

**VI. CONTRACTS & GRANTS**

**6.1 CONTRACTS**

- A. The Texas State University System policy regarding contracts states that the following contracts require Board of Regents' Approval:
- (1) Construction contracts in the amount of \$250,000 or more. Contracts between \$100,000 and \$250,000 must be approved by the Chancellor.
  - (2) Contracts, purchases, and agreements in the amount of \$250,000 or more, (Contracts, purchases, and agreements between \$100,000 and \$250,000 must be approved by the Chancellor.), whether said amount is income or expenditure with the exception of:
    - a. Private, governmental, and foundation grants or agreements in which the donor or agency stipulates the purpose for which the funds are to be expended.
    - b. Materials purchased for resale in auxiliary operations and in central supply.
    - c. Materials purchased for normal inventory stock for Facilities Management operations.
    - d. Maintenance service contracts on elevators, computers, office equipment, chillers, and water treatment services.
    - e. Library subscription services.
    - f. Recurring printing orders.
    - g. Contracts with outside organizations for continuing education or professional programs that use campus facilities.
    - h. Diesel fuel purchased for the operation of a co-generation plant.
  - (3) Depository contracts.
  - (4) Food service contracts.
  - (5) Vending machine contracts.
  - (6) Architect-Engineer contracts required for projects over specified amounts under 6.1.001 (1).
  - (7) Contracts and agreements with support or development foundations.
  - (8) Contracts for operation of Bookstore on campus.
  - (9) Contracts for lease of University golf course and related services.
  - (10) Lease of personal property, including equipment, for one year or more,

involving expected aggregate payments exceeding \$250,000. Payments between \$100,000 and \$250,000 must be approved by the Chancellor.

- B. The TSUS Board of Regents has delegated the authority to enter into contracts, purchases, and agreements for sums less than \$100,000 whether said amount is income or expenditure and to enter into all grants and agreements funded by private individuals, governmental agencies, and foundations without regard to the amount, unless otherwise limited by the Board. At the request of the component president, the Vice Chancellor and General Counsel will provide advice and assistance with regard to such contracts, purchases, grants, and agreements. Upon a specific request by a member of the Board, the Chancellor, or the Vice Chancellor and General Counsel, the component President shall submit designated contracts and agreements to the Chancellor for review by the Vice Chancellor and General Counsel.
- C. The President may delegate power to contract, purchase, or enter into agreements of less than \$100,000 to other employees of the component. Such delegation must be specific and in writing to be effective. The President will remain responsible for all contracts, purchases, and agreements for sums under \$100,000, and for proper administration of all grants and agreements funded by private individuals, governmental agencies, and foundations, regardless of delegation of power to contract, purchase or enter into agreements. The President has delegated his approval authority to:
  - 1. The Vice President for Finance and Operations for non-competitive bid procurement of goods and services and for student entertainment contracts.
  - 2. The Purchasing Agent for competitive bid procurement of goods and services greater than \$5,000 and for issuance of purchase orders for items less than \$5,000.
- D. For sponsored activities, the President is authorized to negotiate, execute, and administer all contracts and grants. The President has delegated his approval authority to the Vice President for Finance and Operations.

## **6.2 CONTRACT PROCEDURES**

### **6.2.001 All Contracts Require Approval by the President and/or Vice President for Finance and Operations**

- 1. Using the contract approval sheet (*see Exhibit A*), complete items one through five. Attach two original copies of the contract to the Contract Approval Sheet. If the contract is for services, and is not being executed in a corporate name, attach a completed "*Information for Determining Employee/Contractor Status*" form (*see Exhibit B*).
- 2. Forward to the President's office or the Vice President for Finance and Operations' office for approval.

**6.2.002 Contracts Requiring TSUS Board of Regents' Approval**

1. Must be received in the President's office or the Vice President for Finance and Operations' office seven (7) weeks prior to the scheduled Board of Regents' meeting.
2. Complete items 1-5 of the Contract Approval Sheet (see *Exhibit A*). Attach three (3) signed copies of the contract to the *Contract Approval Sheet*. If the contract is for services, and is not being executed in a corporate name, attach a completed "*Information for Determining Employee/ Contractor Status*" form (see *Exhibit B*).
3. All contracts approved by the Board of Regents shall be endorsed according to the following format:

ATTEST:

\_\_\_\_\_  
Firm or Agency

\_\_\_\_\_  
Secretary

\_\_\_\_\_  
Principal

Seal (if incorporated)

Examined, Approved, and Recommended:

\_\_\_\_\_  
President

\_\_\_\_\_  
University

ATTEST:

\_\_\_\_\_  
Chairman, Local Committee

\_\_\_\_\_  
Chancellor,  
The Texas State University System

\_\_\_\_\_  
Chairman, Board of Regents  
The Texas State University  
System

4. The President's office or the Vice President for Finance and Operations Office will prepare the Board of Regents' agenda item for submission to the Chancellor of The Texas State University System by the President.
5. The Vice President for Finance and Operations will notify the person signing in block five of the Contract Approval form of the Board of Regents' approval subsequent to the Board of Regents' meeting.

**6.2.003 Requisition Not Requiring Board or Vice Presidential Approval**

1. Submit a Purchase Requisition Form FRS-250 (see *Exhibit C*) to the Purchasing Department.
2. Be aware of additional requirements for services as illustrated by *Exhibit D* which indicates additional requirements for:

- (a) LBB reporting of contracts >\$12,000
- (b) Professional Services
- (c) Consultants

(Detail requirements are researched on a case by case basis by the purchasing department.)

### **6.3 RESTRICTED FUNDS**

Restricted Funds include grants from and contracts with outside agencies, plus donations, endowments, and other gifts from firms or individuals. Receipt and disbursement of the majority of Restricted Funds (excluding endowments) are processed through the office of the Director of Contracts and Grants.

The diverse nature of contracts, grants, and gifts requires different handling for different agencies and types of contracts and grants. For contracts and grants, each outside agency has varying report forms, application forms, and reporting periods. Standard procedures must be followed for processing applications, preparing general ledger entries, and reporting revenues and expenditures associated with Restricted Funds.

All funds expended from contracts, grants, and gifts must be in accordance with the University's fiscal policies and procedures, including processing deadlines, required signatures, and supporting documentation.

#### **6.3.001 BILLING PROCEDURES**

##### **1. Procedures for Drawdown of DOE Funds**

This is the request for cash from the Department of Education (DOE) for all DOE grants/contract. This procedure is performed monthly by the 25<sup>th</sup> of the month. Periodic drawdowns will be made for registration and when authorization is increased for prior expenditure receivables for PELL.

- a. Obtain the DOE drawdown file, the previous lotus worksheet (DOEMMY), and a copy of the FMB092 (Monthly Report of Transactions) for all DOE revenue and expense accounts including the Fund Balance account 030300.

Total cumulative revenue, cumulative expenditures, current revenue, and current expenditures using the FBM092 reports.

- b. Update the worksheet with the Accounts Receivable. Update the cumulative revenue field and adjust the Cash on Hand information for the Beginning Balances and advances received during the prior month.
- c. Update the worksheet for the cumulative expenditures.
- d. Update the current budget authorization column with any budget increases received during the prior month or For any new authorizations. This information is obtained in the GAPS

- system Adjust Draws Report.
- f. Copy the Cumulative Amount Expended Column to the Cumulative Amount Requested Column. Verify that the amount to be requested does not exceed the authorization amount. Adjust the figures if necessary.
  - g. Copy the Cumulative disbursements column to the prior months.
  - h. Copy the Amount Requested Column to the Cumulative Disbursement Column for the Current month.
  - i. Adjust the worksheet to reflect the over expenditures and verify that the total is \$0 which shows it is in balance. Compare the cash accountability with the amount of net drawn on the GAPS Adjust Draw Report.
  - j. In the GAPS system go to the Payment Request Report. Enter the amount requested for each grant using the worksheet and verify that the total is correct. Print two copies - One copy goes in the file and the second copy is forwarded to Cash Management.
  - k. Print four (4) copies of the worksheet. Initial and date one (1) copy and place in a folder with all the ledger sheets and copies of all Journal Entries. Attach one (1) copy to the request for fund drawdown form and forward to the Assistant Vice President for Finance who will initial it and forward to the Director of Cash Management. Forward one (1) copy to the Assistant Vice President for Finance for his/her record of DOE account status. Forward one (1) copy to the Director of Financial Aid for record of DOE account status.
  - l. Prepare a journal entry for Beaumont to record the DOE revenue and set up the receivable for the current month expenditures.
  - m. The Director of Cash Management will return the completed record of the deposit of funds to Contracts and Grants for preparation of the FRS030 Record of Revenue Received.

For Drawdowns performed at Registration time obtain a copy of the SBA610 for Beaumont for the Fall Semester and the 023 screen print for the Spring Semester. Do the drawdown 10 days prior to the first class day when the funds are posted to the students accounts. Submit a request to draw 90% of the funds (leaving 10% to cover withdrawals) following Step 11. Record the revenue and the receivable.

For Authorization increases of amounts already expended but not requested use the letter from the GAPS records and draw the increased amount. Record the revenue and receivable. Adjust the budget in FRS for the Authorization Amount.

## **2. Procedures For Grant/Contract Invoicing**

The grant/contract invoicing procedure is utilized to secure reimbursement from awarding agencies for expenditures incurred on those agencies' awards. Each agency may vary the form and content for the reimbursement requests. However, while the form and content of the specific forms may vary the procedure for obtaining the financial information necessary to generate these forms does not vary.

- a. Invoices are generated subsequent to the close of the monthly ledger. The final ledger is usually generated for the immediately preceding month by the 1<sup>st</sup> through 4<sup>th</sup> of the current month.
- b. Obtain a complete copy of the FBM092 (Monthly Report of Transactions) for the revenue, expense, and fund balance account for the account to be invoiced. This will be used in support of the worksheet generated.
- c. If the granting agency does not require copies of paid invoices, skip to the next step. If the agency requires copies of paid invoices in support of expenditures invoiced, obtain those copies from the voucher, Journal Entry, and payroll files as applicable. Copies should be legible and contain all other support (such as contractor authorization form, executed contract copy, etc.). It is not necessary to include copies of receiving reports, purchase orders, or other internal forms unless these items clarify or validate the expenditure or are required by the awarding agency.
- d. The invoice worksheet is prepared and reconciled to the general ledger.
- e. The agency forms are completed and typed.
- f. The completed package (file, worksheet, ledger copies, completed forms, and cover letter) are submitted to the Director of Contracts and Grants for review and approval.
- g. The approved forms are mailed to the agency. A copy of the invoice and worksheet is mailed to the Project Director.
- h. A complete copy of the invoice, the worksheet, and support is placed in the file.
- i. A Journal Entry is prepared to record the IDC (Indirect Cost) earned for the month.
- j. A Journal Entry is prepared to record the receivable for the invoice.
- k. The billings report is updated with the amount of invoice, date prepared, and date mailed.

- l. At the end of the month the billings spreadsheet is forwarded to the Assistant Vice President for Finance for his/her files.
- m. As revenue is received an FRS030 form is completed to record the money against the receivable. The monthly billings spreadsheet is updated to reflect the receipt of the funds.
- n. A review of outstanding invoices is done monthly and follow-up is done as necessary.

Agencies using on line entry for Cash draws include:

- DHHS - Cashline
- NSF - ASAP
- EPA - ASAP
- NASA - DHHS Cashline
- DOE - GAPS

#### 6.4 DEFINITIONS

Contracts are funding mechanisms which are used by the awarding party to maintain tighter technical performance and fiscal accountability. Contracts are characterized by references to a substantial body of existing law and regulatory guidelines and usually are supplemented by specific contractual performance obligations as conditions for payment.

Grants are funding mechanisms which are similar to contacts, but which provide the grantee with substantial additional latitude in performance of grant objectives and fiscal accountability. Grants are characterized by references to regulatory guidelines, but usually contain no specific performance obligations as conditions for payment.

#### 6.5 APPLICATIONS/PROPOSALS

Contract and grant applications and/or proposals originate with members of the various departments of the University. These must be approved by appropriate University officials, including the Department head, the College Dean, and the Dean of Graduate Studies and Research. After such approval, and a **minimum of two weeks prior to the deadline for the application/proposal**, it must be submitted to the Director of Contracts and Grants who conducts a budget review of each application/proposal. The purpose of this review is to determine the extent of any obligation, on the part of the University, associated with the particular contract/grant.

After review by the Director of Contracts and Grants, the application and/or proposal is forwarded to the appropriate divisional Vice President and the Vice President for Finance and Operations. After all approvals are secured, the signed application/proposal is sent to the outside agency responsible for the contract/grant. Once **written approval** of the contract/grant is on file with the University, the Director of Contracts and Grants establishes a general ledger account for the project. Funds are **not** to be expended until such an account is established.

Applications for scholarship funds must be made through the Financial Aid Office

in the Finance division. Disbursement of these funds is through the Cashier's Office, under the direction of the Director of Cash Management.

## **6.6 RECEIPTS**

Contract/grant receipts must be handled according to the provisions of each particular contract/grant. Some agreements result in cash advances being received by the University, prior to the performance of any services. These advances are recorded as revenues upon receipt. Appropriate adjusting and reversing entries are made at fiscal year-end for any revenues which have been received, but are not yet earned.

Other contracts/grants are structured such that outside agencies are billed periodically for services already performed by the University. The University attempts to obtain cash advances on contracts/grants; however, in most cases, it is the awarding agency's policy to make reimbursement as expenditures are made. In such cases, a monthly and/or quarterly billing procedure must be followed and executed by the Director of Contracts and Grants. At fiscal year-end, if services have been performed for which revenues have not yet been received, the Director of Contracts and Grants makes appropriate adjusting entries to record the "Receivable" and the Unearned Fund Balance.

GASB 33 requires that all pledges for donations be recorded as revenue and receivables in the year in which the pledge is received. All subsequent revenues will be posted against the receivable for these pledges. Any uncollected pledge will be charged as a decrease in assets and an expense. The University established threshold for these pledges is \$5,000.

Funds received for contracts/grants are deposited through the University Cashier's Office.

## **6.7 RESTRICTING ACCESS TO LAPSED GRANT ACCOUNTS**

The responsible person is to see that the account is managed in compliance with the terms of any contracts or agreements imposed by the funding source. Account managers should use the reports and screen access capabilities of FRS to regularly monitor activity. As budgets dwindle or contract periods expire, the account manager shall be responsible to insure that appropriate actions, including filing of timely F3.2's, cancellation of purchase orders, etc., are taken to prevent excess or late expenditures or commitments from being made in the account.

The Director of Contracts and Grants shall place a "FREEZE" on any account which has a budget deficit, or for which the contract period is expired. Transactions entered into such "frozen" accounts will, by system design, post to a suspense account. The Director of Contracts and Grants will periodically review suspense accounts for charges to frozen accounts. The charges will be charged to the indirect cost account of the Dean.

## **6.8 RESTRICTED FUND DISBURSEMENTS**

Restricted fund disbursements for contracts, grants, or scholarships are reviewed and processed by the office of the Director of Contracts and Grants. Expenditures from federal contracts and/or grants are to be made within existing University policies and procedures; such contracts/grants may impose additional requirements. Where there is a conflict, the more restrictive policy applies. [Reference: Office of Management and Budget, Circular 21]. All payments must be for official University business and comply with the intent of the fund from which payment is made.

Upon establishment of an account for a contract or grant, a budget for that account can be created. Expenditures from this account are limited by requirements set forth in the contract/grant. All payments of wages to University employees for work on a contract or grant are processed through the University's regular payroll procedures at the established payroll processing times. (See Section VIII, Payroll). All other expenditures made under a contract/grant must follow standard purchasing procedures. (See Section IX, Procurement).

When personnel are employed to be paid from current restricted accounts, their employment is contingent on receipt of adequate funding from the grant or contract employing them. The employee should sign a statement appearing in the Explanatory Comments section of the F3.2 (Personnel Action Request Form) which states, ***"I understand that my position is contingent upon continued availability of external grants or contracts (federal, state, or private), and that in the event that these funds are not forthcoming, I may be separated from employment."***

## 6.9 REPORTS

Contract/grant reports must be filed at various times throughout the year for each outside agency that awards a contract or grant to the University. These reports generally include *"Expense Report Forms"* which detail expenditures that have been made which will result in reimbursement to the University. Some agencies require that such reports are filed monthly; others require Annual reports. It is the responsibility of the Director of Contracts and Grants to complete and file such reports in a timely manner with the appropriate agency.

Agencies using on line reporting include:  
DHHS - PMS System  
NSF - Fastlane System.

## 6.10 INDIRECT COST RECOVERIES

Earned indirect costs recoveries will be returned to operating units and distributed as follows:

50%	to Education and General Funds
12.5%	to the originating college - each college has an established designated fund account.
12.5%	to the originating department
12.5%	to the principal investigator
12.5%	to the Research Office

When a single investigator, department, and college are involved. In the case of multiple principal investigators, multiple departments, or multiple colleges, each unit will participate in accordance with a previously-negotiated distribution identified on the appropriate proposal transmission form.

Records of earned indirect costs and the distribution thereof will be made annually by the Office of Graduate Studies and Research. No annual distributions will be made of amounts under \$100.00; if such instances occur, those funds will revert to the designated fund of Research office

Individuals and operating units receiving funds must submit an annual report to the Research Office describing how funds were used and how they benefitted scholarly and creative activity.

**6.10.001 Uses of Funds** - Returned indirect cost funds are to be expended to enhance the University's research efforts and include the following purposes:

1. Conducting early pre-grant feasibility studies
2. Preparing competitive proposals for sponsored programs
3. Providing carryover funding for research teams to provide continuity between externally-funded projects
4. Supporting new researchers pending external funding
5. Purchasing capital equipment directly related to expanding the research capability of the institution
6. Engaging in research programs
7. Research or project administrative costs
8. Research support (page costs, research-related travel, graduate assistants, etc.)

## **6.11 THIRD PARTY RECEIVABLES**

Federal and State agencies are allowed to have a charge for tuition and fees posted to a student's account and billed later. A verifying document from the agency (i.e., purchase order, letter, list, etc.) is required to place a charge on the individual student's account in SIS. A separate subcode is established for each sponsoring agency.

After the 20<sup>th</sup> class day (15<sup>th</sup> in summer) a BBR310 report is run by subcode to provide a list of students names and charges made for that semester. This list is reconciled to the verifying documents and an invoice to the sponsoring agency is generated.

Receivables are posted to a spreadsheet and monitored for collections.

- All charges are posted in FRS to the receivable account 036563 by the SIS

system. The BBRL05 report is reviewed periodically to ensure that FRS and SIS are in balance and any differences are reconciled.

## **6.12 ENDOWED SCHOLARSHIP ACCOUNTS**

The Director of Contracts and Grants will establish the budget for the endowed scholarships based on the percentage of interest earned on the endowments. These percentages are determined by the Vice President for Finance and Operations. Any unused endowed funds remaining at year-end are transferred back into the endowment accounts. A separate subcode is used to identify these funds in the endowment accounts.

As new endowments are received the Director of Contracts and Grants will establish the endowment fund balance, the scholarship fund balance account, a revenue and an expense account. A notice of the account number is sent to the account manager, Scholarship Coordinator, and Director of Cash Management.

### ***Exhibits***

- A Contract Approval Sheet*
- B Information for Determining Employee/Contractor Status*
- C Purchase Requisition Form FRS-250*
- D Additional Requirements for Services*

