

MSU Extension Grant Services – Federal/State Cost Policy and Other Spending Guidance

Supporting MSU Extension staff pursuing sponsored funding opportunities and fee-for-service activities.

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What is the Federal/State Cost Policy?

Michigan State University's (MSU) Federal/State Cost Policy was developed to assist faculty and staff in the management of federal and state sponsored programs, including the identification of roles and responsibilities and how to determine the allowability of costs. It applies to awards received directly from federal/state agencies, as well as awards received from other sponsors who are contracting with MSU under a prime federal or state award (referred to as flow-thru funds).

Please note that awards received from other sponsors, such as foundations and industry partners, are often less restrictive.



Roles and Responsibilities in Grant Management

- **All Employees** involved in sponsored program administration have a fiduciary responsibility to the University to ensure project transactions are handled according to applicable laws, as well as MSU policies and procedures.
- **Principal Investigators (PIs)** are responsible for the technical success of their projects, as well as complying with the financial and administrative policies of the University and the award. Although some responsibility may be delegated to staff, PIs must maintain oversight and are accountable for all project activities.
 - PIs' financial responsibilities include, but are not limited to, reviewing the project account's operating statement monthly to ensure that the expenses are appropriate, certifying equipment purchases and subaward payments, and completing applicable effort reports.
 - PIs' technical responsibilities include, but are not limited to, executing the scope of work outlined in the award, completing technical/progress reports, as well as invention and equipment reports to the sponsor as required in the award, and ensuring the integrity of collaborative relationships.
- **Departmental and College Administrators** assist the PI in managing sponsored program accounts with their knowledge of specific project terms and conditions, as well as MSU systems.



Roles and Responsibilities in Grant Management

- **Office of Sponsored Programs (OSP)** reviews, interprets and implements sponsor and/or institutional rules, regulations or requirements; assists with proposal preparation by ensuring compliance with university and sponsor policies; identifies potential problems and resolves issues that arise throughout the pre-award lifecycle; submits proposals as MSU's Authorized Organizational Representative; negotiates award terms and conditions and executes agreements on behalf of MSU
- **Contract and Grant Administration (CGA)** provides guidance and assistance to faculty and administrators with respect to financial and contractual administration of sponsored programs. CGA is the point of contact and authorized official for the University to funding agencies and for audit inquiries. CGA provides services such as account setup, preparing most federal subawards, requesting no-cost extensions and/or prior agency approvals, managing effort reports, interpreting terms and conditions, reviewing financial transactions such as subaward payments, international travel, cost transfers, Non-Resident Professional Service agreements, conducting a review of expenses that post to the account without CGA pre-review, preparing invoices and financial reports, monitoring cost share, drawing down funds, preparing closeout documents, performing accounts receivable follow up, and calculating/negotiating MSU's Facilities & Administrative (F&A) rate.



Which Rules Apply – Order of Precedence

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Expenditures on externally funded awards must comply with the more restrictive of agency or University policy.

Specific



General

- Award specific terms and conditions
 - Applies only to a specific award
 - See Account Explorer for a listing of restricted items
- Agency terms and conditions
Applies to all awards funded by a particular agency; examples include NSF, NIH, USDA
- Federal Government Requirements:
 - Applies to all federally funded awards
 - The Uniform Guidance (UG) from the Office of Management and Budget (OMB) found at 2 CFR Chapter 1, part 200 (http://www.ecfr.gov/cgi-bin/text-idx?tpl=/ecfrbrowse/Title02/2cfr200_main_02.tpl)
- MSU Policy
 - The MSU Federal/State Cost Policy
 - The MSU Manual of Business Procedures (<http://www.ctrl.msu.edu/COMBP/default.aspx>) governs all financial transactions made at the University

In instances of discrepancy between the general provisions and the project terms and conditions of an award, the award provisions should govern. When MSU policy and agency policy differ, the more restrictive policy applies.



Basic Cost Principles - ARAC

- Expenses incurred on sponsored program accounts must be allowable, reasonable, allocable, and consistently treated between a direct cost and something normally treated as an indirect or an F&A cost. In addition, sufficient documentation must be available (attached to transaction, maintained in department, etc.) to demonstrate that the following basic cost principles are met.
 - **Allowable:** The cost must comply with the policies and procedures of MSU, as well as the specific project terms and conditions of the agreement, and be adequately documented; [2 CFR 200.403](#)
 - **Reasonable:** The cost does not exceed that which would be incurred by a prudent person; [2 CFR 200.404](#)
 - **Allocable:** The cost must be allocated to the project(s) in accordance with the benefits received; [2 CFR 200.405](#)
 - **Consistently Treated:** The cost must be accorded consistent treatment; i.e., an expense may not be charged 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 award as an indirect cost; [2 CFR 200.403](#)



Basic Cost Principles - NRE

Needed, Received, and Used

- Auditors focus on expenditures that are incurred close to a project's end date (i.e. is it truly necessary for the project or just using unspent funds). As a result, purchases need to meet a "needed, received and used" principle. Allowable expenditures during the last 3 months of a project period need to affirmatively answer the following questions.
- Is the item(s) **needed** to complete the project objectives?
- Was it **received** by the project end date?
- Was it **used** in support of the project by the project end date?



Resources

- MSU's State/Federal Cost Policy:
<https://osp.msu.edu/PL/Portal/134/FederalStateCostPolicy>
- Contractual Services Decision Tree:
<https://usd.msu.edu/purchasing/buying-methods/purchase-orders/personal-services-contract/index.html>
- P-Card Restrictions (See page 2):
https://usd.msu.edu/common/documents/purchasing_card_users_manual.pdf
- Proper Travel Documentation:
<https://ctrl.msu.edu/COTravelNew/ReimbursementChart.aspx>



Questions?



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To file a program discrimination complaint, a complainant should complete a Form AD 3027, USDA Program Discrimination Complaint Form, which can be obtained online, from any USDA office, by calling (866) 632-9992, or by writing a letter addressed to USDA. The letter must contain the complainant's name, address, telephone number, and a written description of the alleged discriminatory action in sufficient detail to inform the Assistant Secretary for Civil Rights (ASCR) about the nature and date of an alleged civil rights violation. The completed AD-3027 form or letter must be submitted to USDA by:

mail:

U.S. Department of Agriculture
Office of the Assistant Secretary for Civil Rights
1400 Independence Avenue, SW
Washington, D.C. 20250-9410; or

fax:

(833) 256-1665 or (202) 690-7442;

email:

program.intake@usda.gov.

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Para presentar una queja por discriminación en el programa, el reclamante debe completar un formulario AD 3027, Formulario de queja por discriminación del programa del USDA, que se puede obtener en línea, en cualquier oficina del USDA, llamando al (866) 632-9992, o escribiendo una carta dirigida al USDA. La carta debe contener el nombre, la dirección y el número de teléfono del reclamante, y una descripción escrita de la supuesta acción discriminatoria con suficiente detalle para informar al Subsecretario de Derechos Civiles (ASCR, por sus siglas en inglés) sobre la naturaleza y la fecha de la presunta violación de los derechos civiles. La carta o el formulario AD-3027 completado debe enviarse al USDA por medio de:

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