

I. Introduction to Accounting for Grants and Contracts

A. Overview

Sponsored Programs Accounting (SPA), a unit within the Controller's Office, is responsible for the fiscal administration of externally funded projects including grants, contracts, and cooperative agreements.

Objectives:

In this chapter, you will learn about:

- OMB Uniform Guidance, which was previously federal circulars A-21, A-110 and A-133
- The role of SPA in grant/contract administration
- Who is responsible for monitoring expenses on grants and contracts
- How project numbers for grants and contracts are set up in the general ledger
- How SPA bills a sponsor for expenses
- Facilities and administrative costs
- Effort reporting
- What are cost share and participant accounts and how are they funded

B. Federal Guidelines & RIT Policies and Procedures

1. Grants and contracts awarded by the federal government are subject to federal government administrative requirements, cost principles, and audit requirements. Previously RIT followed three circulars, A-21 (cost principles), A-110 (administrative), and A-133 (audit requirements). Effective December 26, 2014, the OMB combined eight federal circulars into a single document known as "Uniform Guidance". The Uniform Guidance (UG) includes definitions, administrative requirements for pre- and post-award, cost principles, and audit requirements
2. SPA provides guidance and direction to the Principle Investigator (PI) about RIT policies and procedures as well as federal **compliance** requirements with regard to the fiscal administration of his/her sponsored project. SPA also helps prepare the PI and other staff for external audits.
3. The PI is responsible for ensuring that spending of grant and contract funds are within the guidelines of the budget approved by the sponsor.

For detailed information about Grant and Contract Post Award Administration, refer to the Sponsored Programs Accounting section of the Controller's Office web page: <http://finweb.rit.edu/controller/sponsored/>

C. Roles and Responsibilities

1. SPA

- a. SPA is responsible for the fiscal administration of grants and contracts, which includes:
 1. Establishing new project accounts on the general ledger
 2. Setting up and monitoring budgets
 3. Reviewing payment requests for *subrecipients*
 4. Resolving deficit account balances when they occur
 5. Preparing progress billings for grants and contracts
 6. Preparing cost share account entries and monitoring cost share activity
 7. Drawing funds for federal grants and contracts as expenses occur
 8. Working with project sponsors to answer billing questions and other reporting issues
 9. Obtaining effort reporting certification from principal investigators
 10. Working with external auditors who perform the annual Federal Single Audit
 11. Providing training to department administrators, PIs, and other staff
 12. Closing out accounts when a grant/contract is complete

- b. SPA approves certain transactions, including:
 1. All journal entries affecting federal awards
 2. All salary and wages journal entries
 3. Fabricated and capital equipment journal entries
 4. Employee Action Forms (EAF)
 5. Tuition remission forms
 6. Advance payment requests for human subjects
 7. Payments to subrecipients
 8. GRA forms prior to processing to be sure that expenses are allowable and that there are sufficient funds available
 - i. SPA will contact the department administrator or PI if they have a question about a transaction.

- c. SPA also acts as liaisons with various departments and individuals within RIT including:
 1. Sponsored Research Services (SRS) and Principal Investigators to ensure compliance with RIT, federal and state guidelines regarding grant and contract administration.
 2. Office of Financial Aid and Scholarships to monitor activity for aid awarded to students.

3. Human Resources and Payroll Offices to ensure that salary charges to sponsor funded projects are accurate.
2. Principal Investigator
 - a. **Principal Investigator** or PIs are responsible for approving all project expenditures. This includes:
 1. Employee Action Forms (EAFs)
 2. Student employment hire forms
 3. Time card review
 4. Purchase requisitions
 5. Procurement card transactions
 6. Payments to subrecipients
 7. Invoice payment forms
 8. Travel Expense Reports (TER)
 9. GRA/Tuition remission forms
 - b. PIs are also responsible for reviewing Oracle reports on a regular basis and for the programmatic and technical outcomes of their projects. Oracle reports include SPA grant statements, Account Analysis Reports, and Payroll Distribution Reports.

D. Characteristics of Grants and Contracts

1. Grants and contracts are written agreements received from federal, state or private agencies, or private resource providers.
2. Generally, grants and contracts have the following characteristics:
 - a. There is a stated time period during which the funds may be spent.
 - b. The instrument names a Principal Investigator or Project Director under whose direction the project will be carried out.
 - c. They carry a number of limiting conditions that are stated in the award document such as allowable costs, final fiscal reports, project reports, and other deliverables.
 - d. A contract differs from a grant in that it has specific commercial value for the sponsor who defines performance objectives such as detailed reports and a timetable for meeting objectives. Failure to meet the terms of the contract agreement may result in penalties for the recipient (RIT).
3. There are two types of agreements:
 - a. Cost reimbursement agreements that limit reimbursement to actual

costs incurred.

- b. Fixed price agreements that provide a fixed dollar amount, regardless of actual expenditures, as long as deliverables are accepted by the sponsor.
4. If a sponsor has assured RIT that funding will be forthcoming, but all documents have not yet been signed by both parties, the PI can request that SRS establish a contingent account. In most cases, this requires approval from the appropriate dean or department head. Upon receipt of a written request from SRS, SPA will assign a project number on a contingency basis. This allows the PI to expend funds directly on the contingency account.
 - a. SPA will change the designation on the project account when the official award notice is received.
 - b. In the event that the award is not received from the sponsor, the Dean, Department Head and PI are accountable for funding expenditures incurred on the project.
 5. The grant and contract project numbers range on the general ledger is 30000 – 39999 and α 0000 – α 9999.
 - a. Federal grants and contracts are assigned to project numbers ranging from 30000 – 32999.
 - b. State grants and contracts are assigned to project numbers ranging from 33000-35999.
 - c. Private grants and contracts are assigned to project numbers ranging from 36000-39999.
 - d. Alpha accounts are set up when the main (3XXXX) award has requirements for separate cost accounting for funds allocated to support the project. For example, a *cost share* account that has been established for an award with a requirement for a cost share will be assigned to the project number range C0000-C9999. Awards with *participant support* requirements will be assigned to the project number range P0000-P9999. The last 4 digits on these accounts will match the last 4 digits of the grant funded project number. For example, the cost share project for federal project 32500 would be C2500.

E. Setting Up a New Grant or Contract

1. When SRS receives an award letter from a *sponsor* indicating the terms and conditions of the grant/contract, they forward it to SPA. The SPA representative responsible for the Division or College receiving the award establishes a new project account in the general ledger. The SPA

representative also uploads the project budget in Oracle and enables (turns on) the account code combinations that will be charged to the award based upon the information provided to and approved by the sponsor.

To determine [who](#) the SPA representative is for your division or college, refer to the Controller's Office web page

- a. The ORACLE general ledger account code combinations are 24 digits long, with five different segments. Each segment is defined below:

XX . XXXXX . XXXXX . XX . XXXXX . 00000

entity. department. object code. federal expense category. project number . 00000

- b. Principal Investigators are assigned an account code combination using the department account number for the first three digits and a unique number for last two digits. An example of a federal research grant account number awarded to a PI in Electrical Engineering (department 63100) is:

01 . 63150 . XXXXX . 15 . 32500 . 00000

For more information about PI department numbers, refer to the [Accounting Practices, Procedures and Protocols Manual](#), Chapter III, Section E.

- c. If required, SPA sets up a cost share or participant support project account to track these expenditures and funding. As indicated above, these will be set up as a CXXXX or PXXXX account, respectively.
- d. Each time SPA invoices the sponsor for grant/contract expenditures, the appropriation (revenue) is credited to the grant/contract account. A credited amount will be indicated by parenthesis on your statements. An example of a revenue line on a federal award is:

01 . 63150 . 52000 . 15 . 32500 . 00000

2. Once the project account is established, SPA and SRS conduct a ***Project Initiation Meeting (PIM)*** with those involved in administering and/or directing the project to review fiscal administration and sponsor requirements of the grant or contract.

F. Facilities and Administrative Costs

1. Facilities and Administrative costs (**F&A**) relate specifically to RIT central administrative services and general institutional costs such as heat, light and power, etc.

- a. F&A rates are negotiated with the federal government's Department of Health and Human Services (DHHS). A signed agreement that establishes the allowable rates for reimbursement is entered into between RIT and the federal government.
2. F&A expenses are part of the approved grant/contract budget. The sponsor will reimburse RIT based on the agreed upon rate for F&A expenses incurred on the project.
3. During each month end closing, F&A costs are charged to each grant/contract for the period.
 - a. F&A is assessed on allowable expenses incurred during the period. For example, if total expenses on a federal award during a given month were \$5,000, and the F&A rate was 46.5%, the F&A expense assessed on the project would be $\$5,000 \times 6.5\%$ or \$2,325.
 - b. F&A expenses are charged to federal projects on object code 90345.
4. While F&A return policies vary, RIT typically shares F&A reimbursements with the Division or College.
 - a. SPA returns F&A on an annual basis. Returns are completed each August based on activity during the prior fiscal year (July 1st – June 30th).

To obtain information about RIT's current Facilities and Administrative Cost Rates, refer to the Controller's Office web page:
<http://finweb.rit.edu/controller/sponsored/rates.html>.

G. Effort Reporting

1. Uniform Guidance outlines that charges to federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must be supported by a system of internal controls which provide reasonable assurance that the charges are accurate, allowable, and properly allocated. At RIT, our internal control structure includes an effort reporting statement which is incorporated into the official records, reasonably reflects the employees Institutional Based Salary, and encompasses both federally assisted and all other activities compensated for.
2. RIT follows an after-the-fact reporting method for effort reporting. SPA prepares and distributes *Effort Reports (ERs)* to PIs for certification for each federal grant/contract.
 - a. ERs provide details of salary charges to sponsored projects and any related cost share project for the preceding semester.

- b. The PI (or an individual with direct knowledge of the grant/contract activity) must sign the ER via Adobe EchoSign which will be returned to SPA electronically. SPA will maintain a copy of the certified ER.

H. Summer Contracts

1. According to 2CFR §200.430, faculty are not permitted to earn additional salary for work performed on a federally sponsored project. However, since RIT faculty work on a 9.5-month academic-year contract, they may, with sponsor approval, be entitled to work on their sponsored project(s) during the summer and receive *summer salary*.
2. According to RIT policy, faculty may earn up to a maximum of 26.3% of their prior year's 9.5 month contract amount for work performed during the summer. The amount actually paid is based upon the percentage of effort expended by the individual during the summer months (June through August).
 - a. The National Science Foundation (NSF) limits the maximum amount to 21.05% of the prior year's 9.5 month salary.
3. Faculty who anticipate expending 100% effort during this period of time are required to submit documentation summarizing their planned activities related to each federal award and documenting his/her understanding of any regulatory requirements.

To obtain information about summer salaries, refer to the Controller's Office web:
<http://finweb.rit.edu/controller/sponsored/summersalaries.html>

I. Monitoring Expenditures on Grants and Contracts

1. Department administrators or PIs are responsible for monitoring expenses charged to projects including grants, contracts, gifts, special projects and designated fund accounts. Expenses may include student wages, GRA stipends, tuition remission, subrecipient payments, independent contractors, participant support payments, equipment, supplies, and travel. Various Oracle reports are available to assist departments with tracking project revenue and expenses.
 - a. Alcoholic beverages cannot be charged to any grants or contracts.
 - b. With approval of the department head, alcohol expenses may be charged to the department's operating account on the "government non-reimbursable" object code 79050

For information about Oracle FSG and Standard reports, refer to [Accounting Practices, Procedures and Protocol Manual, Chapter XI](#).

Lessons 2, 3 & 4: Requesting and Printing FSG and Standard Reports in the General Ledger Section of the Oracle Training Manual provide additional information.

2. SPA monitors grants and contracts to ensure that deficit balances do not occur. Departments are responsible to fund over-expenditures, should they occur.
 - a. SPA will work with the PI and department administrator to resolve any deficit prior to closing the project.

J. Invoicing the Sponsor for Grant/Contract Expenses

1. SPA invoices sponsors according to the terms and conditions specified in the agreement. Typically, sponsors are billed on a monthly or quarterly basis.
2. After the month end accounting close, SPA prepares invoices for expenses incurred since the last billing period. When the invoice is submitted to the sponsor, an entry will be generated through the accounts receivable system to record the accounts receivable and appropriation (revenue) earned.

An example of a journal entry to record an accounts receivable and revenue on a federal grant is:

Debit: Accounts Receivable
 01 . 01000 . 04074 . 00 . 00000 . 00000
Credit: Federal Appropriation (Revenue)
 01 . 63150 . 52000 . 00 . 32500 . 00000

3. At the conclusion of the grant, the federal appropriation (revenue) will equal the total expenses incurred on the project.

K. Cost Share Expenses / Funding

1. Sponsors may require RIT to contribute toward the cost of a sponsored project. When this occurs, the matching expenses must be accounted for separately from the funded expenses (e.g., a separate *cost share* project must be established).
2. Cost share expenses must meet criteria as specified in 2 CFR §200.306 (i.e., verifiable, necessary and reasonable, allowable, etc.).
3. Cost share expenses must be approved in advance if funded by Institute funds or if the cost share amount exceeds \$50,000 of departmental funds.

4. The most common type of cost share is for a PI's salary.
 - a. The PI completes an Employee Action Form (EAF) online through the Oracle system to charge a percentage of his/her annual base salary to a sponsored project. Once submitted, the online EAF will automatically route to the appropriate individuals for approval.
 - b. Salary expenses are charged directly to the sponsored project specified on the EAF through the payroll process. Note: fringe benefits and ITS charges are automatically assessed on the grant based upon the salary expenses and percentage of effort.
 - c. Each quarter, SPA funds cost share commitments via a transfer journal entry that will debit the funds in the funding department (e.g. the operating account), and credit the funds in the cost share account. Cost share accounts that are funded from only one internal source may be funded automatically monthly.

An example of a cost share transfer from the Electrical Engineering department operating account to a federal grant is:

Debit: Cost Share Transfer To a Grant or Contract
 01 . 63100 . 63030 . 00 . 00000 . 00000

Credit: Cost Share Transfer From an Operating Account
 01 . 63150 . 63001 . 00 . C2500 . 00000

L. Closing a Project

1. Three months prior to the end of the award period, SPA will send a letter confirming the project end date, the available balance on the award, and informing the PI of any actions that may be required during this period.
2. SPA also sends the PI a final grant statement for his signature certifying that all expenditures are accurate.
3. Once the project has ended and all expenses have been processed, SPA will send a final invoice to the sponsor.
4. Once final payment has been received from the sponsor, if there is a surplus balance remaining on a fixed price contract, SPA will return the amount to the PI's designated project account.

NOTE: Definitions for each of the key words mentioned throughout this document can be found in the [Glossary](#) on the Sponsored Programs Accounting website.