of the project for the purpose of measuring successful accomplishment of project objectives. Depending on the funding agency, evaluations may be required monthly, quarterly or at least annually. For some multi-year government grants, an evaluation is submitted annually as a progress report or a competing continuation application as a requirement for continued funding in the subsequent year.

The formal award notification includes a schedule for any reports that must be submitted and the dates these reports will be due. PIs must be aware of the format and content requirements of reports and their due dates before the project begins so that
information needed for the reports may be collected throughout the duration of the project.

Reports of expenditures are required as documentation of the financial status of grants in accordance with the timeline indicated by the grantor. These reports will be completed by the Grants Accountant. All records of project expenditures and documentation of matching or cost-sharing for the project must be provided by the PI. Most reports are now transmitted electronically; however, there are some requiring hard-copy submissions. Therefore, it is imperative that the PI allows sufficient time between the submission of this information and the due date for the report for the purpose of obtaining internal approvals required prior to submission to the funding agency.
PAYMENT

Instructions detailing payment procedures are usually detailed in the body of the award or often in the agency’s handbook or manual. The Grants Accountant obtains this information to determine the method of payment.

The form of payment is usually advance, cost-reimbursement or in accordance with a schedule of payments (percentage of completion) mandated by the agency. Advances are usually received upon official signed acceptance of the award. If an advance is received in the department by the PI, this payment should be taken to the Cashier’s Office and deposited to the Fund, Organization, Account and Program (2XXXXX-700000-250099-XX) provided to the PI by the Grants Accountant. The Account referenced in this example (250099) is “Deferred Revenue” assuming there have been no expenses to date and a receivable has not been booked. Costs incurred and paid by the college with college funds are reimbursed by the agency based on a pre-determined schedule and the receipt of required documentation to substantiate the request for reimbursement. All reimbursement requests are prepared and submitted by the Grants Accountant and, unless dictated otherwise by the agency, will occur on a monthly basis. Working closely with the PI to ensure prompt requests for payment is a function of the Grants Accountant.
CLOSE-OUT

Most funding agencies have required processes associated with closing out grant projects. The PI will need to complete all closeout activities prior to his/her last day paid from the grant.

- Determine approximately 60 days prior to the termination date of the grant or contract if a request for a No Cost Extension should be, or has been filed
- Finalize all expenditures
- Resolve all outstanding encumbrances
- Confirm the date all final paperwork is due
- Prepare final summary as required by the grant or contract

This checklist is designed to serve as a general guide to the PI to assist in completing the grant closeout process. Individual grants may have requirements that extend beyond or differ from this checklist. If there are questions regarding closeout requirements for a specific grant, PIs and their administrators should consult with Grants Accounting.

Grants Accounting is responsible for meeting the financial closeout requirements of all grants and will contact the PI as needed. Closeout of a grant does not automatically cancel any requirements for accountability, record retention or financial accountability. Following closeout, the grantee remains obligated to return funds due as a result of later refunds, corrections or other transactions. Subject to recovery are amounts based on the results of an audit covering any part of the grant period.