

**GRANT AND CONTRACT REPORTING**

**AND**

**ACCOUNT CLOSE-OUT PROCEDURE**

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## PREFACE

Agencies of the federal government, as well as non-federal organizations, demand strict adherence to the reporting requirements set forth in the award instrument. Federal and non-federal sponsors often require periodic interim financial reports in addition to final financial statements. Failure to submit a financial report within the specified time frame may place the University in jeopardy of having remedial actions imposed which can include an awarding agency withholding an award(s) to an investigator or to the entire University, or the withholding of payment on invoices, or revocation of the Expanded Authorities Agreement. The Expanded Authorities Agreement affords the University latitude in the budgeting and management of federally awarded grant funds. A situation giving rise to such actions would undermine the University's research and training functions and is obviously unacceptable. To preclude this possibility, the following information is made available to assist in expediting the reporting process.

Note: The Financial Reporting and Account Close-Out process is intended to be completed within 90 days of the termination date of the award.

## FINANCIAL REPORTS

### Requirements

Most grants and contracts require a final accounting of project costs, however, there is often a need to submit interim reports, as well. For grants or contracts sponsored by non-federal agencies, financial reports will be submitted by Research Services - Post Award not later than the due date specified in the award document. For federally funded programs under OMB A-110, Uniform Administrative Requirements for grants and contracts with Institutions of Higher Education, Hospitals and Other Non-Profit Organizations, the University is required to submit quarterly financial reports within 15 calendar days of the close of the reporting period and within 90 calendar days for annual reports or finals.

### Responsibility

The responsibility for preparing and submitting all interim and final financial reports rest with the Research Services - Post Award office, however, Research Services - Post Award requires the assistance of the principal investigator and business administrator through their input prior to the point that the report is prepared. It is important to note that the principal investigator is ultimately responsible for management of the fund and, as such, must ensure that all expense charged is accurate and allowable under the terms of the award.

**Reporting**

The reporting process is initiated and concluded based on the premise that all expense posted to the general ledger fund is accurate and allowable under the terms of the award. Furthermore, this assumption is made with the understanding that grant and contract funds are actively managed on an ongoing basis from the date of activation to the date of final termination. A periodic review of the costs incurred during the budget period must be routinely undertaken and adjusting entries processed as needed and before the end of the budget period. Direct cost expenditures that are considered erroneous or unallowable amounts must be adjusted and journaled to the appropriate source of funding. A full review of the account must be completed prior to the anniversary date of the award to ensure that adjustments are processed during the reporting period and before issuance of the financial report.

**INTERIM FINANCIAL REPORTS**

Interim reports may be required annually or more frequently than annually. The financial information contained in an interim financial report will be derived from the financial accounting system monthly general ledger detail of expense record. In addition to cost that posted to the general ledger fund, the interim report to the sponsor must include credit adjustment(s) not processed by the close of the reporting period. An adjustment would be required for expense items posted to the fund during the reporting period but which should have been charged to another account.

A financial report will be issued regardless of the amount of expenditure activity during the reporting period. That is, if no expense has been posted during the reporting period, Research Accounting will report a total expense of \$0.00 for the period.

Facilities and Administration Costs and Employee Benefit amounts will be reconciled and adjustments made by Research Services - Post Award.

The amount reported, both direct and F & A costs, will be entered as a record of the fund and the attribute field designated for Date of Last Financial Report will be updated accordingly. The Date of the Next Report Due will be maintained in the attribute field as well.

**Interim/Annual Reporting on DHHS Grants With Continuation of Funding**

This section generally applies to grants awarded by agencies within DHHS (please refer to provisions of the Expanded Authorities Agreement currently governed by FDP Phase III) but it does not apply to grants that are included under the provisions of Streamline Noncompeting Award Procedures (SNAP).

## **GRANT AND CONTRACT REPORTING AND ACCOUNT CLOSE-OUT PROCEDURE**

Research Services \_\_\_\_\_

**Page 3**

If the current budget period is part of an ongoing project segment, there is a future noncompeting budget period authorized and the grant is not specifically exempt from the provisions of the Expanded Authorities Agreement and/or is specifically excluded from the provisions of SNAP, upon conclusion of the current budget period, Research Services - Post Award is required to issue an interim or annual Financial Status Report.

Grant awards not specifically excluded from the provisions of SNAP will require the submission of a final Financial Status Report upon conclusion of the final budget period of the segment. Interim financial reporting will be provided by submission of the quarterly Federal Cash Transaction Report (FCTR).

### **Responsibility**

- Cost adjustments must be made 30 days prior to the Financial Report Due Date. This will ensure accuracy of the FSR.
- The fund number will remain active and will be retained for future budget periods. Maintenance of the fund will occur with issuance of the Account Information Sheet (AIS).

### **Reporting**

- Research Accounting will issue the Financial Status Report (FSR) based upon financial accounting system records.
- The FSR will be issued within 30 days of the close of the budget period.
- Unliquidated obligations and/or unexpended balances will be reported as of the date of termination of the grant budget period.
- Funding for the unliquidated obligations will be carried forward in accordance with the Expanded Authorities Agreement.
- Research Accounting will routinely issue FSRs without further input from the responsible business office.
- Upon submission, revisions to this report will be made only for credit adjustments. Furthermore, it is important to note that the reported carryover of unexpended balances in excess 25% of the award amount may be subject to sponsor review and approval and may require justification.

## Interim Reporting for Private or Other Sponsors

Unless reporting requirements dictate a shorter period, interim financial reports will be issued within 30 days of the close of the budget period. Information reported will contain total expense posted to the general ledger as of the end of the budget period. All adjusting entries must be made before the termination of the budget period.

## FINAL FINANCIAL REPORTS

In addition to invoices or other interim financial reports, federal and private sponsors will, in most instances, require an end of project financial accounting or Final Report of Expenditures.

Final financial reports are referred to by various titles. Under federal contracts, the report is referred to as a Completion Voucher SF-1034, for federal grants the report is entitled Financial Status Report (FSR) SF-269 and for private sponsors they are sometimes referred to as Final Report of Expenditures (FROE).

Except in those instances where the account has been designated to be exempt from reporting requirements, that is, all accounts for which the Financial Report Frequency Code is coded NO, a final financial report will be required upon termination of the project.

## Responsibility

Research Services - Post Award is charged with the responsibility of providing the sponsor with a cumulative accounting of all project related costs posted to the ledger account(s) from the start date of the program through to the termination date.

Ongoing grants management throughout the life of an award will greatly facilitate the final financial reporting of federal or private sponsors' awards. It is critical to the successful and accurate reporting of those funds upon termination of the grant or contract.

## Reporting

- Process begins with the Grants Due to Expire notification.
- Research Services - Post Award will routinely issue all final financial reports within the period of time allowed by the sponsor.

## GRANT AND CONTRACT REPORTING AND ACCOUNT CLOSE-OUT PROCEDURE

Research Services

Page 5

- The time requirement for submission is recorded as part of the Fund Segment Attribute Field entitled Days to Submit Final Report. This field is intended as an informational tool used by Research Services - Post Award to assist in prioritizing the workload and does not represent the full amount of time allotted for the adjustment period.
- An adjustment period is available to process final adjusting entries.
- Adjustment periods will close 30 days prior to the date indicated as Due Date of the Next Financial Report.

Final financial reporting is somewhat more complex than interim reporting in that there is a need to address unliquidated obligations that may remain beyond the adjustment period. Unliquidated obligations will be further discussed in the section entitled Summary Final Expenditure Report.

**ADVANCE NOTICE OF ACCOUNT TERMINATION**

During the month prior to the expiration date of a budget period or project segment, a Grants Due to Expire notification is available to the principal investigator and business office. The purpose of the advance notice of account termination is intended to advise the principal investigator that, according to University official financial records, the current budget period is about to expire (refer to Fund Segment Attribute Field, Contract End Date). The advance notice is available for the purpose of providing the principal investigator and business office a reminder of the reporting and close-out responsibility. It is not intended to convey information that a project is being terminated.

Under most circumstances the project will retain the same fund number if it is incrementally funded and the unused balance of funds at the end of each increment can be used in the next period or is part of an NIH project segment in which there is a future budget period of support and the grant is included under the provisions of the Federal Demonstration Project.

**Responsibility**

- The principal investigator is requested to review the expense posted to the account to ensure that all costs are properly recorded.
- Should adjustments be necessary, it is imperative that corrective action is concluded before the termination date.
- The final budget period will provide for an adjustment period upon termination.

Determination as to whether or not a final report is due can be determined through the fund segment attribute field information. The anticipated Project End Date designates the full funding period of the award. The same fund number will be retained if the Anticipated Project End Date indicates a future date value beyond the current Contract End Date. If the Contract End Date and the Anticipated Project End Date agree, then the general ledger fund is considered to be terminating at the end of the 90 day period. Final reporting and account close-out procedures will be initiated.

**Extension of the Performance Period**

In those instances where the fund number is to be used for a future budget period or the current budget period has been extended beyond the original termination date, the University's financial accounting system records will be updated to reflect the new Contract End Date upon issuance of Research Services' Account Information Sheet (AIS). The Account Information Sheet is issued when there is verifiable documentation authorizing an extension of the project or budget period is made available. Documentation must be in the form of a letter approving the extension or by way of a notice of award and such information must be made available to Research Services - Pre Award.

**Continuation Funding Not Authorized**

If the fund appears on the list of Grants Due to Expire and that fund will terminate at the conclusion of the current budget period and there is no future budget period(s) authorized, then the following will apply:

**Responsibility**

- The principal investigator must be advised of the termination of the budget period.
- The business office will have available a Summary Final Expenditure Report (SFER) and the University's Grant and Contract Financial Reporting and Account Close-Out Document.

Adjustments not recorded as of the termination date must be posted to the general ledger and viewable by Research Services - Post Award before the close of the Adjustment Period.

- The principal investigator must review and approve the information contained in this summary document.

**Reporting**

- Reporting and close-out procedures will be initiated following termination.
- All expenditure adjustments to the fund will be considered to have been processed not later than 30 days prior to the financial report due date.
- Payroll activity will be considered proper and eligible for reporting as of the close of the Adjustment Period.

**Continuation Funding Authorized**

If the current budget period is the final budget period of a project or a project segment and a competing renewal segment has been authorized, then the following applies:

**Responsibility**

- Research Services - Pre Award will assign a new fund number to the competing renewal segment and issue an Account Information Sheet.
- All adjusting entries must be made prior to close of the adjustment period.

## **Reporting**

- Expense recorded in the general ledger upon close of the adjustment period will be reported.
- Unliquidated obligations and/or unobligated balances will be reported and carried forward in accordance with the Expanded Authorities Agreement.

## **SUMMARY FINAL EXPENDITURE REPORT**

The Summary Final Expenditure Report (SFER) General Ledger Reports 13X are internal documents that are available to assist in the reconciliation of grant or contract funds. They contain a summary of budget, expenditure and revenue activity compiled over the life of the account. The principal investigator and business administrator should review the document for accuracy and provide assurance that the expense posted to the account is allowable under the terms of the award. It will be the document used by Research Services - Post Award to assist in the preparation and submission of the financial report.

### **SFER Availability for Interim Financial Reporting**

Grant or contract funds that terminate at a future date beyond the current budget period, that is, the Project End Date extends beyond the Contract End Date, may require an interim financial report at the end of the current budget cycle. The Summary Final Expenditure Report is also available to the business office at this point. Information provided will relate to the budget period that has just terminated.

### **SFER Availability for Final Financial Reporting**

If the program fund in the final budget period Project End Date equals the Contract End Date, this report may also be accessed up to 90 days following the expiration date of the fund. Again, it is expected that this report will be reviewed and correcting entries made prior to the close of the Adjustment Period.

### **SFER and Reporting**

The SFER will be available to Research Services - Post Award and, as such, it is not necessary to forward this document to the Research Services - Post Award department noting changes. The information contained in the SFER as of 30 days prior to the indicated Report Due Date will be considered to be the final reportable amount and will be used to prepare the final report of expenditures. This document is an integral part of the Grant and Contract Reporting and Account Close-Out process and will be made part of the accounting record files, subject to audit. If an extension to the performance period of this account has been granted but not indicated, contact Research Services - Post Award.

## **Responsibility**

### Departmental Review Requirements

- The principal investigator and the department business administrator must verify the accuracy and propriety of salaries and other direct costs charged.
- Only by department effort to promptly review the fund and to make necessary adjustments 30 days before the Report Due Date, can we ensure the integrity of the financial report.

## **RESEARCH SERVICES - POST AWARD REVIEW OF THE SFER**

- The fund and all related documents will be subject to a desk audit to determine the propriety and allowability of the expense charged.
- Should questions regarding a particular cost item arise, Research Services - Post Award will review all available documentation to ensure that an approval or exception has been granted. If the authorizing documentation is not readily available, the business administrator will be called upon to provide explanation and documentation. In the absence of proper documentation, the charge will be deemed unallowable and must be journaled to an unrestricted account.
- When review requirements are satisfied, the financial report will be submitted in accordance with the sponsor's format requirements.

## **Summary Final Expenditure Report Features**

The SFER has been designed to provide a one page summary of activity. Features include:

- Accounting of expenses for the current budget period over no more than two fiscal years in total.
- The expense on the SFER is sorted by object code with a description of the cost item.
- Cost categories such as salary, current expense and expense credit are subtotaled.
- Other Data such as Budget, Total Expense, Encumbrance, Budget Balance and Post Project Costs.

## GRANT AND CONTRACT REPORTING AND ACCOUNT CLOSE-OUT PROCEDURE

Research Services

Page 10

**Post Project Termination Cost** - This column contains expense activity information during the three months immediately following the termination date of the fund. The purpose of this column is to capture project related cost such as Service Center costs and Telephone Toll charges and liquidation of obligations that are posted during the months following termination. It will include posted adjustments and is generally intended to assist in the close-out process.

### **Total Reported Outlays**

For final reporting, the amount appearing in this column, up to 30 days prior to the Report Due Date, will be considered to be the total expenditure outlay for the project. It will be assumed that all related charges have been reviewed, authorized and/or adjusted and are allowable per terms of the agreement at this point in the close-out process.

### **Adjustment Period - Final Report**

The Adjustment Period for the processing of journals extends for a period of time beyond the termination date. The duration of the Adjustment Period is dependent upon the sponsor's reporting requirements and will be 30 days less than the total number of days the sponsor allows for the submission of the final financial report, or stated another way, 30 days prior to the Report Due Date but will not exceed 60 days. The Report Due Date can be found in the header record of the SFER. The number of days allowed may also be determined through inquiry of the Fund Segment Attribute record, specifically, Number of Days to Submit Final Report. Should the account be in an overdraft position at the conclusion of the Adjustment Period, the costs associated will be considered to be Cost Sharing to the project. The financial report will indicate that the grant or contract is fully expended and the overage will be reported as University-funded expense, where appropriate.

Research Services - Post Award will process the funding entry, crediting Object Code 4822 of the fund, charging either the departmental unrestricted ledger or the School's surrogate account.

### **NIH Grants**

For NIH grants, the Adjustment Period will be 60 days in duration. Federal programs allow 90 days to submit the reports, the Number of Days to Submit a final report in the attribute record is set at 90 days, the Final Report Due Date will be set at 90 days after termination. Since all adjustments must be made 30 days prior to that date, the corresponding Adjustment Period will be 60 days in length.

## Other Sponsors

The Adjustment Period will extend the date of termination up to 30 days prior to the Final Financial Report Due Date per terms of the agreement.

Should a sponsor not indicate a due date for the final financial report, then the Financial Report Due Date will be established as 30 days beyond the Contract End Date. The Adjustment Period in this instance is equal to 0 days in duration or, stated otherwise, all adjustments must be made prior to the termination date. Adjustments for the month preceding the termination date must be posted immediately following that date. However, for reporting purposes, Research Services - Post Award will report expense in the month immediately following the termination so as to capture adjustments to expense incurred during the final month. All costs to this point will be considered allowable project related expense.

Please note, Research Services - Post Award is instructed to report in accordance with the procedures outlined in this manual. Therefore, it is expected that compliance with all reporting and close-out procedures is strictly without exception. As such, Research Services - Post Award will always operate on the assumption that, at the close of an Adjustment Period, the fund and any related fund has been reviewed, adjustments posted, if necessary, that all costs to include salary are properly posted, are allowable and appropriate under the terms of the grant or contract award and, as a result, will submit a financial report based solely upon the information available in the financial accounting system general ledger record.

## Salary Distribution upon Termination

It is absolutely essential and critical to ensure accuracy of the reporting process, to ensure that the payroll system is updated, to change salary distribution to a new funding source and that this update be undertaken prior to the termination date of the award.

## Facilities and Administration Costs and Employee Benefits Reconciliation

The SFER provides for review and reconciliation of F & A charges. Financial data is presented for the current budget period up to two fiscal years. Categories of expense generally excluded from the total direct cost base for F & A calculation are subtotaled. In addition, the reporting of expense by fiscal year accommodates an Employee Benefits reconciliation. Facilities and Administration Costs is charged via mass allocation entry on a daily basis. The charge appears under Object code 5282 and any manual adjustment is recorded against Object Code 5292. Employee Benefits are likewise charged as a mass allocation entry at the point of salary posting. The charge is to Object Code 5190 for full-time employees and 5191 for part-time employees. Manual adjustments are recorded against Object Code 5193.

**Salary Reallocation/Prior Period Adjustment**

An adjustment to salary in a prior budget period or previous semester will change the percentage of effort previously certified to and reported. Revision of previously certified effort is generally unacceptable. However, should the revision be necessary, a letter signed by the principal investigator explaining the reason for a change in the originally certified percent of effort must accompany the Salary Reallocation. A newly revised effort report must be certified by the individual or principal investigator. The Salary Reallocation, revised effort report and letter should be forwarded to Research Services - Post Award or to the Federal Compliance Group.

**Unliquidated Obligations Commitments/Encumbrance Column**

Items ordered prior to the termination of the budget period, but not actually paid until some time after the termination date, are properly classified as unliquidated obligations and will be reported as such unless specifically disallowed by the terms of an award.

It is a purchase order that obligates the sponsor of a grant or contract to reimburse the University for purchases of supplies, equipment and other materials or services. Furthermore, the purchase order must be executed prior to the close of business on the final day of the award's performance period. Unliquidated Obligations must be liquidated within 90 days of the close of the reporting period.

All outstanding obligations related to a project must be reviewed and action taken to expedite the payment of invoices 30 days prior to the financial report due date. Unliquidated Obligations as of the actual Contract End Date will be reported as such.

**Unliquidated Obligations Federal Sponsors Covered Under Expanded Authorities**

OMB A-110 requires the liquidation of unpaid obligations within 90 days. While all federal awards are subject to this provision, this section generally applies to NIH research grants and Program Project awards covered under the Expanded Authorities Agreement. If the current budget period is the final budget period of a project and project segment and a competing renewal segment has been authorized, a new general ledger fund number will be assigned to the competing renewal segment. Unliquidated Obligations will be reported in full as of the date of the Contract End Date carried forward in accordance with the Expanded Authorities Agreement. A reserve equaling the amount of the unliquidated obligations will be established and created under the new fund number. It is important to note that the reserve may be used only to satisfy the funding of items reported as unliquidated obligations on the FSR. Since encumbrances cannot be moved from one fund to another, the obligations will be paid and charged to the old fund number and must be journaled item by item to the new fund. This is necessary to create an appropriate audit trail.

For other federal grants that are incrementally funded, the reporting of unliquidated obligations can vary from sponsor to sponsor. This does not change the liquidation requirement. Under these circumstances, Research Services - Post Award will report the items as required by the terms of the award.

**Unliquidated Obligations in the Final Budget Period of Federal Awards**

At the conclusion of a final budget period of a project and without future funding available, it is not possible to report unliquidated obligations. Therefore, every effort must be made to ensure that all items are liquidated before the end of the reporting period and within the 90 days allowed. Items unliquidated after that time may be subject to disallowance.

In the final budget period of the project period, no additional competing renewal segment awarded, unliquidated obligations remaining as of 30 days prior to the Report Due Date will be reported as part of the Total Outlays for the Period. Except for NSF grants, should the actual liquidation exceed the amount of the encumbrance, a funding entry must be posted to the fund as a credit to Cost Sharing Revenue. Should the amount paid be less than the encumbrance, the FSR will be revised, accordingly.

For NSF grants, if the amount of payment of unliquidated obligations exceeds the reported and funded amount, the department is responsible for funding the difference as Cost Sharing. An entry to 4822 of the fund must be processed. Should the amount exceed \$300 and there is a reported balance sufficient to support the additional costs, the Principal Investigator may request a revision to the amount originally reported. The request must be in writing to NSF. Before a revision can be reported, NSF must formally acknowledge approval. If the amount of payment creates a difference of \$300 or less than originally reported, the balance of the reimbursements will be transferred to the departmental ledger. If the balance of reimbursement exceeds \$300, the entire amount must be remitted to NSF.

**Unliquidated Obligations Private or Other Sponsors**

If the current budget period is the final budget period of the project period, unliquidated obligations remaining as of 30 days prior to the Report Due Date will be reported as part of the Total Outlays for the period. Should the actual liquidation exceed the amount of the encumbrance, a funding entry must be posted to the fund as a credit to Cost Sharing Revenue. Should the amount paid be less than the encumbrance, the FSR will be revised, accordingly.

**Unliquidated Obligations Training Grants**

Upon termination of the grant award period, for each trainee assigned by way of the Statement of Appointment, the amount of the unpaid balance of stipends and tuition will be reported as an unliquidated obligation. For related Other Trainee Costs and Institutional Allowance balances remaining and where there is a readily identified commitment (encumbrance) of these monies, they too may be reported as unliquidated obligations. The other option available is

to report the amount of unexpended trainee costs as an Unexpended Balance and request a carryover of the amount as a future obligation. The University has generally opted for the former method of reporting and will continue to do so unless specifically instructed otherwise. Since Research Services - Post Award does not have detail stipend information available, nor can it determine the amount of unliquidated obligations, it is incumbent upon the principal investigator/business administrator to identify the exact amount of allowable unliquidated obligations to be reported and to make this information available to Research Services - Post Award not later than 30 days prior the report due date. A reserve for the amount of the unliquidated obligations, to include related Facilities and Administrative Costs, will be established under the new fund.

**Identifying Unliquidated Obligations for Reporting Purposes**

Unliquidated obligation items not listed as part of the Commitments and Encumbrances category must be identified with the following information:

- Name of Trainee
- Description \*
- Object Code
- Amount

\* Include stipends and all other related trainee cost categorically listed.

Where there is an uninterrupted continuation of funding for the project, including the final budget period of a DHHS project segment, and where a competing renewal segment has been awarded, it is proper to report the amount of unliquidated obligations on the FSR. Recording of the expense, liquidation of the obligation, will be in the subsequent budget period where a reserve will be established and restricted solely for the purpose of liquidating that obligation.

Research Services - Post Award will notify the department business administrator of the amount to be reserved and budgeted for the carry-over. The method of notification will be via the Accounting for Unliquidated Obligation/Carryover of Unobligated Balance form. The new fund number and the amount to be carried forward with instruction to budget the new account will be identified, accordingly. This notification process will be modified during the enhancement phase of the new Research Services AIS project. At that time the notification of carry-over will be provided via the AIS.

If there is a cancellation of an encumbrance prior to the close of the adjustment period, it will be excluded from financial reporting. If the cancellation or the encumbered amount is beyond the adjustment period, Research Services - Post Award must be notified as soon as possible and prior to submission of the FSR. This information can be made available through the SFER Encumbrance and Commitment/Adjustment Sheet, however, E-mail to the appropriate accountant is the preferred means of communication. List the item with full description and amount of the encumbrance to be canceled.

**Subcontracts**

A subcontract may be active concurrent with the performance period of the prime award. As a consequence, a final invoicing from the subcontractor may not be received immediately following the actual termination date of the prime. For final reporting purposes, it is incumbent upon the department principal investigator/business administrator to ensure that the final invoice is received by the date specified in the subcontract agreement.

Subcontractors should be advised that their final invoicing must be received, approved and payment made before the end of the period of time specified, otherwise, the balance remaining will be subject to deobligation.

**Facilities and Administration Costs on Subcontracts**

As part of the negotiated Facilities and Administration Rate Agreement, the first \$25,000 of each subcontract is subject to the F & A cost calculation and must be charged to Object Code 5332.

**Reporting of Subcontracts**

Upon conclusion of the current budget period and in the absence of a Purchase Order agreement whereby the subcontract amount is not encumbered and where there is a continuation of funding with the assignment of a new fund number, e.g., NIH competing renewal segment, and it is appropriate to report the balance as an unliquidated obligation, the department must obtain from the subcontractor a certified estimate of costs to completion prior to the close of the budget period. The estimated amount information must be made available to Research Services - Post Award at least 30 days prior to the financial report due date. This amount will be reported on the FSR as an unliquidated obligation but must be liquidated within 90 days of the termination of the period. As with other unliquidated obligations, a reserve will be established to fund the expense when actually paid. If the current budget period is an interim period within a continuing funding segment, the balance of the subcontract will be reported as an unliquidated obligation, where allowable.

**Verification of Facilities and Administration Costs and Employee Benefits Amounts**

Facilities and Administration Costs and Employee Benefit amounts contained in the SFER are a total of monthly entries calculated as a percentage of full or part-time salaries and posted to the account during each fiscal year. This amount may include adjustments from prior periods. The University's fiscal year begins July 1st and ends June 30th.

F & A is derived by multiplying the approved F & A rate per the notice of an award for the duration of time stated or the rate approved per the DHHS negotiated rate agreement for each fiscal year by the Modified Total Direct Cost (MTDC) Base.

# GRANT AND CONTRACT REPORTING AND ACCOUNT CLOSE-OUT PROCEDURE

Research Services

Page 16

Facilities and Administration Costs is charged via a mass allocation entry on a daily basis. The charge appears under Object Code 5282 and any manual adjustment is recorded against Object Code 5292.

Only Research Services - Post Award is authorized to adjust Employee Benefits and F & A amounts on sponsored programs.

## Facilities and Administration Costs Calculation

$$F \& A \text{ Costs} = \text{Rate} \times \text{MTDC Base}$$

Modified Total Direct Cost (MTDC) Base is calculated as follows:

Total Direct Costs.....	Object Code 5010 - 5603
Less:	
Stipends.....	Object Code 5046
1) Tuition.....	Object Code 4180 - 4190
	Object Code 5288, 5287
	Object Code 5350 - 5359
2) Subcontracts.....	Object Code 5333
3) Equipment.....	Object Code 1820 - 1834
Patient Care.....	Object Code 5334
3) Alterations/Renovations.....	Object Code 4821
4) Expense Credits.....	Object Code 5500

- 1) Tuition is a contra revenue item and is not included in the Direct Cost Base. Tuition and fees paid to Other Institutions are excluded.
- 2) Subcontracts will be burdened with an applicable amount of F & A up to the first \$25,000 (Object Code 5332).
- 3) Equipment and Alteration and Renovation charges are posted as an asset and are not included in the Direct Cost Base.
- 4) MTDC Base is reduced for expense adjustments only, not by Program Income amounts.

## Maximum Facilities and Administration

A maximum F & A amount may be incorporated as part of the conditions of an award. Should this be applicable, Research Services - Post Award will establish a limit (PIND) within the fund to restrict the amount charged to the fund.

### **Review**

At any time during the life of the award should the amount calculated differ from the expected result, identify the possibility that an error exists and inform Research Accounting of the error in calculation. Research Services - Post Award will review and make the proper adjustment and change in the F & A Base or rate.

### **Employee Benefits**

Employee Benefits is derived by multiplying the applicable E.B. rate, full or part-time, approved for that particular fiscal year period by the fiscal year salary total for each class of employee.

Employee Benefits are charged via a mass allocation entry at the point of salary posting. The charge is to Object Code 5190 for full-time employees and 5191 for part-time employees. Manual adjustments are recorded against Object Code 5193.

### **COST SHARING**

Cost sharing is the utilization of University resources or other grants and contract funds that may be required by federal and private sponsors. Proper recording and accounting for these costs are absolutely necessary.

Proposed or voluntary Cost Sharing must be separately budgeted and accounted for. Therefore, the fund budget must be increased categorically for the amount of Cost Sharing with a corresponding transfer of revenue from a source other than a sponsored program. Budgeting and posting of revenue will be made to Object Code 4822. Cost Sharing can be separately budgeted and accounted for utilizing the accounting flexfield, assigning and mapping a distinctive Center Ref. segment. Object Code 4824 will be used when the designated funding source requires a transfer utilizing the inter-fund transfer mechanism.

### **Cost Sharing Employee Benefits**

Should a sponsor not provide for the reimbursement of Employee Benefits, the unreimbursed amount is deemed to be Cost Sharing. The department or organization is responsible for full funding of the unreimbursed Employee Benefits amount. A transfer of revenue from a source other than a sponsored program equal to the full amount of Employee Benefits must be made to the Cost Sharing Object Code. The Object Code must be budgeted and revenue posted for the full amount of the E.B. and/or as often as is necessary.

**Accounting for Cost Sharing/In-Kind Contribution**

It is the responsibility of the principal investigator, through the record keeping of their business office, to maintain a record of all project related costs, including Cost Sharing and the value of in-kind contributions, and to retain such records for the period of time prescribed under the record retention requirements.

Project related Cost Sharing not part of a proposed agreement and not charged to the grant or contract fund may be reported as such when specifically identifiable. Upon conclusion of the program or at the end of an interim reporting period, the business office will provide Research Services - Post Award with a certified Statement of Cost Sharing/In-Kind Contribution. A properly completed Statement of Cost Sharing/In-kind Contribution will contain an itemization of expense and an identification of the University ledger account charged or an identification of the in-kind contribution with a value of the amount contributed, if known. This form must be returned to Research Services - Post Award at least 30 days prior the report due date, along with a certifying signature. This statement will be made part of the official accounting records file and will be subject to audit review and verification. An E-mail facsimile of the form is desirable and must be transmitted prior to the 30 day period cited above. The original certified form must be retained for audit purposes.

**UNIVERSITY OF PENNSYLVANIA  
STATEMENT OF COST SHARING**

Grant Number: \_\_\_\_\_

Account Number: \_\_\_\_\_

Principal Investigator: \_\_\_\_\_

Department: \_\_\_\_\_

	Ledger Account Contribution	Amount Charged
<b>Salaries:</b>		
A -1	_____	_____
A -2	_____	_____
A -3/4	_____	_____
A -5	_____	_____
 <b>Employee Benefits:</b>		
_____	_____	_____
 <b>Other Direct Cost(s):</b>		
Travel	_____	_____
Supplies	_____	_____
Sub-Contract	_____	_____
Maintenance Contract	_____	_____
Outside Services	_____	_____
Equipment	_____	_____
Other (Identify):	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
 <b>F &amp; A Cost:</b>		
_____	_____	_____
 <b>Total Amount of Cost Sharing:</b>		
_____	=====	=====

I certify that to the best of my knowledge and belief the information contained in this statement is true and correct.

\_\_\_\_\_  
Signature of Principal Investigator or Business Administrator

\_\_\_\_\_  
Date

**PROGRAM INCOME OR TEMPORARY INVESTMENT FUND REVENUE**

Program income or interest revenue must be budgeted and accounted for within the fund in a manner consistent with the specific terms and conditions of the award or by reference to general provisions of federal regulation.

**Program Income**

Program income is generated as a result of program activity or by the sale of assets previously purchased under a federally sponsored program. Other types of income are, but not limited to:

- Fees earned from grant supported services.
- Rental or usage fees.
- Third party patient reimbursement.
- Sale of tissue cultures, educational materials or research animals.

The budgeting and posting of revenue should be in Object Code 49XX. The terms of the award must be reviewed carefully to ascertain sponsor requirements regarding the disposition of program income. Generally, federal sponsors will require and/or permit the following:

- Program income must be reported on the Financial Status Report (FSR) and in the appropriate space.
- Program income can be used to reduce the sponsor's share of funding when specifically allowed by the sponsor.
- Program income may be used as supplemental support when specifically allowed by the sponsor. When supplemental support is permitted, funds must be properly budgeted and accounted for within the fund.
- Program income can be considered for cost sharing or matching gift requirements.

**Temporary Investment Fund (TIF)**

The University will accept grants which contain a provision requiring the accrual of interest on advance payments. Although this generally applies to a small group of foundations, such an agreement must be approved by the Office of the Treasurer.

- A new award will be sent to the Office of the Treasurer for TIF participation approval.
- When approved, ORA will forward to Research Services - Post Award the AIS indicating in the remarks section that the fund is to participate in TIF.
- Research Services - Post Award will create the fund and assign this fund to the TIF parent fund.

## GRANT AND CONTRACT REPORTING AND ACCOUNT CLOSE-OUT PROCEDURE

Research Services

Page 21

- The participating funds will earn interest on the cash balance as of the end of the previous month.
- TIF income will be posted to the Revenue Object Code 4780.
- Research Services - Post Award will add and delete funds from parent funds in the ongoing maintenance of the parent fund. Each month, as a fund terminates, the child will be deleted from the parent.
- The department must budget the Revenue Object Code for amount earned and posted each month.

### **Unobligated Balance or Overexpenditures**

Should there exist a balance of funds, it will be reported as an unobligated balance and will not be available for additional charges. In the event of an overexpenditure, the overdraft amount will be transferred to the school's overdraft account.

**DISTRIBUTION OF FINAL REPORTS OF EXPENDITURES**

The original, and as many copies as necessary, will be forwarded or electronically transmitted to the sponsor or in accordance with the terms of the award. The amount reported will be posted to the general ledger in a fund segment record for inspection. The amount posted will reflect the Total Direct Cost plus the F & A Cost amount reported to the sponsor. Object Code FSRD (Direct Costs) and FSRI (F & A Cost) may be queried for the amount reported. Once issued, financial reports will be revised only for a decrease in the amount of expense that was reported.

**Financial Reporting Attributes**

Information critical to the reporting process can be found in the Fund Segment Attribute record. Information found there will include:

*Contract End Date* - This value is the end date of the Current Budget Period.

*Anticipated Project End Date* - For multiple budget period awards. Future date that fund is expected to terminate.

- If the Contract-End Date and Project End Date agree, the fund will terminate upon that date. The Final Report will be issued, if required (see Reporting Frequency Code).
- If the Anticipated Project End Date exceeds the Contract End Date, there remains committed future budget period(s). Interim financial reporting will be undertaken at the end of the current budget period, if required (see reporting Frequency Code) and immediately following the Contract End Date.

*Date Next Financial Report Due* - Date that next financial report is due.

- Expense adjustments must be made 30 days prior to this date for both interim and final reports.
- This field will be populated with the final report due date as the sponsor requires.
- This field will not be populated with a date for interim reports due more frequently than annually.

*Required Financial Reporting Frequency* - Sponsor imposed reporting requirements.

*Date Last Financial Report Filed* - Date that an interim or final report was submitted.

- If this date field is equal to the Date Next Financial Report Due Date field, the final report has been submitted.

## GRANT AND CONTRACT REPORTING AND ACCOUNT CLOSE-OUT PROCEDURE

Research Services

Page 23

- For awards requiring an interim report more often than annually, this field will be populated with the Final Report Amount only.

*Days to Submit Final Financial Report* - Provides information regarding the time frame allowed by the sponsor for financial reporting.

- Interim reports will always be issued within 30 days of the close of the budget period, Contract End Date or otherwise, as designated by the sponsor.
- The Final Financial Report will be submitted within the number of days specified.

*Report Format Code* - Provides information relative to the sponsor approved reporting form and/or method.

This list contains a column entitled Financial Report Frequency. This column is numerically coded and identifies the reporting frequency that the sponsor requires.

### Report Frequency Codes

- NO - No Financial Report
- A - Annual and Final Report
- F - Final Report
- S - Semi-Annual and Final Report
- Q - Quarterly and Final Report
- I - Coordinate Report with Invoice
- PI - Coordinate Report with PI
- SC - By Specific Schedule
- Q1 - Fiscal Quarter (Jan, Apr, Jul, Oct)
- Q2 - Fiscal Quarter (Feb, May, Aug, Nov)
- Q3 - Calendar Quarter (Mar, Jun, Sep, Dec)

### Days to Submit Final Report

- 30 - 30 Days After Termination
- 60 - 60 Days After Termination
- 90 - 90 Days After Termination

## **ACCOUNT CLOSE-OUT**

Immediately following submission of the Final Report of Expenditures, the account will be closed as expeditiously as possible not to exceed 90 days following the termination date.

### **Disabling Date**

When the total amount of receipts is equal to the total amount of expense reported and the general ledger record is in agreement, the fund will be disabled. This action will generally occur 90 days after the fund termination date.

Research Services - Post Award will transfer via journal entry assets of the fund to the school's surrogate account. This will appear as a credit to the asset object code and a debit to Object Code 4826 of the fund.

## **WRITE-OFF PROCEDURE**

The business administrator must address and/or remove direct cost over expenditures immediately upon recognition of such and not beyond the close of the Adjustment Period.

Project related expense in excess of the awarded amount may be funded from another source of revenues other than another sponsored program fund utilizing the journal entry format. In such instances, credit the Cost Sharing object code 4822 in the general ledger account and debit the applicable object code of the funding account.

Expense not related to the project must be journaled item by item with the appropriate transaction identification, date and explanation. The transfer of an overdraft from one sponsored project to another is *not* allowable.

In the absence of a timely resolution of the overdraft, the unresolved overdraft will be written off to the appropriate overdraft account. The overdraft will be considered involuntary cost sharing and, as such, Object Code 4822 of the fund will be credited for the full amount of the direct cost overdraft.

### **Accounts With Residual Cash Balance**

When a program is fully funded by advance payments and the available funds are not fully expended, a cash balance will exist at the end of the program. If total payments exceed the amount of total reimbursement claimed, Research Services - Post Award will determine from the terms of the award the proper disposition of the remaining cash. If the award notice does not provide adequate instruction, a cover letter will be sent to the sponsor along with the final report requesting information regarding the disposition of the unexpended cash balance. If, after a reasonable period of time the sponsor does not reply, it will be assumed that the funds may be retained by the University. Research Services - Post Award will process a journal entry to dispose of the balance by transferring the

amount to a designated unrestricted ledger account. In the event that the sponsor subsequently requests repayment, the school is obligated to provide funding for the refunded amount.

Should the sponsor authorize the University to retain the residual of cash, a journal entry will be processed by Research Services - Post Award transferring the funds to a designated department ledger account. The general ledger account will not remain open until the residual funds have been exhausted.

Should the unexpended cash balance revert to the sponsor, Research Services - Post Award is responsible for initiating the repayment of the balance.

If the sponsor authorizes a carryover of the cash balance to the continuation of the program or other funded programs, the department will be notified of the carryover amount utilizing the Research Services - Post Award Department, Accounting for Unliquidated Obligations and Carry-over form. Research Services - Post Award will process the appropriate carry-over journal entry, decreasing PBIL and PBUD of the expired fund, increasing PBIL and PBUD of the new fund.

#### **OVERDRAFTS AND DISALLOWANCES**

Direct cost overdrafts and disallowances, as a result of an audit, must be resolved by the department's business office as quickly as possible.

Upon receipt of the audit report, cost disallowances which cannot be refuted must be expeditiously transferred to another ledger account other than a sponsored program. The direct cost portion of the total overdraft and/or disallowance will be funded by a charge to the applicable object code of the ledger account (funding source) with a corresponding credit to the applicable object code of the grant or contract fund.

The write-off can be made as a single line of entry utilizing a departmental funding source by way of credit to Object code 4820 or 4822. The latter will be used if the cost item(s) are deemed to be expense of the project but not recognized for reimbursement by the sponsor.

## **AUDIT GUIDELINES**

### **Audit Request**

Research Services - Post Award is the focal point for the coordination and conduct of financial audits of sponsored programs. A request to conduct an audit, either by a sponsoring agency or public accounting firm, must be approved by the Comptroller and in advance of the audit. Upon acceptance and approval of the request, Research Services - Post Award will notify Research Services - Pre Award, the department business administrator and the Assistant Comptroller for Disbursements of the anticipated audit.

The business administrator must be available or will arrange to have someone available who has knowledge of program expenditures for the purpose of answering questions that may arise during the audit. The business administrator must also notify and/or arrange for the principal investigator or other individuals at the department or school level to be available for an interview, if so requested by the auditors.

### **Conduct of Audit - Entrance Conference**

With notification to all parties complete and with the approval of the Comptroller, Research Services - Post Award will confirm the start date for the audit.

The in-charge auditor will be instructed to meet with the manager of Research Services - Post Award for an entrance conference.

The business administrator will be notified of the date, time and the place of the entrance conference and will be extended an invitation to attend.

During the entrance conference, the manager will provide information regarding the accounting system, accounting records and procedures and will provide a copy of the F & A Cost Rate Agreement, Accounting Manual, Financial Policy Manual and the Human Resource Policy Manual.

An individual from Research Services - Post Award will be assigned to act as the liaison between the auditors and all other University areas for the purpose of retrieving documentation and/or contact with field personnel. The liaison will be responsible for arranging contact with the principal investigator, business administrator or other university personnel. The auditor will be instructed to submit all information requests or other type of requests through the designated liaison person and is not permitted to schedule meetings or to meet with University personnel without first consulting with the liaison. During the review, the liaison will escort the auditor(s) to other administrative areas to be visited.

## Documentation Requests

The auditor must provide a list of required documentation identifying each transaction to be reviewed. During the audit, Research Services - Post Award will, to the best of its ability, and from the data available, provide explanation and documentation in support of claimed costs. If additional information or further explanation is necessary, the business administrator will be called upon to provide whatever information is required. Every effort must be made to provide sufficient documentation or adequate explanation to preclude adverse findings or cost disallowances.

## Exit Conference and Audit Reports

The business administrator will be notified of the date, time and the place of the exit conference and will be requested to be present. During the exit conference, the manager will review the findings and recommendations with the in-charge auditor and will seek a full identification description of the exceptions, disallowances or adverse findings. The manager will attempt to correct or eliminate misconceptions or misinterpretations.

Audit reports that contain findings are usually forwarded by the contracting officer to Research Services - Pre Award. A copy of the audit report should be made available to Research Services - Post Award and to the principal investigator for response.

When necessary, the principal investigator and business administrator will be called upon to address findings of the audit. Cost disallowances cited in the audit report and which cannot be refuted must be funded from a source other than a ledger account. The direct cost portion of the total disallowance will be funded by a charge to the applicable object code of the ledger account (funding source) with a corresponding credit to applicable object code in the general ledger fund account.

Challenge to a disallowance or finding must be addressed by the principal investigator within fifteen (15) days of receipt of the audit report with an appropriate response. Documentation and/or a certified explanation to discredit or mitigate the finding will be forwarded to the Research Services - Post Award department. Research Services - Post Award will ensure that all related information is transmitted in a timely manner to the appropriate agency or responsible person.

In the event that the department concedes the disallowances or the challenge is otherwise unsuccessful, Research Services - Post Award will arrange for a suitable method of reimbursement for disallowed costs.