

## **Managing Your Federal Grant-Funded Program**

When you begin to spend your grant funds, you will use either a Banner On-line Requisition, District Procurement Credit Card (Procard), Request for Reimbursement Form (for amounts exceeding \$100) or a Petty Cash Reimbursement Form for total amounts less than \$100.

The grant director or staff must use a requisition to purchase all equipment and goods or services exceeding \$1000.00. See Purchasing Procedures and Contract Requirements under the District Portal Downloads for additional guidance and procedures for processing the requisition and payments to vendors. A requisition is an on-line form and goes through an on-line approval process originating from the requestor, through the Division Dean and College Business Officer (CBO). Prior approval is required by Dean or CBO for expenditures that will be reimbursed or purchased with a Procard. An Expenditure Request Form should be used for this approval and is available on-line under the Downloads.

### **Expenditure Request Form**

- 1) Complete the form with the appropriate information and obtain approval.
- 2) Attach a quote if possible.
- 3) Keep the original form for your files and scan a copy to the Dean and CBO.

Procurement card holders must abide by policies and procedures which can be found in the Downloads under SMCCCD Procurement Card User's Guide Policies and Procedures. In December 2009, the District established a College Internal Audit Group (CIAG) for review and audit of procurement card purchases. The review and audit process can be found on the Procurement Card Intranet.

**Expenditures that are not allowable under the Funding Terms & Conditions and those that, if posted, create an over-expenditure within a particular budget line item will be returned to you for modification before the expenditure can be fully processed.**

### **Unallowable Cost Information**

The information provided in this document is intended to assist the user to achieve and maintain compliance with the federal regulations within the scope of the grant.

## **UNALLOWABLE COST INFORMATION**

### **OMB Circular A-21 Guidance**

Circular A-21 defines various activities and objects as either allowable or unallowable for reimbursement by the government. It describes the allowability of costs as follows: “(a) they must be reasonable; (b) they must be allocable to sponsored agreements under the principles and methods defined in A-21; (c) they must be given consistent treatment through application of those generally accepted accounting principles appropriate to the circumstances; and (d) they must conform to any limitations or exclusions set forth in these principles or in the sponsored agreement as to types or amounts of cost items.”

Costs defined as unallowable under A-21 are not necessarily expenses that are prohibited. Some may be related to essential institutional functions; however, by identifying them as unallowable, the government has stated that federal funds may not be used to pay for these expenses. They may not be charged as direct or indirect costs, nor may they be counted as cost sharing on federally sponsored projects.

Below is a list of the main unallowable costs taken from part J of Circular A-21. For more information, refer to the full text of the Circular, available on-line [http://www.whitehouse.gov/omb/circulars\\_a021\\_2004](http://www.whitehouse.gov/omb/circulars_a021_2004)

#### **Common Unallowable Costs**

- Advertising (J.1)
- Alcoholic beverages (J.3)
- Alumni activities (J.4)
- Bad debt expense (J.6)
- Commencement and convocation costs (J.8)
- Contingency provisions (J.11)
- Defense and prosecution of criminal and civil proceedings, claims, appeals and patent infringements (J.13)
- Donations or contributions rendered (J.15)
- Entertainment (J.17)
- Fines and penalties (J.19)
- Fund raising (J.20)
- Goods and services for personal use (J.22), including housing and personal living expenses (J.23)
- Lobbying (J.28)
- Losses on other sponsored projects or contracts (J.29)
- Memberships, subscriptions and professional activity costs (J.33)
- Student activity costs (J.48)
- Travel costs (J.53)

**\*\*Remember this is a quick reference guide. There may well be reasonable exceptions to some of the unallowable costs listed here.\*\***

## **Examples of Unallowable vs. Allowable Expenses**

A frequent source of confusion about the allowability of expenses stems from a failure to recognize the differences between business function expenses, which are allowable and entertainment expenses, which are not (unallowable). The examples below should help to clarify this important distinction.

### **Unallowable Entertainment Expenses**

- (1) An invited speaker is in town to present a seminar. While here, you take him to dinner and a sporting event to show your appreciation.
- (2) It is the end of the fiscal year and you have survived another one. You decide to have a year-end party for your department to lift morale. Catering delivers a luncheon in the conference room and everyone in the department gets together to socialize and unwind.

The above costs are for “amusement, diversion, and social activities and any costs directly associated with such costs (such as tickets to shows or sports events, meals, lodging, rentals, transportation, and gratuities)” and therefore are examples of unallowable entertainment costs.

### **Allowable Business Function Expenses**

An invited speaker is on campus to present a seminar to Northern California Community Colleges from 12:00-1:00pm. You have a luncheon, following the seminar, so that attendees can have the opportunity to meet and talk with the lecturer more closely about her research.

The cost of the luncheon is an allowable expense and should be classified as a business function only for the dissemination of technical information from outside the District. This is considered an extension of business and is therefore allowable (except for any alcohol that may be purchased).

### **Budget and Expenditure Monitoring**

All grants require careful tracking of expenditures and monitoring of accounts. The Accounting Department maintains detailed records, but **it is your responsibility to ensure that you spend money in adherence to the specific Funding Terms and Conditions for your program.** And, if there are any changes to your FT&C's, it's important that you let the CBO know of these changes. Purchases are monitored by the CBO and Dean to ensure they are part of the approved budget plan.

You need to monitor your expenditures and budget online using Banner or WebSMART. Please refer to “Training and Reference Materials” under Purchasing/General Services in the Downloads, which included the document, “Banner Tools for Viewing Budgets.” Banner provides reports and transaction details for all accounts for monitoring of budget, year-to-date activity and commitments for each account. Banner has “built-in” monitoring controls which alert you if you have nonsufficient funds for purchasing, budget movement and expense transactions. You must have sufficient budget in your account before the purchase, movement of expense or budget is approved by the Dean or CBO.

All procard purchases greater than \$300 require approval by the Dean or Vice President using the Expenditure Request Form:

(<https://www.canadacollege.edu/grants/grantapplicationprocess/Expenditure-Request-Form.pdf> ). In addition, all procard purchases must follow SMCCCD Procurement Card User's Guide Policies and Procedures: <https://smccd-public.sharepoint.com/PurchasingGeneralServices/Procurement%20Cards%20-%20U.S.%20Bank/Procard%20User's%20Guide.pdf>

In case of a discrepancy in the budget figures, verify the information with CBO.

### **Changes to your Budget**

Budgets represent your best projection of what your expenditures will be in the coming year. However, it is sometimes necessary to adjust your budget to accommodate the actual expenditure needs or increases or decreases in revenue.

The procedure for changing your budget depends on two things. One is the Funding Terms and Conditions (FT&C's) of your grant and whether you are moving funds from one category to another. Some grants require the funder's approval if the change is over a certain percentage of the total amount of the grant, some require approval if the change is over a certain percentage of the budget line item, and others do not require the funder's approval at all as long as the scope of the project has not changed. Check the FT&C's of the grant you manage before making any changes. If approval from the funder is required you'll need to get written approval before submitting your budget change.

Since grant proposals are basically projected workplans, and proposal budgets are projections of what will be needed to implement the plan, it is not unusual for things to change once work gets underway. Funding agencies understand this and allow grant recipients to make changes to varying degrees, without requesting their approval. Most grant

contracts specify the types of changes that can be made with or without prior approval. Project Directors should make sure they know this at the onset of a grant. Note that for grants that involve "Participant Support Costs" (PSC), written approval from the funding agency is required to transfer funds out of the PSC budget. Dean and CBO will approve transfers with approval documentation.

If a Project Director wants to make a change that requires prior approval from the funding agency, he or she should contact the Dean and CBO. The Project Director will contact the program officer at the agency to request the change and its purpose. The grant contract normally details procedures to follow. It is important to follow the exact procedures since grant contracts are legal documents and cannot be altered without official written approval.

Agency personnel will deliberate and officially approve or disapprove changes in writing. **No program changes may be made until official written approval is obtained.** This may take some time, so it is important to make changes as early as possible. The original approval letter is to be sent to the District's Grants Analyst Office and CBO and the Project Director is to maintain a copy in their project files.

### **Participant Support Costs**

For grants involving Participant Support Costs stipends or subsistence allowances, travel allowances and registration fees paid to or on behalf of participants must follow the SMCCD Administrative Procedures for Conference and Travel Expenses. Reimbursements associated with Participant Support Costs for non-SMCCD employees must be requested using appropriate forms (<https://www.canadacollege.edu/grants/grantforms.php>). For Participant Support Costs involving students, please refer to the "Stipend vs. Salary Guidelines" (<https://www.canadacollege.edu/grants/grantapplicationprocess/Stipend-vs-Salary-Guidelines.pdf>).

Specific District accounts must be used to track budget and expenditures for stipends, scholarships and travel. For any grant-related activity that involves Participant Support Costs, records need to be maintained to document the selection of participants, and verify that each participant is eligible to receive payments (such as sign-in/sign-out sheets). The documentation of participation must be submitted as supporting documents for the request for reimbursements.