Part II - Module 4.0
Research Administration
Start to Finish
(GC1000)
Complete Course
Accounting (Module 4.00)

In this Module

- Accounting and Documentation
- Understanding Financial Reports
- Review and Monitoring Expenditures
- Reporting
- To Continue or To Closeout
- Termination
- Record Keeping and Retention
- Disposal of Equipment
- Audit
Accounting and Documentation

Review and Monitoring

- It is imperative that the PI maintains oversight of the project in the financial system for each award.

Monthly Review

- Designated person(s) for each department or division will receive several monthly reports generated and distributed from the University’s financial system. OGC also has a web site with links to other reports (Data Gathering/Creating Reports, click here.)

Financial Status

- Projects are setup in the financial system in two ways:
  - With a budget
  - Without a budget

For example, a project awarded by a federal agency, such as NIH, will normally be set up with a budget. A clinical trial project funded by a private pharmaceutical company, normally will not be setup with a budget and must maintain a positive cash balance.

Determining how much is left to spend on a project will vary based on this setup in the financial system.
Understanding Financial Reports

Financial reports should be reviewed to verify that expenditures and encumbrances are correct and charged to the right project.

The reports provide budget information for most federal and some non-federal awards and can be used to do projections based on future planned spending.

- Read about who receives financial reports, how read the monthly financial statements, and the on-line information available. Budget Office Finance Page
Every month, be sure to reconcile every project for:
- Payroll expenses
- Vendor and/or Subrecipient payments
- Revenue received

Keep track of sponsor payment activity to ensure payments are received and recorded properly by OGC in the financial system (i.e., follow up on accounts receivable).
- It is often helpful to understand what expense items are encumbered to then know what planned expenditures will need to be projected to avoid cost overruns.
  
  (For example: Subrecipient agreement amounts may be encumbered, while other purchases such as the procurement card are not.)

With regular monitoring of the financial activities for an award, the PI will avoid problems or enable a more expeditious resolution should a problem arise.

(For example: If you know an expense looks odd be prepared to back it up with documentation.)
There are specific reports that are the most useful in managing a sponsored project. Each month after the official closing, four (4) reports are delivered to departments for each speed type/FOPP via intercampus mail. These reports are also available on-line.

- **Reports include:**
  - Summary of Financial Transactions (Summary of Budget, Revenues, Expenditures and Transfers)
  - Detail of Financial Transactions (Detail of Budget, Revenues, Expenditures and Transfers)
  - Balance Sheet Transactions
  - Outstanding Encumbrances
Review and Monitoring Expenditures

It is the responsibility of the PI to:

✓ Review statements and summaries on a **monthly basis**.

✓ Review the monthly accounting statements to **determine that all charges, credits, and encumbrances are appropriate**.

✓ Ensure **fiscal responsibility is performed**.

✓ **OGC monitors selected expenditures** in the financial system, within established parameters, as to **allowability, allocability, and appropriateness**.
Common Problems Found with Financial Management

- Incorrect reporting of time and effort (i.e. researcher paid from grant funds even though the researcher is not working on the project)

- Failure to report program income

- Use of sponsored funds for other non-sponsored activities

- Improper accounting of F&A

- Improper transfer of funding across projects

- Failure to report conflicts of interest or other research support
Reporting

Financial Reporting to Sponsors

- **OGC will prepare and submit financial reports and invoices** to many sponsoring agencies. **Many sponsoring agencies require that financial reports be submitted in a timely manner, normally defined as 60 to 90 days.**

- In order for OGC to complete most financial reports, it is essential that all final invoices (*i.e.* Subrecipient Invoices) are promptly paid so expenses are reflected correctly in each invoice.

Technical Reports

- **OGC assists with the completion of the following reports** often required for sponsored projects:
  - Preparation of **interim and final financial reports.**
  - Advising PIs and/or UCD State/Federal Reporting/Property Accounting as needed to **complete invention and/or property reports specifically requested** by sponsors.
  - Preparing **routine and ad-hoc reports.**
The PI is responsible for:

- Preparing and submitting all technical reports, project reports, and deliverables required by the sponsor.
- Working with OGC, UCD State/Federal Reporting/Property Accounting, UCD Technology Transfer Office and/or University Technology Corporation as necessary to complete financial, invention, and/or property reports when specifically requested by sponsors.
- Maintaining all technical documents and reports related to the project.

**Special Note:** For NIH, the PI’s final progress report and final invention statement are due within 90 days of the award end date.
To Continue or To Closeout

Continuation Proposals

• A similar process of preparation and routing may be necessary to obtain approval from OGC and the sponsor to continue work on an existing award. (Check with OGC if you are not sure.)

• OGC assists the PI and administrator(s) with extensions or continuation proposals by:
  – **Obtaining information** on some projects from sponsors regarding continuation proposal due dates
  – **Notifying PIs** of non-competing (non-competing continuation) and competing (competing continuation) grant applications
  – Providing some sponsor’s **application materials**
To Continue or To Closeout

Closeout of Awards

- Start thinking ahead of time *(1-2 months)* about projects scheduled to end.
  - **Consider:**
    - Report **deadlines**
    - **Final invoices** from subrecipients
    - **Termination of monthly** telephone toll **charges** *(regular phone charges should not be on most projects)*, computer support charges and so on. Charges for these types of expenditures should not hit a project for periods after the award end date.
    - **Encumbrances.** Any encumbrances need to be cleared by the department after everything spent during the award period for the project has been paid to allow the project to be closed.

Any and all financial issues must be worked out in order for the project to be closed.
UCD and the PI are expected to submit all final financial programmatic and other reports, (such as property and inventions) within 90 days after the end of the project period unless an extension has been granted according to sponsor policy.

The failure to submit timely and accurate final reports can affect future funding to the institution or awards with the same PI.

- **Subagreements** (federal flow-through from another organization) when the prime sponsor is federal, **often have a shorter reporting period** to allow our direct sponsor to incorporate information into the report to the federal government.
Termination

Termination is the cancellation of sponsorship, in whole or in part, under an award at any time prior to the stated date of completion.

Scheduled termination is the stated date of completion for a project under the award.

- In the event a sponsor terminates the award or the PI has reason to terminate the award before the scheduled termination date, the terms of the award should be reviewed. *(Contact OGC for assistance.)*

- In the event of a project’s termination, prior to the scheduled termination date, the PI should arrange to move personnel paid on the project to an alternate funding source or advise them of pending layoff well in advance of the date the terminating project ends. The PI may also need to terminate maintenance agreements, subrecipient agreements, remove telephones or change billing instructions, return leased equipment or take other action.

- Final reports are usually due on the project’s termination date or up to 90 days after.
During and after an award there are certain record keeping responsibilities that the PI must follow.

- The retention of accounting and financial records is needed to ensure the availability of information later for external and internal review.

  *Because requirements, rules, and regulations vary between the many sponsors that provide financial resources to UCD, fiscal policy tries to allow for many varying requirements in order to make certain that accounting and financial records are retained for archive and audit purposes.* Administrative Policy Statement, Clinical Trials.

- Departments are responsible for maintaining supporting documentation for accounting and financial records that are initiated by the department. Exhibit A of Fiscal Policy 5-4 identifies the following original documents as being the responsibility of the department to maintain:
  - Departmental Purchase Orders (POs < $3,000)
  - Receiving Documents
  - ACARD Statements of Account Certifications and Receipts
  - ACARD Certification of Lost/Unavailable Receipt
  - University Hospital Goods and Services Requisition (GSR)
A department may choose to keep copies of other documentation for its convenience.

- When a department must submit original documents for review and approval by other parties, the department should retain copies of those original documents for its files.

Departments shall maintain all original source documents (as identified in Fiscal Policy 5-4) for a minimum period of nine years from the date that an accounting or financial entry appears in the UCD’s accounting system; or for the longer of the periods specified as follows:

- for the life of the sponsored project plus four years; or
- in the case of competing award cycles such as NIH five-year project award periods, the period of the competing cycle plus four years; or
- the required retention or reporting period of the project.
Federal construction sponsored projects may have a 25-year reporting retention period.

- Although the award terms may not require every financial document to be kept for 25 years, it may require Facilities to keep building plans and other documents for 25 years.
- Departments would then be expected to report for 25 years against original usage estimates and to retain copies of those reports for the entire period.

Clinical trials occasionally require a longer records retention period on technical data than the requirements for financial records.
The only exceptions to the given retention periods are:

- If any litigation, claim, or audit is started before the expiration of the required retention period, the records shall be retained until all litigation, claims, or audit findings involving the records have been resolved and final action is taken.

- Records for real property must be maintained permanently and equipment acquired with Federal funds shall be retained for three years after final disposition of the equipment.

When records are transferred to or maintained by a Federal awarding agency, the retention requirement is not applicable to the University.
OGC Responsibilities

The Office of Grants and Contracts will retain original copies of sponsored program files for the award period plus six years after it ends.

Construction project records will be kept for 25 years.
A Federal agency may request transfer of certain records to its custody from the University when it determines that the records possess long-term retention value.

However, in order to avoid duplicate record keeping, the Federal agency may make arrangements for the UCD to retain any records that are continuously needed for joint use.

To the extent possible, the UCD will retain original documentation and provide the Federal agency with a copy.
To help ensure that archived records are not lost, forgotten, or inadvertently destroyed, records must be archived at the UCD or in storage space under the control and supervision of UCD Materials Management.

- Under no circumstances should archived records be stored in a commercial storage facility. The Finance Office will absorb the cost associated with storing archived financial records, which are stored in keeping with Fiscal Policy.

- UCD Materials Management in conjunction with the Finance Office coordinate an annual departmental financial records archive. The archiving process takes place in January of each year and is overseen by Finance Office staff. A separate communication detailing the archiving process will be sent to departments before the archive process occurs each year.
Disposal of Records

Materials Management will dispose of records that are no longer required for retention or access as soon as possible after the expiration of the retention period.

For additional information on records retention, see Administrative Policy Statement, Clinical Trials.
Disposal of Equipment

Be sure to review award terms and conditions before the purchase, use, and disposal of equipment.

According to the Federal government, equipment is tangible nonexpendable property, (including exempt property) charged directly to the award, having a useful life of more than one year, and an acquisition cost of $5,000 or more per unit.

Public Institutions of higher education follow the provisions of OMB Circular A-110 when purchasing equipment under federally funded grants.

OMB Circular A-110 (Administrative Requirements), requires that equipment be used in the original project that acquired it (as long as needed, whether or not the project continues to be supported by federal funds) or, when appropriate, other federally funded projects.

When equipment purchased with federal grant funding is no longer needed for the original project, the recipient is to use the equipment in connection with its other federally-sponsored activities, in the following order of priority:

– Activities sponsored by the Federal awarding agency which funded the original project
– Activities sponsored by other Federal awarding agencies
Some federal awards (*grants* or *contracts*) may have special conditions related to the purchase, use, and disposal of equipment.

*For example, federal contracts have different, though usually more stringent terms on the use and disposal of equipment.*

- If the department has no need for the equipment, the department is to request disposition instructions from the Federal awarding agency.
- The department is responsible for contacting Space and Asset Management to request that the equipment be disposed.

See [Equipment policy](#) for more information.
During an audit, the auditee is to have an examination of records or financial accounts in order to examine, check and verify the accuracy of such records and accounts.

- The results of an audit **may include correcting any errors** that are found.
- The **University is routinely subjected to audits** performed by Internal Audit and by a variety of external auditors.

Because audits differ greatly, it is important to understand:

- The **auditor's process**
- The **scope and objectives** of the particular audit project
- The **possible impact** of the audit results.
Audit Objectives

Audits are performed for different purposes. Understanding the purpose helps facilitate the process.

Common audit objectives are:

- To ensure compliance with (Federal, State, sponsor, financial accounting) laws, standards, rules and regulations.
- To evaluate efficiency and effectiveness.
- To attest to the validity of financial information.
- To ensure appropriate management control systems are in place.
Audit Process

Audits normally consist of the following six elements.

1. **Audit Assignment/Engagement** - The point at which it has been determined that an audit will be undertaken and a University representative is first contacted.

2. **Entrance/Opening Conference** - A meeting where the auditors introduce themselves and discuss the audit process, the audit scope, and the audit objectives.

3. **Field Work** - The auditors' procedures for obtaining audit evidence and developing findings and recommendations. The type and extent of field work will vary according to the scope and objectives of the audit. For example, field work may entail a detailed transaction-by-transaction review or may only consist of a review of processes and procedures.

4. **Exit/Closing Conference** - A meeting where the auditors formally present the results of their work.

5. **Response** - The opportunity for the units affected by the audit to respond to the auditors' findings and recommendations. The opportunity to respond to audit work varies in terms of timing and format. It is important to understand the particular audit process so that responses are prepared in the best interests of the University.

6. **Follow-up** - The auditors' and/or the University's procedures to follow the progress toward resolution of audit issues.
Audit Scope

The scope of an audit defines the focus of the audit activity.

For example, the State Auditor, by law, performs an annual audit of the University's financial statements.

- The scope is the fiscal-year financial transactions.
- The objective is to attest to the validity of the financial information as presented in the financial statements.
External Audits

Audits are performed by auditors external to the University, usually with an obligation to report their audit results to an external constituency. Examples: State auditors, Federal auditors, DHHS, IRS, and Independent CPA firms.

- To ensure that external audit activity is appropriately coordinated, **Internal Audit serves as the point of initial contact and coordination** for any audit activity of the University.
- Whenever an external audit agency contacts a University employee or unit to perform an audit, **Internal Audit must be notified**.
- Internal Audit will, in turn, **notify any affected departments** of any impending audit.

**If the external audit involves a sponsored project**
- Contact either the Director of OGC or the Assistant Director of PostAward and Accounting in OGC. **OGC will notify the Controller and Internal Audit about the audit.**
Internal Audits

Internal Audit reports to the Board of Regents and is chartered to perform audits throughout the University.

- Responsible for establishing a process for the conduct of routine internal audits that provides the opportunity for the auditee to respond to specific audit findings and recommendations.
- Granted full and complete access to any of the University’s and University corporate affiliates’ manual or electronic records, physical properties, and personnel relevant to an audit or review.

To ensure the independence and objectivity of the internal audit function, Internal Audit has no direct responsibility or authority for activities or operations that may be audited or reviewed. (Internal Audit will not develop and install procedures, prepare records, or engage in activities that may be audited or reviewed by the internal auditors.)

**Special Note:** There may also be other audit reviews within the University not under the authority of Internal Audit.
Audit Responsibilities

PI Responsibilities
Advising OGC of any proposed sponsor audits, financial reviews, or any other financial or administrative inquiry from sponsors.

OGC Responsibilities
Coordinate all financial audit matters relative to sponsored projects.
A real case at another University.

As a result of a closeout audit, a PI and his assistant were found to have diverted registration fees from conferences paid for by a federally funded project for personal gain.

The PI and his assistant were both convicted in Federal court and did time in prison.

The University also had to pay the funding agency.