



**COLLEGE ADMINISTRATIVE PROCEDURE MANUAL**

<b>Procedure Title</b>	<b>Procedure Number</b>	<b>Page(s)</b>	<b>Date Adopted:</b>
Solicitation and Administration of Funds from External Agencies	CAM - I	11	08/26/2025

**BASED ON BOARD POLICY**

<b>Section</b>	<b>Policy Title</b>	<b>Policy Number</b>	<b>Date Adopted:</b>
C —Business and Support Services	Appropriations and Revenue Sources: Grants, Funds, Donations from Private Sources	CAM	08/26/2025

**PROPOSAL DEVELOPMENT**

This procedure applies to all departments and divisions of McLennan Community College (MCC) with the exception of the MCC Foundation.

When a member of the MCC staff decides to pursue college approval to solicit funds from an external agency, the first step is to present the idea and a copy of the funding agency's Request for Proposal (RFP) and/or other grant or contract announcement/ specifications document(s) to his/her immediate supervisor in a timely manner. For most externally funded projects, particularly those from the U.S. Department of Education, a minimum of six weeks is usually necessary between the time approval to pursue the funds is secured and the proposal submission deadline. It is recommended that staff members interested in pursuing external funding begin discussing the project with their supervisor at least two months before the submission deadline, if at all possible.

If the supervisor decides that a grant or contract should be pursued, approval to proceed should be solicited from the appropriate Vice-President or Dean, and then, from the Director, Resource Development. These decisions to proceed will be based upon an assessment of:

- the congruity of the proposed project with the College’s annual and/or long-range goals.
- the amount of time available for the faculty/staff member and/or to prepare the proposal and work with the project (if applicable); and
- the availability of office space and other requisite institutional resources.

Once approval from the above administrators has been secured and each has signed the Externally Funded Project Transmittal Form under Approval to Proceed, a complete draft of the proposal should be prepared at least two weeks before the proposal submission deadline. The Director, Resource Development, will provide technical assistance during draft development and will have final programmatic editorial approval authority before the proposal is submitted to the President. The extent of assistance provided by the Director, Resource Development will be determined by the type of expertise needed, the length of notice provided by the grant/contract developer and the amount of time available for special projects in the Office of Resource Development. During draft development, the grant/contract developer should consult the Office of Human Resources and the Vice President, Finance & Administration about appropriate salaries for grant and contract personnel, determination of allowable indirect costs, and other applicable financial considerations. Regular faculty summer salaries paid from contract and grant funds are based upon the College's procedure entitled: "Compensation to Regular Faculty for Overload Assignment."

The Externally Funded Project Transmittal Form must be signed by the grant/contract developer's Vice President or Dean and Vice President, Finance & Administration (or designee) under Approval of Proposal, Revision, or Report before it is submitted with the final draft of the proposal to the Director, Resource Development, who will inform the grant/contract developer of the date the final draft must be ready for the President's signature and will submit the proposal to the President for signature. The office that will provide the required number of copies of the proposal for the funding agency and mail or deliver the proposal to the funding agency by the submission deadline will be decided based upon the availability of budget and time. In most cases, however, the Office of Resource Development will provide these services.

## **IMPLEMENTATION**

The President will normally receive notification of funding from external agencies. The notice will be transmitted from the President's Office to the Director, Resource Development. Subsequently, the following procedures and policies must be adhered to:

- The Director, Resource Development will distribute copies of the award to the grant/contract administrator, the grant/contract accountant, the grant/contract administrator's Vice President or Dean, and the Vice President, Finance & Administration.
- It is the responsibility of the grant/contract administrator to arrange a meeting with the grant/contract accountant in the Financial Services Office to set up a college budget for the award. The grant/contract administrator must prepare a budget based on the negotiated grant or contract budget. The grant/contract accountant will review the budget against the contract to verify that the budget meets the requirements of the grant or contract and the grant or contract financial reporting requirements.

- For grants or contracts that involve more than one department, the Director of Resource Development will call a meeting to review responsibilities and timelines for those involved.
- Only after the final budget has been approved within the College will the grant/contract administrator be authorized to expend grant or contract funds. In all cases, established college procedures will be followed for expenditure of funds.

## **ADMINISTRATION**

It will be the responsibility of the grant/contract administrator/Principal Investigator to ensure that grant or contract funds are expended in accordance with grant or contract allowability guidelines and within the parameters of the final approved grant or contract budget. In the event a proposed expenditure is questionable, the Director, Resource Development will clarify the issue. The Education Division General Administrative Regulations (EDGAR) will be followed in the case of U.S. Department of Education federal programs. EDGAR is a publication, which outlines general rules on grant or contract application submission, award, conditions, and administration and compliance procedures for operating projects that have been funded by the U.S. Department of Education. Time and effort verification forms for grant or contract personnel are available from the Director, Resource Development and should be completed on a monthly basis unless such documentation clearly is not required by the funding agency.

Financial accountability is the responsibility of the grant/contract administrator/Principal Investigator and the grant/contract accountant. The grant/contract administrator must be very knowledgeable of the various requirements of the grant or contract--and, again, he/she must be able to stay within the budget limitations.

The grant/contract accountant is responsible for:

- \*setting up and maintaining all grant and contract files and making them available to the auditors and other authorized users;
- \*completing and filing financial reports in a timely manner;
- \*reviewing requisitions and payroll expenditures for funds availability, appropriateness of budget number to which an expenditure is being charged, and property and completeness of expenditure documentation; and
- \*coordinating with accounts payable and purchasing in clearing outstanding purchase orders prior to the closing of the grant or contract.

It is very important that grant/contract administrators/Principal Investigator plan properly to expend grant or contract funds appropriately and to avoid last-minute rushes.

The grant/contract administrator is encouraged to submit all requests for goods and services early in the life of the grant or contract so proper processing can occur, and delivery of goods and services can be assured. It is recommended that equipment be requested at least five months before the expiration date of the grant or contract to allow for advertising, bidding, board approval, and processing of requisitions in a timely manner; supplies should be ordered at least three months prior to the termination of the grant or contract. This should also allow for returns, rejections, and replacements.

Frequent meetings between the grant/contract accountant and the grant/contract administrator should be held to monitor the budget, request budget adjustments, and discuss other topics of interest. The grant/contract administrator should monitor his/her budget by reviewing the expenditure reports provided from the accounting system.

## **ALLOWABLE COSTS AND COST PRINCIPLES**

### **Overview:**

This section of the procedure outlines allowable costs and the importance of assigning correct account numbers to expenses to ensure proper treatment of costs. The cost principles also identify those charges that typically cannot be charged to grants and are considered unallowable expenses. Office of Management and Budget (OMB) 2 CFR 200 - Uniform Guidance, identifies costs that may be charged to federal awards.

### **Definitions and Key Terms:**

**Allocable:** A cost incurred specifically for the program, or several activities but can be distributed between them in reasonable proportion to benefits received, and is clearly necessary to the program.

**Allowable:** Costs directly related to the performance of a grant award and permitted under its terms and OMB guidance that must be reasonable, necessary, allocable, and treated consistently with generally accepted accounting principles.

**Consistent Treatment:** A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost.

**Direct Cost:** Costs specifically identified with a grant award that can be readily and specifically assigned to such award (e.g., salaries, fringe benefits, consultants, equipment, travel, participant costs, and subcontracts).

Indirect Costs: Costs incurred for common or joint objectives and therefore cannot be identified readily and specifically with a particular award (e.g., depreciation of buildings and equipment, computing infrastructure, administrative services, utilities, and custodial services).

Reasonable: Costs do not exceed those that would normally be incurred by a prudent person.

### **Detailed Procedure:**

The Federal Office of Management and Budget developed the Uniform Guidance (2 CFR, Part 200 Subpart E) to describe the treatment of costs on activities (direct and indirect) that can be billed to the federal government. The Uniform Guidance applies to all federally funded projects including federal funding through a non-federal agency.

### **Allowable Costs**

A cost that is allowable must also be:

- Necessary and reasonable for the performance of the award and be allocable.
- Conform to any award limitations or exclusions.
- Consistent with policies and procedures that apply to both Federal and other non-Federal activities.
- Consistently treated.
- Determined in accordance with generally accepted accounting principles (GAAP).
- Not 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.
- Adequately documented.

### **Reasonable Costs**

A cost is reasonable if, in its nature and 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.

Typical tests to determine if a cost is Reasonable:

- Whether the cost is of a type generally recognized as ordinary and necessary for the operation of the non-Federal entity or the proper and efficient performance of the Federal award.
- The restraints or requirements imposed by such factors as: sound business practices; arm's-length bargaining; Federal, state and other laws and regulations; and terms and conditions of the Federal award.
- Market prices for comparable goods or services for the geographic area.
- Whether the individuals concerned acted with prudence in the circumstances considering their responsibilities to the non-Federal entity, its employees, where applicable its students or membership, the public at large, and the Federal government.
- Whether the non-Federal entity significantly deviates from its established practices and policies regarding the incurrence of costs, which may unjustifiably increase the Federal award's cost.

### **Allocable**

A cost is applicable to a particular project to the extent in which the project benefits from the expense. Expenditures should be allocated to accounts in accordance to the benefit or use to be expected from the good or service.

This standard is met if the cost:

- Is incurred specifically for the project;
- Benefits both the project and other work of the College and can be distributed in proportions that may be approximated using reasonable methods; and
- Is necessary to the overall operation of the College and is assignable in part to the project.

### **Direct Costs**

A direct cost is one where a specific grant or contract gains explicit benefit from that cost for a specific programmatic purpose. Examples of common direct costs expenses are: salaries, wages, fringe benefits, materials and supplies, equipment, tuition, travel, etc.

The salaries of administrative and clerical staff should normally be treated as indirect (F&A) costs. Direct charging of these costs may be appropriate only if all of the following conditions are met: a) Administrative or clerical services are integral to a project or activity; b) Individuals

involved can be specifically identified with the project or activity; c) Such costs are explicitly included in the budget or have the prior written approval of the Federal awarding agency; and d) The costs are not also recovered as indirect costs.

Materials and supplies used for the performance of a federal project may be charged as direct costs. In the specific case of computing devices, charging as direct costs is allowable for devices that are essential and allocable, but not solely dedicated, to the performance of a Federal award. Computing devices means machines used to acquire, store, analyze, process, and publish data and other information electronically, including accessories (or “peripherals”) for printing, transmitting and receiving, or storing electronic information and acquisition cost of less than \$5,000.

### **Indirect Costs**

Indirect Costs are costs incurred for a common or joint purpose benefitting more than one cost objective, and not readily assignable to the cost objectives specifically benefitted, without effort disproportionate to the results achieved.

Indirect costs at higher education institutions are infrastructure costs of the College needed to support the programs of the institution. Building depreciation, maintenance costs, the cost of electricity and heat, accounting services, personnel services, departmental administration, and purchasing are examples of indirect costs.

### **Documentation**

All costs on federal projects must be allowable, allocable and reasonable in addition to being verified by someone in the position to know the appropriateness of the charge (e.g., the Grants Manager/Principal Investigator). Appropriate documentation must be maintained by the Department in accordance with College Records Retention procedure and the terms and conditions of the award.

At the end of each month, the Grants Manager/Principal Investigator must certify that all expenditures reported in the general ledger for an award are allowable in accordance with provisions of the award documents and, where required, corrections have been or will be made. If the Grants Manager/Principal Investigator is not available, an individual with direct knowledge of the project (i.e., Grants Manager/Principal Investigator’s delegate) may certify on the Grants Manager/Principal Investigator’s behalf.

## **Expense Transfers**

It is expected that costs will be posted to the correct grant or contract at the time of purchase. However, in the event the transfer of a charge is required, the transfer should be made as soon as the need for correction is identified.

Cost Share For all Federal awards, any shared costs or matching funds and all contributions, including cash and third party in-kind contributions, must be allowable under Subpart E—Cost Principles of the OMB Uniform Guidance.

## **Responsibility:**

Grant/contract administrators Principal Investigator:

- Ensure that all disbursements from the award are:
  - Reasonable and necessary to accomplish the project goals
  - Allowable per the terms of the award and applicable regulations
  - Properly authorized and documented
  - Within the period of availability
  - Reviewed timely and documented

Fiscal Staff:

- Monitor for unallowable costs
- Timely transfer of unallowable costs
- Prepare reports for review by Grants Manager/Principal Investigator

## **PARTICIPANT SUPPORT**

Participant support cost ensures funds provided for participant costs are separately accounted for and expended for appropriate and intended objectives.

### **1. Definition of Participants**

Participants are those individuals that engage with grant proposal activities such as workshops, conferences, seminars, symposia or other short-term training and/or information sharing activities. Participants typically receive small non-compensatory stipends or reimbursement of travel costs or other out-of-pocket costs incurred to attend or support these activities. The expenses may be paid for directly or as a

reimbursement made to the individual. Costs that cannot be specifically identified to a participant are not allowed as a participant support cost.

Participants may be students, national scholars and scientists, private sector representatives, agency personnel, teachers and others who attend and participate in conferences, workshops or training activities supported by a particular award. McLennan Community College (MCC) employees cannot be participants. Participants perform no work or services for the project or program other than for their own benefit. A participant is not involved in providing any deliverable to MCC, except for verification of their participation in the grant project.

## 2. Definition of Participant Support Costs

Participant support costs (PSC) are defined by MCC as “direct costs for items such as stipends or subsistence allowances, travel allowances and registration or exam fees paid to or on behalf of participants or trainees (but not employees) in connection with meetings, conferences, symposia or training projects.”

## 3. Restrictions for the Use of Participant Support Costs

Funds provided for participant support are restricted and may not be used for other categories of expense without the specific prior written approval of the cognizant granting agency. Participant support costs must be accounted for separately.

Participant support allowances may not be paid to trainees who are receiving compensation, either directly or indirectly, from MCC while participating in the project

## 4. Procedure for the Receipt and Allocation of Participant Support Costs

When Participant support costs are proposed in a budget, a detailed justification should describe the purpose for the costs and the way in which they will directly benefit the proposed project’s scope of work. Upon receipt of an award that includes Participant support costs, the Principal Investigator will be notified of the specific restrictions governing the expenditure of these funds. When an award provides funding for participant support, a unique object code would be created to track those expenditures in the general ledger. Unique object codes allow MCC to easily identify and isolate participant costs and restrict budget changes.



The Grants Manager/Principal Investigator is responsible for reviewing project budget reports, transactions, and source documents to ensure that the participant support funds are being expended according to federal regulations and the terms of the agreement.

Participant support costs are restricted and cannot be re-budgeted into other categories without prior agency approval. Any unexpended participant support costs must be returned to the granting agency, unless approved otherwise in writing.

Participants must sign a statement outlining their role and declaration of non-employee status.

#### 5. Disbursements

Disbursement requests are first reviewed by the program director/ department head/budget officer, whichever is applicable. It is their responsibility to review the expenditure to determine that is reasonable, necessary, and allocable to the department and/or grant program. Each officer has budgetary limits for expenditures. If an expenditure is over their limit, the item is then reviewed by the next level supervisor for approval. Once approved by all budgetary officers, the disbursement is submitted to accounts payable for payment and reviewed again for correct general ledger account numbers and signature approvals. Once the disbursement has been processed, it is reviewed a third time by the Grants Accountant prior to sending it out to the vendor. The program directors/department heads/budget officers use a budget comparison versus actual expenditure report to review their budgets on a monthly basis. If there are any discrepancies or errors, the accounts payable office is notified and a correction to the general ledger is made.

The general ledger accounts are made up of 4 unique component parts that allow the College to track expenditures by fund, department, and object code (cost category). In terms of participant support, a unique object code would be created to track those expenditures.

If the grant award contains participant support costs an object code would be set up specifically to address participant support costs.



## **COMMUNICATING WITH AND REPORTING TO THE FUNDING AGENCY**

All budget and program revisions, continuation applications, and progress reports must be approved through the same cycle (with the exception of securing approval to proceed) as the original funding application or proposal if they require the President's signature. The Externally Funded Project Transmittal Form should be used and the Approval of Proposal, Revision or Report section should be completed and signed by the appropriate officials. In some special cases, the grant/contract administrator's supervisor may allow an exception to this rule, but the Vice President, Finance & Administration (or designee) must approve all communications that involve budget and the Director, Resource Development must approve all communications that require the President's signature.

The Director, Resource Development will provide advice to the grant/contract administrator about interaction with the funding agency and should be contacted if there are any uncertainties about potential communication with the funding agency.

The Vice President, Finance & Administration will approve all budget revisions that do not require the President's signature or official reporting to the funding agency. The grant/contract accountant will forward a copy of approved budget revisions to the Director, Resource Development for the grant or contract file.