

**University of Pittsburgh
Research Accounting
Project Close Out Processes and Procedures**

Introduction – Closing Process

All grants and contracts have end dates that require a variety of closeout procedures. The most common closeout is a final financial report. Other requirements may include a final invoice, inventions and patent results, equipment purchases and equipment ownership information, **cost sharing** reporting subcontractor assignment of refunds, rebates and credits as well as subcontract release forms. These requirements are generally fulfilled by Research Accounting. The Principal Investigator frequently is required to complete a technical progress report providing the agency with the results of the research. Timeliness of reporting and closing is crucial to sound grants/contracts management to assure full compliance with agency regulations and to assure collection of all monetary reimbursement for costs incurred. It is the responsibility of the Research/Cost Accounting Office to prepare and submit financial reports to the sponsor. The determination of final financial information to be reported is handled in conjunction with the university department.

External Regulations Governing Closing Procedures Circular A-110

“Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations” sets forth standards for obtaining consistency and uniformity among Federal agencies in the administration of grants to and agreements with institutions of higher education. **Subpart D- After-the-Award Requirements Section .70 - .73** list the requirements a federal agency can require. (Copy of regulation follows.)

Requirements specify that in 90 calendar days (not business days) after the completion of an award, all financial, performance and other reports required must be completed unless an extension is allowed. Furthermore, recipient must liquidate all obligations incurred under the award in the same time period.

Also stated, the federal agency has the right to disallow costs and recover funds on the basis of a later audit or other review.

Section .27 Allowable costs. This section specifically binds higher education institutions to **A-21 regulations – Cost Principles for Higher Educational Institutions.** (Copy of regulation follows.) Careful review of direct and indirect costs needs to be performed when closing grants/contracts to assure that costs are in compliance with this regulation and that all charges are allowable within the account period. A-21 regulations are on-line with www.whitehouse.gov/ .

Internal Document Used for Closing Process

Research Accounting has standardized closing procedures for all grants and contracts. (Copy of closing memo follows.) The intent of the standardized procedure is to assure that costs related to the grant/contract closing are legitimate for the grant/contract within the accounting period. The closing memo is an agreement between the university department and RA to document the only costs to be allowed as trailing costs. It is recommended that departments begin a detailed review 90 days prior to the end date of an account in preparation for closing.

**University of Pittsburgh
Research Accounting
Office of Financial Reporting**

CERTIFICATION OF AWARD CLOSING MEMO

ORACLE PROJECT NUMBER: _____

CURRENT DATE: _____

GRANT TERMINATION DATE: _____

- | | |
|--|-------------|
| 1. Balance available shown on RPAR001 as of the termination of award minus enc | \$ _____(a) |
| 2. Adjustments to balance available | \$ _____(b) |
| 3. Total trailing transaction from Part A of worksheet | \$ _____(c) |
| 4. Unliquidated obligations from part B of the worksheet for training awards | \$ _____(d) |
| 5. Unobligated balance to be reported (1+or-2-3-4) | \$ _____(e) |
| 6. Adjustments to rates per University policy | |
| Indirect cost adjustments \$ _____ | \$ _____(f) |
| Fringe benefit adjustments \$ _____ | |
| 7. Adjusted unobligated balance to be reported (5-6) | \$ _____(g) |

- (a) Enter balance available from RPAR001 level for the month award ends.
- (b) Enter outstanding budget adjustments not reflected on the RPAR001 level as of the termination date. Provide a copy of information supporting this adjustment.
- (c) Enter total of outstanding transactions direct and indirect that are applicable to this award as listed in part A of the certification worksheet.
- (d) Enter training grants total unliquidated obligations to be moved to the following year award as listed in part B of the certification worksheet.
- (e) Enter total of balance remaining to be reported to the agency.
- (f) RA will make any adjustments to the remaining balance for recovery of indirect cost or fringe benefits applicable to the award.
- (g) Adjusted balance remaining to be reported to the agency.

- All cost transfers to process charges and credits to this account must accompany this document.
- If charges and credits are already being processed through the financial system, copies of those transactions must accompany this document.
- RA will review all transactions to determine the appropriateness within agency guidelines. Should questions or changes arise, RA will contact the department.
- This document will be used to close and finalize the report to the agency for this award. No further opportunity will be given for the department to make adjustments or changes to the reporting of this award.
- Failure to submit this report will cause RA to close the account on information available and no future adjustments will be permitted.

I certify to the best of my knowledge that all charges and credits included in this report are appropriate to this award.

PI or Account Administrator designated by PI

Preparer's Name and Phone Number

Date Signed

New Account Number

WORKSHEET/CERTIFICATION CLOSING MEMO

All trailing charge and credit transactions should be itemized on this worksheet and should be returned with the certification closing memo for closing this award. Additional pages may be added if needed.

A. Trailing Charge and Credit Transactions

Subcode Charge/(credit)	Description of Transaction	A M O U N T		
		IDC Item	Non IDC Item	
_____	_____	_____	_____	
_____	_____	_____	_____	
_____	_____	_____	_____	
_____	_____	_____	_____	
_____	_____	_____	_____	
	Subtotal	_____	_____	
	IDC	(a)	nonapplicable	
	Total	(b)	+	= _____

B. Unliquidated Obligations for Training Awards

Subcode Charge/(credit)	Description of Transaction	A M O U N T		
		IDC Item	Non IDC Item	
_____	_____	_____	_____	
_____	_____	_____	_____	
_____	_____	_____	_____	
_____	_____	_____	_____	
_____	_____	_____	_____	
	Subtotal	_____	_____	
	IDC	(a)	nonapplicable	
	Total	(b)	+	= _____

- (a) Multiply the base item subtotal by the appropriate indirect cost rate.
- (b) Record the total of IDC items and non IDC items columns on line 3 of the Certification of Closing Memo.
- (c) Record the total of IDC items and non IDC items columns on line 4 of the Certification of Award Closing Memo.

NOTE:

- Attach supporting documents for each trailing transaction. In order to initiate the accounting entries, the original of appropriate financial accounting forms must accompany this worksheet (e.g., requisitions, transfers, interdepartmental cost forms). If transactions are already being processed but have not appeared on the levels, copies of those transactions must accompany this worksheet.
- Research Accounting will contact the department if there are questions or adjustments to be made to the information provided to close this grant.
- Once closing figures are submitted and any adjustments are made, Research Accounting will forward a corrected copy of the Certification of Closing Memo to the department.
- It is essential that once this award is reported to the agency, the department monitor the Oracle account until the account is zero. For assistance contact the Post Award Administrator in Research Accounting assigned to your department.

Closing Sponsored Projects – Procedures Internal to the University of Pittsburgh

Department Notification of Closing

One month prior to grant/contract end date, a Sponsored Project Termination letter (RPAR 450) is automatically distributed with the RPAR001 financial summary report for the project. The notice states the Certification of Award Closing Memo (C of ACM) needs to be to Research Accounting within 45 days after closing. The notice further states that any progress or technical reports need to be forwarded to the Office of Research and invention reports need to be sent to Research Accounting in the same time period.

Research Accounting Notification

Post Award Administrators receive a RPAR320 Approaching Due Dates report . This report lists the financial reports due for a three month period and is used to determine accounts needing immediate attention.

NOTE: Deadlines

Most agencies have a 90-day deadline from the grant or contract end date at which time a financial report is required. Exceptions would be subcontracts from other universities, Commonwealth of Pennsylvania and Allegheny County, which only provide 30 to 45 days for reporting or other agencies, which allow only 45 to 60 days.

Closing Responsibilities

Department Responsibilities:

Departments must submit a closing report to Research Accounting within 45 days from the end date for an account, which has a 90-day deadline for final reports. This will allow Research Accounting the time to complete financial reports in a timely manner. For accounts that have less than 90-day deadlines, departments will be provided half the allotted time to submit a report, i.e. 30 days for a 60-day deadline, 23 days for a 45-day deadline.

If a closing report is not submitted, Research Accounting will close the account at levels. Any trailing charges will not be included in the financial report and may cause the account to go into overdraft or show underexpenditures. If a closing report is not submitted, report revision will not be allowed.

It is essential that once the award closing figures are reported to the agency, the department must monitor the account until the account is zero.

Research Accounting Responsibilities:

After receiving a closing report from the responsible department, the PAA must prepare and submit the required financial report within the deadline. **Late reports may result in a delay or refusal of payment from the agency.** If the PAA does not receive a closing report from the department within a specified time, the account will be closed using the level reports for the month the account has ended. Any trailing charges will not be included in the financial report and may cause the account to go into overdraft or reflect underexpenditures.

Trailing Charges

Charges and credits that are applicable to the account that have not appeared on the levels prior to the the end date of the award.

Department Responsibility:

Departments must list any and all trailing charges on page two of the closing report to be submitted to Research Accounting. Supporting documents for each trailing transaction must be attached. Supporting documents include requisitions; copies of SPARS, transfers, interdepartmental cost forms, etc. If transactions are already being processed but have not appeared on the levels, copies of those transactions must accompany the worksheet.

Encumbrances need to be taken into consideration when considering trailing costs. Encumbrances need to be monitored to assure that all are relieved correctly.

Training Grants Specific Closing Process

Trainees are appointed for a 12 month training period at various times during an academic year. Training grants have specific begin and end dates.

A trainee with an appointment for a year beginning the first month of a training grant period will be charged for 12 months to that training grant.

- I.e., grant period 7/1/01 – 6/30/02
- John Doe appointment 7/1/01 – John Doe charged to grant 12 months

A trainee that joins the program after the training grant period begins, is charged for the months remaining in the grant period. At the end of the grant period, the remaining months of the trainee's award not paid in the current year needs to be moved to the next training grant continuing period by means of a budget modification to complete the 1 year cycle.

- I.e., grant period 7/1/01 – 6/30/02
- Jane Doe appointed 10/1/01 – Jane is charged 9 months to the current grant and 3 months costs are moved by budget modification to the 2nd year to pay the last 3 months of the grantee's award period – this is listed on the certification worksheet on line B and total is transferred to line 4 on the closing memo certification sheet.

Research Accounting Responsibilities:

Once closing figures are submitted, PAAs must review trailing charges and supporting documents for validity and include these charges on financial reports. Contact with the department might be necessary if there are any questions or adjustments to be made to the information provided.

Procedure followed by Research Accounting to Process Closing Memo

- Upon receipt of the closing memo, a copy of the RPAR001 report is pulled for the month the project ended and the balance available is checked against line 1 of the C of ACM. The balance available reflected must be minus any encumbrances that are outstanding. All closing transactions are reviewed for cost allowability during the closing period. Original forms for transactions are approved and processed. Copies of transactions in "the works" are reviewed and noted. Any costs that are

unallowable are voided and eliminated from the closing transactions listed on the C of ACM.

- Agency specific regulations regarding spending against budgets must be reviewed to assure that any percentage of budget variance requirements are not exceeded. Examples of agencies requiring specific costs to budget are Commonwealth of Pennsylvania and Robert Wood Johnson.
- Indirect costs and fringe benefits are proved and any adjustments are noted and journal entries processed.
- Cost categories are reviewed for allowability. Costs that are charged directly must be in allowable cost categories; i.e., telephone charges must be proven to only be long distance charges, as full phone charges are not allowable on grants unless specifically stated in the grant or contract. Any changes to the original closing memo are noted on the C of ACM and the account administrator for the grant/contract is notified of the changes by phone or e-mail. The PAA faxes or mails a copy of the adjusted closing memo to the account administrator so that the department will have a record of the new numbers.
- Once allowable trailing costs/credits are determined, the PAA records closing costs adjustments on the copy of the RPAR001 report. The bottom line for the financial report is determined and recorded for the record. The financial report or final invoice is then prepared and forwarded to the agency.

Procedure followed by Research Accounting to Close Out Grant/Contract Completely

- **No Closing Memo Received from Department** - Federal regulations require a financial report within 90 days after a grant/contract closes (see discussion of A-110 above). The University follows this requirement for all close outs to be consistent in business practices. If the closing C of ACM does not reach the PAA within the necessary 45 days, the PAA contacts the department to negotiate a new date for receiving the necessary information. If the C of ACM still does not come in a reasonable amount of time, the PAA is to close the grant/contract to meet the reporting date using the RPAR001 financial report for the month the grant/contract ended. Departments will not be allowed to revise the close out. As per A-110, agency permission is needed to allow costs beyond the 90 days.
- **Adjusting Budgets** – Once final closing figures have been determined, the budget is adjusted down to the amount being reported to the agency. Processing the budget modification immediately assures that the financial system matches the agency report.
- **Small Balances Available** - Grants/contracts that have balances less than \$50 are reported as fully spent as this amount is unreasonable to return to the agency. (The exception to this point is any account on letter of credit as the automated program recognizes actual expenses for draw and there is no possibility of over payment.) To clear the minor balance, the grant/contract is charged in subcode 8005. In this situation, there would be no budget adjustment as the grant/contract will be reported fully spent.
- **Monitoring for Bringing Projects to Zero Balance** – PAAs are to use the unbilled expenses report (RPAR 315) and out-of-balance report (RPAR 390) to monitor

accounts that have not zeroed out within at least 120 days after a grant/contract has closed.

- If closing costs have not registered in the financial system, the department needs to be contacted to determine why there is a problem.
 - If there remains an outstanding receivable, the agency must be contacted within accordance with accounts receivable follow up procedures.
 - Overdrafts are to be written off to the department hard money account 90 days after the end date of the project if this is the only problem preventing closure of the grant. Once the write-off of the overdraft occurs, the project should be inactivated.
- **Carry Over of Unexpended Funds** - Grants covering more than a one year period can have residual funds at the end of a project/budget year. Agency specific regulations need to be followed carefully.
 - Agencies, i.e. NIH, allow automatic carry over from year to year. Carry overs over a certain percentage may have to be documented by the PI to the agency. PAAs should inform departmental account administrators when there is a carry over of 25% or greater. Most NIH grants keep the same account number for a project period so there is no need for a budget modification.
 - For grants changing account numbers; i.e. training grants, a budget decrease needs to be done to the project closing and the budget needs to be increased by the carry over amount in the next year's project budget. For grants not part of the expanded authorities, the budget must be reduced to the expenditures reported to the agency.
 - Foundations and companies may require a written request for funds carry over at the end of a project year. This written request needs to go to the agency from the department. PAA will remind the department of this requirement. If the request is not made in a timely manner, the agency may require the University to return the unspent balance.
 - **Returning Unspent Funds to an Agency** - Periodically, a PI will not utilize the full amount of funds awarded for a project. Unless the agency stipulates in the agreement that residual funds can be kept by the University, funds must be returned to the agency at the time of closing. Once the final expense figure has been determined, and the budget has been reduced (see **Adjusting Budgets** above) a University disbursement request form must be filled out. A copy of the RPA 05 GL summary screen must be attached showing the budget reduced to actual expenses. The summary report must also show a credit amount in subcode 3010 equal to the amount of cash being returned. This request is reviewed by a second party in Research Accounting for internal control purposes and the request is forwarded to accounts payable for payment.

NOTE: remaining funds on drug studies can periodically be transferred to an entity 04 account. This transfer is done on a case by case basis after careful review.

Agency Specific Requirements for Contract Close Out - Completed by Research Accounting In Conjunction with the appropriate departments

Contractors, specifically Navy, Army, Air Force and NASA have requirements for contract close out. This requirement would have been noted on the "Contract Briefing" form. When close out is being performed for the final financial statement, the following

forms may need to be filled out. Forms will be agency specific and should be part of the contract package. If forms are not available, the agency will be contacted.

Specific contract close out forms:

- Final report of patent rights – report lists all inventions or a statement revealing there were none.
- Execution of Disposition of Government Property (reporting any equipment purchased on grant) and Classified Material (not always requested)
- Subcontractor's Assignment of Refunds, Rebates and Credits – Statement that institution will return any overpayments.
- Subcontractor's Release of Claims
- Final Invoice – Invoice claiming final payment due to meet expenditures. Must be marked "final invoice." This can be a form 1034 or form 270.