CU-Boulder Accounting & Budget Services (ABS)
Policy and Procedure

Title: Sponsored Projects Close Out Procedures

Approval Date:	February 27, 2002
Effective Date:	March 1, 2002
Original:	x
Revised:	
Approved By:	Judson Hurd, Controller

---

1. Background Information

It is the responsibility of the Office of Sponsored Projects Accounting to prepare and submit accurate and timely financial reports as required by the terms of each grant or contract. Most final financial reports are due to the agency on or before 90 days after the project end date. In addition, Federal rules and regulations require that "unless the Federal awarding agency authorizes an extension, a recipient shall liquidate all obligations incurred under the award not later than 90 calendar days after the funding period or the date of completion as specified in the terms and conditions of the award or in agency implementing instructions".

Implicit in these regulations is that:

- *All relevant project costs should be recorded in the accounting system within this time period;*
- Reported costs are allowable, allocable, and directly beneficial to the project;
- Expenses do not exceed the budgeted amount;
- "Cost transfers", or error corrections, must be completed within this time period;
- Cost-sharing obligations have been met and have been documented.

The process of reconciling and closing sponsored projects has become increasingly cumbersome. Problems with over-expenditures, questionable expenses, late charges, unexpended funds, undocumented cost sharing, and accounting errors frequently cause serious delays in both the reporting and billing functions. Other consequences may include:

- Delay or withholding of payments on current projects;
- Delay or withholding of future funding by sponsors;
- Exposure to audit findings and disallowances;
- Cash management issues.

The following procedures are established to:

- streamline the administration of sponsored projects that have ended,
- ensure prudent fiscal management,
- conform with Federal rules and regulations, and

- reinforce a January 13, 1997 memorandum from Associate Vice Chancellor for Research Carol Lynch that addresses *Over-expenditures on Contract and Grant Accounts*. The memo states, "It is Boulder Campus policy to turn to a unit's other accounts for funds to cover any such overdrafts that are not resolved. For example, if a unit is unable or unwilling to resolve an overdraft, it may be necessary to resolve it through the use of that unit's allocation of indirect cost recovery (ICR) funds." This letter can be viewed on the ABS Web site at:
  http://abs.colorado.edu/ABS_WEB/non_htm_docs/POLICIES/Overexpenditures_on_Contracts&Grants.doc

2. Procedures

1. **FIRST NOTICE:**
   Sponsored Projects Accounting will notify the department's designated key contact of projects that are approaching their end date. This notification will occur approximately 45 days in advance of a project's end date. Requests for no-cost extensions must be made to OCG within 45 days of the project end date. The departmental administrator and PI should carefully review their projects to prepare for the closing process:
   - Personnel appointments should be revised;
   - Outstanding encumbrances must be resolved;
   - Standing Purchase Orders must be cancelled or revised to charge different FOPPS.

   If you are aware of extensions, re-budgeting requests, or additional funding, please notify the appropriate SPA accountant. ***These revisions must have adequate documentation.***

2. **SECOND NOTICE:**
   Depending on reporting requirements, Sponsored Projects Accounting will begin review of projects that have ended within approximately 60 days after the project end date. The designated key contact and Principal Investigator will be advised by e-mail of specific items of concern, including:
   - Over-expenditures;
   - Budget deviations;
   - Excessive under-expenditure;
   - Unallowable expense categories (review Boulder Campus Direct Cost Policy at http://acctoffc.colorado.edu/SPA/policy.pdf);
   - Undocumented cost-sharing.

   Departmental administrators or principal investigators will be expected to complete the necessary transactions to*:*
   - Resolve over-expenditures;
   - Provide missing Personnel Effort Reports (PER's) or documentation of required matching funds;
   - Remove unallowable expenses, or
   - Correct accounting errors.

   Of particular concern to the campus is the timeliness and justification of those journals made for the purpose of correcting errors on a project, or "cost transfers". Federal auditors have historically considered cost transfers made within 30 days of the original charge to be valid corrections and these do not normally require

extensive explanation. For cost transfers made beyond the 30 day period, a detailed explanation is required. Cost transfers made more than 90 days after the initial charge will not be permitted except with the most compelling and documentable justification, as well as an explanation for the delay in making the transfer.

If these tasks cannot be completed due to extenuating circumstances or problems outside of the department's control, a detailed justification must be submitted to the SPA accountant within 30 days of the second notice.

3. **THIRD NOTICE:**
   If problems have not been resolved within 30 days of the second notice, the department chair, the designated key contact, and the PI will be advised by email of outstanding issues. Again,
   - Over-expenditures must be removed, or documentation must be provided
   - that additional funding has been awarded;
   - Questionable expenses must be removed, or justification must be provided that they are allowable within the terms of the project;
   - Documentation must be provided that an extension has been awarded thereby delaying the report due date;
   - Documentation must be provided that outstanding encumbrances are valid and will not cause an over-expenditure.

   If issues have not been resolved after 30 days from the date of the third email contact, the department will be notified that any necessary corrections will be completed by SPA accountants. Over-expenditures, unallowable expenses, or undocumented cost transfers will be ***charged directly to the Departmental Administration Indirect Cost Recovery (DA-ICR) FOPPS.*** Copies will be sent to the key contact, the Principal Investigator, and the department chair.

The policy and procedures for moving expenses to departmental accounts will also extend to:

- "uncollectable costs", or those expenses to a sponsored project that will not be reimbursed by the sponsor,
- the existing backlog of old, expired projects with unresolved budget deficits.

Please note that this procedure does not apply to "collections issues", or billing problems that may arise unrelated to the administration of the project.

Exceptions to this procedure will be granted only in extraordinary circumstances, with written approval from either Linda Johnson or Kathy Phillips in the Office of Accounting and Budget Services.