



# Policy

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## ACTIVITIES ALLOWED/UNALLOWED AND ALLOWABLE COSTS/COST PRINCIPLES

To provide reasonable assurance that funds received for awards are expended only for allowable activities and that the costs of goods and services charged to the grant are allowable and in accordance with applicable cost principles, MURC has employed the following control procedures.

MURC maintains a financial management system that complies with 2 CFR 200.302 and provides accurate, current, and complete disclosure of financial results for each federal award. The system identifies federal awards, tracks expenditures by award, maintains source documentation, compares expenditures against approved budgets, and provides effective internal controls over assets and expenditures.

The awarding agency gives guidance on the method that the expenditures should be tracked in the program's budget. The detailed budget is established using banner account codes and posted via a journal entry into the Finance module of Banner. The system rolls the budget at fiscal year-end.

All purchase requests are reviewed and approved by Grant Financial Compliance (GFC) staff as well as the Principal Investigator and/or department support staff of the award from which the expense is requested. When an item is submitted for approval, the purchase request includes a description of the item to be purchased and the terms of the purchase. It is entered into banner via a requisition or encumbrance or, if applicable, paid via MURC pcard. The Principal Investigator has awareness of what is allowable based on the budget, agreement, and proposal for the award. In addition, MURC has an allowable cost policy and purchasing and receiving guidelines that can be used as a reference for departments. GFC is knowledgeable of the requirements and what are allowable and unallowable expenditures for sponsored programs. The resources cited by GFC as a source for determining allowable expenditures for awards includes the proposal, the award document, agency approved budget, MURC policies and procedures, agency specific guidelines, and 2 CFR 200 (Uniform). The award agreements are maintained by the Grant Administration Office. Copies of award documentation are sent to the respective PI and department staff when the award is set up in banner.

For any expenditures that appear to be questionable, the GFC team will contact the department to request additional information or documentation to determine whether the expenditure is allowable within the agency agreement. If GFC is unable to determine cost allowability via the resources cited above, they will reach out to the sponsoring agency for approval. If the expenditure is not allowable, the GFC team notifies the department that the expenditure must be transferred (charged to an alternative funding source) or it is charged directly to the department cost recovery account.

## EXPENDITURE AND BUDGET TRACKING

The Principal Investigator and department staff can view detailed transaction and balance information for awards in the Banner finance module. Detailed transaction and encumbrance information by account code can be viewed in banner screen FGIBDST. Balance information by budget category can be viewed in banner screen FGIBAVL. All expenses are posted to banner in real time with the exception of the following: MU payroll, Pcard, and indirect costs. These three items are updated in banner monthly after the month is closed by accounting.

After a month is closed by accounting, formal financial reports are generated from banner and provided to the PI and department staff. These financial reports compare awarded budget to actual expenditures by account code and budget category. In addition, they provide a summary of all transactions posted for the month. The remaining award balance is listed on these reports by budget category and overall total. The PI, and/or designated department staff, are responsible for reviewing these reports in detail to monitor spending in accordance with their spend down plan and project needs. If there are any inaccuracies, the Principal Investigator is directed to contact GFC to address and correct. This is an important control to ensure that posted expenditures are accurate and the fund is being spent down appropriately.

All grant-funded projects must be monitored regularly to ensure expenditures remain within approved budget categories and allowable thresholds. Any proposed rebudgeting or transfer of funds between budget categories that exceeds sponsor or agreement limitations must be reviewed and approved internally prior to submission to the sponsor for written approval, when required. Principal investigators, grant administrators, and accounting personnel are responsible for coordinating budget modification requests and ensuring approvals are obtained before expenditures are incurred or reported. Documentation of all approved budget modifications must be maintained within the official grant file.

## CASH MANAGEMENT

In order to provide reasonable assurance that the drawdown of Federal cash is only for immediate needs, MURC has employed the following control procedures.

The Chief Financial Officer (CFO) and Assoc. Director of AR & FR prepare the cash drawdowns monthly or quarterly depending on the grant. Draw down of federal funds is initiated electronically using the relevant system, whereas non-federal drawdowns are primarily initiated manually. The main systems used by MURC are:

- G-5 – The U.S. Dept. of Education DD System
- PMS – Payment Management System
- WAWF – Wide Area Workflow DD System
- MPO System – Maryland Procurement Office
- ASAP – Automated Standard Application for Payments
- NSF - National Science Foundation
- DOT DELPHI – Dept. of Transportation DD system
- ARC – Appalachian Regional Commission

MURC has been given a password to access each system. Based upon MURC's ID#, all the Grants awarded to them are listed with the award amount, available balance, and last date to draw funds. The

draw down account has been set-up to only allow funds to flow to MURC's account; no other account can be substituted.

In order to change the account in which the draw down is deposited, a request, approved by the CFO and the Executive Director, must be sent to both G-5 and the Bank, and then the Bank will send the information to G-5. This ensures MURC is the only party able to receive the funds. The CFO or AD determines the amount of funds spent in the fund by using the Budget Status Report, which details by fund, the current month's activity. The CFO reviews all draw-downs at a high level, looking for obvious errors, as well as looking at cash flows, and determining if draw-downs need to occur in order to maintain cash flows.

MURC operates under a cash reimbursement basis and therefore does not request draw-downs on PO's or until the cash expense has been paid. However, funds are usually requested a day before cash is disbursed for large construction invoices.

On a monthly basis, formal reports are created in which budget is compared to actual expenditures and the remaining funds available are shown. These reports are sent to the Principal Investigator by the CFO. This is an important control in ensuring the cash management is appropriately controlled as well as a secondary control to the application of expenditures to the appropriate grant.

Sub-recipient requests for funds are evaluated and requested to minimize the time elapsing between drawdown and disbursement.

#### EQUIPMENT AND REAL PROPERTY MANAGEMENT

In order to provide reasonable assurance that proper records are maintained for equipment acquired with Federal awards, equipment is adequately safeguarded and maintained, disposition or encumbrance of any equipment or real property is in accordance with Federal requirements, and the Federal awarding agency is appropriately compensated for its share of any property sold or converted to non-Federal use, MURC has employed the following procedures.

MURC is committed to providing proper stewardship for property acquired with Federal awards. All property purchases follow the same control procedures outlined for expenditures below.

All assets are received by the Marshall University receiving department. This process is documented in detail in the Marshall University audit work papers. When the assets are received the receiving department will contact MURC and provide MURC with the relevant receiving documentation. This use of a central department improves the control and safeguarding of these assets.

All assets are tagged and recorded in Banner using a unique fund account number which allows MURC to track assets purchased using Federal funds.

Every 2 years MURC has a physical inventory of all fixed assets. The Principal Investigator must inform MURC if there are any assets disposed or if there is a change in their use to one not related to their fund, although this is very rare. The Principal Investigator informs MURC by completing a Property Status Form.

These procedures help to safeguard the assets purchased using federal funds.

Assets are usually used for their entire useful economic life at MURC. Assets are usually scrapped or annually sold at the University's "Yard sale" for minimal receipts. In the event significant assets are sold, MURC or the Principal Investigator will obtain approval from the relevant agency to dispose of the assets and receive instructions as to the amount of proportion, if any, to remit to the Federal agency.

#### MATCHING, LEVEL OF EFFORT, EARMARKING

To provide reasonable assurance that matching, level of effort, or earmarking requirements are met using only allowable funds or costs which are properly calculated and valued, the following procedures are followed: (Note: Generally, matching contributions must be from a non-Federal source and may not involve Federal funding or be used for another federally-assisted program.)

##### ➤ Earmarking. TRIO Programs

The full participant eligibility requirements and procedures for meeting those requirements for the TRIO programs can be found in each programs respective award documents. To summarize, the TRIO programs each have an application that is used to determine eligibility status. In addition to the application, certain verifying documentation is required (i.e tax information, recommendations, transcript, first generation status, disability verification, etc). Furthermore, to determine income eligibility, the US Department of Education Federal TRIO Programs Low-Income Levels (<https://www2.ed.gov/about/offices/list/ope/trio/incomelevels.html>) are used. The participants served and all eligibility determination documentation is tracked in the Blumen Database to ensure that each program meets its required participants served target and 2/3 eligibility criteria.

- Matching – all grant details, including any matching requirements are input into the Grants Access database by the GA Office staff.
- Lead accountant monitors matching funds in conjunction with expenditures tracked by MURC Grants Compliance personnel.
- Lead Accountant also sends MURC Matching Form to effected department (i.e. – grant recipient) for completion, which is then kept on file at MURC.

MURC ensures that all matching funds did not originate from other Federal Funds, unless explicitly allowed, by requiring that the funds originate from an unrestricted Banner code or that they receive appropriate documentation of the source of the funds from MU department. For local sources (i.e. non-MU) MURC obtains a letter certifying that the source of the funds was not from a restricted federal award or other unsuitable source depending on the grant agreement.

#### PERIOD OF AVAILABILITY

When a funding period is specified, a non-Federal entity may only charge costs to the award that are incurred within the designated period of availability, along with any pre-award costs approved by the Federal awarding agency.

To ensure that Federal funds are utilized solely during the authorized period, MURC has implemented the following procedures:

Budgets are created in the Banner finance module for each award and assigned a unique Banner fund number. This ensures expenditures are allocated to the correct award/fund, All expenditures undergo review and authorization by the Principal Investigator (PI) and then Grants and Finance Committee (GFC) to confirm they are sufficiently documented in accordance with MURC policies and procedures, allowable,

allocable, reasonable, and within the period of availability before being posted to the banner.

When an award expires, GFC compliance performs the below actions to administratively close the project and prevent any expenses from being incurred after the end date:

- 1.) Close all open encumbrances and Purchase orders
- 2.) Remove banner fund number in purchasing card website, JP Morgan Chase
- 3.) Coordinate with PI to reallocate any remaining personnel via a revised Personnel Action Request (PAR).

Additionally, monthly financial reports provide a running total of the remaining grant balance, enabling the Principal Investigator to routinely monitor expenditures against the budget on a monthly basis.

## PROCUREMENT AND SUSPENSION DEBARMENT

In order to provide reasonable assurance that procurement of goods and services are made in compliance with provisions of the 2 CFR 200 (Uniform Guidance), as applicable, and that no sub-award, contract, or

agreement for purchases of goods or services is made with any debarred or suspended party, MURC will check the vendor against the Sams.gov before approving the electronic requisition in the banner system. MURC will include a screenshot from Sams.gov with the procurement documentation.

MURC has established controls surrounding the purchase of goods and services using federal funds. These are detailed at <https://www.marshall.edu/murc/files/Updated-Purchasing-and-Receiving-Guidelines.pdf>.

## PROGRAM INCOME

Program income revenue may be accounted for in one of the following four ways depending on sponsored award terms and conditions. Regardless of the accounting method used, program income may be used only for allowable costs in accordance with the applicable cost principles and the terms and conditions of the sponsored award.

### *Additive Method*

Program income funds are added to the sponsored award commitment and used to further eligible project or program objectives. Funds may be retained and used to further eligible project or program objectives during the term of the award.

Example: The sponsored award amount was \$100,000. \$10,000 of program income is generated. The total allowed project costs are now \$110,000 (\$100,000 expensed on the original award amount and \$10,000 expensed on the program income earned).

### *Deductive Method*

Program income funds are deducted, or off-set, from the total award's allowable costs to determine the net allowable costs on which the sponsor's share of costs is based.

Example: The sponsored award amount was \$100,000. \$10,000 of program income is earned. The program income must be used to off-set the award amount from the sponsor and reduces the total award amount to \$90,000. Total available funds for the project remain at \$100,000 (\$90,000 from the sponsored award and \$10,000 from the program income earned).

### *Matching Method*

With prior approval of the sponsor, program income funds are used towards fulfillment of a committed cost

sharing requirement for the sponsored award.

Example: The sponsored award amount was \$100,000 with a cost sharing commitment of \$20,000. \$10,000 of program income is generated. The expenditure of the program income may be used to account for \$10,000 of the cost sharing commitment.

### *Add/Deduct Method*

A portion of program income is added to the funds committed to the project as specified by the awarding agency; any remaining program income funds are deducted from the total funds available for the project.

Unless stated otherwise in the award agreement, MURC will use program income as an offset to allowable grant expenses. To accomplish this, program income is deposited into the award account under the program income account code, 70515 – Program Income – Expense Reduction. It is then used as an offset to allowable grant expenses. This ensures that the program income is used first and entirely during the term of the award and solely for allowable grant expenses.

## FINANCIAL REPORTING

2 CFR 200 (Uniform Guidance) requires that Financial Status Reports be filed within 120 days of the end of a budget period and/or within 120 days of the end of the grant award period. If quarterly reports are required by the grant agreement they must be submitted within 30 days of the end of the quarter.

In order to provide reasonable assurance that reports of Federal awards submitted to the Federal awarding agency or pass-through entity include all activity of the reporting period, are supported by underlying accounting or performance records, and are fairly presented in accordance with program requirements, MURC has employed the following procedures:

When an award is set up or a change order/continuation is processed, the reporting/invoicing requirements are identified. Database tracks report/invoice due dates and completion status.

The Principal Investigator is responsible for the completion of all progress reporting. GFC provides a copy all award documentation to the PI and department staff upon award setup which includes progress reporting requirements and due dates.

In addition, all reports are pulled from a combination of Banner and the Access/Cayuse databases which are reliable sources.

## PROGRESS REPORTING

In order to provide reasonable assurance that progress reports of Federal awards are submitted to the Federal awarding agency or pass-through entity, MURC has employed the following procedures:

GFC reviews award agreements for specific progress reporting requirements and establishes a progress reporting calendar in the grants administration system Cayuse, via the Tasks feature. Cayuse sends auto reminders to the PI/department when progress reports are due. GFC follows up with the PI on progress report submission and, once the report is confirmed to be submitted/approved, GFC marks the respective

task complete in Cayuse.

For direct federal awards, progress reports are submitted through the designated federal portal. The progress report is initiated by the PI and submitted for review to the MURC Authorized Representative. The Progress report then requires review/certification of a MURC Authorized Representative before final submission. The MURC certification/approval is captured in the federal portal via the submission date.

For indirect federal awards that are awarded through a pass-through entity, progress reports are typically submitted to the agency program officer via email. GFC monitors the progress reporting calendar in Cayuse. The MURC certification/approval is captured in Cayuse by the task completion date.

### SUB-RECIPIENT MONITORING

To provide reasonable assurance that Federal award information and compliance requirements are identified to subrecipients, subrecipient activities are monitored, subrecipient audit findings are resolved, and the impact of any subrecipient noncompliance on the pass-through entity is evaluated, MURC employs the following activities.

The sub-recipient confirms annually that they are in compliance with 2 CFR 200 (Uniform Guidance) Subpart F by completing the MURC audit certification form. This form requires the subrecipient to confirm

if they are required to undergo a single audit as per the requirements in 2 CFR 200 Subpart F and also

disclose any findings. MURC staff is then able to evaluate any findings (if applicable) and determine impact on the federal award.

In addition, the PI is required to complete the [PI Payment and Performance Certification Form](#) for each invoice submitted to MURC for payment. This form is required before payment of the invoice can be issued by MURC. The form certifies that expenses are allowable as per the approved budget, within the award period, within the available budget, and that performance is on track. If there are issues with the invoice/performance, the PI is directed to work with the MURC Contract and Subaward Compliance Officer to address. This is an important internal control that allows MURC and the PI to monitor expenses, budget, and progress on the subaward for each invoice submitted for payment.

### **FFATA Procedure:**

1. Generate SEFA report and identify all subawards that meet the FFATA Reporting requirement of being \$30,000 or greater.
2. Once identified, the corresponding award is located within the worklist of FSRs portal and a report is initiated.
3. The institutional information is reviewed and edited, when needed, for accuracy.
4. Next, when prompted, the UEI of the subawardee is pulled through the system and all necessary fields are completed.
5. Once all of the information has been correctly filled, it is reviewed by the Contracts and Subaward Compliance Officer and submitted.

Additional subrecipient procedures are detailed in MURC's Subrecipient policy:

<https://www.marshall.edu/murc/files/Subrecipient-Monitoring-Policy-Revised-2-17-25.pdf>