Show Me the Money!

Office of Sponsored Programs: Michelle Rigsbee and Heather Webb

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.   (circle one)

_____   Title vests with Duke/Sponsor for items costing $_____ or more
                         (circle one)

_____   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
                                    (circle one)
_____   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
                                    (circle one)

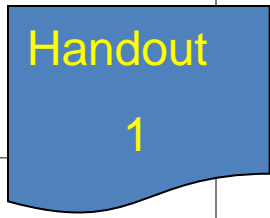_____   Excess funds remaining at end of project must be returned to sponsor

_____   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

  _____

  _____

Handout 1

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)

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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

– GAP 200.290: Program Income – Federal Grants and Contracts.

– 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 <u>do not</u> 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?

Handout 2

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!