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PURPOSE

Overview

This policy outlines financial principles and guidelines that Northern Virginia Community College (NOVA, or the College) must follow during the post-award phase. It is designed to establish a framework that verifies authorized use of grant funding, accurate financial record-keeping, and timely reporting. Adherence to this policy allows the College to comply with the regulatory requirements of both the funding agency and applicable government entities.

Failure to follow the practices detailed in this policy could lead to the termination or misuse of funding, resulting in fines / penalties, damage to the College’s reputation, legal sanctions, and/or suspension / debarment from federal procurements.

APPLICABILITY

This policy applies to programs related to the following sources of funds:

- Federal funds
- State funds
- Local funds
- Private funds
- NOVA Association funds

KEY ROLES AND RESPONSIBILITIES

Vice President, Finance

The Vice President, Finance is responsible for the financial oversight of awarded grants. In this capacity, the Vice President, Finance must verify that appropriate personnel are in place to process, monitor, and report grant-related transactions throughout the life of the program. If required by the terms of the grant, the Vice President, Finance or designee must approve financial reports, verifying that the information is accurate and that resources have been used for the intended purpose of the grant.

Executive Director of Grants Development

The Executive Director of Grants Development is responsible for oversight of the grant throughout the life of the program. These duties may include approving program reports, related to the grant, as well as coordinating with the funding agency to verify compliance with the terms of the contract. In addition, the Director of Grants is responsible for collaborating with the principals engaged with grants design, procurement, and execution at the College.

Principal Investigator (Project Director)

The Principal Investigator (referred to as Project Director herein) is responsible for executing, managing, and monitoring the financial and programmatic activity related to a program, and approving financial reports required by the funding agency and other applicable regulations. The Project Director is also responsible for tracking restricted funds, cost transfers, cost sharing, time and effort certification, and grant sub-awards, and seeking
assistance from the Office of Grants Development and Budget Office to determine compliance with applicable terms and regulations.

**Budget Director**

The Budget Director is responsible for the accounting, monitoring, and financial reporting of the College’s funds throughout the life of a grant. The Budget Director must verify that practices are in place to ensure authorized use of grant funds, accurate and timely receipt of funding to support ongoing programs, and compliant financial reporting in accordance with the terms of the grant.

**Senior Budget Analyst & Grants Accountants**

The Senior Budget Analyst and Grants Accountants are responsible for the daily accounting and financial record keeping of all transactions related to grants. Duties may include setup of the grant / budget in NOVA’s accounting system, expenditure monitoring, reimbursement requests, federal drawdowns, cost transfer processing, forecasting, and financial reporting. The Grants Accountants are generally responsible for the preparation involved in performing such duties while the Senior Budget Analyst provides oversight and review.

**POLICY OVERVIEW**

In order to set up a grant, the award notification must be forwarded to the Budget Office for processing. To establish the grant, appropriate personnel in the Budget Office must request a unique Department code for the grant from VCCS. The code is used to create the grant’s budget and record financial transactions in the Administrative Information System (AIS), NOVA’s accounting software. The budget must be established based on the terms specified in the award documentation, and identification of the grant in AIS should reflect commonly accepted nomenclature understood by all program participants. Requests to modify the budget throughout the life of the grant must be verified per terms of the award, and may require notification to the funding agency if pre-specified materiality thresholds are met. Due to the non-financial nature of the transactions, budget entries may be entered and posted in AIS by the same individual.

The award notification also designates grant costs that are attributable to the funding agency, either in full or partially. The latter condition, known as cost sharing, represents a portion of program costs, goods, or services that the College, or another pre-determined entity, must contribute toward the total value of the grant. Cost sharing may be provided in the form of matching funds, leveraged resources, or in-kind contributions. All cost sharing must be (i) specified in the terms of the award, (ii) verifiable from the College’s records, (iii) necessary for successful completion of the program, (iv) incurred during the effective dates of the program, and (v) permissible under all NOVA and governmental regulations. Such costs must be identified and applied before they are incurred, controlled by the following requirements:

- Personnel cost sharing requirements must be communicated to the Budget Office employee responsible for position control. Within NOVA’s human resources and payroll systems, position control must be updated for each grant participant to reflect the appropriate percentage of personnel costs attributable to the grant’s account coding and the appropriate percentage remaining the obligation of the College, coded to the employee’s default setup.
Non-monetary forms of cost sharing, known as in-kind contributions, must be ascribed value by appropriate members of the Budget Office and/or Office of Grants Development. The basis for determining the valuation of such contributions must be documented, and services performed by non-grantee personnel must be supported, to the extent possible, by the same methods used by the College for its own employees.

All costs must be recorded and tracked throughout the life of the grant to verify that the total commitment to the funding agency is fulfilled and accurately reported.

Financial Transactions

Grant expenditures are processed using current methodologies in the College’s standard procure-to-pay cycle. Additional oversight is provided by the Budget Office through a series of reviews prior to both procurement of the goods/services and respective payment. To verify that grant expenditures are properly authorized, budgeted, and recorded, the following requirements have been implemented:

- Procurements processed through eVA, the College’s electronic procurement system, must be routed to Grants Accountants in the Budget Office prior to execution of a purchase order. Automated approval workflows may be established based on specific criteria that identify the procurement as a grant-related expenditure.
- Procurements processed through a check request, rather than eVA, are provided directly to the Office of the Controller. Likewise, all grant-related procurements must be forwarded to Grants Accountants before they are processed.
- Grants Accountants must review all purchase requisitions to verify that (i) the transaction is permissible under the terms of the grant and compliant with applicable federal, state, and/or local regulations, and (ii) there is adequate funding budgeted to support the transaction.
- After procurement of the goods/services, all invoices must be provided to the Grants Accountants prior to payment to verify that each purchase agrees with the information included in the original requisition.

Project Directors are responsible for monitoring grant expenditures on a periodic basis in coordination with applicable personnel in the Budget Office. Cost transfers are required in AIS when such expenditures must be recorded to a Fund, Department, Campus, and/or Account other than the account coding of the original transaction. This may be necessary due to data entry errors, oversight during the initial review, denial of payment from the funding agency, or other unidentified issues. Cost transfers are also required to record indirect and pre-award costs not originally coded to the grant in AIS. Approval of such costs, however, must be stated in the terms of the award and transferred based on the stated rates and conditions.

All cost transfers must be prepared and reviewed/posted by segregated personnel in the Budget Office to verify accuracy of the transaction and maintain the integrity of NOVA’s internal control environment.
Funding Methods

Funding for each grant is obtained using one of two methods, specified in the terms of the award:

1. Request for reimbursement of past expenditures, or;
2. Drawdown in advance of future expenditures.

When the reimbursable funding method is used, reimbursement requests are prepared by appropriate personnel in the Budget Office based on expenditures recorded to the grant in AIS. The request must be reviewed for accuracy by the Project Director and Senior Budget Analyst, as well as the Budget Director through delegation from the Vice President, Finance when a Fiscal Officer is required for approval. Appropriate personnel assigned to the grant are responsible for coordinating any discrepancies or questions posed by the funding agency. Upon approval, funds are provided by check or electronic funds transfer (EFT) to NOVA, and are processed by the Accounts Receivable group in the Office of the Controller. Applicable personnel in the Budget Office must provide the Accounts Receivable group with the proper account coding to record the revenue in AIS.

When the drawdown funding method is used, generally for federal grants, advanced financing is requested through a designated online payment management system. This method allows the College to maintain a running balance that will sustain operations related to the grant. To determine a total drawdown amount that will provide the College enough cash on hand to manage such grants while ensuring continued compliance, applicable personnel in the Budget Office must review the following:

- Expenditures previously recorded to the grant(s) in AIS
- Current cash balance in the dedicated ledger
- Forecast of disbursements expected within the following three days, as promulgated in the Commonwealth Accounting Policies and Procedures manual topic 20605 – Federal Grants Management

After preparation is complete, drawdowns must be initiated through the applicable federal web portal identified in the award documentation; common portals include the Payment Management System (PMS), Automated Standard Application for Payment system (ASAP), and the U.S. Department of Education’s G5 system, among others. If a system has not been previously used by the College, appropriate personnel in the Budget Office are responsible for setting up the portal. Drawdowns must be processed in accordance with the Cash Management Improvement Act (CMIA) of 1990 as prescribed in the annual CMIA Treasury-State Agreement (TSA) and the federal CMIA regulations (31 CFR Part 205). Funds are disbursed to the College via EFT into a designated state bank account, and receipt is confirmed by the Accounts Receivable group. Applicable personnel in the Budget Office and Accounts Receivable group must coordinate with the funding agency to verify that federal funds are received within one banking day after the drawdown request, unless otherwise specified in the CMIA TSA. Personnel in the Budget Office must also provide the Accounts Receivable group with the proper account coding to record the revenue in AIS.
Financial Reporting

Throughout the life of each grant, the funding agency requires submission of various reports/forms detailing financial activity during the given period. Specific reporting requirements, which vary by funding agency and by grant, are outlined in the award documentation. Personnel in the Budget Office must coordinate with the Project Director and other program participants as necessary to prepare/review all financial reporting requirements in a timely and accurate manner. Appropriate levels of approval must be documented, including the Budget Director – through delegation from the Vice President, Finance – when a Fiscal Officer is required for approval. Submission of all financial reports must occur on or prior to the designated due dates using the method of delivery stated in the terms of the award.

Personnel in the Budget Office must also assist preparation of financial reports (schedules) submitted to VCCS at fiscal year-end. The Controller is responsible for identifying and distributing all schedules requiring preparation from the Budget Office. Once received, appropriate personnel must identify and report applicable financial activity on each of the respective schedules, which generally include:

**State Schedules:**
- Schedule 15: Schedule of Federal Activity
- Schedule 16: Exchange Transactions
- Schedule 17: GASB #33 Non-Exchange Expenditure Transactions
- Schedule 18: Private Gifts, Grants, and Contracts
- Schedule 21: Disbursement of Federal Grants to Sub-Recipient Agencies

**Local Schedules:**
- Schedule 5: Schedule of Local Advances to State Funds
- Schedule 6: Schedule of True Endowment Funds
- Schedule 10: Schedule Indirect Cost Recoveries

**Fiscal Close-Out**

Fiscal close-out procedures required by the funding agency are specified in the terms of the award, and generally include final submission of financial reports, resolution of any issues related to outstanding payments or uncollected funds, and preparation of the Property Schedule (provided by the funding agency) if the grant requires depreciation of capitalized equipment. In relation to the latter requirement, NOVA is not required to transfer the title of equipment that has been purchased during the course of the program so long as the College remains in compliance with §200.313 of OMB Uniform Guidance 2 CFR 200, which states:

“The recipient shall use the equipment in the project or program for which it was acquired as long as needed, whether or not the project or program continues to be supported by Federal funds and shall not encumber the property without approval of the Federal awarding agency. When no longer needed for the original project or program, the recipient shall use the equipment in connection with its other federally-sponsored activities.”

If NOVA uses the equipment for purposes other than stated above, or must sell the equipment, proper procedures must be followed in accordance with §200.313 to verify that the title of the equipment is transferred accordingly and the appropriate entity receives adequate compensation.
While no specific thresholds are set, it is best practice for the Project Director and applicable personnel in the Budget Office to begin the close-out process 60-90 days before the end of the program. Allowing ample time and effort to complete close-out requirements increases the likelihood of compliance, which reflects positively on the reputation of the College and its capacity to execute subsequent awards.

After the program has closed, personnel in the Budget Office must take immediate action to deactivate the Department code established for the grant in AIS. Further, personnel costs coded to the grant must be terminated or reallocated in NOVA’s human resources and payroll systems, depending whether each program participant was hired solely for the duration of the grant or an ongoing NOVA employee. Prompt completion of these tasks is necessary to verify accurate financial records and avoid cost transfers used to reclassify expenditures.

Sub-Recipient Agreements

The Project Director, along with personnel in the Office of Grants Development and Budget Office, are responsible for the management of any sub-recipient agreement within an awarded grant. A subaward agreement form must be completed and signed by the VP of Finance and the Authorized Official of the Collaborating Institution. Whether the College is the beneficiary or benefactor of such an award, the Project Director must review and agree with the terms and conditions stated in the original agreement as well as applicable laws and regulations. The Project Director, Office of Grants Development and Grants Accountants / Senior Budget Analyst monitor and report all compliance activities, which may be performed by NOVA personnel or communicated to the College by the associated entity. Any issues must be investigated and resolved in a timely manner to ensure continued compliance, as determined by the award documentation.

Indirect Cost Rate

Indirect cost rates are negotiated for a period of time that generally spans up to four years. Prior to expiration of NOVA’s current indirect cost rate, the Budget Director is responsible for negotiating a new rate with NOVA’s Cognizant Audit Agency, currently designated as the Department of Health and Human Services (DHHS). After negotiations are finalized, personnel in the Office of Grants Development must use the DHHS-approved rate in budget proposals submitted to prospective funding agencies. In instances where an agency applies a lower rate than the negotiated Indirect Cost Rate (IDC), (i) approvals from the Vice President of Finance or designee are required, and (ii) NOVA cost sharing to cover the variance between the DHHS-approved rate and the actual rate must be sought (OMB Uniform Guidance Section 200.414(c)). For all awarded grants, Budget Office personnel must use the final rate identified in the award documentation to calculate indirect costs throughout the life of the program. Further information regarding indirect costs can be found at OMB Uniform Guidance Section 200.414.

Policy Deviation

Any request, by the recipient for a deviation, must be clearly documented and is subject to the approval of the Executive Vice President, Academic & Student Services or appropriate designee.

Record Retention

Documentation related to grants must be maintained for a three year period from the date of submission of the final expenditure report or, for awards that are renewed quarterly or annually, unless exceptions apply according to 2 CFR 200, section 200.333. The Budget Office and Office of Grants Development retain physical and/or electronic copies of all related records.
The award letter for each grant is retained by both the Budget Office and the Office of Grants Development. The Budget Office retains all fiscal reporting requirements prepared throughout the life of the grant. The Budget Office also retains copies of all internal documentation and correspondence pertinent to the grant. The documentation is used to support the efforts of VCCS in any Subpart F audit requirements that are performed.

DEFINITIONS

- Administrative Information System (AIS) – NOVA’s accounting software.
- Cost leveraging – Financing, or, in-kind goods or services, which may be drawn from federal or other sources to serve the objectives of the program specified under the award.
- Cost matching – Financial contributions from the grant recipient, or other entities, toward the objectives specified under the award.
- Cost sharing – The process in which program costs, goods, or services are shared among entities. Cost sharing can take the form of matching funds, leveraged resources, or in-kind contributions.
- Cost transfer – A transfer of expenses (non-payroll expenditures or salary / benefit disbursements) to alternative account coding for a previously recorded charge.
- Direct costs – Expenditures directly associated with the management and execution of a program under a grant. Direct costs may include salaries and wages, fringe benefits, materials and supplies, and capital equipment, among others.
- Federal grant – An award of financial assistance, including cooperative agreements, in the form of money, or property in lieu of money, by the federal government to an eligible grantee.
- Indirect costs – Costs that cannot be identified specifically with a particular program, project, or activity. They are costs that are incurred for several purposes which are necessary to the operation of the institution or agency. If not otherwise provided under the terms of the grant, indirect costs may include library resources, building maintenance, and general administration, consisting of financial management, accounting, and auditing costs.
- In-kind – Costs paid in the form of non-monetary contributions such as material, equipment, buildings, land, and services provided by the fiscal agent in the form of volunteers or other non-grantee personnel.
- Local grant – An award by a local authority (generally city or county) in which NOVA operates.
- Pass-through grant – An award received by a state agency or institution for subsequent transfer of funding to other state agencies or institutions to carry out the program’s purpose.
• Private / Foundation grant – An award from a private foundation, association, corporation or corporate foundation, private trust, or individual.

• State grant – An award made by a state agency.

• Student Information System (SIS) – NOVA’s student management software.

• Subrecipient – An entity that receives a sub-award from a primary recipient; by assuming responsibility for programmatic decision making and adherence to applicable compliance requirements, the sub-recipient is held accountable for the use of all funds provided by the sub-award.

POLICY REVIEW

This policy must be reviewed annually, commencing on the first anniversary of the policy’s effective date.

OTHER/REFERENCES

Commonwealth Accounting Policies and Procedures Manual, section(s):

• 20605 - Federal Grants Management - Federal Grants Management

VCCS Policy Manual, section(s):

• Section 4 – Administration and Finance
• Section 11 – Sponsored Programs

Circular – Educational and Non-Profit Institutions:

• OMB Uniform Guidance, Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards

NOVA Policies and Procedures:

• Grants – Financial Procedures (Post-Award)
• Accounts Payable and Cash Disbursements Policy and Procedures
• Accounts Receivable and Cash Receipts Policy and Procedures

NOVA Administrative Services Procedures Manual (ASPM), section(s):

• Section 8: Gifts, Grants, and Contracts
• Section 10: Purchasing