OP 65.13: Financial Reporting and Award Closeout for Sponsored Projects

DATE: March 8, 2017

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 Accounting Services (AS) with substantive revisions forwarded to the Managing Director of the Office of Research Services (ORS), the Assistant Vice President and Controller 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 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 managed in accordance with 2 CFR 200.

It is the responsibility of AS 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 AS. 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), Federal Financial Report (FFR), 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 funds 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 fund.

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 AS) prior to submission of final reports.

3. Managing Project Expenditures

While AS 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 monitors project expenditures. Regular review of charges 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

At 90, 60, and 30 days prior to the project end date, the PI receives the following automated notifications initiated from AS in preparation for the closeout period:

a. Project Termination Notice

Project termination notices remind the PI that the project is coming to an end and provides a link to the Closeout Checklist. At this time, the PI should notify AS and the 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.

The Closeout Checklist outlines items to be completed by the PI or department according to 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, allocability, reasonableness, completeness, and accuracy;
- Sub-recipient work and payments are complete;
- Necessary cost transfers (unallowable charges, overspent projects, etc.) have been completed;
- Remaining encumbrances have been cleared; and
Cost share commitments have been met.

b. Report of Personnel Appointments

In addition, the PI receives a report listing personnel appointments beyond the project’s end date. This report is also available to departmental support staff at any time (Cognos Report HR1150). 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 – Federal regulations require all performance, financial, and other required reports to be submitted within 90 calendar days after completion of the award unless a sponsoring agency approves a longer period. 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 AS sufficient time to complete the closeout process with the sponsor, the following internal deadlines are suggested for the most frequent closeout periods.

<table>
<thead>
<tr>
<th>Closeout Period of Sponsor</th>
<th>PI Checklist Due to AS</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 – AS is responsible for preparing and submitting the final financial report to the sponsor by the date specified in the agreement. Financial reports are compiled utilizing the major budget categories in Banner. In the event the sponsor requires more detailed reporting, AS will coordinate with the PI to obtain the information necessary to file the report.

(3) Final Invention and Patent Reports – AS is responsible for preparing and submitting the final invention reports to the sponsor by the date specified in the agreement. AS staff will verify any inventions or patents with the PI prior to completing and submitting these reports.

(4) Final Property Reports – AS is responsible for maintaining inventory records to accurately account for capital equipment purchased with federal funds. AS will prepare, certify, and submit final property 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. AS is responsible for completing and submitting these forms.

6. Final Award Close Out

In conjunction with the preparation of the final financial report, AS will prepare final Financial and Administrative (F&A) charges and any other necessary adjustments. In the event deficit balances were not cleared during the closeout period, AS will work with the department to remove charges.

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

7. Record Retention

AS is the office of record for all non-technical 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. AS ensures 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, AS will work with the agency to refund the funds and submit a revised report if required. The retention period starts over as of the date of the revised report submission.