OP 65.13: Financial Reporting and Award Closeout for Sponsored Projects

DATE: August 8, 2014

PURPOSE: The purpose of this Operating Policy/Procedure (OP) is to set forth the institutional policy for financial reporting and award closeout for sponsored projects.

REVIEW: This OP will be reviewed in August of even-numbered years by the managing director of the Office of Research Accounting (ORA) with substantive revisions forwarded to the senior associate vice president for research, the vice president for research, and the vice president for administration & finance and chief financial officer.

POLICY/PROCEDURE

1. Policy Statement

   It is the policy of Texas Tech University to submit financial reports that accurately reflect the use of the sponsored funds as recorded in the institution’s accounting records and in compliance with federal regulations and sponsor terms and conditions. Specifically, federal awards must be completed in accordance with Office of Management and Budget (OMB) uniform administrative requirements.

   It is the responsibility of ORA to prepare and submit all financial reports to the sponsor on behalf of the institution. However, financial closeout is a shared responsibility involving the principal investigator (PI), departmental support staff, and ORA. Failure to file timely and accurate reports and to close out awards effectively can result in delayed payments and possible loss of current or future funding.

2. Definitions

   (a) Sponsored Project–A project funded by a grant, contract, or cooperative agreement under which the university agrees to perform a certain scope of work, according to specified terms and conditions, and for specific budgeted monetary compensation. Sponsored projects include funds from federal, state, and private sources.

   (b) Financial Report–A financial report is an accounting of expenditures and obligations incurred during the period of performance and/or at the conclusion of the sponsored project. A financial report may be referred to as a financial status report (FSR), invoice, statement of expenditures, or similar terms; all are covered within this policy. Financial reports may be required during the award life cycle (interim financial report) and/or upon completion or termination of the project (final financial report).
(c) Financial Closeout–The process at the end of a sponsored project by which the university closes existing accounts to further expenditures and prepares required accounting for submission to the sponsor.

(d) Project End Date–The end date of the sponsored project as stated in the sponsored agreement, including extensions and modifications. For expenditures to be allowable and allocable to the sponsored project, they must be incurred prior to the project end date.

(e) No-Cost Extension–The extension of the project timeline that usually requires advance notification to or approval from the sponsor.

(f) Expenditure End Date–The expenditure end date is the last day on which expenditures can be posted to the account.

(g) Closeout Period–The closeout period is the timeframe between the project end date and the expenditure end date; this period of time is usually specified by the sponsor. The closeout period allows time for the final review and adjustment of project expenditures (both by the PI and by ORA) prior to submission of final reports.

3. Managing Project Expenditures

While ORA is responsible for invoicing and reporting to the sponsor, the PI has primary responsibility for managing the project expenditures within the fiscal regulations and amounts specified by the sponsor. Because invoices and reports submitted to the sponsor reflect expenditures recorded in the accounting system, it is imperative that the PI routinely monitor project expenditures. Regular review of accounts will ensure that any necessary adjustments are processed in a timely manner. (Institutional requirements for transfer of charges to, from, and among sponsored projects are set forth in OP 65.04.)

4. Pre-Closing Procedures

Beginning 90 days prior to the project end date, ORA will provide the PI the following information and documents in preparation for the closeout period:

(a) Project Termination Notice

ORA will remind the PI of the final financial reporting requirements, institutional due dates, and sponsor deadlines. At this time, the PI should notify ORA and the Office of Research Services (ORS) of any intent to request a no-cost extension. ORS coordinates with the PI and the agency to request an extension. All requests for extensions must be based on technical progress of the project as defined in the proposal or statement of work.
(b) Closeout Checklist

The Closeout Checklist outlines items that should be completed by the PI or department according the timeline in 5.a. below. A completed checklist will assist in a more expedited closeout process by ensuring:

- Project expenditures have been reviewed for allowability, reasonableness, completeness, accuracy, and allowability;
- Sub-recipient work and payments are complete;
- Any necessary cost transfers (unallowable charges, overspent projects, etc.) have been completed;
- Remaining encumbrances have been cleared; and
- Cost share commitments have been met.

(c) Report of Personnel Appointments

At 90, 60, and 30 days prior to the project end date, the PI is provided a report listing personnel appointments beyond the project’s end date (Cognos Report HR115). The report is also available to departmental support staff at any time (Cognos Report HR115O). It is the responsibility of the PI and departmental support staff to complete the requisite Personnel Action Forms (PAFs), either terminating appointments or appointing personnel to other FOPs, in order to avoid salary charges after the performance period.

5. Closeout Period Procedures

a. Closeout Timeline

(1) Federal–OMB Circular A-110 Section 71(a) requires all performance, financial, and other required reports to be submitted within 90 calendar days after completion of the award. Federal projects are those in Banner beginning with 21[letter] and 212.

(2) Federal Pass-Through–Non-federal agencies that pass through federal funds to Texas Tech University are responsible for reporting to the federal agency within the federal timeline. Therefore, Texas Tech is contractually obligated to complete closeout and final reporting to the non-federal agency in a shorter timeframe. The deadlines vary from agreement to agreement, but the standard is typically 60 days. Federal pass-through projects are those in Banner beginning with 210 or 211.

(3) State–State of Texas agencies typically allow 90 days for award closeout. However, some agencies, specific awards, and awards from other states may require a shorter timeline. State-funded sponsored projects are those in Banner beginning with 22.

(4) Private and Local Government–The closeout period for agreements issued by private sector and local government entities varies from agreement to agreement. Private and local government projects are those in Banner beginning with 23.

To allow ORA sufficient time to complete the closeout process with the sponsor, the following internal deadlines have been established for the most frequent closeout periods.
<table>
<thead>
<tr>
<th>Closeout Period of Sponsor</th>
<th>PI Checklist Due to ORA</th>
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<tbody>
<tr>
<td>90 days from project end date</td>
<td>45 days after project end date</td>
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<tr>
<td>60 days from project end date</td>
<td>30 days after project end date</td>
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<td>30 days from project end date</td>
<td>15 days after project end date</td>
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b. Closeout Reports

Reports required at the close of a sponsored project vary by the type of sponsored project and by the sponsor. Most federal sponsors will require technical, financial, and invention reports. Most federal *contracts* also require a property report, contractor’s release form, and a contractor’s assignment of refunds, rebates, and credits form.

1. Final Technical or Performance Reports–The PI is responsible for submitting the final technical or performance report to the sponsor by the date specified in the agreement.

2. Final Financial Reports–ORA is responsible for preparing and submitting the final financial report to the sponsor by the date specified in the agreement. Financial reports are compiled consistent with the major budget categories in Banner. In the event the sponsor requires more detailed reporting, ORA will coordinate with the PI to obtain the information necessary to file the report.

3. Final Invention and Patent Reports–ORA is responsible for preparing and submitting the final invention reports to the sponsor by the date specified in the agreement.

4. Final Property Reports–Financial Services and Tax (FST) is responsible for maintaining inventory records to accurately account for capital equipment purchased with federal funds. FST will prepare and certify the final property reports. ORA will then submit the reports to the sponsor by the date specified in the agreement.

5. Other Reports–Most federal *contracts* also require a contractor’s release and a contractor’s assignment of refunds, rebates, and credits form. ORA is responsible for completing and submitting these forms.

6. Final Award Close Out

In conjunction with the preparation of the final financial report, ORA will perform a final high-level review of project and cost share expenditures, prepare final Financial and Administrative (F&A) adjustments, and any other necessary adjustments. In the event deficit balances were not cleared during the closeout period, ORA will work with the department to remove charges.

Upon final submission of all required reports, ORA will inactivate the project in Banner. Once final payment has been received from the sponsor and the award is formally closed out, ORA will terminate the funds in Banner and coordinate with FST to terminate associated cost share funds.

7. Record Retention

ORA is the office of record for all financial documents pertaining to sponsored projects, which includes financial reports, property reports, patent reports, contractor’s release, and the contractor’s assignments of refunds, rebates and credits. ORA will implement procedures to
ensure records are retained in accordance with federal regulations, state law, and institutional policy.

Each PI is responsible for maintaining technical or performance reports in accordance with the sponsoring agency guidelines. For federal projects, reports must be maintained for a period of at least three years following final closeout and payment of the award. Retention periods for other sources of funds will vary by sponsor and by project.

8. **Revised Financial Reports**

Under certain and rare circumstances, a revised financial report may be necessary. It should be noted that the submission of a revised report may call into question the veracity of the original report, the university’s certification of that report, internal controls, and financial management practices.

If a downward adjustment to expenditures is necessary, ORA will work with the agency to refund the funds and submit a revised report if required.

9. **Roles and Responsibilities**

a. **Principal Investigators**

- Coordinate the review of project expenditures with departmental support staff on a routine basis (preferably monthly) to ensure charges are reasonable, allocable, allowable, accurate, consistent, and benefit the project;
- Communicate errors to departmental support staff and to ORA on a timely basis to ensure adjustments and corrections are processed in accordance with federal regulations and institutional cost transfer policy;
- Submit project deliverables, including technical and performance reports, to sponsoring agencies in accordance with the terms and conditions of the award;
- Work with ORS to secure no-cost extensions in accordance with the terms and conditions of the award;
- Complete closeout procedures as outlined in the attached checklist and submit to ORA within the required timeframe;
- Ensure project expenditures are complete (including service center charges and sub-recipient work) and deficit balances are cleared within the required timeframe; and
- Ensure personnel appointments are ended on projects by the project end date

b. **Office of Research Accounting**

- Remind PIs and departments of due dates and procedures 90 days prior to the project end date;
- Provide guidance to departments on the interpretation of federal regulations, sponsor terms and conditions, and institutional policy;
- Submit final fiscal reports to sponsoring agencies in accordance with the terms and conditions of the award;
- Prepare final invention reports in accordance with the terms and conditions of the award and provide copies to ORA for final project closeout; and
- Follow up on notifications from sponsors concerning overdue technical reports
• Officially terminate projects and inactivate funds in Banner upon final award closeout and notify departments; and
• Maintain fiscal reports in accordance with federal, state, and institutional requirements

c. Office of Research Services

• Assist the PI with securing no-cost extensions in accordance with the terms and conditions of the award;
• Provide guidance to PIs and departments on the interpretation of federal regulations, sponsor terms and conditions, and institutional policy;