Show Me the Money!

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Track: Post Award
Audience: All
Objectives

• Expenses are charged to a project....how does Duke get the money?
• How is the financial report/invoice prepared and what role does the department have in this process?
• Where is the money? How do I track revenue?

(This session applies to 203, 30x-38x WBSE’s)
Allowability Determined by.....

- The SPONSOR
  - Federal
  - State
  - Private
  - Non-Profit
  - For-Profit
• Sponsor
  – Federal Agency
    • National Science Foundation (Grant Policy Manual)
    • National Institutes of Health (NIH Grants Policy Statement)
  – State Agency
  – Private Entity
    • Non-Profit
    • For-Profit
• Sponsor – Federal Government

http://www.whitehouse.gov/omb/circulars/

• OMB Circular A-21 (2 CFR Part 220)
  Cost Principles for Educational Institutions

• OMB Circular A-110 (2CFR Part 215)
  Uniform Administrative Requirements for Grants and Other Agreements with Institutions of Higher Education, Hospitals and Other Non-Profit Organizations

• OMB Circular A-133
  Audits of State, Local Governments, and Non-Profit Organizations
Allowability Determined by.....

• The INSTITUTION – Duke University
  – Award is made to Institution
  – R3 On-Line System
  • Plan
  • Cost Accounting Standard Expenses (SPCAS)
  • Reviewable Expenses (SPREVWGL)
  • Non-Salary Cost Transfer Tool (ZF418)
  – General Accounting Procedures
The Award Document

– Is this a Federal Prime?
– When does it start and end?
– How much is awarded/obligated?
– Are there any carry forward funds?
– What are the limitations or restrictions?
– General or Special Terms & Conditions
### TERMS OF AWARD

**NAME OF SPONSOR:** ______________________________

**AWARD/ACCOUNT NO.:** __________________________

**PI:** ______________________________

**AWARD PERIOD:** ____________________________

**GOVERNMENT PRIME:**

**NAME OF PRIME:** ______________________________

### EQUIPMENT

- Sponsor's approval required for all purchases costing $________ or more unless including those specified in the approved budget.

- Title vests with Duke/Sponsor for items costing $______ or more

- Title for items costing $______ or more, vests with Duke only if items are listed in budget and/or approved by the Contracting Office

- Other: ____________________________________________

### TRAVEL

- Sponsor's approval is required for foreign/domestic travel

- Other: ____________________________________________

### REBUDGETING

- Budget changes in excess of $______ or ___% require sponsor's approval

- Expenses exceeding budget categories require sponsor's approval

- Other: ____________________________________________

### PAYMENTS/FINANCIAL REPORTS

- Financial Reports must reflect approved budget categories

- Sponsor may retain ____% of each/final invoice until Final Reports have been accepted

- Excess funds remaining at end of project must be returned to sponsor

- Investment Income is Mandatory

- Investment Income must be used for project expenses

- Cost sharing is required: Amount: ______________ Source: ________________________

### SPECIAL RESTRICTIONS SPECIFIED IN AWARD DOCUMENT/TERMS & CONDITIONS

____________________________________________________________________________

____________________________________________________________________________
Departmental Responsibility

• Timely charging of the expenses
  – Requesting a Cost Object (WBSE)
  – Pre-Award Costs

• Ensure allowability of expenses charged
  – Reasonable
  – Allocable
  – Consistent Treatment

• Reconciliation of expenses
How is the Financial Report/Invoice Prepared?
Financial Report/Invoice

• The University has delegated the responsibility of financial reporting and invoicing to the Office of Sponsored Programs (OSP) for sponsored projects.

• One of OSP’s main functions is to prepare and submit financial reports/invoices to Sponsors, in a timely manner and in accordance with Sponsor specific requirements.
Basis of Funding

• **Cost-Reimbursement**
  – Sponsor awards a specified amount but the actual money is not received by Duke until after OSP bills for the expenses incurred on the project.
    • Requires submission of Invoice

• **Fixed-Price**
  – Sponsor award stipulates a fixed amount usually paid when the deliverables/milestones are received and accepted by the Sponsor regardless of the actual expenses incurred.
    • Requires submission of Invoice
Basis of Funding

- **Advance Payment**
  - Sponsor provides payment with their award document or make Advance Payments based on a payment schedule specified in the award documents.
    - Requires submission of Financial Report
    - Usually Private Foundations and Department of Defense Awards
Set-up: Reporting/Invoicing Requirements

• OSP establishes report/invoice records for each WBSE within R3, Billing & Reporting module.

• Each record identifies the sponsor required report types & frequency of report/invoice.

• Monthly Workloads are generated to identify and prioritize the reports & invoices to be prepared and submitted for each month.
The Starting Point: Preparing Financial Report/Invoice

- R3 ITD Project Report
- Verify that reporting period of report/invoice is within the dates of the project.
- Adjustments for unallowable expenditures (review SPCAS cost element group for federally funded projects).
- Verify that the amounts reported/invoiced do not exceed the funds authorized by the Sponsor.
- Reconcile F&A expenditures (CJ08-Display Master Data or F&A)
Display Examples of Invoices and Financial Reports Submitted to Sponsors.
Where is the MONEY?
Where’s the Money?

• Revenue in your WBSE can come from different sources:
  – Mandatory Investment Income
  – Program Income
  – Revenue from the sponsor
Mandatory Investment Income

- Some sponsors require that their advance payments to Duke are invested to earn interest.
- OSP notifies Endowment / Investment Accounting when investing is required, and the Departmental Administrator is copied on the notification.
- Most sponsors that require investing allow you to spend the income on the project.
- Watch your financial statements for the investment income (GL accounts 331XXX through 333XXX).
Program Income


– Some projects generate income:
  • Registration fees for a seminar
  • Lab drug testing fees earned for services performed
  • Federal sponsors require the program income to be reported on our financial reports.

– Award document will indicate use of Program Income.
A word about Revenue Accruals

– Revenue Accruals do not affect the revenue received from the sponsor.

– Required by Management Centers; are reversed each fiscal period.

– Use Cost Element SPREV or SPREVEXP to exclude revenue accruals when running R/3 financial reports.
Revenue from the Sponsor
How does Duke get the money?

• Two ways:

  1. Electronic Funds Transfer (EFT) : sponsors send funds electronically to a Duke bank account.
     • Sponsors who send funds electronically:
       – National Institutes of Health
       – Department of Defense
       – National Science Foundation
       – American Heart Association
       – Susan G. Komen Breast Cancer Foundation
How does Duke get the money?

• Two ways:
  2. Paper checks: sponsors mail checks payable to Duke University.
     • Sponsors who mail checks:
       – GlaxoSmithKline
       – March of Dimes
       – Research Triangle Institute
       – Educational institutions (for flow-through awards):
         » Harvard
         » UNC-CH
         » UCLA
How does Duke get the money?
Payments from Sponsors:

• What triggers a sponsor to send a payment?
  – Invoice: a direct request for payment.
  – Financial report: can be the mechanism that prompts the sponsor to submit their next payment.
  – Payment schedule: provided by the sponsor in the agreement.
Electronic Funds Transfers and Checks

• Which Duke departments process the Electronic Funds Transfers and checks?
  – Corporate Cash Management
  – Sponsored Programs
  – Bursar’s Office
  – Alumni & Development Records (ADR)
Payment Processes

• How are EFTs processed?
• How are checks processed?

Handout
3 & 4
What goes to ADR?

All checks and EFTs to be deposited to these GL accounts:

- 321X00: The Duke Endowment
- 323200: Foundations: expendable gifts
- 323400: Foundations: grants
- 326200: Industry: expendable gifts
- 326400: Industry: grants
- 328200: Other voluntary sources: expendable gifts
- 328400: Other voluntary sources: grants
Revenue from EFTs

What does revenue from an EFT look like on my financial statement?
Revenue from Checks

What does revenue from a check look like on my financial statement?
When will the money come in?

- Payments in advance, based on a payment schedule.
- Payments in arrears
  - Based on invoices sent.
    - Most are cost-reimbursement.
    - Can be based on deliverables or milestones.
  - Based on financial reports sent.
- Some sponsors withhold any payment until required deliverables are received and accepted.
What should I do....

• If I receive a check from a sponsor for a sponsored project?
  – Send it to Sponsored Programs.
  – Include all correspondence that the sponsor sent with the check.
Thank you!