

External Grants: Grant Proposal Process (Pre-Award Activities)

Federal Grants:

Hendrix follows the Code of Federal Regulations also known as the OMB Uniform Guidance policies and procedures for all federal grant awards. This information provides guidance for administrative requirements for federal cost principles and provides information on audit requirements. Hendrix undergoes an annual financial audit in accordance with these principles. Please refer to www.grants.gov/learn-grants/grant-policies/omb-uniform-guidance-2014.html for more detailed information.

Non-Federal Grants: To the extent possible, Hendrix follows the same guidelines for external grants regardless of whether they are federal or non-federal. Many non-federal grants may include indirect cost limitations, cost share requirements or administrative burdens and risk. All grants must have the approval of the Executive Vice President of Finance prior to acceptance.

Pre-Award Activities

Pre-award activities consist of the following:

Identify Funding:

There is a variety of external grant opportunities available to faculty such as INBRE, NASA, NSF, SURF, etc. A Letter of Intent (LOI) may be required prior to submission. Faculty should work with the Provost Office in preparing the LOI prior to the deadline for draft submission to the Business Office.

Prepare Proposal:

All funding sources will provide information in a Request for Proposal (RFP) or Request for Application (RFA). This document provides information relative to the project and the necessary documentation and requirements to submit a proposal. This consists primarily of a cover letter, project proposal, budget and budget justification. NIH is an invaluable resource in scientific project proposals. <https://grants.nih.gov/grants/how-to-apply-application-guide/format-andwrite/write-your-application.htm>. Consult the website of the grantor for proposal guidelines for any grant submission.

The Business Office provides a grant routing form that functions as a checklist for grant requirements. This document should be completed and sent to the Grants Manager 5 business days prior to the due date of the grant application. Upon receipt, the Grants Manager reviews the form and proposal and sends to the Executive Vice President of Finance and the Provost for signature. It is the PI's responsibility to obtain Department Chair authorization. Once signed, submit the grant to the funding agency in accordance with their guidelines as an electronic submission or paper copy. Submit a final copy of the grant submission to the Grants Manager.

Budget Guidelines for Grants:

Budgets are a quantified reflection of the proposed research and therefore should be an accurate representation of all resources needed for a successful project. Investigators should identify direct costs including labor and supplies as well as any cost share that may be required by Hendrix Cash Match or In-Kind Match. Investigators seeking grant opportunities should be aware of any cost share requirements as well as any limitations on charging indirect expense. To increase the broad impact of grant work, it is generally recommended that grant proposals include student internship opportunities.

Requests for cash or in-kind match requires pre-approval from the Executive Vice President of Finance. Preapproval from the Provost is required for all match requests involving faculty salary or benefits. Contact the Grants Manager to facilitate the approval documents for cost share requirements. These approvals should be obtained in advance and included in the grant checklist 7 days prior to the due date of the grant application. All grant proposals are reviewed for risk by the business office.

Budget Items

Salary/Stipend and Fringe Benefits:

Salary and benefits are normally a required element of a federal grant project. Any grant submission without PI salary requires a review for reasonableness unless the proposal does not allow salary. Non-federal grant projects may expect institutional support (cost share) of salary expense and this shifted cost for In-Kind Salary match requires approval prior to submission.

Hendrix Faculty/Staff Salary Allocation:

Academic Year – Effort should be allocated based on a 9-month academic year. Faculty effort allocation of 33% or more on a grant may warrant a reduction in workload to accommodate the research effort. PI effort allocation should reflect a percentage of time that is reasonable to complete the project within the specified period. Some Principal Investigator effort is required on a federal grant. The Fringe Benefit expense to the grant should be budgeted as follows: 0% CREF – 16%; 2.25% CREF – 18% and 5.0% CREF – 20%.

Faculty/Staff Covered 100% by an External Grant:

Staff working full time for a grant project must have their full salary and benefits budgeted on the grant. Contact the Business Office for assistance with budgeting salary and full benefits, which includes FICA, Health Insurance and Retirement benefits.

Summer Months (Stipends):

Summer Faculty and Student Stipends may be budgeted if an allowable expense to the grant and within the effort guidelines of the funding agency. Student Stipends have a mandatory FICA expense of (7.65%) and must be included in the budget proposal. Faculty may budget TIAACREF benefits to the grant if an allowable expense.

Hendrix Student Pay and Stipends:

The PI determines whether the student is paid by timecard or stipend. The Grants Manager will send out a notice for Summer Stipend Grant Information to the Principal Investigators with a designated deadline. If FICA is not an allowable expense to the grant, FICA expense should be included as part of salary or request the FICA expense as Cash Match with prior approval. Please complete the summer grant form <https://www.hendrix.edu/workthissummer/> with the correct grant number to avoid issues in charging expenses to the appropriate grant.

Summer Housing:

Budget summer housing expense for students working over the summer on the proposal. If the PI is requesting this as an In-Kind Match it should be part of the cost share line of the budget proposal. Summer housing may be an allowable cost to the grant and should be part of a proposal. Do not assume it will be an automatic cost share item. PI's should indicate on the Summer Stipend Grant Information form if a student is to receive summer housing.

Contract Employment:

Payments made directly to individuals (not employees of Hendrix) for services rendered are paid as Contract Labor. Contract Labor includes consultants, honorariums, and part-time services around campus. These individuals are not paid through the payroll system and no taxes are withheld from their payment. The Business Office must send them a tax form 1099 at the end of the year. A W-9 is required to set up a new vendor for payment. **Contract employment expense should be budgeted in the other direct expense line of the proposed budget.** Contracted services over \$5,000 may require a subcontract on the grant depending on the proposal guidelines.

Indirect Costs:

Indirect Costs are also known as administrative or overhead costs in the grant applications. The current Hendrix On-Campus Indirect Cost Rate is 70.5% for wages and salaries only (this does not include fringe benefits). Budget changes to the salary line affect the indirect cost expense to the grant. Work with the Grants Manager to determine best practices for accounting for the difference to the budget. It may result in a reduction of the overall award depending on funding guidelines. Hendrix provides an incentive to departments who have federal grants with indirect expense as follows:

- External Grants with No Hendrix Cash Match (In-Kind Match only)
 - ✓ 25% indirects to the department of the PI to offset departmental expenses.
 - ✓ 75% indirects to Hendrix College to offset administrative expenses.

Budget Justification:

Budget justifications are a required component of the grant proposal. The budget justification is a narrative of the budget and provides an opportunity to explain the merits of the research and justify the funds requested.

Grant Award Process (Post –Award Activities)**Notice of Awards:**

Forward a copy of the Notice of Award (NOA) to the Grants Manager for account set up. Please review all documents to ensure compliance with the conditions of the award, this may include formal written acceptance by the Provost or Executive Vice President of Finance. Occasionally grant awards are declined due to risk assessments that may not be favorable to Hendrix College. Notify the Grants Manager if a grant award is declined.

Grant Funds/ Check Received:

Some grantors may pay in advance for project work. In the event that the PI receives a check, it must be delivered to the Grants Manager for deposit.

Grant Account Maintenance (Post-Award Activities)**Account Set Up and Management:**

The Grants Manager will establish grant account and project code numbers and will forward the information to the Principal Investigator and the department assistant. Advance accounts require prior approval. Most grant awards cover a specific project period and funds typically cannot be spent prior to or after those established dates.

Determining Allowable Expenses:

Hendrix follows the OMB Uniform Guidance policies to determine allowable expenses to a grant (sponsored project). <https://www.grants.gov/web/grants/learn-grants/grant-policies/ombuniform-guidance-2014.html>. This link is a resource for PI's in budgeting and allocating costs to a grant.

Private granting agencies may have different requirements – always check the award notice. Many private agencies use the federal guidelines for re-budgeting and allowable expenses.

Project costs consist of direct costs directly related to the performance of the sponsored project and the allocable portion of F&A costs, less any applicable credits as defined below.

Costs applicable to sponsored projects: undergo four tests: Reasonable, Allocable, Consistent, and Conformance. These four tests apply regardless of whether the category of costs is one specified in the cost principles or one governed by other terms and conditions of an award and regardless of treatment as a direct cost or an F&A cost. Any unallowable cost posted in error to the accounting system should be transferred to a departmental or

unrestricted fund account. If a transfer is required, the PI should submit a "Budget/Expense Transfer Request" form to the Business Office.

Time and Effort Reporting:

For all internal and externally funded awards, all faculty are required to submit a signed Hendrix College Time & Effort report on a quarterly basis by: 09/15, 12/15, 03/15 and 06/15 to the Director of Budgeting, Purchasing & Grants Manager. Absence of reporting may result in the delay or denial of approval for:

- Spending approvals
- Stipend payments
- Student internships

This reporting supports compliance with federal regulations to: be reasonable, ensure alignment between federal and non-federal awards and documenting actual time & effort invested.

Definitions:

Administration: General administration & general expenses, departmental administration, sponsored project administration, student administration and services, and all other types of expenses not listed specifically under one of the subcategories of facilities.

Allocable Cost: Goods or services incurred solely to advance the work under the sponsored project that benefit both the sponsored project and other work at Hendrix, in proportions that can be approximated through the use of reasonable methods, or necessary to the overall operation of Hendrix and deemed to be assignable in part to sponsored projects.

Allowable Cost: Goods or services that are reasonable and allocable to sponsored projects and given consistent treatment through application of generally accepted accounting principles appropriate to the circumstances and that conform to any limitations or exclusions set forth in, agency guidelines or sponsored project.

Conformance: Costs must conform to any limitations or exclusions set forth in the terms and conditions of the award, including those in the cost principles.

Consistent Costs: Costs given consistent treatment assigning to cost objects for all work under similar circumstances, regardless of the source of funding.

F&A Costs: Facilities & Administrative costs are costs that are incurred for common or joint objectives that cannot be identified readily and specifically with a particular sponsored project, instructional activity, or any other institutional activity. F&A costs are synonymous with indirect costs.

Facilities: Depreciation and use allowances, interest on debt associated with certain buildings, equipment and capital improvements, operation and maintenance expenses and library expenses.

Reasonable Cost: Goods or services acquired or applied, in an amount that reflects the action that a prudent person would take at the time the decision to incur the cost was made.

Sponsored Project: Any grant, contract, or other agreement between Hendrix College and a sponsoring agency.

Hendrix College and PI's (Principal Investigators) use these guidelines to determine costs applicable to grants (sponsored project) regardless of the source of funding. All costs must pass the four tests of allowableness: Reasonable, Allocable, Consistent and Conformance.

Procedures

Reasonable

Costs are reasonable if the goods or services acquired, and the amount involved, reflect the action that a prudent person would take under normal circumstances. Consider the following as to reasonableness:

- Is the cost necessary for Hendrix operations or the performance of the sponsored project?
- Have the restraints or requirements imposed by such factors as Federal and State laws and regulations, sponsored project terms and conditions, and arm's length bargaining (buyer and seller are acting independently and do not have a relationship to each other) been satisfied?
- Have the individuals concerned acted with prudence, considering their responsibilities to Hendrix, its employees, its students, the government, and the public at large?
- Were the costs consistent with Hendrix policies and procedures?

Allocable

Costs are allocable to a sponsored project if the goods or services acquired benefit the sponsored project. Use The following criteria to determine if costs are allocable to sponsored projects:

- Was the cost incurred solely to advance the work under the sponsored project?
- Does the cost benefit both the sponsored project and other Hendrix work?
- Is the cost necessary to the overall operation of Hendrix and, compliant with the Uniform Guidance (2 CFR §200) or Notice of Award, deemed to be assignable in part to sponsored projects?

Other considerations

- Capital Equipment items must be an approved item in the sponsored project in order to be allocated to that project.
- Any costs determined allocable to a particular sponsored project may not be shifted to other **sponsored projects** in order to meet deficiencies caused by overspending or budgetary constraints. However, these costs can be transferred to an internal funding source with guidance from the Grants Manager.
- Hendrix is responsible for ensuring that costs charged to a sponsored project are allowable, allocable, and reasonable under the cost principles outlined in the Uniform Guidance (2 CFR §200) or Notice of Award.
- Hendrix's internal controls ensure that no one person has complete control over all aspects of a financial transaction.
- If a cost benefits two or more projects or activities in proportions that can be determined without undue effort or cost, the cost should be allocated to the projects based on the proportional benefit.
- If a cost benefits two or more projects or activities in proportions that cannot be determined because of the interrelationship of the work involved, the costs may be allocated or transferred to benefited projects on any reasonable basis.
- Hendrix is responsible for maintaining documentation for the management of sponsored projects and for the retention of those records for 7 years after the end of the project period of a sponsored project.

Consistent

Consistency in the application of cost accounting practices is necessary to ensure that comparable transactions are treated alike. The criteria for determining the allocation of costs to a sponsored project or other funding sources should be the same.

- The classification of elements of cost as direct or indirect.
- The methods of allocating indirect costs to the sponsored agreement.

Adherence to these cost accounting practices is necessary to guard against the overcharging of some cost items and to prevent double counting of costs or failure to reallocate expenses.

Conformance

All costs must conform to any limitations or exclusions set forth in the cost principles outlined in the Uniform Guidance (two CFR §200) or in the sponsored agreement as to types or amounts of cost items. Please contact the Grants Manager or Assistant Controller regarding any questions or concerns regarding the allowance and application of costs to a project.

Payments made for costs determined to be unallowable by either the Federal awarding agency, cognizant agency for indirect costs, or pass-through entity, either as direct or indirect costs, must be refunded (including interest) to the Federal Government in accordance with instructions from the Federal agency that determined the costs are unallowable unless Federal statute or regulation directs otherwise. See also Subpart D—Post Federal Award Requirements of this part, §§ 200.300 Statutory and national policy requirements through 200.309 Period of performance. It should be noted that there are several types of expenses that cannot be charged to a federal grant such as but not limited to: alcoholic beverages, memberships and dues to professional organizations.

Allowable Expenses to a Grant (Direct Cost)

1. 4100 Salaries
2. 4150 Fringe
3. 4200 Supplies (lab supplies, software, noncapital equipment)
4. 4500 Travel (see Hendrix Travel policy on covered travel items)
<https://www.hendrix.edu/businessoffice/default.aspx?id=551>
5. 4999 Other Direct Expense (typically intangible items such as service contracts or publication costs, consultant fees, computer services)
6. 5191 Program (Participant) Costs – expenses that directly relate to the program goals of the project, consultants, stipends, tuition and fees.
7. 8465 Equipment – typically capital equipment and must be approved in the NOA. Equipment requests over \$5,000 requires a bid process. PI's must secure 3 price quotes from vendors. Sole source awards require a written justification. Work with the Grants Manager on this process. Bids must comply with federal guidelines.

Invoicing and Cost Recovery

Hendrix College provides quarterly invoicing to funders in accordance with the above stated cost principles and guidelines. Invoices are prepared and submitted to the appropriate funding agency in accordance with their guidelines. NSF grants and other federal grants are generally invoiced online. The principal investigator may be asked to review invoices prior to submission. All checks should be made payable to:

Hendrix College
Attn: Manager of Grants & Purchasing
1600 Washington Ave.
Conway, AR 72032.

Grants may only be invoiced to recover costs to the projects. Under no circumstances should a grant be pre-billed for any expense (i.e. charging PI effort upfront before the effort actually occurs). To do so what establish a “cash on hand” situation, which is not allowed on federal projects.

Statements to PI's

The Grants Manager will reconcile each grant account on a monthly basis to ensure accurate recording of expenses and sent to the Principal Investigator along with a detailed ledger of the monthly expenses. Principal Investigators should review these and notify the Grants Manager of any errors or omissions.

Budget Revisions Budget

Revisions are sometimes necessary. PI's must follow the award notice regarding the rules for re-budgeting. Most (not all) NIH grants have expanded authority which means that the PI has discretion to re-budget as needed. Most (not all) NSF grants allow re-budgeting up to 25% of the total budget without permission. Please notify the Grants Manager with any re-budget requests to determine whether agency approval is needed or not.

No Cost Extensions and Requests for Carryforward Funds

Requests for extensions (NCE) are typically required 90 days prior to the end of the project period. They require a budget for the use of the remaining funds and a justification. Balances remaining at the end of one project period may not be automatically carried forward to the next project period. The award notice will indicate if a request is necessary to keep unused funds from one project period to the next. A budget for carryforward funds is typically required at the time a progress report is submitted. Please contact the Grants Manager for assistance for both of these processes.

Financial Reporting and Closeout Procedures

Annual reports are required on all federal projects and many other types of projects. Annual reports typically consist of a progress report and a financial report. Federal projects typically require these 90 days prior to the end of the project period but review the NOA for an exception. The funding agency will notify the PI of the upcoming report. The Grants Manager should complete the financial report and the PI should complete the progress report. A copy should be kept in the grant file. Grant close-out procedures requires a review to ensure all expenses fall within the project period, a final report and a final financial report that covers the entire life of the grant. Extensions and requests for carryforward must be requested 90 days before the end of the project.