

KENTUCKY COMMUNITY AND TECHNICAL COLLEGE SYSTEM
BUSINESS PROCEDURES MANUAL

Procedure 3.9
Page 1 of 6

Effective: October 15, 2010

Supersedes: Procedure 3.9 dated November 15, 2005

Applies to: System Office and Colleges

Procedure Responsibility: System Sponsored Projects Accounting

Sponsored Projects Accounting For Grants and Contracts

Section 3.9.1 – Introduction

Section 3.9.2 – Definitions of Grants and Contracts for Sponsored Projects

Section 3.9.3 – Applicability

Section 3.9.4 – General Responsibility

Section 3.9.5 – Disbursement and Receipt of Sponsored Project Funds

Section 3.9.6 – Budget Changes

Section 3.9.7 – Grants and Contracts Close-out

Section 3.9.8 – Indirect Cost Recovery Revenue and Administrative Cost
Assessment

Section 3.9.1 – Introduction

In meeting its obligations for teaching, training, and public service, KCTCS frequently enters into contractual arrangements with other entities, such as the federal government, state and local governments, industry, and private foundations. KCTCS faculty and staff participate in these arrangements and KCTCS facilities are used. The following procedures are provided to govern these activities.

Sponsored Projects are managed in accordance with KCTCS Administrative Policies and Procedures, Section 7.9.

Section 3.9.2 – Definitions of Grants and Contracts for Sponsored Projects

Grants and contracts for sponsored projects represent a contractual obligation between the grantor and KCTCS for performance of a specific activity through which the grantor, or sponsor, is entitled to receive some consideration or benefits. A proposal/award combination, contract, or a written memorandum of agreement normally documents contractual obligations. Funds are classified as a grant or contract when any of the following characteristics or conditions exist:

- A. The sponsor requires some form of financial reporting of expenses.
- B. The sponsor requires a provision for an audit as a requirement of the grant or contract, e.g., Federal Programs A-133 Audit Report.

- C. The sponsor requires a detailed technical report of results from the sponsored activity.
- D. Specific KCTCS obligations in providing consideration or benefits to the sponsor are identified.
- E. An activity is directed to satisfying specific sponsor requirements e.g., terms and conditions stating a specific scope of work are to be accomplished.
- F. A specified period of performance is prescribed and termination is at the discretion of the sponsor.

KCTCS assumes full legal responsibility for complying with all requirements imposed by the grantor or sponsor upon acceptance of the grant and contract for sponsored projects.

Section 3.9.3 – Applicability

The Business Procedure 3.9, Sponsored Projects Accounting for Grants and Contracts, applies to all Sponsored Projects as defined in Section 3.9.2, with the exception of the following:

- Earmarked or dedicated state taxes or appropriations
- Student aid funds (Pell, SEOG, Federal Work Study, CAP, and KHEAA, etc.)
- Major construction and renovation funds (fund groups 61 and 63)
- Private gifts (fund group 11 accounts)

Section 3.9.4 – General Responsibility

- A. College Responsibility
 1. The college must complete a GC-1 Internal Approval Form (IAF), obtain all college required signatures, and forward the original GC-1 form, along with the sponsor information (award, budget, and scope of work) to the director of the Office of Sponsored Projects Administration (OSPA). [GC-1 Internal Approval Form](#)

KENTUCKY COMMUNITY AND TECHNICAL COLLEGE SYSTEM
BUSINESS PROCEDURES MANUAL

Procedure 3.9
Page 3 of 6

2. The college is responsible for charging all allowable, reasonable, and allocable direct costs to the proper project/grant account string. The college is responsible for maintaining the documentation for these costs (i.e.; time-sheets and ProCard invoices). Any expense identified as unallowable, will be the responsibility of the college and must be reimbursed from other college resources.
3. Grants and contracts are awarded with specific end dates. The college is responsible for monitoring the end date and ensuring that any and all charges related to a project/grant are posted to the proper account string prior to the ending date. The KCTCS Office of Sponsored Projects Accounting will prepare the final financial report/invoice. Any costs determined disallowed (including services performed after the end date, and items received after the end date) will be the college's responsibility to pay from other college resources.
4. The college project coordinator is responsible for the completion and submission of all technical reports required by the sponsor.

B. System Office Responsibility

The KCTCS Office of Sponsored Projects Accounting is responsible for the following:

1. Establishment of all project/grant (fund 12) information and budgets into KCTCS' financial system.
2. Assisting principal investigators, project coordinators, and college business offices in processing transactions to comply with statutes, regulations, budget, and policies.
3. Financial reporting and billing of sponsored project expenses.
4. Letter of credit draws.
5. Letter of credit reports and reconciliations.
6. Project/grant accounts receivable and collections.
7. Preparation of the KCTCS federal indirect cost proposal and fringe benefit rate.
8. Negotiate the indirect cost and fringe benefit rates.

KENTUCKY COMMUNITY AND TECHNICAL COLLEGE SYSTEM
BUSINESS PROCEDURES MANUAL

Procedure 3.9
Page 4 of 6

9. Prepare annual audit of federal program expenses report (A-133).

Section 3.9.5 – Disbursement and Receipt of Sponsored Project Funds

A. Disbursement of sponsored projects funds.

1. Each grant or contract is assigned a specific project/grant account string within Fund 12. All financial transactions relating to a specific grant are charged to that project/grant string.
2. All expenditures and encumbrances must conform to the sponsor's approved budget and must not exceed the amount of the budget.
3. Personnel expenditures are made in accordance with KCTCS Human Resources and Payroll policies and procedures. Every effort should be made to charge allowable payroll expenses directly through the KCTCS payroll system. When charges are not posted properly, timely journal entries (BA-6) must be prepared by the college and entered into the accounting records by System Office personnel. The journal entry should be prepared, forwarded for entry, and posted within forty-five (45) days of the original charge. Colleges are to include a detailed explanation justifying the expense transfer and back-up documentation (copy of payroll distribution sheet). Please see business procedure 3.4 – Cost Transfers on Sponsored Projects for specifics.
4. Non-personnel expenditures are made in compliance with KCTCS Accounting and Purchasing policies and procedures, and must be allowable within the sponsor's award. When charges are not posted properly, timely journal entries (BA-6) must be prepared and entered into the accounting system. The journal entry should be prepared and posted within forty-five (45) days of the original charge. Colleges must include a detailed explanation justifying the expense transfer and back-up documentation (copy of original pay document). Please see business procedure 3.4 – Cost Transfers on Sponsored Projects for specifics.

B. Receipt of sponsored project funds.

1. The amount of revenue allocated for each project/grant will be based on the total budget on the GC-1 Internal Approval Form (IAF), with comparisons to the sponsor's award.
2. The KCTCS Office of Sponsored Projects Accounting will obtain funds from the sponsor based on the grant/contract's terms and conditions.

3. All funds are deposited immediately upon receipt in the appropriate Fund 12 project/grant account string.

Section 3.9.6 – Budget Changes

A. Budget Transfer.

Once a budget is established in the accounting system, a GC-2 Budget Revision Request form must be completed to move funds between budget pools. Based on the terms and conditions of the grant or contract, a sponsor's approval may be required prior to budget transfer. A college is to prepare the GC-2 with appropriate justification/remarks, attach documentation (sponsor's approval, if required) and obtain required college signatures (principle investigator, college business officer, and/or college president/CEO). Completed GC-2 forms are submitted to the Director of the Office of Sponsored Projects Administration (OSPA) for final signature and then forwarded to KCTCS Office of Sponsored Projects Accounting for entry into KCTCS' financial system.

[GC-2 Budget Revision Request Form](#)

B. Budget Revision.

Increases or decreases to a project/grant budget must be requested on GC-2 Budget Revision Request form. A college prepares the GC-2 with appropriate justification/remarks, documentation (copy of sponsor's award showing increase or decrease must be attached) and college signatures principle investigator, college business officer, and/or college president/CEO). Completed GC-2 forms are submitted to the Director of the Office of Sponsored Projects Administration (OSPA) for final signature and then forwarded to the KCTCS Office of Sponsored Projects Accounting for entry into KCTCS' financial system.

Section 3.9.7 – Grants and Contracts Close-out

Thirty (30) days prior to the end date of a grant or contract, the KCTCS Office of Sponsored Projects Accounting will send a notification to the college regarding project close out. This notice is to verify the ending date and request that the college review all expenses posted with KCTCS' financial system for their correctness and accuracy. Colleges are responsible for posting final expenses and corrections to ensure all expenses are correct at the time KCTCS Sponsored Projects Accounting prepares the final report to the sponsor. If the grant or contract is cost reimbursement, the budget will be reduced to equal actual expenses at the time of final billing/reporting to the sponsor to ensure no

further expenses are posted. If a grant or contract is a fixed-price agreement, any residual will be transferred to the college, once all final expenses have been posted.

Section 3.9.8 – Indirect Cost Recovery Revenue and Administrative Cost Assessment

Indirect cost recovery revenue will be allocated to the KCTCS business unit which generated the revenue and will be recorded as current operating revenue. For system-wide or multi business unit grants, an allocation of indirect cost revenue will be determined by the KCTCS Office of Sponsored Projects Administration for each participating business unit. An indirect cost assessment rate (rates) will be developed each fiscal year by the Office of Sponsored Projects Accounting (OSPA) in an amount necessary to cover the administration costs of the Offices of Sponsored Projects Administration, Sponsored Projects Accounting, special system-wide grant initiatives, and other associated costs of managing sponsored projects. The rate will be developed and communicated to the colleges by not later than April 30 of each year for the subsequent fiscal year, and shall be based on an estimate of that fiscal year's administration cost and total KCTCS grant expenditures. The rate will be stated as a percentage and calculated by dividing the estimated administration costs by estimated total grant expenditures of KCTCS as a whole. The rate will be applied to the actual grant expenses of each business unit and assessed as a current operating expense on a quarterly basis. The rate will be evaluated throughout the fiscal year by the Office of Sponsored Projects Accounting (OSPA) to ensure it is in line with projected administration costs, with adjustments to the rate made as necessary. Rate adjustments will be communicated by the Office of Sponsored Projects Accounting (OSPA) to college business offices on a timely basis.

END OF PROCEDURE